

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

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**Farm Storage Facility Loan Program  
1-FSFL (Revision 1)**

**Amendment 12**

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**Approved by:** Deputy Administrator, Farm Programs



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 10 A has been amended to provide that County Offices shall accept CCC-185's within a sufficient amount of time so eligibility requirements can be determined before the COC meeting at which CCC-185 will be acted upon.

Subparagraph 15:

- B has been amended to provide that 2-CP should be followed for failed and prevented planting policy
- C has been added to provide storage need waiver policy.

Subparagraph 16 A has been amended to provide that before STC can approve an application for a renewable biomass FSFL, the contract letter or letter of commitment must be for at least 1 entire production and marketing cycle.

Subparagraph 17:

- B has been amended to provide additional resources for determining reasonable commodity yield for FAV's
- C has been amended to provide that the area of a structure required to house eligible handling equipment is eligible, in addition to the cold storage space
- E has been added to provide FAV storage need waiver policy.

Subparagraph 19 A has been amended to add that liquefied petroleum tanks to fuel dryers are eligible for FSFL.

## Amendment Transmittal (Continued)

### A Reasons for Amendment (Continued)

Subparagraph 21 B has been amended to provide:

- eligible FAV permanently affixed handling equipment
- that the area of a structure required to house eligible handling equipment is eligible, in addition to the cold storage space.

Subparagraph 24:

- C has been amended to provide clarification for situations in which additional security is required
- G has been amended to provide:
  - that an irrevocable letter of credit is not required for FSFL's with an aggregate outstanding balance of \$100,000, or less, **unless** STC determined statewide additional security is required for FSFL's with an aggregate outstanding balance between \$50,000.01 and \$100,000, or less
  - when an irrevocable letter of credit is used in addition to the FSFL structure, STC may allow up to 50 percent of the loan amount for the value of the structure
  - that UCC-1 should be released once the irrevocable letter of credit is received for the full amount of FSFL
- N has been amended to clarify that additional security may be required for FSFL's with an aggregate outstanding FSFL balance between \$50,000.01 and \$100,000, or less and STC has authorization to make the statewide determination.

**Note:** The subparagraph does not apply if STC determined statewide additional security is required for FSFL's with an aggregate outstanding FSFL balance greater than \$100,000.

## Amendment Transmittal (Continued)

### A Reasons for Amendment (Continued)

Subparagraph 25 A has been amended to clarify stand alone structure policy.

Subparagraph 28 B has been amended to update the partial disbursement example

Subparagraph 52 I has been amended to provide that the review of CCC-195's and CCC-195A's or CCC-195B's should be completed after all applicable checklist items have been completed and always before disbursement.

Subparagraph 53 G has been amended to provide if an increase of up to 10 percent of the FSFL is requested by the producer after the FSFL has been approved, a new financial analysis is **not** required, unless it is required by STC.

Subparagraph 54 A has been amended to provide that a signature is required from all applicants for whom FSA will request a credit report to determine eligibility.

Subparagraph 69:

- D has been amended to provide additional multi-peril crop insurance and NAP coverage waiver provisions
- E has been amended to correct the subparagraph reference
- F has been amended to provide all-peril structural insurance waiver provisions.

Subparagraph 115 A has been amended to clarify the following when using an irrevocable letter of credit:

- additional security requirement
- conditions of approval.

Subparagraph 130 B has been amended to clarify that CCC-297 may be required if STC determined statewide additional security is required for FSFL's with an aggregate outstanding FSFL balance of \$100,000, or less.

## Amendment Transmittal (Continued)

### A Reasons for Amendment (Continued)

#### Subparagraph 133

- A has been amended to provide that CCC-191's are required when an irrevocable letter of credit is used to secure FSFL
- C has been amended to provide if an increase of up to 10 percent of the FSFL is requested by the producer after the FSFL has been approved, a new financial analysis is **not** required, unless it is required by STC.

Subparagraph 163 A has been amended to change the collateral check from 15 to 30 calendar days if the full annual installment payment is made after the installment due date.

Subparagraph 177 A has been amended to update policy when assumptions are authorized and provide a contact for questionable situations.

Subparagraph 230 B has been amended to provide the following:

- County Offices shall notify producers that approval is required before existing FSFL security documents are amended for repair or replacement
- the producer is responsible for the cost of amending and refiling FSFL security documents
- when the collateral will not be repaired, the County Office must discuss with the approving authority if the FSFL should be called according to paragraph 196 and/or determine if a DAFP waiver should be requested
- a contact for questionable situations.

Subparagraphs 326 C and 338 B have been amended to provide that County Offices should enter eligible commodity facility type code in addition to whether the FSFL is for affixed handling equipment or affixed drying equipment.

**Amendment Transmittal (Continued)**

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## Part 2 Basic FSFL-Making Policies

### 10 FSFL Availability

#### A Signup

[7 CFR 1436.4] County Offices shall accept CCC-185's and supporting documents:

- anytime during normal office hours
- from producers in person, **not** by FAX
- \*--to ensure that eligibility requirements can be determined timely before the STC or COC meeting at which CCC-185 will be acted upon.

**Note:** An FSFL request should always be accepted regardless of the time of month STC or COC will meet.--\*

#### B Where to Apply

CCC-185's from eligible borrowers for FSFL's for all commodities, **except** FSFL's for renewable biomass and cold storage facilities for FAV's, shall be submitted to the administrative County Office that maintains the applicant's farm records of the farm or farms to which CCC-185 applies.

For renewable biomass storage facilities and cold storage facilities, CCC-185's must also be submitted to the administrative County Office that maintains the applicant's farm records. If some or all of the land from which renewable biomass is harvested and FAV's are produced does **not** have farm records established, CCC-185's must be submitted to the County Office that services the county where the facility will be located.

#### C Documentation

Upon request, the applicant shall provide information and documents as STC or COC determines reasonably necessary to support CCC-185. The following are examples of information and documentation:

- CCC-901's and CCC-902's
- drawings
- financial statements
- invoices
- legal description of parcel where facility will be placed
- plats or aerial photograph with structure location marked
- purchase orders
- receipted bills
- specifications
- written authorization of access to the proposed storage site.

**Note:** The storage facility **must** be a stand-alone structure. An example of a structure that would be ineligible for FSFL and **not** be considered a stand-alone structure is when 2 structures are built, and the structures share common components, such as, but **not** limited to, access door, wall, or roof.

## 10 FSFL Availability (Continued)

### C Documentation (Continued)

For CCC-185's not supported by existing farm records, the applicant must provide all the documentation required to the County Office for the applicant to be determined an actively engaged and eligible borrower.

COC is responsible for taking appropriate action on CCC-185.

### D Producer Action Before CCC-185 Approval

Submitting CCC-185's does **not** ensure approval nor does it create any liability on CCC's behalf.

FSFL applicants, who authorize delivery, site preparation, or construction actions without an approved CCC-185, do so at their own risk and **without** creating any liability on CCC's behalf.

## 11 CCC-185 Approval Authorities for Specific Situations

### A COC Authorized Approval Authority

CCC-185 approval should be obtained **before** any action is taken by the applicant to install the facility.

COC's, according to subparagraph 2 F and paragraph 115, have the authority to approve \*--CCC-185's for FSFL's when the total aggregate outstanding FSFL balance is:--\*

- \$100,000 or less
- \$100,000.01 to \$250,000, **after** DD review.

\*--**Example:** Producer has an outstanding FSFL for \$90,000 and requests a new FSFL for \$30,000. DD review of the \$30,000 loan request is **required before** COC approval.

COC's have the authority to approve CCC-185's for FSFL's for the aggregate outstanding FSFL balance of \$100,000 or less; or aggregate outstanding FSFL balance of \$250,000 or--\* less **after** DD review; **with** STC or designated SED concurrence in cases where the applicants began specific actions before CCC-185 approval. The applicable actions include the following:

- accepted delivery of equipment or materials
- site preparation in previously disturbed areas
- foundation construction.

**14 Ineligible FSFL Commodities**

**A Ineligible Commodities**

Not all commodities are eligible for FSFL, according to subparagraph B.

**B List of Ineligible FSFL Commodities**

The following are ineligible FSFL commodities:

- commodities not listed in paragraph 13
- corn gluten
- firewood
- manure
- old growth timber
- processed commodities
- waste from domestic/residential/municipal sources
- waste from food source operations or food processing plants.

**15 Determining Storage Need**

**A Storage Need Determinations**

Subparagraph B provides a formula for determining basic storage need. See paragraphs 16 and 17 for assistance in determining specific storage need.

## 15 Determining Storage Need (Continued)

## B Basic Formula

Applicants shall demonstrate a need for storage capacity as determined by the following formula.

Step	Action
1	Determine the borrowing entity and applicable farm operation from CCC-902.
2	<p>Determine up to a 3-year average acreage for each FSFL commodity that requires storage at the proposed location, from the producer's share of up to the 3 most recent FSA-578's.</p> <p>When a farming operation reorganizes and the <b>same</b> individuals or entities continue to operate the farm, the cropping history applicable to the previous operation may be used.</p> <p><b>Notes:</b> County Offices <b>must</b> use FSA-578's for determining the average acreage of each eligible commodity.</p> <p>Late-filed FSA-578's <b>must</b> be filed according to 2-CP and a late fee <b>must</b> be paid for each crop year the acreage report was filed late; however, County Offices may request a DAFP waiver according to subparagraph 2 E when late-filed FSA-578's do not meet the *--requirements in 2-CP, paragraph 21. See subparagraph C.--*</p> <p>For FSFL's for structures to store silage, use the average acreage harvested as silage.</p> <p>For FSFL's for structures for hay, use <b>only</b> the hay acreage from established farms.</p> <p>A reasonable 1-year acreage and yield projection may be used instead of an average for 1 of the following:</p> <ul style="list-style-type: none"> <li>• newly acquired farms</li> <li>• FSFL crops being grown for the first time</li> <li>• cases where prevented planting or disasters adversely affect the average production</li> </ul> <p>*--<b>Notes:</b> 2-CP policy should be followed for failed and prevented planting.</p> <p>For questionable situations, State Offices shall contact Toni Williams by e-mail at <b>toni.williams@wdc.usda.gov</b>.--*</p> <ul style="list-style-type: none"> <li>• cases where crop rotations adversely affect the acreage production.</li> </ul>

## 15 Determining Storage Need (Continued)

## B Basic Formula (Continued)

Step	Action	
3	Multiply each average acreage times the applicable crop yield determined to be reasonable by COC, total the results, and multiply the result times: <ul style="list-style-type: none"> <li>• 1 for FAV</li> <li>• 2 for all other commodities.</li> </ul> <p><b>Note:</b> Use the same unit of measure for yields for each commodity.</p>	
4	Deduct existing storage capacity, owned by the applicant, for the applicable crops.	
5	<b>IF result from step 4 is...</b>	<b>THEN...</b>
	greater than zero	the producer is eligible for the needed capacity, <b>not</b> to exceed the producer's proposed capacity or capacity to be upgraded.
	less than zero	notify the producer that he or she is ineligible. Provide appeal rights according to 1-APP.
	greater than zero, but less than proposed storage capacity	see subparagraph 25 F.

## \*--C Storage Need Waiver

The provisions provided in this subparagraph apply to producers who meet both of the following:

- have an aggregate outstanding FSFL balance of \$100,000 or less
- have not previously filed FSA-578's.

STC's may authorize:

- the acceptance of actual yield and production records to determine a 3-year average
- on a case-by-case basis, a waiver of late-filed fees when accepting late-filed FSA-578's.

**Notes:** The producer must request the storage need waiver in writing and the waiver determination must be maintained in the FSFL folder and documented in the STC or COC meeting minutes.

STC has authority to establish a more restrictive policy and may redelegate authority to COC only for provisions provided in this subparagraph.

County Offices may request additional information from the producer to verify the reported yield and production.

**Notes:** See subparagraph 17 E for FAV storage need waiver provisions.

For questionable situations, State Offices shall contact Toni Williams by e-mail at [toni.williams@wdc.usda.gov](mailto:toni.williams@wdc.usda.gov).--\*

## 16 Aids for Determining Storage Need for Hay and Biomass

### A Determining Storage Need

Applicants must show a need for hay or renewable biomass storage as determined by the formula in paragraph 15 and the information in this paragraph.

Before STC can approve an application for a renewable biomass FSFL, the applicants must provide a contract or letter of commitment with the company or facility that will purchase the applicant's biomass commodity.

**\*--Note:** The contract or letter of commitment must be for at least 1 entire production and marketing cycle.--\*

### B Hay and Biomass Yields

If State and County Offices are unable to determine an annual yield for any of the hay or renewable biomass commodities with the assistance of NIFA, land-grant universities, or available ARS publications, contact PSD.

The unit of measure for hay and renewable biomass commodities will be in tons.

### C Determining Needed Storage

An applicant's needed storage can be determined with NIFA and land-grant university assistance or with the worksheet in Exhibit 6.

Applicable laws, regulations, construction codes, and zoning restrictions may also affect the size of a facility and where it can be located.

The applicant shall provide the County Office with either of the following:

- dimensions of the facility to convert into cubic feet of available space
- capacity of the proposed structure in pounds or tons from the contractor constructing the storage facility.

COC's shall use either of the following conversion factors and the worksheet in Exhibit 6 to determine the capacity of a proposed facility:

- 1 pound of hay requires 0.125 cubic feet of space
- 1 short ton of hay requires 250 cubic feet of space.

**Note:** These factors shall be used to determine the storage capacity of a structure unless the applicant supplies the County Office with detailed documentation of a higher yield.

## 16 Aids for Determining Storage Need for Hay and Biomass (Continued)

### D Determining Proposed Structure Capacity

The following publications may also assist State and County Offices in determining the capacity of a proposed structure:

- Oklahoma State University publication BAE-1716, titled “Round Bale Hay Storage”, available at <http://osufacts.okstate.edu/docushare/dsweb/Get/Document-1772/BAE-1716web.pdf>
- Ohio State University publication, titled “Worksheet for Sizing Hay Storage Pads and Calculating FGD Needs”, available at <http://ohioline.osu.edu/aex-fact/pdf/0332.pdf>.

## 17 Aids for Determining Storage Need for FAV’s

### A Determining Storage Need

Applicants must show a need for cold storage capacity as determined by the formula in paragraph 15 and the information in this paragraph.

The cold storage need will be determined based on production from 1 year.

FAV’s are perishable commodities and their quality can only be maintained for a limited period of time. Cold storage facilities can extend this period of time, but in **no** case will a cold storage facility maintain the quality of FAV’s for longer than 1 year. Although some FAV’s can be stored for up to 8 months, the quality for many FAV’s in cold storage can only be maintained for 7 to 10 calendar days.

See Exhibit 7 for a worksheet that can be used to compute the storage need requirement and capacity of a proposed structure for FAV’s.

### B Determining Reasonable Commodity Yield

COC’s:

- **must** determine a reasonable yield for each FAV included on CCC-185 for a cold storage facility
- shall use the following resources in determining a reasonable yield:
  - ARS publications
  - detailed producer records
  - Internet

## 17 Aids for Determining Storage Need for FAV's (Continued)

**B Determining Reasonable Commodity Yield (Continued)**

- land-grant university located in the State or neighboring State
- NIFA in the State.

**\*--Notes:** State Offices can contact PSD for assistance if they are unable to find a yield for a specific eligible fruit or vegetable.

NCT is also available to assist with reasonable yields within the State.

Contact the Cooperation Extension Service, at State Office's land-grant university, or where relevant, a local laboratory, to assist with reasonable yields and determining needed storage capacity for FAV's in situations where that information cannot be reasonably furnished by the applicant.

Requests for guidance are encouraged when a FAV producer's operation is unusual or if the applicant is seeking to increase the operation's storage capacity to support a growing demand. DAFP review of the situation may result in waivers of certain FSFL program provisions that restrict the producer's eligibility for FSFL.--\*

Agriculture Departments in each State have identified specific units of measure for FAV's sold in their State. To see what unit of measure is applicable to the commodity in a particular State, contact the applicable State Department of Agriculture or check FSA's NCT web site at <https://arcticocan.sc.egov.usda.gov/NCT/NCTMainMenu.jsp> for a specific State and commodity.

**\*--County Offices can access FSA's NCT web site from the FSA Intranet as follows:**

- go to FSA Intranet at <http://fsaintranet.sc.egov.usda.gov/fsa>
- CLICK "FSA Applications"
- under "Applications Directory", CLICK "G-O"
- CLICK "NCT-National Crop Table (2001 - 2008)" or "NCT - National Crop Table (2009-2014)".--\*

**C Determining Needed Cold Storage**

An applicant's needed storage can be determined with the assistance of NIFA and land-grant universities.

Applicable laws, regulations, construction codes, and zoning restrictions can also affect the size of a facility and where it can be located.



## 17 Aids for Determining Storage Need for FAV's (Continued)

### C Determining Needed Cold Storage (Continued)

The following **must** be determined **before** defining the size of refrigerated storage needed:

- volume of product to store
- produce containers (pallet bins, boxes, bulk)
- volume required per container
- aisle space needed (mechanical or manual operation)
- lateral and head space
- available site space.

**\*--Note:** The area of a structure required to house eligible handling equipment is eligible, in addition to the cold storage space.--\*

Kansas State University, Cooperative Extension Service publication MF-1039, titled "Storage Construction, Fruits & Vegetables", may assist County Offices in determining the cold storage needed by an applicant. As this publication is no longer available online, State Offices may request a copy from PSD.

### D Determining Capacity of Proposed Structure

Capacity of the proposed structure can be obtained from the contractor constructing the cold storage facility. The applicant should provide this information to the County Office.

If necessary, County Offices may determine the volume of storage capacity by using the information in Kansas State University's MF-1039 referenced in subparagraph C.

### \*--E Storage Need Waiver for FAV Producers

The provisions provided in this subparagraph apply to FAV producers with both of the following:

- an aggregate outstanding FSFL balance of \$100,000 or less
- a minimum of 3 different fruit and/or vegetable crops.

**Note:** The 3 different fruit and/or vegetable crops may be apples, grapes, and squash.--\*

## 17 Aids for Determining Storage Need for FAV's (Continued)

**\*--E Storage Need Waiver for FAV Producers (Continued)**

County Offices may determine the need for cold storage by using either of the following:

- the basic formula storage calculation according to subparagraph 15 B
- verifiable information to determine a 3-year average that may include, but is not limited to:
  - actual acreage yields used to produce fruits and/or vegetables (by crop or in aggregate)
  - actual production records, by crop or aggregated by categories
  - records of sales, volume sold, or other business records that can be extrapolated to demonstrate cold storage need

**Example:** Farmers Market sales may not be broken out by commodity, but controlled by stall space or vehicle size.

- production shares as part of a community-supported agriculture business.

**Notes:** In some instances, using the FAV producer's actual yield and production records would provide better information for calculating the producer's cold storage capacity need.

The producer must request the storage need waiver in writing and the waiver determination must be maintained in the FSFL folder and documented in the STC or COC meeting minutes, based on the requested FSFL amount.

The 3-year average must be multiplied by 1.--\*

## 19 Eligible and Ineligible Equipment (Continued)

### A Eligible Storage and Handling Facilities for All CCC Charter Act Commodities (Continued)

- include copies of all pertinent information about the following:
  - company
  - how their rebuild kits are manufactured
  - warranty offered on their rebuild kits.
- new structures that are bunker-type, horizontal, or open silo structures, with at least 2 concrete walls and a concrete floor, designed for FSFL commodity storage and having a useful life of at least 15 years
- new permanently affixed handling and drying equipment determined by COC to be needed and essential to the proper functioning of a storage system (without showing a need/or obtaining FSFL for the storage structure)

**\*--Note:** Liquefied petroleum tanks to fuel dryers are eligible for FSFL.--\*

- renovating existing storage according to paragraph 22 without an increase in storage capacity
- safety equipment, as required by CCC, such as lighting and inside and outside ladders

**Note:** County Offices are **not** responsible for determining that equipment meets OSHA standards.

- concrete pads without walls or separate, detachable sides on which an FSFL commodity is stored only if FSFL will be further secured according to subparagraph 24 C or G.

The net costs for CCC Charter Act commodity FSFL's may include the following:

- approved electrical lighting and wiring
- archaeological study or attorney fees
- appraisal cost
- eligible equipment to maintain and monitor commodity quality
- installation costs
- new material and labor for concrete pads or other approved and acceptable flooring
- off-farm paid labor
- purchase price and sales tax of new structure or materials
- shipping and delivery charges
- site preparation costs.

**Note:** The cost to tear down an existing structure is **not** eligible as a net cost item.

## 19 Eligible and Ineligible Equipment (Continued)

### B Ineligible Storage and Handling Facilities

Ineligible storage and handling equipment includes the following:

- portable drying or handling equipment that is:
  - on wheels and can be moved from 1 grain drying site to another
  - **not** affixed or anchored to a permanent location
- structures of a temporary nature that require the weight or bulk of the commodity stored to maintain its shape, such as fence or bags, not having a useful life of 15 years
- storage structures to be used for commercial purposes as defined in Exhibit 2
- portable or permanent weigh scales
- structures that are **not** suitable for storing FSFL commodities for which a need is determined
- feed handling and processing equipment.

## 20 Eligible and Ineligible Structures for Hay and Renewable Biomass Storage

### A Eligible Structures

All FSFL-financed storage structures for hay and renewable biomass commodities **must be used** for the purpose for which they were constructed, assembled, or installed for the entire FSFL term.

FSFL eligible storage structures for hay and renewable biomass commodities:

- **must** have a useful life of at least 15 years
- **\*--must be:**
  - built of such quality that the structure can be insured
  - built to support snow load for the area
  - properly drained--\*
- include new structures suitable for storing the following:
  - hay that are built according to acceptable design guidelines from NIFA or land-grant universities
  - renewable biomass that are built according to acceptable industry guidelines.

**20 Eligible and Ineligible Structures for Hay and Renewable Biomass Storage (Continued)****D Ineligible Items for FSFL's**

Ineligible hay storage structures include, but are not limited to, the following:

- feed handling and processing equipment
- structures of a temporary nature that require the weight or bulk of the commodity stored to maintain its shape, such as bags.

**21 Eligible and Ineligible Structures for FAV Cold Storage****A Eligible Structures**

FSFL-financed cold storage structures for FAV's must be used for the purpose for which they were constructed, assembled, or installed for the entire FSFL term.

**Note:** See Exhibit 2 for a definition of cold storage.

Cold storage facilities, with a useful life of at least 15 years, and eligible for FSFL's include the following:

- new cold storage facility of wood pole and post construction, steel or concrete, suitable for storing FAV's produced by the borrower
- new walk-in prefabricated, permanently installed cold storage coolers that are suitable for storing the producer's FAV's.

**B Eligible Components**

Eligible permanently affixed equipment necessary for FSFL cold storage facility may include the following:

- \*--baggers
- boxers
- brush polishers
- bulk bin tippers
- case palletizers
- cement flooring--\*

**21 Eligible and Ineligible Structures for FAV Cold Storage (Continued)****B Eligible Components (Continued)**

- \*--circulation fans
- cold dip tanks
- drying tunnels
- dumpers
- electrical equipment, such as lighting, motors, and wiring integral to the proper operation of a cold storage facility
- food safety-related equipment (sanitizing or pre-washing filter tanks)
- fruit/vegetable conveyors
- fruit and/or vegetable hoppers
- hydrolifts
- hydrocoolers
- ice machines
- quality graders
- refrigeration units or systems
- roller creepfeeders
- roller spray units
- safety equipment meeting OSHA requirements
- sealants
- sizers
- sorting bins and/or tables
- washers--\*

## 21 Eligible and Ineligible Structures for FAV Cold Storage (Continued)

### B Eligible Components (Continued)

- \*--waxers
- weight graders.

**Note:** The area of a structure required to house eligible handling equipment is eligible, in addition to the cold storage space.--\*

### C Eligible Items for FAV FSFL's

The net costs for cold FSFL's may include the following:

- approved electrical lighting and wiring
- archaeological study or attorney fees
- eligible equipment to maintain and monitor commodity quality
- installation costs
- new material and labor for concrete flooring
- off-farm paid labor
- purchase price and sales tax for new structure or materials
- shipping and delivery charges
- site preparation costs.

### D Ineligible Structures and Components

The following are ineligible for FAV FSFL's:

- bin boxes
- controlled atmosphere structures and components
- freezer units
- portable handling and cooling equipment
- portable or permanent weigh scales
- portable structures, including structures on wheels
- structures not suitable for FAV cold storage
- used or pre-owned cold storage structures.





**24 Security for FSFL's****A Secured by CCC-186's**

[7 CFR 1436.8] All FSFL's shall be secured by CCC-186 covering the farm storage facility. CCC-186 shall:

- grant CCC a security interest in the collateral
- be executed as required by State law where the collateral is located.

**B Prior Liens on Real Estate**

CCC's security interest in the **collateral**, such as the actual storage structure, shall constitute the sole security interest in collateral. If prior liens on the underlying real estate attach to the collateral, County Offices shall:

- unless waived by regional OGC, obtain CCC-297 from each prior or superior lienholder and each person, including the borrower, having an interest in the real estate on which the collateral is located **before** FSFL closing and disbursement and **before** the partial disbursement, if applicable

**Notes:** CCC-297 shall be filed with the appropriate county real estate records **before** FSFL closing.

See paragraph 130 and Exhibit 10 for more details.

- **not** allow any additional liens or encumbrances to be placed on the storage facility after FSFL is approved unless CCC approves otherwise in writing.

## 24 Security for FSFL's (Continued)

**C Additional Security Requirements**

Additional security is required if any of the following apply:

- the aggregate outstanding FSFL balance exceeds \$100,000
- STC has authority to establish a more restrictive policy; however, requiring additional security must be for FSFL's greater than \$50,000 and must be Statewide

**Notes:** This new policy applies to FSFL's that have **not** been disbursed.

The aggregate outstanding FSFL balance is the sum of the outstanding balances of **all** FSFL's disbursed to borrowers signing CCC-186.

**\*--Examples:** These examples are based on STC determining statewide additional security is required for FSFL's with an aggregate outstanding FSFL balance greater than \$100,000.

Producer has an outstanding FSFL for \$75,000 and requests a new FSFL for \$30,000.00. Additional security is only required to secure the new \$30,000.00 FSFL.

A 2-person partnership requests FSFL for \$105,000. FSFL is made to the partnership because the partnership is the farming entity. Additional security is needed because **FSFL** exceeds \$100,000.

Additional security may be required for FSFL's with an aggregate outstanding FSFL balance between \$50,000.01 and \$100,000, or less. STC has authority to make the statewide determination.

**Notes:** STC or COC shall determine resale collateral value based on local market conditions. See subparagraph N for guidance.

STC or COC does **not** have authorization:

- to require additional security for FSFL's with an aggregate outstanding FSFL balance of \$50,000 or less
- on a case-by-case basis, to determine if additional security is required because of a financial analysis or type of structure when the FSFL amount is less than the additional security threshold established by STC

**Note:** If determined during the financial analysis that the producer cannot reasonably make the annual installment payments for the requested FSFL, the FSA employee with loan approval authority may recommend a lower amount for the FSFL.--\*

A lien on the real estate that includes the land where FSFL will be located is the preferred additional security.

## 24 Security for FSFL's (Continued)

**C Additional Security Requirements (Continued)**

After receiving guidance from the FSA employee with loan approval authority, FSFL's must be determined to be adequately secured according to this paragraph.

For FSFL amounts secured by real estate, CCC's interest in the real estate shall be superior to all other lienholders. If the real estate is covered by a prior lien, a lien subordination may be obtained by a form approved for use in the State by the regional attorney.

**\*--Exception:** If FSA holds a superior lien on applicable real estate through a direct FLP loan, subordination agreement is **not** required. However, a junior real--\* estate lien is **required**.

If prior lienholders will **not** subordinate to CCC, COC may approve alternative forms of security, such as the following:

- second lien position only if **both** of the following apply:
  - CCC is adequately secure
  - FSA-2319 or a similar agreement is executed by the prior lienholder, following requirements specified by the regional attorney, **not** to extend additional liens on the property

**Exception:** CCC will **not** require such an agreement from any USDA Agency.

- first lien on different realty
- **\*--irrevocable letter of credit.**

**Notes:** STC's have authority to allow using an irrevocable letter of credit and the storage structure as security for FSFL. See subparagraph G for guidance. Items, such--\* as livestock, machinery, vehicles, and other equipment, are **not** authorized to be used as additional collateral for FSFL.

**D Form of Real Estate Lien**

Real estate liens shall be in the form of a real estate mortgage, deed of trust, or other security instrument approved by CCC and according to applicable State laws.

**E Real Estate Lien Guidelines**

The lien should cover specific acreage, including the entire parcel of real estate underlying the collateral that is:

- sufficient in size and value in the approving committee's opinion to ensure FSFL repayment
- a **salable unit** in the event of foreclosure.

## 24 Security for FSFL's (Continued)

**F Land Separate From the Collateral**

Real estate liens may cover acreage separate from the collateral if an adequate lien on the underlying real estate is not feasible and if all of the following apply:

- borrower owns the separate acreage that is not subject to any other liens or mortgages that would be superior to CCC's lien interest
- acreage of the entire parcel is adequate in size and value, in the approving committee's opinion, to adequately secure and insure FSFL repayment.

**Notes:** Document why a lien on the underlying real estate was **not** feasible.

See subparagraph M and Exhibit 12 when applying value to the FSFL structure separate from real estate.

CCC-297 is required from the land owner when the land separate from the collateral is not owned by the borrower. \* \* \*

**Exception:** If FSA holds a first lien on the applicable real estate through a direct FLP loan, a subordination agreement is **not** required; however, a junior lien on the real estate is **required**.

**G Other Forms of Security**

Other forms of security may be considered to be acceptable by the approving committee, such as irrevocable letters of credit, bonds, or similar CCC-approved instruments.

An irrevocable letter of credit **must** be:

- from a financial institution and provided by the applicant
- for the total of FSFL principal plus interest for the first year plus 60 calendar days

**\*--Note:** If an irrevocable letter of credit is used in addition to the structure or real estate to secure the FSFL, the irrevocable letter of credit must:

- be provided for the amount needed to secure the FSFL
- include the amount needed to secure the FSFL, plus interest for the first year plus 60 calendar days--\*
- written to allow partial draws if the annual installment payment is **not** received by the due date
- written in a manner sufficient to protect CCC's security interest in the collateral

**Note:** PSD has an example of an acceptable irrevocable letter of credit that will be sent to State Offices on request.

## 24 Security for FSFL's (Continued)

**G Other Forms of Security (Continued)**

- used in each State, under guidance of the regional OGC, to comply with laws specific to that State
- used by each financial institution and reviewed and approved by the regional OGC each FY

**Note:** Any variances to FSFL requirements when letters of credit are used must be specified, in writing, from the regional OGC.

- stored in a locked, fireproof file and not released until 30 calendar days after the date of the final repayment.

State Offices must check with their respective regional OGC to ensure that laws specific to their State are included in the irrevocable letter of credit.

The irrevocable letter of credit is considered sufficient security for FSFL when all requirements are met according to this paragraph and a financial analysis is not required, unless a more restrictive policy has been set by STC.

\*--An irrevocable letter of credit is not required for FSFL's with an aggregate outstanding FSFL balance equal to \$100,000 or less, **unless** STC determined statewide additional security is required for FSFL's with an aggregate outstanding FSFL balance between \$50,000.01 and \$100,000, or less.

If UCC-1 was previously filed, then the UCC-1 should be released once the County Office has received the irrevocable letter of credit for the full amount of FSFL.

An irrevocable letter of credit can be used in addition to the FSFL structure if additional security is required. STC may allow up to 50 percent of the loan amount for the value of the structure.

**Example 1:** CCC-185 submitted for \$200,000 FSFL that requires additional security. STC has authority to allow up to 50 percent of the loan amount for the value of the structure. The irrevocable letter of credit must be provided for the remaining security needed.

\$200,000 - FSFL amount  
~~-\$100,000~~ - Value of structure (STC authorizes COC to allow the value of the FSFL structure to equal 50 percent of the loan amount)  
 \$100,000 - Remaining security needed

\$100,000 - Irrevocable letter of credit provided to secure the FSFL

Irrevocable letter of credit + value of FSFL structure (50 percent) = 100 percent; therefore, the FSFL is adequately secured.--\*

## 24 Security for FSFL's (Continued)

**G Other Forms of Security (Continued)**

**Example 2:** CCC-185 submitted for \$300,000 FSFL that requires additional security. When using an authorized method according to subparagraph 24 R, STC has approved COC's to allow the value of the FSFL structure to equal 50 percent of the loan amount, or in this case \$150,000, when the structure is located on the property to be mortgaged. In this example, the value of the structure and security must equal at least 125 percent of the loan.

\$375,000 - Total security needed for \$300,000 FSFL (125% of loan amount)  
~~-\$150,000~~ - Value of structure STC authorizes COC to use  
 \$225,000 - Additional security needed.

\$100,000 - Irrevocable letter of credit  
 +\$125,000 - 90 acres  
 \$225,000 - Additional security provided.

The producer will provide as security for the \$300,000 FSFL; the FSFL structure, first lien on 90 acres (valued at \$125,000), and an irrevocable letter of credit in the amount of \$100,000. Based on this example, FSFL will be considered adequately secured.

\* \* \*

**Notes:** STC has authority to establish a more restrictive policy.

\* \* \*

FSFL may be conditionally approved and require that the irrevocable letter of credit \*--or other form of security be provided **before** disbursement. CCC-185, item 18 should be noted that an irrevocable letter of credit will be used to secure the FSFL.--\*

**H Renovated Structures**

If an existing structure is remodeled and an addition becomes an attached, integral part of the existing storage structure, CCC's security shall include the existing storage structure.

## 24 Security for FSFL's (Continued)

**I Fees for Filing and Recording UCC's, Instruments, and Other Transactions**

Filing and recording fees shall be paid according to the following.

<b>IF the transaction is for...</b>	<b>THEN the fee is paid by...</b>
a collateral lien search	CCC.
a credit report	
fees charged by a local or State municipality for expenses associated with a real estate lien search for CCC-297 purposes	
filing UCC-1	
filing UCC-1 as a fixture filing	
continuation of UCC-1 and UCC-1 as a fixture filing using UCC-3	
all other instrument filing and recording transactions related to a lien on real estate used to secure FSFL	the borrower.
attorney fees related to a lien on real estate used to secure FSFL	
fees charged by superior lienholders to subordinate or release collateral to CCC	
filing a discharge of CCC-297	
filing a release or discharge of a real estate lien, such as a mortgage	
filing and recording a subordination agreement related to a lien on real estate used to secure FSFL	
real estate lien, deed, or title search related to a lien on real estate used to secure FSFL	
recording CCC-297	
terminating UCC-1 using UCC-3	

**J Adequate Security and Appraisals of Real Estate**

FSFL's are considered to be adequately secured when the value of real estate security offered as security is at least equal to FSFL's amount. For FSFL's where the value of real estate and previous improvements offered as collateral is in doubt, approving committees may request an appraisal, at the FSFL applicant's expense, from a list of FLP-approved appraisers. The applicant must agree to the request for an appraisal.

**Notes:** To ensure consistency in determining the value of FSFL real estate security within a State, STC's may set specific procedure to be followed. It is the responsibility of STC to ensure that all FSFL's in their State are adequately secure.

If an appraisal was made on the real estate within the last year by a bank or for FLP, and the real estate values have remained consistent, that appraisal may be used to determine value, **if** the appraiser conducting the appraisal is on the list of FLP-approved appraisers.

## 24 Security for FSFL's (Continued)

### K Security on Leased Land

For an applicant proposing to put FSFL structure on leased land or land that is **not** owned by the applicant, COC shall require a written agreement from the landowner to the FSFL applicant. The agreement should allow the borrower access to the structure for at least the entire length of FSFL.

### L Partial and Final FSFL Closings Using Real Estate as Additional Security

When real estate is used for the required additional security for the:

- partial disbursement, security applicable to the partial disbursement amount will be required **before** the partial disbursement FSFL closing
- final disbursement, security applicable to the total FSFL amount will be required **before** FSFL closing.

**Examples:** The following is an example of FSFL with both partial and final disbursements and the security required for each.

FSFL is approved for \$110,000. Half the facility is constructed and a partial disbursement is requested for \$55,000. UCC-1 has been filed on the structure, but additional security is **not** required when the \$55,000 partial disbursement is closed. When the final FSFL disbursement is made, additional security for both FSFL's totaling \$110,000 is **required**.

The following is an example of FSFL with both partial and final disbursements where additional security is required.

FSFL is approved for \$202,000. Half the facility is constructed and a partial disbursement is requested for \$101,000. Additional security is required for the \$101,000 partial disbursement and for the \$101,000 final disbursement. The following options are available to the borrower:

- present 2 separate real estate mortgages, 1 for the partial disbursement and another for the final disbursement
- present 1 real estate mortgage to secure both the partial and final disbursement at the time of the partial disbursement, if possible according to the laws in the State. Check with the regional OGC to ensure that this is possible.



## 24 Security for FSFL's (Continued)

**M Applying Value to FSFL Structure Separate From Real Estate**

When FSFL real estate security is separate from FSFL collateral, the County Office may apply a value of no more than **20** percent of the loan amount to the structure if **all** of the following apply:

- CCC-297 is obtained from the owners of the real estate on which FSFL structure is located severing the FSFL structure from the real estate

**Note:** Unless State law, as determined by the regional OGC, makes using CCC-297 unnecessary, **and** CCC is adequately protected without CCC-297.

- UCC-1 is filed on FSFL structure giving CCC first lien position
- FSFL structure **must** have resale collateral value according to subparagraphs C and N.

See Exhibit 12 to determine the value of real estate security separate from the FSFL facility.

**N Resale Collateral Value**

County Offices, with assistance from an FLP loan approval official, when required by subparagraph C, shall determine resale collateral value based on local market conditions and depreciation factors.

In most cases, the resale collateral value will **not** equal the outstanding loan value if the collateral is moved or sold and will be less than its fair market value. The resale collateral value **must** be a reasonable price that CCC can expect to receive if the loan has to be liquidated. A reasonable valuation will provide security for both the borrower and CCC.

Resale collateral values provided by a qualified expert, such as an FSA employee delegated chattel appraisal authority according to 1-FLP.

**Notes:** Additional security may be required for FSFL's with an aggregate outstanding FSFL \*--balance between \$50,000.01 and \$100,000, or less. STC has authorization to make the statewide determination. See subparagraph C.

STC does **not** have authorization to:

- require additional security for FSFL's with an aggregate outstanding FSFL balance of \$50,000 or less
- on a case-by-case basis, determine if additional security is required because of a financial analysis or type of structure when the FSFL amount is less than the additional security threshold established by STC.--\*

## 24 Security for FSFL's (Continued)

## N Resale Collateral Value (Continued)

Use the following table as an option when it is determined by STC or COC that all of the following apply:

- storage structure has been determined to have no resale collateral value
- the producer does not have additional security to secure FSFL.

IF the aggregate outstanding FSFL balance is...	THEN the FSA employee with loan approval authority must determine the producer has the ability to repay FSFL and is credit worthy, and STC...
*--\$50,000.01 to--*\$75,000	<b>may</b> determine Statewide that a downpayment of 20 percent of the eligible net costs is required.  <b>Note:</b> A minimum downpayment of 15 percent is <b>required</b> according to subparagraph 27 A.
\$75,000.01 to \$100,000	<b>must</b> require Statewide a downpayment of 20 percent of the eligible net costs.

**\*--Notes:** This subparagraph does **not** apply if STC determined additional security is not required for FSFL's with an aggregate outstanding FSFL balance of \$100,000 or less.--\*

State or County Offices **must** ensure that the additional downpayment is recorded on the FSFL disbursement calculator, according to subparagraph 28 H, and provide the following comment in FSFL Disbursement Calculator Excel worksheet, Part C:

“An additional downpayment was required according to subparagraph 24 N policy”.

## O Determining Security Values for Existing Structures

No security value can be given to existing structures unless the value of the property is included in an appraisal or the tax assessment statement. STC's, COC's, and/or FLP employees shall not assign a value to an existing structure based on common knowledge obtained from others in the community.

**Note:** Third party appraisals are acceptable according to subparagraph P.

## 25 FSFL Amount

### A Maximum Amount

The maximum amount of any FSFL shall **not** exceed \$500,000.

**\*--Note:** Only one FSFL is allowed on a stand-alone structure. Therefore, if 2 adjoining storage structures are built, only one FSFL is authorized for the eligible components.

**Example:** A producer requested two \$500,000 FSFL's. The FSFL's are for 2 potato storage structures. The producer informed the County Office that the potato storage structures will be built with adjoining walls and a shared roof. The 2 potato storage structures are eligible for 1 maximum loan amount of \$500,000. The adjoining walls and shared roof connect the 2 storage structures; therefore, they are not considered stand-alone structures.--\*

### B Determining FSFL Amount and Number of Borrowers

The principal amount of any FSFL shall be 85 percent or less of the net cost of the applicant's needed storage or handling equipment, **not** to exceed \$500,000 for each FSFL.

**Note:** Each borrower signing CCC-186 is jointly liable for the entire FSFL amount.

### C Net Cost

[7 CFR 1436.9] The cost on which FSFL shall be based is the net cost of the following:

- accessories
- eligible facility
- services to the applicant after discounts and rebates.

**Note:** STC may establish a maximum per bushel or per unit of measure for net cost.

### D Net Cost Items

The net cost for storage and handling equipment may include the following:

- delivery charges
- fees, such as attorney, archaeological study, or title insurance fees
- installation costs
- material and labor for concrete pads
- material and labor for electrical wiring and electrical motors
- new on-farm material approved by COC
- off-farm paid labor



**28 Disbursements (Continued)****B Partial Disbursements (Continued)**

To receive the partial disbursement, the following are required **before** CCC-186 is prepared:

- acceptable documentation providing the cost of the completed portion
- security required for the principal amount **before** the partial disbursement is closed
- CCC-191's from contractors submitting bills for completed construction.

**Example:** The following example explains the maximum amount of the partial disbursement allowed.

\*--FSFL is approved for \$110,000. The applicant completes the site preparation, foundation, and the outer shell of the steel bin. Bills are presented to the County Office for \$60,000. The bills presented are over half the approved total FSFL amount. The maximum partial disbursement the borrower can receive on this FSFL is \$55,000. Although additional security is required for \$110,000 before the final FSFL disbursement, only one UCC-1 filing is required for the \$55,000 partial disbursement.--\*

If the applicant requests the partial disbursement:

- there will be two FSFL's with 2 installment payments due each year
- a separate CCC-186 will be required for each FSFL
- only 1 **manual** CCC-185 will be required for the partial and final FSFL amounts.

## 28 Disbursements (Continued)

### B Partial Disbursements (Continued)

County Offices shall:

- assist producers with completing 1 manual CCC-185 for the total FSFL amount requested
- enter 2 separate FSFL's into the FSFL software following instructions in paragraph 353

**Notes:** Currently, to process partial and final FSFL disbursements, 2 separate FSFL's are required in FSFL software. One FSFL for 50 percent of the requested FSFL total will be initially entered into the FSFL software for the partial disbursement, and another FSFL for the other 50 percent of the requested FSFL amount will be entered into the FSFL software for the final disbursement.

Because the exact amount of the partial and final FSFL disbursements cannot be determined before the structure is completed, it may be necessary to increase or decrease the approved and obligated amounts for each FSFL when the total for each disbursement has been determined.

- enter the approval date and amount for each FSFL when the requested facility has been approved by COC or STC
- see paragraph 24 for FSFL security requirements for FSFL's with partial and final disbursements
- see paragraph 30 for application fees for FSFL's with partial and final disbursements
- \*--complete an FSFL disbursement calculator, according to subparagraph F, before disbursing the partial disbursement. The FSFL disbursement calculator must be filed in the producer's FSFL folder.--\*

### C Final Disbursements

CCC will disburse FSFL or make the final disbursement when:

- the **entire** facility has been:
  - assembled
  - constructed
  - installed
  - inspected and approved by COC representative
  - determined to be free of liens other than CCC's by a final lien search
- all security requirements have been met.

**52 Processing CCC-185 Packages and Using CCC-195, CCC-195A, and CCC-195B (Continued)****I STC or Designee CCC-195, CCC-195A, and CCC-195B Concurrence**

STC or designee shall:

- review the first three FSFL's received each FY, **before** disbursement, at an administrative County Office regardless of the amounts requested

**Notes:** Additional reviews, including reviews following FSFL disbursement, may be conducted if determined necessary by STC.

FY's begin on October 1 each year. STC or designee shall review the first three FSFL's received, and **before** disbursement, each FY beginning on October 1.

If CCC-195 and CCC-195A or CCC-195B is prepared by CED, STC designee **must** review CCC-195 and CCC-195A or CCC-195B. If CCC-195 and CCC-195A or CCC-195B are 1 of the first three FSFL's received each FY, during the review, STC designee may complete the applicable item to "concur" or "do not concur", and note in the "Remarks" section that "This review was required according to 1-FSFL, subparagraph 52 I".

For the first three CCC-195's and CCC-195A's or CCC-195B's reviewed before disbursement each FY, CCC-195 and CCC-195A or CCC-195B review can be completed by the STC designee, by FAX or encrypted e-mail. A complete review of the loan documents, for the first 3, **must** also be reviewed.

\*--The review of CCC-195's and CCC-195A's or CCC-195B's should be completed **after** all applicable checklist items have been completed and always **before** disbursement.--\*

- document review in the FSFL folder on CCC-185, item 18 and CCC-195 and CCC-195A or CCC-195B, "Remarks" section

**Note:** In CCC-195 and CCC-195A or CCC-195B "Remarks" section, indicate, "This review was required according to 1-FSFL, subparagraph 52 I".

- indicate corrective action where necessary.





## 53 Financial Planning (Continued)

**G Financial Analysis**

The financial analysis of an FSFL applicant shall be performed by either an FLP or County Office employee with FLP loan approval authority. A detailed written recommendation for approval or disapproval, based on the applicant's credit history and financial information, shall be provided to COC. This written recommendation must be signed and dated by the individual providing the financial analysis.

**Example:** "Based on FSFL applicant John W. Banks' credit history and financial information, I recommend approval of the FSFL in the amount of \$\_\_\_\_\_. The information reviewed provides that Mr. Banks has a satisfactory financial position and demonstrates the ability to timely repay the FSFL."

**\*--Note:** If it is determined during the financial analysis that the producer cannot reasonably make the annual installment payments for the requested FSFL, the FSA employee with loan approval authority may recommend a lower amount for the FSFL.--\*

A financial analysis is required for the members of the entity with the greatest share and a credit report must be obtained for the members.

**Examples:** If there is a:

- 4-member partnership, each sharing 25 percent, a financial analysis and credit report is required for all members of the partnership
- 2-member partnership, 60 percent for 1 member and 40 percent for the other member, a financial analysis and credit report is required for the member with the 60 percent share.

STC may determine whether a financial analysis and credit report is required for all members.

If an irrevocable letter of credit is used as security for FSFL, a financial analysis and credit report are **not** required, unless it is required by STC.

**\*--If an increase of up to 10 percent of the FSFL is requested by the producer after the FSFL has been approved, a new financial analysis is **not** required, unless it is required by STC.--\***

If additional information is necessary to evaluate an applicant's ability to repay FSFL, FSA-2002 and FSA-2003 may be requested.

**Note:** Use:

- FSA-2002 for 3 years financial history
- FSA-2003 for 3 years production history.

## 54 Credit History and Credit Reports

### A Obtaining Credit Reports

State or County Offices shall:

- request credit reports for all FSFL applicants only from the credit reporting agency under contract with CCC
- obtain a current report of the FSFL applicant's credit history
- ensure that **only** FSFL credit reports are requested from the Agency under contract to supply CCC with FSFL credit reports
- **not** collect the cost of the report from the applicant
- request credit reports before the required financial analysis is completed
- ensure that reports requested for another County Office are processed timely and immediately sent to the requesting office.

**\*--Notes:** The Fair Credit Reporting Act requires, at a minimum, a signature from all FSFL applicants for whom FSA will request a credit report. **Immediately before** requesting a credit report from One Source Credit Reporting, LLC, a signature is required from all FSFL applicants and/or entity members in which CCC needs a credit report to determine eligibility.

If additional signature space is needed to authorize the credit report, use CCC-185, item 18.

County Offices may use FSA-2004 if the individual for whom FSA is requesting a credit report has signed the form. The Fair Credit Reporting Act requires a signature from the individual authorizing the credit report. A husband or wife cannot sign the form on behalf of the spouse.

**Note:** This provision applies to spouses in community property States.--\*

FLP Farm Business Plan shall **not** be used to obtain FSFL credit reports. However, if an FLP credit report is available, that report may be used for FSFL purposes if generated within 90 calendar days of both CCC-185 and submission of information required for the financial analysis.

**54 Credit History and Credit Reports (Continued)****B Analyzing Credit History Reports**

The authorized individual performing the financial analysis shall:

- analyze credit reports to detect:
  - patterns of late payments or nonpayments
  - bankruptcy and foreclosures
  - heavy use of short-term or high-interest loans or credit cards
- use pertinent information from the financial statements and credit history reports to prepare recommendations to COC
- protect the hard copy of the credit report according to PII policy.

**C Available Credit Reports**

Credit reports will be available for the following FSFL applicants:

- individual – 1 specific person who is solely responsible for their debts
- joint – 2 **married** individuals who, according to the law in a specific State, jointly own assets and are responsible for the debts of each other
- entity – legal entities doing business as any of the following:
  - corporations
  - limited liability corporations or companies
  - limited and general partnerships
  - trusts
  - estates.

## 54 Credit History and Credit Reports (Continued)

### C Available Credit Reports (Continued)

**Notes:** State and County Offices requesting entity credit reports shall also request individual or joint “Express 3 Bureau” reports for the members of the entity with the greatest shares.

**Examples:** If there is a:

- 4-member partnership, each sharing 25 percent, a financial analysis and credit report is required for all members of the partnership
- 2-member partnership, 60 percent for 1 member and 40 percent for the other member, a financial analysis and credit report is required for the member with the 60 percent share.

Unless State Offices have been notified in writing by their regional OGC, use the “**Joint**” search option if husbands and wives on the same CCC-185 are searched.

State and County Offices shall **not**:

- request Individual or Joint Mortgage reports
- **not** use any symbols (% , & , etc.) in the request name.

Make certain the correct legal name and address are entered when requesting a credit report. CCC is charged for each request submitted even if the information is **not** correct. This includes typographical errors.

When requesting any type of credit report, **only click “Submit” once.**

To prevent being charged for duplicate credit reports, designated employees shall turn off pop-up blockers on the FSFL credit report web site as follows:

- go into the web site provided when authorized to request credit reports
- CLICK the following:
  - “**Tools**”
  - “**Pop-up Blocker**”
  - “**Turn Off Pop-up Blocker**”.

### D Centralized Payment

Payments for all FSFL credit reports shall be made to the approved contractor from the **FSA National Office**. State and County Offices shall **not** pay for FSFL credit reports.

**54 Credit History and Credit Reports (Continued)****E Monthly Reconciliation of Credit Report Bill**

Before the National Office is able to pay the bill for FSFL credit reports requested the previous month, the entire bill must be reconciled.

Each month, authorized State and County Offices submitting requests for FSFL credit reports are required to provide to PSD, through the State Offices, the following information to aid in reconciliation:

- State
- county
- names of credit reports requested
- date of each request
- type of each request – individual, joint, or entity
- FSFL number including year.

**F Monthly Reconciliation of Bill**

The reconciliation report is due in PSD by the 10th of the following month, or as provided by the National Office, and must be sent to Toni Williams at **toni.williams@wdc.usda.gov**, with cc: to Kimberly Pritchett at **kimberly.pritchett@wdc.usda.gov**.

State Offices must determine the date the reconciliation reports from County Offices are required in the State Office to adhere to the due date of the monthly reconciliation to PSD.

**Notes:** Because the bill **cannot** be paid until it is completely reconciled, the reconciliation report from State Offices that requested credit reports the previous month **must** be received in PSD by the tenth of the following month. There are **no** exceptions to submitting this report.

State Offices shall follow PII policy when submitting their monthly reconciliation to PSD.



## Section 2 Other Requirements

### 69 Insurance Requirements

#### A Multi-Peril Crop Insurance or NAP Requirement

To enhance a borrower's repayment ability, multi-peril crop insurance or NAP is **required** on both of the following:

- commodities stored in the FSFL-funded facility, whether economically significant or **not**
- insurable FSFL commodities of economic significance on all farms operated by the borrower in the county where the storage facility is located.

**Notes:** Crop of economic significance is defined as any insurable FSFL commodity that contributes 10 percent or more of the total expected value of all crops grown by the FSFL applicant.

\*--All crops of economic significance, used in the borrower's cash flow, included in the documentation for their financial analysis, and used to determine eligibility--\* require crop insurance.

County Offices shall:

- require the producer to provide proof of multi-peril crop insurance and/or verify NAP coverage before disbursement, except if subparagraph D applies
- annually obtain proof of multi-peril crop insurance for each crop year applicable to the entire FSFL term, except for sugar beets because sugar beets are **not** an FSFL commodity.

**Note:** If multi-peril crop insurance or NAP is **not** available for some of the renewable biomass commodities, then COC minutes must document the unavailability of multi-peril crop insurance or NAP for each FSFL to which this applies.

#### B Acceptable Forms of Insurance

Acceptable forms of crop insurance are any level of coverage of multi-peril crop insurance, including the catastrophic level, group coverage, and crop revenue coverage offered under the Federal Crop Insurance Program.

## 69 Insurance Requirements (Continued)

### C Acceptable Proof of Insurance

County Offices shall accept proof of insurance, such as the following:

- statements of coverage for the applicable crop year
- applications for insurance for the applicable crop year signed by the agent
- other forms of proof acceptable to CED.

**Note:** Evidence of insurance or a copy of CCC-471 shall be maintained in the FSFL folder.

### \*--D Multi-Peril Crop Insurance or NAP Coverage Waiver

COC may waive the multi-peril crop insurance or NAP coverage requirement for FSFL's with an aggregate outstanding FSFL balance of \$100,000, or less if:

- it is too late for the producer to obtain multi-peril crop insurance or NAP coverage for the crop year
- the producer did not realize or forgot to purchase multi-peril crop insurance or NAP coverage for the crop year.

**Notes:** STC has authority to establish a more restrictive policy.

The waiver may apply to both of the following:

- a prior crop year
- the current crop year.

After COC has made a determination, County Offices must:

- enter the following statement on CCC-185, item 18:
 

“I agree to purchase multi-peril crop insurance for facility loan commodities during the next available sales period. I understand that my failure to meet this requirement will be construed as a program violation.”
- **Note:** For cases where the producer did not realize or forgot the insurance requirement, a written statement that includes the information to be provided on CCC-185, item 18 is sufficient.
- ensure that producers initial and date the statement on CCC-185 to signify that the statement will be complied with and is understood
- maintain a copy of the determination and statement in the FSFL folder and ensure that the determination is documented in the COC minutes.--\*



## 69 Insurance Requirements (Continued)

**\*--D Multi-Peril Crop Insurance or NAP Coverage Waiver (Continued)**

For commodities **not** being stored in the structure and the aggregate outstanding FSFL balance is \$100,000 or less, STC's may authorize COC's to determine if multi-peril crop--\* insurance is required for all commodities produced by the producer. Also, if it is determined that multi-peril crop insurance is not required for commodities not being stored in the structure, COC is **not** authorized to allow the producer to store the uninsured commodity in the storage structure during the FSFL term.

If approved by COC, the County Office must have the applicant initial and date the statement, "I understand that I am not authorized to store my [*enter commodity*] production in the structure during the FSFL term.", in CCC-185, item 18.

**Example:** The producer receives FSFL to store corn and the aggregate total of the \*--producer's FSFL's are less than \$100,000. The producer produces corn and--\* barley. STC provides COC with authorization to determine if multi-peril crop insurance is needed for all of the producer's commodities. COC determines that the producer does not need to obtain crop insurance on his/her crop of barley. Because the crop of barley is uninsured, barley **cannot** temporarily be stored in the storage structure during the FSFL term.

\*--For **FAV** producers, STC's are authorized to waive, on a case by case basis, multi-peril crop insurance or NAP coverage if both of the following apply:

- have an aggregate outstanding FSFL balance of \$100,000 or less
- produce a minimum of 3 different fruit and/or vegetables.

The FAV producer **must** annually submit, in writing to the County Office, a request to waive the multi-peril crop insurance or NAP coverage. STC will determine, on a case-by-case basis, if multi-peril crop insurance or NAP coverage is **or** is **not** feasible for the FAV producer.

When determining feasibility, STC should take into account a variety of factors, including but not limited to:

- number of crops
- typical area planted to each crop
- whether the producer markets his/her products in a way that commands a price premium above traditional markets; example, direct-to-consumer, through a food hub, to a local restaurant, certified organic, etc.

The producer's request and waiver determination must be maintained in the FSFL folder and documented in the STC or COC meeting minutes.

**Note:** STC has authority to establish a more restrictive policy and is authorized to redelegate authority to COC only for provisions provided in this subparagraph.--\*

## 69 Insurance Requirements (Continued)

### E Failure to Obtain Crop Insurance or NAP Coverage

County Offices shall:

- monitor the borrower's crop insurance or NAP status
- consider a lack of insurance or NAP to be an FSFL violation
- take action to call FSFL's when borrowers do **not** maintain insurance or NAP coverage.

**\*--Note:** Before calling FSFL's, COC's may request a waiver for specified crop years, according to subparagraph 2 D.--\*

### F All-Peril Structural Insurance

To protect CCC's interest in collateral, County Offices shall:

- require borrowers to obtain all-peril structural insurance on all storage structures receiving FSFL financing
- ensure that amount of coverage shall always equal or exceed outstanding FSFL balance
- annually obtain proof of all-peril structural insurance that lists CCC as a loss payee as soon as it is available
- review proof of all-peril structural insurance provided to CCC periodically by insurance companies or borrowers
- take action to call FSFL's when borrowers do **not** maintain insurance

**Note:** Before calling FSFL for lapse of insurance, COC's, according to subparagraph 2 E, may request a waiver for failure to fully comply with FSFL requirements, if borrowers obtain insurance before the waiver is requested.

- ensure that CCC is listed on the all-peril structural insurance policy as a loss payee.

**\*--** STC has authority to establish a more restrictive policy and is authorized to redelegate authority to COC to waive the all-peril structural insurance requirement, on a case-by-case basis, for the term of the loan, if the aggregate outstanding FSFL balance is \$100,000, or less, and either of the following apply:

- it is determined that the storage structure cannot be insured with all-peril structural insurance

**Note:** A hoop building must be insured with all-peril structural insurance to be considered eligible for FSFL.

- the storage structure is a concrete bunker silo and there is no chance of loss from fire, theft, or other risks.--\*

## 69 Insurance Requirements (Continued)

### F All-Peril Structural Insurance (Continued)

\*--The waiver determination must be maintained in the FSFL folder and documented in the STC or COC meeting minutes.--\*

### G Flood Insurance

To protect CCC's interest in collateral, County Offices shall:

- determine whether proposed storage facility sites are located in flood hazard areas by viewing national flood insurance program maps
- document the review on FSA-850
- ensure that FSA-850, item 3 B is completed
- document in FSA-850, item 16 that flood insurance coverage is required, if "Yes" is checked (✓) for any of the questions listed in item 3 B
- attach to FSA-850, any supporting documentation (such as flood maps, etc.) for evidence that flood insurance coverage is needed, if applicable
- see 1-EQ, subparagraph 23 B for additional guidance on properly completing FSA-850
- require the FSFL applicant to obtain flood insurance if the review documented on FSA-850 indicates that flood insurance is required
- **not** approve FSFL's if flood insurance is required and **not** obtained or **not** available
- review proof of insurance provided by insurance companies to ensure that insurance is maintained for the life of FSFL
- take action to call FSFL's when borrowers do **not** maintain insurance
- ensure that CCC is listed on the flood insurance policy as loss payee.

**70 Local Land Use and State and County Building Code Requirements**

**A County Office Action on Local Land Use**

To avoid conflicts with local land use laws, County Offices shall:

- determine whether local land use laws are applicable at the proposed storage facility location by contacting local code enforcement officers

**Note:** The information obtained from the contact shall be documented in the file.

- obtain, from producers, copies of applicable:
  - building permits
  - zoning variances
  - site plans
  - environmental evaluations and assessments
  - construction permits for flood hazard areas
- use information obtained for FSA eligibility purposes and environmental evaluations
- **not** approve FSFL's where applicants are **not** in compliance with applicable local land use laws.

**B State and County Building Code Requirements**

All FSFL's must comply with any applicable State and county building code requirements. These may include, but are not limited to, the following:

- electrical permits and inspections
- construction permits and inspections.

**71-80 (Reserved)**

## Part 6 Approving COC CCC-185 Reviews

## 115 CCC-185 Reviews

## A Responsibility

The approving authority shall determine:

- whether the applicant meets all eligibility requirements
- whether the proposed facility or renovation is eligible and needed
- whether the estimated yields and acreages to calculate needs are reasonable
- whether the environmental conditions of the site would place CCC at risk
- \*--whether additional security is required, according to subparagraphs 24 C and N

**Note:** Based on authorization provided to STC's in subparagraph 24 C, additional security may be required for FSFL's with an aggregate outstanding balance of \$100,000 or less.--\*

- the type of security to be required
- the conditions of approval.

\*--**Notes:** Conditions of approval will include actions that must be taken or documents that must be provided **before** disbursement and shall **not** include eligibility determinations required by STC, COC, or other approving authority.

If the producer is providing an irrevocable letter of credit to secure the FSFL, CCC-185, item 18 should be noted and the irrevocable letter of credit must be provided before disbursement.--\*

## 115 CCC-185 Reviews (Continued)

**B Approvals and Disapprovals**

COC shall do 1 of the following:

- for FSFL's with the total aggregate outstanding FSFL balance of \$100,000 or less, approve FSFL by signing CCC-185 and document the determinations from subparagraph A in the executive COC minutes
- for FSFL's with a total aggregate outstanding FSFL balance of \$100,000.01 to \$250,000, have DD or State Office designee review FSFL **before** approval

**Note:** Once the review is complete and all discrepancies are corrected, approve FSFL by signing CCC-185 and document the determinations from subparagraph A in the executive COC minutes.

- for FSFL's where the borrower's **total aggregate FSFL balance** is over \$250,000, \*--have DD or State Office designee, before STC approval, review the most recent FSFL--\* documents to ensure that the producer is financially able to meet all FSFL obligations

**Note:** STC or STC-delegated SED **only** is the approval authority for an individual FSFL with a total aggregate outstanding FSFL balance of \$250,000.01 to \$500,000.

- disapprove FSFL, documenting why in the executive COC minutes.

DD or State Office designee shall, before approval by COC, review CCC-185 where the total aggregate outstanding FSFL balance is equal to \$100,000.01 to \$250,000. If the review:

- reveals discrepancies or errors, the file shall be returned to the County Office for correction

**Note:** After corrections have been made, DD or State Office designee shall again review the file.

- is acceptable, a statement similar to the following shall be entered on CCC-185, item 18:

“From review of the completed documents and review of the financial documents, I concur with the recommendation of the FLM/FLO/SFLO, concurring with the financial ability of the applicant and I also recommend approval or disapproval of FSFL to COC.”

**Note:** DD or State Office designee shall sign and date the statement.

## 129 Closing FSFL's Secured by Real Estate (Continued)

## H FSFL Closing Instructions (Continued)

Additional information and instructions:

A copy of the loan closing statement signed by you, CCC-186, Promissory Note and Security Agreement, and all other executed documents required for loan closing are to be returned to the County Office within one day after the loan is closed. As soon as possible, after closing, provide the final mortgagee policy of title insurance and the recorded mortgage to the County Office.

\_\_\_\_\_  
CCC Representative

\_\_\_\_\_  
Date

Loan Closing Statement  
(To be completed by approved closing agent/attorney)

I certify that the subject loan was closed on insert date in accordance with written directions received from CCC. Enclosed are properly executed forms in connection with loan closing.

*(Enter items to fit your situation)*

- \_\_\_\_ 1. Original CCC-186, Promissory Note and Security Agreement.
- \_\_\_\_ 2. Original, recorded mortgage.
- \_\_\_\_ 3. Original, recorded subordination agreements from each mortgagee or other lienholder who holds an existing lien on the land (as required) (CCC-194 form).
- \_\_\_\_ 4. Original contractor certification or release of liability (CCC-191, Release of Liability form).
- \_\_\_\_ 5. Copy of the loan closing settlement statement.
- \_\_\_\_ 6. Proof of all-peril structural insurance.
- \_\_\_\_ 7. Other: \_\_\_\_\_.

\_\_\_\_\_  
Signature of Approved Closing Agent/Attorney

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

*(Attorney must complete and sign the above loan closing statement after closing is completed and return to FSA.)*

For CCC use only:

I have examined the loan closing documents and determined that the loan was properly closed in accordance with the instructions provided.

\_\_\_\_\_  
CCC Representative

\_\_\_\_\_  
Date

**129 Closing FSFL's Secured by Real Estate (Continued)**

**H FSFL Closing Instructions (Continued)**

Upon returning the documents to the County Office, CED shall:

- review documents to ensure that all items have been completed and returned
- sign and date the statement at the end of the letter to document the review.

**130 CCC-297**

**A When CCC-297 Is Required**

To sever FSFL storage structure collateral from real estate, County Offices shall obtain CCC-297 from:

- prior or superior lienholders, including FSA

\* \* \*

- the lienholder of the property, where the facility is located, if constructed on leased or rented land
- all landowners on the real estate where the facility is located.

CCC-297 is **required**, regardless of FSFL amount, for:

- **all** FSFL assumptions
- FSFL's where the real estate security is owned by someone other than the borrower.

**\*--Notes:** If the FSFL is being assumed and the remaining co-borrowers will continue to meet the FSFL eligibility requirements, CCC-297 may not be required.

Based on the additional security threshold established statewide by STC, CCC-297 may be required.

STC has authority to establish a more restrictive policy.--\*



## 130 CCC-297 (Continued)

**B When CCC-297 Is Not Required**

CCC-297 is **not** required if any of the following apply:

- collateral is considered a nonfixture
- an FSFL is secured by a first lien on the underlying real estate
- **\*--Note:** In most instances, when CCC has a mortgage on the underlying real estate, the facility is not severed from the real estate.--\*
- the regional attorney waives the requirement for CCC-297 because State law makes using such an agreement unnecessary
- **\*--the borrower agrees to do any of the following for FSFL's that are \$100,000, or less, or the aggregate outstanding balance is equal to \$100,000, or less:**
  - increase the downpayment on the storage facility from 15 percent to 20 percent or more of the FSFL amount

**Notes:** Based on the additional security authorization provided to STC's in subparagraph 24 C, the borrower may increase the downpayment from 15 percent to 20 percent, and CCC-297 will **not** be required. The applicant **must** be informed of and request this option when CCC-185 is submitted.

If the applicant requests to use this option, notate in CCC-185, item 18, and have the applicant sign and date. At final closing, proof that the entire 20 percent downpayment was made is required, or the loan cannot be closed until either CCC-297 is provided or additional documentation showing that the 20 percent downpayment has been made is received by the County Office.

- provide another form of security acceptable to the Secretary to completely secure FSFL, such as an irrevocable letter of credit.

**Notes:** If an irrevocable letter of credit is used in addition to the FSFL structure to secure the \$100,000 or less FSFL, CCC-297 is **not** required if the irrevocable letter of credit is 20 percent or greater than the FSFL amount. See subparagraph 24 G for guidance.

Based on authorization provide to STC's in subparagraph 24 C, additional security may be required for FSFL's with an aggregate outstanding FSFL balance of \$100,000 or less.

STC has authority to establish a more restrictive policy.

**130 CCC-297 (Continued)****C State Office Action**

State Offices shall:

- request changes and instructions to CCC-297 from the regional attorney
- make CCC-297 a State form
- provide a copy to PSD.

**D County Office Action**

County Offices shall:

- for FSFL's where a real estate lien is:
  - required, have the attorney obtain the properly completed and signed CCC-297

**Notes:** The attorney should perform all lien searches.

If the County Office knows the real estate lienholders, they may obtain properly completed CCC-297's before FSFL closing.

- **not** required, conduct a real estate lien search to identify holders of liens on real estate underlying the intended storage facility and obtain properly executed CCC-297's

**Note:** See Exhibit 10.

- file CCC-297 before FSFL closing in the appropriate county real estate records unless the regional attorney waives the filing requirement.

**Notes:** If COC initially approves CCC-185 before receiving the necessary CCC-297's, then ENTER "The receipt of required CCC-297's" on CCC-185, item 18, as a condition of approval.

If County Offices are unable to obtain the required real estate lien searches from their County Recorder, the County Office shall use either of the following:

- local title company with moderate fees
- farm loan personnel trained to perform real estate lien searches.

**E STC Action**

STC's may enter into blanket CCC-297's with lenders if CCC-297's are approved by the regional attorney.

## 133 Final Review of Cost Documents

### A Acceptable Cost Documents

County Offices shall review:

- final evidence of total cost
- proof of downpayment

**Note:** CCC-191's, signed and dated by the contractor or seller with the amount of the downpayment listed in items 3(a) **and** 3(b), are considered proof of downpayment.

- payment of amounts in excess of FSFL.

**\*--Notes:** Evidence **must** be signed and dated by the contractor or seller if evidence is **not** on the original letterhead or stamped with the company's seal.

CCC-191's are required when an irrevocable letter of credit is used to secure the FSFL.--\*

### B Examples of Acceptable Evidence

The following are examples of acceptable evidence of cost documents:

- a sales document or receipt
- a certification
- a receipt
- copies or facsimiles of documents with the contractor's or seller's original signature and date
- a canceled check, which is supported by a signed and dated sales document.

**Notes:** All acceptable evidence **must** be signed and dated by the contractor or seller **if** evidence is **not** on the original letterhead or stamped with the company's seal.

When a signature and date are required, initials are **not** acceptable.

**Important:** The amount of the final invoice or bill must **not** be included in the FSFL amount and FSFL shall **not** be disbursed if CCC-191 is **not**:

- properly completed
- signed and dated, if applicable
- supported with acceptable evidence.

Releasing liability exceptions policy according to subparagraph F applies.

## 133 Final Review of Cost Documents (Continued)

**C County Office Action**

County Offices shall:

- date-stamp the original evidence, make a copy for the FSFL folder, and return the original evidence to the borrower
- request the applicant to provide any additional information or documentation considered necessary to support costs or downpayment
- verify evidence with the contractor or seller, if necessary
- obtain reconsideration of financial analysis by either an FLP or County Office employee with FLP loan approval authority and by the applicable approving authority identified in subparagraph 2 F if final review indicates that:
  - final costs exceed costs on which original approval was based
  - final documentation includes items **not** in the original approval

**Example:** FSFL for \$95,000 was originally approved by COC. Final costs indicate that the new FSFL amount will be \$101,000. DD review is required before COC can approve the additional FSFL amount.

**\*--Note:** If an increase of up to 10 percent of the FSFL is requested by the producer after the FSFL has been approved, a new financial analysis is **not** required, unless it is required by STC.--\*

- if the approving authority determines the borrower eligible for the increased FSFL amount:
  - document this in the COC or STC minutes
- in CCC-185, item 18, ENTER “STC or COC approved the FSFL increase totaling [*new loan amount*] on [*date*]”:
  - request additional funding according to paragraph 355

**Note:** The interest rate does **not** change.

- ensure that all necessary actions and forms have been completed
- calculate the amount to be disbursed according to paragraphs 25 and 27.

**161 FSFL's Paid in Full****A Releasing FSFL Security**

Upon payment of FSFL in full, County Offices shall:

- release or obtain the release of security documents, as required by State law, upon request by the borrower
- \* \* \*
- require the borrower to pay all release fees
- mark the original CCC-186 "paid" and forward to the borrower after 30 calendar days from the date of repayment.

\*--Security documents may be released earlier than 30 calendar days, if after the SED review, it is determined FSFL has been satisfied and paid-in-full. The authority for this release may **not** be redelegated.

**Note:** If final FSFL payment is made by cash, certified check, or money order, the borrower may request an accelerated release of security documents from SED. Included with the request, the County Office will send a copy of the final FSFL repayment receipt showing FSFL has been paid in full, and a copy of CCC-257 showing the remittance has been deposited. SED, after reviewing the documents, may advise the County Office in writing to proceed with releasing the security documents. The authority for this release may **not** be redelegated.--\*

**162 Real Estate Taxes****A Borrower's Responsibility**

[7 CFR 1436.14] On FSFL's where real estate is used as security, the borrower must:

- pay all real and personal property taxes that may affect CCC's security interest in all collateral securing the note
- provide proof of payment of taxes, applicable to collateral securing FSFL, to the County Office annually.

**B Unpaid Taxes**

County Offices shall:

- **not** disburse FSFL's secured by real estate when real estate taxes are **not** current
- monitor the real estate tax status applicable to collateral securing FSFL
- pay any unpaid taxes with respect to the collateral securing FSFL when it appears CCC's security interest is in jeopardy

**Note:** See subparagraph 227 B.

**162 Real Estate Taxes (Continued)****B Unpaid Taxes (Continued)**

- bill the borrowers for the amount of the tax paid

**Note:** See paragraph 314 for depositing borrower reimbursement of CCC-paid taxes.

- begin proper servicing action, such as calling FSFL.

**163 Maintenance and Liability****A Maintenance**

**[7 CFR 1436.15]** The borrower must maintain the FSFL collateral in a condition suitable for the storage of 1 or more FSFL commodities.

County Offices shall perform collateral checks:

- at least once every other year for all FSFL's using asphalt flooring, according to subparagraph 34 C
- for the following terms:
  - 7-year term – fourth year of FSFL
  - 10-year term – fourth and eighth year of FSFL
  - 12-year term – fourth and ninth year of FSFL
- --where the full annual installment payment is **not** made within 30 calendar days after--\* the installment due date.

**Example:** Producer Berry has an FY 2009 FSFL with a 7-year term and the annual installment repayment is due on May 1. The following table is a schedule of when collateral checks are required based on the date the annual installment repayment is received in the County Office.

**Note:** The future dates of annual installment repayments are used for this example only.

<b>FSFL Term</b>	<b>Date Annual Installment Payment Received in the County Office</b>	<b>Collateral Check Required</b>
Year 1	April 30, 2010	No
Year 2	May 1, 2011	No
Year 3	May 19, 2012	Yes
Year 4	April 30, 2013	Yes
Year 5	April 29, 2014	No
Year 6	May 22, 2015	Yes
Year 7	May 1, 2016	No

**Important:** If there is reason to believe CCC's collateral is at risk, STC or COC may authorize the County Office to perform a collateral check at any time.

**Part 10 Deceased Borrowers and Assumptions****176 Deceased Borrowers****A County Office Action**

When it is learned that an FSFL borrower has died, County Offices shall take the following action.

<b>Step</b>	<b>Action</b>
1	Notify the State Office.
2	After instructions are received from the State Office, notify the fiduciary representative of the estate using the notification letter provided by the State Office from the Regional OGC.
3	Follow the course of action to continue FSFL according to instructions provided by the State Office and the Regional OGC.
4	Process assumptions according to paragraphs 177 and 426.

**B State Office Action**

When notified of a deceased borrower by a County Office, the State Office shall take the following action.

<b>Step</b>	<b>Action</b>
1	<p>Contact the Regional OGC for advice in preparing a letter that notifies the fiduciary representative of the estate that:</p> <ul style="list-style-type: none"> <li>• there is an outstanding CCC loan</li> <li>• FSFL is secured by CCC-186 and, if applicable, a mortgage or deed of trust on real estate.</li> </ul>
2	Obtain advice from the Regional OGC as to the course of action CCC should take to continue FSFL.
3	Notify the County Office of OGC's recommendations and the language of the notification letter.

## 177 Assumptions

**A When Authorized**

\*--Assumptions are authorized when the following situations occur, but not limited to,;--\*

- the borrower requests an assumption to convey the secured property to another eligible producer
- the borrower is deceased and an eligible heir or another eligible producer who is **not** liable for FSFL requests an assumption.

**B County Office Action**

County Offices shall take the following action.

Step	Action
1	Approve assumptions only for applicants who meet <b>all</b> of the eligibility requirements according to subparagraph 12 A.
2	Obtain new CCC-297's, if applicable.
3	Prepare and record new security documents to protect CCC's interest in the collateral.
4	Request lien search and credit report on new applicants. Pay lien search, filing, and recording fees according to subparagraph 24 I.
5	Collect the application fee in effect at the time the assumption is requested according to paragraph 30.  <b>Note:</b> A new application fee is not required if the remaining co-borrowers will continue to meet the FSFL eligibility requirements and demonstrate the need for the storage. For this situation, CED or COC may approve CCC-298.
6	Prepare a manual CCC-185 to document that the applicant meets the storage need.
7	Include unpaid interest in the assumed FSFL unless the approving committee requires payment of interest to the date of assumption.
8	Use CCC-298 to document the assumption and COC approval.
9	Require the new borrower to pay filing and recording fees according to subparagraph 24 I.
10	Require the new borrower to pay the next installment when it is due.
11	Provide releases of security to the original borrower. The original borrower pays all fees associated with releasing security.
12	Call FSFL and require repayment in full when there is <b>not</b> an eligible producer to assume FSFL.

Process assumption in APSS according to paragraph 426.

\*--**Note:** For questionable cases, contact Toni Williams by e-mail at [toni.williams@wdc.usda.gov](mailto:toni.williams@wdc.usda.gov).--\*



**230 Repairing or Replacing FSFL Collateral****A Occurrences**

Requests for repairing or replacing FSFL collateral may occur when:

- equipment wears out before reaching the end of its useful life
- insured structures and equipment are damaged or destroyed by insurable causes of loss,  
\*--such as but not limited to, wind storms and fire.--\*

**B County Office Action**

\*--County Offices shall, when collateral is destroyed or damaged, and **will not be repaired**:

- inspect facility to assess damage
- discuss with the approving authority if the FSFL should be called according to paragraph 196 and/or determine if a DAFP waiver is needed to allow the FSFL to remain outstanding until paid in full--\*
- apply insurance proceeds as a regular FSFL repayment
- create a claim for outstanding amounts after CCC has disposed of FSFL collateral, according to Part 13
- \*--notify producers that approval is required before existing FSFL security documents are amended for repair or replacement

**Notes:** The producer is responsible for the cost of amending and refiling FSFL security documents.

The original approving authority must provide authorization to amend FSFL security documents.--\*

**230 Repairing or Replacing FSFL Collateral (Continued)****B County Office Action (Continued)**

- when collateral is damaged and **will be repaired**:
  - inspect facility to assess damage
  - inspect facility after repairs have been completed
  - release insurance proceeds to debtor when debtor presents evidence of cost of repairs

**\*--Notes:** County Offices shall hold insurance proceeds until repairs are completed unless other guidance is provided by the National Office. Insurance--\* proceeds are **not** to be deposited. **Do not let the check expire.** State specialists shall contact PSD, at least 30 calendar days before a check expires, for instructions on how to proceed.

County Offices must ensure that acceptable evidence and CCC-191's are collected and reviewed to substantiate the repair costs. Collecting this information will ensure that FSA does not encounter a future liability or mechanic's lien.

- advise producers that they may apply for new FSFL's for replacement facilities and equipment.

**\*--Note:** For questionable cases, contact Toni Williams by e-mail at **toni.williams@wdc.usda.gov.--\***

**231 Releasing Real Estate Security****A Partial Releases**

Partial releases of real estate used to secure FSFL's are authorized when:

- a request in writing is received from debtors
- COC determines that the:
  - partial release will **not** jeopardize CCC's security interest
  - remaining real estate has sufficient value to secure FSFL
  - remaining real estate is a saleable unit
- the borrower pays all costs associated with the release.

## 312 Application Fees (Continued)

### B Program Code for Application Fees

The program code for **depositing** FSFL application fees is “XXFSFLFEES”, where “XX” represents the last 2 digits of the FY in which the FSFL application is expected to be “Approved Pending Funding” by STC or COC.

**Examples:** An application fee collected for FSFL that is “Approved Pending Funding” by COC between:

- 10-1-11 and 9-30-12 will be deposited using code “12FSFLFEES”
- 10-1-12 and 9-30-13 will be deposited using code “13FSFLFEES”.

The NRRS code “XXFSFLFEES”:

- **shall** only be used for application fees
- **must** equal \$100 when entering the FSFL application fee
- is located in **NRRS** under “Direct Sales”.

**Note:** State and County Offices must ensure that the FSFL application fee is selected from the “Direct Sales” NRRS drop-down menu and **not** selected from the “Price Support Farm Storage Facility Loan” NRRS drop-down menu.

**Important:** If application fee is received in FY 2012, but FSFL is not approved until FY 2013, application fee **must** be \*-reentered in the system as, “13FSFLFEES”. State Offices **must** contact the National Office for instructions when deleting and reentering “XXFSFLFEES”.-\*

**Notes:** For fees paid for by the County Office and reimbursed by the producer, see paragraph 314.

See Exhibit 34 for FSFL program codes, Exhibit 35 for FSFL application fee examples for recording in NRRS, and Exhibit 36 for FSFL repayment examples for recording in NRRS.

### C Retaining Application Fee Information

County Offices shall record the following in the FSFL folder:

- amount of application fee paid in dollars and cents, for example “\$100.00”
- date application fee was paid and deposited
- CCC-257 number, for example “0468”.

### D Depositing Application Fees

The FSFL application fee shall be deposited in NRRS using current FI procedure.

**313 Issuing Payments for Lien Searches and Recording Fees****A Fees Responsibilities**

CCC is responsible for **paying** fees for:

- credit reports (paid by PSD)
- lien searches on collateral
- recording fees for financing statements on collateral.

**Note:** A contract for obtaining all FSFL credit reports has been secured. State and County Offices shall **not** pay for these reports. PSD will request payment.

The applicant shall pay all other fees according to subparagraph 24 I.

**B Program Code for Paying Fees**

The program code for **paying** fees for FSFL lien searches and financing statements is “XXFSFLRF”, where “XX” equals the last 2 digits of the FY of the original loan approval.

**Examples:** Lien search and recording fees shall be coded as follows:

- \*--a fee for filing UCC-1 for FSFL approved in FY 2013 and paid on October 4, 2013, shall be “13FSFLRF”
- a lien search on an individual assuming FY 2012 FSFL paid on September 9, 2013, shall be “12FSFLRF”.--\*

**C Paying Fees**

County Offices shall submit payment requests for FSFL lien search and recording fees according to current OLP procedures in 1-FI.

**314 Reimbursable Fees****A Reimbursable Fee**

An example of a reimbursable fee is the borrower repaying the County Office for CCC-297 filed for the producer. According to subparagraph 24 I, the producer is responsible for the cost associated with the filing of CCC-297. Other examples include, but are not limited to, the following:

- filing and discharging CCC-297
- filing and recording CCC-297 related to a lien on real estate
- filing a release or discharge of a real estate mortgage
- terminating a financing statement using a UCC document.

## 326 Important Information for Processing FSFL's

### A Processing Capabilities

FSFL disbursement checks can **only** be issued through FSFL disbursement functions according to paragraphs 366, 367, and 368.

### B FY's

For credit reform reporting purposes, the "Fiscal Year" entered on Screen VCA11000 according to subparagraph 338 B, step 1, must be the FY during which FSFL is "Approved Pending Funding" or "Disapproved" by COC.

**Example:** If CCC-185 is filed in FY 2009, but it **cannot** or **will not** be "Approved Pending Funding" by COC until after October 1, 2009, then the "Fiscal Year" entered on Screen VCA11000 shall be "2010".

FY used for the application number and FY in the application fee deposit code **must be** the same.

### C FSFL Facility Types

The FSFL facility type codes have been modified to include the new eligible commodities. Ensure that the correct facility type code is being used when entering the FSFL application into the software.

The following FSFL facility type numbers are allowable entries on Screen VFA10500 according to subparagraph 338 B, step 4, when entering CCC-185 data:

- "1" for **Storage Bin**
- "2" for **Storage Crib**
- "3" for **Upright Silo**
- "4" for **Flat Storage**
- "5" for **Affixed Handling Equipment**
- "6" for **Affixed Drying Equipment**
- "7" for **Hay**
- "8" for **Additions/Modifications of Existing Storage**
- "A" for **Renewable Biomass**
- "B" for **Fruit and Vegetable Cold Storage**
- "C" for **Bunker-Type, Horizontal, or Open Silos for High Moisture Grain**
- "D" for **Bunker-Type, Horizontal, or Open Silos for Silage.**

**Note:** PRESS "Help" on Screen VFA10500 to display this information.

**326 Important Information for Processing FSFL's (Continued)****C FSFL Facility Types (Continued)**

For the following new commodities, the following facility type codes **must** be used:

- “7” for all structures to store **Hay**
- “A” for all structures to store **Renewable Biomass**
- “B” for all cold storage structures to store **Fruits and Vegetables**.

**Note:** The only way PSD has to monitor the number of FSFL's of the new eligible commodities is through these codes.

**\*--Example:** County Offices should enter the eligible FAV commodity facility type code “B” in addition to whether the FSFL is for FAV affixed handling equipment “5” or FAV affixed drying equipment “6” according to this subparagraph and subparagraph 338 B, step 4.--\*

**327 Additional Eligible Commodities****A Eligible Commodities**

Screen VFA11000 has been modified to allow for the following additional commodities:

- Hay
- Renewable Biomass
- Fruits and Vegetables.

**Notes:** See Exhibit 14 for commodity codes and abbreviations. County Offices must enter the alpha crop abbreviation and **not** the numeric crop code.

If re-accessing the FSFL application to increase or decrease the FSFL approval amount, the fifth character of the commodity code abbreviation must be re-entered to complete the process. This is a known defect that will be updated in the next software release.

**328-337 (Reserved)**

## 338 Initial Entry of CCC-185 Data (Continued)

## B Data Entry (Continued)

Step	Action	Result														
4	<p>On Screen VFA10500, 5 data entry lines are provided to list the applicable type codes. Enter 1 of the following facility type codes, as applicable:</p> <ul style="list-style-type: none"><li>• “1”</li><li>• “2”</li><li>• “3”</li><li>• “4”</li><li>• *--“5” - affixed handling equipment</li><li>• “6” - affixed drying equipment</li><li>• “7” - hay storage</li><li>• “8” - for additions and/or modifications of existing storage</li><li>• “A” - renewable biomass storage</li><li>• “B”- cold storage for FAV’s</li><li>• “C”</li><li>• “D”.</li></ul> <p><b>Note:</b> County Offices should enter the eligible commodity facility type code “7”, “A”, or “B” in addition to whether the FSFL is for affixed handling or affixed drying equipment when applicable.--*</p>	Screen VFA10800 will be displayed.														
	<table><tr><th>IF the facility type code entered in block 1 is...</th><th>THEN...</th></tr><tr><td>an addition or modification rather than new</td><td>ENTER “8”.</td></tr><tr><td>New</td><td>leave blank.</td></tr><tr><th>IF affixed...</th><th>THEN...</th></tr><tr><td>handling equipment is included in FSFL</td><td>ENTER “5”.</td></tr><tr><td>Drying equipment is included in FSFL</td><td>ENTER “6”.</td></tr><tr><td colspan="2">Enter the FSFL purpose in free-form and PRESS “Enter”.</td></tr></table>	IF the facility type code entered in block 1 is...	THEN...	an addition or modification rather than new	ENTER “8”.	New	leave blank.	IF affixed...	THEN...	handling equipment is included in FSFL	ENTER “5”.	Drying equipment is included in FSFL	ENTER “6”.	Enter the FSFL purpose in free-form and PRESS “Enter”.		
IF the facility type code entered in block 1 is...	THEN...															
an addition or modification rather than new	ENTER “8”.															
New	leave blank.															
IF affixed...	THEN...															
handling equipment is included in FSFL	ENTER “5”.															
Drying equipment is included in FSFL	ENTER “6”.															
Enter the FSFL purpose in free-form and PRESS “Enter”.																

## 338 Initial Entry of CCC-185 Data (Continued)

## B Data Entry (Continued)

Step	Action	Result
5	<p data-bbox="386 331 959 363">On Screen VFA10800, users are required to:</p> <ul style="list-style-type: none"> <li data-bbox="386 405 786 436">• enter applicable data about: <ul style="list-style-type: none"> <li data-bbox="435 478 1062 552">• who it is purchased from, for example “Jones Company”</li> <li data-bbox="435 594 1052 667">• who it is erected or installed by, for example “Smith Company”</li> <li data-bbox="435 709 1008 783">• who the real estate owner is, for example “James and Linda Farmer”</li> <li data-bbox="435 825 987 898">• who the lienholder is, for example “My Mortgage Company”</li> <li data-bbox="435 940 1036 1014">• what the real estate location is, for example “NE4NW4 Sec. 10-34-15”</li> </ul> </li> </ul> <p data-bbox="435 1035 1101 1329"><b>Note:</b> This is the location where the collateral is located that is automatically transferred to *--CCC-186, item 8(b). Enter the complete legal description. If the legal description required by the State is larger than the system will allow, County Offices must type the balance of the legal description on CCC-186 at disbursement.--*</p> <ul style="list-style-type: none"> <li data-bbox="386 1371 1076 1444">• answer the question, “Are you or any co-applicant delinquent on any federal non tax debt? (Y or N)”</li> </ul> <p data-bbox="435 1476 1092 1591"><b>Note:</b> If the answer is “Y”, manually note the creditor name, account number, and amount of debt in CCC-185, item 18.</p> <ul style="list-style-type: none"> <li data-bbox="386 1633 1036 1780">• enter date of CCC-185: <ul style="list-style-type: none"> <li data-bbox="435 1707 1036 1738">• for first applicant, for example “02112010”</li> <li data-bbox="435 1749 964 1780">• for second applicant, when applicable</li> </ul> </li> <li data-bbox="386 1822 639 1854">• PRESS “Enter”.</li> </ul>	Screen VFA11000 will be displayed.



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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-850	Environmental Evaluation Checklist		11, 52, 69, 81-83, 301, Ex. 15
FSA-851	Environmental Risk Survey Form		11, 52, 82, 301, Ex. 15
FSA-853A	Environmental Assessment		82
FSA-1927-8	Agreement With Prior Lien Holder (State of...)		127, 129
FSA-2002	3 Years Financial History		53
FSA-2003	3 years Production History		53
FSA-2004	Authorization to Release Information		51, 53, 54, Ex. 15
FSA-2015	Verification of Debts and Assets		53, Ex. 15
FSA-2037	Farm Business Plan Worksheet Balance Sheet		51, 53
FSA-2038	Farm Business Plan Worksheet Projected/Actual Income and Expense		51, 53
FSA-2319	Agreement With Prior Lienholder		24, 127, 129
FSA-2360	Report of Lien Search		56, Ex. 15
IRS-1098	Mortgage Interest Statement		12, 164
NRCS-CPA-052	Environmental Evaluation Worksheet		82
SF-LLL	Disclosure of Lobbying Activities	33	
SF-LLL-A	Disclosure of Lobbying Activities Continuation Sheet	33	
UCC-1	National Financing Statement		Text, Ex. 15, 16, 34
UCC-3	National Financing Statement Amendment		24, Ex. 15

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

### Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

<b>Approved Abbreviation</b>	<b>Term</b>	<b>Reference</b>
ASG	Application Support Group	440
COTR	State Contracting Representative	Ex. 13
EA	environmental assessment	81-83
FSA-FS	FSA Financial Services	158
FSFLP	Farm Storage Facility Loan Program	Text, Ex. 2
NCT	National Crop Table	17
NIFA	National Institute of Food and Agriculture	16, 17, 20
NRRS	National Receipts and Receivables System	158, 314
OLP	online payment	313, 314
OSHA	Occupational Safety and Health Administration	19-21, 35
REAP	Rural Energy for America Program	32
SEC	State Environmental Coordinator	82, 83
SFLO	Senior Farm Loan Officer	115
SOD	start-of-day	158, 352, 414, 415
SORS	State Office Reporting System	451
TAV	Tax Assessment Value	24

### Redelegations of Authority

This table lists the redelegations of authority in this handbook.

<b>Redelegation</b>	<b>Reference</b>
CED may be delegated authority by COC to sign all forms or documents, except CCC-185. Federal and non-Federal County Office employees, except those applications in which the person approving has a monetary interest, may be delegated authority by CED. See paragraph 2 for exceptions.	2
DD may be delegated authority by STC to approve CCC-185 if the loan applicant is a COC or County Office employee or relative.	2
STC may redelegate authority for loan approval period extensions up to 6 months.	135
STC may redelegate CCC-185 approval authority to SED or DAFO-appointed Acting SED <b>only</b> .	2, 11, 115
*--STC may redelegate authority for storage need waiver to COC only for provisions provided in subparagraph 15 C.	15
STC may redelegate authority to waive, on a case-by-case basis, multi-peril crop insurance or NAP coverage for FAV producers only for provisions provided in subparagraph 69 D.--*	69