

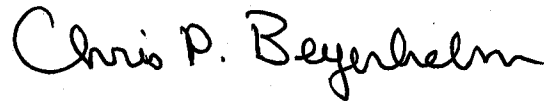
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Guaranteed Loan Making and Servicing
2-FLP (Revision 1)**

Amendment 14

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 244 A has been amended to update the statutory loan limit for guaranteed loans.

Subparagraph 247 A has been amended to update the guarantee fee regulations.

Page Control Chart		
TC	Text	Exhibit
	10-1, 10-2 10-11, 10-12	

Part 10 Processing Approvals and Issuing the Guarantee**244 Loan Approval (7 CFR 762.122)****A Loan Limits**

The agency will not guarantee any loan that would result in the applicant's total indebtedness exceeding the limits established in § 761.8 of this chapter (1-FLP, paragraph 29).

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

The total outstanding combined guaranteed FO, CL, SW, and OL principal balance cannot *--exceed \$1,214,000.

The total outstanding direct and guaranteed FO, CL, and SW principal balance cannot exceed \$1,214,000.

The total outstanding direct and guaranteed OL principal balance cannot exceed \$1,214,000.

The total combined outstanding direct and guaranteed FO, CL, SW, and OL balance cannot exceed \$1,514,000.

The total combined outstanding direct and guaranteed FO, CL, SW, OL, and EM balance cannot exceed \$2,014,000.

Notes: The maximum loan levels established in this subparagraph are for FY 2012.--*

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

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

244 Loan Approval (7 CFR 762.122) (Continued)**B Submitting FSA-2231 to the * * * Approval Official**

When the loan exceeds the authorized agency official's approval authority, the authorized agency official should send the approval official all information the approval official needs to evaluate the loan request, including the following:

- a completed FSA-2231
- GLS Loan Approval Screens
- Application for Guarantee for SEL and CLP applicants or Preferred Lender Application for PLP applicants
- Conditional Commitment with recommended changes
- the balance sheet and cash flow statement (for SEL applicants)
- the loan narrative
- any other information the approval official requests.

--The authorized agency official should verify the lender has a Lender's Agreement in effect.--

Once the loan approval official executes FSA-2231, the authorized agency official may then proceed to execute all other loan-related documents, unless otherwise specified by the loan approval official.

C Lender Notification of Authorized Agency Official Decision

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

- If the application is approved and funds are available, the authorized agency official shall prepare a letter to the lender (subparagraph D), with a copy to the applicant, and a Conditional Commitment, and proceed to paragraph 245.
- If the application is approved and funds are not available, the authorized agency official shall prepare a letter (subparagraph E) to the lender with a copy to the applicant, informing them the loan is approved, subject to the allocation of funding. This letter should inform the lender that funding is being requested and the loan should not be closed until they receive the Conditional Commitment, agree to the conditions, and execute the document.

247 Actions Before Issuing the Loan Guarantee (7 CFR 762.130) (Continued)

A Lender's Actions (Continued)

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

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

- there has been no material adverse change in the borrower's condition, financial or otherwise, since submission of the application
 - all other requirements specified in the conditional commitment have been met.
- FSA-2236

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

- a completed Application for Guarantee or Preferred Lender Application with appropriate signatures if the lender submitted the application electronically without all required signatures
- an acceptable appraisal from SEL's, if the guarantee was approved, subject to an appraisal

Note: SEL's should be encouraged to submit this appraisal to FSA before loan closing to ensure compliance with FSA requirements.

- Lenders Agreement

Note: The lender must execute the Agency's lender's agreement and deliver it to the Agency. If a current Lenders Agreement is not on file with FSA, then 1 must be executed before issuing the Loan Guarantee.

247 Actions Before Issuing the Loan Guarantee (7 CFR 762.130) (Continued)

A Lender's Actions (Continued)

- guarantee fee

***--Notes:** The guarantee fee is established by the Agency at the time the guarantee is obligated. The fee, beginning in FY 2012, is 1.5 percent. The current fee schedule is available at any FSA office. The Agency may change the guarantee fee by a notice in the Federal Register. Guaranteed fees may be adjusted annually based on factors that affect program costs. The nonrefundable fee is paid to the Agency by the lender. The fee may be passed on to the borrower and included in loan funds. The guarantee fee for the loan type will be calculated as follows:

FO guarantee fee = Loan Amount x % guaranteed x (FO percentage established by FSA)

OL guarantee fee = Loan Amount x % guaranteed x (OL percentage established by FSA)

CL guarantee fee = Loan Amount x % guaranteed x (CL percentage established by FSA).

Note: Loans obligated on or after October 1, 2011, will be charged a guarantee fee of 1.5 percent. Any loan obligated before October 1, 2011, but closed after October 1, 2011, will be charged a guarantee fee of 1 percent.--*

The following guaranteed loan transactions are not charged a fee:

- loans involving interest assistance
- loans where a majority of the funds are used to refinance an Agency direct loan
- *--loans to beginning or socially disadvantaged farmers involved in the direct Downpayment Loan program or beginning farmers participating in a qualified State Beginning Farmer Program.--*

Note: Only applicants who meet the requirements of the beginning or socially disadvantaged farmer, and are participating in the direct Downpayment Loan program under 3-FLP, Part 7, Section 2, will qualify for a waiver of the fee. Applicants meeting only the definition of beginning or socially disadvantaged farmer will not qualify for the waiver.

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