

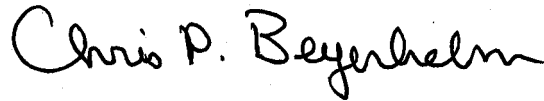
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 18

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraphs 66 A, 66 J, 68 A, and 70 A have been amended to include Forest Stewardship Management Plans as part of a complete application for CL's.

Subparagraphs 66 C and 70 B have been amended to include discussion of a Forest Stewardship Management Plan in the loan narrative for CL applications.

Subparagraph 123.5 B has been amended to include activities in a Forest Stewardship Management Plan as an authorized purpose for CL's.

Subparagraph 137 E has been amended to change CL terms to 30 years.

Subparagraph 312 A has been amended to clarify lender responsibilities when restructuring CL's.

Subparagraph 326 B has been amended to change maximum terms to 30 years when rescheduling CL's.

Exhibit 2 has been amended to update the definitions of "conservation practice" and "conservation project" and to add the definition of "Forest Stewardship Management Plan".

Note: A correction will be published in FR to amend the introductory text to section 762.121 (c). This amendment provides the text that will be published in FR.

Page Control Chart		
TC	Text	Exhibit
	5-1 through 5-24 8-35, 8-36 8-63, 8-64 12-29, 12-30 12-55, 12-56	2, pages 5, 6 pages 13, 14

Part 5 Loan Application Requirements (7 CFR 762.110)**Section 1 Application Requirements for SEL's and CLP Lenders****65 General Application Requirements****A Application Requirements**

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

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

- contact authorized agency officials for assistance with the application
- address any issues or deficiencies before they become problems.

Lenders may use FSA-2291 as an application processing checklist. FSA may use FSA-2292 to review an application for completeness.

B Maintaining Complete Loan File

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

The lender's file must contain the applicable items in paragraphs 66 and 67 and all correspondence with the borrower about servicing actions and other loan-related documentation generated after loan approval.

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

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

A Application Package

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

- **the application form** (Application for Guarantee) (subparagraph B)
- **loan narrative** (subparagraph C)
- **balance sheet** (subparagraph D)
- **cash flow budget** unless waived (subparagraph E)
- description of farmed land (subparagraph F)
- **credit report** (subparagraph G)
- environmental information (if needed, see subparagraph H)
- information related to entity applicants (if needed, see subparagraph I)
- ***--for CL guarantees, a copy of the conservation plan or Forest Stewardship Management Plan** (subparagraph J)--*
- **plans to transition to organic or sustainable agriculture** (if needed for CL, see subparagraph K).

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

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

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

The Agency may require lenders with a lender loss rate in excess of the rate for CLP lenders to assemble additional documentation from (paragraph 67).

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

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

B Application Form

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

Note: Applications submitted electronically will be processed according to subparagraph 73 B.

C Loan Narrative

The application package must include a narrative description of the lender's underwriting of the loan. The narrative must contain information and analysis of any loan application data that are out of the ordinary, or at variance with normal practices for the type of operation and region. The narrative must be an evaluation and not just a summary of the data. It may be *--less detailed for a borrower who already has a guaranteed loan or an FSA direct loan.--*

The narrative should address the following, as applicable:

- describe the farming operation, such as types of enterprises, key personnel and management structure, their roles and background, proposed changes to the operation and adequacy of real estate, equipment, and other facilities
- an assessment of the adequacy of the collateral being offered to secure the proposed loan
- a discussion of the applicant's financial condition and projected repayment ability

Notes: The lender should discuss any significant assumptions or deviations from historical performance in the proposed cash flow budget.

--If the application is for CL and the applicant meets the requirements to waive the cash flow requirement, the lender should discuss the applicant's financial conditions that qualify the applicant for the waiver.--

66 Requirements for Loans of \$125,000 or Less (7 CFR 762.110) (Continued)**C Loan Narrative (Continued)**

- the name, Social Security number, and current address of any co-borrowers or co-signers required to execute the note at loan closing
- the short-term and long-term business goals of the operation
- the borrower's reporting requirements, limitations, and other conditions based on the lender's analysis of the proposal
- lender servicing plan describing the borrower's financial reporting requirements, limitations and conditions, plans for visiting the borrower, and any other borrower supervision
- if the loan contains balloon payments, the conditions related to the renewal of loan
- a discussion of how the applicant meets the loan eligibility requirements
- *--if the application is for CL, a discussion of the conservation plan or Forest Stewardship Management Plan and need for the qualifying conservation practices including a--* discussion of the transition plan, if applicable.

D Balance Sheet

The application package must contain a balance sheet for the applicant that was prepared within 90 calendar days of the application submission.

E Cash Flow Budget

The lender should submit a cash flow budget as described in Exhibit 2. If significant changes are expected in the operation during the life of the loan, more than 1 cash flow budget may need to be developed.

For Streamlined CL according to subparagraph 70.5 B, the lender should follow their internal procedure to determine financial feasibility. It is **not** required that these cash flow budgets be submitted to FSA.

F Description of Farmed Land

A description of the location of each tract of land to be farmed by the applicant should be provided. This may be by FSA farm number, legal description, plat map, or other identifying method. This may be included as part of the loan narrative.

G Credit Report

A credit report on the applicant's credit history must be provided. In addition, lenders should consider any other pertinent information concerning the applicant's credit history. CLP lenders are not required to submit the credit report to FSA.

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

H Environmental Information

Borrowers are required to have a current AD-1026 on file with FSA. Lenders should remind borrowers that AD-1026 must be executed with FSA, if AD-1026 is **not** already on file.

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

I Additional Requirements for Entity Applicants

Entity applicants must submit additional information for each entity member. The application must contain the following information about each entity member:

- full legal name
- address
- Social Security number
- percent ownership interest in the entity
- current balance sheet.

***--J Conservation Plans and Forest Stewardship Management Plan**

CL applicants must submit a copy of their current conservation plan or Forest Stewardship Management Plan. The plan must address conservation practices that will be financed by the CL request.

Note: NRCS CPA-1155 or Tool Kit is considered sufficient documentation for the conservation plan. A copy of the owner's objectives, schedule of activities, and property map is considered sufficient documentation for the Forest Stewardship Management Plan.--*

K Transition Plan

To request consideration for priority funding when the loan funds will be used to facilitate a transition to organic or sustainable agriculture, an applicant must submit a plan discussing how they will carry out the transition. This plan can be:

- part of the conservation plan, as described in subparagraph J, or an organic plan that has been approved by a certified agent and the State Organic Certification Program
- a grant that was awarded by the Sustainable Agriculture Research and Education Program of the National Institute of Food and Agriculture, USDA.

67 Requirements for Loans Over \$125,000 (7 CFR 762.110)**A Application Package**

A complete application package for a guaranteed loan over \$125,000 will consist of the *--items in paragraph 66, plus subparagraphs B through G, **unless waived when conditions in** subparagraph 70.5 B are met.--*

B Verification of Income

Nonfarm and “other farm” income should be documented using the same documentation the lender uses for its nonguaranteed loans.

C Verification of Debts Over \$1,000

Verification can be documented using the same documentation the lender uses for its nonguaranteed loans.

D Financial History

The financial history should support cash flow projections and include 3 years of income and *--expenses and 3 years of balance sheets, unless waived by subparagraph 70.5 B.

E Production History

The application should include **3 years of production history (SEL only)**, unless waived by subparagraph 70.5 B.--*

F Proposed Loan Agreements

Any proposed nontypical agreements between the lender and the borrower should be explained in the narrative.

G Development Plans

If construction or development is planned, a copy of the plans, a copy of the specifications, and a development schedule is needed.

68 **Submission Requirements for SEL's and CLP Lenders****A Submission Requirements**

The following table summarizes the submission requirements for SEL's and CLP lenders. In addition to the items submitted to FSA, lenders are expected to maintain in their files all applicable items that do not need to be submitted. See subparagraph B.

Submission Requirement	For Loans \$125,000 or Less		For Loans More Than \$125,000	
	SEL	CLP Lender	SEL	CLP Lender
Application Form	Y	Y	Y	Y
Loan Narrative	Y	Y	Y	Y
Balance Sheet	Y	Y	Y	Y
Cash Flow Budget (if applicable)	Y	Y	Y	Y
Description of Farmed Land	Y	Y	Y	Y
Entity Information (if applicable)	Y	Y	Y	Y
Credit Report	Y	F	Y	F
Environmental Information (if applicable)	Y	Y	Y	Y
--Conservation or Forest Stewardship Management Plan (for CL only)--	Y	Y	Y	Y
Transition Plan (for CL if applicable)	Y	Y	Y	Y
Proposed Loan Agreement			Y	F
Verification of Debts Over \$1,000			Y	F
Verification of Income (if applicable)			Y	F
3 Years of Production History (if applicable)			Y	N/A
3 Years of Financial History (if applicable)			Y	F
Development Plans (if applicable)			Y	F

Note: Items marked with an "F" are items that do not have to be submitted, but must be maintained in the lender's file.

B Lender Certification

Lenders certify that they have the required documentation in their files by signing the Application for Guarantee.

69 **(Reserved)**

Section 2 Preferred Lender Applications

70 Application Requirements for PLP Lenders (7 CFR 762.110)

A Application Requirements

A complete application for PLP lenders will consist of:

- **an application form** (Preferred Lender Application)

Note: Applications submitted electronically will be processed according to subparagraph 73 B.
- **a loan narrative**
- **any other items agreed to during the approval of the PLP lender's status and contained in the PLP lender agreement**
- ***--for CL guarantees, a copy of the conservation plan or Forest Stewardship Management Plan (subparagraph 66 J)--***
- **plan to transition to organic or sustainable agriculture** (if needed for CL, see subparagraph 66 K).

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

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

70 Application Requirements for PLP Lenders (7 CFR 762.110) (Continued)**B Loan Narrative**

FSA expects PLP lenders to include, in the narrative, a discussion of the 5 “C’s” of credit; that is, character, capacity, capital, conditions, and collateral.

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

--If the application is for CL, a discussion of the conservation plan or Forest Stewardship Management Plan and need for the qualifying conservation practices including a discussion of the transition plan, if applicable, must be provided in the loan narrative.--

C Submitting Applications Outside Normal Trade Area

PLP status will be approved for the lender’s normal trade area as defined in CMS. If a lender wants to make a guaranteed loan outside of this area, the lender should contact the State Office responsible for that area for guidance on where to submit the request for guarantee. On a case-by-case basis, SED may authorize the approval of guarantees outside the lender’s normal trade area if SED determines that the lender can adequately make and service the loan. If the lender wants to permanently expand its approved normal trade area, it will request an expansion through SED to DAFLP.

123 FO Purposes (7 CFR 762.121(b)) (Continued)

B FO Purposes (Continued)

- make capital improvements

Examples: Examples include, but are not limited to, the construction, purchase, and improvement of farm dwellings, service buildings and facilities that can be made fixtures to the real estate. Capital improvements to leased land may be financed subject to the limitations in § 762.122.

Notes: FO funds can be used to purchase or build any type of structure, including personal dwellings, related to the farming enterprise.

When planning capital improvements, the lender shall ensure that:

- all project facilities are designed using accepted architectural and engineering practices and conform to applicable Federal, State, and local codes and requirements
- the project will be completed with available funds and, once completed, will be used for its intended purpose and produce products in the quality and quantity proposed in the application.

--[7 CFR 762.122] When FO or CL funds are used for improvements to--
leased land, the terms of the lease must provide either of the following:

- reasonable assurance that the applicant will have use of the improvement over its useful life
- compensation for any unexhausted value of the improvement if the lease is terminated.

123 FO Purposes (7 CFR 762.121(b)) (Continued)

B FO Purposes (Continued)

- **promote soil and water conservation and protection**

Examples: Examples include the correction of hazardous environmental conditions, and the construction or installation of tiles, terraces and waterways.

- **pay closing costs, including but not limited to, purchasing stock in a cooperative, appraisal and survey fees**
- **refinance indebtedness incurred for authorized FO or OL purposes, provided the lender and applicant demonstrate the need to refinance the debt.**

When the guaranteed loan is to be used to refinance an unguaranteed debt that the requesting lender has with the applicant, the authorized agency official must evaluate whether the terms of the proposed loan will improve the applicant's cash flow and likelihood of success.

123.5 CL Purposes (7 CFR 762.121(c))

A General CL Purposes

The authorized agency official shall review loan applications to ensure that CL funds are used for authorized purposes.

B CL Purposes

Loan funds disbursed under a CL guarantee may be used for any conservation *--activities included in a conservation plan or Forest Stewardship Management Plan--* including, but not limited to:

- **the installation of conservation structures to address soil, water and related resources**
- **the establishment of forest cover for sustained yield timber management, erosion control or shelter belt purposes**
- **the installation of water conservation measures**
- **the establishment or improvement of permanent pasture**
- **other purposes including the adoption of any other emerging or existing conservation practices, techniques or technologies**
- **refinancing indebtedness incurred for any authorized CL purpose.**

Note: The lender shall ensure that the project can be completed with available funds.

--137 Loan Term and Payment Schedules (7 CFR 762.124(b), (c), (d), and (e))--

A OL's Repayment Schedule

Loan funds or advances on a line of credit used to pay annual operating expenses will be repaid when the income from the year's operation is received, except when the borrower is establishing a new enterprise, developing a farm, purchasing feed while feed crops are being established, or recovering from disaster or economic reverses.

When repayment is scheduled over a longer period, the borrower's expected income is not sufficient security. The lender must secure the loan with additional chattel or real estate security for the period of repayment.

Advances for purposes other than for annual operating expenses will be scheduled for repayment over the minimum period necessary considering the applicant's ability to repay and the useful life of the security, but not in excess of 7 years.

B OL/LOC Final Maturity Date

The final maturity date for each loan cannot exceed 7 years from the date of the promissory note or line of credit agreement.

137 Loan Term and Payment Schedules (7 CFR 762.124(b), (c), (d), and (e)) (Continued)**C LOC Advances**

All advances on a line of credit must be made within 5 years from the date of the loan Guarantee.

D FO Final Maturity Date

Each loan must be scheduled for repayment over a period not to exceed 40 years from the date of the note or a shorter period as may be necessary to assure that the loan will be adequately secured, taking into account the probable depreciation of the security.

E CL Terms

--Each loan must be scheduled for repayment over a period not to exceed 30 years-- from the date of the note or such shorter period as may be necessary to assure that the loan will be adequately secured, taking into account the probable depreciation of the security.

F Loan Note Guarantee Balloon Payments

Balloon payment terms are permitted on FO, OL or CL subject to the following.

- Extended repayment schedules may include equal, unequal, or balloon installments if needed to establish a new enterprise, develop a farm, or recover from a disaster or an economic reversal.
- Loans with balloon installments must have adequate collateral at the time the balloon installment comes due. Crops, livestock other than breeding livestock, or livestock products produced are not sufficient collateral for securing such a loan.
- The borrower must be projected to be able to refinance the remaining debt at the time the balloon payment comes due based on the expected financial condition of the operation, the depreciated value of the collateral, and the principal balance on the loan.

When conditions warrant, FO, OL, or CL may have repayment schedules that may include equal, unequal, or balloon payments. The period of time between loan origination and a balloon installment must be no shorter than that provided to nonguaranteed customers for similar type transactions.

**312 Lender Requirements and Conditions for Loan Restructuring (7 CFR 762.145)
(Continued)****A General Requirements (Continued)**

- **The lender's security position will not be adversely affected because of the restructuring. New security instruments may be taken if needed, but a loan does not have to be fully secured in order to be restructured, unless it is restructured with a balloon payment. When a loan is restructured using a balloon payment, the lender must take a lien on all assets and project the loan to be fully secured at the time the balloon payment becomes due, in accordance with 7 CFR 762.145 (b)(4).**

Note: If the lender takes additional security as part of the loan restructuring, a list of the new security items and their estimated values should be forwarded to the authorized agency official along with all other restructuring materials according to paragraph 313.

- **Any holder agrees to any changes in the original loan terms.**

All lenders will submit copies of any restructured notes or lines of credit to the Agency.

--For CL, the lender must ensure that the borrower is maintaining the practice for which CL was made.--

B Lender Approval

If a co-borrower or co-signer is required to execute a note in conjunction with a restructuring, the lender must provide the name, Social Security number, and current address of the co-borrower or co-signer to FSA.

313 Specific Lender Requirements for Loan Restructuring (7 CFR 762.145)**A SEL Request for Restructuring**

Standard eligible lenders must obtain prior written approval of the Agency for all restructuring actions.

After SEL has restructured the loan, the lender must submit:

- FSA-2248 indicating that the loan is current
- copies of restructured notes or LOC's.

After SEL has submitted all of these documents, FSA shall:

- review the documents for compliance
- input FSA-2248 into GLS
- execute FSA-2245 and provide a copy to the lender, if applicable
- complete and forward FSA-2249 to * * * FLOO.

***--Note:** See 1-FLP:

- subparagraph 29 D for loan approval limits
- subparagraph 29 G for guaranteed loan restructuring limits.--*

Section 3 Restructuring Options**326 Rescheduling of Debt (7 CFR 762.145)****A Overview**

Rescheduling involves changing the payment terms of a loan, such as a change in the interest rate or term in years of a note or LOC agreement. The new repayment schedule must be based on the borrower's ability to repay over the maximum loan term or life of the security. A loan does not have to be in default before being rescheduled.

B General Requirements for Rescheduling

[7 CFR 762.145(c)] Payments will be rescheduled within the following terms:

- **FO and existing SW loans may be amortized over the remaining term of the note or rescheduled with an uneven payment schedule over a period not to exceed 40 years from the date of the original note**
- **OL notes must be rescheduled over a period not to exceed 15 years from the date of the rescheduling. An OL line of credit must be rescheduled over a period not to exceed 7 years from the date of the rescheduling or 10 years from the date of the original note, whichever is less. Advances cannot be made against a line of credit loan that has had any portion of the loan rescheduled.**
- **CL will be amortized over the remaining term or rescheduled with an uneven *--payment schedule. The maturity date cannot exceed 30 years from the date of the--* original note.**

The interest rate for a rescheduled loan is the negotiated rate agreed upon by the lender and the borrower at the time of the action, subject to the loan limitations for each type of loan.

326 Rescheduling of Debt (7 CFR 762.145) (Continued)

C Required Lender Actions

[7 CFR 762.145(c)] A new note is not necessary when rescheduling occurs. However, if a new note is not taken, the existing note or line of credit agreement must be modified by attaching an “allonge” or other legally effective amendment, evidencing the revised repayment schedule and any interest rate change. If a new note is taken, the new note must reference the old note and state that the indebtedness evidenced by the old note or line of credit agreement is not satisfied. The original note or line of credit agreement must be retained.

To request a rescheduling, SEL lenders must submit documentation according to the *--requirements listed in paragraph 312 and obtain FSA approval before implementation of the action. CLP and PLP lenders must submit documentation according to requirements listed in paragraph 312 **after** rescheduling a loan.--*

D Capitalization of Interest

[7 CFR 762.145(b)] The lender may capitalize the outstanding interest when restructuring the loan as follows:

- **As a result of the capitalization of interest, a rescheduled promissory note may increase the amount of principal the borrower is required to pay. However, in no case will such principal amount exceed the statutory loan limits contained in § 761.8.**
- **When accrued interest causes the loan amount to exceed the statutory loan limits, rescheduling may be approved without capitalization of the amount that exceeds the limit. Noncapitalized interest may be scheduled for repayment over the term of the rescheduled note.**

In a restructuring action, if capitalization of interest will cause the increased combined *--principal of the borrower’s outstanding OL’s, FO’s, and CL’s to exceed the limits outlined--* in subparagraph 244 A, the portion of the interest that would cause the loan to exceed the loan limit cannot be capitalized. Excess interest will be guaranteed and the lender may schedule the repayment over the term of the rescheduled note. If payments are received on the loan after the restructuring that exceed the regularly scheduled installment, excess payments may be applied to the non-capitalized interest first.

Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

Cash Flow Budget

Cash flow budget is a projection listing of all anticipated cash inflows (including all farm income, nonfarm income and all loan advances) and all cash outflows (including all farm and nonfarm debt service and other expenses) to be incurred during the period of the budget. Advances and principal repayments of lines of credit may be excluded from a cash flow budget. Cash flow budgets for guaranteed loans under \$125,000 do not require income and expenses itemized by categories. A cash flow budget may be completed either for a 12-month period, a typical production cycle, or the life of the loan, as appropriate. It may also be prepared with a breakdown of cash inflows and outflows for each month of the review period and include the expected outstanding operating credit balance for the end of each month. The latter type is referred to as a “monthly cash flow budget.”

Chattel Security

Chattel security is property that may consist of, but is not limited to: crops; livestock; aquaculture species; farm equipment; inventory; accounts; contract rights; general intangibles; and supplies that are covered by financing statements and security agreements, chattel mortgages, and other security instruments.

Civil Action

Civil action is a court proceeding to protect the Agency’s financial interests. A civil action does not include bankruptcy and similar proceedings to impound and distribute the bankrupt’s assets to creditors, or probate or similar proceedings to settle and distribute estates of incompetents or decedents, and pay claims of creditors.

Compromise

Compromise is the settlement of an FLP debt or claim by a lump-sum payment of less than the total amount owed in satisfaction of the debt or claim.

Conditional Commitment

Conditional commitment is the Agency’s commitment to a lender that the material the lender has submitted is approved subject to the completion of all listed conditions and requirements.

Conservation Contract

Conservation Contract is a contract under which a borrower agrees to set aside land for conservation, recreation or wildlife purposes in exchange for reduction of a portion of an outstanding FLP debt.

Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

Conservation Loan (CL)

CL means a loan made to eligible applicants to cover the costs to the applicant of carrying out a qualified conservation project.

Conservation Plan

Conservation plan means an NRCS-approved written record of the land user's decisions and supporting information, for treatment of a land unit or water as a result of the planning process, that meets NRCS Field Office Technical Guide (FOTG) quality criteria for each natural resource (soil, water, air, plants, and animals) and takes into account economic and social considerations. The conservation plan describes the schedule of operations and activities needed to solve identified natural resource problems and takes *--advantage of opportunities at a conservation management system level. This definition only applies to the direct loans and guaranteed loans for the Conservation Loan Program.

Conservation Practice

Conservation practice means a specific treatment, such as a structural or vegetative measure, or management technique, commonly used to meet specific needs in planning and implementing conservation, for which standards and specifications have been developed. Conservation practices are contained in the appropriate NRCS Field Office Technical Guide (FOTG), which is based on the National Handbook of Conservation Practices (NHCP).

Conservation Project

Conservation project means conservation measures that address provisions of a conservation plan or Forest Stewardship Management Plan.--*

Consolidation

Consolidation is the process of combining the outstanding principal and interest balance of two or more loans of the same type made for operating purposes.

Construction

Construction is work such as erecting, repairing, remodeling, relocating, adding to, or salvaging any building or structure, and the installing, repairing, or adding to heating and electrical systems, water systems, sewage disposal systems, walks, steps, and driveways.

Controlled

Controlled is when a director or an employee has more than a 50 percent ownership in an entity or, the director or employee, together with relatives of the director or employee, have more than a 50 percent ownership.

Controlled Substance

Controlled substance is the term as defined in 21 U.S.C. 812.

Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

Feasible Plan

Feasible plan is when an applicant or borrower's cash flow budget or farm operating plan indicates that there is sufficient cash inflow to pay all cash outflow. If a loan approval or servicing action exceeds one production cycle and the planned cash flow budget or farm operating plan is atypical due to cash or inventory on hand, new enterprises, carryover debt, atypical planned purchases, important operating changes, or other reasons, a cash flow budget or farm operating plan must be prepared that reflects a typical cycle. If the request is for only one cycle, a feasible plan for only one production cycle is required for approval.

Fixture

Fixture is an item of personal property attached to real estate in such a way that it cannot be removed without defacing or dismantling the structure, or damaging the item itself.

Floodplains

Floodplains are lowland and relatively flat areas adjoining inland and coastal waters, including flood-prone areas of offshore islands, including at a minimum, that area subject to a one percent or greater chance of flooding in any given year. The base floodplain is used to designate the 100-year floodplain (one percent chance floodplain). The critical floodplain is defined as the 500-year floodplain (0.2 percent chance floodplain).

Foreclosure Sale

Foreclosure sale is the act of selling security either under the power of sale in the security instrument or through judicial proceedings.

***--Forest Stewardship Management Plan**

Forest Stewardship Management Plan means a property-specific, long-term, multi-resource plan that addresses private landowner objectives while recommending a set and schedule of management practices designed to achieve a desired future forest condition developed and approved through the USDA Forest Service or its agent.--*

Definitions of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

Good Faith

Good faith is when an applicant or borrower provides current, complete, and truthful information when applying for assistance and in all past dealings with the Agency, and adheres to all written agreements with the Agency including, but not limited to, loan agreement, security instruments, farm operating plans, and agreements for use of proceeds. The Agency considers a borrower to act in good faith, however, if the borrower's inability to adhere to all agreements is due to circumstances beyond the borrower's control. In addition, the Agency will consider fraud, waste, or conversion actions, when substantiated by a legal opinion from OGC, when determining if an applicant or borrower has acted in good faith.

Graduation

*--**Graduation** is the payment in full of all direct FLP loans, except for CLs, made for--* operating, real estate, or both purposes by refinancing with other credit sources either with or without an Agency guarantee.

Guaranteed Loan

Guaranteed loan is a loan made and serviced by a lender for which the Agency has entered into a Lender's Agreement and for which the Agency has issued a Loan Guarantee. This term also includes guaranteed lines of credit except where otherwise indicated.

Guarantor

Guarantor is a party not included in the farming operation who assumes responsibility for repayment in the event of default.