

**FARM SERVICE AGENCY  
GUARANTEED LOAN  
PROGRAMS**

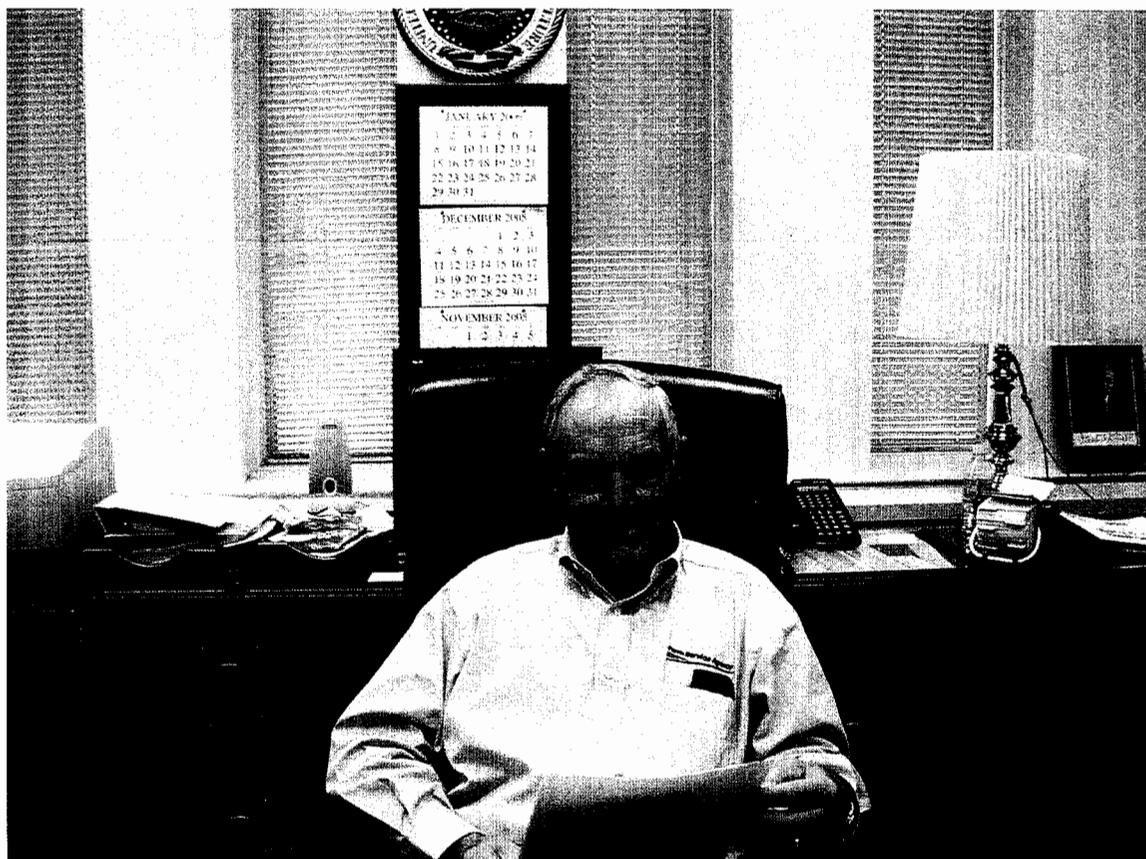
**FARM SERVICE  
AGENCY**

**LENDER**

**BORROWER**

**ARKANSAS' LENDER TRAINING GUIDE**

# PREFACE



FSA is proud of the relationship it has established with the lending community in Arkansas. Arkansas is ranked in the top five nationally in loans made and dollars allocated. Arkansas Lenders have been serving rural farmers and ranchers for many years. I hope that our relationship can continue to grow and we will continue to provide assistance to our rural farmers through FSA's guaranteed loan programs.

Dotson Collins  
State Executive Director

# FARM SERVICE AGENCY

## FARM LOAN PROGRAMS

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### ACKNOWLEDGMENTS

**A SPECIAL THANKS TO THE FARM SERVICE AGENCY EMPLOYEES THAT SERVE ON THIS COMMITTEE. THIS TRAINING GUIDE WAS DEVELOPED TO BE UTILIZED IN THE ANNUAL TRAINING OF FSA'S SEL, CLP, AND PLP LENDERS. THE DEVELOPMENT OF A GUIDE ENABLES THE AGENCY TO PROVIDE A CONSISTENT TRAINING METHOD. THE GUIDE WILL BE UPDATED ON A REGULAR BASIS. COMMITTEE MEMBERS ARE:**

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PART I

GUARANTEED

LOAN

MAKING

## FSA GUARANTEED FARM LOAN PROGRAMS

The Farm Service Agency (FSA) guarantees loans made by eligible agricultural lenders to family farmers. The primary purpose of the program is to enable lenders to provide credit to farmers who cannot otherwise obtain credit without the guarantee due to risk and other factors. FSA provides the lender with a guarantee not to exceed 90%, in most cases. In certain limited circumstances, a 95% guarantee is available. FSA has the responsibilities of approving all loan guarantees and providing technical assistance to the lender in order to accomplish the objectives of the guaranteed loan program.

**WHO CAN BORROW?** Individuals, partnerships, joint operators, LLC, trusts and corporation that do, or will, conduct family-sized farming operations. An applicant must be recognized in the community as a family size farmer, have day-to-day management and control, and provides a substantial amount of the labor.

### ***WHAT TYPES OF GUARANTEES ARE AVAILABLE AND HOW MAY FUNDS BE USED?***

1. **Farm Ownership (FO)** – loan funds may be used:

- To purchase land
- To construct or acquire buildings and/or other improvements that will become a fixture to the real estate
- For soil and water conservation
- To refinance indebtedness incurred for authorized operating (OL) or farm ownership (FO) purposes provided the need to refinance is demonstrated

2. **Operating (OL)** – loan funds may be used:

- To purchase livestock and farm machinery/equipment
- To refinance indebtedness (authorized operating purpose) provided the need to refinance is demonstrated.
- For payment of intermediate term chattel (IT) and long term real estate (LT) debt installments, if the debt being paid was for authorized OL or FO purposes.

3. **Operating Line of Credit (OL/LOC)** – loan funds may be used:

- To pay for annual operating expenses such as feed, seed, fertilizer, repairs, feeder livestock, and family living expenses.
- For purchase of routine capital assets such as replacement of breeding livestock that can be repaid within the operating cycle.
- For payment of scheduled, non-delinquent IT and LT debt installments, if debt being paid was for authorized OL or FO purposes.
- For payment of current annual operating debts advanced for current operating cycle.  
**Under no circumstances can last years carry-over operating debts be refinanced.**

***What Are The Loan Limits?*** The dollar limit of guaranteed loans is adjusted annually. The limits provided are for Fiscal Year 2006. Limits for the real estate type loan (FO) is \$852,000. Limits for operating (chattel) type loans (OL or OL/LOC) are \$852,000. Total outstanding guaranteed loans cannot exceed the market value of the loan security or \$852,000, whichever is less.

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

- The total outstanding combined G-FO & G-OL principal balance cannot exceed \$852,000.
- The total outstanding direct and guaranteed FO principal balance cannot exceed \$852,000.
- The total outstanding direct and guaranteed OL principal balance cannot exceed \$852,000.
- The total outstanding direct and guaranteed FO and OL balance cannot exceed \$1,052,000.
- The total outstanding direct and guaranteed FO, OL and EM balance cannot exceed \$1,552,000.

***What Are the Interest Rates?*** The interest rate on a guaranteed loan is negotiated between the lender and borrower. It can be fixed or variable, but cannot exceed the rate the lender charges its average farm customer.

***What Are the Loan Terms?*** Repayment terms vary according to the type of loan made, the collateral securing the loan, and the producer's repayment ability.

- **FO** - The maximum repayment term is 40 years.
- **OL** - The repayment term may vary, but cannot exceed 7 years for intermediate term purposes.
- **OL/LOC** - Up to a revolving 5-year credit line for annual operating expenses. Generally repaid each year; Subject to renewal based on next year's cash flow projections.

***What is the Guarantee Fee?*** The guarantee fee is a one-time fee paid to FSA by the lender; this fee may be passed on to the borrower. The fee is 1% of the principal loan amount, multiplied by the percentage of the FSA guarantee. **The 1% guarantee fee is waived:**

- For guaranteed loans approved under the OL or OL/LOC Interest Assistance Program.
- If 50% or more of loan funds are used to refinance FSA direct loan debt.
- If participating in the FSA 10-30-60 or 10-40-50 direct beginning farmer downpayment program.

***What is Interest Assistance?*** Interest Assistance (IA) is a program to enable lenders to continue to provide borrowers who are temporarily unable to project a 100% feasible plan on all income and expenses, including debt service, without a reduction in interest rate. In other words, Balance Available to Debt Repayment must be less than 1:1 before IA subsidy can be considered, and greater than 1:1 after it is applied. Interest Assistance can be applied to one or multiple loans, as necessary to achieve a feasible plan or 1:1 cash flow margin. The lender reduces the interest rate paid on the loan/line of credit by 4%. FSA will make annual payments reimbursing the lender the 4% based on the borrower's actual average unpaid balance. IA is available for NEW OL and OL/LOC loans and/or any existing guaranteed loan approved before 10/1/91.

***Marketing Fixed-Amount Loans?*** The Loan Note Guarantee is readily marketable by the lender on the secondary market. The lender may assign all or part of the guaranteed portion of the loan to one or more holders, but must retain the unguaranteed portion. The full faith and credit of the U.S. Government protect holders (investors) of Loan Note Guarantees. Operating (OL/LOC) loans **MAY NOT** be assigned on the secondary market.

***If the Producer Qualifies, What Next?*** The following actions are usually taken as part of the application process:

1. The producer and lender complete the guaranteed application (Form FSA-1980-25 for SEL and CLP or FSA-1980-28 for PLP)
2. FSA reviews for eligibility, repayment ability, security, and compliance with other regulations.
3. FSA approves and obligates the loan.
4. The lender receives the conditional commitment, and the loan may be closed.
5. The lender closes the loan and advances funds to the producer.
6. FSA issues the guarantee.

Additional information may be obtained at your local county Farm Service Agency office.

Regulations governing FSA Guaranteed Farm Loans are found in **FSA Handbook 2-FLP (7 CFR Part 762)**. A copy of the handbook and all forms may be obtained online at <http://www.fsa.usda.gov/dafl/guaranteed.htm>.

A copy of the Arkansas' Lender Training Guide may be obtained online at <http://www.fsa.usda.gov/ar/ar.htm>.

## **TYPES OF LENDERS**

### **Standard Eligible Lender (SEL)**

A lender with experience in making and servicing agricultural loans and which has the capacity to make and service the loan for which a guarantee is requested. Experience in agricultural lending must be demonstrated for either the lender or the lender's personnel. Lender must be subject to credit examination and supervision by an acceptable state or federal regulatory agency. Lender must maintain an office near to the collateral's location so it can properly and efficiently discharge its loan making and loan servicing responsibilities. The lending institution, its officers, or agents must not be debarred from participation in Government contracts or programs.

### **Certified Lender Program (CLP)**

A program that permits lenders with a proven track record, in making and servicing guaranteed loans, to operate under a streamlined origination and servicing process. While the CLP lender is bound by FSA regulations and must use and maintain, on file, FSA approved forms and information approved by FSA. The FSA State Executive Director is responsible for approving all CLPs in the state. The CLP lender must maintain a loss rate of less than 7%. The lender must have made a minimum of 10 agency guaranteed loans and 5 such loans in the past two years. The lender must be in sound financial condition and have qualified people to process and service the guaranteed loans.

### **Preferred Lender Program (PLP)**

*(CMS) Credit Management System*

The lender must have a Credit Management System, satisfactory to FSA, based on the following:

- The lender's written credit policies and underwriting standards
- Loan documentation requirements
- Exceptions to policies
- Analysis of new loan requests
- Credit file management
- Loan funds and collateral management system
- Portfolio management
- Loan reviews
- Internal credit review process
- Loan monitoring system
- The board of director's responsibilities

The PLP lender must have made 20 guaranteed farm loans in the past 5 years. The lender must have a loss rate of less than 3%.

### **PLP Lender (Continued)**

The PLP lender must show a practice of submitting applications for guaranteed loans containing accurate information, supporting a sound loan proposal. The lender must demonstrate a consistent, above average ability to service guaranteed loans based on the following:

- Borrower supervision and assistance
- Timely and effective servicing
- Communication with the FSA

### **Lender Training Requirements**

**SEL and CLP lenders must designate a qualified person or persons to process and service FSA guaranteed loans for each of the lender offices which will process FSA guaranteed loans. PLP lenders must designate a qualified person or persons, either by name, title, or position within the organization, to process and service PLP loans for FSA.**

**To be qualified, the person(s) must meet the following requirements:**

- **Have attended FSA sponsored training in the past 12 months or will attend training within the next 12 months**
- **Agree to attend FSA sponsored training each year**

**This training requirement applies to SEL, CLP and PLP lenders.**

### LENDER'S AGREEMENT

**See page 6 for Privacy Act and Public Burden Statements.**

*The purpose of this agreement is to establish the lender as an approved participant in the guaranteed loan programs of the Farm Service Agency, U.S. Department of Agriculture. This agreement provides the terms and conditions for originating and servicing such loans, including lines of credit. Provide the requested information, read this agreement in its entirety and sign in the space on the last page. Your signature indicates consent with this agreement.*

#### Part A - Background Information

1. Lender's Name and Mailing Address	2. Tax Identification Number
	3. Telephone Number (Include Area Code)

4. This agreement establishes the above lender as a:

Preferred Lender (PLP)
  Certified Lender (CLP)
  Standard Eligible Lender (SEL)

5. The following branch offices of the lender are covered under this agreement:

All Offices

6. The lender is authorized to submit loan guarantees in the following FSA Offices:

*The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.*

### Part B - Duties and Responsibilities of FSA ("Agency")

1. **Payment of Claims** - Agency agrees to make payment on its claims in accordance with the terms of the guarantee and Agency regulations in 7 C.F.R. 762. The maximum loss payment may not exceed the amount determined in the guarantee, including the percentage of principal and any accrued interest, protective advances, and emergency advances. The guarantee is supported by the full faith and credit of the United States and is incontestable except under the circumstances of fraud or misrepresentation of which the lender has actual knowledge at the execution of the guarantee or which the lender participates in or condones.
2. **Personnel Available for Consultation** - Agency shall make personnel available for consultation on interpretations of Agency regulations and guidelines. The lender may consult with Agency personnel regarding unusual underwriting, loan closing, and loan liquidation questions.

### Part C - General Requirements of the Lender

1. **Eligibility to Participate** - The lender must meet the requirements contained in 7 C.F.R. 762 and be approved by the Agency to be a participant in the Guaranteed Loan Program.
2. **Knowledge of Program Requirements** - The lender is required to obtain and keep itself informed of all program regulations and guidelines, including all amendments and revisions. The lender must establish and maintain adequate and written internal policies for loan origination and servicing to meet these requirements. These policies will be made available to the Agency for review when requested.
3. **Notification** - The lender shall immediately notify the Agency in writing if the lender:
  - a. Becomes insolvent;
  - b. Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;
  - c. Has taken any action to cease operations, or to discontinue servicing or liquidating any or all of its portfolio guaranteed by the Government;
  - d. Has changed its name, location, address, tax identification number, or corporate structure;
  - e. Has been debarred, suspended, or sanctioned in connection with its participation in any Federal guaranteed program; or
  - f. Has been debarred, suspended, or sanctioned by any Federal or State licensing or certification authority.
4. **Employee Qualifications** - The lender shall maintain a staff that is well trained and experienced in origination and loan servicing functions, as necessary to ensure the capability of performing all the acts within its authority.
5. **Conflict of Interest** - When the lender submits an application for a guarantee, the lender will inform the Agency in writing of any relationships which could result in a conflict of interest or the appearance of a conflict of interest. Reportable relationships include:
  - a. The lender or its officers, directors, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners having a financial interest in the loan applicant or borrower.
  - b. The loan applicant or borrower, a relative of the loan applicant or borrower, anyone residing in the household of the loan applicant or borrower, any officer, director, stockholder or other owner of the loan applicant or borrower holds any stock or other evidence of ownership in the lender.
  - c. The loan applicant or borrower, a relative of the loan applicant or borrower, or anyone residing in the household of the loan applicant or borrower is an Agency employee.
  - d. The officers, director, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners of the lender having substantial business dealings (other than in the normal course of business) with the loan applicant or borrower.
  - e. The lender or its officers, directors, principal stockholders, or other principal owners have substantial business dealings with an Agency employee.

### Part D - Underwriting Requirements

1. **Responsibility**

The lender is responsible for originating, servicing, and collecting all guaranteed loans in accordance with Agency regulations.
2. **Origination Process**
  - a. General Eligibility. The lender shall make a preliminary determination whether loan applicants meet the general eligibility requirements in Agency regulations. Agency will make the final determination.

**Part D - Underwriting Requirements** *(continued)*

- b. Delinquency on Federal Debt. The lender shall determine whether the loan applicant is delinquent on any Federal debt. The lender shall use credit reports and any other credit history in making this determination. If the loan applicant is delinquent on or a judgment debtor on any Federal debt, processing of the application may only continue in accordance with Agency regulations.
  - c. Appraisals of Collateral. The lender shall ensure that the value of any collateral property or property to be purchased is determined by a qualified appraiser, including a certified appraiser when required by law or regulation.
  - d. Change in Borrower's Condition. Before the Agency issues a loan guarantee, the lender will certify that there has been no adverse change in the borrower's condition, financial or otherwise, since submission of the application for guaranteed loan. For use in this provision alone, the term "borrower" includes any member, joint operator, partner or stockholder.
  - e. Limitation on Guarantee. Late charges of any kind including default charges and default interest will not be covered by the guarantee.
3. **Loan Closing** - All loans guaranteed by the Agency shall be closed by attorneys, escrow companies, escrow departments of lending institutions, or other persons, or entities skilled and experienced in conducting loan closings. The lender shall:
- a. Ensure funds for the particular loan or line of credit will be used only for the purposes authorized in Agency regulations and as contained in the conditional commitment;
  - b. Ensure that documents, including the mortgage and any security agreements, chattel mortgages or equivalent documents relating to it have been properly signed, are valid and contain terms enforceable by the lender;
  - c. Ensure that all security with appropriate lien priorities is obtained in accordance with the conditional commitment and Agency regulations;
  - d. Ensure that all closing documents required to be recorded are recorded accurately, in the appropriate offices, and in a timely and accurate manner;
  - e. Ensure that security interests are perfected in collateral according to applicable regulatory requirements and procedures;
  - f. Ensure that all required hazard insurance will be obtained in accordance with Agency regulations or is now in effect;
  - g. Collect all fees and costs due and payable by the borrower in the course of the loan transaction and disburse payment directly to the parties for services rendered;
  - h. Ensure that construction, relocation, repairs, or development are completed in accordance with applicable drawings and specifications;
  - i. Ensure the borrower has marketable title to security property now owned, and will obtain such title to any additional property to be acquired with loan funds, subject only to the instruments securing the loan to be guaranteed and any other exceptions set forth in Agency regulations;
  - j. Secure the entire loan equally with the same security and the same lien priority for both the guaranteed and unguaranteed portions of the loan, under the assurance that the unguaranteed portion of the loan will not be paid first nor given priority over the guaranteed portion of the loan;
  - k. Submit the required guarantee fee with the guaranteed loan closing report.
4. **Restriction and Disclosure of Lobbying Activities** - If any funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or any employee of a Member of Congress in connection with this commitment providing for the United States to guarantee a loan, the undersigned shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into any transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

**Part E - Servicing Requirements**

- 1. **Responsibilities** - The lender will service the entire loan as mortgagee and secured party of record in a reasonable and prudent manner, notwithstanding the fact that another party (holder) may hold a portion of the loan.
- 2. **Supervision** - The lender's responsibilities regarding borrower supervision include, but are not limited to, the following:
  - a. Ensure loan funds are not used for any unauthorized purpose.
  - b. Ensure borrower compliance with the covenants and provisions provided in the note, loan agreement, security instruments, any other agreements, and 7 C.F.R. 762.
  - c. Perform an annual analysis of the borrower's financial condition to determine the borrower's progress when required by Agency regulations.

**Part E - Servicing Requirements (continued)**

- d. Account for all collateral.
  - e. Discuss any observations about the farm business with the borrower.
  - f. Ensure the borrower and any party liable for the loan is not released from liability for all or any part of the loan, except in accordance with Agency regulations.
3. **Reporting Requirements** - The lender recognizes that the Agency, as guarantor, has a vital interest in ensuring that all acts performed by the lender regarding the subject loans are performed in compliance with this agreement and Agency regulations. Information on the status of guaranteed loans is necessary for this purpose, as well as to satisfy budget and accounting reporting required by the Department of Treasury and the Office of Management and Budget. The lender agrees to provide Agency with all the data required under Agency regulations and any additional information necessary to monitor the status of its guaranteed loan portfolio, and to satisfy external reporting requirements.
- The lender also agrees to provide to the Agency upon request, copies of audited financial statements, reports on internal controls, copies of compliance audits, and such other information that may be required of the Agency to monitor the lender's performance.
4. **Negligent Servicing** - The guarantee cannot be enforced by the lender to the extent a loss results from a violation of usury laws or negligent servicing regardless of when the Agency discovers such violation or negligence. Negligent servicing is defined as the failure to perform those services which would be considered normal industry standards of loan management or failure to comply with any servicing requirement of 7 C.F.R. 762 or the lender's agreement or the guarantee. The term includes the concept of a failure to act or failing to act timely consistent with actions of a reasonable lender in loan making, servicing, and collection.
5. **Payments** - Payments from the borrower shall be reviewed by the lender and processed upon receipt according to Agency regulations, and may include escrow premiums for hazard insurance and real estate taxes. The lender shall promptly disburse to any holder the holder's **pro rata** share according to their respective interests in the loan, less only the lender's servicing fee.
6. **Collateral**
- a. **Insurance**. The lender shall ensure that adequate insurance is maintained in accordance with Agency regulations, including the maintenance of property, casualty, flood, and hazard insurance containing a loss payable clause in favor of the lender as the mortgagee or secured party.
  - b. **Escrow Accounts**. The lender may establish separate escrow accounts. All escrow accounts must meet applicable Federal and State laws and regulations, and must be fully insured by the FDIC or other federal or state regulatory agency or cross collateralized with unencumbered Government Securities.
  - c. **Inspection**. The lender shall inspect the collateral as often as necessary to properly service the loan and ensure the collateral is being properly maintained.
  - d. **Taxes**. The lender shall ensure that taxes, assessments, or ground rents against or affecting collateral are paid.
7. **Delinquent Accounts**
- a. A guaranteed loan is in default after 30 days have passed and the borrower has not made a payment as due or has otherwise violated a loan agreement. The lender is responsible for resolution of the default. The lender will notify the Agency using an FSA default status report when a borrower is 45 days past due or otherwise in default. This report will be submitted every 60 days thereafter and will contain a summary of collection, restructuring or liquidation steps taken since the previous report.
  - b. The lender may take actions to correct the default as provided in 7 C.F.R. 762. A loan that has been sold on the secondary market can only be restructured if the loan is repurchased or upon written concurrence from the holder.
  - c. The lender will work in good faith with the borrower to allow them to cure the default, where reasonable. The lender must participate in mandatory farmer-creditor mediation in accordance with 7 C.F.R. 762, State law and the rules that govern the mediation program that operates in the State in which the borrower resides.
  - d. The lender must consider the borrower for interest assistance as provided in 7 C.F.R. 762. If the lender determines that default can be cured by rescheduling the loan with interest assistance, lender will request a determination of the borrower's eligibility by the Agency. Liquidation or foreclosure cannot be initiated until 60 days after consideration.
8. **Sales or Participation**
- a. The guaranteed portion of loans may be sold in accordance with 7 C.F.R. 762. Lines of credit cannot be sold, but may be participated with other lenders.
  - b. When a loan has been sold, the holder can demand that the lender repurchase the unpaid guaranteed portion of a loan in accordance with the FSA assignment of guarantee.

**Part E - Servicing Requirements (continued)**

- c. If the lender is unable to repurchase, the holder may make a demand for repurchase to the Agency. Repurchase by the Agency in no way alters lender responsibilities to the loan under this agreement or the loan guarantee. A restructuring action may not be executed once the Agency has repurchased the guaranteed portion of the loan and within 180 days the lender must reimburse the Agency for the repurchase or liquidate the loan in accordance with Agency regulations. Lender must send the pro rata share of the borrower's payments directly to the Agency until liquidation is complete.
- d. Failure to reimburse the Agency within 180 days for repurchase, if not waived by the Agency, is a violation of this agreement.

**9. Default/Liquidation**

- a. Protective Advances. Protective advances must constitute a debt of the borrower to the lender and be secured by the security instrument. Agency written authorization is required for protective advances in accordance with the terms and amounts specified by 7 C.F.R. 762. Terms and amounts for PLP lenders are included in the lender's Credit Management System.
- b. Additional Loan or Advances. In cases of a line of credit, the lender may make an emergency advance when a line of credit has reached its ceiling and additional funds are needed to prevent an imminent loss of crops or livestock that would take place if the emergency advance were not made. The lender must provide Agency with an analysis as required by Agency regulations.
- c. Future Recovery. After a loan has been liquidated and a final loss claim has been paid by the Agency, any future funds which may be recovered from the borrower by the lender, will be pro-rated between the Agency and the lender.
- d. Bankruptcy. The lender is responsible for protecting the guaranteed loan debt and all collateral securing the loan in bankruptcy proceedings. Loss payments on bankruptcy cases will be processed according to the terms described in Agency regulations.
- e. Liquidation. Liquidations must receive prior Agency concurrence when required by regulations.
- f. Loss Claims. The lender will submit an estimated loss claim to the Agency in the event liquidation will exceed 90 days. Estimated and final claims will be processed in accordance with the terms described in Agency regulations.

- 10. **Servicer** - If the lender contracts for servicing of guaranteed loans, the lender is not relieved of responsibility for proper servicing of the loans.

**Part F - Agency Reviews of Lender's Operations**

The Agency may conduct reviews, including on-site reviews, of the lender's operations and the operations of any agent of the lender, for the purpose of verifying compliance with this agreement and Agency regulations and guidelines. These reviews may include, but are not limited to, audits of case files; interviews with owners, managers, and staff; audits of collateral; and inspections of the lender's and its agents underwriting, servicing, and liquidation guidelines. The lender and its agents shall provide access to all pertinent information to allow the Agency, or any party authorized by the Agency, to conduct such reviews.

**Part G - Conformance to Standards**

- 1. The lender shall conform to the standards outlined in this agreement and Agency regulations for participation in the Agency's guaranteed loan program. CLP and PLP must maintain compliance with the criteria set forth in 7 C.F.R. 762. The Agency shall determine lender adherence to the standards based on:
  - a. Adequacy in meeting requirements for origination, servicing, and liquidation of loans and lines of credit, including protection of collateral;
  - b. Satisfaction of the reporting requirements of the Agency;
  - c. Success in operating in a sound, prudent and businesslike manner;
  - d. Portfolio performance compared to overall performance of the Agency's guaranteed loan program; and
  - e. Results of on-site reviews of the underwriting and servicing performed by the lender.
- 2. **Determination of Non-Conformance** - The Agency shall carefully consider the circumstances and available facts in determining whether there is a pattern of lender non-conformance with applicable standards. The Agency shall determine the propriety of any decision made by the lender based on facts available at the time the specific action was taken. It is understood by the Agency and intended by this agreement that the lender has the authority to exercise reasonable judgement in performing acts within its authority. However, the Agency reserves the right to question any act performed or conclusion drawn that is inconsistent with this agreement or Agency regulations or prudent lending practices.
- 3. **Agency Action** - If the lender is determined to be in non-conformance with any Federal law, State law, Agency regulation, guideline, or the terms of this agreement, the Agency may take action in accordance with appropriate/governing laws and regulations.
- 4. **Lender Right of Appeal** - The Agency will provide the lender an opportunity to appeal adverse Agency actions in accordance with Agency regulations.

**Part H - List of Agency Regulations and Guidelines and Designation of Lender Authority to Perform Certain Acts**

1. **List of Agency Regulations** - The guaranteed loan program is administered under 7 C.F.R. 762. The lender is required to comply with these regulations as well as any future amendments not inconsistent with this agreement.
2. **Authority to Perform Certain Acts** - Agency regulations describe the authorities and responsibilities for lenders. In addition, PLP will process and service loans as described in their application for PLP status approved by the Agency. This application is described in the Credit Management System attached to this agreement. The lender further agrees to inform the Agency and obtain approval on changes to any policy or process described in the application for PLP status.

**Part I - Duration and Modification**

1. **Duration and Termination**
  - a. **Duration of Agreement** - For CLP and PLP, the agreement is valid for five years unless terminated by the lender or the Agency as described below or revoked according to Agency regulations. For SELs, this agreement will be valid indefinitely unless terminated by the lender or Agency as described below.
  - b. **Modification of Agreement** - This agreement may be modified or extended only in writing and by consent of all parties.
  - c. **Termination by Agency** - This agreement may be terminated by the Agency in accordance with Agency regulations.
  - d. **Termination by the Lender** - This agreement may be terminated by the lender by providing 30 days written notice to the Agency.
  - e. **Effect of Termination on Responsibilities and Liabilities** - Responsibilities or liabilities that existed before the termination of the agreement with regard to outstanding guarantees will continue to exist after termination unless the Agency expressly releases the lender from such responsibilities or liabilities in writing. The lender shall remain obligated to service and liquidate the guaranteed loans remaining in the portfolio unless and until the Agency or the lender transfers the loans. These requirements concerning loan management by the lender and rights of the Agency under this agreement shall remain in effect whether the agreement is terminated by the lender or Agency.
  - f. **Revocation of CLP or PLP status** - If the Agency revokes CLP or PLP status, loans made while the lender held this status must continue to be serviced under this agreement and according to Agency regulations applying to SELs or CLP, whichever status the lender then holds.
2. **Entire Agreement** - This agreement, Parts A through K inclusive along with any attachments, and any regulations or guidelines incorporated by reference shall constitute the entire agreement. There are no other agreements, written or oral, regarding the terms in this agreement which are or shall be binding on the parties.

**Part J - Certification**

*I certify that I have read and understand the requirements in 7 C.F.R. 762, and agree to the participation requirements and other provisions of this agreement.*

1. Name and Title of Lender Representative	2. Authorized Lender Representative Signature	Date (MM-DD-YYYY)
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**Part K - FSA Use Only**

3. Name and Title of FSA Representative	4. FSA Representative Signature	Date (MM-DD-YYYY)
5. Effective Date of Agreement (MM-DD-YYYY)	6. Agreement Expiration Date (CLP and PLP only) (MM-DD-YYYY)	

**NOTE:** The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): the Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act (7 USC 1921 et seq.) and the regulations promulgated thereunder, to solicit the information requested on this agreement. The information requested is necessary for FSA to determine eligibility for guarantee or other financial assistance, service your guarantee, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Department of the Treasury, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. **RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE**

## **GENERAL ELIGIBILITY REQUIREMENTS OPERATING LOAN (OL) AND FARM OWNERSHIP LOAN (FO)**

A credit official with loan approval authority must determine whether or not the applicant meets the eligibility criteria described herein:

1. **Debt Forgiveness.** The applicant, and anyone who will execute the promissory note, has not caused FSA a loss by receiving debt forgiveness on more than three occasions prior to April 4, 1996, or on any occasion after April 4, 1996, on all or a portion of direct or guaranteed loan by debt write-down, write-off, compromise, adjustment, reduction, charge-off, discharge in bankruptcy, or through any payment of a guaranteed loss claim under the same circumstances. HOWEVER, if the applicant is current on payments under a confirmed bankruptcy reorganization plan OR an applicant received write-down OR received debt forgiveness on not more than one occasion after April 4, 1996, resulting directly and primarily from a Presidential-designated emergency for a county or contiguous county in which the applicant operates, the applicant may receive guaranteed OL loans (including a line of credit) to pay annual farm and ranch operating expenses, which includes family subsistence, if the applicant meets all other eligibility requirements. Debt forgiveness does not include any write-down provided as part of a resolution of a discrimination complaint. Review the applicant's self-certification on the application.
2. **Delinquency on Federal Debt.** The applicant, and anyone who will execute the promissory note, is not delinquent on any Federal debt, other than IRS. The loan applicant may be considered eligible if the delinquency will be remedied by the date of or on loan closing. Unless otherwise prohibited, loan applicants may use loan funds to cure delinquencies. Federal debt includes, but is not limited to student loans, CCC loans, FSA direct loans, VA loans, and SBA loans. FSA-guaranteed loans are not Federal debts. Loans made using FSA 1980-25 or FSA 1980-28 with the July 20, 2001, or later revision date become a delinquent Federal debt upon the payment of a final loss claim.
3. **Outstanding Recorded Judgments.** The loan applicant, and anyone who will execute the promissory note, must not have any outstanding Federal judgments, excluding IRS judgments. Loan funds will not be used to pay Federal judgments, except loan funds may be used to pay IRS judgments, unless otherwise prohibited.
4. **Citizenship.** An individual must be a citizen of the United States, a United States non-citizen national, or a qualified alien under applicable Federal immigration laws. For an entity applicant, the majority interest of the entity must be held by members who are United States citizens, United States non-citizen nationals, or qualified aliens under applicable Federal immigration laws.
5. **Legal Capacity to Incur the Debt.** The loan applicant and all borrowers on the loan must possess the legal capacity to incur the obligations of the loan.

6. **Past Dealings.** The loan applicant, in past dealings with FSA, must not have provided FSA with false or misleading documents or statements.
7. **Credit History.** The individual or entity loan applicant and all entity members must have acceptable credit history demonstrated by debt repayment. A history of failures to repay past debts as they came due, when the ability to repay was within their control, will demonstrate unacceptable credit history. Unacceptable credit history will not include lack of credit history or isolated instances of late payments, which do not represent a pattern and were clearly beyond their control.
8. **Test for Credit.** The loan applicant must be unable to obtain sufficient credit elsewhere without a guarantee to finance actual needs at reasonable rates and terms. The potential for sale of any significant nonessential assets will be considered when evaluating the availability of other credit. Ownership interest in property and income received by an individual or entity loan applicant, or any entity members as individuals, also will be considered when evaluating the availability of other credit to the loan applicant.
9. **Controlled Substance.** Neither the applicant nor any entity member has been convicted of planting, cultivating, growing, producing, harvesting, or storing a controlled substance under Federal or state law within the last five crop years. Applicants must certify on the FSA application form that it and its members, if an entity, have not been convicted of such a crime within the relevant period. If the lender uses the lender's FSA approved forms, the certification may be an attachment to the form.
10. **Family Size Farm.** **OL Loans** - the individual or entity loan applicant must be an operator of not larger than a family farm after the loan is closed. **FO loans** - the individual must be the operator and owner of not larger than a family farm after the loan is closed.
11. **Entity Member Requirement.** Every member of the entity must be an individual.

## APPLICATION REQUIREMENTS FOR SEL AND CLP LENDERS

Submission Requirement	Loans \$125,000 or Less		Loans More Than \$125,000	
	SEL	CLP	SEL	CLP
Application Form (FSA 1980-25)	✓	✓	✓	✓
Narrative	✓	✓	✓	✓
Location/Description of Land Farmed	✓	✓	✓	✓
Current Balance Sheet	✓	✓	✓	✓
Cash Flow Budget	✓	✓	✓	✓
Entity Information (if applicable)	✓	✓	✓	✓
Credit Report	✓	File	✓	File
Environmental Information (if applicable)	✓	✓	✓	✓
Proposed Loan Agreement	N/A	N/A	✓	File
Verification of Debts Over \$1,000	N/A	N/A	✓	File
Verification of Nonfarm Income	N/A	N/A	✓	File
3 Years of Production History	N/A	N/A	✓	N/A
3 Years of Financial History	N/A	N/A	✓	File
Construction documents (if applicable)	N/A	N/A	✓	File

Items marked with 'File' do not have to be submitted, but must be maintained in the lender's file. If information is not submitted to FSA, **lenders certify that they have the required documentation in their files by signing FSA 1980-25.**

**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.**

If interest assistance is being requested, the following must be submitted:

- Proposed debt repayment schedule
- Monthly cash flow budget for OL/LOC annual production loan(s)

This form is available electronically.

**FSA-1980-25**  
(03-22-04)

**U.S. DEPARTMENT OF AGRICULTURE**  
Farm Service Agency

**APPLICATION FOR GUARANTEE**

**NOTE:** According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 3.5 hours per response for the lender and 50 minutes per response for the applicant, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. **RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.**

**PART A - LOAN APPLICANT INFORMATION**

1. APPLICANT'S NAME		2. CO-APPLICANT'S NAME		3. APPLICANT'S TELEPHONE NO. (Area Code)		
4. APPLICANT'S ADDRESS				5. APPLICANT'S SSN OR TAX ID NO.		
6. APPLICANT'S BIRTH DATE (MM-DD-YYYY)		7. CO-APPLICANT'S BIRTH DATE (MM-DD-YYYY)		8. CO-APPLICANT'S SSN OR TAX ID NO.		
9. TOTAL NUMBER OF HOUSEHOLD MEMBERS				10. TYPE OF OPERATION:		
<input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> TRUST <input type="checkbox"/> JOINT OPERATION <input type="checkbox"/> CORPORATION <input type="checkbox"/> COOPERATIVE <input type="checkbox"/> L.L.C. <input type="checkbox"/> OTHER (Explain) _____				11. ACRES OWNED		
				12. ACRES RENTED		
13. MARITAL STATUS: <input type="checkbox"/> MARRIED <input type="checkbox"/> SEPARATED <input type="checkbox"/> UNMARRIED (INCLUDING SINGLE, DIVORCED, AND WIDOWED)						
14. Have you ever conducted business under any other name? If "YES", what name?					YES	NO
15. Have you or any member of the entity obtained a direct or guaranteed loan from USDA?						
16. If "YES" to Item 15, was the loan paid in full? If not paid in full, please explain:						
17. Have you or any member of the entity ever been in receivership, been discharged in bankruptcy, or filed a petition for bankruptcy?						
18. If you answered "YES" to Item 17, provide details:						
19. Are you or any member of the entity delinquent on any debt to the United States Government?						
20. Are you (or members holding a majority interest) a U.S. citizen?						
21. If "NO" to Item 20, are you a non-citizen national, or a qualified alien? (Please provide documentation)						
22. Are you a veteran? If "YES", indicate branch and dates of service:						
23. Are you an employee, related to an employee, or an associate of an employee of the Lender or Farm Service Agency?						
24. Are you farming or ranching now? If "YES", number of years experience:						
25. If "NO" to Item 24, but you have operated a farm in the past, list dates:						

**Voluntary Information for Monitoring Purposes**

Ethnicity, race, and gender information is requested in order to monitor FSA's compliance with federal laws prohibiting discrimination against loan applicants and to determine if you qualify for targeted funds. You are not required to furnish this information, but are encouraged to do so. Failure to complete this information may result in you not receiving access to targeted funds for which you may be eligible. Entity applicants should base their answers on the ethnicity, race, and gender of the owners of a majority interest in the entity.

26. ETHNICITY		27. RACE (Choose as many boxes as applicable)		28. GENDER	
<input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino		<input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> White <input type="checkbox"/> Black or African-American		<input type="checkbox"/> Male <input type="checkbox"/> Female	

<b>FSA USE ONLY:</b>	29A. DATE RECEIVED (MM-DD-YYYY)	29B. DATE COMPLETED (MM-DD-YYYY)
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The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotope, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

**PART B - LOAN APPLICANT CERTIFICATIONS**

**STATEMENT REQUIRED BY THE PRIVACY ACT**

The following statements are made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a): The Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act, (7 U.S.C. 1921 et seq.), and the regulations promulgated thereunder, to solicit the information requested. The information requested is necessary for FSA to determine eligibility for credit or other financial assistance, service your loan, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Internal Revenue Service, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.

**RIGHT TO FINANCIAL PRIVACY ACT OF 1978**

FSA has a right of access to financial records held by financial institutions in connection with providing assistance to you, as well as collecting on loans made to you or guaranteed by the government. Financial records involving your transaction will be available to FSA without further notice or authorization but will not be disclosed or released by this institution to another government Agency or Department without your consent except as required by law.

**THE FEDERAL EQUAL CREDIT OPPORTUNITY ACT** prohibits creditors from discriminating against applicants on the basis of race, color, religion, sex, national origin, marital status, or age (*provided the applicant has the capacity to enter into a binding contract*), because all or a part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

**CERTIFICATIONS, RESTRICTIONS, AND DISCLOSURE OF LOBBYING ACTIVITIES**

1. The loan applicant certifies that: if any funds, by or on behalf of the loan applicant, have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant or Federal loan, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, or loan, the loan applicant shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.
2. The loan applicant shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (*including contacts, subcontracts, and subgrants, under grants and loans*) and that all subrecipients shall certify and disclose accordingly.
3. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this statement is a prerequisite for making or entering into this transaction and is imposed by 31 U.S.C. 1352. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each failure.

**ABUSE OF CONTROLLED SUBSTANCES**

The loan applicant certifies that he or she as an individual, or any member of an entity applicant, has not been convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years, in accordance with 21 U.S.C. 889. The loan applicant also certifies that he/she as an individual, or any member of an entity applicant, is not ineligible for federal benefits based on a conviction for the distribution of controlled substances or any offense involving the possession of a controlled substance under 21 U.S.C. 862.

**TEST FOR CREDIT**

The individual or authorized party certifies that the needed credit without a loan guarantee, cannot be obtained by the individual applicant, or in the case of an entity, the needed credit cannot be obtained considering all assets owned by the entity and all of the individual members.

**FEDERAL DEBT**

The loan applicant certifies and acknowledges that any amounts paid by FSA on account of the liabilities of the guaranteed loan borrower will constitute a Federal debt owing to FSA by the guaranteed loan borrower. In such case, FSA may use all remedies available to it, including offset under the Debt Collection Improvement Act, to collect the debt from the borrower. The Agency's right to collect is independent of the lender's right to collect under the guaranteed note and will not be affected by any release by the lender of my (our) obligation to repay the loan. Any Agency collection under this paragraph will not be shared with the lender.

**ACKNOWLEDGMENT**

*I certify that I accept and comply with the conditions stated thereon. I certify that the statements made by me in this application are true, complete, and correct to the best of my knowledge and belief and are made in good faith to obtain a loan. I understand that the approval period will not begin until a complete application has been filed. (Warning: section 1001 of Title 18, United States Code provides for criminal penalties to those who provide false statements on loans. If any information on this application is found to be false or incomplete, such finding may be grounds for denial of the requested credit and civil and criminal prosecution.)*

30A. APPLICANT'S SIGNATURE	30B. DATE (MM-DD-YYYY)
31A. CO-APPLICANT'S SIGNATURE	31B. DATE (MM-DD-YYYY)



**PART G - CASH FLOW AND INTEREST ASSISTANCE NEEDS ANALYSIS**

52. NET CASH FLOW (inflows - outflows) WITHOUT INTEREST ASSISTANCE	\$
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If a feasible plan cannot be developed (net cash flow is negative) without interest assistance, the applicant should be considered for interest assistance. The applicant must project a feasible plan with interest assistance or the request will be denied.

53. NET CASH FLOW (inflows - outflows) WITH INTEREST ASSISTANCE	\$
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**If requesting Interest Assistance on an existing guaranteed loan, complete blocks below:**

54. ORIGINAL AMOUNT \$	55. CLOSING DATE (MM-DD-YYYY)	56. INTEREST RATE BEFORE INTEREST ASSISTANCE _____ % <input type="checkbox"/> FIXED <input type="checkbox"/> VARIABLE	
57. MATURITY DATE (MM-DD-YYYY)	58. PRINCIPAL BALANCE \$	59. FULLY ADVANCED <input type="checkbox"/> YES <input type="checkbox"/> NO	60. NUMBER OF YEARS INTEREST ASSISTANCE REQUESTED

**PART H - LENDER INFORMATION AND CERTIFICATION**

61. LENDING INSTITUTION NAME AND ADDRESS  Telephone No. (Area Code):	62. LENDER TAX ID NO.  63. REGULATORY AGENCY
--	--

64. LENDER CERTIFIES THAT:

- a. All applicable requirements in 7 C.F.R. 762, and Form FSA-1980-38 have been or will be met.
- b. It would not make the loan without an FSA guarantee.
- c. The cash flow projection demonstrates that the proposed loan is sound and within the applicant's repayment ability.
- d. The proposed collateral securing the loan is considered adequate.
- e. All documentation required by 7 C.F.R. 762, but not required to be submitted with the loan application, has been obtained and supports the data presented in this application.
- f. In connection with subsequent loans made within the same operating cycle, the loan applicant is in compliance with all loan agreements and all applicable certifications made are still valid.
- g. Application will be governed by Lender Agreement dated: \_\_\_\_\_ (MM-DD-YYYY)
- h. Application filed as a (check one):  CERTIFIED LENDER (CLP)  STANDARD ELIGIBLE LENDER (SEL)

65A. NAME OF LENDER'S REPRESENTATIVE	65B. TITLE OF LENDER'S REPRESENTATIVE
66A. AUTHORIZED LENDER REPRESENTATIVE'S SIGNATURE	66B. DATE (MM-DD-YYYY)

**PART I - SUPPORTING DOCUMENTATION** *(Please attach the following)*

**67. Certified Lender Program Lenders:**

- Narrative
- Balance sheet dated \_\_\_\_\_
- Cash flow budget
- Description of the location of each tract of land to be farmed by the loan applicant  
*(This may be FSA Farm No., Legal Description, Plat Map, etc.)*
- Entity information *(name, address, social security or tax identification number, percent ownership, balance sheet for each member)*

**68. Standard Eligible Lenders Applying for Guarantees of \$125,000 or Less:**

- Narrative
- Balance sheet dated \_\_\_\_\_
- Cash flow budget
- Description of the location of each tract of land to be farmed by the loan applicant  
*(This may be FSA Farm No., Legal Description, Plat Map, etc.)*
- Entity information *(name, address, social security or tax identification number, percent ownership, balance sheet for each member)*
- Credit report
- Plan for servicing borrower

**69. Standard Eligible Lenders Applying for Guarantees Greater than \$125,000:**

- Narrative
- Balance sheet dated \_\_\_\_\_
- Cash flow budget
- Description of the location of each tract of land to be farmed by the loan applicant  
*(This may be FSA Farm No., Legal Description, Plat Map, etc.)*
- Entity information *(name, address, social security or tax identification number, percent ownership, balance sheet for each member)*
- Credit report
- Plan for servicing borrower
- Proposed loan agreement
- Verification of all debts greater than \$1,000
- Verification of non-farm income
- 3 year production history
- 3 year financial history *(income, expenses, balance sheets)*
- If construction or development is proposed, a copy of the plans, specifications, and schedule

**70. Request for Interest Assistance Information:**

- Proposed debt repayment schedule
- Monthly cash flow budget *(LOC only)*

**FSA-1980-28**  
(03-22-04)

**U.S. DEPARTMENT OF AGRICULTURE**  
Farm Service Agency

**PREFERRED LENDER APPLICATION FOR GUARANTEE**

**INSTRUCTIONS TO LENDER: LOAN APPLICANT WILL COMPLETE PARTS A, B AND G. LENDER WILL COMPLETE PARTS C THROUGH F.**

<b>PART A - APPLICANT INFORMATION</b>	
1. APPLICANT'S NAME	2. CO-APPLICANT'S NAME
3. APPLICANT'S TELEPHONE NUMBER <i>(Including Area Code)</i>	4. APPLICANT'S ADDRESS
5. APPLICANT'S SSN OR TAX ID NO.	
6. APPLICANT'S BIRTH DATE <i>(MM-DD-YYYY)</i>	7. CO-APPLICANT'S BIRTH DATE <i>(MM-DD-YYYY)</i>
8. CO-APPLICANT'S SSN OR TAX ID NO.	
9. TOTAL NUMBER OF HOUSEHOLD MEMBERS	
10. TYPE OF OPERATION: <input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> TRUST <input type="checkbox"/> JOINT OPERATION	
<input type="checkbox"/> CORPORATION <input type="checkbox"/> COOPERATIVE <input type="checkbox"/> LLC <input type="checkbox"/> OTHER <i>(Explain)</i> _____	
11. ACRES OWNED	
12. ACRES RENTED	
13. MARITAL STATUS: <input type="checkbox"/> MARRIED <input type="checkbox"/> SEPARATED <input type="checkbox"/> UNMARRIED <i>(INCLUDING SINGLE, DIVORCED, AND WIDOWED)</i>	
14. Have you or any member of the entity obtained a direct or guaranteed loan from USDA?	YES NO
15. If "YES" to Item 14, was the loan paid in full? If not paid in full, please explain:	
16. Have you or any member of the entity ever been in receivership, been discharged in bankruptcy, or filed a petition for bankruptcy?	
17. If "YES" to Item 16, provide details:	
18. Are you or any member of the entity delinquent on any debt to the United States Government?	
19. Are you <i>(or all entity members if an entity applicant)</i> a United States citizen?	
20. If "NO," to Item 19, are you a non-citizen national, or a qualified alien? <i>(Please provide documentation)</i>	
21. Are you a veteran? If "YES", indicate Branch and dates of service:	
22. Are you an employee, related to an employee, or an associate of an employee of the Lender or Farm Service Agency?	
23. Are you farming or ranching now? If "YES", number of years experience:	
24. If "NO" to Item 23, but you have operated a farm in the past, list dates:	

**PART B - LOAN APPLICANT CERTIFICATIONS**

**RIGHT TO FINANCIAL PRIVACY ACT OF 1978**

FSA has a right of access to financial records held by financial institutions in connection with providing assistance to you, as well as collecting on loans made to you or guaranteed by the government. Financial records involving your transaction will be available to FSA without further notice or authorization but will not be disclosed or released by this institution to another government Agency or Department without your consent except as required by law.

**THE FEDERAL EQUAL CREDIT OPPORTUNITY ACT** prohibits creditors from discriminating against applicants on the basis of race, color, religion, sex, national origin, marital status, or age (provided the applicant has the capacity to enter into a binding contract), because all or a part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

**RESTRICTIONS AND DISCLOSURE OF LOBBYING ACTIVITIES**

1. The loan applicant certifies that: if any funds, by or on behalf of the loan applicant, have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant or Federal loan, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, or loan, the loan applicant shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.

2. The loan applicant shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including contracts, subcontracts, and subgrants, under grants and loans) and that all subrecipients shall certify and disclose accordingly.

3. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this statement is a prerequisite for making or entering into this transaction and is imposed by 31 U.S.C. 1352. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

**ABUSE OF CONTROLLED SUBSTANCES**

The loan applicant certifies that he or she as an individual, or any member of an entity applicant, has not been convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years in accordance with 21 U.S.C. 889. The loan applicant also certifies that he/she as an individual, or any member of an entity applicant is not ineligible for federal benefits based on a conviction for the distribution of controlled or any offense involving the possession of a controlled substance under 21 U.S.C. 862.

**TEST FOR CREDIT**

The individual or authorized party certifies that the needed credit, without a loan guarantee, cannot be obtained by the individual applicant, or in the case of an entity, the needed credit cannot be obtained considering all assets owned by the entity and all of the individual members.

**FEDERAL DEBT**

The loan applicant certifies and acknowledges that any amounts paid by FSA on account of the liabilities of the guaranteed loan borrower will constitute a Federal debt owing to FSA by the guaranteed loan borrower. In such case, FSA may use all remedies available to it, including offset under the Debt Collection Improvement Act, to collect the debt from the borrower. The Agency's right to collect is independent of the lender's right to collect under the guaranteed note and will not be affected by any release by the lender of my (our) obligation to repay the loan. Any Agency collection under this paragraph will not be shared with the lender.

**ACKNOWLEDGMENT**

*I certify that I accept and comply with the conditions stated hereon. I certify that the statements made by me in this application are true, complete, and correct to the best of my knowledge and belief and are made in good faith to obtain a loan. I understand that the 14-day prompt approval period will not begin until a complete application has been filed. (Warning: section 1001 of title 18, United States Code provides for criminal penalties to those who provide false statements on loan applications. If any information on this application is found to be false or incomplete, such finding may be grounds for denial of the requested credit and for civil and criminal prosecution.)*

25A. APPLICANT'S SIGNATURE	25B. DATE (MM-DD-YYYY)	26A. CO-APPLICANT'S SIGNATURE	26B. DATE (MM-DD-YYYY)
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**PART C - TYPE OF ASSISTANCE REQUESTED**

27. PURPOSE(S) OF LOAN

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28. INTEREST RATE \_\_\_\_\_%  Fixed  Variable

29. INTEREST ASSISTANCE REQUESTED  YES  NO

30. REPAYMENT PERIOD (Years)

---

31. LOAN TYPE  FO  OL  OL/LOC

32. LOAN AMOUNT OR LOC CEILING \$

**PART D - PROPOSED SECURITY**

A. Item Description	B. Lien Position	C. Estimated Value	D. Amount of Prior Lien	E. Collateral Value
33.		\$	\$	\$
34.		\$	\$	\$
35.		\$	\$	\$
36.		\$	\$	\$
<b>TOTALS</b>		\$	\$	\$

**PART E - ENVIRONMENTAL INFORMATION**

Based on a site visit to the loan applicant's operation and discussion of the operating plan, answer the following. (If "YES" please explain and attach to this form):

	YES	NO
37. Floodplains: If the loan will be secured by real estate, does the property contain any existing structure (i.e., farm dwellings or service buildings) or does the proposal involve development (i.e., construction, channeling, or other alteration) located within the 100-year floodplain as defined by FEMA floodplain maps, NRCS soil surveys, or other documentation?		
38. State Water Quality Standards: Did the investigation indicate the operation may violate State Water Quality Standards?		
39. Historical and Archaeological Sites: Does the property contain structures over 50 years old, structures with significant architectural features, or does the property have any historical significance which may make it eligible for the National Register of Historic Places?		
40. Wetlands and Highly Erodible Land: Will loan funds be used for any purpose that may contribute to the erosion of Highly Erodible Land or the Conversion of Wetlands; OR will loan funds be used to drain, dredge, fill, or otherwise manipulate any land or reduce the flow, circulation, or reach of water?		
41. Hazardous Substances: If the loan will be secured by real estate, did the "due diligence" investigation in respect to underground storage tanks and contamination from hazardous substances indicate contamination?		

**PART F - LENDER INFORMATION AND CERTIFICATION**

I certify that all requirements of 7 C.F.R. Part 762 and Form FSA-1980-38 have been or will be met. This loan has been processed as in the lender's application to obtain preferred lender program (PLP) status and supporting documentation for this application is on file.

42. LENDING INSTITUTION NAME AND ADDRESS (Including Zip Code)	43A. NAME OF LENDER'S REPRESENTATIVE	43B. TITLE OF LENDER'S REPRESENTATIVE
	44A. AUTHORIZED LENDER REPRESENTATIVE SIGNATURE	44B. DATE (MM-DD-YYYY)

Telephone No. (Including Area Code)

**PART G - VOLUNTARY INFORMATION FOR MONITORING PURPOSES**

Ethnicity, race, and gender information is requested in order to monitor FSA's compliance with federal laws prohibiting discrimination against loan applicants and to determine if you qualify for targeted funds. You are not required to furnish this information, but are encouraged to do so. Failure to complete this information may result in you not receiving access to targeted funds for which you may be eligible. Entity applicants should base their answers on the ethnicity, race, and gender of the owners of a majority interest in the entity.

45. ETHNICITY <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino	46. RACE (Choose as many boxes as applicable) <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African-American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White	47. GENDER <input type="checkbox"/> Male <input type="checkbox"/> Female
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**PART H - FSA USE ONLY**

48A. DATE RECEIVED (MM-DD-YYYY)	48B. DATE COMPLETED (MM-DD-YYYY)
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**REQUIRED PRIVACY ACT AND PUBLIC BURDEN STATEMENT**

The following statements are made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a): The Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act, (7 U.S.C. 1921 et seq.), and the regulations promulgated thereunder, to solicit the information requested on its application forms. The information requested is necessary for FSA to determine eligibility for credit or other financial assistance, service your loan, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Department of the Treasury, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. Failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.

The Paperwork Reduction Act of 1995, provides that an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 60 minutes per response for the lender and 25 minutes per response for the applicant, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

# **SAMPLE FSA NARRATIVE**

## **ANYBODY FARMS, PARTNERSHIP DATE**

### **CONDITIONS:**

Applicant is Anybody Farms, a Partnership; Tim and son Scott operates the partnership. Note below a structure change in partnership where owners will now be 50/50 Tim and Scott. See Repayment Worksheet for total acres farmed. They farm approximately 1400 acres of rice and soybeans in Baytown area and 580 acres for Tom Dudley area of White County. Farm Bank has done business with Anybody Farms since 2000 on term loans and began doing the Operating Line of Credit in 2005.

Farm Bank is extending two loans to Anybody Farms Partnership at this time as follows:

1. Loan # 22222 – This loan will be a renewal of the operating loan for the 2006 crop year. Loan amount will be \$376,900 with a peak amount of \$265,000. This loan will include \$275,000 in operating expenses, \$96,900 to pay Cash Rent, \$2,400 to pay 5-06 payment for Case Credit on a Power Unit, \$2,400 FSA Guarantee Fee and \$200 Application Fee. All principal and interest will be due on the maturity date of 1/1/07. This loan will have a variable interest rate of 5.95%.
2. Loan # 23233 – This loan will be set up to refinance existing debt. Loan amount will be \$400,190 with a seven year term and three year adjustable interest rate of 6.75%. Payments will be made annually with the first payment due 1/1/07 in the amount of \$73,611. Loan proceeds will be used to refinance Loan # 22212 \$344,900, Payoff PoorBoy Farm Supply \$16,200; payoff New Holland on Dumpright Trailer \$19,179; Payoff Case on a Roller \$12,261; FSA Guarantee Fee \$3,650; Misc. \$1,000 and application fee \$3000.

FSA 90% Guarantee requested for both loans listed above.

Applicant is Anybody Farms Partnership which is owned 50/50 by Tim Y. Anybody and Scott B. Anybody.

Note: This is a structure change. Currently they have a corporation, Anybody Ag, Inc., which is then owned 50/50 by Tim and Scott. Due to FSA regulation that denies FSA guarantees to partnerships having a corporate entity as a partner, they are in the process of deleting the corporation as a partner and setting up 50/50 ownership between Tim and Scott.

The above loans are approved subject to the following:

1. No capital purchases without approval of Farm Bank.
2. Lien on 2006 crops and all future government payments with pre-notification to service Farm Bank #22222.

3. FSA 90% guarantee on Farm Bank # 22222 and # 23233.
4. Operating loans paid in full by maturity and all term payments either paid or have inventories to offset.
5. Borrower will be placed on a budget with 80% on monthly budget and 20% of funds on call.
6. Signatures of Partners as well as Tim, 123-45-6789, and Samantha Anybody, 234-56-7890, 37 Sands Rd, Anytown, AR 71234 and Scott, 345-67-8901, and Sara Anybody, 456-78-9012, 45 Sands Rd, Anytown, AR 71234 individually on all documents. . *(The narrative is to include the name, Social Security number, and current address of any co-borrowers or co-signers required to execute the note at loan closing.)*
7. Any and all 2005 and 2006 MLA, Disaster, Additional AMTA or any added program payments received by customer will be assigned and applied to Farm Bank debt.
8. Assignment of MPCCI policy whether CAT or buy up to Farm Bank.

## **CHARACTER**

Applicant is an existing customer with Farm Bank. This will be the second year that Farm Bank has had their operating loan.

Tim's credit bureau scored a 544. There is an account with Regions Bank on a home loan with 13 times 30 days past due. Tim could not give an explanation on this as this loan is on automatic draft and has been for the past three years. Scotty has a marginal score of 681 with no major slow pays. Farm Bank's repayment history has been as agreed.

## **CAPITAL**

Adjustments to the Balance Sheet include:

1. Showing Farm Bank #22212 as refinanced for Anybody Farms.
2. Zero out debt to Searcy Farm Supply for Anybody Farms \$16,200.
3. Zero out New Holland debt on Dumpright Trailer \$19,179 Anybody Farms.
4. Zero out Case debt on Roller \$12,261 Anybody Farms.
5. Add New Farm Bank term debt \$400,190 with seven year term, annual payments and fixed interest rate of 6.75%.
6. 12/20/05 equipment value \$493,750 from field appraisal. Divide Equipment value equally between Anybody Farms partnership, Tim Anybody and Scott Anybody.
7. Zero out Case Credit debt of \$2,000 on Scott B/S as this will be paid out of 2006 operating LOC.

An Earned New Worth Change analysis was completed based on consolidated adjusted balance sheets. Customer had an Earned New Worth loss of (\$240,248) after backing out the 2005 bonus and 2006 AMTA payments. After adding back the 2005 bonus payment of \$65,000, loss from operations was (\$175,248). Use Cost on equipment was \$51,000. Cause of loss and changes to operations to prevent further loss will be discussed further in Capacity Section

## COLLATERAL

Collateral for Farm Bank #22222 Operating LOC will be 2<sup>nd</sup> lien on ALL equipment, trucks, trailers, and 1<sup>st</sup> lien on 2005 crop equities, 2006 crops and an FSA guarantee.

Collateral for Farm Bank #23233 IT will be 1<sup>st</sup> lien on ALL equipment, trucks, trailers and 2<sup>nd</sup> lien on 2006 crops and an FSA guarantee.

Equipment Appraisal was completed on 12/20/05 that shows an equipment value of \$293,750. After IT secured 1:1 there is \$93,560 to secure operating loan .35:1.

FSA guarantee is the offset to the poor hard collateral position.

## CAPACITY

Cash flow for 2006 is projected on 770 acres of rice, 1220 acres of soybeans, and 160 acres of wheat. Total crop production is projected to be \$451,995 plus 2006 FSA AMTA payments are estimated to be \$53,075. These two total \$505,070 and represents total repayment capacity for the farm cash flow.

After the 2006 operating loan of \$376,900, interest of \$9,000 and Farm Bank payments of \$73,610 are taken from the repayment capacity, then the Farm Bank margin is \$45,560. After outside payments are withheld from the Farm Bank margin then the overall repayment capacity is \$24,060. See Repayment Worksheet for details.

The Capacity position is as follows:

Gross Farm Income	\$505,000 (projected for '06)
Less Operating Expense (Excl Depr. & Int)	(\$338,350)
Less Depreciation Expense	(\$115,052)
Less Interest Expense	<u>(\$47,398)</u>
Net Farm Income from Operations	\$4,200
Net Farm Income from Operations	\$4,200
Plus Non-farm Income	\$45,300
Plus Term Interest	\$38,398
Plus Depreciation Expense	\$115,052
Less Income Tax Expense	(\$6,500)
Less Family Living Expense	<u>(\$40,000)</u>
Repayment Capacity	\$156,450
Less Term Interest Payments	(\$38,398)
Less Term Principal Payments	(\$77,327)
Less Working Capital Deficiency	(\$11,000)
Total Demands	\$126,725
Debt Servicing Margin	\$29,725
<b>Repayment Capacity/Total Demands</b>	<b>123.46%</b>

Customer has made some significant changes to the operation. They have dropped the Farrell Estate – 172 acres of dry land soybeans and 90 acres of dry land corn in 2005 due to no irrigation – Cash rent on this farm was \$6,000 in 2005.

They have dropped Troy Smith farm – 30 acres of dry land soybeans in 2005 – cash rent on this farm was \$1,500 in 2005.

They farmed a total of 240 acres of corn in 2005 all dry land. They tried to get early planting and catch rains vs. growing dry land soybeans. This worked until late July and August when they didn't receive 2 needed rains. Corn burned up and did not yield. This cost them a minimum of \$45,000. They will plant no corn in 2006.

Cash rent alone, on the 2 farms dropped, cost them \$7,500 while they lost an additional \$15,000 - \$20,000 on soybeans that did not yield.

Irrigation on the Paul Jones farm has been improved where all of the 130 acres of soybeans are now irrigated. I failed to change this on repayment worksheet for 2006.

Customer has been restructured the past 2 years. This weakness is being offset with FSA guarantees on both Farm Bank notes.

#### **ELIGIBILITY FOR FSA GUARANTEE**

- The applicant has not caused FSA a loss by receiving debt forgiveness on more than 3 occasions.
- The applicant is not delinquent on any Federal debt.
- The applicant does not have any outstanding recorded judgments obtained by the United States in a Federal Court.
- The applicant is a citizen of the United States, a United States non-citizen national, or a qualified alien under applicable Federal immigration laws.
- The applicant has the legal capacity to incur the obligations of the loan.
- The applicant has an acceptable credit history.
- Farm Bank is not able to extend this credit without a guarantee.
- The applicant has not been convicted of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years.

<b>FSA-2037</b> (05-05-05)					U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency					A. Name (Applicant/Borrower)					B. Social Security or Tax ID No.				
<b>FARM BUSINESS PLAN WORKSHEET</b> Balance Sheet (See Page 4 for Nondiscrimination and Public Burden Statements)										C. Address (Include City, State, ZIP Code)					D. Phone No. (Including Area Code)				
E. Date (MM-DD-YYYY) _____																			
<b>PART 1 - CURRENT ASSETS</b>							<b>PART 2 - CURRENT LIABILITIES</b>												
1A. Cash and Equivalents							\$ Value		2A. Accounts Payable				\$ Amount						
1B. Marketable Bonds and Securities									2B. Income Taxes Payable										
1C. Accounts Receivable									2C. Real Estate Taxes Payable										
1D. Crop Inventory		1E. Measure	1F. # Units	1G. \$/Unit	\$ Value		Notes Payable Due Within 12 Months												
							2D. Creditor			2E. Purpose									
							2F. Interest Rate	2G. Accrued Interest	2H. Payment Amount	2I. Next Payment Date (MM-DD-YYYY)		2J. Principal Balance							
							(1)												
1H. Growing Crops			1I. # Acres	1J. Cost/Acre	\$ Value		(2)												
							(3)												
1K. Market Livestock-Poultry		1L. # Head	1M. Weight	1N. \$/Unit	\$ Value		(4)												
							2K. Accrued Interest On:					\$ Amount							
							(1) Current Liabilities												
							(2) Intermediate Liabilities												
							(3) Long Term Liabilities												
1O. Livestock Products		1P. Measure	1Q. # Units	1R. \$/Unit	\$ Value		2L. Current Portion of Principal Due On:												
							(1) Intermediate Liabilities												
							(2) Long Term Liabilities												
1S. Prepaid Expenses and Supplies									2M. Other Current Liabilities										
1T. Other Current Assets																			
<b>1U. TOTAL CURRENT ASSETS (Items 1A through 1T)</b>									<b>2N. TOTAL CURRENT LIABILITIES (Items 2A through 2M)</b>										

PART 3 - INTERMEDIATE ASSETS						PART 5 - INTERMEDIATE LIABILITIES				
3A. Machinery & Equipment/Farm Vehicles (Entered on Page 4)						5A. Creditor			5B. Purpose	
3B. Breeding Stock	3C. Raised/Purch	3D. # Head	3E. \$/Head	\$ Value		5C. Interest Rate	5D. Accrued Interest	5E. Payment Amount	5F. Next Payment Date (MM-DD-YYYY)	5G. Principal Balance
						(1)				
						(2)				
						(3)				
3F. Notes Receivable						(4)				
						(5)				
3G. Not Readily Marketable Bonds & Securities						(6)				
						(7)				
3H. Other Intermediate Assets						(7)				
3I. TOTAL INTERMEDIATE ASSETS (Items 3A through 3H)						5H. TOTAL INTERMEDIATE LIABILITIES (Item 5G (1 through 7))				
PART 4 - LONG TERM ASSETS						PART 6 - LONG TERM LIABILITIES				
4A. Building & Improvements						6A. Creditor			6B. Purpose	
					\$ Value	6C. Interest Rate	6D. Accrued Interest	6E. Payment Amount	6F. Next Payment Date (MM-DD-YYYY)	6G. Principal Balance
						(1)				
						(2)				
4B. Real Estate-Land	4C. Total Acres	4D. Crop Acres	4E. %Owned	4F. \$/Acre	\$ Value					
						(3)				
						(4)				
						(5)				
						(6)				
4G. Other Long Term Assets						(7)				
4H. TOTAL LONG TERM ASSETS						6H. TOTAL LONG TERM LIABILITIES (Item 6G (1 through 7))				
4I. TOTAL FARM ASSETS (From Items 1U, 3I and 4H)						6I. TOTAL FARM LIABILITIES				
						6J. TOTAL FARM EQUITY (Item 4I minus Item 6I)				

PART 7 - PERSONAL ASSETS		PART 8 - PERSONAL LIABILITIES				
	\$ Value	8A. Creditor			8B. Purpose	
		8C. Interest Rate	8D. Accrued Interest	8E. Payment Amount	8F. Next Payment Date (MM-DD-YYYY)	8G. Principal Balance
7A. Cash & Equivalents						
7B. Stocks, Bonds		(1)				
7C. Cash Value Life Insurance						
7D. Other Current Assets		(2)				
7E. Household Goods						
7F. Car, Recreational Vehicle, Etc.		(3)				
7G. Other Intermediate Assets						
7H. Retirement Accounts		(4)				
7I. NonFarm Business						
7J. NonFarm Real Estate		8H. Other Liabilities				
7K. Other Long Term Assets						
<b>7L. TOTAL PERSONAL ASSETS (Items 7A through 7K)</b>		<b>8I. TOTAL PERSONAL LIABILITIES</b>				
<b>7M. TOTAL ASSETS (Item 4I and Item 7L)</b>		<b>8J. TOTAL LIABILITIES (Item 6I and Item 8I)</b>				
		<b>8K. TOTAL EQUITY (Item 7M and Item 8J)</b>				

**PART 9 - ACKNOWLEDGMENT**

*The information above and on attached schedules is furnished for the purpose of securing and maintaining credit and is certified to be true and correct. The undersigned authorizes the FSA to make all inquiries deemed necessary to verify the accuracy of the information contained above to determine my credit-worthiness and to answer questions about their credit experience with me. I agree to notify FSA promptly to any material changes to the above. "I recognize that making any false statements on this Farm Business Plan or any other document may constitute a violation of criminal law."*

9A. APPLICANT'S SIGNATURE	9B. DATE (MM-DD-YYYY)
9C. CO-APPLICANT'S SIGNATURE	9D. DATE (MM-DD-YYYY)

9E. COMMENTS





**PART A - INCOME (Continued)**

6. Ag Program Payments	\$ Amount	8. Custom Hire Income	\$ Amount
7. Crop Insurance Proceeds	\$ Amount	9. Other Income	\$ Amount
		10. Total Income (Items 1 through 9)	

**PART B - EXPENSES**

	\$ Amount		\$ Amount
11. Car and Truck		23. Rent - Land/Animals	
12. Chemicals		24. Repairs and Maintenance	
13. Conservation		25. Seeds and Plants	
14. Custom Hire		26. Supplies	
15. Feed Supplement		27. Taxes - Real Estate	
16. Feed Grain and Roughage		28. Utilities	
17. Fertilizers and Lime		29. Veterinary/Breeding/Medicine	
18. Freight and Trucking		30. Other Expenses	
19. Gas/Fuel/Oil		31. Other - Irrigation	
20. Insurance Expenses			
21. Labor Hired			
22. Rent - Machinery/Equipment/Vehicles		32. Interest	
		33. Total Expenses (Items 11 through 32)	

**PART C - NON-OPERATING**

34. Owner Withdrawal (Total Family Living Expenses and Non-Farm Debt Payments)		36. Non-Farm Income	
35. Income Taxes		37. Non-Farm Expense	

**PART D - CAPITAL**

38. Capital Sales		40. Capital Expenditures	
39. Capital Contributions		41. Capital Withdrawals	

**PART E - ACKNOWLEDGMENT**

I agree to follow this plan as outlined above and on attached schedules, and to discuss with the agency loan official any important changes that may become necessary. This plan does not release any security interest of the government. I recognize that making any false statements on this Farm Business Plan or any other loan document may constitute a violation of federal criminal law.

42A. APPLICANT'S SIGNATURE	42B. DATE (MM-DD-YYYY)
42C. CO-APPLICANT'S SIGNATURE	42D. DATE (MM-DD-YYYY)

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## FIVE LEVELS OF ENVIRONMENTAL REVIEW

- **CATEGORICAL EXCLUSION:** This includes most loan proposals and FSA will complete this environmental review on Form RD 1940-22. Actions include refinancing debt, livestock unit with less than 500 animal units, annual operating expenses, loans to purchase farm chattel property, and the action is not controversial.
- **MODIFIED CLASS I:** This is used on existing facilities when absolutely no disturbance of soil is taking place.
- **ENVIRONMENTAL ASSESSMENT FOR CLASS I ACTION:** Includes proposals with 500 to 999 animal units (if construction or expansion), irrigating 80 to 160 acres of land, there is some impact to an environmental resource, or if there is minimal public concern.
- **ENVIRONMENTAL ASSESSMENT FOR FORM FSA-853B (CLASS II) ACTION:** Includes units with 1,000 or more animal units, irrigating over 160 acres of land, aquaculture, (2) resources are being impacted, wetlands (WL) are impacted, or there is public opposition. The FSA State Environmental Coordinator (SEC) will assist in this assessment. Public advertisement is required. Expenses incurred will be paid by the applicant.
- **ENVIRONMENTAL IMPACT STATEMENT:** Complete this assessment if the project or proposal will have a major impact to the environment, or the project is controversial. This assessment will be contracted out.

## MINIMUM REQUIREMENTS

1. A farm visit will be completed and documented by the lender to address hazardous substances, floodplains, water quality standards, and the National Historic Preservation Act.
2. Hazardous substances: Transaction Screen Questionnaire (TSQ), FSA-851 or other similar questionnaire will be completed when real estate is taken as basic security. Contact FSA if contamination exists.
3. Sodbuster and Swampbuster Compliance is required: Applicant must complete form AD-1026 with their local FSA. NRCS will complete a wetland determination, form NRCS-026.
4. Floodplains: FEMA Form 81-93, Standard Flood Hazard Determination, will be completed. Impact to floodplains will be considered. Flood insurance will be required for existing structures located in the 100-year floodplain. Applicable when real estate is taken as security (basic or additional security.)

5. Water Quality Standards: Required permits, necessary consultation, or waste management plans will be obtained. Will there be an impact to ground water, wetlands, or local streams?
6. National Historic Preservation Act. The State Historic Preservation Officer (SHPO) will be contacted by the lender if soil excavation will occur, or major renovation of a structure over 50 years old will occur. FSA must be advised of the SHPO's response.
7. Endangered Species Act: FSA must determine if its action may have an adverse effect on any threatened or endangered species or critical habitat in the area of a proposed project or alternatives. FSA must also consult with Fish and Wildlife Service to determine whether the proposed action or alternative is likely to jeopardize the continued existence of any identified species.
8. The lender will provide FSA with additional environmental information when requested.

**ENVIRONMENTAL ASSESSMENT CHART**

<b>Type of Action</b>	<b>Categorical Exclusion</b>	<b>Requires Class I Assessment</b>	<b>Requires Class II Assessment</b>
1. Irrigation improvements for:	*1. Less than 80 acres	1. 80 to 160 acres	1. More than 160 acres
2. Farm pond of:	*2. Less than 5 acres	2. 5 to 10 acres	2. More than 10 acres
3. Land clearing of:	*3. Less than 15 acres	3. 15 to 35 acres	3. More than 35 acres
4. Converting pasture to crop land	*4. Less than 160 acres	4. 160 to 320 acres	4. More than 320 acres
<b>*Unless a wetland is affected then it is automatically elevated to a Class II</b>			
5. Development of dikes, detention reservoirs, stream channels, and ditches	5. N/A	5. N/A	5. All cases
6. Livestock holding facilities of the following types:	6. All capacities less than those listed under Class I are excluded	6. (Capacity in # Head)	6. (Capacity in # Head)
Slaughter Steers and heifers		500 – 999	1,000 or more
Mature dairy cows – milking or dry		350 – 699	700 or more
Swine – over 55 lbs		1,250 – 2,499	2,500 or more
Feeder pigs		1,750 – 3,499	3,500 or more
Sheep		5,000 – 9,999	10,000 or more
Turkeys		27,500 – 54,999	55,000 or more
Laying hens or broilers		50,000 – 99,999	100,000 or more
Horses		250 – 499	500 or more
Combination of slaughter steers and Heifers, mature dairy cattle, swine Over 55 lbs., and sheep		500 – 999 Animal units	1,000 or more Animal units

# LOAN APPLICANT/ LENDER LOAN AGREEMENT

## Suggestions/Recommendations

(Use only those that pertain. Modify to fit each individual and unique situation.)

The Loan Agreement is a signed legal document between the loan applicant/borrower and the lender. The following minimum requirements should be addressed somewhere in the lender's security documents (promissory note, security agreement, etc) or be addressed in a Loan Agreement.

1. Requirements for accounting and record keeping.
2. Requirements for periodic financial reporting on an agreed upon date. If required, on what date will the borrower submit the:
  - annual financial statement
  - annual cash flow
  - complete copy of the Federal and Arkansas Income Tax Return with all supporting schedules
  - prior years actual production and/or financial history
  - For Entity loan(s) - a copy of a signed and dated financial statement and tax return on each individual.
3. Insurance requirements.
  - Adequate property and liability insurance must be obtained on the security and a mortgage clause added to the insurance policy requiring all benefits to be paid jointly with the lender.
  - Crop Insurance is required and an assignment of indemnity obtained in favor of the lender.
  - The loan applicant must obtain Catastrophic (CAT) risk protection insurance coverage on all economically significant crops for this year and all subsequent years or waive eligibility for emergency crop loss assistance in connection with the uninsured crop. Economically significant crops are those that contributed at least 10 percent of the value of the producer's share of the crop in the past year or are expected to contribute at least 10 percent in the coming year.
4. A CCC-36, Assignment of Payment, has been executed to cover ALL FSA and CCC program payments in which the loan applicant/borrower has an interest. However, the loan applicant/borrower agrees to submit any and all FSA and CCC program payments that were not paid directly to the bank within 10 days of receipt.
5. Limitations on the purchase and/or sale of capital assets.
  - Capital expenditures are not authorized unless approved/agreed upon by the lender in the annual cash flow.
  - Any machinery/equipment lease of longer than 1 year is considered a "Capital Lease" and must be treated as a capital expenditure.

6. Accounting of loan security requirements. The loan applicant/borrower will provide the bank with any changes and/or additions to the loan security by (insert date).
7. Collateral inspections/requirements. (Chattels – minimum 1 farm inspection visit per year.)
8. The borrower must maintain the following minimum number of basic foundation livestock by keeping breedable age replacements or any sales proceeds must be applied on the bank loan as an extra payment.

Cows	50 head
Bulls	2 head

9. Prohibitions against incurring any additional debt or co-signing for the liabilities of others.
10. A Disposition of Jointly Owned Property Agreement needs to be obtained and signed by all owners including spouses for any property owned jointly. Note: Does not include property owned jointly by husband and wife.
11. Any improved management and/or production practices to be implemented.
12. Purposes for which loan funds or funds advanced under the line of credit will be used.
13. Interest rate and terms; how and when the rate may fluctuate; term of loan; and conditions related to the repayment, renewal, etc., of loan with balloon payments.
14. If the loan applicant is not a sole proprietorship, limits on compensation of entity members, hired labor, consultants, patronage refunds, dividend payments, or distribution of net income.
15. Credit ceiling, special limitations, and conditions precedent to annual readvancement or continuation of loans or lines of credit. The promissory note must contain language that limits OL/LOC advances for subsequent years:
  - The outstanding OL/LOC unpaid principal and interest shall be due and payable annually on (insert date).
  - Failure to reduce the OL/LOC loan down to (\$0.00 - \$100.00) annually on the required due date shall constitute an event of default by the borrower. If not reduced, are there enough current assets on hand that **WILL BE SOLD and all of the PROCEEDS APPLIED on the OL/LOC Loan** that could pay it in full?
16. Limits on family living expenses and bank accounts.
  - Individual - The borrower will be required to maintain two separate checking accounts at the bank (farm and a separate family living account). The borrower will deposit ALL farm income and pay ALL expenses from the farm account. Family living withdrawals will be limited and monitored by the bank as to what is actually authorized in the agreed upon cash flow. A family living check will need to be written on the farm account to be deposited in the family living account.

- Entity - All of the partnership farm accounts must be maintained at the bank. All farm income and farm expenses must be run through this account. Family living expenses, partner withdrawals, partner salaries, and/or other partner compensation is limited to the amount as shown in the cash flow that the bank must approve annually.

17. Interest Assistance requirements. Interest assistance must be renewed on an annual basis. The loan applicant/borrower must provide the bank with the following information by (insert date) in order for the bank to request renewal of interest assistance from FSA for an additional interest assistance subsidy period:

- Prior years actual production and/or financial history
- A current signed and dated balance sheet.
- A signed cash flow budget for the period being planned. If interest assistance is being requested on an OL/LOC loan or a 1-year OL/LN loan made for annual operating purposes, a monthly cash flow is required.

Date: \_\_\_\_\_

Name of Lender:

By: \_\_\_\_\_

I agree to the foregoing and acknowledge receipt of a copy of this agreement.

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Applicant/Borrower

By: \_\_\_\_\_  
Spouse

## AMOUNT AND QUALITY OF SECURITY

### *What is Adequate Security?*

- The lender is responsible for ensuring that proper and adequate security is obtained and maintained to fully secure the loan, protect the interest of the lender and FSA, and assure repayment of the loan or line of credit.
- The lender will obtain a lien on ALL security to protect the lender and FSA's interest. This also includes ALL security owned by each member of an entity.
- **At a minimum, FSA requires the value of the security to be at least equal to the loan amount. However, more security will be taken whenever it is available.**

A 1:1 loan to value ratio is not adequate when additional security is available. The adequacy of security will be judged in consideration of the total security available, prior liens, and the lender's normal practices.

More security may be required if:

- The quality of the security is low
- Cash flow is below average
- Production capability is suspect
- Management history is limited
- Enterprise is not firmly established or is atypical for the area

### *What Lien Position is the Lender Required to Take?*

1. Any chattel-secured guaranteed loan must have a higher lien priority (including purchase money interest) than an unguaranteed loan secured by the same chattels and held by the same lender. (Not applicable to OL/LOC loans.)

NOTE: Any lender, who holds an unguaranteed loan with a first lien on the same collateral proposed as security for a guaranteed loan, must subordinate its lien position to the guaranteed loan.

2. Junior lien positions are acceptable only if the total amount of debt with liens on the security, including the debt in junior lien position, is less than or equal to 85 percent of value of the security.

NOTE: Liens junior to the guaranteed position will not be considered in this limitation.

When guaranteed and unguaranteed loans share equal lien position, neither loan will be considered junior. In these situations, the lender must agree that if any equally shared security is liquidated, the net proceeds shall be divided pro-rata based on the amounts loaned.

Example: If the lender makes a \$700,000 guaranteed loan in conjunction with a \$300,000 unguaranteed loan and the security is subsequently liquidated resulting in \$800,000 net proceeds, \$560,000 would be applied to the guaranteed loan and \$240,000 to the unguaranteed loan.

3. Junior liens on crops or livestock products will not be relied upon for security unless the lender is involved in multiple guaranteed loans to the same borrower and also has the first lien on the collateral.

NOTE: Junior liens on income security may be taken as security, but will be considered to have no collateral value unless the prior lien is securing an FSA guaranteed loan to the same lender.

4. When taking a junior lien, prior lien instruments will not contain future advance clauses (except for taxes, insurance, or other reasonable costs to protect security), or cancellation, summary forfeiture, or other clauses that jeopardize the Government's or the lender's interest or the borrower's ability to pay the guaranteed loan; unless any such undesirable provisions are limited, modified, waived or subordinated by the lien holder for the benefit of FSA and the lender.

NOTE: Provisions on prior lien instruments, such as prepayment penalties, will be considered when evaluating the collateral value of the lender's security on the guaranteed loan.

5. For entities, the note is executed by the member who is authorized to sign for the entity, and by all members of the entity as individuals. Personal guarantees, or other forms, will not be used to address the individual liability requirement.

## APPRAISAL REQUIREMENTS

- FSA may require a lender to obtain an appraisal based on the type of security, loan size, and whether it is primary or additional security.
- Appraisals are not part of a complete application, and guarantees may be approved subject to the lender obtaining an acceptable appraisal.
- Each lender is responsible for using an appraiser with qualifications for conducting the type of appraisals required for the transaction. Real estate appraisals must follow USPAP. A current copy of USPAP may be obtained from <http://www.appraisalfoundation.org>.
- A current appraisal (not more than 12 months old) of primary chattel security is required on all loans.
- A current real estate appraisal (not over 12 months old) is required when real estate is taken as primary security.

**NOTE: Except for authorized liquidation expenses, the lender is responsible for all appraisal costs, which may be passed on to the borrower.**

**Appraisal costs may be deducted from security proceeds when part of authorized liquidation expenses.**

- The appraised value of chattel property will be based on public sales of the same, or similar, property in the market area. In the absence of such public sales, reputable publications reflecting market values may be used.
- **On loan transactions less than \$250,000, the lender must demonstrate to FSA's satisfaction that the appraiser is qualified and experienced to estimate market values of agriculture property.**
- **On loan transactions over \$250,000, the appraisal must be completed by a state certified general appraiser.**

**FSA-1980-15**  
(03-09-99)

**U.S. Department of Agriculture**  
Farm Service Agency

**CONDITIONAL COMMITMENT**

(See last page for Privacy Act and Public Burden Statement)

**PART A -GENERAL INFORMATION**

<p>1. LENDER'S NAME AND MAILING ADDRESS</p>	<p>2. TYPE LOAN  <input type="checkbox"/> FO    <input type="checkbox"/> OL    <input type="checkbox"/> OL/LOC</p>
	<p>3. PRINCIPAL AMOUNT OF LOAN OR LINE OF CREDIT CEILING                  \$</p>
	<p>4. PERCENT OF GUARANTEE                  %</p>
<p>5. LOAN APPLICANT'S NAME</p>	<p>6. FSA CASE NUMBER</p>

From an examination of information supplied by the lender on the above proposed loan, and other relevant information, it appears that the transaction can be properly completed.

Therefore, the United States of America acting through the Farm Service Agency (FSA) hereby agrees that, in accordance with 7 C.F.R. Part 762 and related forms, it will execute Form FSA-1980-27, Loan Guarantee, subject to the conditions and requirements specified in said regulations and included below.

**PART B - CONDITIONS**

7. To obtain a Form FSA-1980-27, Loan Guarantee, the lender must submit the following to FSA:
- A. This form FSA-1980-15 with Part D completed and executed indicating acceptance of the conditions.
  - B. FSA-1980-22, Lender Certification.
  - C. RD-1980-19, Guaranteed Loan Closing Report.
  - D. A copy of a properly executed debt instrument (promissory note or loan agreement).
  - E. A guarantee fee in the amount of \$ \_\_\_\_\_.

In addition, the lender will be required to:

- F. Execute an FSA-1980-64, Interest Assistance Agreement, if Interest Assistance is included in the loan.
- G. Execute an FSA-1980-38, Lender's Agreement, if a current version has not already been executed.
- H. Submit a copy of an appraisal from standard eligible lenders if not previously submitted.

**8. GENERAL REQUIREMENTS**

Lender agrees that any provisions in its security instruments, including promissory notes, security agreements, financing statements, deeds of trust, or other forms used by the lender to evidence or secure a guaranteed loan, which do not comply with 7 C.F.R. Part 762, are unenforceable by the lender without the written concurrence of FSA. Such provisions and enforcement are waived by the lender.

The lender agrees that FSA has not nor will not certify to the validity, accuracy, legality, or enforceability of any note, security agreement, financing statement, deed of trust or other forms which lender may have provided to FSA, the providing of such forms being for informational purposes only.

**9. INTEREST ASSISTANCE REQUIREMENTS**

If the subject guaranteed loan has been approved for participation in the interest assistance program: interest assistance during the first annual operating plan period will be 4 percent per annum of average outstanding principal. Interest assistance is available under this commitment for a period not to exceed \_\_\_\_\_ years or the term of the loan, whatever is less. Availability of interest assistance is subject to the loan being closed in accordance with the conditions of this commitment and with FSA regulations.

Interest assistance availability is subject to the execution of Form FSA-1980-64, Interest Assistance Agreement, and compliance with the conditions of the agreement. Conditions include the requirement that the interest assistance be based on an annual analysis of the borrower's need for continued interest assistance, for which the lender is required to obtain FSA concurrence.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D. C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

**10. REQUIREMENTS FOR LOANS SECURED BY CHATTELS**

As required in 7 C.F.R. Part 762.140, yearly accounting and reconciliation with the security agreement is required for all chattel loan collateral, i.e., livestock, farming and other equipment, crops, other farm products, supplies, inventory, accounts and contract rights, and general intangibles. An assignment will be obtained on all USDA crop and livestock program payments and all crop insurance proceeds when required as security. All collateral pertains to that now owned and hereafter acquired.

**11. OPERATING LINE OF CREDIT REQUIREMENTS**

- A. The total principal balance owed at any one time on advances made within an approved line of credit may not exceed the line of credit ceiling.
- B. The total amount of line of credit advances and income releases cannot exceed the total estimated expenses, less interest expense, as indicated on the borrower's plan, unless the plan is revised and continues to reflect a feasible plan.
- C. Prior to any future year advances, standard eligible lenders must submit a copy of the borrower's income and expenses for the previous year, the projected cash flow for the borrower's operation for the upcoming operating cycle, a current balance sheet, and a certification that the borrower is in compliance with the provisions of the line of credit agreement and the income and loan proceeds for the previous year have been accounted for. All of the above items are to be submitted for FSA written approval before future year's advances are made.

**12. HIGHLY ERODIBLE LAND AND WETLAND CONSERVATION**

- A. This commitment is conditional upon loan proceeds not being used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.
- B. All guaranteed lenders will be required to monitor compliance of these requirements as part of their servicing responsibilities. During loan servicing contacts the borrower's compliance is to be reviewed and analyzed. If the borrower violates 7 C.F.R. Part 1940, Subpart G, Exhibit M requirements, the loan will be in default.
- C. If loan applicants' farm properties contain any highly erodible land, wetland, or converted wetland; the lender will include the following provisions in its debt and security loan instruments:

"Default shall also exist if any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetland to produce or to make possible the production of an agricultural commodity, further explained in 7 CFR Part 1940. Subpart G, Exhibit M."

**13. CROP INSURANCE**

The loan applicant will obtain at least catastrophic risk protection insurance coverage or sign a benefits waiver for each of their economically significant crops, for which coverage is offered or reinsured by the Federal Crop Insurance Corporation (FCIC).

**14. LOAN PURPOSE**

List loan purposes below. Purposes should be identical to those described in Form FSA-1980-25, Application for Guarantee or form FSA-1980-28, Preferred Lender Application for Guarantee, unless otherwise indicated. The total amount to be advanced on a line of credit will not exceed the projected credit needs for the operating cycle.

**15. INTEREST RATE AND TERMS**

The interest rate cannot exceed the rate the lender charges its average farm customer. This loan will have the following interest rate and terms: *(If rate is variable, indicate basis only.)*

16. SECURITY

This loan will be secured by the collateral listed on Form FSA-1980-25, Application for Guarantee, or Form FSA-1980-28, Preferred Lender Application for Guarantee unless otherwise noted and described below. If an appraisal was not completed at the time of the request for guarantee, this loan is approved subject to the lender obtaining an appraisal, prior to loan closing completed in accordance with 7 C.F.R. Part 762, to support the following estimated values. Standard eligible lenders must submit an appraisal, acceptable to FSA, prior to receiving Form FSA-1980-27, Loan Guarantee.

Required Security

A. Item Description	B. Lien Position	C. Estimated Value	D. Amount of Prior Lien	E. Collateral Value
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
<b>TOTALS</b>	→	\$	\$	\$

OTHER

17. Other requirements: (Insert any additional conditions or on an attachment referred to in this space; otherwise insert "NONE").

**PART C - AGENCY SIGNATURE**

18. This conditional commitment becomes null and void unless the lender accepts the conditions, closes the loan, and requests the guarantee within \_\_\_\_\_ days, unless this time is extended in writing by FSA, or upon the Lender's earlier notification to FSA that it does not desire to obtain an FSA guarantee. Any negotiations concerning these conditions must be completed by that time.

19. Signature of FSA Representative	Date (MM-DD-YYYY)
20. Name and Title	

**PART D - ACCEPTANCE OR REJECTION OF CONDITIONS**

21. To: Farm Service Agency (FSA)

The conditions of Form FSA-1980-15, Conditional Commitment, outlined on previous pages:

- A.  are acceptable and the undersigned lender intends to proceed with the loan transaction and to request issuance of the guarantee at the appropriate time.
- B.  are acceptable, but for other reasons, the undersigned lender does not desire a guarantee and withdraws the application.
- C.  are not acceptable, and for that reason the undersigned lender does not desire a guarantee and withdraws the application.
- D.  are not acceptable but would be acceptable if the following changes were made:

22. Lender hereby certifies that it will comply with the requirements and regulations of 7 CFR Part 762, and form FSA-1980-38, Lender's Agreement.

**If Item 21A above is checked**

- (A) It is understood that the following information may now be released upon request: Name and address of applicant, name and address of lender, amount of loan, and general purpose of loan.
- (B) It is anticipated that the loan will be closed in approximately \_\_\_\_\_ days.

23. **NOTE TO LENDER:** Complete and execute the Acceptance or Rejection of Conditions as indicated above on the copy of this form and return to FSA at:

24. Signature of Lender Representative	Date (MM-DD-YYYY)
25. Name and Title	
<p><small><b>NOTE:</b> The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): the Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act, as amended (7 USC 1921 et seq.), or other Acts, and the regulations promulgated thereunder, to solicit the information requested on its application forms. The information requested is necessary for FSA to determine eligibility for credit or other financial assistance, service your loan, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Internal Revenue Service, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.</small></p> <p><small>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 18 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.</small></p>	

<b>FSA-1980-22</b> (03-20-01)	<b>U.S. DEPARTMENT OF AGRICULTURE</b> Farm Service Agency  <b>LENDER CERTIFICATION</b>	
1. BORROWER'S NAME (Last name, First name and Middle initial)	2. LOAN NO.	

3. The undersigned lender certifies that the following requirements have been or will be met on the guaranteed loan closed on \_\_\_\_\_  
 Date (MM-DD-YYYY)
- a. No major changes have been made in the lender's loan or line of credit conditions and requirements since submission of the application (except those approved in the interim by the Agency in writing).
  - b. All insurance requirements are in effect.
  - c. Truth in lending requirements have been met.
  - d. All equal employment opportunity and equal credit and nondiscrimination requirements have been or will be met at the appropriate time.
  - e. The loan or line of credit has been properly closed, and the required security instruments have been obtained, or will be obtained, on any acquired property that cannot be covered initially under State law.
  - f. The borrower has a marketable title to the collateral owned by the borrower, subject to the instrument securing the loan or line of credit to be guaranteed and subject to any other exceptions approved in writing by the Agency. When required, an assignment on all USDA crop and livestock program payments has been obtained.
  - g. When required, personal, joint operation, partnership, or corporate guarantees have been obtained.
  - h. Liens have been perfected and priorities are consistent with requirements of the Conditional Commitment.
  - i. 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. In line of credit cases, if any advances have occurred, they have been disbursed for purposes and in amounts consistent with the Conditional Commitment and Line of Credit Agreements.
  - j. There have been no material adverse changes in the borrower's condition, financial or otherwise, since submission of the application.
  - k. Appraisals have been completed which support security values stated in the Conditional Commitment.
  - l. All other requirements specified in the Conditional Commitment have been met.

4. Signature of Lender's Representative	5. Date (MM-DD-YYYY)
6. Name and Title	
7. <b>NOTE:</b> Along with this form, submit the following, as appropriate: <ul style="list-style-type: none"> <li>a. Guarantee Fee</li> <li>b. Copy of executed promissory note or loan agreement.</li> <li>c. Form RD 1980-19, Guaranteed Loan Closing Report.</li> <li>d. Copy of Appraisal if Standard Eligible Lender and not previously submitted.</li> <li>e. Form FSA 1980-64, Interest Assistance Agreement, if Interest Assistance is included in the loan.</li> <li>f. Form FSA 1980-38, Lender's Agreement, if a current version has not already been executed.</li> </ul>	

**NOTE:** The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): the Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act, (7 USC 1921 et seq.), and the regulations promulgated thereunder, to solicit the information requested on this form. The information requested is necessary for FSA to determine eligibility for credit or other financial assistance, service your loan guarantee, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Internal Revenue Service, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. **RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.**

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille large print, audiotope, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Form RD 1980-19 (Rev 02-02)		GUARANTEED LOAN CLOSING REPORT	
TRANSACTION CODE 4030			
1. CASE NUMBER  ST CO BORROWER'S ID		4. LENDER ID NO.	5. LENDER STATUS CODE
		7. CERTIFICATION EFFECTIVE MO DA YR DATE	6. LENDER TYPE CODE
		8. CERTIFICATION EXPIRATION MO DA YR DATE	
2. BORROWER NAME AND ADDRESS (INCLUDING ZIP CODE)		9. LENDER NAME AND ADDRESS (INCLUDING ZIP CODE)	
3. BORROWER TYPE CODE		10. SERVICING OFFICE	
11. SOURCE OF FUNDS	12. INTEREST ASSISTANCE CODE	13. GUARANTEE FEE PURPOSE CODE	14. FEE RATE  %
15. AMOUNT OF GUARANTEE FEE PAID	16. AMOUNT OF LOAN-LINE OF CREDIT	17. ADVANCE AMOUNT TO DATE	18. CLOSING DATE MO DA YR
19. MATURITY DATE OF LOAN MO DA YR	20. TERM OF BUYDOWN/ INTEREST ASSISTANCE YEARS	21. PERCENT OF LOAN GUARANTEED  .0000 %	22. LENDER'S NOTE INTEREST RATE ON GUARANTEED PORTION  %
23. LENDER'S NOTE INTEREST RATE ON NONGUARANTEED PORTION  %	24. BUYDOWN/INTEREST ASSISTANCE RATE  %	25. PERIOD OF OPERATING LINE OF CREDIT  YEARS	26. RESERVED
27. TYPE OF GUARANTEE 1-LINE OF CREDIT 2-LOAN NOTE GUARANTEE	28. INTEREST BASIS (360 OR 365 DAYS)  3 6	29. INTEREST RATE CODE 1 - SINGLE VARIABLE 2 - SINGLE FIXED 3 - MULTI VARIABLE 4 - MULTI FIXED	30. BALANCE OWED ON LOAN
31. DATE GUARANTEE PERIOD BEGINS MO DA YR	32. DATE GUARANTEE PERIOD ENDS MO DA YR	33. ANNUAL REVIEW DATE MO DA YR	34. CERTIFIED LOAN N-NO Y-YES
35. AUTHORIZED LENDER'S SIGNATURE - I certify that all conditions of the conditional commitment have been met and that this report accurately describes the subject loan.		36. TITLE	37. DATE
COMPLETED BY AGENCY SERVICING OFFICE			COMPLETED BY FINANCE OFFICE
38. GUARANTEED LOAN NUMBER	39. OBLIGATED LOAN NUMBER	40. BRANCH NUMBER	41. DATE OF DEPOSIT MO DA YR
42. SIGNATURE OF AGENCY REPRESENTATIVE - I have reviewed this report and the information is consistent with the conditional commitment and the supporting documentation provided by the lender.		43. TITLE	44. DATE

AGENCY SERVICING OFFICE (ORIGINAL) - FILE POSITION 2       LENDER

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0137. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

## Instructions for RD1980-19 - **GUARANTEED LOAN CLOSING REPORT**

Lenders use this form for (1) each loan at the time the guarantee is issued, (2) conversion of an existing guaranteed loan to one with interest assistance, (3) payment of guaranteed loan fees, and (4) consolidation of guaranteed loans. The Guaranteed Loan Closing Report must accompany all guarantee fee payments.

Lenders complete items 1 through 37. The balance of the form is completed by the Agency. The lender submits this form and applicable fee to the appropriate Farm Service Agency servicing office.

### *Guaranteed Loan Closing Report*

Item No.	Instruction
1	<p>Enter Borrower's Case Number. Show the state and county code and the borrower's Social Security or Internal Revenue Service Tax Identification Number. Example:</p> <p style="text-align: center;">29 - 037 - 0987654328.</p>
2	<p>Enter Borrower's Name and Address. Enter name(s) and address on separate lines. Enter the city, state, and zip code the same line, abbreviating the state to two characters. Do not skip lines. Example:</p> <p style="text-align: center;">JAMES JOHNSON</p> <p style="text-align: center;">PO BOX 217</p> <p style="text-align: center;">RAYTOWN, MS 65123</p>
3	<p>Enter applicable Borrower's Type Code. Example:</p> <ol style="list-style-type: none"> <li>1. Individual</li> <li>2. Corporation</li> <li>3. Proprietorship</li> <li>4. Cooperative</li> <li>5. Public Body</li> <li>6. Partnership</li> <li>7. Other</li> <li>8. Indian Tribe</li> <li>9. Trust</li> <li>10. Limited Partnership</li> <li>11. Association of Farmers</li> <li>12. Organization of Farm Workers</li> <li>13. Joint Operation</li> </ol>

4	Enter the lender's Internal Revenue Service Tax Identification Number.
5	<p>Enter the applicable Lender Status Code. Example:</p> <ol style="list-style-type: none"> <li>1. Approved</li> <li>2. Eligible</li> <li>3. Certified</li> </ol> <p style="text-align: center;">Preferred.</p>
6	<p>Enter the applicable Lender type Code. Example:</p> <ol style="list-style-type: none"> <li>1. Commercial Bank</li> <li>2. Mortgage Loan Co.</li> <li>3. Insurance Co.</li> <li>4. Production Credit</li> <li>5. Federal Land Bank</li> <li>6. Credit Union</li> <li>7. Savings &amp; Loan</li> <li>8. Banks for Coops</li> <li>9. Small Business Investment Co.</li> <li>10. Broker</li> <li>11. Other</li> <li>12. Non-Traditional</li> </ol>
7	Enter the date the lender's certification became effective. <i>Completed only if Lender's Status Code (Item 5) is 3.</i>
8	Enter the date the lender's certification expires. <i>Completed only if Item 7 is valued.</i>
9	Enter lender Name and Address. Enter name(s) and address on separate lines. Enter the city, state, and zip code on the same line abbreviating the state to two characters. Do not skip lines.
10	Enter the applicable Agency Servicing Office. Form RD 1980-19 (Rev. 6-00).
11	<p>Enter the applicable Source of Funds code. Example:</p> <ol style="list-style-type: none"> <li>1. New Guaranteed Loan (includes all loan types)</li> <li>2. Reserved (used for Direct Loan programs)</li> <li>3. Reserved</li> <li>4. Reserved</li> <li>5. Consolidation of Guaranteed Loans Without Interest Assistance</li> <li>6. New Guaranteed Farm Loan Program Loan (FLP) with Interest Assistance</li> </ol>

	<p>7. FLP Interest Assistance Only  8. New Guaranteed SFH Loan with Interest Assistance</p> <p>New Guaranteed B&amp;I Loan with Interest Rate Buydown.</p>
12	<p>Enter the applicable Interest Assistance code. Used for Single Family Housing loans only. Example 1:</p> <ol style="list-style-type: none"> <li>1. Eligible for Interest Assistance Program</li> <li>2. Ineligible for Interest Assistance Program</li> </ol> <p>NOTE: Only enter 2 if the borrower does not qualify for the Interest Assistance Program at the time of loan closing, and the borrower will not be eligible for interest assistance during the remaining life of the loan. You should enter 1, if the borrower is eligible to participate in the Interest Assistance Program even though he may not be receiving interest assistance at the time of loan closing.</p>
13	<p>Enter the Guarantee Fee Purpose Code. Leave blank if Source of Funds code (Item 11) is input as 7 (FP Interest Assistance Only).</p> <ol style="list-style-type: none"> <li>1. Substitution</li> <li>2. Extension</li> <li>3. Initial Closing Fee</li> <li>4. Second Half Payment</li> <li>5. Consolidation (No Fee on Consolidated Loans)</li> <li>6. Reserved</li> <li>7. Initial Closing—No Fee</li> </ol> <p>NOTE: If consolidating loans (Item 13 equals 5), all loans must be closed. This form will not close and consolidate loans at the same time.</p>
14	<p>Enter 4.0 if the guarantee fee purpose code equals 6 (Item 13). Otherwise, leave blank. Example: 1 1/12 percent = 0 1 5 0 0.</p>
15	<p>Enter amount of Guarantee Fee to be Paid with this report.</p> <p>Examples of the computations for each Guaranteed Fee Purpose Code (Item 13) are given below:</p> <p><b><i>Item 13 equals 1 (Substitution)</i></b></p> <p style="padding-left: 40px;">Balance Owed on loan (Item 30) 46,928.52 Percent of Guarantee  (Item 21) x.90 Total 42,235.67</p> <p style="padding-left: 40px;">One Percent x.01 Guarantee Fee 422.36</p>

***Item 13 equals 2 (Extension)—***

The guarantee fee should equal 1/2 of 1 percent of the principal balance on the loan if maturity date is 1 year or less. The guarantee fee should equal 1 percent if the maturity date is greater than 1 year with the option that 1/2 of the fee may be paid as of the date of the Extension (Renewal) and second half payable in a single installment within 1 year and 10 days.

***Loan Maturing In 1 Year Or Less:***

Balance owed on Loan (Item 30) 46,928.52 1/2 of One Percent  
x.005 Guarantee Fee 234.64

***Loan Maturing In More Than 1 Year:***

Balance owed on Loan (Item 30) 46,928.52 One Percent x.01  
Guarantee Fee 469.29 Item 13 equals 3 (Initial Closing)—The  
guarantee fee should equal the guarantee rate multiplied by the  
guaranteed portion of the loan. Example:

Amount of Loan (Item 16) 50,000.00

Percent of Guarantee (Item 21) x.90

Total 45,000.00

One Percent x.01

Guarantee Fee 450.00

***Item 13 equals 4 (Second Half Payment)—***

The guarantee fee is the second 1/2 of the extension payment. Computations to check this are not necessary.

***Item 13 equals 5 (Consolidation)—***

There is no fee required. Leave Item 15 blank.

***Item 13 equals 7 (Initial Closing—No Fee)—***

There is no fee required. Leave Item 15 blank.

16	<p>Enter the amount of loan as follows:</p> <p>(A) Enter the full amount of the loan for new loans or for new loans with buydown or interest assistance.</p> <p>(B) Enter the principal balance of an existing loan when establishing interest assistance on an existing loan.</p> <p>(C) Enter the full amount of an existing line of credit if the interest assistance is established during the period of advances. Otherwise, enter the principal balance. Example:</p> <p style="padding-left: 40px;">Original Line of Credit Amount \$100,000.00</p> <p style="padding-left: 40px;">Length of Loan 7 years</p> <p style="padding-left: 40px;">Period of Advances 3 years</p> <p style="padding-left: 40px;">Establishing Interest Assistance in Year 1 enter \$100,000.00</p> <p style="padding-left: 40px;">Establishing Interest Assistance in Year 2 enter \$100,000.00</p> <p style="padding-left: 40px;">Establishing Interest Assistance in Year 3 enter \$100,000.00</p> <p style="padding-left: 40px;">Current Principal Balance in Year 4 \$76,450.00 Establishing Interest Assistance in Year 4 enter \$76,450.00</p> <p><b>NOTE: THE AMOUNT ENTERED IN THIS Item MUST MATCH THE AMOUNT OBLIGATED.</b></p>
17	<p>Enter cumulative loan advances as of date of loan closing. If the loan is fully advanced, enter amount of loan. If a line of credit, enter current unpaid principal balance. If no advances have been made, enter 0.00.</p>
18	<p>Enter the closing date. The date will be the date of loan for new loans or the effective date of the buydown or interest assistance for existing loans.</p>
19	<p>Enter the maturity date of the loan.</p>
20	<p>For Farm Loan Program loans with Interest Assistance only, enter the term or length of the Interest Assistance Program in years. Must equal 1 - 10. Leave blank for all other loans.</p>

21	Enter the percent of loan guarantee as determined by Agency Instructions.
22	Enter the lender' s interest rate on the guaranteed portion of the loan prior to any interest rate reduction due to buydown, interest assistance, or subsidy. For Rural Housing loans, enter the note rate.
23	Enter the rate that will be used to compute the interest charged to the borrower on the non-guaranteed portion of the note prior to any interest rate reduction due to buydown, interest assistance, or subsidy. For Rural Housing Loans, enter the note rate.
24	Enter 4.0.
25	For Farm Loan Program Operating Lines of Credit only (Type of Guarantee in Item 27 is input as 1), enter the length of the operating line of credit in years. Must equal 1, 2, 3, 4, or 5. Leave blank if Type of Guarantee in Item 27 is input as 2.
26	Reserved.
27	Enter the applicable type of guarantee. Line of credit loans are coded 1; all others are 2.
28	Enter the interest basis. (number of days: 360 or 365).
29	Enter the applicable interest rate code. Multi-rates could involve different interest rates on the guaranteed portion and the non-guaranteed portion of the loan. Example: 1.
30	Enter the principal balance owed on loan as of substitution or extension date (Item 13 equals 1 or 2). In all other cases leave this Item blank.
31	Enter the ending date of the previous guarantee period if Item 13 equals 2 (Extension). In all other cases leave this Item blank.
32	<p>If Item 13 equals 2, enter the date the guarantee period ends. The guarantee fee period is 1 year for loans repayable in 1 year or less; 3 years for loans for operating purposes repayable in more than 1 year; and 5 years for loans for real estate purposes repayable in more than 1 year.</p> <p>If Item 13 equals 3, 5, 6, or 7, and the guarantee period is shorter than the length of the loan, enter the date the guarantee period ends. In all other cases, this Item is blank.</p>

33	Enter the First Annual Review Date on this loan ( <i>FLP and SFH Loans with Interest Assistance Only</i> ) For Annual Payment loans, this should be the First Annual Payment Due Date. For all other loans, this will be the date established by the lender as being the last day of the first period of interest assistance and will be the date in block 23 in the Interest Assistance Agreement, Form RD 1980-64, or Form FSA 1980-64. This date must be no more than 12 months from the closing date of the note. Once established, all future claims and reviews will be made effective on the anniversary of this date each year.
34	Identify whether this is a Certified Loan.
35	Enter the authorized lender' s signature. <b>THIS FORM WILL BE RETURNED IF IT IS NOT SIGNED.</b>
36	Enter the title of the person authorized to sign this form.
37	Enter the date signed by the lender' s representative.

PART II

GUARANTEED

LOAN

SERVICING

## GENERAL SERVICING RESPONSIBILITIES

When the guaranteed loan is closed, the lender must comply with all of the terms and conditions of the FSA 1980-15, Conditional Commitment. Servicing responsibilities can differ on a loan-by-loan basis.

As per Par. 262, lenders are responsible for:

- Servicing the entire loan in a reasonable and prudent manner
- Protecting and accounting (monitoring and tracking) for collateral
- Remaining the mortgagee or secured party of record.

The lender cannot enforce the guarantee to the extent that a loss results from a violation of usury laws or negligent servicing regardless of when FSA discovers the violation or negligence. Negligent servicing is defined as a failure to perform services which a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed. The term includes both a failure to act as well as a failure to act in a timely manner.

As per Par. 263, the lender's responsibilities regarding borrower supervision include, but are not limited to the following:

- Ensuring loan funds are not used for unauthorized purposes.
- Ensuring borrower compliance with the covenants and provisions contained in the promissory note, loan agreement, mortgage, security instruments, any other agreements, and this part.

Note: Any violations which indicate non-compliance on the part of the borrower, must be reported, in writing, to both FSA and the borrower.

- Ensuring the borrower is in compliance with all laws and regulations applicable to the loan, the collateral, and the operations of the farm.
- Receiving all payments of principal and interest on the loan as they fall due and promptly disbursing to any holder its pro-rata share according to the amount of interest the holder has in the loan, less only the lender's servicing fee.
- Performing an annual analysis of the borrower's financial condition to determine the borrower's progress.

When a lender receives a payment from the sale of encumbered property, loan installments will be paid in the order of lien priority. When a payment is received from the sale of unencumbered property or other sources of income, loan installments will be paid in order of their due date. FSA approval is required for any other proposed payment plans.

The lender is responsible for obtaining and maintaining the lien coverage and lien priorities which are specified in the FSA 1980-15, Conditional Commitment, during the existence of the FSA guarantee.

As per Par. 264, the lender's responsibilities regarding servicing collateral include, but are not limited to, the following:

- Obtain income and insurance assignments when required.
- Ensure the borrower has or obtains marketable title to the collateral.
- Inspect the collateral as often as deemed necessary to properly service the loan.

A loan secured by chattel and other personal property should have a farm inspection completed annually with the inspection report identifying whether or not the collateral is being properly maintained. Changes in inventory should be noted and sources identified to assure the loan covenants are in compliance and that risk of loss in the loan does not occur.

- Ensure the borrower does not convert loan security.

If so, FSA and the lender will determine whether the potential recovery is cost effective.

- Ensure the proceeds from the sale or other disposition of collateral are accounted for, then applied in accordance with the lien priorities on which the guarantee is based or used for the purchase of replacement collateral.
- Ensure the loan and the collateral are protected in the event of foreclosure, bankruptcy, receivership, insolvency, condemnation, or other litigation.
- Ensure taxes, assessments, or ground rents against or affecting the collateral are paid.
- Ensure adequate insurance is maintained

The insurance policy should contain a loss payable clause in favor of the lender as the mortgagor or secured party.

- Ensure that insurance loss payments, condemnation awards, or similar proceeds are applied on debts in accordance with lien priorities on which the guarantee was based, or used to rebuild or acquire needed replacement collateral.
- Assuring that the customer and any party liable for the loan is not released from liability for all or any part of the loan, except with the written approval of FSA.

## OL/LOC ANNUAL OPERATING LOAN RENEWALS

### CLP LENDERS

**Prior to any advances** for the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup>, or 5<sup>th</sup> year on the Operating Line of Credit (OL/LOC) loan, the lender will submit to the FSA Office:

1. Current Financial Statement/Balance Sheet (farm and non-farm) dated and signed by the borrower.
2. The lender must provide a **written certification** stating that:
  - A feasible plan was developed, which is signed by both borrower and lender. Lender must follow the guidelines listed in 2-FLP Par. 151-154 determining financial feasibility of proposed loan.
  - The borrower is in compliance with provisions of the Loan/Line of Credit Agreement.
  - The **previous year income** (farm and non-farm) **and loan funds and security proceeds have been accounted for.**

**NOTE: Obtaining written approval from the County office is not necessary as long as the above is provided. Although not required, we request the lender also provide the Agency with a copy of the signed cash flow.**

### SEL LENDERS

For an Operating Line of Credit (OL/LOC) loan, **prior to any advances** for the 2<sup>nd</sup>, 3<sup>rd</sup>, 4<sup>th</sup> or 5<sup>th</sup> year on the OL/LOC loan, the lender must submit to the FSA Office:

1. Previous year's income and expenses (farm and non-farm).
2. Current Financial Statement/Balance Sheet (farm and non-farm) dated and signed by the borrower.
3. Cash flow signed by lender and borrower which projects a feasible plan. Lender must follow the guidelines listed in 2-FLP Par. 151-154 determining financial feasibility of proposed loan.

**NOTE: SEL lenders must receive approval from FSA before advancing future years' funds.**

# ANNUAL FINANCIAL ANALYSIS

## SEL and CLP Lenders

The requirement for a lender to complete an annual financial analysis of the borrower is addressed in FSA Handbook 2-FLP, Paragraph 265. **Lender must perform an annual analysis within 90 days of the end of the borrower's operating cycle. Items to be submitted to FSA are to be sent in within 30 days of the completion of the annual financial analysis.**

PLP lenders must perform financial analysis and report on borrower's financial progress according to the terms of their Credit Management System. SEL and CLP lenders have different requirements. The following table may clarify what is required for different lender, loan and collateral types. When determining the type of collateral, consider primary collateral only.

		SEL	CLP
<b>Secured by Real Estate</b>	<b>Analyze</b>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• If any RE has been sold, address disposition and proceeds</li> <li>• Discuss observations about farm business with borrower</li> </ul>	<ul style="list-style-type: none"> <li>• Lender will determine need for analysis based on financial strength</li> <li>• Document any disposition of collateral</li> <li>• Document discussion about farm business with borrower</li> </ul>
	<b>Submit</b>	<ul style="list-style-type: none"> <li>• Balance Sheet (with narrative summary of balance sheet analysis)</li> </ul>	<ul style="list-style-type: none"> <li>• If analysis is performed, submit summary of balance sheet analysis</li> <li>• If analysis is not performed, submit narrative to support this decision</li> </ul>
<b>Secured by Chattels</b>	<b>Analyze</b>	<ul style="list-style-type: none"> <li>• Business goals (progress)</li> <li>• Compare actual to planned income and expenses</li> <li>• Address trends and changes in financial performance</li> <li>• Account for collateral</li> <li>• Discuss observations about farm business with borrower</li> <li>• Make farm visit and collateral inspection</li> </ul>	<ul style="list-style-type: none"> <li>• Lender will determine need for balance sheet analysis based on financial strength</li> <li>• Business goals (progress)</li> <li>• Compare actual to planned income and expenses</li> <li>• Address trends and changes in financial performance</li> <li>• Document discussion about farm business with borrower</li> <li>• Make farm visit and collateral inspection.</li> </ul>
	<b>Submit</b>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Income and Expenses statement</li> <li>• Annual farm visit report (collateral inspection)</li> </ul>	<ul style="list-style-type: none"> <li>• If analysis is performed, submit summary of balance sheet analysis</li> <li>• If analysis is not performed, submit information that supports this decision</li> </ul>
<b>Line of Credit</b> <small>(in addition to items above)</small>	<b>Submit</b>	<ul style="list-style-type: none"> <li>• Projected cash flow showing feasible plan</li> <li>• Request to advance future funds</li> </ul>	Certification stating: <ul style="list-style-type: none"> <li>• CF projects a feasible plan</li> <li>• Borrower is in compliance with LOC agreement</li> <li>• Funds have been accounted for</li> </ul>
<b>Interest Assistance</b> <small>(in addition to items above)</small>	<b>Submit</b>	<ul style="list-style-type: none"> <li>• Summary of financial performance</li> <li>• Income and expense statement</li> <li>• Narrative of causes of major differences between the previous year's projection and performance</li> </ul>	<ul style="list-style-type: none"> <li>• Projected cash flow</li> <li>• Detailed ledger of previous year's loan activity</li> </ul> <p style="text-align: center;"><i>(both columns apply to SEL and CLP)</i></p>

## EMERGENCY ADVANCE

### OL/LOC LOAN

In cases of a guaranteed line of credit, lenders may make an emergency advance when a line of credit has reached its ceiling. The emergency advance will be made as an advance under the line and not as a separate note. The lender's loan documents must contain sufficient language to provide that any emergency advance will constitute a debt of the borrower to the lender and be secured by the security instrument. The following conditions apply:

- The loan funds to be advanced are for authorized operating loan purposes
- The financial benefit to the lender and the Government from the advance will exceed the amount of the advance
- The loss of crops or livestock is imminent unless the advance is made.
- Advances made under an Emergency Advance must be supported by a positive cash flow.

SEL and CLP lenders must obtain written permission from FSA before an emergency advance on a LOC can be made.

Where liquidation is imminent, advances will be made as protective advances according to 2-FLP Par. 359.

To request an emergency advance, SEL and CLP lenders must submit the following to FSA:

- A narrative explaining that the loss of crops and/or livestock is imminent and can be prevented by an infusion of cash
- Balance sheet
- Positive cash flow projections

PLP lenders may make emergency advances according to their Lender's Agreement.

## **RESCHEDULING, REAMORTIZATION, CONSOLIDATION, AND DEFERRAL SEL AND CLP**

[Review FSA Handbook 2-FLP, Par. 312 through Par. 327 regarding consolidation, rescheduling, reamortizing and deferral for specific details that explain the allowable terms, interest rates and special requirements.]

1. Borrower currently meets the loan eligibility requirements of 2-FLP. The provisions regarding prior debt forgiveness and delinquency on a Federal debt do not apply to restructuring.
  - does not have any outstanding recorded Federal US judgments
  - US citizen, a US non-citizen national, or a qualified alien under applicable Federal immigrations laws
  - has the legal capacity to incur the obligations of the loan
  - has an acceptable credit history
  - is not able to obtain sufficient credit elsewhere without a guarantee
  - has not had a controlled substance conviction within the last 5 years
  - still meets family farm definition (OL's - operator and FO's - owner/operator)
  - entity borrowers cannot be owned by another entity
2. Lender security position will not be adversely affected.
3. A feasible cash flow cannot be developed with the existing repayment schedule, but can be developed with the revised repayment terms.
4. If applicable, and if the loan is assigned on secondary market, Holder and FSA must concur with the proposal.

***NOTE TO LENDER: As per Par. 312 A, even if FSA concurs with the restructuring action, a final loss claim may be reduced, adjusted, or rejected as a result of negligent servicing.***

### **FORMS/DOCUMENTS REQUIRED FROM LENDER**

ALL restructuring proposals will be reviewed/approved in writing by the appropriate FSA loan approval official based on the total outstanding principal and interest at the time of the proposal in accordance with the loan approval authorities as set forth in FSA Handbook 1-FLP.

SEL lenders must request and obtain FSA prior written approval for all restructuring actions.

SEL's must supply the following items for review of FSA:

- Cover letter from lender outlining the specific request in detail (SEL only).
- Copy of a Credit Bureau report.
- Current signed and dated Financial Statement from all liable parties (farm and non-farm).
- An approved cash flow prepared to achieve a feasible plan that is to be dated and signed by lender and borrower(s).
- Verification of nonfarm income.
- Verification of all debts of \$1,000 or more.
- Financial and Production history records for the last 3-years to support cash flow projections.
  - Actual production records (SEL only)
  - Actual income and expense history (farm and non-farm)  
Note: Federal and State Income Tax records with all supporting schedules can be requested.
  - Financial Statement history
- If an entity, obtain a current financial statement and income/expense information from all members that are liable for the debt.
- If a new interest assistance agreement is being approved on an existing guaranteed loan (PRIOR TO 10/1/91) the following items are required:
  1. Complete Part G, Cash Flow and Interest Assistance Needs Analysis, on FSA-1980-25, Application for Guarantee.
  2. For annual operating/line of credit loans, a "Monthly Cash Flow Budget" reflecting expected operating credit balances at the end of each month used to obtain the Average Principal Balance.
  3. Interest Assistance can be applied to each loan, only to one loan or any distribution the lender selects; however, interest assistance is only available on as many loans as necessary to achieve a feasible plan.
  4. IA 10-year term limitation - If less than 3-years of IA remaining, a cash flow must be developed which shows full interest rate note scheduled payments for any new loan and/or restructured loan in each of the remaining years of the loan.

CLP lenders are not required to obtain prior written approval of the Agency and are not required to submit anything to FSA. However, the CLP lender must provide certification that all of the above items are in the lender's file.

Advances cannot be made against an OL/LOC loan that had any portion of the loan restructured.

The guaranteed loan should be restructured over the **MINIMUM** number of years necessary to obtain a positive cash flow. An OL/LOC may be repaid over a period up to, but not to exceed 7-years or 10-years from the date of the original note, whichever is less. An OL/LN may be repaid over a period up to, but not to exceed fifteen (15) years. An FO may be repaid over a period up to, but not to exceed forty (40) years.

The guarantee loan does not need to be fully secured at the time of restructuring, unless it is restructured with a balloon payment, but the new proposed annual principal and interest payment must include enough principal to offset the annual depreciation of the remaining security. 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.

The following conditions apply to deferrals:

1. Payments up to 5-years may be deferred, but cannot exceed the maturity date.
2. Principal can be deferred either in whole or in part.
3. Interest may be deferred only in part. For multi-year deferrals, annual payment of a reasonable portion of accruing interest must be paid as indicated by the borrower's cash flow projections.
4. A feasible plan must be developed at the end of the deferral period.

The following conditions apply to consolidations:

1. Only OL's (OL/LN to an OL/LN and OL/LOC to an OL/LOC) can be consolidated.
2. Cannot consolidate an FO, OL's secured by real estate, OL's with IA or SAA.
3. Cannot consolidate an OL closed before 10/1/91 with an OL closed after 10/1/91.
4. It consolidating OL/LOC loans, the loan conditions and maturity dates must be the same.
5. Consolidation loan principal cannot exceed the statutory loan limits.
6. Consolidation cannot adversely affect the value of the security and security position.
7. A new note will be taken. The new note will describe the OL notes being consolidated and state that the indebtedness is not satisfied. The original OL notes must be retained.
8. FSA will execute form FSA-1980-84 to provide the lender with a Modification of Loan Guarantee to identify the new loan amount, new terms, and percent of guarantee. The FSA-1980-84 will be attached to the original Guarantee.

Lender may capitalize outstanding interest when restructuring the loan. When restructuring a guaranteed loan with capitalized interest:

1. As a result of capitalization of interest, the new principal amount cannot exceed the statutory loan limits. Excess interest above the statutory limit cannot be capitalized, but can be scheduled for repayment as non-capitalized interest over the term of the restructured note.

2. When the new principal/guaranteed portion is greater than the original loan amount, FSA will execute form FSA-1980-84 to provide the lender with a Modification of Loan Guarantee. The FSA-1980-84 will be attached to the original Loan Guarantee. In all other restructuring situations where capitalized interest is not involved, FSA-1980-84 is not required.

**CLP AND SEL LENDERS MUST PROVIDE THE FOLLOWING TO FSA AFTER THE LOAN(S) HAVE BEEN RESTRUCTURED:**

Form FSA-1980-44, Guaranteed Farm Loan Default Status Report, must be completed indicating the loan is current.

Copy of the restructured promissory note and/or allonge/modification agreement. The existing note must be modified by attaching an “allonge” or any other legally effective amendment evidencing the revised terms, or a new note must be taken. However, the new note must describe the loan being restructured, state that the indebtedness was not satisfied, and then retain the original promissory note as an attachment.

Other loan requirements, if any, addressed in the FSA restructuring approval letter.

CLP lenders must provide the following:

1. A written certification that all forms/documents have been obtained and are in the file and all restructuring requirements have been met in accordance with 2-FLP.
2. A narrative outlining the circumstances surrounding the need for the restructuring.
3. Copies of any applicable calculations.

# BANKRUPTCY SERVICING

Consult your legal staff.

Immediately, notify FSA, in writing, of the bankruptcy filing using form FSA-1980-44, Guaranteed Loan Default Status Report.

Provide FSA with a copy of the:

1. NOTICE OF COMMENCEMENT OF CASE UNDER CHAPTER 7, 11, 12 OR 13 OF THE BANKRUPTCY CODE, MEETING OF CREDITORS, AND FILING DATES
2. Bankruptcy schedules

Follow FSA Handbook 2-FLP, Par. 341 Lender's Responsibilities in Bankruptcy Proceedings. Lender responsibilities include, but are not limited to:

1. Filing a proof of claim and all necessary paperwork.
2. Attending, and when necessary, participation in meetings of the creditors and court proceedings.
3. Protecting the collateral securing the guaranteed loan and resisting any adverse changes that may be to the collateral. Issues to be concerned with:
  - Is all guaranteed loan collateral properly accounted for? If chattel security, complete a chattel inspection prior to the Meeting of Creditors.
  - 30 Day Default – Drop Dead Clause
  - Interest Rate Cram down
  - Appraisals – If necessary, request a “Valuation Hearing”
  - Annual Financial Statement to be provided by mm/dd/year
  - Copy-of yearly Income Tax Records to be provided by mm/dd/year
  - Adequate Insurance with lender lien
  - Loan in default if taxes and insurance not paid
  - Schedule payments when collateral is sold
  - Is plan reasonable? Is plan based on 3-5 year financial history?
  - Ask for lender farm visits to inspect collateral to be assured that collateral is being maintained
  - Ask for attorney, appraisal, and other fees allowed under promissory note
  - Make sure the principal and interest debt is accurate
  - If secured, file a motion for post petition interest accrual
4. Seeking a dismissal of the bankruptcy proceedings when the operation as proposed is not feasible.
5. Monitor confirmed Chapter 11, 12 and 13 plans. If the borrower fails to comply, the lender will send a default cure notice and/or seek a dismissal of the reorganization plan.
6. When permitted, request modifications of any plan if it appears additional recoveries are likely.
7. Submit FSA-1980-44 when the borrower defaults and every 60-days thereafter until the default is resolved.
8. Keep the agency informed, in writing, of all aspects of the bankruptcy proceedings.

## **DELINQUENT LOAN SERVICING TIME LINE SEL AND CLP LENDERS**

(For PLP Lenders see the PLP Lender's Agreement/Credit Management System)

1. Date that payment was first missed.
2. Within 45 days of a missed payment, a lender/borrower meeting must be held.
3. The lender/borrower meeting will be summarized and sent to FSA immediately on form FSA-1980-44, Guaranteed Farm Loan Default Status Report.  
FSA-1980-44 is submitted every 60-calendar days thereafter until the default is resolved or a final loss claim is submitted.
4. Within 120 calendar days of a missed payment, either a Loan Restructuring Plan is implemented or a Decision to Liquidate is made.
5. Lender may not initiate foreclosure action until 60 calendar days after Interest Assistance eligibility has been considered. Complete Block # 14 on the FSA-1980-44.
6. Within 30 calendar days from the decision to liquidate, a written liquidation plan must be submitted to FSA. PLP lenders should submit according to their Lender's Agreement.
7. Within 20 calendar days from the receipt of the lender's liquidation plan, FSA must either approve it or request modifications.
8. Within 90 calendar days from the decision to liquidate, either all of the collateral must be totally liquidated or an estimated loss claim must be submitted to FSA. **The lender will discontinue interest on the loan as of 90 calendar days after the decision to liquidate.**
9. FSA must respond, in writing, within 30 calendar days of the receipt of the lender's estimated loss claim request. **The lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is paid by FSA.**
10. Immediately following the completion (last day) of the collateral liquidation, the lender has 30 calendar days to submit a final loss claim.
11. FSA must respond, in writing, within 40 calendar days of the receipt of the lender's final loss claim request.

## **MEDIATION REQUIREMENTS**

When it has been determined that a default cannot be cured through any of the servicing options available or if the lender does not wish to utilize any of the authorities provided, the lender must:

- Participate in mediation according to the rules and regulations of any State which has a mandatory farmer-creditor mediation program
- Not agree to any proposals to rewrite the terms of a guaranteed loan which do not comply with 2-FLP.

Any agreements reached, as a result of mediation involving defaults and/or loan restructuring must have written concurrence from FSA before they are implemented.

If the FSA State Executive Director (SED) determines that a lender's failure to participate in a mediation program caused a loss to the government, a final loss claim payment may be reduced or denied. SEL lenders who consistently fail to participate in mediation may jeopardize consideration for CLP or PLP status.

## PROTECTIVE ADVANCES

- Protective advances are expenses incurred by a lender to protect or preserve collateral from loss or deterioration. Protective advances should be shown in item 13 of Form RD 449-30, Guaranteed Loan Report of Loss, on the final loss claim.
- Prior written authorization from FSA is required for all protective advances in excess of \$5,000 for CLP lenders and \$3,000 for SEL lenders. For PLP lenders see the PLP Lender's Agreement and CMS.
- The lender may claim recovery for the guaranteed portion of any loss of monies advanced as protective advances allowed in this part, plus interest that accrues on the protective advances. Interest that accrues on protective advances is limited to the guaranteed loan interest accrual cutoff, if the protective advance is used to pay off the lender's prior lien.
- Protective advances are used only when the borrower is in liquidation, liquidation is imminent, or when the lender has take title to real property in a liquidation action.
- Legal fees are NOT a protective advance, but a liquidation expense. Authorized legal fees should be deducted from the sale of collateral before net proceeds are applied to the guaranteed loan.
- Payment for protective advances is made by FSA when the final loss claim is approved, except in bankruptcy actions.
- Protective advances may only be made when the lender can demonstrate the advance is in the best interest of the Government.
- Protective advances must constitute a debt of the borrower to the lender and be secured by the security instrument.
- Protective advances must not be made in lieu of additional loans. Protective advances are made to preserve the collateral from loss or deterioration. Advances made to improve the value of the collateral, such as home improvement, are not permitted.

## LENDER LIQUIDATION PLAN

Once the decision to liquidate is made, all (SEL, CLP, and PLP) lenders must prepare a liquidation plan.

The SEL and CLP lender's liquidation plan, and any revisions of the plan, must be approved, **in writing**, by FSA.

It is recommended that the lender read the following, prior to liquidation of the account:

- the Liquidation Section of the Lender's Agreement
- 2-FLP Handbook Part 12, Par. 300, Monetary Default - Overall Loan Servicing Process
- 2-FLP Handbook Part 14, Par. 355-362, Liquidation

*Interest Assistance (IA) 60-day Consideration:* The lender may begin liquidation actions at its discretion as long as it has been at least 60 days since the borrower's eligibility for interest assistance was considered. The lender must submit form FSA-1980-44 and have checked block 14(A) indicating that Interest Assistance has been ruled out or the involuntary liquidation may be delayed. The lender must not accelerate the account until 60 days after the date of IA eligibility consideration. If IA eligibility was waived in writing by the borrower, the lender may prepare to liquidate the loan immediately following receipt of the waiver.

**WITHIN 30 DAYS OF THE DECISION TO LIQUIDATE**, all lenders will submit a written liquidation plan that must include a schedule of all projected liquidation activities, and a complete inventory of the security to be sold. PLP lenders should submit according to their Lender's Agreement. The liquidation plan must include the following:

1. A current signed and dated balance sheet (farm and nonfarm assets and liabilities) from all liable parties. If under the protection of the bankruptcy court, a copy of the bankruptcy filing, schedules, and discharge notice.
2. A proposed method of maximizing the collection of debt which includes specific plans to collect any remaining loan balances on the guaranteed loan after loan collateral has been liquidated, including possibilities for judgment.
3. If the borrower has converted loan security, the lender will determine whether litigation is cost effective. The lender must address in the liquidation plan, whether civil or criminal action will be pursued. If the lender does not pursue the recovery, the reason must be documented when an estimated loss claim is submitted.
4. When the account is accelerated, provide FSA with a copy of the acceleration notice.
5. An estimate of time necessary to complete the liquidation from start to finish.

6. An estimate of any protective advances and reasonable liquidation expenses.
7. If the liquidation period is expected to exceed 90 days, attach Form RD 449-30, Guaranteed Loan Report of Loss. For estimated loss claims, utilize Form FSA-1980-6, Guaranteed Estimated Loss Review Checklist, in preparing the loss claim.
8. Provide a copy of an independent appraisal report on ALL collateral (chattels and real estate) securing the loan, that meets the requirements of 2-FLP, Par.181-183.

It is recommended that, prior to issuing a work order to the appraiser, FSA concurrence be obtained.

For chattels, provide a copy of a current chattel appraisal and/or statement of value from the auctioneer prior to a sale.

For real estate, the appraisal must be completed as per USPAP and 2-FLP Par.183. Once the appraisal is received, it will be forwarded to the FSA Staff Appraiser for an appraisal review.

The appraisal requirement may be waived by FSA in the following cases:

- the bankruptcy trustee is handling the liquidation and the lender has submitted the trustee's determination of value.
- the lender's proposed method of liquidation rarely results in receipt of less than market value for livestock and used equipment.
- a purchase offer has already been received for more than the debt.

9. If real estate, provide FSA with a completed Exhibit 10 of 2-FLP Handbook, Net Recovery Value.
  - When it is necessary to enter a bid at a foreclosure sale, the lender may bid the amount that it determines is reasonable to protect the lender's and FSA's interest. At a minimum, the lender will bid the lesser of the net recovery value or the unpaid guaranteed loan balance.

## CHECKLIST FOR ATTACHMENTS TO LIQUIDATION PLAN

(This checklist is provided as a tool to assist in providing the  
required attachments to your liquidation plan.)

DESCRIPTION OF ATTACHMENT	YES	NO	N/A
Promissory Note(s)			
Payment Ledger(s) – Guaranteed and Non-guaranteed Loans			
Real Estate Appraisal			
Equipment Appraisal			
Livestock Appraisal			
Crop Inventories			
Financial Statement(s)			
Demand Letter(s)			
Release from Mediation			
Form FSA-1980-44, Guaranteed Farm Loan Default Status Report			
Form RD-449-30, Estimated Loss Claim(s)			

# SAMPLE LIQUIDATION PLAN

December 20, 2005

Farm Service Agency  
P O Box O  
Cherry Valley, AR 72432

RE: Liquidation Plan - Ken E. Herman

Dear Farm Loan Manager:

Below please find the liquidation plan for the farming operation of Ken E. Herman.

1. Attached is a copy of the promissory note and other documents concerning this note. Ken E. Herman has personally signed for this loan. There are no other liable parties. Mr. Herman's current address is 981 Hwy 101, Cherry Valley, AR 72432.
2. The guaranteed portion of this loan has not been sold in the secondary market; therefore, no repurchase is necessary by the Farm Bank. Farm Bank is the sole owner of the promissory note.
3. A copy of the payment ledger for the guaranteed loan which reflects the current loan balance and accrued interest as of December 20, 2005 is attached. The basis for computing interest on this loan is on a 365 day basis. We have also attached a copy of the payment ledger for a non-guaranteed loan which has been paid in full.
4. A copy of the borrower's current financial statement is attached. Please note that this is less than 90 days old. (If entity is involved, copy of financial statement on each individual in the entity.)
5. We have a first lien position on the real estate. There are two items on the attached equipment list with prior liens. We have considered these items to have no equity value. These items are a Shelbourne Reynolds Header with a first lien to Ford and a John Deere 9600 Combine with a first lien to John Deere Credit.
6. Farm Bank obtained an appraisal of the real estate security on December 15, 2005. The certified appraiser, who performed the initial appraisal on the real estate, performed an update on the appraisal. An equipment appraisal was completed on December 18, 2005, by a qualified appraiser. At the time of the appraisal, all equipment was accounted for. Copies of the appraisals are attached along with a calculation of the net recovery value of the real estate security. (2-FLP, Exhibit 10, should be used for the net recovery calculation)

7. The real estate security will be foreclosed through a public sale. The equipment is to be sold at public auction on January 31, 2006. Get Right Equipment Auction Company of Stuttgart, Arkansas will handle necessary repairs, transportation, advertising, and will perform the auction. A representative of the Bank will be present at the sale. We anticipate the liquidation of all security to take 120 days. The liquidation of this account will not be completed in 90 days; therefore, we have attached an estimated loss claim for processing.
8. Liquidation expenses for this account are estimated to be \$15,000 - \$20,000. This estimate includes auction costs of \$12,000 - \$15,000, real estate appraisal costs of \$1,200, chattel appraisal costs of \$500, and legal fees of \$1,300 - \$3,300. Authorized expenses will be paid from the proceeds of the sale of security. Should this estimate change significantly, we will notify your office and request a revision to the liquidation plan.
9. There are no protective advances anticipated at this time. Should the need arise for a protective advance; we will notify your office.
10. We are providing a copy of the release from mediation, the borrower's demand letter to accelerate the account and a copy of the response from the borrower's attorney. No resolution could be reached and a decision to liquidate was made on December 5, 2005.
11. A review of the courthouse records and financial statement indicates that Ken E. Herman has other assets from which a deficiency could be collected. A personal judgment will be pursued to maximize collection of the remaining debt.

We have attached a current form FSA-1980-44, Guaranteed Farm Loan Default Status Report, reflecting forced liquidation pending. Interest assistance has been considered and has been ruled out as an option to correct the default.

Your review and concurrence of the liquidation plan is requested.

Sincerely,

Linda Bright  
Sr. Vice President

Attachments

## GUARANTEED LOSS CLAIM CHECKLIST

**Within 90 calendar days from the decision to liquidate**, either all of the collateral must be totally liquidated or an estimated loss claim must be submitted to FSA. **The lender will discontinue interest on the loan as of 90 calendar days after the decision to liquidate.**

Immediately following the completion (last day) of the collateral liquidation, the lender has 30 calendar days to submit a final loss claim.

Check Form FSA-1980-15, Conditional Commitment, for each loan.

- Are there any special terms and conditions?
- What was the loan purpose?
- What collateral was required for the loan?

**Provide the following when filing a guaranteed loss claim.**

1. Signed Form RD-449-30, Guaranteed Loan Report of Loss, for each loan that a loss claim is requested.

FSA uses a checklist in the loss claim process and must be able to answer and provide file documentation for all questions. It is recommended that lenders review the FSA loss claim checklists:

- For estimated loss claims, FSA uses the form FSA-1980-6, Guaranteed Estimated Loss Review Checklist.
  - For final loss claims, FSA uses the form FSA-1980-7, Guaranteed Final Loss Review Checklist.
2. Current signed and dated balance sheet (farm / nonfarm assets and liabilities) from all liable parties. If under the protection of the bankruptcy court, a copy of the bankruptcy filing, schedules, and discharge notice.
    - Determine if there are assets not mortgaged from which collection could be made?
    - Check the county assessor records and determine if there are any assets not known to the lender?
  3. Provide a copy of a current credit bureau report.

4. Copy of Federal and State Income Tax Records with **all supporting schedules**.
5. Copy of last operating years Income and Expense Statement.
6. Provide a copy of the borrower's detailed loan history computer records (*unpaid accrued interest, advances, principal and interest payments, principal balances, and interest rate changes*) for **ALL** active and paid in full **GUARANTEED** loan(s) owed to the lender.
7. Provide a copy of the borrower's promissory note and detailed loan history computer records (*unpaid accrued interest, advances, principal and interest payments, principal balances and interest rate changes*) for **ALL** active and paid in full **NON-GUARANTEED** loan(s) owed to the lender since the closing date of the first guaranteed loan(s).
8. Provide a copy of the detailed accounting of the disposition of loan security and the proceeds for all guaranteed loan collateral (normal income/current assets, IT assets, and real estate).
  - For normal crops and livestock income, the lender's records are compared to the FSA payment history records, prior and current balance sheets, cash flow, and the income tax records are worked backwards.
  - For equipment sold at public auction, the settlement statement is compared to the Conditional Commitment, original and subsequent appraisals, security agreements, balance sheets, and depreciation records to be assured that all equipment owned and thereafter acquired is properly accounted for.
  - In summary, is there any collateral unaccounted for?
9. Justification and explanation of all protective advances made on the loan.
10. Copy of all liquidation expenses deducted from the sale of security property.
11. For Interest Assistance loans: – The final interest assistance claim must be processed.
12. For OL/LOC loans: - Provide a copy of the lender's records that explains what authorized OL/LOC loan purpose each operating loan line of credit advance was made.
  - If necessary, FSA has requested a copy of the borrower's monthly bank statements and copy of cancelled checks and deposits greater than \$500.00.
  - Did the bank advance on the OL/LOC and/or release from collateral proceeds more than the amount authorized in the cash flow?

REPRODUCE LOCALLY. Include form number and date on all reproductions.

<b>FSA-1980-06 U.S. DEPARTMENT OF AGRICULTURE</b> (02-17-99) Farm Service Agency  <p style="text-align: center;"><b>GUARANTEED ESTIMATED LOSS REVIEW CHECKLIST FOR SEL AND CLP LENDERS</b></p>	<b>PART A - GENERAL LOAN INFORMATION</b>
	1. Date Reviewed
	2. Name of Lender
	3. FSA Case Number
	4. County FSA Office

5. Name of Borrower	6. Original Loan Amount \$	7. Type of Loans
8. Terms of Loans	9. Date of Loans	10. Interest Rate Fixed/Variable %
		11. Interest Rate Calculation Method (choose one) <input type="checkbox"/> 360 days <input type="checkbox"/> 365 days <input type="checkbox"/> 360/365

**PART B - BANKRUPTCY CASE INFORMATION**

12. Bankruptcy Chapter Number	13. Bankruptcy Case Number	14. Date Bankruptcy Filed	15. Date Plan Confirmed	16. Effective Date
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**PART C - EXPENSES RELATED TO DISPOSITION AND PROCEEDS APPLIED TO LOAN TO DATE (IF APPLICABLE)**

17. Liquidation Expenses \$	18. Protective Advances \$	19. Total Expenses \$	20. Sales Proceeds Applied to Loan to Date \$
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**PART D - CURRENT LOAN BALANCE**

21. Principal \$	22. Interest \$	23. Total \$	24. Effective Date	25. Daily Interest Accrual \$
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**PART E - SECURITY VALUE**

26. Security	27. Appraised Value at Loan Approval	28. Current Market Value	29. Net Recovery Value	30. Sale Proceeds Received
Real Estate	\$	\$	\$	\$
Machinery	\$	\$	\$	\$
Crops	\$	\$	\$	\$
Livestock	\$	\$	\$	\$
Other:	\$	\$	\$	\$
<b>TOTALS →</b>	\$	\$	\$	\$

**PART F - QUESTIONS THAT APPLY TO BOTH LIQUIDATION AND BANKRUPTCY LOSS CLAIMS**

All questions with an answer of "NO" require written documentation. Use Item 53 to explain any questions answered with a "NO".	YES	NO	N/A
31. Has a review all liquidation costs been completed?			
A. Are they reasonable?			
B. Did FSA give written concurrence when it was needed?			
C. Did the lender not charge in-house expenses?			
32. Has lender completed FSA-1980-44, Guaranteed Farm Loan Default Status Report, as necessary?			
33. Has the maximum amount of principal been exceeded?			
34. Is all sale documentation attached?			
35. Did the lender obtain the security and lien position required?			
36. Has unaccounted for security values been deducted from the lender's loan balance (if appropriate) in accordance with 2-FLP?			

	YES	NO	N/A
37. Has income from the sale of collateral been accounted for from the time the loan closed to the point of the estimated loss payment?			
38. Does the payment ledger show all interest charges, principle reductions, time periods, interest rate, and principle amount?			
39. If the borrowers has other loans with the lender not guaranteed, did the lender apply proceeds and payments to the appropriate account?			
40. Were loan funds used as specified on the Conditional Commitment?			
41. Are you satisfied that there has been no fraud or misrepresentation by the lender?			
42. Has RD-449-30, Loan Note Guarantee Report of Loss, been completed and coded correctly for bankruptcy reorganization?			

**PART G - QUESTIONS THAT APPLY TO BANKRUPTCY LOSS CLAIMS ONLY**

All questions with an answer of "NO" require written documentation. Use Item 53 to explain any questions answered with a "NO".	YES	NO	N/A
43. Did lender file proof of claim in a timely manner?			
44. Did lender seek adequate protection of collateral?			
45. Is justification and authorization attached for any protective advances? ..... A. Are they reasonable? ..... B. Did FSA give written concurrence when it was needed?			
46. Did lender request modification of any plan of reorganization when it appeared that additional recoveries were likely?			
47. Did lender or its representative attend and participate when necessary in meetings of creditors and in all court proceedings?			
48. Were updates on bankruptcy proceedings provided on the bimonthly default status reports?			
49. Has the bankruptcy plan been confirmed and has the lender provided a copy of the plan along with the court confirmation order?			
50. Has the lender included interest only up to the date the confirmed plan becomes effective?			

**PART H - LOANS SOLD ON SECONDARY MARKET**

All questions with an answer of "NO" require written documentation. Use Item 53 to explain any questions answered with a "NO".	YES	NO	N/A
51. If FSA purchased, was note interest stopped 90 days after the holders demand to the lender to repurchase?			
52. If FSA purchased, does estimated loss accurately reflect the guaranteed amount (if any) held by the lender?			

**PART I - EXPLAIN ALL QUESTIONS THAT WERE ANSWERED WITH A "NO"**

53. If additional space is needed, attach a separate sheet.

54A. Signature of FSA Reviewer	C. Date	D. Name and Address of Reviewer's FSA Office
B. Title		
		Telephone No. ( )

**GUARANTEED LOAN REPORT OF LOSS**  
**TRANSACTION 4041**

**ESTIMATED LOSS CLAIM** APPROVED  
NO. 0575-0137

**INSTRUCTIONS—TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED** (   ). Complete Items 1-6, 10-12, 15-34, 36-40, and 46-52 when report type is 1. Complete items 1-6, 10-15, 30-34, and 36-52 when report type is 2. See Reverse. 3 TABS & 2 SPACES.

1. CASE NO. ST CO BORROWER'S ID		2A. AGENCY LOAN NO.	2B. LOAN TYPE	3A. REPORT TYPE CODE	3B. IS THE FINAL ESTIMATED LOSS PAYMENT UNDER THE TYPE CODE CHECKED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4. BORROWER NAME		5. LENDER ID NO. (IRS Tax No.)		6. AGENCY'S LENDER BRANCH NO.	
7. CHECK ISSUE CODE 1 = SYSTEM GENERATED 2 = MANUAL CHECK 3 = NO CHECK ISSUED 4 = REFUND	8. DATE MANUAL CHECK MO DA YR ISSUED	9. DATE OF DEPOSIT MO DA YR		10. DATE OF SETTLEMENT MO DA YR	
11. PRINCIPAL BALANCE		31. PERCENT OF LOSS GUARANTEED		32. AMOUNT TO BE PAID (item 30 X item 31)	
12. ACCRUED INTEREST OWED		33. (Sum of Prin. Advance + item 12) X item 31)		34. MAXIMUM LOSS ALLOWED (Lessor of items 32 or 33)	
13. PRINCIPAL BALANCE OWED ON PROTECTIVE ADVANCES		35. ALLOWANCES TO LENDER LIQUIDATION COST		36. PROTECTIVE ADVANCES PLUS INTEREST (Items 13 + 14) X item 31)	
14. ACCRUED INTEREST ON PROTECTIVE ADVANCES		37. REMAINING BALANCE LOSS GUARANTEE (Item 34 minus 36)		38. PERCENT OF GUARANTEED PORTION HELD BY LENDER	
15. TOTAL (Add items 11 - 14)		39. LOSS ON GUARANTEED PORTION HELD BY LENDER OR HOLDER (Item 37 X item 38)		40. AMOUNT DUE LENDER (Item 36 + item 39)	
<b>PRIOR LIEN AMOUNTS OWED TO SETTLEMENT DATE:</b>		<b>ADJUSTMENTS TO PROTECTIVE ADVANCES &amp; INTEREST</b>			
16. REAL ESTATE DEBTS		41. AMOUNT PAID ON ESTIMATED LOSS		42. BALANCE DUE LENDER (Item 40 minus 41 if positive)	
17. PERSONAL PROPERTY DEBTS		43. INTEREST ON OVERPAYMENT (Accrued interest due USDA)			
18. UNPAID TAXES, ASSESSMENTS, GROUND RENTS, ETC.		44. AMOUNT DUE USDA BY LENDER (Item 41 minus item 40 + item 43)		45. LENDER LOSS UNGUARANTEED	
19. TOTAL PRIOR LIENS (Add items 16-18)		46. NAME OF LENDER			
<b>COLLATERAL:</b>		47. BY X			
20. REAL PROPERTY VALUE		48. TITLE		49. DATE	
21. CHATTEL PROPERTY VALUE		50. TENTATIVE APPROVAL - USDA OFFICIAL: BY X			
22. VALUE OF PERSONAL AND CORPORATE GUARANTEES		51. TITLE State Executive Director		52. DATE	
23. TOTAL (Add items 20 - 22)		53. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
24. NET COLLATERAL (Item 23 minus item 19)		54. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
25. BASIC LOSS (See Reverse for Instructions)		55. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
<b>ADJUSTMENT TO BASIC LOSS:</b>		56. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
26. FUNDS BEING HELD		57. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
27. INCOME TO BE APPLIED TO DEBT		58. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
28. BORROWER'S DEBT PAYMENT ABILITY - PRESENT VALUE		59. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
29. TOTAL DEDUCTIONS (Add items 26 - 28)		60. ADJUSTED BASIC LOSS (Item 25 minus item 29)			
30. ADJUSTED BASIC LOSS (Item 25 minus item 29)		61. ADJUSTED BASIC LOSS (Item 25 minus item 29)			

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0137. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

FINANCE OFFICE

SERVICING OFFICE-FILE POSITION 2

LENDER

**FORM RD-449-30 - ESTIMATED CLAIM**

- 1 – FSA borrower case number – state, county, id number
- 2A – the FSA loan number – 50, 51 etc.
- 2B – loan type – FO, OL
- 3A – type of claim being filed – **1**
- 3B – mark **yes** if this is the last estimated claim for type 1, mark **no** if this is a bankruptcy loss payment until you get to the last bank claim-then yes.
- 4 – borrower name should be entered last name, first name, middle
- 5 – lender’s id number (IRS Tax No.)
- 6 – FSA’s branch number established for the lender
- 7,8,9 – **LEAVE BLANK**
- 10 - The date interest in item 12 is accrued through – interest accrual stops 90 days from the decision to liquidate or the date of the payment of the estimated claim, whichever is earlier.
- 11 - principal balance on the note, any reductions (not getting proper lien, security not accounted for, etc) will be reduced from the unpaid principal balance.
- 12 - unpaid interest balance when interest stopped accruing or as of the date of settlement if less than 90 days.
- 13,14 – leave blank for estimated claims. Protective advances are claimed on the final loss claim.
- 15 - total of 11+12
- 16 – 18 ARE **PRIOR LIEN AMOUNTS** OWED TO SETTLEMENT DATE
- 16 - prior lien on real estate security
- 17 - prior lien on chattel security
- 18 - unpaid taxes, rents, insurance paid by lender, related costs the lender has a bill for (appraisal fees, title work, etc). These things are under the **etc.** part of this item. These will have to be reasonable and acceptable fees. An estimated of additional fees should be listed in an attached to the claim form. Authorized legal fees and liquidation expenses may be paid from the sale proceeds prior to applying the net proceeds to the guaranteed debt. The lender is still required to provide documentation of the actual expenses incurred when the final claim is submitted.
- 19 - total 16+17+18

COLLATERAL:

20 - current market value of real estate security

21 - current market value of chattel security

22 - 0

23 - total 20+21+22

24 - net collateral – 23-19

25 - loss – 15-24

**26-28 ADJUSTMENT TO BASIC LOSS:** other security/assets not pledged as collateral

26 - funds being held (deductions made to the claim can be shown here)

27 - income to be applied to debt

28 - borrower's debt payment ability – present value

29 - total 26+27+28

30 - Adjusted loss – 25-29

31 - percent of guarantee (90%, 95%)

32 - item 30 X percent of guarantee item 31

33 - total principal advanced + unpaid interest (item 12) X % of guarantee. If a LOC, enter the maximum allowed balance + unpaid interest X % guarantee.

34 - maximum loss – lesser of 32 or 33

**35-36 LEAVE BLANK**

37 - amount in item 34

38 - 100% unless sold and only part of loan bought back by lender.

39 - 37 X 38 (amount in 37 unless partial sold loan purchased back)

40 - amount in 39 – this is the amount due the lender

**41,42,43,44,45 – FINAL CLAIMS ONLY**

46 - name of lender

47 - original signature of lender

48 - title of person signing

49 - date signed by lender

50,51,52 – completed by State Office. The State Executive Director is the only one that can approve loss claims.

REPRODUCE LOCALLY. Include form number and date on all reproductions.

<b>FSA-1980-07</b> (02-17-99)	U.S. DEPARTMENT OF AGRICULTURE Farm Service Agency	<b>PART A - GENERAL LOAN INFORMATION</b>
<b>GUARANTEED LOAN FINAL LOSS REVIEW CHECKLIST</b>		1. Date Reviewed <span style="float:right">2. Name of Lender</span>
		3. FSA Case Number <span style="float:right">4. County FSA Office</span>

5. Name of Borrower	6. Original Loan Amount \$	7. Type of Loans
8. Term of Loans	9. Date of Loans	10. Interest Rate Fixed/Variable %
11. Interest Rate Calculation Method (choose one)		
<input type="checkbox"/> 360 days <input type="checkbox"/> 365 days <input type="checkbox"/> 360 /365		

**PART B - EXPENSES RELATED TO DISPOSITION AND PROCEEDS APPLIED TO LOAN TO DATE**

12. Liquidation Expenses \$	13. Protective Advances \$	14. Total Expenses \$	15. Amount of Sale Proceeds Applied to Loan to Date \$
--------------------------------	-------------------------------	--------------------------	---

**PART C - LOAN BALANCE AT LIQUIDATION**

16. Principal \$	17. Interest \$	18. Total \$	19. Effective Date \$	20. Daily Interest Accrual \$
---------------------	--------------------	-----------------	--------------------------	----------------------------------

**PART D - SECURITY VALUE**

21. Security	22. Security Value at Loan Approval	23. Current Market Value	24. Net Recovery Value	25. Amount of Sales Proceeds Received by Lender	26. Date Proceeds Received
Real Estate	\$	\$	\$	\$	
Machinery	\$	\$	\$	\$	
Crops	\$	\$	\$	\$	
Livestock	\$	\$	\$	\$	
Other:	\$	\$	\$	\$	
<b>TOTALS →</b>	\$	\$	\$	\$	

**PART E - QUESTIONS THAT APPLY IN ALL LOSS CLAIM CASES**

All questions with an answer of "NO" require written documentation. Use Item 49 to explain any questions answered with a "NO".	YES	NO	N/A
27. Has the estimated loss payment been accounted for in the final loss calculations?			
28. Is justification and authorization attached for all sales expenses and protective advances?			
A. Has a review of all liquidation costs been made?			
B. Are they reasonable?			
C. Did FSA give written concurrence when it was needed?			
29. Has a review been made to assure that the lender has not charged for in-house expenses?			
30. Has the maximum amount of principal been exceeded?			
31. Will the lender release the borrower from liability, or pursue future recovery against non security assets?			
32. Has collection been pursued or made from personal assets, cosigners, or guarantors?			
33. Were liquidation costs deducted from gross proceeds received?			
34. Were sales carried out as approved?			
35. Were appraisal fees deducted from the collateral sales proceeds?			

	YES	NO	N/A
36. Did the lender obtain the proper security and lien position required?			
37. Has all collateral been disposed of and accounted for?			
38. Has unaccounted for security been deducted from the lender's claim (if appropriate) in accordance with 2-FLP?			
39. Has the lender provided a copy of the payment ledger showing all interest charges and principle reductions? This must show time periods, interest rate, and principle amount. ..... Have payments been properly applied?			
40. Were all proceeds from the sale of collateral applied correctly by the lender in order of lien priority, from the time immediately after the loan closed to the point when liquidation was completed?			
41. Has the lender followed the liquidation plan expeditiously?			
42. Was default notification and subsequent reporting requirements provided in a timely manner and as required?			
43. If the borrower had any other loans with the lender which were not guaranteed by FSA, did the lender apply proceeds and payments to the appropriate account?			
44. Were loan funds used as specified on the Conditional Commitment?			
45. Are you satisfied that there has been no fraud or misrepresentation by the lender?			
46. Was the loss claim form completed and coded correctly?			

**PART F - LOANS SOLD ON THE SECONDARY MARKET**

All questions with an answer of "NO" require written documentation. Use Item 49 to explain any questions answered with a "NO".	YES	NO	N/A
47. If FSA purchased, was note interest stopped 90 days after the holders demand to the lender for repurchase?			
48. If FSA purchased, does the lender's final loss claim include payment to FSA for all liquidation proceeds received in proportion to the guaranteed percentage of the loan?			

**PART G - EXPLAIN ALL QUESTIONS THAT WERE ANSWERED WITH A "NO"**

49. If additional space is needed, attach a separate sheet.

50A. Signature of FSA Reviewer	C. Date	D. Name and Address of County FSA Office
B. Title		
		Telephone No. ( )

**GUARANTEED LOAN REPORT OF LOSS**  
**TRANSACTION 4041**

**FINAL LOSS CLAIM WHEN AN ESTIMATED CLAIM WAS PAID** **LOVED 75-0137**

<b>INSTRUCTIONS—TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED</b> ( ). Complete Items 1-6, 10-12, 15-34, 36-40, and 46-52 when report type is 1. Complete items 1-6, 10-15, 30-34, and 36-52 when report type is 2. See Reverse. 3 TABS & 2 SPACES.					
1. CASE NO. ST CO	BORROWER'S ID	2A. AGENCY LOAN NO.	2B. LOAN TYPE	3A. REPORT TYPE CODE	3B. IS THE FINAL ESTIMATED LOSS PAYMENT UNDER THE TYPE CODE CHECKED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4. BORROWER NAME		5. LENDER ID NO. (IRS Tax No.)		6. AGENCY'S LENDER BRANCH NO.	
7. CHECK ISSUE CODE 1 = SYSTEM GENERATED 2 = MANUAL CHECK 3 = NO CHECK ISSUED 4 = REFUND	8. DATE MANUAL CHECK YR ISSUED MO DA YR	9. DATE OF DEPOSIT MO DA YR		10. DATE OF SETTLEMENT MO DA YR	
<b>GUARANTEED LOAN ITEMS:</b>		<b>\$ DOLLARS</b>		<b>LOSS GUARANTEED:</b>	
<b>\$ DOLLARS</b>		<b>\$ DOLLARS</b>			
11. PRINCIPAL BALANCE		31. PERCENT OF LOSS GUARANTEED		(Percent)	
12. ACCRUED INTEREST OWED		32. AMOUNT TO BE PAID (item 30 X item 31)			
13. PRINCIPAL BALANCE OWED ON PROTECTIVE ADVANCES		33. (Sum of Prin. Advance + item 12) X item 31)			
14. ACCRUED INTEREST ON PROTECTIVE ADVANCES		34. MAXIMUM LOSS ALLOWED (Lesser of items 32 or 33)			
15. TOTAL (Add items 11 - 14)		35. ALLOWANCES TO LENDER LIQUIDATION COST		(FO. orb)	
<b>PRIOR LIEN AMOUNTS OWED TO SETTLEMENT DATE:</b>			<b>ADJUSTMENTS TO PROTECTIVE ADVANCES &amp; INTEREST</b>		
16. REAL ESTATE DEBTS		36. PROTECTIVE ADVANCES PLUS INTEREST (Items 13 + 14) X item 31)			
17. PERSONAL PROPERTY DEBTS		37. REMAINING BALANCE LOSS GUARANTEE (Item 34 minus 36)			
18. UNPAID TAXES, ASSESSMENTS, GROUND RENTS, ETC.		38. PERCENT OF GUARANTEED PORTION HELD BY LENDER			
19. TOTAL PRIOR LIENS (Add items 16-18)		39. LOSS ON GUARANTEED PORTION HELD BY LENDER OR HOLDER (Item 37 X item 38)			
<b>COLLATERAL:</b>			40. AMOUNT DUE LENDER (Item 36 + item 39)		
20. REAL PROPERTY VALUE		<b>AMOUNT DUE LENDER OR USDA:</b>			
21. CHATTEL PROPERTY VALUE		41. AMOUNT PAID ON ESTIMATED LOSS			
22. VALUE OF PERSONAL AND CORPORATE GUARANTEES		42. BALANCE DUE LENDER (Item 40 minus 41 if positive)			
23. TOTAL (Add items 20 - 22)		43. INTEREST ON OVERPAYMENT (Accrued interest due USDA)			
24. NET COLLATERAL (Item 23 minus item 19)		44. AMOUNT DUE USDA BY LENDER (Item 41 minus item 40 + item 43)			
25. BASIC LOSS (See Reverse for Instructions)		45. LENDER LOSS UNGUARANTEED			
<b>ADJUSTMENT TO BASIC LOSS:</b>		46. NAME OF LENDER			
26. FUNDS BEING HELD					
27. INCOME TO BE APPLIED TO DEBT		47. BY X			
28. BORROWER'S DEBT PAYMENT ABILITY - PRESENT VALUE		48. TITLE	49. DATE		
29. TOTAL DEDUCTIONS (Add items 26 - 28)		50. TENTATIVE APPROVAL - USDA OFFICIAL: BY X			
30. ADJUSTED BASIC LOSS (Item 25 minus item 29)		51. TITLE State Executive Director	52. DATE		

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0137. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

FINANCE OFFICE

SERVICING OFFICE-FILE POSITION 2

LENDER

**FORM RD-449-30 – FINAL LOSS WITH ESTIMATE PAID**

1 – FSA borrower case number – state, county, id number

2A – the FSA loan number – 50, 51 etc.

2B – loan type – FO, OL

3A – type of claim being filed – 2

3B – mark yes

4 – borrower name should be entered last name, first name, middle

5 – lender's id number (IRS Tax No.)

6 – FSA's branch number established for the lender

7,8,9 – LEAVE BLANK

10 - The date that interest in item 12 is accrued to. **If the lender was overpaid with the estimated claim, this date should be the date the lender turned in final claim form and overpaid amount to the county office.**

11 - principal balance on the note, any reductions (not getting proper lien, security not accounted for, etc) will be reduced from the unpaid principal balance; net proceeds from the sale of collateral are to be applied before completing this amount; the estimated loss payment is not to be deducted from this amount.

12 - unpaid interest balance when interest stopped accruing or as of the date of settlement if less than 90 days.

13 – principal balance on protective advances, This could include approved liquidation expenses and legal fees that are not paid from the sale proceeds.

14 - interest accrued on protective advances. Liquidation costs and legal fees shown in 13 do not accrue interest.

15 - total - 11+12+13+14

16 – 24 ARE NOT COMPLETED FOR FINAL LOSS CLAIMS

25 - amount in 15

26 – 29 ARE NOT COMPLETED FOR FINAL LOSS CLAIMS

- 30 - Adjusted loss – amount in 25
  - 31 - percent of guarantee (90%, 95%)
  - 32 - item 30 X percent of guarantee item 31
  - 33 - total principal advanced + unpaid interest (item 12) X % of guarantee. If a LOC, enter the maximum allowed balance + unpaid interest X % guarantee.
  - 34 - maximum loss – lessor of 32 or 33
  - 35 - **LEAVE BLANK**
  - 36 - 13+14 X % of guarantee (protective advances are shown on final claims only)
  - 37 - 34 - 36
  - 38 - 100% unless sold and only part of loan bought back by lender.
  - 39 - 37 X 38 (amount in 37 unless partial sold loan purchased back)
  - 40 - 36 + 39
  - 41 - amount of estimated loss claim previously paid
  - 42 - 40 – 41 (amount due lender)
  - 43 - if overpayment (41 is larger than 40), the amount of interest accrual from the date of the estimated payment to date turned in to county office. Interest is calculated at the note rate.
  - 44 - (41 – 40) + 43 - if overpayment, total amount due FSA from lender (includes the interest)
  - 45 - amount of lender loss on unguaranteed part of loan
  - 46 - name of lender
  - 47 - original signature of lender
  - 48 - title of person signing
  - 49 - date signed by lender
- 50,51,52 – completed by State Office. The State Executive Director is the only one that can approve loss claims.

**GUARANTEED LOAN REPORT OF LOSS**  
TRANSACTION 4041

**FINAL LOSS CLAIM WITH NO  
ESTIMATED CLAIM PAID**

ROVED  
575-0137

**INSTRUCTIONS—TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED** ( ). Complete Items 1-6, 10-12, 15-34, 36-40, and 46-52 when report type is 1. Complete items 1-6, 10-15, 30-34, and 36-52 when report type is 2. See Reverse. 3 TABS & 2 SPACES.

1. CASE NO. ST CO BORROWER'S ID		2A. AGENCY LOAN NO.	2B. LOAN TYPE	3A. REPORT TYPE CODE	3B. IS THE FINAL ESTIMATED LOSS PAYMENT UNDER THE TYPE CODE CHECKED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4. BORROWER NAME		5. LENDER ID NO. (IRS Tax No.)		6. AGENCY'S LENDER BRANCH NO.	
7. CHECK ISSUE CODE 1 = SYSTEM GENERATED 2 = MANUAL CHECK 3 = NO CHECK ISSUED 4 = REFUND	8. DATE MANUAL CHECK ISSUED MO DA YR	9. DATE OF DEPOSIT MO DA YR		10. DATE OF SETTLEMENT MO DA YR	
<b>GUARANTEED LOAN ITEMS:</b>		<b>\$ DOLLARS</b>		<b>LOSS GUARANTEED:</b>	
<b>\$ DOLLARS</b>		<b>\$ DOLLARS</b>		<b>\$ DOLLARS</b>	
11. PRINCIPAL BALANCE		31. PERCENT OF LOSS GUARANTEED	(Percent)		
12. ACCRUED INTEREST OWED		32. AMOUNT TO BE PAID (item 30 X item 31)			
13. PRINCIPAL BALANCE OWED ON PROTECTIVE ADVANCES		33. (Sum of Prin. Advance + item 12) X item 31)			
14. ACCRUED INTEREST ON PROTECTIVE ADVANCES		34. MAXIMUM LOSS ALLOWED (Lessor of items 32 or 33)			
15. TOTAL (Add items 11 - 14)		35. ALLOWANCES TO LENDER LIQUIDATION COST	(FO. Only)		
<b>PRIOR LIEN AMOUNTS OWED TO SETTLEMENT DATE:</b>		<b>ADJUSTMENTS TO PROTECTIVE ADVANCES &amp; INTEREST</b>			
16. REAL ESTATE DEBTS		36. PROTECTIVE ADVANCES PLUS INTEREST (Items 13 + 14) X item 31)			
17. PERSONAL PROPERTY DEBTS		37. REMAINING BALANCE LOSS GUARANTEE (Item 34 minus 36)			
18. UNPAID TAXES, ASSESSMENTS, GROUND RENTS, ETC.		38. PERCENT OF GUARANTEED PORTION HELD BY LENDER			
19. TOTAL PRIOR LIENS (Add items 16-18)		39. LOSS ON GUARANTEED PORTION HELD BY LENDER OR HOLDER (Item 37 X item 38)			
<b>COLLATERAL:</b>		40. AMOUNT DUE LENDER (Item 36 + item 39)			
20. REAL PROPERTY VALUE		<b>AMOUNT DUE LENDER OR USDA:</b>			
21. CHATTEL PROPERTY VALUE		41. AMOUNT PAID ON ESTIMATED LOSS	0		
22. VALUE OF PERSONAL AND CORPORATE GUARANTEES		42. BALANCE DUE LENDER (Item 40 minus 41 if positive)			
23. TOTAL (Add items 20 - 22)		43. INTEREST ON OVERPAYMENT (Accrued interest due USDA)			
24. NET COLLATERAL (Item 23 minus item 19)		44. AMOUNT DUE USDA BY LENDER (Item 41 minus item 40 + item 43)			
25. BASIC LOSS (See Reverse for Instructions)		45. LENDER LOSS UNGUARANTEED			
<b>ADJUSTMENT TO BASIC LOSS:</b>		46. NAME OF LENDER			
26. FUNDS BEING HELD					
27. INCOME TO BE APPLIED TO DEBT		47. BY X			
28. BORROWER'S DEBT PAYMENT ABILITY - PRESENT VALUE		48. TITLE	49. DATE		
29. TOTAL DEDUCTIONS (Add items 26 - 28)		50. TENTATIVE APPROVAL - USDA OFFICIAL:			
30. ADJUSTED BASIC LOSS (Item 25 minus item 29)		51. TITLE	52. DATE		
		State Executive Director			

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0137. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

FINANCE OFFICE

SERVICING OFFICE-FILE POSITION 2

LENDER

**FORM RD-449-30 – FINAL CLAIM – NO ESTIMATED CLAIM FILED**

- 1 – FSA borrower case number – state, county, id number
- 2A – the FSA loan number – 50, 51 etc.
- 2B – loan type – FO, OL
- 3A – type of claim being filed – **2**
- 3B – mark **yes**
- 4 – borrower name should be entered **last name, first name, middle**
- 5 – lender's id number (**IRS Tax No.**)
- 6 – **FSA's branch number** established for the lender
- 7,8,9 – **LEAVE BLANK**
- 10 - The date that interest in item 12 is accrued to (90 days or less from the date of decision to liquidate).
- 11 - principal balance on the note, **any reductions** (not getting proper lien, security not accounted for, etc) will be reduced from the unpaid principal balance, **net proceeds** from the sale of collateral **are to be applied** before completing this amount.
- 12 - unpaid interest balance when interest stopped accruing or as of the date of settlement if less than 90 days.
- 13 – principal balance on protective advances, This **could include approved liquidation expenses and legal fees** that are not paid from the sale proceeds.
- 14 - interest accrued on protective advances. **Liquidation costs and legal fees shown in 13 do not accrue interest.**
- 15 - total - 11+12+13+14
- 16 – 24 **ARE NOT COMPLETED FOR FINAL LOSS CLAIMS – LEAVE BLANK**
- 25 - amount in 15
- 26 – 29 **ARE NOT COMPLETED FOR FINAL LOSS CLAIMS UNLESS THERE IS A DEDUCTION. THIS CAN BE SHOWN IN ITEM 26 AND ITEM 29.**

- 30 - Adjusted loss – amount in item 25 – item 29
- 31 - percent of guarantee (90%, 95%)
- 32 - item 30 X percent of guarantee item 31
- 33 - total principal advanced + unpaid interest (item 12) X % of guarantee. **If a LOC, enter the maximum allowed balance + unpaid interest X % guarantee.**
- 34 - maximum loss – lesser of 32 or 33
- 35 - **LEAVE BLANK**
- 36 - 13+14 X % of guarantee (protective advances are shown on final claims only)
- 37 - 34 - 36
- 38 - 100% unless sold and only part of loan bought back by lender.
- 39 - 37 X 38 (amount in 37 unless partial sold loan purchased back)
- 40 - 36 + 39
- 41 - \$0
- 42 - 40 – 41 (amount due lender)
- 43 - \$0
- 44 - \$0
- 45 - amount of lender loss on unguaranteed part of loan
- 46 - name of lender
- 47 - original signature of lender
- 48 - title of person signing
- 49 - date signed by lender
- 50,51,52 – completed by State Office. The State Executive Director is the only one that can approve loss claims.

**GUARANTEED LOAN REPORT OF LOSS**  
**TRANSACTION 4041**

**RECOVERY AFTER FINAL LOSS** **VED**  
**-0137**

**INSTRUCTIONS—TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED** ( ). Complete Items 1-6, 10-12, 15-34, 36-40, and 46-52 when report type is 1. Complete items 1-6, 10-15, 30-34, and 36-52 when report type is 2. See Reverse. 3 TABS & 2 SPACES.

1. CASE NO. ST CO BORROWER'S ID		2A. AGENCY LOAN NO.	2B. LOAN TYPE	3A. REPORT TYPE CODE	3B. IS THE FINAL ESTIMATED LOSS PAYMENT UNDER THE TYPE CODE CHECKED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
4. BORROWER NAME		5. LENDER ID NO. (IRS Tax No.)		6. AGENCY'S LENDER BRANCH NO.	
7. CHECK ISSUE CODE 1 = SYSTEM GENERATED 2 = MANUAL CHECK 3 = NO CHECK ISSUED 4 = REFUND	8. DATE MANUAL CHECK MO DA YR ISSUED	9. DATE OF DEPOSIT MO DA YR		10. DATE OF SETTLEMENT MO DA YR	
11. PRINCIPAL BALANCE		31. PERCENT OF LOSS GUARANTEED		32. AMOUNT TO BE PAID (item 30 X item 31)	
12. ACCRUED INTEREST OWED		33. (Sum of Prin. Advance + item 12) X item 31)		34. MAXIMUM LOSS ALLOWED (Lesser of items 32 or 33)	
13. PRINCIPAL BALANCE OWED ON PROTECTIVE ADVANCES		35. ALLOWANCES TO LENDER LIQUIDATION COST		36. PROTECTIVE ADVANCES PLUS INTEREST (Items 13 + 14) X item 31)	
14. ACCRUED INTEREST ON PROTECTIVE ADVANCES		37. REMAINING BALANCE LOSS GUARANTEE (Item 34 minus 36)		38. PERCENT OF GUARANTEED PORTION HELD BY LENDER	
15. TOTAL (Add items 11 - 14)		39. LOSS ON GUARANTEED PORTION HELD BY LENDER OR HOLDER (Item 37 X item 38)		40. AMOUNT DUE LENDER (Item 36 - item 39)	
16. REAL ESTATE DEBTS		41. AMOUNT PAID ON ESTIMATED LOSS		42. BALANCE DUE LENDER (Item 40 minus 41 if positive)	
17. PERSONAL PROPERTY DEBTS		43. INTEREST ON OVERPAYMENT (Accrued interest due USDA)		44. AMOUNT DUE USDA BY LENDER (Item 41 minus item 40 + item 43)	
18. UNPAID TAXES, ASSESSMENTS, GROUND RENTS, ETC.		45. LENDER LOSS UNGUARANTEED		46. NAME OF LENDER	
19. TOTAL PRIOR LIENS (Add items 16-18)		46. NAME OF LENDER		47. BY X	
20. REAL PROPERTY VALUE		47. BY X		48. TITLE	
21. CHATTEL PROPERTY VALUE		48. TITLE		49. DATE	
22. VALUE OF PERSONAL AND CORPORATE GUARANTEES		49. DATE		50. TENTATIVE APPROVAL - USDA OFFICIAL: BY X	
23. TOTAL (Add items 20 - 22)		50. TENTATIVE APPROVAL - USDA OFFICIAL: BY X		51. TITLE	
24. NET COLLATERAL (Item 23 minus item 19)		51. TITLE		52. DATE	
25. BASIC LOSS (See Reverse for Instructions)		52. DATE		State Executive Director	
26. FUNDS BEING HELD		52. DATE		State Executive Director	
27. INCOME TO BE APPLIED TO DEBT		52. DATE		State Executive Director	
28. BORROWER'S DEBT PAYMENT ABILITY - PRESENT VALUE		52. DATE		State Executive Director	
29. TOTAL DEDUCTIONS (Add items 26 - 28)		52. DATE		State Executive Director	
30. ADJUSTED BASIC LOSS (Item 25 minus item 29)		52. DATE		State Executive Director	

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0137. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

FINANCE OFFICE

SERVICING OFFICE-FILE POSITION 2

LENDER

**FORM RD-449-30 – RECOVERY AFTER PAYMENT OF FINAL CLAIM**

- 1 – borrower case number – state, county, id number
- 2A – the FSA loan number – 50, 51 etc.
- 2B – loan type – FO, OL
- 3A – type of claim being filed – 4
- 3B – mark yes
- 4 – borrower name should be entered last name, first name, middle
- 5 – lender’s id number (IRS Tax No.)
- 6 – FSA’s branch number established for the lender
- 7,8,9 – **LEAVE BLANK**
- 10 - the date the lender turns in the payment to FSA
- 11 – 43 – **LEAVE BLANK** for recovery
- 44 - amount due FSA from lender, provide FSA with information on the total amount collected
- 45 - leave blank
- 46 - name of lender
- 47 - original signature of lender
- 48 - title of person signing
- 49 - date signed by lender
- 50,51,52 – completed by State Office. The State Executive Director is the only one that can approve loss claims.

**GUARANTEED LOAN REPORT OF LOSS**  
TRANSACTION 4041

WRITEDOWN

<b>INSTRUCTIONS—TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED</b> ( ). Complete Items 1-6, 10-12, 15-34, 36-40, and 46-52 when report type is 1. Complete items 1-6, 10-15, 30-34, and 36-52 when report type is 2. See Reverse. 3 TABS & 2 SPACES.					
1. CASE NO. ST CO	BORROWER'S ID	2A. AGENCY LOAN NO.	2B. LOAN TYPE	3A. REPORT TYPE CODE	3B. IS THE FINAL ESTIMATED LOSS PAYMENT UNDER THE TYPE CODE CHECKED? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
				6 OR 7	
4. BORROWER NAME			5. LENDER ID NO. (IRS Tax No.)	6. AGENCY'S LENDER BRANCH NO.	
7. CHECK ISSUE CODE 1 = SYSTEM GENERATED 2 = MANUAL CHECK 3 = NO CHECK ISSUED 4 = REFUND	8. DATE MANUAL CHECK MO DA YR ISSUED (FO. only)	9. DATE OF DEPOSIT MO DA YR (FO. only)	10. DATE OF SETTLEMENT MO DA YR		
5					
<b>GUARANTEED LOAN ITEMS:</b>		<b>\$ DOLLARS</b>	<b>LOSS GUARANTEED:</b>		<b>\$ DOLLARS</b>
11. PRINCIPAL BALANCE			31. PERCENT OF LOSS GUARANTEED	(Percent)	
12. ACCRUED INTEREST OWED			32. AMOUNT TO BE PAID (item 30 X item 31)		
13. PRINCIPAL BALANCE OWED ON PROTECTIVE ADVANCES			33. (Sum of Prin. Advance + item 12) X item 31)		
14. ACCRUED INTEREST ON PROTECTIVE ADVANCES			34. MAXIMUM LOSS ALLOWED (Lessor of items 32 or 33)		
15. TOTAL (Add items 11 - 14)			35. ALLOWANCES TO LENDER LIQUIDATION COST (FO. only)		
<b>PRIOR LIEN AMOUNTS OWED TO SETTLEMENT DATE:</b>			<b>ADJUSTMENTS TO PROTECTIVE ADVANCES &amp; INTEREST</b>		
16. REAL ESTATE DEBTS			36. PROTECTIVE ADVANCES PLUS INTEREST (Items 13 + 14) X item 31)		
17. PERSONAL PROPERTY DEBTS			37. REMAINING BALANCE LOSS GUARANTEE (Item 34 minus 36)		
18. UNPAID TAXES, ASSESSMENTS, GROUND RENTS, ETC.			38. PERCENT OF GUARANTEED PORTION HELD BY LENDER		
19. TOTAL PRIOR LIENS (Add items 16-18)			39. LOSS ON GUARANTEED PORTION HELD BY LENDER OR HOLDER (Item 37 X item 38)		
<b>COLLATERAL:</b>			40. AMOUNT DUE LENDER (Item 36 + item 39)		
20. REAL PROPERTY VALUE			<b>AMOUNT DUE LENDER OR USDA:</b>		
21. CHATTEL PROPERTY VALUE			41. AMOUNT PAID ON ESTIMATED LOSS		
22. VALUE OF PERSONAL AND CORPORATE GUARANTEES			42. BALANCE DUE LENDER (Item 40 minus 41 if positive)		
23. TOTAL (Add items 20 - 22)			43. INTEREST ON OVERPAYMENT (Accrued interest due USDA)		
24. NET COLLATERAL (Item 23 minus item 19)			44. AMOUNT DUE USDA BY LENDER (Item 41 minus item 40 + item 43)		
25. BASIC LOSS (See Reverse for Instructions)			45. LENDER LOSS UNGUARANTEED		
<b>ADJUSTMENT TO BASIC LOSS:</b>			46. NAME OF LENDER		
26. FUNDS BEING HELD					
27. INCOME TO BE APPLIED TO DEBT			47. BY X		
28. BORROWER'S DEBT PAYMENT ABILITY - PRESENT VALUE			48. TITLE	49. DATE	
29. TOTAL DEDUCTIONS (Add items 26 - 28)			50. TENTATIVE APPROVAL - USDA OFFICIAL: BY X		
30. ADJUSTED BASIC LOSS (Item 25 minus item 29)			51. TITLE State Executive Director	52. DATE	

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0137. The time required to complete this information collection is estimated to average 25 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

FINANCE OFFICE

SERVICING OFFICE-FILE POSITION 2

LENDER

**FORM RD-449-30 - WRITEDOWN**

- 1 – borrower case number – state, county, id number
- 2A – the FSA loan number – 50, 51 etc.
- 2B – loan type – FO, OL
- 3A – type of claim being filed – 6 (with no Shared Appreciation) or 7 (with Shared Appreciation)
- 3B – mark yes
- 4 – borrower name should be entered last name, first name, middle
- 5 – lender's id number (IRS Tax No.)
- 6 – FSA's branch number established for the lender
- 7,8,9 – LEAVE BLANK
- 10 - The date interest in item 12 is accrued through.
- 11 - principal balance on the note
- 12 - unpaid interest balance as of date of settlement (date completed)
- 13,14 – LEAVE BLANK
- 15 - total of 11+12
- 16 – 18 ARE PRIOR LIEN AMOUNTS OWED TO SETTLEMENT DATE
- 16 - prior lien on real estate security
- 17 - prior lien on chattel security
- 18 - \$0 – this should be part of cash flow – borrower should be able to pay, not the lender
- 19 - total 16+17+18
- COLLATERAL:
- 20 - current market value of real estate security
- 21 - current market value of chattel security
- 22 - \$0

- 23 - total 20+21+22
- 24 - net collateral – 23-19
- 25 - enter the amount in item 15. With a writedown the present value is the amount of the loan remaining after the writedown.
- 26-28 ADJUSTMENT TO BASIC LOSS: other security/assets not pledged as collateral
- 26 - funds being held
- 27 - income to be applied to debt
- 28 - borrower's debt payment ability – present value taken from Exhibit 10 also 1980-88 form.
- 29 - total 26+27+28
- 30 - Adjusted loss – 25-29
- 31 - percent of guarantee (90%, 95%)
- 32 - item 30 X percent of guarantee item 31
- 33 - total principal advanced + unpaid interest (item 12) X % of guarantee. If a LOC, enter the maximum allowed balance + unpaid interest X % guarantee.
- 34 - maximum loss – lesser of 32 or 33
- 35-36 **LEAVE BLANK**
- 37 - amount in item 34
- 38 - 100% unless sold and only part of loan bought back by lender.
- 39 - 37 X 38 (amount in 37 unless partial sold loan purchased back)
- 40 - amount in 39 – this is the amount due the lender
- 41,42,43,44,45 – **FINAL CLAIMS ONLY – LEAVE BLANK**
- 46 - name of lender
- 47 - original signature of lender
- 48 - title of person signing
- 49 - date signed by lender
- 50,51,52 – completed by State Office. The State Executive Director is the only one that can approve loss claims.

Calculations and Formulas (Continued)

**Net Recovery Value = (A+B) - C**

**Net Recovery Value is**

- the estimated market value of security
- plus any expected revenue or rent generated by the security
- minus any reasonable lender incurred liquidation expenses

In order to execute a debt writedown, the net recovery value must be equal to or less than the present value of the loan being written down.

The net recovery value is used when the Authorized Agency Official fills out Form FSA 1980-88 (see paragraph 328)

**A. Market Value of Property**  
(based on appraisal conducted according to § 762.127)  
(Part 8, Section 4, Subsection 3)

**B. Expected Income or Revenue**

1. Annual Rent x Holding Period (HP) <sup>1</sup>	_____
2. Annual Royalties x HP	_____
3. Other Annual Income x HP	_____
4. Annual % Property Appreciation x HP	_____
<b>Total</b>	_____

**C. Expenses**

1. Prior Lienholder Indebtedness (P&I)	_____
2. Annual Taxes and Assessments x HP	_____
3. Annual Property Depreciation x HP	_____
4. Annual Management Costs x HP	_____
5. Essential Repairs to Secure and Resell	_____
6. Other Costs:	_____
Taxes	_____
Closing Costs	_____
Surveys	_____
Administrative Costs Not Considered "In-House"	_____
7. Resell Expenses-Commission, Advertising	_____
8. Total Interest Cost During Holding Period (Note Rate)	_____
9. Hazardous Waste Cleanup	_____
<b>Total</b>	_____

<sup>1</sup>HP=Holding Period in years or percentages thereof. Typically 90 days unless longer period is agreed to by FSA.

**D. Net Recovery Value**

Market Value of Property + Expected Income or Revenue - Expenses = Net Recovery Value

\_\_\_\_\_ + \_\_\_\_\_ - \_\_\_\_\_ = \$ \_\_\_\_\_

## ABBREVIATIONS USED IN THIS LENDER'S GUIDE

CCC	Commodity Credit Corporation
CLP	Certified Lender Program
CMS	Credit Management System
FLP	Farm Loan Programs
FO	Farm Ownership
FSA	Farm Service Agency
FWS	Fish and Wildlife Service
G	Guaranteed
IA	Interest Assistance
IRS	Internal Revenue Service
IT	Intermediate Term (Chattel)
LLC	Limited Liability Corporation
LT	Long Term (Real Estate)
NRCS	Natural Resource and Conservation Service
OL	Operating Loan
OL/LN	Operating Loan/Loan Note (not a Line of Credit)
OL/LOC	Operating Loan/Line of Credit
PLP	Preferred Lender Program
SAA	Shared Appreciation Agreement
SBA	Small Business Administration
SEC	State Environmental Coordinator
SED	State Executive Director
SEL	Standard Eligible Lender
SHPO	State Historical Preservation Office
TSQ	Transaction Screen Questionnaire
VA	Veteran's Administration
WL	Wetlands
USPAP	Uniformed Standards of Professional Appraisal Practice