

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

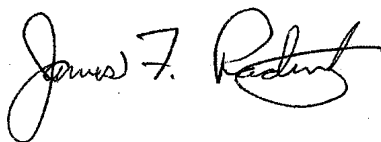
**Notice FLP-730**

3-FLP

**For:** State and County Offices

**Creditworthiness Flexibility for All Direct Loans With Special Emphasis on Microloans**

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



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**1 Overview**

**A Background**

FSA loan approval officials evaluate loan applications for creditworthiness according to 3-FLP, subparagraph 65 A.

This notice clarifies existing guidance in 3-FLP and applying it when reviewing the credit history of all applicants with special emphasis on those requesting microloan assistance.

**B Purpose**

This notice:

- provides additional guidance for determining creditworthiness for direct loan applicants
- clarifies that the credit history may be affected by events beyond the applicant's control, or have been corrected without further incident, which when explained do not disqualify an applicant from FSA assistance.

**C Contact**

State Offices shall direct questions about this notice to Mike Moore, LMD at 202-690-0651.

Disposal Date	Distribution
October 1, 2016	State Offices; State Offices relay to County Offices

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## 2 Determining Creditworthiness

### A Credit History

In some cases credit reports for applicants may have been negatively impacted by delays in healthcare reimbursements, slow interaction with other agencies and organizations, or other circumstances beyond the applicant's control.

Therefore, extra diligence should be taken to review the credit reports to determine if the circumstances were beyond the control of the applicant. Loan officials should consider if problems identified on the credit report have been corrected or will be corrected if the requested loan is approved.

This is especially true of the credit reports for microloan applicants who may have been operating using personal credit cards or high interest non-agricultural loans before applying with FSA.

### B Finding Exceptions to Unacceptable Credit

The most important tool available for addressing creditworthiness is the loan approval official's **authority to make an exception**. Exceptions can be used to justify payment history problems (as long as the exception is clearly documented in the Farm Business Plan). The only exception that cannot be made is that of "an outstanding judgment obtained by the United States in a Federal court, other than the United States Tax Court."

**Note:** See 3-FLP, subparagraph 65 A for the circumstances for addressing past credit problems and granting exceptions.

When an applicant's credit history includes any adverse information or includes delinquent accounts the authorized agency official will meet with the applicant to discuss the account before making a decision based on the applicant's credit report.

The objectives of the meeting are to gather information to determine whether the adverse account status was caused by circumstances beyond the applicant's control or if there is another reason for which an exception can be granted and the loan be approved. If additional information is to be provided by the applicant as a result of the meeting, this will be confirmed with the applicant in writing. Regardless of the outcome of the meeting it must be documented in the running case record in Farm Business Plan.

In those cases where an exception cannot be justified the loan official will explain FSA creditworthiness requirements, the importance of paying accounts as agreed and provide guidance on how the applicant can improve their credit history. Applicants should also be counseled on the actions they need to take to be found eligible in the future.