



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1217 (1940)

June 14, 1985

- SUBJECT: Analysis of Applicants' Annual Operating Budgets for Insured Farm Loan Making Purposes

TO: All State Directors, Farmer Program Chiefs,
District Directors and County Supervisors

Purpose/Intended Outcome: The purpose of this Administrative Notice (AN) is to stress the importance of making thorough and realistic reviews of applicants' Farm and Home Plans or cash flow statements prior to loan approval. This policy will result in sound loan making and minimize losses to the Government.

Implementation Responsibilities:

A. What is to be done?:

Prior to loan approval, a complete review of an applicant's operating budget will be undertaken. Realistic projections using yields and expenses based on the applicant's production history, will be utilized to determine feasibility.

B. Who is to do it?:

State Directors will take appropriate action to ensure that farm loans are made in their State on the basis of high quality, well-documented, realistic farm budgets developed by the applicant with assistance from Farmers Home Administration (FmHA) when needed. State Directors will also ensure that all farm loans are made based on realistic and well-documented appraisals, both real estate and chattels, when such appraisals are required.

County Supervisors will encourage applicants and borrowers to make full use of the expertise of other agricultural agencies, farm management associations, farm organizations, paid consultants, and any volunteer services that are available, as appropriate, which can assist borrowers to overcome their financial and overall management problems.

C. Who will monitor and at what level?:

District Directors will review a sufficient number of case files to insure that the intent of this AN is carried out during their normal review of farm loan making and servicing in the county office.

EXPIRATION DATE: May 31, 1986

Filing Instructions: Preceding FmHA
Instruction 1940-G



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Secretary of Agriculture, Washington, D.C. 20250

1217(1940)

D. What will be submitted?:

District Directors will report the results of these reviews in writing to the State Director including any deficiencies found and any need for additional training.

Dwight O. Calhoun
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Acting Associate Administrator