

Par. 1 Purpose and Sources of Authority

A **Handbook** **Purpose**

This Utah instruction supplements, but does not supersede FSA Instruction 2-FLP, and is designed to assist in implementing FSA guaranteed loan regulations, policies and special requirements:

- pertaining to processing and servicing guaranteed loans in Utah.

Par. 15 Program Purpose and Eligible Lenders

**C
FSA-1980-38**

- Form FSA-1980-38, "Lender's Agreement" is used for all types of lenders (SEL, CLP and PLP). This form outlines the terms and conditions for originating and servicing FSA guaranteed loans for each type of lender. A copy of each SEL, CLP and PLP Lender Agreement will be placed in the county office operational file and each applicable borrower case file.
- SEL lenders will complete Form FSA-1980-38 for the initial loan which is approved by the authorized agency official in the applicable county office. This agreement will be copied and placed in each lender's county office operational file and in each borrower's case file for loans subsequently approved. (See 2-FLP Handbook, Paragraph 48B for a listing of items required in the county office operational file).
- Lenders applying for CLP status under 2-FLP will submit Form FSA-1980-38, with other application materials, to the State Office for approval. A separate, approved Form FSA-1980-38 is required for each State.
- Lenders applying for PLP status in accordance with FSA 2-FLP Handbook will submit Form FSA-1980-38, with other application materials, to the Deputy Administrator Farm Loan Program through the State Office for approval. Approved Form FSA-1980-38 can cover more than one State.

Par. 32 Conflict of Interest

**A
Definition &
Reporting**

Conflict of interest situations will be handled in accordance with this paragraph and FSA Instructions in the 3-PM Handbook.

Par. 34 Lender List and Classification

**A & B
Lender List
and
Classification**

Exhibit A, "Lender List and Classification," will be used to document lenders in Utah that have expressed a desire to participate in the Guaranteed Loan Program. This list will be made available to borrowers and applicants. Each lender will be classified as a SEL, CLP, or PLP lender.

Par. 53 Approval Requirements (PLP)

E
**Transfer of
PLP
Information to
the Local
Office**

All information will be submitted to the local FSA office for loan making and servicing. Information needed is outlined in each PLP Lender Agreement found in Exhibits listed in Par. 34 C of this instruction.

Par. 54 Monitoring the PLP Lender

***B*
Maintaining an
Operational
File**

Each county office will establish and maintain an operational file for each PLP Lender and will place a copy of each PLP Lenders Agreement in this file. A copy will also be placed in each PLP borrower's case file.

Par. 69.6 Requirements for Loans Over \$50,000

A thru G

Exhibit C, "Production, Income and Expense Summary," may be used to document the financial and production history. SEL lenders must project income and expenses, price forecasts, and estimate production in accordance with 2-FLP paragraph 152. CLP lenders must project income and expenses in accordance with 2-FLP paragraph 153.

Exhibit D, "Utah Commodity Price List," may be used by the lender to establish prices. The lender may also use contract prices, the borrower's weighted prices, the lender's own price list, or the Government's support program prices.

Exhibit E, "Lender's Loan Agreement," may be used by the lender to document agreements between the borrower and the lender. The lender may use its own form if all of the items in Exhibit E are addressed.

Exhibit Q, "Certified Lender Agreement - Mancos Valley Bank," provides samples of approved forms for applications from Mancos Valley Bank for Grand and San Juan Counties.

A**Application Requirements**

Utah approved PLP lenders: Zions First National Bank; AgCredit Financial, ACA; Western AgCredit FLCA; and Western AgCredit PCA. See Exhibits R, T, U, and V for further requirements in addition to the following for a complete guaranteed loan application:

- Form FSA-1980-28, "Preferred Lender Application for Guarantee."
- A loan narrative similar to that outlined in FSA 2-FLP Handbook, Paragraph 70.
- Location of farmed land. A description of the location of all farmed land must be included with the application.
- If interest assistance is requested, complete and attach Page 4 of Form FSA 1980-25 along with a balance sheet and a projected cash flow.
- Applications for an entity will include names, social security numbers and percent ownership for each entity member.

A thru D

PLP lenders will submit applications to the servicing county office where the applicant is located. Applications will be entered into GLS upon receipt. When the application is documented complete, loan officials will:

- Complete application evaluations according to Parts 8 and 9 of the FSA 2-FLP Handbook. Also complete Exhibit G, "Narrative Summary, Guaranteed Loan Evaluation," of this instruction, documenting evaluation findings.
- Prepare the Conditional Commitment, Form FSA-1980-15, listing specific purposes for which loan funds are to be used and conditions that must be met at or before loan closing. See Exhibit H for closing conditions for guaranteed loans and sample loan closing conditions.
- The FSA loan approval official will underwrite the loan application, then approve or forward comments and recommendations to the appropriate loan approval official. A copy of the underwriting review (completed Form FSA-2104, "Guaranteed Loan Making File Review Questionnaire") will be forwarded to the Guaranteed Loan Coordinator.

Par. 108 General Eligibility Requirements for OL and FO

A thru M

"Guaranteed Loan Processing Checklist, FSA Form 1980-02," provides guidance to the FSA loan official and will be used to ensure all application materials are received and the loan is processed in a timely manner. A copy will be placed in the case file and completed as the loan is processed and closed. The FSA loan official will date and initial each item as completed or indicate if it is non-applicable (N/A).

Exhibit G, "Narrative Summary, Guaranteed Loan Evaluation," will be used by FSA loan officials to document eligibility requirements and evaluate feasibility of loan requests on all loans before loan approval. Exhibit G will also serve as the narrative summary referred to in the Farm Loan Program Technician Training Manual, Module 2, Unit 2.5, "Loan Decision."

Par. 244 Loan Approval (7 CFR 762.122)

**C
Lender
Notification of
Loan Official
Decision**

Exhibit H, "Sample of Additional Conditions and Requirements" is provided for guidance in preparing Form FSA-1980-15. FSA loan officials must select and tailor closing conditions and requirements to each specific situation and borrower.

Par. 267 FSA Loan Servicing Responsibilities

**B
Lender Loan
Files Review
Priorities**

Annually, applicable authorized FSA officials for each county office will review at least 40% of each SEL lender's outstanding guaranteed loans and at least 20% of each CLP and ALP lender's outstanding guaranteed loans. Form FSA-1980-03 will be used to document the reviews and a copy will be placed in the county office records operations file.

County offices are responsible for ensuring that lenders complete all servicing and reporting requirements. One employee in each county office will be designated by the applicable District Director to follow-up on guaranteed loans to ensure that semi-annual reports, annual financial information (if required) and all lender loan servicing requirements are met and properly reported through the GLS system.

District Director's will provide assistance and monitor annual reviews in county offices. District Directors will forward a listing of designated employees in each county office responsible for follow-up on guaranteed loan servicing. The listing will be sent to the SED annually, no later than November 15 of each year.

The State Office Guaranteed Loan Coordinator will perform annual reviews on at least 20% of each PLP lender's outstanding guaranteed loans using Form FSA-1980-04 to document the reviews.

2-FLP (Amend. 6)
Exhibits to Utah Instruction 2-FLP

1. Exhibit A, "Lender List and Classification by County Service Center." - Ref. Par 34
2. Exhibit B - Reserved.
3. Exhibit C, "Production, and Income and Expense Summary." - Ref. Par. 69
4. Exhibit D, "Utah Commodity Price List." - Ref. Par. 69
5. Exhibit E, "Lender's Loan Agreement." - Ref. Par. 69
6. Exhibit F - Reserved.
7. Exhibit G, "Narrative Summary Guaranteed Loan Evaluation." - Ref. Par. 96 and 108
8. Exhibit H, "Closing Conditions for Guaranteed Loans & Sample Closing Conditions." - Ref. Par. 96 and 244
9. Exhibits I thru P - Reserved.
10. Exhibit Q, "Certified Lender Agreement - Mancos Valley Bank," (Expires 2/20/06). Ref. Par. 69.
11. Exhibit R, "Preferred Lender Agreement - Zions First National Bank," (Expires 1/5/05). Ref. Par. 53 and 70.
12. Exhibit S - Reserved.
13. Exhibit T, "Preferred Lender Agreement - AgCredit Financial, ACA," (Expires 12/06/04). Located in Reno, Nevada. Covering Box Elder, Tooele, Juab, Millard, Beaver, Iron and Washington counties in Utah. Ref. Par. 53 and 70.
14. Exhibit U, "Preferred Lender Agreement - Western AgCredit, FLCA," (Expires 11/14/05). Ref. Par. 53 and 70.
15. Exhibit V, "Preferred Lender Agreement - Western AgCredit, PCA," (Expires 11/14/05). Ref. Par. 53 and 70.

Lender List and Classification by County Service Center

Beaver	AgCredit Financial, ACA Fallon and Reno, Nevada	PLP
	First Security Bank Cedar City	SEL
	Utah Independent Bank Beaver	SEL
	Western Ag Credit PCA & FLCA Cedar City, Richfield	PLP
	Zions First National Bank Cedar City, Salina	PLP
Box Elder	AgCredit Financial, ACA Fallon and Reno, Nevada	PLP
	Bank of Utah Tremonton, Brigham City	SEL
	Cache Valley Bank Logan	SEL
	First Commerce Bank Tremonton	SEL
	First Security Bank Tremonton, Brigham City	SEL
	Western AgCredit PCA & FLCA Tremonton	PLP
	Zions First National Bank Brigham City, Ogden	PLP

Continued on Next Page

Cache	Bank of Utah Logan, Providence	SEL
	Cache Valley Bank Logan	SEL
	First Security Bank Logan	SEL
	Lewiston State Bank Lewiston, Logan	SEL
	Western AgCredit PCA & FLCA Logan	PLP
	Zions First National Bank Logan	PLP
Duchesne	First Security Bank Roosevelt	SEL
	Key Bank Salt Lake City	SEL
	Western AgCredit PCA & FLCA Roosevelt, South Jordan	PLP
	Zions First National Bank Roosevelt	PLP
Emery	Desert View Credit Union Huntington	SEL
	Far West Bank Price	SEL
	Key Bank Helper, Price	SEL
	Zions First National Bank Price, Castle Dale, Richfield	PLP

7/23/01

2-FLP

**Page 2
Exhibit A**

Lender List and Classification by County Service Center, *Continued*

Garfield	Far West Bank Loa	SEL
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	First Security Bank Escalante, Parawan	SEL
	State Bank of Southern Utah Cedar City, Kanab, Tropic, Circleville	SEL
	Utah Independent Bank Salina, Beaver	SEL
	Zions First National Bank Panguitch, Richfield, Kanab	PLP
Iron	AgCredit Financial, ACA Fallon and Reno, Nevada	PLP
	First Security Bank Cedar City	SEL
	State Bank of Southern Utah Cedar City	SEL
	Utah Independent Bank Beaver	SEL
	Western AgCredit PCA & FLCA Cedar City	PLP
	Zions First National Bank Cedar City	PLP
Juab	AgCredit Financial, ACA Fallon and Reno, Nevada	PLP
	First Security Bank Delta, Nephi	SEL

Continued on Next Page

7/23/01

2-FLP

**Page 3
Exhibit A**

Lender List and Classification by County Service Center, *Continued*

Juab, <i>Continued</i>	Western AgCredit PCA & FLCA South Jordan	PLP
	Zions First National Bank Spanish Fork	PLP

Millard	AgCredit Financial, ACA Fallon and Reno, Nevada	PLP
	First Security Bank Fillmore, Delta, Nephi, Mt. Pleasant, Spanish Fork	SEL
	Western AgCredit PCA & FLCA Richfield, South Jordan	PLP
	Zions First National Bank Delta, Spanish Fork, Salina	PLP
Rich	First National Bank of Wyoming Evanston, WY	SEL
	Western AgCredit PCA & FLCA Evanston, WY	PLP
	Zions First National Bank Randolph	PLP
San Juan	Dove Creek State Bank Dove Creek, CO	SEL
	First Security Bank Monticello, Moab, Blanding	SEL
	Mancos Valley Bank Mancos, CO	CLP
	Zions First National Bank Monticello, Moab, Blanding	PLP

Continued on Next Page

7/23/01

2-FLP

**Page 4
Exhibit A**

Lender List and Classification by County Service Center, *Continued*

Sanpete	First Security Bank Moroni, Mt. Pleasant	SEL
	Western AgCredit PCA & FLCA Richfield, Riverton	PLP

	Zions First National Bank Manti	PLP
Sevier/Wayne	Far West Bank Loa	SEL
	First Security Bank Richfield	SEL
	State Bank of Southern Utah Circleville	SEL
	Utah Independent Bank Salina	SEL
	Western AgCredit PCA & FLCA Richfield	PLP
	Zions First National Bank Richfield, Salina	PLP
Summit	Bank of Morgan Morgan	SEL
	Key Bank Kamas	SEL
	Zions First National Bank Coalville	PLP
Tooele	First Security Tooele, Spanish Fork	SEL
	Intermountain Federal Land Bank Association Fallon, Nevada	PLP
	AgCredit Financial, ACA Reno, Nevada	PLP

Continued on Next Page

7/23/01

2-FLP

**Page 5
Exhibit A**

Lender List and Classification by County Service Center, *Continued*

Tooele, <i>Continued</i>	Key Bank Tooele	SEL
	Western AgCredit PCA & FLCA South Jordan	PLP
Uintah	First Security Bank Vernal, Roosevelt	SEL

	Western AgCredit PCA & FLCA Roosevelt	PLP
	Zions First National Bank Vernal, Roosevelt	PLP
Utah	Far West Bank Provo	SEL
	First Security Bank Provo	SEL
	Western AgCredit PCA & FLCA South Jordan	PLP
	Zions First National Bank Spanish Fork, Payson	PLP
Washington	AgCredit Financial, ACA Fallon and Reno, Nevada	PLP
	First Security Bank St. George	SEL
	Western AgCredit PCA & FLCA Cedar City	PLP
	Zions First National Bank St. George	PLP

Continued on Next Page

7/23/01

2-FLP

Page 6

Exhibit A

Lender List and Classification by County Service Center, *Continued*

Weber	Barnes Banking Co. Ogden, Layton	SEL
	Cache Valley Bank Logan	SEL

First National Bank Morgan	SEL
First Security Bank Ogden, Brigham City, Tremonton	SEL
Western AgCredit PCA & FLCA Riverton, Tremonton	PLP
Zions First National Bank Ogden, Brigham City	PLP

7/23/01

2-FLP

Page 7

Exhibit C

Production, Income and Expense Summary

<p>NOTE TO THE LENDER: The lender may use it's own forms to document financial and production history or lenders may use the following pages in summarizing needed information required by FSA guaranteed loan regulations. Your cooperation in supplying this information is greatly appreciated and will reduce the timeframe for FSA review of your request.</p>	
<p>Name of Applicant</p>	<p>Name of Lender</p>
<p>To induce the United States of America acting through the Farm Service Agency to guarantee the extension of credit to the applicant by the lender, the undersigned represent the information presented on the following pages to be true and correct to the best of the undersigned's knowledge and belief.</p>	

No. Yearling heifers sold/weights				
No. Yearling steers sold/weights				
No. Cows culled				
Feeder Calves				
No. purchased/avg. weight				
No. sold/avg. weight				
Sheep				
Ewes wintered (on hand Jan. 1)				
No. Lambs sold/avg. weight				
No. lambs retained				
Lamb crop (percentage)				
Lbs. wool per head sheared				
No. ewes culled				
Hogs				
Number sows (on hand Jan. 1)				
No. Pigs per litter				
No. pigs sold/avg. weight				
Dairy Production				
Lbs. Milk shipped				
% Butterfat / Protein %				
Other				

7/23/01

2-FLP

Income History

DOLLARS OF INCOME	Year _____	Year _____	Year _____	3-Year Average
Cash Crops				
Wheat				

AMTA & Other USDA Payments				
CRP Income				
Insurance Payments				
TOTAL				
Livestock				
Calf sales				
Yearling sales				
Feeder calves				
Cull cows				
Lambs				
Cull ewes				
Wool				
Hogs				
Milk sales				
TOTAL				
Other Farm Income				
Sale of capital items				
Off-Farm Income				
Gross wages/salary				
TOTAL				

7/23/01

2-FLP

Expense History

EXPENSES	Year _____	Year _____	Year _____	3-Year Average
Operating Expenses				
Hired Labor				
Machinery Repair				
Farm Building & Fence Repair				

Rent				
Feed				
Seed				
Fertilizer				
Pesticides & Spray Materials				
Other Supplies				
Livestock Expense				
Machinery Hire				
Fuel and Oil				
Personal Property Taxes				
Real Estate Taxes				
Water Charges				
Property Insurance				
Auto and Truck Expense				
Utilities				
TOTAL (Without Interest)				
Other Expenses				
Total Interest Paid (On All Debt)				
Interest on Operating Debt Only				
Family Living				
Capital Expenditures				
Income & Soc. Sec. Taxes Paid				
TOTAL				

7/23/01

2-FLP

Page 5
Exhibit D

FSA UTAH COMMODITY PRICE LIST USED FOR 2001 FARM PLANNING

(2000 Weighted Commodity Prices)

<u>Commodity</u>	<u>Unit</u>	<u>5-Yr Weighted Price</u>
Wheat (All)	Bushel	3.13
Spring	Bushel	3.42
Winter	Bushel	3.10
Barley	Bushel	2.07
Oats	Bushel	1.67
Corn Grain	Bushel	2.77

Corn Silage	Ton	25.78
Alfalfa Hay	Ton	73.00
Alfalfa Hay Cubed	Ton	83.00
Other Hay	Ton	44.00
Pasture & Grazing	AUM	11.20
Sheep	CWT	25.34
Lambs	CWT	76.32
Wool	Lb.	.51
Cows	See Reverse	
Steers ^ Heifers	See Reverse	
Calves	See Reverse	
Grade A Milk	CWT	13.86
Manufactured Milk	CWT	12.62
Dry Beans	CWT	19.33
Safflower	CWT	14.53
Potatoes	CWT	5.08
Onions	CWT	7.14
Apples	Lb.	.21
Apricots	Ton	692.00
Cherries, Sour	Lb.	.15
Cherries, Sweet	Ton	955.00
Peaches	Lb.	.31
Pears	Ton	458.00
Barrows/Gilts	CWT	40.37
Sows	CWT	27.80
Turkeys	Lb.	.41
Mink	Pelts	35.00
Dairy Replacements	Head	1,172.00
Honey	Lbs.	.70

Priority use of commodity prices when available:
(See Page 3)

<u>Slaughter Breeding Weight</u>	<u>Unit</u>	<u>Weight 5-Year Avg.</u>
<u>Bulls</u>	CWT	43.66
<u>Cows</u>	CWT	37.63
<u>Steers</u>		
300-350	CWT	88.20
351-400	CWT	85.28
401-450	CWT	83.54
451-500	CWT	81.31
501-550	CWT	79.17
551-600	CWT	76.63
601-650	CWT	73.87
651-700	CWT	71.05
701-750	CWT	68.72
751-800	CWT	67.20
801-850	CWT	65.83
851-900	CWT	64.53
901-950	CWT	63.41
<u>Heifers</u>		
300-350	CWT	77.93
351-400	CWT	76.63
401-450	CWT	74.86
451-500	CWT	72.65
501-550	CWT	71.34
551-600	CWT	69.25
601-650	CWT	67.54
651-700	CWT	65.56
701-750	CWT	63.60
751-800	CWT	63.02
<u>Holstein Steers</u>		
300-500	CWT	56.01
501-700	CWT	53.03
701-900	CWT	51.86
901-1,100	CWT	49.86

Priority Use of Commodity Prices

- 1) Contract prices - If the commodity price is based on a contract, a copy of the contract will be placed in the case file.
- 2) Borrowers weighted prices - The prices used in determining the weighted average will be listed in the case file. It is recommended that you document the prices on an attachment or in the "MEMO" section of the Farm and Home Plan.

If the borrower's records are used to support a different price, that price will be determined by a weighted average formula. The formula is: 5 times the most recent year price, plus the four previous years' prices, divided by 9. (example: 5 x 2000 prices + 1999 + 1998 + 1997 + 1996, divided by 9 = weighted average). If the borrower does not have five years records of prices, County and/or State averages may be substituted for the missing years.

The Loan Official will ensure all lenders in their area receive a copy of the commodity prices to be used when submitting applications for guaranteed loans. The Loan Official will make sure lenders understand how the borrower's 5-year historical production and expense data is to be considered in any proposed budgets.

- 3) Utah weighted commodity prices.
- 4) Government support program prices - The agencies prices used in the cash flow analysis will be documented in the case file.
- 5) Other - For commodities where price data is not available, contact the Farm Loan Program section of the State Office for guidance. The price authorized by the State Office must be clearly documented in the case file.

Source of commodity prices used and when applicable, adjustments or calculations used in deriving prices, will be shown in table "C" of the Farm and Home Plan or attached to Lender's cash flow.

EXAMPLES:

- 1) Lambs - used borrowers contract price .75 per lb. (copy of the contract in case file)
- 2) Alfalfa - used borrower's weighted commodity price $\$73 \times 5 + 77 + 79 + 85.50 + 69$ divided by 9 = 75.06
- 3) Wheat - used Utah weighted commodity price (1999)
- 4) Oats - \$1.24/bushel was used (see Notice LP-1677, Exhibit 1, Base County Loan Rate)
- 5) Tomatoes - used \$28.60/CWT as authorized by Farm Loan Chief on 3/29/99.

Loan or Line of Credit Agreement

State _____

Loan Applicant's Name & Address

County _____

Case No. _____

Loan Type: OL () FO () SW ()

In consideration for a loan or line of credit made or advanced by the undersigned lender for the purposes set forth in the accompanying Request for Loan Note Guarantee or Request for Guarantee (Line of Credit), or in consideration for the reamortization, rescheduling or deferral of previous amounts so advanced, the undersigned applicant, whether one or more, and lender agree as follows:

1. IMPROVED MANAGEMENT PRACTICES - The applicant will implement the following agriculture or financial management practices:
2. ACCOUNTING, RECORD KEEPING, AND PERIODIC FINANCIAL REPORTING - The applicant will utilize and maintain either a cash or accrual accounting system, and maintain financial records in the FSA Record Book or any comparable record book that permits monitoring actual performance against budget projections on at least a monthly basis. Monthly or quarterly monitoring reports will be submitted to the lender as requested. If "OL" is checked under type of loan above, the lender will check the maintenance of acceptable production and management records at least twice during the tenance of acceptable production and management records at least twice during the budget period, and an annual analysis (including the preparation of a complete financial statement) will be made by no later than two months following the end of the current budget period to determine credit needs for the next production year.
3. LIST AND PERIODIC ACCOUNTING FOR SECURITY PROPERTY - The applicant will provide the lender with a complete and verifiable list of all property (both real and personal) that the applicant owns or has an interest in. The lender will describe the applicant's property servicing as collateral for the amounts advanced clause, and/or real estate mortgage serving as collateral for the amounts advanced clause, and/or real security, the applicant and lender will update the security agreement and financing statement at least annually at the time of an inspection by maintaining a log of acquisitions and dispositions. Additional agreements are as follows:
4. ASSUMPTION OF LIABILITIES OR OBLIGATIONS OF OTHERS - The applicant is specifically prohibited from assuming any liabilities or obligations of others, including any on behalf of any individual, partnership, corporation, or joint operation, or other form of business or legal entity, without expressed prior written consent of the lender.

5. RESTRICTIONS ON PATRONAGE REFUNDS, DIVIDENDS, AND DISTRIBUTIONS - A

borrower that is a cooperative, corporation, partnership or joint operation shall make no distribution of patronage refunds to members, dividend payments to shareholders, or distribution to partners or joint operators without the prior written approval of the lender.

6. PROHIBITION OF PURCHASE OR SALE OF EQUIPMENT AND/OR FIXED ASSETS - The applicant will not sell, trade, or dispose of any security property, or rights thereto, without the prior written consent the of the lender. Likewise, if "OL" is checked under type of loan above, the applicant will not sell, trade, or dispose of any fixed assets without prior written consent of the lender.
7. COMPENSATION OF PARTNERS, JOINT OPERATORS, OFFICERS, AND/OR OWNERS - If "OL" is checked under type of loan above, and the applicant is anything other than a sole proprietorship, compensation of partners, joint operators, officer, and/or owners is limited to the amounts set forth in the operating budget or cash flow statement approved by the lender. If "FO" or "SW" is checked under the type of loan above, and the applicant is anything other than a sole proprietorship, compensation of partners, joint operators, officers, and/or owners is restricted as follows:
8. WORKING CAPITAL REQUIREMENTS - The minimum working capital requirements, if any, are as follows:
9. DEBT TO ASSET RATIO - The applicant's maximum debt to asset ratio permitted, if any, is as follows:
10. CONSOLIDATIONS, MERGERS, CHANGES IN OWNERSHIP INTEREST, AND OTHER SIMILAR TRANSACTIONS - The applicant will not consolidate, merge, enter into a partnership with, or jointly operate with another person, business entity or legal entity without the prior written consent of the lender. If the applicant is a cooperative, corporation, partnership or joint operation, the applicant and its' principals, officers, director, partners or joint operators shall not sell, assign, transfer, or exchange any interest in ownership of any such entity without the prior written consent of the lender.
11. LOAN OR LINE OF CREDIT ADVANCE PURPOSES - The applicant agrees to use the loan funds or line of credit advances expressly for the purposes requested and authorized in the operating budget or cash flow statement approved by the Lender. A summary of the amount and purposes for which loan or line of credit advance funds will be used is as follows:

12. INTEREST RATE - The interest rate will be a fixed or variable rate as agreed upon by the applicant and lender and set forth below. The lender, applicant and holder (if any) may

collectively effect a temporary reduction in the interest rate at some point during the term of the loan or line of credit, and if done in conjunction with Farm Service Agency's Interest Rate Buydown program, the reduced rate of interest will be a fixed rate for the pendency of the interest rate reduction. If a variable rate is used, the frequency of change is set forth below, and the base rate is tied to the rate published periodically in the financial publication agreed to and named below:

- 13. REPAYMENT SCHEDULE - Whether this agreement is executed in connection with the advance of new funds or the reamortization or rescheduling of any existing loan or line of credit, the applicant acknowledges and agrees to the plan for repayment set forth in the loan or line of credit instrument and/or the operating budget or cash flow statement approved by the lender in connection with this transaction. The lender will review any amount due at the end of the budget period to determine if continuation within the existing term of a multiple year line of credit is warranted, or if reamortization or rescheduling of a loan note guarantee is warranted.
- 14. LINE OF CREDIT CEILING AND TERM - If "OL" is checked under type of loan above and this document is executed in connection with a Request for Guarantee (Line of Credit), the lender and applicant acknowledge and agree that the maximum principal balance owed at any one time on advances made may not exceed the ceiling amount shown below, and that for the period specified below, principal advances may be made within the line of credit ceiling amount in accordance with the terms of the note(s).

Ceiling Amount: \$_____ Maximum Advance Term: _____
Year(s)

Date

Applicant

Applicant

Name of Lender

Date

BY _____
Authorized Official

TITLE _____

A
Form FSA
1940-3

Form FSA-1940-3, "Request for Obligation of Funds Guaranteed Loans" is used internally by FSA to approve guaranteed loans. It is not forwarded to the Lender. Form FSA-1980-15, "Conditional Commitment," is completed listing the closing conditions and sent to the Lender for concurrence. Since Form FSA-1940-3 indicates the loan is approved subject to the conditions on the Conditional Commitment, only general conditions need to be listed on Form FSA-1940-3. These may include the use of funds and the security required. Detailed loan approval conditions should be listed on Form FSA-1980-15, "Conditional Commitment," and should be tailored to each loan.

2 Guaranteed Farm Ownership Loans Sample Closing Conditions

A
Use of Funds

- Loan funds in the amount of \$300,000 will be disbursed as follows:
 - a) \$295,500 to purchase 532 acres, water rights, and improvements as shown on the appraisal dated xx/xx/xx.
 - b) \$4,500 loan fees and closing costs to (lender name) and FSA.
- Loan funds in the amount of \$49,000 will be disbursed to refinance (lender name) in the amount of \$48,150 and pay closing costs and fees in the amount of \$850.
- Loan funds in the amount of \$700,000 will be disbursed as follows:
 - a) Refinance (Lender name) first lien in the amount of \$250,000 (parcel 1).
 - b) Purchase 250 acres with water rights appraised at \$320,000 per appraisal dated xx/xx/xx (parcel 3).
 - c) Refinance FSA's EM loan in the amount of \$120,000 (parcel 2).
 - d) Pay closing costs and Lender fees in the amount of \$10,000.

B
Security

- Lender must perfect a first lien on the 532 acres and water rights to be purchased. The best lien obtainable is required on the borrower/applicant's existing 100 acres, since additional security is available (see paragraph 166 B, 2-FLP Handbook).
- Lender must perfect a lien position no less than the lien position being refinanced, which in this case is a second lien junior only to the Federal Land Bank.

Continued on Next Page

**B
Security**

Lender must perfect a first lien on parcel 1 and the water rights associated with this parcel.

Lender must perfect a first lien on the 250 acres with water rights to be purchased (parcel 3).

Lender must perfect a lien position no less than the EM loan being refinanced, currently a second lien to Federal Land Bank (parcel 2).

Lender must perfect a second lien on the equipment listed on the Chattel Appraisal dated xx/xx/xx, as additional security in accordance with paragraph 166B, 2-FLP Handbook.

**C
Rates and
Terms**

Guaranteed FO loan will be amortized over 20 years with equal annual payments of \$32,865 and a beginning variable interest rate of 9%. Interest rate is subject to adjustment each 5 years in accordance with the "Loan Agreement." The guarantee will be 90%.

Term of this loan is 25 years with equal annual installments and a fixed interest rate of 9.75%. The guarantee will be 90%.

This loan will be repaid over 30 years with equal annual installments with a beginning variable interest rate of 8.5%. Interest rate changes will be governed by the "Loan Agreement." The guarantee will be 90%.

**D
Insurance**

- Lender must ensure the borrower has acquired fire and extended coverage insurance on all buildings listed in appraisal dated xx/xx/xx in an amount at least equal to the contributory value shown in the appraisal on each building.
- Lender must ensure the borrower has acquired adequate fire and extended coverage insurance on the personal dwelling. This is the estimated contributory value of the dwelling.
- Lender must ensure fire and extended coverage insurance is in force in an amount at least equal to the contributory value of all buildings as shown in appraisal dated xx/xx/xx. Lender must also ensure borrower acquires flood insurance on the buildings located on parcel 2, as they are located in a flood hazard area as defined by FEMA maps.

A
Use of Funds

- Loan funds in the amount of \$250,000 will be disbursed as follows:
 - a) \$120,000 to purchase approximately 100 springer heifers.
 - b) \$126,000 to refinance (Lender name) for existing dairy livestock.
 - c) \$4,000 to pay closing costs and loan fees.
- Loan funds in the amount of \$450,000 will be disbursed as follows:
 - a) \$50,000 to purchase a tractor.
 - b) \$150,000 to purchase a plow, disc, grain drill and combine.
 - c) \$250,000 to refinance the Lender's existing chattel notes and pay loan fees.
- Loan funds in the amount of \$700,000 will be disbursed each month in accordance with the monthly cash flow to pay annual operating expenses (Line of Credit).

B
Security

- Lender must perfect a first lien on all livestock currently owned and to be purchased and the best lien obtainable on farm machinery listed on the chattel appraisal dated xx/xx/xx.
- Lender must perfect a first lien on all existing farm machinery and farm machinery to be purchased. Lender must also perfect a lien on borrower's real estate as additional security in accordance with 2-FLP, paragraph 166 B.
- Lender must perfect a first lien (UCC filing) on all crops and livestock products. Best lien obtainable must be perfected on all other chattels.

C
Rates and Terms

- Loan will be amortized 7 years with a beginning variable interest rate of 9.5% and equal monthly payments of \$4,088. "Loan Agreement" will dictate what interest rate is based upon and frequency of changes. Guarantee will be 90%.
- Loan will be for 7 years with equal annual payments and a fixed interest rate of 9.75%. Guarantee will be 95%.
- Line of Credit loan for 5 years with a variable interest rate beginning at 8.75%. "Lenders Agreement" will dictate what interest rate is based upon and frequency of changes. All advances must be made within 5 years from date of the guarantee. Guarantee will be 80%.

Continued on Next Page

3 Guaranteed Farm Operating Loans Sample Closing Conditions, *Continued*

D Insurance

- By loan closing, Lender must ensure loan applicant obtains at least the catastrophic risk protection (CAT) level of crop insurance coverage, if available, for each crop of economic significance, or waive eligibility for emergency crop loss assistance in connection with the uninsured crop.
- By loan closing, Lender must ensure loan applicant acquires farm liability insurance on all titled vehicles. Lender will obtain an assignment on insurance.
- By loan closing, Lender must ensure loan applicant acquires insurance on all chattels, if available. Lender will obtain an assignment on insurance.

4 General Conditions for Guaranteed FO and/or OL Loans

A Environmental (As Needed)

- Lender must provide a completed AD-1026, signed by borrower, which includes all environmental information for all tracts of land currently owned, leased, or to be purchased with loan funds.
- Lender must provide a satisfactory Real Estate Hazardous Waste questionnaire in accordance with 2-FLP, Paragraph 208 C, and provide Form FmHA 1940-20, "Request for Environmental Information," if requested by FSA.

4 General Conditions for Guaranteed FO and/or OL Loans

B Signature Requirements

- Corporate officers must sign security instruments as corporate officials and also as individuals.
- Non-borrowers pledging security must sign the Deed of Trust(s) with a legal description of such property included on the Deed of Trust(s).
- If spouse's income is included in the budget, spouse must sign the Promissory Note.
- If spouse is co-owner of proposed security property, he/she must sign the Deed of Trust, Financing Statement and Security Agreement.

4 General Conditions for Guaranteed FO and/or OL Loans, Cont.

**C
Miscellaneous**

- Lender, in accordance with the applicable Form FSA 1980-38, "Lender's Agreement," will submit the applicable annual analysis reports indicated in 2-FLP, Paragraphs 265 C or 265 E.
- Guaranteed loans and non-guaranteed loans may be cross collateralized, but not cross defaulted.
- Lender will return a copy of the executed Form FSA-1980-15, "Conditional Commitment," to FSA prior to closing the loan(s).
- Lender agrees to apply scheduled payments first on the guaranteed loan, regardless of lien priority on other non-guaranteed loans the Lender may have. In the event of liquidation of real estate security, proceeds will be applied in the order of lien priority.
- Lender must obtain and file appropriate security instruments or other documents with Bureau of Land Management, Forest Service, State Land, etc. to perfect a valid security interest in livestock permits when required as collateral.
- Western AgCredit PCA or FLCA stock purchased with loan funds must be pledged as security for the loan.

**D
Requesting
Issuance of
the Guarantee**

When Lender requests issuance of the guarantee, the following will be submitted to FSA in accordance with 2-FLP, Paragraph 247 A, and Form FSA-1980-15:

- a) Form FSA-1980-22, "Lender Certification."
- b) Form FSA-1980-19, "Guaranteed Loan Closing Report."
- c) Form FSA-1980-38, "Lenders Agreement," (unless already on file at county office).
- d) The guarantee fee is calculated as the following example demonstrates: \$300,000 loan X .90% guarantee X .01 = \$2,700 fee
- e) Copies of the executed Promissory Note(s), Line of Credit Agreements, Deeds of Trust, and Security Agreements as applicable.

Exhibit Q, "Certified Lender Agreement - Mancos Valley Bank

This Exhibit contains the forms approved by the Utah State FSA Office for guaranteed loan submission by Mancos Valley Bank for Grand and San Juan counties as follows:

- 1) Form FSA-1980-38, "Lenders Agreement". Pages 2 thru 8.
- 2) Promissory Note. Page 8.
- 3) Commercial Security Agreement. Pages 9 thru 12.
- 4) Utah Deed of Trust. Pages 13 thru 16.
- 5) Income Statement. Page 17.
- 6) Financial Analysis Summary. Page 18.
- 7) Production Trends. Page 19.
- 8) Cash Flow - Loan Projections. Page 20.
- 9) Collateral and Lien Position. Page 21.
- 10) Agricultural Loan Agreement. Pages 22 and 23.

Mancos Valley Bank employees approved to make and service FSA guaranteed loans are:

Deanne' J. Acott and Marcus G. Colbert.

C

PLP Lender Agreements

Exhibit Q, "Certified Lender Agreement - Mancos Valley Bank," (Expires 2/20/06). Covers Grant and San Juan Counties in Utah.

Exhibit R, "Preferred Lender Agreement - Zions First National Bank," (Expires 1/5/05).

Exhibit T, "Preferred Lender Agreement - AgCredit Financial, ACA," (Expires 12/06/04). Covers Box Elder, Tooele, Juab, Millard, Beaver, Iron and Washington Counties in Utah.

Exhibit U, "Preferred Lender Agreement - Western AgCredit, FLCA," (Expires 11/14/05). Covers all counties in Utah and selected counties in Arizona, Colorado, Idaho, Nevada and Wyoming.

Exhibit V, "Preferred Lender Agreement - Western AgCredit, PCA," (Expires 11/14/05). Covers all counties in Utah and selected counties in Arizona, Colorado, Idaho, Nevada and Wyoming.
