

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
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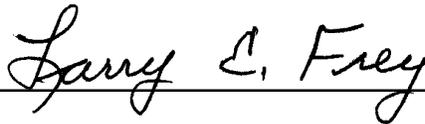
**Oregon Notice  
FLP-134**

**For:** County Offices

**Completion of a Year-End Analysis**

**Approved By:** State Executive Director

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**1 Overview**

**A Background**

Results of Oregon’s Fiscal Year 2002 National Internal Review (NIR) Summary Report indicated that a well documented Year-End Analysis was not always completed when required.

**B Purpose**

The purpose of this Oregon Notice is to:

- Remind FLMs, FLOs, and CEDs of the importance of completing a Year-End Analysis.
- Specify which borrowers are required to have a Year-End Analysis.
- Emphasize what items to discuss during the Year-End Analysis process
- Review the process of conducting the Year-End Analysis and identify what documentation is needed to show that the Year-End Analysis has been completed.

**C Contact**

Direct questions concerning this format to Peter Halvorson, Bob Perry, or Lynn Voigt, in the STO.

**FILING: Preceding FmHA Instruction 1924-B**

**Disposal**

July 28, 2004

07-28-03

**Distribution**

STO, DD, COR, COC, COF - Including Farm Loan Programs

**2 Action**

**A Importance of a Year-End Analysis**

The review and evaluation of the borrowers past farm operating performance is an important function of credit supervision performed by FSA. Year-end analysis of the borrower's financial situation provides for sound lending and a time to assess goal attainment and effectiveness of management decisions.

The Year-end analysis provide FSA an opportunity to provide credit counseling to the borrowers by advising them of ways to make proper use of credit and make adjustments in operations.

FSA regulations require that a borrower's planned income and expenses be based on actual proven record of production and financial management. The Year-end analysis is the means to collect the borrower's actual prices, yields, and expenses. A Year-end analysis should be completed before completing the annual farm operating budget.

**B Which Borrowers Receive a Year-End Analysis**

The following borrowers are required to have will receive a year-end analysis:

- Borrower who just received an initial or subsequent loan
- Borrower who received a chattel subordination
- Borrower who had their loans restructured in last 12 months
- Borrower who has a loan deferred
- Borrower who is presently financially distressed
- Borrower who is presently delinquent
- Borrower who has a limited resource interest rate loan

All other borrowers will receive a Year-end analysis at the discretion of the loan official.

**C Year-End Analysis Discussion Points**

The Year-end analysis will serve as an opportunity to:

- Determine the feasibility of continuing with the borrower
- Assess the borrowers financial performance and progress
- Show the borrower the cost or profit of an agricultural enterprise
- Assist the borrower in determining whether the type and scope of the operation are practical and profitable
- Assess if any long term or short term goals have been attained
- Determine if servicing actions are needed to develop a feasible plan
- Determine what resources are available to the borrower
- Discuss operating expenses as it pertains to previous years
- Discuss debt repayment as compared to money available to pay debts
- Help determine the need for and feasibility of capital purchases

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- Discuss the strengths and weaknesses of the borrowers operation
- Help FSA and the borrower prepare the plan of operation for next year
- Help determine if the FHP is being followed

### **D Completion of the Year-End Analysis**

FSA shall send out a reminder of analysis at least 60 days prior to the end of the borrower's business year.

FSA loan official should schedule an analysis within 60 days of the end of the farming period and input the date in the MAC system.

The loan officer should determine the date and place of the analysis.

Loan officer should assist the borrower in completing the actual columns on forms FSA 431-2 and 1962-1.

The loan officer should document in the case file running record the year end analysis and record any key management problems which were identified and the results and agreements reached during the analysis.

FSA will document as to whether the borrower is meeting the goals and agreements reached in the assessment.

There should be sufficient documentation to adequately reflect the overall condition of the operation at years end.

#### **After analysis is completed the following forms should be completed in their entirety:**

- The actual columns on the Farm and Home plan will be completed.
- The actual columns on the form FmHA 1962-1 "Agreement for the use of Proceeds/Release of Chattel Security will record all dispositions and acquisitions of chattels.
- The borrower and FSA must develop a Farm and Home Plan for the next production cycle.
- The projected columns of the 1962-1 for the new plan period will be completed.
- The 5-year historical record will be updated to include last year's results.

### **E STO Action**

Each year the STO will conduct State Evaluation Reviews on selected offices and review loan dockets to see if the Year-end Analysis is being completed in accordance with 1924-B.