

## Subordination Processing Guide

NAME OF APPLICANT	TYPE OF OPERATION	
CASE NUMBER	ALSO INVOLVES <input type="checkbox"/> Direct Loan <input type="checkbox"/> Guarantee <input type="checkbox"/> DALRS <input type="checkbox"/> Transfer	
LENDER	SUBORDINATION AMOUNT	PROPOSED MATURITY DATE

**APPROVAL SUMMARY**

APPROVAL AUTHORITY: \_\_\_\_\_ Existing Subordination Principal Balance: \$ \_\_\_\_\_  
 FLO, CED, FLM, DD, SED (Circle One)      Amount of New Subordination: \$ \_\_\_\_\_  
 (Cannot exceed direct loan approval authority)      Total: \$ \_\_\_\_\_

SUBORDINATION PURPOSES: \_\_\_\_\_

**SECURITY CONSIDERATIONS**

SECURITY TO BE SUBORDINATED	APPRAISAL DATE	SECURITY VALUE	PRIOR DEBTS	PROPOSED SUBORDINATION	FSA DEBT	EQUITY
<input type="checkbox"/> Crops						
<input type="checkbox"/> Livestock						
<input type="checkbox"/> Equipment						
<input type="checkbox"/> Real Estate						
<input type="checkbox"/> Other:						
<b>TOTAL</b>						

ARE THE AGENCY LOANS ADEQUATELY SECURED AFTER THE SUBORDINATION OR IS THE VALUE OF THE LOAN SECURITY INCREASED BY THE AMOUNT OF THE SUBORDINATION?     YES     NO

**SUBORDINATION CONDITIONS**

**FOR SUBORDINATIONS OF CHATTEL SECURITY**  
 Are the seven conditions required by FmHA Instruction 1962-A, Section 1962.30(b) met including limiting the amount subordinated of basic security, subordination limited to a specific amount with a specific maturity date, only one subordination issued at one time with the same security, no controlled substance conviction, meets HEL and wetland provisions, ability to repay the subordination (current FHP), and is the Agency adequately secured after the subordination or is the value of the loan security increased by the amount of the subordination. Discuss here: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**FOR SUBORDINATIONS OF REAL ESTATE SECURITY**  
 Are the eleven conditions required by FmHA Instruction 1965-A, Section 1965.12(a) met including the purpose of the subordination for an authorized direct loan purpose or to refinance debt, Agency debt cannot be refinanced, documented ability to repay (current FHP), development meets Agency objectives, are funds controlled when used to develop or acquire land, Agency lien obtained if land purchased or exchanged, no controlled substance conviction, is the Agency adequately secured after the subordination or is the value of the loan security increased by the amount of the subordination, subordination limited to a specific amount with a specific maturity date, and only one subordination issued at one time with the same creditor on the same security. Discuss here: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**WRITTEN FARM ASSESSMENT UPDATED**

RECOMMENDED BY: \_\_\_\_\_ DATE: \_\_\_\_\_

APPROVAL OFFICIAL'S COMMENTS: \_\_\_\_\_

<input type="checkbox"/> Approved <input type="checkbox"/> Rejected	APPROVAL OFFICIAL'S SIGNATURE: _____	DATE: _____
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FARM LOAN PROGRAMS - SUBORDINATIONS

APPLICANT'S NAME: \_\_\_\_\_

**PART II ITEMS REQUIRED FROM APPLICANTS FOR A COMPLETE APPLICATION**

Date Received	By Whom	(Required for Subordinations)
_____	_____	(1) Form FSA 410-1, "Request For Direct Loan Assistance." (Items 1, 22, 23, and 36 to be completed for subordination requests.)
_____	_____	(2) Form RD 465-1, "Application For Partial Release, Subordination, Or Consent." <b>For real estate only.</b>
_____	_____	(3) Letter from lender requesting the subordination with the specific amount, maturity date, and security to be subordinated identified.
_____	_____	(4) A projection of income, expenses, and debt repayment on Form FmHA 431-2, "Farm and Home Plan."
_____	_____	(5) Monthly cashflow statement for annual operating loans and others as needed.
_____	_____	(6) Form AD 1026A, attached to either Form AD 1026 or AD 1026-U and completed by FSA. Required only if changes have occurred on prior year's AD 1026 and 1026-U.
_____	_____	(7) Form SCS-CPA-26, "Highly Erodible Land and Wetland Conservation Determination," completed by NRCS (for each tract of land identified on Form AD 1026A. <b>(NOTE:</b> If this form has previously been provided to FSA, it need not be provided again unless there is a change in property or a change in previous information. The AD 1026 and accompanying Form AD 1026A will be used to determine if a change has occurred).

**PART III FSA ACTION AFTER RECEIPT OF FORM FSA 410-1**

Date Received	By Whom	(Required for Subordination Requests)
_____	_____	(1) When Form FSA 410-1 is received, post the application to the application processing card (1905-4) and complete Item 28 Form FSA 410-1 and enter in MAC.
_____	_____	(2) Check Item 21 of Form FSA 410-1 for identified relationship or association with FSA employees. For those identified sent Guide Letter 1900-D-2.
_____	_____	(3) If all of the required application forms <u>have NOT been received</u> , send a letter similar to FmHA Guide Letter 1910-A-1 (20 day letter) to the applicant and request forms and information needed within 10 days after receipt of an application.

**PART IV FSA ACTIONS AFTER RECEIPT OF COMPLETED APPLICATION**

After receipt of **ALL** completed forms and information required of the applicant are received application will be considered complete. FSA approval or disapproval should be given within 60 days of this date.

Date Received	By Whom	(Required for Subordination Requests)
_____	_____	(1) Document here the date of complete application and post this date to the application processing card and into MAC. <u>This is the date the last required document is received.</u> DATE OF COMPLETE APPLICATION: _____
_____	_____	(2) For Subordination of Chattel Security: If an existing appraisal exceeds 2 years or major changes have occurred, prepare Form FmHA 440-21, "Chattel Appraisal."
_____	_____	(3) For real estate subordinations, order a real estate appraisal or obtain one prepared for the lender if it complies with the requirements of the 1-FLP Handbook.
_____	_____	(4) Review and revise Form FmHA 431-2, "Farm and Home Plan," as needed with Applicant. Be sure it is complete, automated, signed, dated and contains key management practices and must be consistent with historical performance.
_____	_____	(5) Complete Form FmHA 1962-1, "Agreement For the Use of Proceeds/Release of Chattel Security." The period covered by the 1962-1 must match the period of Form FmHA 431-2, "Farm and Home Plan," and must be in ink. <b>For chattel loans only.</b>
_____	_____	(6) Real estate appraisal report received.
_____	_____	(7) Update the farm assessment regarding the subordination and compliance with the required subordination conditions.
_____	_____	(8) Previously issued Form RD 460-2, "Subordination By The Government," must be returned and marked paid in full.

**CLOSING REQUIREMENTS**

<u>Date</u> <u>Obtained</u>	<u>Check if</u> <u>Required</u>	
_____	( )	Amend or Continue Financing Statement (Secretary of State)
_____	( )	Amend or Continue Financing Statement (County)
_____	( )	UCC and EFS Lien Search (Secretary of State) required if a lien search is not currently in the file, or any time that crops are added.
_____	( )	Brand Certificate, Bill of Sale
_____	( )	Machinery Bill of Sale
_____	( )	Preliminary Title Report
_____	( )	Title Insurance (mortgagees policy)
_____	( )	Insurance: Fire and extended coverage ( ) Flood ( ) Chattels ( ) Other ( )
_____	( )	Form FmHA 426-2, "Property Insurance Mortgage Clause," or equivalent loss clause
_____	( )	Form FSA 441-5, "Subordination Agreement" if required from other lienholders to FSA
_____	( )	Form FmHA 441-10, "Nondisturbance Agreement"
_____	( )	<b>Form RD 460-2, "Subordination By The Government"</b>
_____	( )	Form FmHA 1927-1 OR, "Real Estate Mortgage" (on <u>all</u> real property and fixtures)
_____	( )	Form RD 1927-4, "Transmittal of Title Information"
_____	( )	Form RD 1927-5, "Affidavit Regarding Work of Improvement"
_____	( )	Form FSA-OR 1927-5, "Subordination Agreement in Favor of the Government"
_____	( )	Form RD 1927-15, "Loan Closing Instructions/Loan Closing Statement"
_____	( )	Form RD 1924-2, "Description of Materials"
_____	( )	Form FmHA 1924-3, "Service Building Specifications"
_____	( )	Other: _____
_____	( )	Other: _____
_____	( )	Other: _____

**FOLLOW UP AFTER ISSUANCE OF THE SUBORDINATION**

_____	_____	Post to Management System Application Processing Card.
_____	_____	Post and update MAC including follow-ups date for return of issued subordinations.