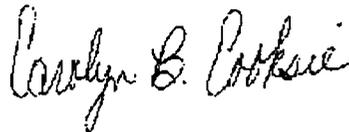


For: State and County Offices

Creditworthiness Determinations

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

FSA loan approval officials make determinations concerning acceptable credit history.

B Purpose

This notice provides guidance for determining creditworthiness for direct and guaranteed loans.

2 Action

A Loan Approval Official Determinations

The loan approval official will make determinations of acceptable credit history in both direct and guaranteed programs according to FmHA Instructions:

- 1910-A, section 1910.5(c) for direct loans
- 1980-B, section 1980.114 ADMINISTRATIVE C for guaranteed loans.

FmHA Instruction 1980-B, section 1980.114 ADMINISTRATIVE C requires, in part, that:

- the loan approval official determine whether the repayment plan is realistic
- this determination be based on:
 - prudent lending principles, with consideration given to local lending practices
 - the current and historical information available.

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Disposal Date	Distribution
July 1, 1999	State Offices; State Offices relay to County Offices

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2 Action (Continued)

A
Loan Approval
Official
Determinations
(Continued)

An unacceptable credit history, therefore, will be grounds to determine that the repayment plan is not realistic.

B
Determining
Creditworthiness

Nonpayment of debts or delinquent payments that were within an applicant's control may be used as an indication of unacceptable credit history. However, there are certain circumstances that do **not** constitute unacceptable credit history, according to FmHA Instruction 1910-A, section 1910.5(c).

These same guidelines should be considered in determining whether the guaranteed loan borrower has adequate repayment ability and an acceptable farm plan under FmHA Instruction 1980-B, section 1980.114.

In addition, applicants who deliberately falsify information or intentionally omit information relevant to the loan decision may be considered to have unacceptable credit history. These individuals may also be subject to criminal prosecution and should be referred to OIG.

C
Approving
Official

If the applicant has an unacceptable credit history, the loan approval official shall:

- deny the loan on the basis of a lack of creditworthiness (7 CFR 1910.5), or deny the loan guarantee on the basis of inadequate repayment ability and unacceptability of the farm plan (7 CFR 1980.114)
 - provide the applicant, and lender for guaranteed loans, with appeal rights
 - include specific reasons for the adverse decision:
 - on FmHA 440-2
 - in the Notification of Eligibility/Ineligibility sent to the applicant.
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D
Contact

State Offices, with questions about this notice, may contact Kathleen Miller or Bob Bonnet, LMD.
