



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2694 (1910)
November 23, 1992

SUBJECT: Farmer Programs (FP) Direct Loan Processing Checklist

TO: State Directors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide a general checklist for processing direct FP loans. It consolidates the two previous checklists into one checklist for all FP loan types, adds new forms which were not in the previous list and provides a guide for filing of forms in the case file. The intended outcome is to ensure that all applicable loan making forms are considered during loan docket preparation; to provide quick reference and filing instructions; and to provide for loan docket consistency on a Nationwide basis.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 2246 (1910) which expired March 31, 1992.

IMPLEMENTATION RESPONSIBILITIES:

ATTACHMENT A, "Direct Loan Processing Checklist," for Operating, Farm Ownership, Soil and Water, and Emergency loans has been prepared to provide general checklists for processing FP loans.

This checklist may be modified and updated to include forms required by individual States. If processing checklists are already in place, they should conform to current regulations, and as a minimum contain the information included in the attached checklist. States may need to make revisions to their existing checklists. All approved loans must have a corresponding checklist located in position 3 of the borrower's case file.

EXPIRATION DATE: October 31, 1993

**FILING INSTRUCTIONS
Preceding FmHA
Instruction 1910-A**



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

State Office personnel with questions should contact the Farmer Programs Loan Making Division Direct Loans Branch at (202) 720-1638.



LA VERNE AUSMAN
Administrator

Attachments

DIRECT LOAN PROCESSING CHECKLIST

() OPERATING () FARM OWNERSHIP () SOIL & WATER () EMERGENCY

APPLICANT NAME DATE OF APPL. LOAN AMOUNT

		<u>File Position</u>
<u>A.</u>	COMPLETE APPLICATION, Reference FmHA Instruction 1910.4(b)	
_____ 1.	<u>FmHA 410-1</u> , "Application for FmHA Services." The County Supervisor must review to ensure that all parts of the application form are complete, and that it is signed and dated by the applicant(s).	3
_____ 2.	<u>Exhibit A, 1910-A</u> , "Letter for Information Needed for a Complete Farmer Programs Application." The County Supervisor will document that this Exhibit has been sent/given to the applicant.	4
_____ 3.	<u>FmHA 410-7</u> , "Notification to Applicants on the Use of Financial Information from Financial Institution." This form must be sent to the applicant within 3 days of receipt of the 410-1.	3
_____ 4.	<u>FmHA Form Letter 1924-B-1</u> , "County Supervisor Notification to Applicant/Borrower about Limited Resource Loans." Must be sent immediately upon receipt of a completed application.	4
_____ 5.	<u>Exhibit B, 1910-A</u> , "Letter to Notify Socially Disadvantaged Applicant(s)/Borrower(s) Regarding the Availability of Direct Farm Ownership (FO) Loans and the Acquisition/Leasing of FmHA Acquired Farmland." Must present to an individual at the time of the initial contact with the Agency.	4
_____ 6.	<u>Exhibit C, 1910-A</u> , "Letter to Notify Applicant(s)/Borrower(s) of Their Responsibility in Connection with FmHA Farmer Loan Programs." Must be provided to applicant when loan is approved.	4

7. FmHA 431-2, "Farm and Home Plan." Applicant's plan must make provisions for projected production, income and expenses, and loan repayment. The plan must be signed and dated by the applicant and County Supervisor. 3
8. *FmHA 431-1, "Long-time Farm and Home Plan." Must be completed in conjunction with the annual Farm and Home Plan when long-term plans call for major changes and/or improvements in the farm, crops, and livestock. 3
9. FmHA 410-9, "Statement Required by the Privacy Act." Must be signed by all applicants. 3
10. Credit Report. Must be obtained for all initial loan applicants and all existing borrowers whose accounts require servicing under FmHA Instruction 1951-S. 3
11. FmHA 440-32, "Request for Statement of Debt and Collateral." Should be received for all secured and major unsecured creditors. 1
12. FmHA 1910-5, "Request for Verification of Employment." Should be completed for applicants with non-farm income. Other methods of verification may include copies of W-2 forms, documentation in the running record. Other farm income may be verified by ASCS, tax records, documentation in the running record, historical records. 3
13. *FmHA 431-4, "Business Analysis - Non-Agricultural Enterprise." County Supervisor should review business income tax records to verify data. 3
14. AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transactions." Must be signed by all applicants. Applicant must obtain the signature of dealers and suppliers on AD-1048 for each business transaction that is \$25,000 or more. 3
15. FmHA 1940-38, "Request for Lender's Verification of Loan Application." (EM ONLY) Used to document the test for credit for EM applicants. 3
16. 5-Year Production, Income and Expense History. Must be based on applicants past records. These records may include, but are not limited to, income tax returns. 3

17. FmHA 1960-12, "Financial and Production Farm Analysis Summary." A complete analysis should be completed in accordance with FmHA Instruction 1924-B. Results of the analysis should be documented in the running record. 3
18. Document - Test for Credit. The file must be well documented as to applicant's efforts to obtain credit elsewhere. Documentation may include letters from lenders, record of telephone calls or comments written in the running record. Attachment A to FmHA AN No. 2589 (1980) must be used to document the test for credit for all OL and FO applicants except for limited resource loans. 3
19. Document - Farm Training and Experience. The file must contain written documentation pertaining to applicant's training and/or experience in the proposed operation. 3
20. AD-1026 or AD-1026U, "Highly Erodible Land and Wetland Conservation Certification." Must be obtained on all loan application requests. Form AD-1026A must be attached unless the applicant is not producing an agricultural commodity on the land. 3
21. SCS-CPA-026, "Highly Erodible Land and Wetland Conservation Certification." The County Supervisor should refer to AD-1026 and seek the assistance of SCS in obtaining proper information. 3
22. FmHA 1940-20, "Request for Environmental Information." Must be obtained from all applicants whose request meets the definition of either a Class I or Class II action. 3
23. *FmHA 1940-21, "Environmental Assessment for Class I Action." 3
24. FmHA 1940-22, "Environmental Checklist for Categorical Exclusions." Must be signed by the preparer and concurring official (approval official). If approval official and preparer are one in the same, the approval official will sign as preparer and concurring official. 3
25. FmHA Form Letter 1940-G-1, "Letter to Provide Applicants with Notification of the Requirements of Exhibit M of FmHA Instruction 1940-G." 4
26. FmHA 1945-22, "Certification of Disaster Loss." (EM ONLY) Complete information must be provided and the County Supervisor must verify that dates of disaster on the applicant's form correlate with those of the appropriate EM designation. Applicant must sign form and indicate nature of the disaster. 3

- _____ 27. FmHA 1945-26, "Calculation of Actual Losses." (EM ONLY) 3
Loss calculations must be reviewed, and the form
initialed by other FmHA personnel prior to loan approval.
- _____ 28. *FmHA 1945-29, "ASCS Verification of Farm Acreage,
Production and Benefits." (EM ONLY). An updated
verification must be obtained from ASCS prior to final
loan approval. 3
- _____ 29. Current/Past Debt Inquiry and Borrower Cross-Reference
Inquiry System. This system must be used for all
applicants in determining past loan history. 3
- _____ 30. If the applicant is a cooperative, corporation,
partnership or joint operation: 3
 - _____ a. A complete list of members, stockholders, partners 3
or joint operators showing the address, citizenship,
principal occupation, and the number of shares and
percentage of ownership or of stock held in the
cooperative or corporation, by each, the percentage
of interest held in the partnership or joint operation,
by each.
 - _____ b. A current personal financial statement from each of the 3
members of a cooperative, stockholders of corporation,
partners of a partnership, or joint operators of a joint
operation.
 - _____ c. A current financial statement from the cooperative, 3
cooperation, partnership or joint operation itself.
 - _____ d. A copy of the cooperative's or corporation's charter, 3
or any partnership or joint operation agreement, any
articles of incorporation and bylaws, any certification
or evidence of current registration (good standing);
and a resolution(s) adopted by the Board of Directors
or members of the cooperative, corporations, partnership,
or joint operation to apply for and obtain the desired
loan and execute required debt, security, and other
instruments and agreements.

_____ B. COMPLETE APPLICATION RECEIVED

- _____ 1. Factors to Consider
 - _____ a. Eligibility
 - _____ b. Authorized loan purpose
 - _____ c. Loan limits (Guaranteed loans of same type
must be considered against insured loan limits).

- _____ d. Positive cash-flow projection (Must be based on production and financial history).
- _____ e. Security must be sufficient.
- _____ 2. Application Acceptable
 - _____ a. The date application is considered complete must be posted in the "Remarks" section of the management card and noted on the Form FmHA 410-1.
 - _____ b. Present application to the County Committee.
- _____ 3. Application Unacceptable
 - _____ a. Send Exhibit B-1 of FmHA Instructions 1900-B within 10 (ten) working days of decision.
 - _____ b. Discuss specific reasons and the alternatives with the applicant.
- _____ C. COUNTY COMMITTEE REVIEW

Applicants must be brought before the County/Area Committee for action within 7 (seven) days after the application is considered complete.

 - _____ 1. Favorable Action
 - _____ a. Complete and execute Form FmHA 440-2, "County Committee Certification or Recommendation."
 - _____ b. Promptly notify applicant by letter of the favorable decision.
 - _____ 2. Unfavorable Action
 - _____ a. Complete and execute Form FmHA 440-2, "County Committee Certification or Recommendation," listing specific reasons for unfavorable action.
 - _____ b. Send applicant letter of unfavorable decision outlining specific reasons for action along with Exhibit B-1 of FmHA Instruction 1900-B within 10 (ten) calendar days of the decision.
- _____ D. LOAN APPROVAL

Loan applications must be approved/disapproved and the applicant notified in writing no later than 60 days after receipt of a complete application.

 - _____ 1. *FmHA 1924-1, "Development Plan." 6
 - _____ 2. *FmHA 1924-2, "Description of Materials." 6
 - _____ 3. *FmHA 1924-3, "Service Building Specifications." 6
 - _____ 4. *FmHA 1940-51, "Crop-Share/Cash Farm Lease." 1
 - _____ 5. *FmHA 1940-53, "Cash Farm Lease." 1

- _____ 6. *FmHA 1940-55, "Livestock-Share Farm Lease." 1
- _____ 7. *FmHA 1940-56, "Annual Supplement to Farm Lease." 1
- _____ 8. FmHA 2006-20, "Classification of FP Borrower Account." Part A of this form must be properly completed to obtain the correct classification. All accounts should be classified or reclassified when a borrower's financial situation is reviewed for a loan making or servicing decision. 2
- _____ 9. *FmHA 440-34, "Option to Purchase Real Property." 5
- _____ 10. *FmHA 440-35, "Acceptance of Option" 5
- _____ 11. FmHA 440-58, "Estimate of Settlement Costs." Must provide a "good faith" estimate of settlement costs and a statement relative to selecting a closing agent. 1
- _____ 12. FmHA 440-21, "Appraisal of Chattel Property." The file should have a running record entry in conjunction with the appraisal containing the date of inspection and source of data used to arrive at values. 2
- _____ 13. FmHA 1945-15, "Value Determination Worksheet." (EM Loans only) 1
- _____ 14. *FmHA 422-1, "Appraisal Report - Farm Tract." Must be completed on all loans involving real estate purchases and improvements, and also all cases in which real estate will be required to secure the loan. Is not required at closing when real estate is taken as additional security. 8
- _____ 15. *FmHA 422-2, "Supplemental Report - Irrigation, Drainage, Levee and Minerals" 8
- _____ 16. FmHA 422-3, "Map of Property." 8
- _____ 17. *FmHA 422-10, "Appraiser's Worksheet - Farm Tract (Study of Comparable Properties)." 8
- _____ 18. *FmHA 1922-11, "Appraisal of Mineral Rights." 8
- _____ 19. FmHA 1940-1, "Request for Obligation of Funds." 2
Proper assistance code must be entered in block 17 to insure proper funds are being utilized. Section 41 of this form should briefly describe the proposed use of funds and list any conditions or security requirements that must be met at or before loan closing as set out in the FMI for this form.

- _____ 20. FmHA 1910-11, "Applicant Certification, Federal Collection Policies for Consumer or Commercial Debts." Must be used in all cases involving new loans, transfers and assumptions, and credit sales. 3
- _____ 21. FmHA 1962-1, "Agreement for the Use of Proceeds/Release of Chattel Security." The period covered by this agreement should coincide with the period covered by the Farm and Home Plan. A current 1962-1 must be in the borrower's file if loans are secured by chattels. This form must NOT be completed in pencil and must be signed by the applicant and County Supervisor. 1

_____ E. LOAN CLOSING

- _____ 1. FmHA 440-13, "Report of Lien Search." The County Supervisor must check this form carefully to assure the Agency has the proper lien position on chattel security. 1
- _____ 2. *FmHA 440-25 or 440-25A, "Financing Statement." Must be filed on all loans secured by crops, livestock, and equipment in accordance with State and County laws. Continuation statements must be filed during the last six months of original filing period. Continuation statements are critical to FmHA maintaining proper lien position. 1
- _____ 3. *FmHA 440-4, "Security Agreement (Chattel and Crop)." 1
- _____ 4. *FmHA 440-15, "Security Agreement (Insured Loans to Individuals)." 1
- _____ 5. *FmHA Guide Letter No. 1927-1. Applicant/borrower guide letter to select the attorney/title company to close the loan. 5
- _____ 6. *FmHA 1927-2, "Transmittal of Form FmHA 1927-19 and 1927-20." Used to transmit appropriate form to attorney/title company chosen by applicant to close the loan. 5
- _____ 7. *FmHA 1927-19, "Certification of Attorney." 5
- _____ 8. *FmHA 1927-20, "Certification of Title Insurance Company." 5
- _____ 9. *FmHA 1927-4, "Transmittal of Title Information." 1
- _____ 10. *FmHA 1927-9, "Preliminary Title Opinion." 5

11. *FmHA 1927-15, "Loan Closing Instructions/Loan Closing Statement for." 5
12. *FmHA 1927-5, "Affidavit Regarding Work of Improvement." 5
13. *FmHA 1927-8, "Agreement with Prior Lienholder." Must be obtained on all real estate loans that will be secured by a junior lien. Must contain documentation that limit the amount of indebtedness plus any future advances and must also require the prior lienholder to notify FmHA in the event of default or foreclosure. 5
14. *FmHA 441-12, "Agreement for Disposition of Jointly Owned Property." 1
15. FmHA 1940-17, "Promissory Note." The County Supervisor has the responsibility for determining the appropriate loan repayments schedule for each borrower. The note must contain the identical payment schedule used on the Farm and Home Plan to approve the loan. 2
16. FmHA 440-9, "Supplementary Payment Agreement." 2
17. FmHA 402-1, "Deposit Agreement." 2
18. FmHA 402-2, "Statement of Deposit and Withdrawals." Should be used on loans involving capital expenditures, beginning farmers who are first time borrowers, and borrowers who historically do not maintain a good record keeping system.. 2
19. *FmHA 1927-1, "Real Estate Mortgage or Deed of Trust." Must be reviewed to ensure that the form has the proper loan amount and terms. Must also ensure that the legal description of secured property is correct. 5
20. *Warranty Deed. 5
21. *FmHA 1927-10, "Final Title Opinion." The County Supervisor must review to ensure that the proper lien position has been acquired on FmHA security. 5
22. *FmHA 1940-59, "Settlement Statement." 5
23. *FmHA 441-8, "Assignment of Proceeds from the Sale of Agricultural Products." 1

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| _____ 24. | * <u>FmHA 441-10</u> , "Nondisturbance Agreement." Must be obtained on all loans processed under FmHA Inst. 1941-A, Sec. 1941.14 in which the Farm and Home Plan makes no provisions for payments to other creditors whose loans are secured by farm assets which are essential to the farming operation. | 1 |
| _____ 25. | * <u>FmHA 441-13</u> , "Division of Income and Nondisturbance Agreement." | 1 |
| _____ 26. | * <u>FmHA 441-17</u> , "Certification of Obligation to Landlord." | 1 |
| _____ 27. | * <u>FmHA 441-18</u> , "Consent to Payment of Proceeds from Sale of Agricultural Products." | 1 |
| _____ 28. | * <u>FmHA 441-25</u> , "Assignment of Proceeds from the Sale of Dairy Products and Release of Security Interest." | 1 |
| _____ 29. | * <u>Crop Insurance</u> - Assignment of Indemnity. | 1 |
| _____ 30. | * <u>ASCS Assignment</u> . | 1 |
| _____ 31. | * <u>FmHA 440-26</u> , "Consent and Subordination Agreement." | 1 |
| _____ 32. | * <u>FmHA 441-5</u> , "Subordination Agreement." | 1 |
| _____ 33. | <u>FmHA 400-1</u> , "Equal Opportunity Agreement." | 6 |
| _____ 34. | * <u>FmHA 400-3</u> , "Notice to Contractors and Applicants." | 6 |
| _____ 35. | <u>FmHA 400-4</u> , "Assurance Agreement." | 3 |
| _____ 36. | <u>FmHA 400-6</u> , "Compliance Statement." | 6 |

* These forms are needed only when applicable

LOAN CLOSING CONDITIONS - SECURITY FOR LOAN:

PROCESSED BY: _____

APPROVING OFFICIAL: _____

DATE: _____

FORM FmHA 1940-1. "REQUEST FOR OBLIGATION OF FUNDS."

Total Loan	Purpose	SBA
\$ _____ Immediate Advance	_____	_____
\$ _____ FP _____	_____	_____
\$ _____ FP _____	_____	_____
\$ _____ FP _____	_____	_____

FORM FmHA 1940-17. "PROMISSORY NOTE."

ESTIMATED CLOSING DATE AND FACTOR _____

NUMBER OF INSTALLMENTS _____ INTEREST RATE _____

DATE OF INSTALLMENT	PRINCIPAL SCHEDULE	TOTAL SCHEDULED INSTALLMENT	ACCRUED INTEREST	UNPAID ACCRUED INTEREST	PRINCIPAL BALANCE
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____

FINAL INSTALLMENT, IF APPLICABLE _____

TOTALS \$ _____ \$ _____