

For: State and County Offices

Delegating Loan Approval and Servicing Authorities to FSA Employees

Approved by: Administrator



1 Overview

A

Background

The decision to approve or reject a loan request has broad implications for FSA and the loan applicant. These decisions affect applicants' lives and impact Agency risk exposure and achievement of program objectives.

Delegation of authority to an employee without adequate training and experience places the employee at risk of violating regulations and statutes. Improper approval or rejection of a loan or servicing request can have a devastating effect on applicants and borrowers, and result in significant loss or misuse of scarce Federal financial resources.

Authority to approve loans and/or servicing actions must be delegated to employees who meet experience and training requirements according to this notice.

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| <p>Disposal Date</p> <p>April 1, 2002</p> | <p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p> |
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Notice FLP-180

1 Overview (Continued)

B

Purpose

This notice:

- revises requirements for delegating Farm Loan Programs (FLP) loan approval and/or servicing authorities

provides:

- for continuation of loan approval and/or servicing authority to employees who received authority on or before October 1, 1995

requirements that must be met for reinstatement of loan approval and servicing authority to individuals whose authority was received between October 1, 1995, and September 23, 1997, and was later suspended

- requirements that must be met to receive loan approval and servicing authority after September 23, 1997
 - obsoletes Notice FLP-131.
-

C

Applicability

This notice applies to the following:

- direct farm ownership, operating, and emergency loans
 - guaranteed farm ownership and operating loans
 - servicing actions under FmHA Instruction 1951-S for direct loans
 - servicing actions on guaranteed loans
 - subordinations, partial releases, and consents for direct loans.
-

D

Contact

State Offices may direct questions to LMD at 202-720-1632.

Notice FLP-180

2 SED Action

A

Those Having Authority on or Before October 1, 1995

Employees who had approval authority on or before October 1, 1995, will continue to have the same approval authority, unless otherwise revoked by SED, according to FmHA Instruction 1901-A.

Notes: This includes former Farm Loan Managers (FLM's) who had approval authority and who became CED's **on or before** September 23, 1997.

FLM's who became CED's **after** September 23, 1997, may **not** retain loan approval authorities.

B

Those Given Authority Between October 1, 1995, and September 23, 1997

SED's were required to suspend loan approval and/or servicing authority for DD's, CED's, and State Office Specialists who received loan approval or servicing authority between October 1, 1995, and September 23, 1997, that had **not**:

- successfully completed the Credit and Financial Analysis Training (CFAT) course
- passed the FLP training program comprehensive test developed by the National Office
- if DD or State Office Specialist, submitted 3 independently prepared loan docket, and 4 independently completed docket reviews which met a credit quality level set by SED and the Farm Loan Chief (FLC)

Note: The files submitted for review must have been of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the docket must have been for term loans and none were youth loans.

- if CED, submitted a minimum of 5 independently prepared loan docket, which met a credit quality level set by SED and FLC.

Note: The files submitted for review must have been of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the docket must have been for term loans and none were youth loans.

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Notice FLP-180

2 SED Action (Continued)

B

Those Given Authority Between October 1, 1995, and September 23, 1997 (Continued)

Loan approval and servicing authority shall **not** be reinstated until all requirements have been met. After reinstatement, FLC's will continue to monitor the loan making and servicing activity of these employees to ensure that loan making and servicing actions meet State credit quality standards according to subparagraph F.

Note: Individuals who successfully completed the FmHA Assistant County Supervisor Program training in St. Louis will be exempt from meeting the first 2 criteria.

C

Farm Loan Officers (FLO's) and FLM's Hired Before July 2, 1997

To receive or maintain loan approval and/or servicing authority, Federal and non-Federal FLO's and FLM's who were hired between October 1, 1995, and July 2, 1997, but are not part of the 300 training positions filled in 1996 and 1997, must meet the following criteria:

- attend the FLO orientation training session, met exceptions stated in subparagraph B, or have received a waiver for attendance from the National Office
- successfully complete the CFAT course
- pass the 4 program area tests that are part of the FLO training 34 module training package
- pass the FLP training program comprehensive test
- submit a minimum of 5 independently prepared loan docket, which meet a credit quality level set by SED and FLC.

Note: The files submitted for review must have been of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the docket must have been for term loans and none were youth loans.

Once these conditions are met, approval authority may then be granted. After approval authority is granted, FLC's will continue to monitor the loan making and servicing activity of these employees to ensure that loan making and servicing actions meet State credit quality standards according to subparagraph F.

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Notice FLP-180

2 SED Action (Continued)

**D
Receiving
Approval
Authority After
September 23,
1997**

To receive loan approval and/or servicing authority:

Employees selected for Federal FLO positions and other Federal employees, including DD's and State Office Specialists, must:

- complete the formal FLO training program

Note: The FLO training course is designed to combine classroom type training and hands-on experience, within a 1-year period. FLO trainee or other Federal employee will work under the guidance of an experienced loan approval official.

- successfully complete the CFAT course that is part of the formal FLO training
- pass the FLP training program comprehensive test.

Farm Loan Officer Trainees (FLOT's) may or may not receive delegated FLP loan approval authorities during the training period. FLO's and FLOT's will not be considered performing at the fully successful level, for the grade level of GS-11, until they can independently complete loan approval and servicing actions within their delegated authority.

- FLM's and FLO's must submit a minimum of 5 independently prepared loan dockets, that meet a credit quality level set by SED and FLC. The files submitted for review must be of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans and none of the dockets may be youth loans.
- Any employee hired at a grade 11 or above must complete the Farm Loan Programs training program and obtain FLP loan approval authority within 12 months from accepting the position.

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2 SED Action (Continued)

D

**Receiving
Approval
Authority After
September 23,
1997
(Continued)**

- DD's and State Office Specialists must submit 3 independently prepared loan docket, and 4 independently completed docket reviews which meet a credit quality level set by SED and FLC. The files submitted for review must be of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant or borrower's operation. In addition, 3 of the dockets must be for term loans and none of the dockets may be youth loans.

Note: If an employee does not successfully meet these criteria, guidance contained in Notice FLP-177 shall be followed. **FLO's hired as county employees after July 2, 1997, must meet all of the requirements in this subparagraph; however, loan approval authority will not be delegated.**

E

**New Hires With
Prior Loan
Approval and/or
Servicing
Authority**

Employees hired as DD's or FLM's from another State and who held FLP loan approval authority from the previous State Office for at least 1 year immediately before the selection to the new position, may submit a copy of the previous delegation letter, and a statement from the previous FLC, reflecting the quality of docket reviews based upon the National Internal Review (NIR) guidelines.

This information may be used to establish the necessary actions for the employee to obtain FLP loan approval and/or servicing authority in the new State. Actions may include requiring a specified number of dockets be submitted in the new State for review based upon the NIR guidelines for a basis of determining whether approval authority should be delegated to the employee in the new State.

F

**Establishing
Credit Quality
Review Process**

SED shall work with FLC to establish the method for completing ongoing credit quality post reviews. As a minimum, this review will follow the NIR credit quality standards and any additional standards established by SED and FLC. These reviews will establish the maintenance of loan approval and/or servicing authority. An acceptable level of performance by the approval official will be a score of at least 90 percent compliance based on the applicable NIR questions.

Note: SED should take into consideration available staff and resources when developing the review process. All individuals completing credit quality reviews must have approval authority and a good background in loan making and servicing. SED and FLC may consider establishing a credit quality team in the State Office or using existing underwriting staffs, if resources are available. They may also want to consider establishing the process on a district or FLP Team basis.

Notice FLP-180

3 Other Authority

A

Routine Correspondence, Releases, Continuation Statements, Chattel Appraisals, and Inspections

The authority to sign routine correspondence, approve releases, sign continuation statements, conduct chattel appraisals, and inspections, etc., are not altered by this notice.

Approval officials may continue to delegate authority for these purposes according to FmHA Instruction 1962-A, Section 1962.3(a).

SED and FLC may establish policies to delegate authorities to the maximum extent possible consistent with individual program requirements. These delegations must be given, in writing, and may be extended to any employee determined by them to be qualified. This includes, but is not limited to, FLO's, Program Assistants, County Office Technicians, CED's, DD's, etc.

B

Authority to Service Direct and Guaranteed Loans

In addition, CED's recommended by FLC and approved by SED may be given authority to service direct and guaranteed loans as stated in 16-AO.
