UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
100 USDA, Suite 102
Stillwater, Oklahoma 74074-2653

OK Notice FLP-472

For: County Offices

2-FLP

Bank of America
Preferred Lender Program Status

Approved by: State Executive Director

1 Overview

A Background

2-FLP governs the processing and servicing of guaranteed loans. The Preferred Lender Program (PLP) allows lenders to originate and service guaranteed loans as they do their non-guaranteed loans.

B Purpose

The purpose of this notice is to:

- Advise County Offices that the Bank of America Lender's Agreement and Credit Management System (CMS) has been approved for renewal by the Deputy Administrator Farm Loan Programs.
- Provide guidance and direction to staff to ensure continuous service to the Lender.

C Contact

Direct any questions concerning this notice to Patty Wanger at (405) 742-1052 in the Oklahoma State Office.

D Filing Instructions

This notice should be filed with the FLP series Notices.

Disposal Date	Distribution
June 17, 2009	Farm Loan ProgramTeams, County Offices, DD's, COR's

2 Action

A County Office Action

Attached is a copy of the revised and renewed Bank of Americas' Lender's Agreement and Credit Management System (CMS). This replaces the CMS that is attached to the bank's master June 17, 1999, Lender's Agreement, **(maintain and do not destroy)** on file.

The PLP status will remain in effect for the 5-year period, June 17, 2004, to June 17, 2009.

PLP lenders will use their own CMS for originating and servicing FLP-guaranteed loans. Any action not addressed in the CMS will then be in accordance with 2-FLP, as a CLP lender.

The County Office shall develop and maintain an operational file on each lender. This file will contain the information outlined in 2-FLP Par. 48 B, Operational File.

B Loan Making

Only Bank of America's employees listed in the CMS assigned to the Guaranteed FLP PLP Credit Team can submit guaranteed loan applications. All PLP guaranteed loan applications should be filed with the Farm Loan Manager servicing the county which has been designated as the centralized PLP application-processing county.

Under Par. 83 B, PLP applications must be approved or rejected and the lender also notified of the decision within 14 calendar days of the complete application.

C Loan Servicing

All PLP guaranteed loans, once closed, shall be sent to the Farm Loan Manager servicing the county where the borrower's principal residence on the farm is located. If the borrower's residence is not located on the farm or the borrower is an entity, the loan will be serviced in the county where the farm or major portion of the farm is located, unless otherwise approved by the State Office.

If not covered under the CMS, Bank of America must follow the servicing requirements for CLP lenders found in 2-FLP Handbook.

All loan servicing actions on existing guaranteed loans will be based on the current CMS in effect, regardless if the loan was approved under a previous CMS revision.

D PLP Designated Loan Officers

Qualified persons designated to originate and service PLP loans for Bank of America will be in accordance with their CMS.

E CMS Interpretation

Contact the FLP Section at the State Office for any assistance and/or guidance in regards to the interpretation of Bank of America's PLP Lender's Agreement/Credit Management System (CMS).

USDA

United States
Department of
Agriculture

Farm and Foreign
Agricultural
Services

Farm Service
Agency

1400 Independence
Ave, SW
Stop 0522
Washington, DC
20250-0522

JUN 15 2004

RECEIVED
JUN 23 2004
OKLAHOMA STATE FSA
OFFICE

Mr. Gary P. Britt
Vice President
National FSA Market Manager
Bank of America
VA2-300-10-03
1111 East Main Street
Richmond, Virginia 23219

Dear Mr. Britt:

We are pleased to inform you that Bank of America has been approved for renewal as a Preferred Lender for Farm Service Agency (FSA) guaranteed loans. A copy of the signed Lender's Agreement and Credit Management System summary for the renewal is enclosed.

We anticipate that the Preferred Lender Program will continue to enhance the availability of agricultural credit in your area. We look forward to a continued working relationship with you and other officials of Bank of America in providing needed assistance to the nation's family farmers and ranchers.

Alabama, Arizona, Arkansas, California, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Maryland, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia, and Washington will be notified of your renewed status as a Preferred Lender.

Thank you for your continued interest and participation in FSA's guaranteed loan program.

Sincerely,

Carolyn B. Cooksie
Deputy Administrator for
Farm Loan Programs

Enclosures

CC:

SED/AL	SED/HI	SED/MO	SED/SC
SED/AZ	SED/ID	SED/NV	SED/TN
SED/AR	SED/IL	SED/NM	SED/TX
SED/CA	SED/IA	SED/NC	SED/VA
SED/FL	SED/KS	SED/OK	SED/WA
SED/GA	SED/MD	SED/OR	

Preferred Lender

Farm Service Agency

Bank of America

Is a Preferred Lender for the Farm Service Agency

June 15, 2004

Date

Acting Deputy Administrator for Farm Loan Programs

REPRODUCE LOCALLY. Include form number and date on reproductions.

Form Approved - OMB No. 0560-0155

FSA-1980-38
(06-09-99)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

LENDER'S AGREEMENT

See page 6 for Privacy Act and Public Burden Statements.

The purpose of this Agreement is to establish the lender as an approved participant in the guaranteed loan programs of the Farm Service Agency, U.S. Department of Agriculture. This Agreement provides the terms and conditions for originating and servicing such loans, including lines of credit. ***Provide the requested information, read this agreement in its entirety and sign in the space on the last page. Your signature indicates consent with this agreement.***

Part A - Background Information

1. Lender's Name and Mailing Address

Bank of America
101 South Tryon Street
Charlotte, North Carolina 28255-0001

2. Tax Identification Number

See item 5

3. Telephone Number *(include area code)*

(704) 386-7720

4. This agreement establishes the above lender as a:

[X] Preferred Lender (PLP) [ ] Certified Lender (CLP) [ ] Standard Eligible Lender (SEL)

5. The following suboffices of the lender are covered under this agreement:

[X] All Offices

All subsidiaries and branches of Bank of America Corporation.

Tax Identification Number:

Bank of America, NT&SA #941687665

6. The lender is authorized to submit loan guarantees in the following FSA Offices:

As outlined in the attached Credit Management System.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.

Part B - Duties and Responsibilities of FSA *("Agency")*

1. **Payment of Claims** - Agency agrees to make payment on its claims in accordance with the terms of the guarantee and Agency regulations in 7 C.F.R. part 762. The maximum loss payment may not exceed the amount determined in the guarantee, including the percentage of principal and any accrued interest, protective advances, and emergency advances. The guarantee is supported by the full faith and credit of the United States and is incontestable except under the circumstances of fraud or misrepresentation of which the lender has actual knowledge at the execution of the guarantee or which the lender participates in or condones.

2. **Personnel Available for Consultation** - Agency shall make personnel available for consultation on interpretations of Agency regulations and guidelines. The lender may consult with Agency personnel regarding unusual underwriting, loan closing, and loan liquidation questions.

Part C - General Requirements of the Lender

1. **Eligibility to Participate** - The lender must meet the requirement contained in 7 C.F.R. part 762 and be approved by the Agency to be a participant in the Guaranteed Loan Program.

2. **Knowledge of Program Requirements** - The lender is required to obtain and keep itself informed of all program regulations and guidelines, including all amendments and revisions. The lender must establish and maintain adequate and written internal policies for loan origination and servicing to meet these requirements. These policies will be made available to the Agency for review when requested.

3. **Notification** - The lender shall immediately notify the Agency in writing if the lender:

   a. Becomes insolvent;

   b. Has filed for any type of bankruptcy protection, has been forced into involuntary bankruptcy, or has requested an assignment for the benefit of creditors;

   c. Has taken any action to cease operations, or to discontinue servicing or liquidating any or all of its portfolio guaranteed by the Government;

   d. Has changed its name, location, address, tax identification number, or corporate structure;

   e. Has been debarred, suspended, or sanctioned in connection with its participation in any Federal guaranteed program; or

   f. Has been debarred, suspended, or sanctioned by any Federal or State licensing or certification authority.

4. **Employee Qualifications** - The lender shall maintain a staff that is well trained and experienced in origination and loan servicing functions, as necessary to ensure the capability of performing all the acts within its authority.

5. **Conflict of Interest** - When a lender applies for a guaranteed loan, the lender will inform the Agency in writing of any relationships which could result in a conflict of interest or the appearance of a conflict of interest. Reportable relationships include:

   a. The lender or its officers, directors, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners having a financial interest in the loan applicant or borrower.

   b. The loan applicant or borrower, a relative of the loan applicant or borrower, anyone residing in the household of the loan applicant or borrower, any officer, director, stockholder or other owner of the loan applicant or borrower holds any stock or other evidence of ownership in the lender.

   c. The loan applicant or borrower, a relative of the loan applicant or borrower, or anyone residing in the household of the loan applicant or borrower is an Agency employee.

   d. The officers, director, principal stockholders (except stockholders in a Farm Credit System institution that have stock requirements to obtain a loan), or other principal owners of the lender having substantial business dealings (other than in the normal course of business) with the loan applicant or borrower.

   e. The lender or its officers, directors, principal stockholders, or other principal owners have substantial business dealings with an Agency employee.

Part D - Underwriting Requirements

1. **Responsibility**

   The lender is responsible for originating, servicing, and collecting all guaranteed loans in accordance with Agency regulations.

2. **Origination Process**

   a. General Eligibility. The lender shall make a preliminary determination whether loan applicants meet the general eligibility requirements in Agency regulations. Agency will make the final determination.

Part D - Underwriting Requirements *(continued)*

b. Delinquency on Federal Debt. The lender shall determine whether the loan applicant is delinquent on any Federal debt. The lender shall use credit reports and any other credit history in making this determination. If the loan applicant is delinquent on or a judgment debtor on any Federal debt, processing of the application may only continue in accordance with Agency regulations.

c. Appraisals of Collateral. The lender shall ensure that the value of any collateral property or property to be purchased is determined by a qualified appraiser, including a certified appraiser when required by law or regulation.

d. Change in Borrower's Condition. Before the Agency issues a loan guarantee, the lender will certify that there has been no adverse change in the borrower's condition, financial or otherwise, since submission of the application for guaranteed loan. For use in this provision alone, the term "borrower" includes any member, joint operator, partner or stockholder.

e. Limitation on Guarantee. Late charges of any kind including default charges and default interest will not be covered by the guarantee.

3. **Loan Closing** - All loans guaranteed by the Agency shall be closed by attorneys, escrow companies, escrow departments of lending institutions, or other persons, or entities skilled and experienced in conducting loan closings. The lender shall:

a. Ensure funds for the particular loan or line of credit will be used only for the purposes authorized in Agency regulations and as contained in the conditional commitment;

b. Ensure that documents, including the mortgage and any security agreements, chattel mortgages or equivalent documents relating to it have been properly signed, are valid and contain terms enforceable by the lender;

c. Ensure that all security with appropriate lien priorities is obtained in accordance with the conditional commitment and Agency regulations;

d. Ensure that all closing documents required to be recorded are recorded accurately, in the appropriate offices, and in a timely and accurate manner;

e. Ensure that security interests are perfected in collateral according to applicable regulatory requirements and procedures;

f. Ensure that all required hazard insurance will be obtained in accordance with Agency regulations or is now in effect;

g. Collect all fees and costs due and payable by the borrower in the course of the loan transaction and disburse payment directly to the parties for services rendered;

h. Ensure that construction, relocation, repairs, or development will be complete in accordance with applicable drawings and specifications;

I. Ensure the borrower has marketable title to security property now owned, and will obtain such title to any additional property to be acquired with loan funds, subject only to the instruments securing the loan to be guaranteed and any other exceptions set forth in Agency regulations;

j. The entire loan will be secured equally with the same security and the same lien priority for both the guaranteed and unguaranteed portions of the loan, under the assurance that the unguaranteed portion of the loan will not be paid first nor given priority over the guaranteed portion of the loan;

k. Submit the required guarantee fee with the guaranteed loan closing report.

4. **Restriction and Disclosure of Lobbying Activities** - If any funds have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or any employee of a Member of Congress in connection with this commitment providing for the United States to guarantee a loan, the undersigned shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into any transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such failure.

Part E - Servicing Requirements

1. **Responsibilities** - The lender will service the entire loan as mortgagee and secured party of record in a reasonable and prudent manner, notwithstanding the fact that another party (holder) may hold a portion of the loan.

2. **Supervision** - The lender's responsibilities regarding borrower supervision include, but are not limited to, the following:

a Ensure loan funds are not used for any unauthorized purpose.

b. Ensure borrower compliance with the covenants and provisions provided in the note, loan agreement, security instruments, any other agreements, and 7 C.F.R. part 762.

c. Perform an annual analysis of the borrower's financial condition to determine the borrower's progress when required by Agency regulations.

Part E - Servicing Requirements (*continued*)

d. Account for all collateral.

e. Discuss any observations about the farm business with the borrower.

f. Ensure the borrower and any party liable for the loan is not released from liability for all or any part of the loan, except in accordance with Agency regulations.

3. **Reporting Requirements** - The lender recognizes that the Agency, as guarantor, has a vital interest in ensuring that all acts performed by the lender regarding the subject loans are performed in compliance with this agreement and Agency regulations. Information on the status of guaranteed loans is necessary for this purpose, as well as to satisfy budget and accounting reporting required by the Department of Treasury and the Office of Management and Budget. The lender agrees to provide Agency with all the data required under Agency regulations and any additional information necessary to monitor the status of its guaranteed loan portfolio, and to satisfy external reporting requirements.

   The lender also agrees to provide to the Agency upon request, copies of audited financial statements, reports on internal controls, copies of compliance audits, and such other information that may be required of the Agency to monitor the lender's performance.

4. **Negligent Servicing** - The guarantee cannot be enforced by the lender to the extent a loss results from a violation of usury laws or negligent servicing regardless of when the Agency discovers such violation or negligence. Negligent servicing is defined as the failure to perform services which a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed. The term includes both a failure to act and not acting in a timely manner to include actions taken up to the time of loan maturity or until final loss is paid.

5. **Payments** - Payments from the borrower shall be reviewed by the lender and processed upon receipt according to Agency regulations, and may include escrow premiums for hazard insurance and real estate taxes. The lender shall promptly disburse to any holder the holder's pro rata share according to their respective interests in the loan, less only the lender's servicing fee.

6. **Collateral**

   a. Insurance. The lender shall ensure that adequate insurance is maintained in accordance with Agency regulations, including the maintenance of property, casualty, flood, and hazard insurance containing a loss payable clause in favor of the lender as the mortgagee or secured party.

   b. Escrow Accounts. The lender may establish separate escrow accounts. All escrow accounts must meet applicable Federal and State laws and regulations, and must be fully insured by the FDIC or cross collateralized with unencumbered Government Securities.

   c. Inspection. The lender shall inspect the collateral as often as necessary to properly service the loan and ensure the collateral is being properly maintained.

   d. Taxes. The lender shall ensure that taxes, assessments, or ground rents against or affecting collateral are paid.

7. **Delinquent Accounts**

   a. A guaranteed loan is in default after 30 days have passed and the borrower has not made a payment as due or has otherwise violated a loan agreement. The lender is responsible for resolution of the default. The lender will notify the Agency using an FSA default status report when a borrower is 45 days past due or otherwise in default. This report will be submitted every 60 days thereafter and will contain a summary of collection, restructuring or liquidation steps taken since the previous report.

   b. The lender may take actions to correct the default as provided in 7 C.F.R. part 762. A loan that has been sold on the secondary market can only be restructured if the loan is repurchased or upon written concurrence from the holder.

   c. The lender will work in good faith with the borrower to allow them to cure the default, where reasonable. The lender must participate in mandatory farmer-creditor mediation in accordance with 7 C.F.R. part 762, State law and the rules that govern the mediation program that operates in the State in which the borrower resides.

   d. The lender must consider the borrower for interest assistance as provided in 7 C.F.R. part 762. If the lender determines that default can be cured by rescheduling the loan with interest assistance, lender will request a determination of the borrower's eligibility by the Agency. Liquidation or foreclosure cannot be initiated until 60 days after consideration.

8. **Sales or Participation**

   a. The guaranteed portion of loans may be sold in accordance with 7 C.F.R. part 762. Lines of credit cannot be sold, but may be participated with other lenders.

   b. When a loan has been sold, the holder can demand that the lender repurchase the unpaid guaranteed portion of a loan in accordance with the FSA assignment of guarantee.

Part E - Servicing Requirements (*continued*)

c. If the lender is unable to repurchase, the holder may make a demand for repurchase to the Agency. Repurchase by the Agency in no way alters lender responsibilities to the loan under this agreement or the loan guarantee. A restructuring action may not be executed once the Agency has repurchased the guaranteed portion of the loan and within 180 days the lender must reimburse the Agency for the repurchase or liquidate the loan in accordance with Agency regulations. Lender must send the pro rata share of the borrower's payments directly to the Agency until liquidation is complete.

d. Failure to reimburse the Agency within 180 days for repurchase, if not waived by the Agency, is a violation of this agreement.

9. **Default/Liquidation**

a. Protective Advances. Protective advances must constitute a debt of the borrower to the lender and be secured by the security instrument. Agency written authorization is required for protective advances in accordance with the terms and amounts specified by 7 C.F.R. part 762 regulations.

b. Additional Loan or Advances. In cases of a Line of Credit, the lender may make an emergency advance when a line of credit has reached its ceiling and additional funds are needed to prevent an imminent loss of crops or livestock that would take place if the emergency advance were not made. The lender must provide Agency with an analysis as required by Agency regulations.

c. Future Recovery. After a loan has been liquidated and a final loss has been paid by the Agency, any future funds which may be recovered from the borrower will be pro-rated between the Agency and the lender.

d. Bankruptcy. The lender is responsible for protecting the guaranteed loan debt and all collateral securing the loan in bankruptcy proceedings. Loss payments on bankruptcy cases will be processed according to the terms described in Agency regulations.

e. Liquidation. Liquidations must receive prior Agency concurrence when required by regulations.

f. Loss Claims. The lender will submit an estimated loss claim to the Agency in the event liquidation will exceed 90 days. Estimated and final claims will be processed in accordance with the terms described in Agency regulations.

10. **Servicer** - If the lender contracts for servicing of guaranteed loans, the lender is not relieved of responsibility for proper servicing of the loans.

Part F - Agency Reviews of Lender's Operations

The Agency may conduct reviews, including on-site reviews, of the lender's operations and the operations of any agent of the lender, for the purpose of verifying compliance with this agreement and Agency regulations and guidelines. These reviews may include, but are not limited to, audits of case files; interviews with owners, managers, and staff; audits of collateral; and inspections of the lender's and its agents underwriting, servicing, and liquidation guidelines. The lender and its agents shall provide access to all pertinent information to allow the Agency, or any party authorized by the Agency, to conduct such reviews.

Part G - Conformance to Standards

1. The lender shall conform to the standards outlined in this agreement and Agency regulations for participation in the Agency's guaranteed loan program. CLP and PLP must maintain compliance with the criteria set forth in 7 C.F.R. part 762. The Agency shall determine lender adherence to the standards based on:

a. Adequacy in meeting requirements for origination, servicing, and liquidation of loans and lines of credit, including protection of collateral;

b. Satisfaction of the reporting requirements of the Agency;

c. Success in operating in a sound, prudent and businesslike manner;

d. Portfolio performance compared to overall performance of the Agency's guaranteed loan program; and

e. Results of on-site reviews of the underwriting and servicing performed by the lender.

2. **Determination of Non-Conformance** - The Agency shall carefully consider the circumstances and available facts in determining whether there is a pattern of lender non-conformance with applicable standards. The Agency shall determine the propriety of any decision made by the lender based on facts available at the time the specific action was taken. It is understood by the Agency and intended by this agreement that the lender has the authority to exercise reasonable judgement in performing acts within its authority. However, the Agency reserves the right to question any act performed or conclusion drawn that is inconsistent with this agreement or Agency regulations or prudent lending practices.

3. **Agency Action** - If the lender is determined to be in non-conformance with any Federal law, State law, Agency regulation, or guideline, or the terms of this agreement, the Agency may take action in accordance with its laws and regulations.

4. **Lender Right of Appeal** - The Agency will provide the lender an opportunity to appeal adverse Agency actions in accordance with Agency regulations.

Part H - List of Agency Regulations and Guidelines and Designation of Lender Authority to Perform Certain Acts

1. **List of Agency Regulations** - The guaranteed loan program is administered under 7 C.F.R. part 762. The lender is required to comply with these regulations as well as any future amendments not inconsistent with this Agreement.

2. **Authority to Perform Certain Acts** - Agency regulations describe the authorities and responsibilities for lenders. In addition, PLP will process and service loans as described in their application for PLP status approved by the Agency. This application is described in the preferred lender program attachment to this agreement. The lender further agrees to inform the Agency and obtain approval on changes to any policy or process described in the application for PLP status.

Part I - Duration and Modification

1. **Duration and Termination**

   a. **Duration and Agreement** - For CLP and PLP, the Agreement is valid for five years unless terminated by the lender or the Agency as described below or revoked according to Agency regulations. For SELs, this agreement will be valid indefinitely unless terminated by the lender or Agency as described below.

   b. **Modification of Agreement** - This agreement may be modified or extended only in writing and by consent of all parties.

   c. **Termination by Agency** - This agreement may be terminated by the Agency in accordance with Agency regulations.

   d. **Termination by the Lender** - This agreement may be terminated by the lender by providing 30 days written notice to the Agency.

   e. **Effect of Termination on Responsibilities and Liabilities** - Responsibilities or liabilities that existed before the termination of the agreement with regard to outstanding guarantees will continue to exist after termination unless the Agency expressly releases the lender from such responsibilities or liabilities in writing. The lender shall remain obligated to service and liquidate the guaranteed loans remaining in the portfolio unless and until the Agency or the lender transfers the loans. These requirements concerning loan management by the lender and rights of the Agency under this agreement shall remain in effect whether the agreement is terminated by the lender or Agency.

   f. **Revocation of CLP or PLP status** - If the Agency revokes CLP or PLP status, loans made while the lender held this status must continue to be serviced under this agreement and according to Agency regulations applying to SELs or CLP, whichever status the lender then holds.

2. **Entire Agreement** - This agreement, Parts A through K inclusive along with any attachments, and any regulations or guidelines incorporated by reference shall constitute the entire agreement. There are no other agreements, written or oral, regarding the terms in this agreement which are or shall be binding on the parties.

Part J - Certification

I certify that I have read and understand the requirements in the agreement, and in 7 C.F.R. part 762, and agree to the participation requirements and other provisions of this agreement.

1. Name and Title of Lender Representative	2. Authorized Lender Representative Signature	Date
Gary P. Britt, Vice President	Gary P. Britt, Vice President	6/3/2004

Part K - FSA Use Only

1. Name and Title of FSA Representative	2. FSA Representative Signature	Date
James F. Radintz, acting for Carolyn B. Cooksie, Deputy Administrator for Farm Loan Program		6/15/04
3. Effective Date of Agreement	**4. Agreement Expiration Date** *(CLP and PLP only)*	
June 18, 2004	June 17, 2009	

NOTE: *The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a): the Farm Service Agency (FSA) is authorized by the Consolidated Farm and Rural Development Act (7 USC 1921 et seq.) and the regulations promulgated thereunder, to solicit the information requested on this agreement. The information requested is necessary for FSA to determine eligibility for guarantee or other financial assistance, service your guarantee, and conduct statistical analyses. Supplied information may be furnished to other Department of Agriculture agencies, the Department of the Treasury, the Department of Justice or other law enforcement agencies, the Department of Defense, the Department of Housing and Urban Development, the Department of Labor, the United States Postal Service, or other Federal, State, or local agencies as required or permitted by law. In addition, information may be referred to interested parties under the Freedom of Information Act (FOIA), to financial consultants, advisors, lending institutions, packagers, agents, and private or commercial credit sources, to collection or servicing contractors, to credit reporting agencies, to private attorneys under contract with FSA or the Department of Justice, to business firms in the trade area that buy chattel or crops or sell them for commission, to Members of Congress or Congressional staff members, or to courts or adjudicative bodies. Disclosure of the information requested is voluntary. However, failure to disclose certain items of information requested, including your Social Security Number or Federal Tax Identification Number, may result in a delay in the processing of an application or its rejection.*

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0155. The time required to complete this information collection is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. ***RETURN THIS COMPLETED FORM TO YOUR LOCAL FSA OFFICE.***

PREFERRED LENDER PROGRAM
CREDIT MANAGEMENT SYSTEM SUMMARY
ATTACHMENT TO FORM FSA-1980-38, "LENDER'S AGREEMENT"

Bank of America
Charlotte, North Carolina

The following information summarizes the Credit Management System requirements agreed to by Bank of America of Charlotte, North Carolina (Lender) as provided in the request for renewal of Preferred Lender (PLP) status. Requirements for loan administration, servicing and reporting activities not specifically addressed in this attachment are governed by the attached Form FSA-1980-38, "Lender's Agreement," and 7 CFR 762.

Bank of America is interested in continued participating in Government Guaranteed Lending as a way to meet borrower's needs for added flexibility in loan structuring. The Government's guarantee enables the Lender to make loans to credit worthy borrowers needing extended terms, repayment periods or credit enhancements to help improve a borrower's coverage and to offset single credit issues, such as inadequate collateral, which may have traditionally prevented the Lender from making a loan.

I. GENERAL OPERATIONS

A. Normal Trade Area

Bank of America is presently a PLP lender in Alabama, Arizona, Arkansas, California, District of Columbia, Florida, Georgia, Hawaii, Idaho, Illinois, Iowa, Kansas, Maryland, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia, and Washington (state).

B. Policy Exceptions

Exceptions to policies may be made on a case-by-case basis when allowed by law. All exceptions will be documented as modification to the Credit Approval Report. Exceptions will be approved under same authorities and thresholds as loan approvals.

C. Interest Rates, Loan Terms and Fees

The Lender will not charge guaranteed loan customers rates, which exceed those charged to the Lender's average loan customer. As a rule, interest rates are established based on risk profile and bank relationship. See the attached Agricultural Quick Reference Guide for details on repayment terms, loan to value, and additional underwriting criteria.

D. Organizational Structure/Loan Officers Qualifications

The St. Louis Client Credit Services agribusiness-underwriting group is dedicated to small farm agricultural lending. All conventional and FSA agricultural guaranteed loans under $3,000,000 are underwritten in this center. Three levels of credit underwriting/approval exist within this group:

1. Agricultural Approval Officer: Experienced agricultural lenders with broad based knowledge of the agricultural industry and experience in analyzing agricultural credits and financial information.

2. Market Leader: Client Credit Services Executive with 15+ years of experience in agricultural lending, including portfolio management and portfolio risk analysis. Experience is broad based and covers multiple agribusiness lines of business, crops, and livestock. Credit Manager is on-site in St. Louis Client Credit Services.

3. Regional Risk Management Executive: Credit Officer with 15+ years of agricultural and small business lending experience, including portfolio management and portfolio risk analysis. Experience is broad based and covers multiple agribusiness lines and business, crops, and livestock. Credit Policy officer is off-site and only involved in approvals when total business exposure exceeds the Client Credit Services limit, or when two or more exceptions to policy are present in a particular credit.

Loan authority is delegated to Underwriters/Approval Officers by experience level and type of loan. The following are lending authorities for Agricultural Underwriters and Credit Policy Officers:

Position	Secured Limit	Unsecured Limit	Cash Secured Limit
Approval Officer	$1,000,000	$250,000	$1,000,000
Market Leader	$3,000,000	$350,000	$3,000,000
Regional Risk Management Executive	$5,000,000	$3,000,000	$5,000,000

E. FSA Marketing and Administration

1. FSA Marketing and Administration Units

- Part of the Bank of America's Client Credit Services, Central Region, in St. Louis, Missouri.

2. Field support

- Achieved through FSA Market Manager, a position dedicated to support Client Manager's FSA production throughout all geographic territories serviced through Bank of America franchise.

3. Present Franchise Market Area

- FSA production is in Arizona, Arkansas, California, Florida, Georgia, Kansas, Idaho, Illinois, Iowa, Maryland, Missouri, Nevada, New Mexico, North Carolina, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Virginia, and Washington (state).

4. **FSA Market Manager**
   - Coordination of the FSA PLP process between Client Credit Services and Client Managers.
   - Client Managers FSA training.
   - Lender's primary relationship manager with the Agency is responsible for working to resolve any issues between the Agency and the Lender.
   - Aggressively work with Client Managers to help meet information needs of Client Credit Services and the Agency, while keeping the customer's needs in mind at the same time.
   - Ultimately responsible for driving FSA volume.
   - At minimum, eight years of agricultural lending experience in addition to eight years of small business lending experience.
   - Expertise in FSA guaranteed lending.
   - Graduated from a formal commercial bank credit training and/or University Agricultural Credit School.
   - Exhibits an ability to creatively structure transactions to meet FSA, Bank of America, and customer needs.

5. **FSA Monitoring Specialist**
   - Support processing and servicing/monitoring of FSA guaranteed loans
   - FSA loans (under PLP program) will be documented in a very similar fashion to conventional agricultural loans.
   - Will handle front-end FSA application preparation (FSA 1980-28), eligibility screens, and package submission to the Agency.
   - Execute Conditional Commitments from the Agency.
   - Process any FSA paperwork between the Lender and the Agency.
   - Responsible for portfolio reporting and monitoring.
   - Loan packages will be forwarded to the appropriate County/Regional office for approval.
   - Semi-annual loan reporting will be submitted to county offices of FSA.

F. Application Requesting a Guarantee

1. **Origination**
   - FSA guaranteed loans as in conventional process are sourced/originated by Client Managers.

2. **FSA Eligibility**
   - An FSA Eligibility Questionnaire and FSA Form 1980-28 sent overnight delivery to the area Client Manager for completion by the borrower and Client Manager).
   - Client Manager certifies no conflict of interest, and determines the farm as a "suitable" enterprise.
   - If eligibility issues arise as a result of borrower's responses to items in the questionnaire, the Lender's FSA Market Manager (see role definition above) and Client Manager will determine if the loan, based upon FSA regulations, is eligible for a guarantee.
   - State/local FSA officials will also be consulted if eligibility is in question.

3. **Submission to FSA**

- If the loan is eligible based upon satisfactory answers in the eligibility questionnaire, and no environmental issues are identified through customer interview/farm inspection, the FSA loan package is prepared by the FSA Monitoring Specialist and faxed/sent either to the state or local FSA office (at lender's discretion) where the borrower resides/farm is located. The Lender will work with the appropriate State FSA Office to assure that environmental policies and procedures are in compliance with FSA requirements.

- The package submitted to FSA will consist of the following:
  - **a.** Application FSA-1980-28, "Preferred Lender Application for Guarantee."
  - **b.** A narrative will include purpose of loan request and cover the Five C's of Credit.
  - **c.** If required, an environmental due diligence report will be available in our file for review by FSA.
  - **d.** Copies of plans and specifications for construction will not be submitted to the Agency in the approval package, but will be available by request.

4. **FSA Approval/Decline**

- 14-day response period shall begin with receipt of complete faxed package by FSA. The Agency will notify the Lender by fax 5 calendar days of receipt and if the application package is deemed incomplete by the Agency.
- FSA approves or declines the loan, and notifies Bank of America with a Conditional Commitment (FSA-1980-15) or decline, via fax, to the attention of the FSA Monitoring Specialist, 800-236-6508, or other number as provided to the Agency.
- If approved, the Lender executes Conditional Commitment and faxes back to the Agency county/region office.
- If approved by the Agency with conditions not acceptable to the Lender, FSA-1980-15 will be returned with requested changes to the Agency.
- If no approval of notification of review is received from the Agency within 14 days, the application will automatically be approved, subject to funding, and receive an 80% or 95% guarantee, as appropriate. Bank of America will not close the loan or disburse funds until funds are obligated by FSA and FSA-1980-15 is issued.

5. **Appraisals**

- Appraisals can be ordered during the 14-day timeframe that the Agency is reviewing the credit for approval.
- As long as the appraised values of collateral/real estate are in accordance with the specific Desktop Workbook approval, appraisals will not be forwarded to the Agency for concurrence.
- Equipment and Livestock Collateral (Chattel) Appraisals

a. Primary Collateral
- Appraisal required
- UCC & security agreement to contain all-inclusive Secondary Collateral
- Appraisal required at the discretion of the Approval Officer
- UCC and security agreement to contain all inclusive language

b. Abundance of Caution (where no significant equity in equipment exists)
- Consider as secondary collateral
- UCC and security agreement to contain all inclusive language
- No appraisal required

- Appraisals for FSA guaranteed loans would be prepared as follows:

Amount	Collateral	Appraisal Type
$0-$50,000	Commercial Real Estate	Tax Assessment Verification
All	Equipment/Vehicle	Bill of Sale or Equipment Appraisal
$50,000+	Commercial Real Estate	*Real Estate Evaluation by Certified Appraiser

NOTE: A Real Estate Evaluation by Certified Appraiser consists of a limited analysis, in a summary format, with a market value conclusion. It is performed by a state certified appraiser on the Lender's Real Estate Review Area approved list for external appraisers. Standards for this limited analysis are the OCC Bulletin 94-95, USPAP, FIRREA, and Bank of America Policy.

6. Hazard and Crop Insurance Requirements

- Hazard insurance is typically required at closing except when taken as abundance of caution and is considered to have no collateral value but must be specifically waived by the Approval Officer in the underwriting process.
- Conventional Bank Agribusiness Credit Policy: multi-peril insurance is typically required (when available) on crop production loans unless the borrower has significant equity in real estate, equipment or other tangible assets.

7. Documentation/Closing

- After receipt of Conditional Commitment from Agency the Lender's centralized commercial documentation unit draws loan documents.
- Loan Documents and FSA Certification Form (assuming loan is approved by FSA within 14 days approval period) are sent to the closing attorney or Client Manager and the loan are closed locally.
- At closing FSA guarantee fees are collected.
- Guarantee fees and applicable FSA forms are sent to the appropriate FSA Service Center after closing. Including, Conditional Commitment (FSA-1980-15), Lender Certification (FSA-1980-22), Guaranteed Lending Closing

Report (FSA-1980-19), original Preferred Lender Application for Guarantee (FSA-1980-28), cashiers check for fee, and the closing documents.

II. LOAN ANALYSIS/ INITIAL UNDERWRITING

As in the conventional agricultural loan process, FSA guaranteed loans are approved and underwritten centrally at Client Credit Services in St. Louis using the Lender's "Desktop" analysis system. FSA loans are approved, contingent upon credit enhancement/guarantee from the FSA, if the credit does not meet conventional loan underwriting criteria. If a loan exhibits weakness in a credit factor, the Lender's loan narrative shall clearly discuss how the weakness will be offset by other strengths and compensating factors. When total business exposure for an FSA loan relationship (i.e. FSA and conventional credit exposure combined) exceeds Client Credit Services loan authority of $3,000,000, concurrence is required by a Regional Risk Management Executive.

A. Character/Credit Score:

1. Score is considered a good indicator of the customer's character, indicating a willingness to repay based on public credit data and historical borrower performance characteristics.
2. FSA guaranteed loans must score an established minimum of 55 on the proprietary Bank of America Agricultural Credit Score Model. Conventional agricultural loans must score an established minimum of 65.
3. FSA guaranteed loans threshold has been lowered to allow the guarantee to be used for credits that may not meet conventional underwriting standards.

B. Capacity Analysis:

1. Analysis of capacity is based on a review of historical cash or accrual basis tax returns and/or income statements. Projections may be required if significant changes in operation are proposed by the customer.
2. New FSA guaranteed loans require 3 years of financial statements and/or tax returns.
3. Global cash flow coverage (personal plus business/farm) must exceed 1.1:1.

C. Capital Analysis:

1. Analysis of capital is based on a review of the cost basis or fair market value basis financial statements. Statements of both borrower(s) and guarantor(s) are required.
2. Financial statements must be dated within 12 months of the date of the credit application.
3. Generally, the borrower ratio of total liabilities to tangible net worth (on a fair market value basis) will not exceed 3:1 with fully drawn production, livestock loan, 1.5:1 with rested production, or the livestock line.

D. Collateral Analysis:

1. Based on balance sheet data, required appraisal and anticipated crop and/or livestock production.
2. Maximum loan to value is detailed in the Lender's Agricultural Loan Products Credit Policy Guide and Agricultural Loan Products Quick Reference Guide.
3. Lender will comply with security requirements of 7 CFR 762.126 and appraisal requirements of 7 CFR 762.127.

E. Conditions:

1. The maximum terms will be based on loan product and purpose as detailed in Lender's Agricultural Products Credit Policy Guide and Agricultural Loan Products Quick Reference Guide.
2. Amortization of FSA Guaranteed Loans will be dependent upon collateral type and economic life of the collateral securing a loan. The following are maximum terms for FSA Guaranteed Loans:

Collateral Type	Maximum Amortization	Balloon
Real Estate (Term Loan)	30 years	15 years
Equipment—New (Term Loan)	7 years	None
Equipment—Used (Term Loan)	5 years	None
Crops/Livestock (Line of Credit)	5 years	None

III. ONGOING CREDIT ACTION/RENEWALS OF EXISTING FACILITIES

Renewals of FSA-guaranteed loans/lines

A. **Renewals of FSA Lines of Credit with commitments </= $100,000 and Term Loans** with outstanding balances of $500,000 and less may utilize the LOC/TERM Renewal Memorandum so long as the facilities pass the documented criteria (score, payment performance, structure) that guides the Lender's abbreviated renewal process for the conventional portfolio. Facilities must pass the minimum score requirements of 55 (Bank of America Agricultural Credit Score), and loan repayment may not have exceeded 2 x 30 days or 1 x 60 days past due within the last 12 months.

B. **Renewals of FSA Lines of Credit or Term Loans** that do not pass the abbreviated renewal criteria or which exceed $100,000 for lines of credit and $500,000 for Term Loans requires underwriting and analysis on Desktop, with updated financial information provided by the Client in all cases. (See above—Loan Analysis and Initial Underwriting, items A through E). The Client Manager or the Agency will submit an Agricultural Inspection Worksheet to Client Credit

Services. The Agriculture Approval Officer, as part of the renewal, will review the Inspection Worksheet.

IV. SERVICING—GENERAL AGRICULTURAL PROCESS AND FSA GUARANTEED LOANS

A. General Information

Bank of America has a consistent conventional loan servicing process that has proven successful as evidenced by the Lender's low overall loan loss ratio. The Lender will also follow this process with FSA guaranteed loans. The following is a summary of the specific methods and procedures used to service and administer agricultural loans:

1. Loans in Client Credit Services agricultural portfolio are monitored quarterly by credit scoring. For the portfolio of loans/lines on AFS East, this is accomplished by an automated extract from the AFS East loan system to Experian, which returns a FICO score that is posted to the Client's AFS loan record and appears on a customized Focus Report distributed to the St. Louis AG Monitoring. When there is "no hit" and a score is not returned the AG MS then manually pulls the Agribusiness score and a FICO score for the primary guarantor. If there is no score for loans/lines on AFS West, this requires manual pulling of the Agribusiness and FICO score for the primary guarantor.

2. Loans are considered delinquent and identified automatically based on past due payment status. Loan delinquencies are recognized when the loan is 8 or more days past due. Loans/lines that have past due payments are monitored by Business Contact Center associates who contact borrower and/or Client Manager for discussion of delinquency. Loans/lines that are past maturity are the responsibility of the AG MS, the Client Manager, and the Client.

3. Loans are generally risk rated by delinquency and payment history however a loan may also be rated based upon known financial issues/conditions of the Borrower. Loans 30-59 days past due are rated as "watch", loans 60-89 days past due are rated as "other assets especially mentioned", and loans 90 days or greater past due are considered "substandard". On any government guaranteed loan, delinquent 45 days or greater, without a definite cure plan to bring current, the loan is transferred to the Lender's Special Assets Unit for immediate attention/remediation.

B. FSA PLP Servicing Plan

Unless otherwise stated in a commitment letter or loan agreement, the servicing plan for all FSA guaranteed loans at Bank of America will be as follows:

1. Annual Review/Renewal

- **Term Loans:** Discussed under Section III above.

- **Lines of Credit:** Discussed under Section III above. Annual renewal monitoring will be performed at the annual renewal date for relationships with a line of credit (including annually for FSA lines of credit with 5 year maturities). Annual renewal monitoring will consist of the following:

  a. Receipt of annual financial information on borrower and guarantors, including borrower FYE Financial Statements and/or tax returns, and guarantor Financial Statements and/or tax returns. This applies to lines of credit with commitment amounts >$100,000 or lines of credit with commitment amounts </= $100,000 that have failed the accelerated renewal criteria.
  b. Obtaining new personal credit scores (or custom agricultural score) on individual borrowers and primary guarantors.
  c. Analysis of repayment adequacy by completion of an agricultural cash flow worksheet. (Lines of credit being renewed on Desktop only)
  d. Review of the borrower's balance sheet for significant changes in liquidity, leverage, and specific balance sheet components. (Lines of credit being renewed on Desktop only)
  e. Covenant compliance testing, if applicable.
  f. Review of annual Agriculture Inspection Worksheet, updated valuation of collateral, and collateral adequacy testing. (All facilities >$100,000 and any facility being renewed on Desktop)

2. Line of Credit Advances/Pay-downs

In order to offer flexibility and maintain high customer satisfaction, Bank of America offers several ways for a client to advance on their line of credit.

These consist of the following:
- Contacting or visiting their Client Manager
- Contacting or visiting a Banking Center
- Contacting Doc & Loan Administration
- Contacting the Call Center (1-800 number for client support)

While these numerous channels do not allow us to record the specific uses of advanced funds, the sources of repayment during annual reviews or other reviews that become necessary through monitoring of the credit (such as a review resulting from a quarterly score failure, etc.), a review of LOC usage will be performed. In this review, LOC usage is compared to the needs of the farming operation, the sources of repayment, and the financial statement information provided by the customer. Then a determination will be made as to whether or not LOC usage is appropriate. If not, suitable action will be taken.

Note: As standard practice, annual review/monitoring analysis and information will not be distributed to the Agency, but will be maintained in the Lender's Credit File. This monitoring shall also suffice as a report as to the whereabouts/disposition of collateral.

3. Quarterly Monitoring and Review

- *Term Loans:* Quarterly Agribusiness Credit Score (through proprietary score model), if the loan fails the FSA score cut, the Lender may request updated financial information from the Borrower. This information is analyzed in light of debt service requirements and leverage of the Borrower. The AG MS will complete the Client Credit Services Agricultural Review form for any facilities that fail the expected score. These are referred to the Agriculture Approval Officer for review.
- *Lines of Credit:* Quarterly Agribusiness Credit Score (through proprietary score model), annual monitoring will be performed at the annual renewal date for relationships with a line of credit (including annually for FSA lines of credit with 5 year maturities). The AG MS will complete the Client Credit Services Agricultural Review form for any facilities that fail the expected score. These are referred to the Agriculture Approval Officer for review.
- Score failure review involves risk evaluation including collateral adequacy assessment by the Approval Officer. The Approval Officer will determine if additional inspection or reappraisal of collateral is deemed necessary and the fee paid by the Client. Reviews will be filed in the credit file and central file for future review and reference.

C. Other FSA Servicing Issues

1. Collateral Release

- As a matter of standard business practice, collateral releases are made only if the value received would be applied to the loan balance or if there is an equivalent substitution of collateral.
- In rare instances, partial releases are made when the Lender is confident there is sufficient remaining collateral to cover the loan amount.
- In some cases, subordination is agreed to if the Borrower is able to obtain outside financing and this would protect the Lender's loan while possibly improving the financial condition of the Borrower.
- If a request to release collateral doesn't qualify under the lender's authority to release, per 762.142(b) Partial Releases, the Lender will document the release request through a modification to Credit Approval Report (see Exhibit 8—CAR Modification). The CAR Modification will include rationale for release and fallback analysis for the credit as proposed. The CAR Modification will be faxed to the county FSA office, referencing the obligor and the county office. Updated financial information may be requested of the Borrower, if deemed necessary, in making the release determination. This information will not be forwarded to the Agency as a part of the collateral request release, but will be referenced in summary of the CAR Modification.

2. Hazard insurance

- All Borrowers will be notified of the requirement that they must maintain risk and extended coverage hazard insurance throughout the term of the loan

unless waived by an Approval Officer. Should a notification of cancellation or non-renewal be received for real estate secured loans, as with our conventional loans, no action is required unless the loan amount is greater than $500,000. Bank of America is self-insured up to $5 million.

- Flood insurance is required in accordance with 762.123(a)(3) of 7 CFR part 762.

3. **Additional Loans**
   - No restrictions are placed on the Lender making non-guaranteed loans to FSA guaranteed loan Borrowers. If non-guaranteed loans are made, the security and payment requirements of section 762.126(c) 762.126 (e)(2) and 762.140(d) of 7 CFR part 762 will be met.

4. **Loan Consolidations**
   - Consolidation of two or more FSA guaranteed loans might be carried out in accordance with requirements of section 762.146(e) of 7 CFR part 762.

5. **Emergency Advances**
   - The Lender may make emergency advances with written approval from the Agency in accordance with section 762.146(a)(3) or 7 CFR part 762.

6. **Subordinations**
   - Guaranteed loan collateral positions will not be subordinated to secure another debt, except in accordance with section 762.142 (c) of 7 CFR part 762.

7. **Interest Assistance**
   - Approval, servicing, and reporting requirements for loans with interest assistance will be in accordance with Form FSA 1980-64, "Interest Assistance Agreement" and section 762.150 of 7 CFR part 762.

8. **Transfers and Assumptions**
   - Transfers/Assumptions will be submitted to the Agency as if the credit were a new FSA loan request.
   - The standard PLP process will be followed and the Desktop workbook, FSA application, and eligibility checklist will be submitted to the state FSA office as a new loan.

9. **Guarantor Release**
   - As a matter of standard business practice, the Lender does not release obligated parties from liability of debt.
   - On rare occasions, such as divorce, the Lender will consider release of an obligated party, however the remaining party has to meet the Lender's normal credit criteria and the released party must waive any claim to the assets used as collateral.
   - In the case of a separation or divorce, a legal separation or divorce agreement is required prior to the release.

- Request for release of guarantor or obligor from an FSA guaranteed loan would be submitted using the Modification of Credit Approval Report, as per a *Collateral Release* request (see above), and according to provisions in section 762.146 of the FSA regulation.

10. Debt Restructure/Deferrals

- Debt Restructure/Deferrals of payment are made by the Lender based on an analysis of the Borrower's cash flow, which is derived from the Borrower's financial information.
- A deferral may be considered when a delinquency is the result of a temporary hardship and evidence indicates that operations have been returned to profitability.
- For debt restructures and deferrals of FSA guaranteed, the Lender would process loans without prior approval by the Agency. Notification of changes in terms of the note will be sent to the county FSA office with a copy of a Credit Approval Report (CAR) Modification and any new/modified loan documents.
- Debt restructures include deferral of interest/principal (due to seasonal timing of cash flow), re-amortization/reduction of a loan amount based upon sale of collateral, and renewal of a balloon note.

11. Other Servicing Actions

- As an FSA Guaranteed loan may be only one facet of a borrowing relationship, the Lender will have the ability to make advances under existing conventional loans, or additional conventional loans (consumer purpose, agricultural, commercial or other) to Borrowers and Guarantors of an FSA guaranteed loan without notification to the Agency.
- Unless otherwise stated in this document, or required by 7 CFR 762, Bank of America will underwrite, approve, and service FSA guaranteed loans in the same manner and under the same process as a conventional agriculture loan.

12. Sale or Participation of Loan

- The provisions of sections 762.144 and 762.160 of 7 CFR part 762, Form FSA 1980-38 "Lender's Agreement," and form FSA 1980-36, "Assignment of Guarantee," will govern sales and participation of loans. These provisions are not amended by this attachment. Form FSA 1980-36, agreements with holders, and other documents relating to sale of an FSA Guaranteed loan will be maintained in the Borrower's file.

13. Reporting and Monitoring

- All semi-annual status reports with the form FSA 1980-41 (due 30 days following as of date March 31 and September 30, yearly) including outstanding balances on FSA loans to the Agency by the Lender.
- These reports are initiated and completed by the Agriculture Monitoring Specialist. Copies of all general bank completed status reports will be filed (in a central report file) and the original will be mailed to the appropriate

state or county FSA office. Rate changes are included in this report and will fulfill the required FSA notification of this action.

- Completed status reports for Clients in Commercial Special Assets (CSA) should be sent to the Business Resolutions Group in Kansas City, Missouri for their review. The CSA associate should sign, date, and send the original status reports to the appropriate county FSA office, and a copy of the completed report back to the AG MS in St. Louis, Missouri.

D. DELINQUENT ACCOUNT SERVICING

Servicing Distressed FSA Guaranteed Loans in Bankruptcy/Liquidation and Protective Advances

Loans in default/bankruptcy/liquidation are transferred to the Special Assets Unit of Bank of America. This unit has a specific expertise in dealing with troubled loans and will assume servicing responsibilities and communication with the Agency for resolution. Within the Special Assets Unit, a team is dedicated to government guaranteed loans and works with various governmental agencies (FSA, USDA, SBA) to ensure communications and proper procedure in the liquidation/remediation/resolution process.

Liquidation/Foreclosure of debt is initiated after all collection and resolution efforts have been exhausted. Counsel is retained and a liquidation plan is discussed and implemented. All collateral is sold in a commercially reasonable fashion and any deficiency is analyzed for pursuit of judgment.

1. **Initiation**
   - Loan delinquencies are recognized when they are eight days past due. The Borrower and/or Client Manager will be contacted for discussion.
   - Timeframes for decisions regarding distressed credit will generally not exceed the requirements of section 762.143 of 7 CFR part 762.
   - Any loan delinquent 45 days or greater, without a cure plan to bring current, will be transferred to the Lender's Special Assets Unit for immediate attention/remediation.
   - Commercial Special Assets Portfolio Officer will notify the FSA in writing upon transfer of a loan to the Lender's Special Assets Unit.

2. **Restructure**
   - Loan restructuring proposals involving distressed credit workouts on accounts that have been transferred to Special Assets will be communicated to the appropriate FSA office.
   - Restructuring decision will be made within 120 days of the payment due date.
   - Loans will not be restructured with a balloon payment.
   - Lines of Credit may be rescheduled for up to 7 years, not to exceed 10 years from the note origination. Advances will cease.
   - Intermediate term notes are rescheduled for not more than 7 years.
   - Real estate secured notes may be rescheduled for 25 years or less, however no longer than 40 years from origination date of the note.

- Borrower must still be involved in farming operation and meet eligibility requirements according to section 762.120 of 7 CFR part 762.
- Borrower must provide cash flow projections demonstrating ability to meet all obligations including the rescheduled loan.
- Bank of America will provide copies of the following: any new or modified note, any correspondence, and other documents as appropriate.

3. **Deferral**
   - Loan File Documentation: Cash flow projection indicating that repayment problem is temporary.
   - Submission to Agency: Promissory note modification documents, Guaranteed Farm Loan Default Status Report (Form FSA-1980-44) and written notification to the Agency with a copy of the Credit Approval Report Modification.

4. **Write-down**
   - Debt Write-downs: Write-downs are documented through an internal form called the Change Request Form (Exhibit 9). Write-downs are only needed after collection efforts are exhausted and the delinquency remains. The collateral is valued through independent, licensed sources and the loan is written down accordingly. Copies of Change Request Forms will be maintained in the Borrower's credit file.
   - Debt write-down will be completed according to section 762.145(e) of 7 CFR part 762.

5. **Reporting**
   - See sections 762.141(a) and (b) of 7 CFR part 762. An additional report may be required of the Lender by the Agency for specific loans. Loan specific FSA reporting requirements may be provided to the Agency on Form FSA 1980-15, "Conditional Commitment," when agreed to by the Lender.

6. **Bankruptcy**
   - All reporting, expenses incurred, and loss claim requirements will be in accordance with section 762.148 of 7 CFR part 762 for requirements on bankrupt accounts.
   - FSA loans, which are in bankruptcy, will be serviced in the same manner as other Bank of America Special Assets Unit loans, which are also in bankruptcy. This includes, at a minimum, the following:
     a. File a Proof of Claim
     b. Engage outside counsel to attend meetings of creditors and court proceedings
     c. Negotiate and/or object to plans under Chapter 11, 12, and 13
     d. Ensure adequate protections of the collateral
     e. Have outside counsel provide copies of all pleadings to the FSA on a regular basis
     f. Provide Default Status reports to the FSA every 60 days.

7. **Liquidation**

FSA loans, which are in liquidation, will be liquidated in the same manner as the other Bank of America Special Assets Unit portfolio loans. A liquidation plan will be provided to the FSA within 60 days after mediation has failed to resolve any default issues. Liquidation includes, at a minimum, the following:

- Decision to liquidate will be made within 120 days of payment due date subject to term of any failed mediation efforts.
- Obtain current valuations of the collateral from independent sources
- Engage outside counsel to legally obtain possession of the collateral, including pursuing the recovery of converted collateral
- Liquidate collateral in a commercially reasonable manner
- Obtain a deficiency judgment where reasonable
- Have outside counsel provide copies of all pleadings to the FSA on a regular basis
- Provide Default Status reports to the FSA every 60 days
- Reporting and approval requirements: See section 762.141(a) and 762.149(d) of 7 CFR part 762. The Lender is allowed to conduct liquidation, including making bids at foreclosure sales without FSA prior approval of actions. The Lender may seek the Agency's approval and if requested by the Lender, the Agency will respond within 20 calendar days from receipt or the Lender will consider liquidation plan accepted and move to liquidation as planned.
- Reasonable protective advances up to $10,000 made by the Lender with no prior approval of FSA for protection of security.
- Final Loss Claims will be prepared, submitted, reviewed, and approved according to section 762.149(i) of 7 CFR part 762.
- Distressed credits being serviced by Special Assets requiring resolutions that deviate from standard liquidation procedures will be appropriately documented to substantiate that the method chosen is expected to result in the maximum recovery possible. This may include long term liquidation plans with temporary credit extensions or short term restructuring with all credit extended due and payable as of a certain date.

NOTE: The Lender will release or agree to release the Borrower from liability as part of an agreement to liquidate only with FSA written concurrence or after payment of a final loss according to section 762.146 (c) of 7 CFR part 762. Loan made with FSA application form FSA-1980-28 with the revision date of July 20, 2001, are subject to Federal Offset.

FSA Credit Policy Statement

The underwriting criteria imposed by various government programs may be different from that of Bank of America standard agricultural underwriting criteria. For Government Guaranteed loans, the Lender's philosophy is to adopt the Government's underwriting criteria and, to the extent deviations may occur, accept these guidelines as standard versus exceptions to policy. It is critical that these loans be documented according to governmental requirements in order to preserve our guarantees.

Government guaranteed loan programs take many forms with the most common for small agricultural loans being the Farm Service Agency. Government guaranteed loan programs may require annual submission of financial information and loan monitoring by the Lender and may require annual inspections of the operation by Client Managers or agents for the Lender. As such, careful analysis should be performed when these programs are utilized given the monitoring commitment the Lender will be assuming.

Future Procedural/Policy Changes

In the course of ordinary business, the Lender may determine that changes to policy and/or process are necessary to better serve our customers and/or respond to market changes. If the Lender determines that a policy or process change is necessary, and if that change materially affects processing or approval of FSA guaranteed loans, the Lender will notify the Agency (through the state FSA office of the Lender's headquarters—i.e. North Carolina) in writing regarding the policy/process change. As Bank of America expands geographically, it is anticipated that additional states may become part of the Lender's retail delivery franchise. The Lender may request that additional states or territories be added to the PLP agreement with the Agency in the future.