



FSA Guaranteed *Express*

July 2016

Summer Edition

Wow, what a year 2016 is shaping up to be. As I have said many times, thank you for all your hard work and making FSA's Guaranteed Loan Program something we can all be proud of. I know many farmers are very appreciative of your efforts working with FSA and being given the opportunity to start or continue with their farming operation. If you have a customer who has obtained a guaranteed loan, I encourage you to tell us. Send your information to: FSAguaranteedloans@wdc.usda.gov and we may include your story in the next issue of Guaranteed Express Newsletter.

Jim Radintz, Deputy Administrator for Farm Loan Programs



Balloon Payments



Many lenders are now requesting longer amortization periods for intermediate term loans as a way to improve cash flow for their farm customers. Here are some things to keep in mind when requesting guarantees on these loans:

For OL loans (both short term and intermediate term), the loan term (number of years until the loan matures) cannot exceed 7 years. However, if certain conditions are met, the loans' amortization may be longer – creating a balloon payment.

If a loan has a balloon payment, lenders must demonstrate:

1. The extended repayment schedule is necessary to accomplish a specific goal, such as establishing a new enterprise, developing a farm, or recovering from an economic reversal.
2. The loan will have adequate collateral at the time the balloon installment comes due.
3. The borrower is projected to be able to refinance the remaining debt at the time the balloon payment comes due based on the expected financial condition of the operation, the depreciated value of the collateral, and the principal balance on the loan.

When evaluating projected collateral value, lenders are not restricted to a particular depreciation method, number of years, or salvage value assumption. Each loan proposal should be evaluated based on its own factors, the type and condition of collateral, the agricultural economy at the time, and typical lending practices for the region. Lenders are expected to make these determinations for their guaranteed loan requests in the same manner they do for non-guaranteed loans.

FSA expects the lender's loan narrative to provide supporting assumptions describing how the projected collateral value was determined. Some consideration may be given to replacement of collateral over time if the borrower has a history of replacing breeding livestock or upgrading equipment assuming the cash flow includes adequate capital asset replacement funds.

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Guaranteed Farm Ownership Funding:

FSA has exercised a provision in the FY 2016 appropriations bill to increase available funding for guaranteed FO loans by \$500 million. This increased the allocation from \$2 billion to \$2.5 billion.

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The availability and adequacy of the security will typically be the limiting factor in determining the maximum amortization period that can be approved. Lenders must be able to demonstrate that adequate collateral is being taken to secure a loan with an extended amortization period as outlined above. When preparing such requests, lenders should review their policies for non-guaranteed loans and use those policies to guide their guaranteed requests as well.

Since these factors may vary on a case by case basis, lenders are encouraged to discuss such repayment structures with their local service center early in the application process.

To learn more about FSA policies on repayment schedules, refer to 2-FLP Handbook, Paragraph 137 A, B, and F. [2-FLP](#)

Announcement: FSA recently hired three new employees to work in the National Office. They will be working on various assignments in all program areas. Welcome!

Rebecca Minter	Virginia
Creg Ivison	New York
Matthew Richter	Washington

Protecting Your Guarantee

Giving extra attention to the following servicing actions are just a few ways to help ensure the guarantee pays in the event of a loss:

1. Make certain liens and assignments are properly filed and maintained.
2. Inspect collateral and track any sales or trades.
3. Apply proceeds from collateral according to lien priority.

Get Connected: FSA's new communication website provides our lenders access to more information, including;

- Updates to policy revisions
- Information for Agency sponsored webinars and special events
- Access to National training presentations, and many more features.

To be part of FSA's USDA Connect Guaranteed Lender Community, please email us with your name, email contact information and lender institution name: FSAguaranteedloans@wdc.usda.gov

Do you have topics you would like to see featured in our newsletter?

Email us at: FSAguaranteedloans@wdc.usda.gov