



Kentucky

GUARANTEED LENDER

Newsletter | January 2024

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A Note From Dean Schamore, State Executive Director

USDA Farm Service Agency, Lexington, KY

I hope your year is starting off great, together we are making dreams come true for so many producers. It is like putting up hay or housing tobacco, it takes a team, and without that team it is almost impossible to get the desired outcome. Kentucky is a shining star in the USDA Farm Service Agency, and you all are part of that and that is how we are getting desired outcomes! Kentucky is among the top ten states in the nation in every positive monitored category and top two in Beginning Veteran and Micro loans. As a Veteran myself, it is good to see how you all are working together to make a positive transition for so many Veterans.

Secretary Vilsack along with the Biden Harris administration have a simple goal. That goal is keeping small to medium sized farms, as they know the significant role they play in life and the values of this country. That does not mean they are against the mega farms, but they know small and medium sized farms are what keeps the rural communities vibrant. Since 1981 to present date the United States has lost over 437,000 farms, that is one out of every six farms that existed in 1981 gone. Last year was a record year for farm income, best in United States history, however around 50% of all farms did not make a profit. Seven and a half percent of American farms, which are among the largest farms,

received over 89% of all the income. FSA is not going with the big or get out option, we are trying to get more entrepreneurial. The approach is to increase the number of resources that small to mid-size farms have available to generate income. We are approaching this with three basic strategies: Climate Smart, Reducing the Cost of Operation, and a Local Food Strategy. As our partner you all will help us meet these goals and help us keep our rural communities vibrant.

I not only have an open-door policy for our employees but also our partners and customers. Please feel free to reach out to me if I can ever be of assistance.

Dean Schamore

Guaranteed Lender Training Meetings 2024

The Guaranteed Lender Training Meetings have been scheduled for 2024. We will go over some of the changes since the last meeting in 2023. Also, we will discuss other loan making and guaranteed servicing issues. FSA has six meetings scheduled to be held across the state.

Tuesday, January 30

9:00 a.m. – 12:00 p.m. (CST)

Graves County Extension Office
4200 State Route 45 North
Mayfield, KY 42066

(NEW LOCATION)

Wednesday, January 31

1:30 p.m. – 4:30 p.m. (CST)

Owensboro Convention Center
(Room 230)
501 West 2nd Street
Owensboro, KY 42301

Thursday, February 1

9:00 a.m. – 12:00 p.m. (CST)

Michael Buchanon Park, Warren
County Parks and Recreation
9222 Nashville Road
Bowling Green, KY 42103

*(Across from Chaney's Dairy Barn, first
building going into the park on the left)*

Tuesday, February 27

9:00 a.m. – 12:00 p.m. (EST)

Hardin County Cooperative
Extension Office
111 Opportunity Way
Elizabethtown, KY 42701

Wednesday, February 28

9:00 a.m. – 12:00 p.m. (CST)

Lake Cumberland Area
Development District
2384 Lakeway Drive Highway 80,
Russell Springs, KY 42642

Thursday, February 29

9:00 a.m. – 12:00 p.m. (EST)

Clark County Cooperative
Extension Office
1400 Fortune Drive
Winchester, KY 40391

Except for the Owensboro meeting, all meetings will begin at 9:00 a.m. and end at approximately 12:00 p.m. noon, local time. The Owensboro meeting will begin at 1:30 p.m. and end around 4:30 p.m. The discussion topics will include guarantee loan issues. Preferred and Certified Lenders are required to attend, but all agriculture lenders are encouraged to participate in these meetings.

Lenders are urged to attend the meeting closest to the location but may attend any meeting if conflicts occur with a particular meeting date. We look forward to seeing you at one of these meetings!

**DID
YOU
KNOW?**

A loan application should be submitted in the name of the actual operator of the farm. This should be consistent with any representations previously made by the applicant for farm program benefits. If inconsistencies in the structure of the farming operation are identified, the application will be considered incomplete, and the lender will be informed according to paragraph 97. The inconsistencies must be resolved before the application being considered complete.

(2-FLP Par. 108M)

Kentucky Farm Loan Program National Standings as of September 30, 2023

| FY 2023 | LOAN TYPE | RANKING | NO. OF LOANS OBLIGATED | DOLLARS OBLIGATED |
|------------|------------------------------|---------|------------------------|-------------------|
| | Microloans Operating Loans | 2nd | 310 | \$7.4 M |
| | Direct Operating Loans | 4th | 710 | \$30.2 M |
| | Total Loans | 6th | 1,071 | \$148.7 M |
| | Socially Disadvantaged Loans | 6th | 179 | \$12.55 M |
| | Beginning Farmers Loans | 7th | 327 | \$50.5 M |
| | Guaranteed Loans | -- | 175 | \$63.88 M |
| | Direct Loans | -- | 896 | \$84.76 M |
| | Youth Loans | -- | 135 | \$608,810 |

DID YOU KNOW?

All advances on a line of credit must be made within 5 years from the date of the loan Guarantee.

(2-FLP Par. 137C)

General Reporting Requirements

Lenders are responsible for providing the local Agency credit officer with all the following information on the loan and the borrower:

- When the guaranteed loan becomes 30 days past due and following the lender's meeting or attempts to meet with the borrower, all lenders will submit the appropriate Agency form showing guaranteed loan borrower default status. The form will be resubmitted every 60 days until the default is cured either through restructuring or liquidation.
- ALL lenders will submit the appropriate guaranteed loan status reports as of March 31 and September 30 of each year.
- PLP Lenders will submit additional reports as required in their Lender's Agreement.
- A lender receiving a final loss payment must complete and return an annual report on its collection activities for each unsatisfied account for 3 years following the payment of the final loss.

Application Requirements

(2-FLP Par. 70A)

| ITEMS TO SUBMIT TO FSA | EZ GUARANTEE <i>MLP to \$50K; SEL, CLP, PLP to \$100K</i> | PLP | CLP | SEL <i>Up to \$125K</i> | SEL <i>Over \$125K</i> | |
|--|--|--|---|----------------------------|---------------------------|---|
| Application Form | Y | Y | Y | Y | Y | |
| Narrative | Lenders will collect and maintain these items according to their normal lending practices. | Y | Y | Y | Y | |
| Location of Farmed Land | | Y | Y | Y | Y | |
| Balance Sheet | | PLP Lenders will maintain these items according to the terms of their CMS. | Y | Y | Y | Y |
| Repayment Capacity (Cash Flow Budget) | | | Y | Y | Y | Y |
| Credit Report | | | In file | Y | Y | Y |
| Proposed Loan Agreements | | | CLP Lenders will maintain these items in their file for loans over \$125,000. | N/A | Y | Y |
| Verification of debts over \$5,000* | | | | | Y | Y |
| Verification of non-farm income | | | | | Y | Y |
| 3 year financial history | | | | | Y | Y |
| 3 year production history | | | Y | Y | | |
| Entity Information (personal balance sheet from each member) | | Y | Y | Y | Y | |
| ITEMS NEEDED INFREQUENTLY | | | | | | |
| Environmental | Y | Y | Y | Y | Y | |
| Construction, development plans | N | Per CMS | In file | N | N | |
| CL: Conservation plan | N/A | Y | Y | Y | Y | |
| CL: Transition plan for organic, sustainable agriculture | | Y | Y | Y | Y | |

* Was previously \$1,000

PLP = Preferred Lender Program | CLP = Certified Lender Program
SEL = Standard Eligible Lender | CL = Conservation Loan

Guarantee Loan Limit

The Farm Service Agency will not guarantee any loan that would result in the applicant's total indebtedness exceeding the limits established in Handbook 1-FLP, paragraph 29. The maximum, FO, CL, OL and LOC levels include the guaranteed loan being made plus any outstanding direct or guaranteed principal balances owed by anyone who will sign the promissory note. The dollar limit of guaranteed loans is adjusted annually based on inflation. The total outstanding combined guaranteed FO, CL, SW, OL, and LOC principal balance cannot exceed \$2,236,000 for fiscal year 2024. 2-FLP paragraph 244 (A).

HEL/WL Requirements

HEL/WL language is required to be included in lender's debt and security instruments as outlined in Part 12 of the conditional commitment if the farming operation has HEL/WL present. However, WL determinations are not always complete, or the applicant may acquire additional farms during the term of the loan. Due to these uncertainties, it is often difficult to determine that there will be no HEL/WL present. Therefore, the HEL/WL language should typically be included in the debt and security instruments for all guaranteed loans.

Part 12 of the conditional commitment states, "Default shall also exist if any loan proceeds are used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetland to produce or to make possible the production of an agricultural commodity, as provided by 7 CFR Part 12."



DID YOU KNOW?

The lender cannot rely on the 90-95% Guarantee as security for the loan being made. 2-FLP Par. 166B states, "The lender is responsible for ensuring that proper and adequate security is obtained and maintained to fully secure the loan, protect the interest of the lender and the Agency, and assure repayment of the loan or line of credit."



Maximum Loan Ammounts

(1-FLP Par. 29A)

| MAXIMUM APPROVAL BY ASSISTANCE TYPE | |
|-------------------------------------|--------------|
| Guaranteed OL | \$2,236,000* |
| Direct OL | \$400,000 |
| FO+SW+CL | \$2,236,00* |
| Land Contract Guarantee | \$500,000 |
| Direct FO+SW+CL | \$600,000 |
| Direct EM | \$500,000 |

| MAXIMUM APPROVAL FOR COMBINED ASSISTANCE TYPES | |
|--|--------------|
| Operating Loans Total Direct & Guaranteed | \$2,236,000* |
| FO+CL+SW+Land Contract Total Direct and Guaranteed | \$2,236,000* |

| TOTAL APPROVAL FOR MULTIPLE ASSISTANCE TYPES | |
|--|--------------|
| OL+FO+CL+SW+EM+Land Contract Total Direct and Guaranteed | \$2,836,000* |
| Total Guaranteed | \$2,236,000* |

| TOTAL APPROVAL FOR FO, CL, OL, EM, AND LAND CONTRACT | |
|--|--------------|
| OL+FO+CL+SW+EM+Land Contract Total Direct and Guaranteed | \$3,336,000* |

*Beginning Farmer Down Payment maximum loan amount is \$300,150

CL = Conservation Loan | EM = Emergency | FO = Farm Ownership
OL = Operating Loans | SW = Soil and Water

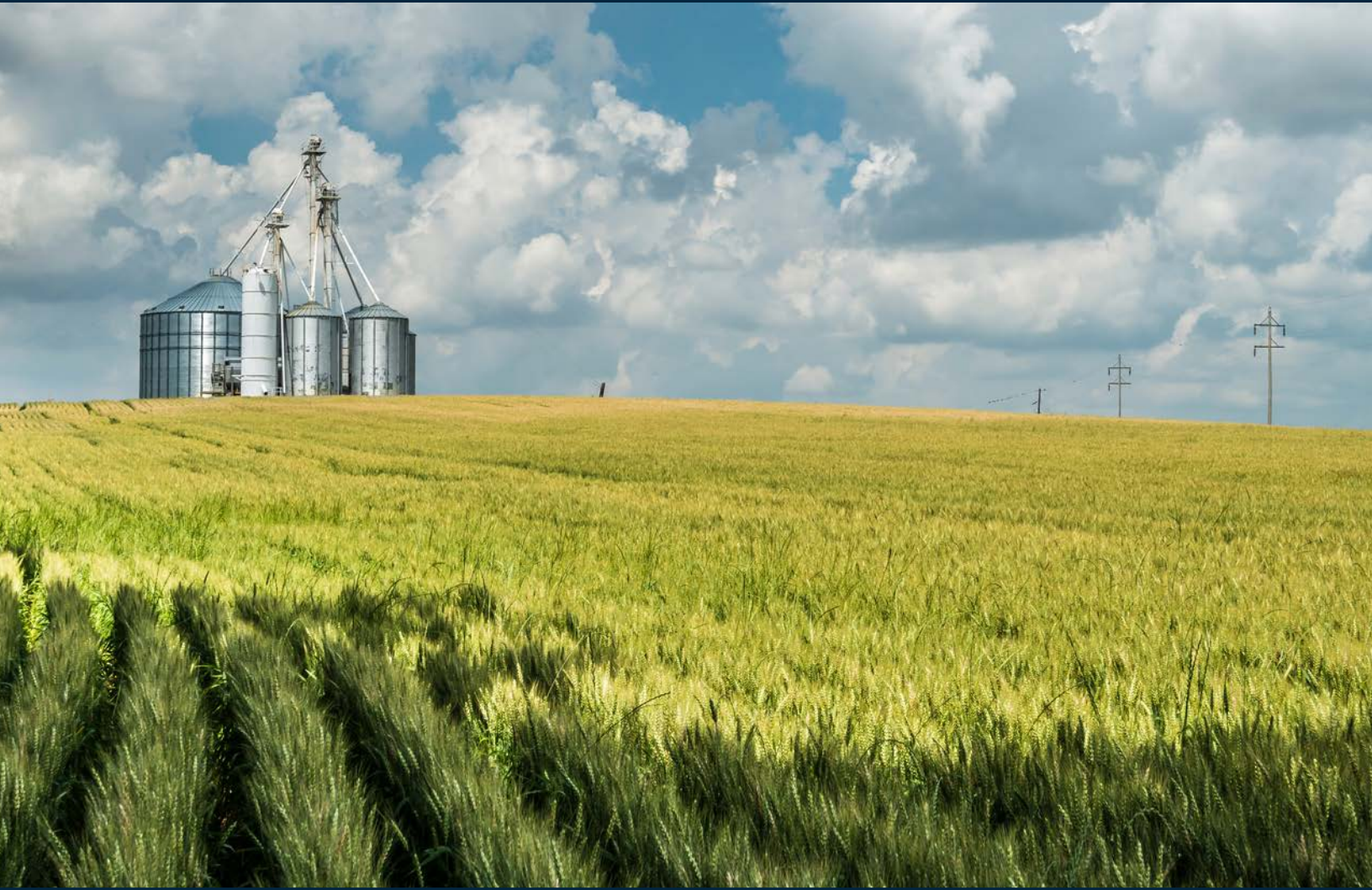
Junior Lien Position on Real Estate

When taking a junior lien, prior lien instruments will not contain future advance clauses (except for taxes, insurance, or other reasonable costs to protect security), or cancellation, summary forfeiture, or other clauses that jeopardize the Government's or the lender's interest or the borrower's ability to pay the guaranteed loan, unless any such undesirable provisions are limited, modified, waived or subordinated by the lienholder for the benefit of the Agency and the lender.

Note: Provisions on prior lien instruments, such as prepayment penalties, will be considered when evaluating the collateral value of the lender's security on the guaranteed loan.

DID YOU KNOW?

SEL and CLP lenders must not make additional loans or advances (non-guaranteed and guaranteed term loans) without prior written approval of the Agency, except as provided in the borrower's Loan or Line of Credit Agreement. The PLP lender may make additional (non-guaranteed) loans or advances in accordance with the lender's agreement with the Agency. (2-FLP Par. 282A)



USDA is an equal opportunity provider, employer, and lender.