

FSA Guaranteed Farm Loan Programs TIDBITS/HELPFULHINTS



**November 2016
Lender Meetings**

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We specialize in:

Loans for beginning farmers, disaster recovery, operational financing, and farm ownership

Farm planning and Counseling

Supervised credit and assistance through the life of your loan

Sustained financial planning services

Why should USDA's Farm Service Agency be your lender of first opportunity?

The farming industry has undergone many changes in recent years, resulting in new types of small farming and ranching enterprises. These include value-added farming operations, organic farming, immigrant farming, and growing crops for local retailers or direct sale to consumers.

New federal programs have been enacted to stimulate beginning and younger farmers to establish new, or retain ownership of existing, small family farms. These exciting new trends in rural America present the USDA's Farm Service Agency (FSA) Farm Loan Programs (FLP) with opportunities for increased lending activity in the farming community.

So, why should USDA's Farm Loan Programs (FLP) be your lender of first opportunity?

We are your advocates.

Farm Loan Programs staff are predisposed to award loans, therefore putting the staff on the customer's side. FLP staff want to see you succeed. This is evident in our consultative approach, offering low rates and identifying other resources to our clients in an advisory fashion throughout the life of the loan.

We think outside the box.

FLP staff keep up with the industry trends and constantly look for emerging and non-traditional farm business models. Our commitment to doing things better in the industry provides you with fresh perspectives, alternatives, and creative ways of growing your business.

We offer solutions.

Our loan staff can refer customers to other public and commercial financial aid sources that can serve as a blend with the Farm Loan Programs loan. This results in structuring more comprehensive resources and a tailored financial solution that works for unique lending situations.





We'll go above and beyond to be the lender of first opportunity for agricultural producers in our community

Our Farm Loan Programs staff are committed to our customers, their goals, and our communities. Our service extends beyond the typical loan, offering our customers ongoing consultation, advice, and creative ways to make their farm businesses thrive. At the Farm Service Agency, we are the lender of first opportunity because we provide agriculture producers who need assistance with an entry into agriculture production.

Our Services

Loan Choices

USDA Farm Loan Programs provides a variety of loan types for every need. These include operating, ownership, disaster, youth, and loans for beginning farmers.

Farm Planning

Whether it's a new, young, socially disadvantaged, or an emerging farm business, Farm Loan Programs can help customers get on the right track with its farm planning services. The success of our customers is the cornerstone of our business.

Financial Counseling

Loan staff are well-trained in both lending and farm operations, giving customers a sounding board and source of counsel.

Sustained Service

Farm Loan Programs staff provide supervised credit throughout the life of the loan, staying with the customer long after the loan is awarded.

Our Standards

Guaranteed Loans

Commercial and Farm Credit lenders' portfolios are strengthened by Farm Loan Programs guaranteed loans.

Rewards for a Job Well Done

With our supervised credit program, the government's interest in repayment is balanced with the benefit of taking measured risk with customers. Thriving business performance will pay off—literally.

Your Success is Our Success

We want to see customers succeed, as their success feeds our success.

Providing Customers with Low Rates

Farm Loan Programs offers low rates for Direct Loan customers, and we can assist customers in buying down a guaranteed loan rate.





Missouri State Fact Sheet

FSA "Guaranteed" Farm Loan Programs

The Farm Service Agency (FSA) may guarantee loans that eligible agriculture lenders make to family farmers. The primary purpose of the program is to enable lenders to provide credit to farmers who cannot otherwise obtain credit without the guarantee due to risk and other factors. FSA provides the lender with a guarantee covering up to 90% of a loss, in most cases. In certain limited circumstances, a 95% guarantee is available. FSA has the responsibilities of approving all loan guarantees and providing technical assistance to the lender in order to accomplish the objectives of the guaranteed loan program.

Who May Borrow? Individuals, partnerships, joint operators, L.L.C., trusts, and corporations that do, or will, conduct and operate family-size farming operations; have day-to-day management and control; and provides a substantial amount of the labor requirements. For operating loans, a loan applicant must be the “**operator.**” For farm ownership loans, the loan applicant must be the “**operator and owner.**” FSA does not make loans to landlords.

What Other Criteria Does FSA Consider? In addition to meeting eligibility criteria, the loan applicant must have a satisfactory credit history, demonstrate repayment ability, and provide sufficient security for the loan.

What Types of Guarantees Are Available and How May Loan Funds Be Used?

a. **Farm Ownership (FO/LN):**

- i. Purchase land.
- ii. Construct or acquire buildings and/or other improvements that will become real estate fixtures.
- iii. Soil and water conservation.
- iv. Refinance indebtedness incurred for authorized operating (OL) or farm ownership (FO) purposes provided need to refinance is demonstrated.

b. **Operating (OL/LN):**

- i. To purchase livestock and farm machinery/equipment.
- ii. To refinance indebtedness (authorized operating purpose) provided need to refinance is demonstrated.
- iii. For payment of intermediate term chattel (IT) & long term real estate (LT) debt installments, if the debt being paid was for authorized OL or FO purposes.

c. **Operating Line of Credit (OL/LOC):**

- i. To pay for annual operating expenses such as feed, seed, fertilizer, chemicals, fuel, repairs, feeder livestock, and family living expenses.
- ii. For purchase of routine capital assets such as replacement of breeding livestock that can be repaid within the operating cycle.
- iii. For payment of scheduled, non-delinquent IT & LT debt installments, if debt being paid was for authorized OL or FO purposes.
- iv. For payment of current annual operating debts advanced for current operating cycle. Under no circumstances can last year's carry-over operating debts be refinanced.

4. **Conservation Loan (CL):**

- Conservation activities included in a NRCS-approved conservation plan.

What Are the Loan Limits? Total outstanding unpaid principal on all guaranteed loans cannot exceed \$1,399,000. Maximum interest rate cannot exceed applicable 3-mo LIBOR or 5-Yr Treasury index and spread.

What Are the Interest Rates? The interest rate on a guaranteed loan is negotiated between the lender and borrower. It can be fixed or variable.

What Are the Loan Terms? Repayment terms vary according to the type of loan made, the market value of the collateral securing the loan, remaining useful life of the collateral, and the producer's repayment ability.

FO/LN - The maximum repayment term is 40 years.

OL/LN - The repayment term may vary, but cannot exceed 7 years for intermediate term purposes.

OL/LOC - Up to a revolving 5-year credit line for annual operating expenses. Generally repaid each year. Subject to renewal based on the next year's cash flow projections.

Is this a Lender's or FSA Loan? This is the lender's loan. The loan is made and serviced to conclusion by the lender. If a loan fails, FSA will reimburse the lender for the loss of the guaranteed principal and interest portion as set forth under the terms and conditions specified in the Loan Note Guarantee.

What is the Guarantee Fee? The guarantee fee is a one-time fee paid to FSA by the lender, who may pass it on to the borrower. The fee is 1.5% of the principal loan amount, multiplied by the percentage of the FSA guarantee. The 1.5% fee is waived:

1. If 50% or more of loan funds are used to refinance Agency debt.
2. Loans to Beginning or SDA farmers involved in the direct Downpayment loan program.
3. If 50% or more of loan funds are funded with the state of Missouri Linked Deposit Beginning Farmer program.

Interest Assistance: FSA is no longer accepting guaranteed loan applications for the OL Interest Assistance Program because of lack of program funding.

Secondary Market Available to Obtain Fixed-rate Loans: The Loan Guarantee is readily marketable by the lender on the secondary market. The lender may assign all or part of the guaranteed portion of the loan to one or more holders, but must retain the unguaranteed portion. The full faith and credit of the U.S. Government protect holders (investors) of Loan Note Guarantees. Operating (OL/LOC) loans may not be sold on the secondary market.

If the Producer Qualifies, What Next? The following actions are usually taken as part of the application process:

1. The producer and lender complete the guaranteed application and submit it to FSA.
2. FSA reviews for eligibility, repayment ability, security, and compliance with other regulations.
3. FSA approves and obligates the loan.
4. The lender receives a conditional commitment indicating funds have been set aside, and the loan may be closed.
5. The lender closes the loan and advances funds to the producer.
6. FSA issues the guarantee.

Additional information may be obtained at local county Farm Service Agency offices or on the FSA website at: <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=landing>

Regulations governing FSA Guaranteed Farm Loans are found in **FSA Handbook 2-FLP (7 CFR Part 762)**.

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To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, Office of Adjudication, 1400 Independence Ave., SW, Washington, DC 20250-9410 or call (866) 632-9992 (Toll-free Customer Service), (800) 877-8339 (Local or Federal relay), (866) 377-8642 (Relay voice users).

Direct Loan

MO FSA Information Sheet

Program	Maximum Loan Amount	Rates and Terms	Use of Proceeds
Direct Farm Ownership (FO)	\$300,000	<ul style="list-style-type: none"> Up to 40 years or useful life of security Rates based on Agency borrowing costs. October interest rate = 3.125% Joint Financing interest rate = 2.5% FSA can take a 2nd lien to another lender providing financing. 	<ul style="list-style-type: none"> Purchase farm Construct buildings or other improvements Soil and water conservation Pay Closing Costs
Direct FO Down Payment	The lesser of: <ul style="list-style-type: none"> 45% of the purchase price, 45% of the appraised value, \$300,000 	<ul style="list-style-type: none"> Cash downpayment of 5% required. Can be borrowed, but a lien cannot be taken on the land being purchased. Term: 20 years Interest rate: Direct FO rate less 4% with a floor of 1.5%. October interest rate = 1.5% 	Purchase farm
Direct Operating (OL) Direct Operating Microloan (ML)	\$300,000 \$50,000 or less, including applicant's outstanding OL debt at time of closing – rates, terms, & use of proceeds are the same as direct OL	<ul style="list-style-type: none"> From 1 to 7 years Rates based on Agency borrowing cost. October interest rate = 2.125% 	<ul style="list-style-type: none"> Purchase livestock Purchase machinery & equipment Farm operating expenses Soil and water conservation Refinancing indebtedness with certain limitations
FSA targets a portion of its FO and OL loan funds to beginning farmers and socially disadvantaged farmers.			
Direct Emergency	100% actual production and/or physical losses less insurance and other compensation received/to be received \$500,000 maximum program indebtedness	<ul style="list-style-type: none"> From 1 to 7 years for non-real estate purposes Up to 40 years for physical losses on real estate October interest rate = 3.125% 	<ul style="list-style-type: none"> Restore or replace essential property Pay all or part of production costs associated with the disaster year Pay essential family living expenses Reorganize the farming operation Refinancing indebtedness with certain limitations

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Missouri Agricultural and Small Business Development Authority (MASBDA)

MASBDA's purpose is to promote the development of agriculture and small business and to reduce, control and prevent environmental damage in Missouri by providing additional sources of financing at interest rates that are below conventional rates.

Three MASBDA programs that work with FSA direct and/or guaranteed loan programs are as follows:

Animal Waste Treatment System Loan Program

[Animal Waste Treatment System Loan Program](#) can be used to finance animal waste treatment systems for independent livestock and poultry producers at below conventional interest rates. Loan proceeds may be used to finance 100% of the cost of an eligible animal waste treatment system, less the amount of grants from any other state or federal agency, such as: storage structures (earthen, concrete, or slurry systems), eligible land, engineering cost, finance charges, fencing around lagoons, irrigation systems to pump down lagoon, animal waste treatment system equipment, dedicated waste treatment equipment, portions of feeding floors and loafing areas used for waste collection, flush systems, composters, vegetative filters, filter strips, water and sediment strips, contour buffer strips, and diversions or other water pollution reduction activities associated with animal waste treatment systems. Current interest rate is 5.02% for up to 10 years. A borrower's operation must produce less than 1,000 animal units and have a NRCS Certification. Borrowers must provide adequate security for loans (a first or second deed of trust). Need a "dedicated source of repayment". <http://mda.mo.gov/abd/financial/awloanprg.php>



The [Beginning Farmer Loan Program](#) enables lenders to exclude from gross income for federal income tax purposes the interest on loans made to beginning farmers. The tax savings are passed on to beginning farmers in the form of lower interest rates. A qualified borrower can borrow up to \$520,000 to buy agricultural land, farm buildings, farm equipment, and breeding livestock. Of this amount, depreciable agricultural property may not exceed \$250,000, with a limit of \$62,500 for used depreciable property. <http://mda.mo.gov/abd/financial/begfarm.php>

Single-Purpose Animal Facilities Loan Guarantee Program

The [Single-Purpose Animal Facilities Loan Guarantee Program](#) provides a 50 percent first-loss guarantee on collateralized loans up to \$250,000 that lenders make to independent livestock producers to finance the acquisition, construction, improvement, rehabilitation, or operation of land, buildings, facilities, equipment, machinery, and animal waste facilities used to produce poultry, hogs, beef or dairy cattle or other animals in a single purpose animal facility. <http://mda.mo.gov/abd/financial/spafloanprg.php>

For additional information on these or other MASBDA programs, please contact MASBDA at: (573)751-2129 or masbda@mda.mo.gov

MO FSA Guaranteed Lender Website

****New Web Address Below****

<http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/State-Offices/Missouri/lenders/lenders.pdf>

To access the FSA MO Guaranteed Lender Website use the above address.

Bookmark as a Favorite

Guaranteed Farm Loan Lenders Page

The information on this page is to help lending institutions provide service to Missouri agricultural borrowers. This information is provided as a service to lenders. To download a file, click on its name.

View or Download our 2-FLP Handbook and Amendments

Questions?
Contact the Local FSA Farm Loan Manager

Access eForms

FSA Guaranteed
2015 Newsletter

Risk Management Tool

Weekly Funds Report



Farmer Mac II Rate Line

Missouri Farm Loan Fact Sheet

Median County Farm Acreage

Missouri & National Farm
Loan Program Notices

e-Filing FSA Guaranteed Loans

2015 Lenders Meeting:
Tidbits/Helpful Hints Book

30+ "Optional" Guaranteed Guides available for lender use.

2-FLP Cashflow
IA Loan Ledger
MO 2-FLP 02
MO 2-FLP 07
SEG Exhibit 5
SEG Exhibit 7
MO 2-FLP 10
MO 2-FLP 12
MO 2-FLP 15
MO 2-FLP 16
MO 2-FLP 17
MO 2-FLP 18

Balance Sheet & Cashflow
Loan History Payment Record
Delinquent Checklist
Environmental Letters
CATEX Guaranteed Checklist
Class II Guaranteed Checklist
Loan Agreement
Feasible Plan Worksheet
Family Living Worksheet
Restructuring Checklist
Loan Closing Settlement Statement
Waiver Interest Assistance

MO 2-FLP 19
MO 2-FLP 20
MO 2-FLP 21
MO 2-FLP 23
FSA-851
MO 2-FLP 28
MO 2-FLP 29
MO 2-FLP 32
MO 2-FLP 33
MO 2-FLP 34
MO 2-FLP 35 & 36
MO 2-FLP 37
MO 2-FLP 38

Balance Sheet
3-5 Year Production & Financial History
Loan Analysis Documentation
Chattel Appraisal
Environmental Risk Survey – Real Estate
Liquidation Plan
Loss Claim Checklist
Appraisal Data – Specialized Buildings
Depreciation Loan Term Calculator
Loan Term Depreciation Feasibility Tool
Maximum OL/LOC Advance Worksheet
Repayment Record – Maximum OL/LOC Advance
Amortization – Equal Principal Table

Farm Size
 AVERAGE COUNTY FARM ACREAGE - MISSOURI
 (From **2012** Census of Agriculture)

County	Avg #Acres	30%	County	Avg #Acres	30%	County	Avg #Acres	30%
Adair	332	99.6	Greene	120	36.0	Ozark	358	107.4
Andrew	240	72.0	Grundy	296	88.8	Pemiscot	1344	403.2
Atchison	666	199.8	Harrison	381	114.3	Perry	238	71.4
Audrain	430	129.0	Henry	400	120	Pettis	320	96
Barry	188	56.4	Hickory	374	112.2	Phelps	219	65.7
Barton	353	105.9	Holt	491	147.3	Pike	361	108.3
Bates	383	114.9	Howard	318	95.4	Platte	255	76.5
Benton	301	90.3	Howell	230	69.0	Polk	223	66.9
Bollinger	254	76.2	Iron	258	77.4	Pulaski	216	64.8
Boone	206	61.8	Jackson	158	47.4	Putnam	451	135.3
Buchanan	260	78.0	Jasper	190	57.0	Ralls	392	117.6
Butler	460	138.0	Jefferson	138	41.4	Randolph	256	76.8
Caldwell	236	70.8	Johnson	236	70.8	Ray	235	70.5
Callaway	223	66.9	Knox	404	121.2	Reynolds	268	80.1
Camden	260	78.0	Laclede	229	68.7	Ripley	314	94.2
Cape Girardeau	222	66.6	Lafayette	278	83.4	St. Charles	279	83.7
Carroll	388	116.4	Lawrence	168	50.4	St. Clair	328	98.4
Carter	376	112.8	Lewis	390	117.0	St. Genevieve	267	80.1
Cass	214	64.2	Lincoln	242	72.6	St. Francois	186	55.8
Cedar	232	69.6	Linn	323	96.9	St. Louis	137	41.1
Chariton	363	108.9	Livingston	335	100.5	Saline	481	144.3
Christian	152	45.6	McDonald	202	60.6	Schuyler	309	92.7
Clark	358	107.4	Macon	299	89.7	Scotland	362	108.6
Clay	191	57.3	Madison	287	86.1	Scott	461	138.3
Clinton	253	75.9	Maries	289	86.7	Shannon	274	82.2
Cole	167	50.1	Marion	315	94.5	Shelby	422	126.6
Cooper	331	99.3	Mercer	400	120	Stoddard	494	148.2
Crawford	286	85.8	Miller	245	73.5	Stone	196	58.8
Dade	335	100.5	Mississippi	1195	358.5	Sullivan	405	121.5
Dallas	183	54.9	Moniteau	216	64.8	Taney	280	84.0
Daviess	263	78.9	Monroe	335	100.5	Texas	303	90.9
DeKalb	281	84.3	Montgomery	351	105.3	Vernon	309	92.7
Dent	279	83.7	Morgan	215	64.5	Warren	219	65.7
Douglas	258	77.4	New Madrid	1087	326.1	Washington	233	69.9
Dunklin	811	243.3	Newton	157	47.1	Wayne	284	85.2
Franklin	158	47.4	Nodaway	338	101.4	Webster	148	44.4
Gasconade	243	72.9	Oregon	338	101.4	Worth	326	97.8
Gentry	358	107.4	Osage	254	76.2	Wright	236	70.8

**Weekly Funds Report - FY 2016
As of September 30, 2016**

Program Description	\$ Funds Obligated	No.	\$ Funds Remaining	Obligations Pending	
				\$ Amt	No.
Direct					
OL - NBF	\$ 7,472,530.00	125	\$ -	\$ 327,500.00	6
OL - NBF - ML	\$ 682,800.00	27		\$ 18,000.00	1
OL - NBF - SDA	\$ 876,660.00	53			
OL - Beg Farmer	\$ 13,082,983.00	180		\$ 270,000.00	6
OL - Beg Farmer - ML	\$ 1,811,560.00	75		\$ 54,500.00	2
OL - Beg. Farmers - SDA	\$ 1,136,800.00	28		\$ 20,000.00	3
subtotal	\$ 25,063,333.00	488	\$ -	\$ 690,000.00	18
FO - NBF	\$ 9,334,590.00	56	\$ 644,410.00		
FO - NBF - SDA - Ethnic	\$ 200,000.00	2	\$ 1,774,500.00		
FO - NBF - SDA - Gender	\$ 655,120.00	6	\$ 2,877,980.00		
FO - BF - Down Payment/Part.	\$ 21,946,780.00	147	\$160,950.00	\$ 181,750.00	1
FO - BF - Down Payment/Part. SDA-E	\$ 334,750.00	2			
FO - BF - Down Payment/Part. SDA-G	\$ 1,620,200.00	12			
FO - BF	\$ 10,063,090.00	55	\$ 105,910.00		
FO - BF - SDA - E	\$ 339,000.00	2			
FO - BF - SDA - G	\$ 337,850.00	4			
subtotal	\$ 44,831,380.00	286	\$ 5,563,750.00	\$ 181,750.00	1
Emergency	\$ 248,000.00	1			
Guaranteed					
OL- NBF	\$ 37,733,895.19	147		\$ 450,000.00	1
OL - NBF SDA	\$ 1,054,445.00	6			
OL-BF	\$ 14,867,764.67	82			
OL - BF - SDA	\$ 758,000.00	3			
subtotal	\$ 54,414,104.86	238		\$ 450,000.00	1
FO - NBF	\$ 75,774,310.03	176			
FO - NBF - SDA - E	\$ 3,239,755.00	8			
FO - NBF - SDA - G	\$ 1,326,000.00	4			
FO - BF	\$ 40,429,398.74	154	\$ -		
FO - BF - SDA - E	\$ 2,366,028.00	8			
FO - BF - SDA - G	\$ 2,211,310.00	7	\$ -		
subtotal	\$ 125,346,801.77	357	\$ -	\$ -	0
Grand Total	\$ 249,903,619.63	1370	\$ 5,563,750.00	\$ 1,321,750.00	20

FSA's fiscal year (FY 2017) is from October 1st 2016 to September 30th 2017. FSA is operating under a continuing resolution until December 9, 2016.

Weekly Loan Funding Report – A funding concern or backlog shows up when loan(s) are under the “Obligations Pending” column. Available on MO FSA Guaranteed “Lender” Website at:
<http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/State-Offices/Missouri/lenders/lenders.pdf>

We have been told that funding should be adequate for all programs. However, if loans are backlogged, we encourage all lenders to continue to apply for guaranteed loans regardless.

Guarantee requests are funded in order of "COMPLETE" application date, so the funds will be used on a first-come-first-served basis. Everyone is encouraged to apply as soon as possible.

Guaranteed Loan Applications Filed via Email or Fax

FSA can accept and process a “*SIGNED*” guaranteed loan application (FSA-2211 or FSA-2212) filed

- via a scanned email attachment
- through a fax submission

However, the faxed or email attached document must be signed by both the loan applicant and the lender to be considered a complete application.

FSA loan approval official will include a requirement in the FSA-2232, Conditional Commitment, which requires the original Application for Guarantee document (FSA-2211 or FSA-2212) with original signatures be provided to FSA prior to the issuance of the FSA-2235, Loan Guarantee.

Appeal Rights – Guaranteed Loans

2-FLP Par. 33A

Lender is Only an Interested Party Without Appeal Rights

The National Appeals Division regulation (7 CFR Part 11) stipulates that an adverse guaranteed loan approval or loan servicing decision directly affects the applicant/borrower and grants appeal rights to the applicant/borrower as a participant. Under 1-APP Handbook Par.73A [7 CFR 11.1] *Participant* means any individual or entity who has applied for, or whose right to participate in or receive, a payment, loan, loan guarantee, or other benefit is affected by a decision of the Agency.

The lender is defined as an “interested party” without appeal rights. Under 1-APP Handbook Par.75C [7 CFR 11.15(b)] *Interested Parties* the lender having an interest in a participant’s appeal may participate in the appeal as an interested party, but such participation does not confer the status of an appellant upon the guaranteed lender.

A decision made by the lender adverse to the borrower is not a decision by the Agency whether or not concurred in by the Agency, and may not be appealed.

In most instances the adverse decision letter will be sent providing appeal rights to the applicant/borrower with a CC to the lender. However, when the adverse decision directly affects only the lender (liquidation plans, interest assistance claims, or loss claims) only the lender will be provided appeal rights.

Lender Conflict of Interest

2-FLP Par. 32 (7 CFR 762.110(f))

A guaranteed lender who applies for and/or is personally liable on an outstanding Guaranteed or Direct loan will be transferred under the direction of the FLP Chief to another Farm Loan office for processing and/or servicing that is not within the lender’s trade area.

It is the FLM/SFLO responsibility to notify the lender of this policy and offer alternative offices where their existing loan(s) and/or loan application can be processed and/or serviced.

Guaranteed Forms – Version Date as of October 1, 2016

FSA-2201 Lender’s Agreement	4-16-13	FSA-2241 Status Report	9-3-10
FSA-2211 Application	5-15-15	FSA-2242 Assignment of Guarantee	3-3-15
FSA-2212 Preferred Lender Application	5-15-15	FSA-2248 Default Status Report	8-18-08
FSA-2232 Conditional Commitment	8-3-16	FSA-2254 Loss Claim	9-3-10
FSA-2233 Lender Certification	12-16-13	FSA-2291 Lender Processing Checklist	9-3-10
FSA-2235 Loan Guarantee	9-19-16	FSA-851 Environmental Risk Survey	4-13-05
FSA-2236 Loan Closing Report	4-16-13		

FSA-2211
(05-15-15)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 3

APPLICATION FOR GUARANTEE

INSTRUCTIONS TO LENDER: LOAN APPLICANT WILL COMPLETE PARTS A AND B. LENDER WILL COMPLETE PARTS C THROUGH I.

NOTE: 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 3.5 hours 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 COUNTY FSA OFFICE.**

PART A – LOAN APPLICANT INFORMATION

1. APPLICANT'S NAME		2. CO-APPLICANT'S NAME		3. APPLICANT'S TELEPHONE NO. (Include Area Code)	
4. APPLICANT'S ADDRESS				5. APPLICANT'S 9 DIGIT SSN OR TAX ID NO.	
6. APPLICANT'S BIRTH DATE		7. CO-APPLICANT'S BIRTH DATE		8. CO-APPLICANT'S 9 DIGIT SSN	
10. TYPE OF OPERATION: <input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> TRUST <input type="checkbox"/> JOINT OPERATION <input type="checkbox"/> CORPORATION <input type="checkbox"/> COOPERATIVE <input type="checkbox"/> L.L.C <input type="checkbox"/> OTHER (Explain) _____				11. ACRES OWNED	
				12. ACRES RENTED	
13. MARTIAL STATUS: <input type="checkbox"/> MARRIED <input type="checkbox"/> UNMARRIED <input type="checkbox"/> DIVORCED <input type="checkbox"/> LEGALLY SEPARATED <input type="checkbox"/> WIDOWED					
14. Have you ever conducted business under any other name? If "YES", what name?				YES	NO
15. Have you or any member of the entity obtained a direct or guaranteed loan from USDA?					
16. If "YES" to Item 15, was the loan paid in full? If not paid in full, please explain:					
17. Have you or any member of the entity ever been in receivership, been discharged in bankruptcy, or filed a petition for bankruptcy?					
18. If "YES" to Item 17, provide details:					
19. Are you or any member of the entity delinquent on any debt to the United States Government?					
20. Are you (or members holding a majority interest if an entity applicant) a United States citizen?					
21. If "NO" to Item 20, are you a non-citizen national, or a qualified alien? (Please provide documentation)					
22. Are you a veteran? If "YES", indicate branch and dates of service:					
23. Are you an employee, related to an employee, or an associate of an employee, of the Lender or Farm Service Agency?					
24. Are you farming or ranching now? If "YES", number of years experience:					
25. If "NO" to Item 24, but you have operated a farm in the past, list dates:					
Voluntary Information for Monitoring Purposes					
Ethnicity, race, and gender information is requested in order to monitor FSA's compliance with Federal laws prohibiting discrimination against loan applicants and to determine if you qualify for targeted funds. You are not required to furnish this information, but are encouraged to do so. Failure to complete this information may result in you not receiving access to targeted funds for which you may be eligible. Entity applicants should base their answers on the ethnicity, race, and gender of the owners of a majority interest in the entity.					
26. ETHNICITY <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino		27. RACE (Choose as many boxes as applicable) <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> White <input type="checkbox"/> Black or African American			28. GENDER <input type="checkbox"/> MALE <input type="checkbox"/> FEMALE
FSA USE ONLY:		29A. DATE RECEIVED		29B. DATE COMPLETED	

The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.) Persons with disabilities, who wish to file a program complaint, write to the address below or if you require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). Individuals who are deaf, hard of hearing, or have speech disabilities and wish to file either an EEO or program complaint, please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish).

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail to U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov. USDA is an equal opportunity provider and employer.

PART B – LOAN APPLICANT CERTIFICATIONS

STATEMENT REQUIRED BY THE PRIVACY ACT

The following statement is made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a - as amended). The authority for requesting the information identified on this form is the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1921 *et seq.*). The information will be used to determine eligibility and feasibility for loans and loan guarantees, and servicing of loans and loan guarantees. The information collected on this form may be disclosed to other Federal, State, and local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in the applicable Routine Uses identified in the System of Records Notice for USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information may result in a denial for loans and loan guarantees, and servicing of loans and loan guarantees. The provisions of criminal and civil fraud, privacy, and other statutes may be applicable to the information provided.

RIGHT TO FINANCIAL PRIVACY ACT OF 1978

FSA has a right of access to financial records held by financial institutions in connection with providing assistance to you, as well as collecting on loans made to you or guaranteed by the government. Financial records involving your transaction will be available to FSA without further notice or authorization but will not be disclosed or released by this institution to another government Agency or Department without your consent except as required by law.

THE FEDERAL EQUAL CREDIT OPPORTUNITY ACT prohibits creditors from discriminating against applicants on the basis of race, color, religion, sex, national origin, marital status, or age (provided the applicant has the capacity to enter into a binding contract), because all or a part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

CERTIFICATIONS, RESTRICTIONS, AND DISCLOSURE OF LOBBYING ACTIVITIES

1. The loan applicant certifies that: if any funds, by or on behalf of the loan applicant, have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant or Federal loan, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, or loan, the loan applicant shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.
2. The loan applicant shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including contracts, subcontracts, and subgrants, under grants and loans) and that all subrecipients shall certify and disclose accordingly.
3. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this statement is a prerequisite for making or entering into this transaction and is imposed by 31 U.S.C. 1352. 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 failure.

ABUSE OF CONTROLLED SUBSTANCES

The loan applicant certifies that he or she as an individual, or any member of an entity applicant, has not been convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years, in accordance with 21 U.S.C. 889. The loan applicant also certifies that he/she as an individual, or any member of an entity applicant, is not ineligible for Federal benefits based on a conviction for the distribution of controlled substances or any offense involving the possession of a controlled substance under 21 U.S.C. 862.

TEST FOR CREDIT

The individual or authorized party certifies that the needed credit without a loan guarantee, cannot be obtained by the individual applicant, or in the case of an entity, the needed credit cannot be obtained considering all assets owned by the entity and all of the individual members. The provisions of this paragraph do not apply if the guarantee requested is a Conservation Loan guarantee.

FEDERAL DEBT

The loan applicant certifies and acknowledges that any amounts paid by FSA on account of the liabilities of the guaranteed loan borrower will constitute a Federal debt owing to FSA by the guaranteed loan borrower. In such case, FSA may use all remedies available to it, including offset under the Debt Collection Improvement Act, to collect the debt from the borrower. The Agency's right to collect is independent of the lender's right to collect under the guaranteed note and will not be affected by any release by the lender of my (our) obligation to repay the loan. Any Agency collection under this paragraph will not be shared with the lender.

ACKNOWLEDGMENT

I certify that I accept and comply with the conditions stated hereon. I certify that the statements made by me in this application are true, complete, and correct to the best of my knowledge and belief and are made in good faith to obtain a loan. I understand that the approval period will not begin until a complete application has been filed. (Warning: section 1001 of Title 18, United States Code provides for criminal penalties to those who provide false statements on loans. If any information on this application is found to be false or incomplete, such finding may be grounds for denial of the requested credit and civil and criminal prosecution.)

30A. APPLICANT'S SIGNATURE	30B. DATE
31A. CO-APPLICANT'S SIGNATURE	31B. DATE

PART C - TYPE OF ASSISTANCE REQUESTED

32. REQUESTED NO. _____ OF _____	33. LOAN TYPE <input type="checkbox"/> FO <input type="checkbox"/> OL <input type="checkbox"/> OL/LOC <input type="checkbox"/> CL	34. LOAN AMOUNT OR LOC CEILING \$ _____
35. INTEREST RATE _____ % <input type="checkbox"/> FIXED <input type="checkbox"/> VARIABLE	36. INTEREST ASSISTANCE REQUESTED <input type="checkbox"/> YES <input type="checkbox"/> NO	37. REPAYMENT PERIOD (Years)
38. SUBSEQUENT LOAN IN SAME OPERATING CYCLE <input type="checkbox"/> YES <input type="checkbox"/> NO	39. REPAYMENT TERMS	

PART D – FUNDS PURPOSE

40. PURPOSES FOR WHICH FUNDS WILL BE USED	41. AMOUNT
	\$
	\$
	\$
	\$
	\$
	\$
	\$

PART E - PROPOSED SECURITY

42. ITEM DESCRIPTION	43. LIEN POSITION	44. ESTIMTED VALUE	45. AMOUNT OF PRIOR LIEN	46. COLLATERAL VALUE
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
TOTALS:		\$	\$	\$

PART F - ENVIRONMENTAL INFORMATION

YES	NO	Based on a site visit to the loan applicant's operation and discussion of the operating plan, answer the following: (If "YES" please explain and attach to this form):
		47. Floodplains: If the loan will be secured by real estate, does the property contain any existing structures (i.e. farm dwellings or service buildings) or does the proposal involve development (i.e. construction, channeling, or other alteration) located within the 100-year floodplain as defined by FEMA floodplain maps, NRCS soil surveys, or other documentation?
		48. State Water Quality Standards: Did the investigation indicate the operation may violate State Water Quality Standards?
		49. Historical and Archaeological Sites: Does the property contain structures over 50 years old, structures with significant architectural features, or does the property have any historical significance which may make it eligible for the National Register of Historic Places?
		50. Wetlands and Highly Erodible Land: Will loan funds be used for any purpose that may contribute to the erosion of Highly Erodible Land or the Conversion of Wetlands; OR will loan funds be used to drain, dredge, fill, or otherwise manipulate any land or reduce the flow, circulation, or reach of water?
		51. Hazardous Substances: If the loan will be secured by real estate, did the "due diligence" investigation in respect to underground storage tanks and contamination from hazardous substances indicate contamination?

PART G – INTEREST ASSISTANCE NEEDS ANALYSIS

52. NET CASH FLOW (<i>inflows - outflows</i>) WITHOUT INTEREST ASSISTANCE	\$
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If a feasible plan cannot be developed (net cash flow is negative) without interest assistance, the applicant should be considered for interest assistance. The applicant must project a feasible plan with interest assistance or the request will be denied.

53. NET CASH FLOW (<i>inflows - outflows</i>) WITH INTEREST ASSISTANCE	\$
--	----

PART H – LENDER INFORMATION AND CERTIFICATION

54. LENDING INSTITUTION NAME AND ADDRESS Telephone No. (<i>Including Area Code</i>):	55. LENDER 9 DIGIT TAX ID NO.
	56. REGULATORY AGENCY

57. LENDER CERTIFIES THAT:

- a. All applicable requirements in 7 C.F.R. Part 762, and FSA-2201 have been or will be met.
- b. It would not make the loan without an FSA guarantee. Not applicable for CL requests.
- c. The cash flow projection demonstrates that the proposed loan is sound and within the applicant's repayment ability, if applicable.
- d. The proposed collateral securing the loan is considered adequate.
- e. All documentation required by 7 C.F.R. Part 762, but not required to be submitted with the loan application, has been obtained and supports the data presented in this application.
- f. In connection with subsequent loans made within the same operating cycle, the loan applicant is in compliance with all loan agreements and all applicable certifications made are still valid.
- g. Application will be governed by Lender's Agreement dated: _____
(Date)
- h. Application filed as a (*check one*):
 CERTIFIED LENDER (CLP) STANDARD ELIGIBLE LENDER (SEL)

58A. NAME OF LENDER'S REPRESENTATIVE	58B. TITLE OF LENDER'S REPRESENTATIVE
59A. AUTHORIZED LENDER REPRESENTATIVE'S SIGNATURE	59B. DATE

PART I - SUPPORTING DOCUMENTATION *(Please attach the following)*

60. Certified Lender Program Lenders:

- Narrative
- Balance sheet dated _____
- Cash flow budget, if applicable
- Description of the location of each tract of land to be farmed by the loan applicant *(This may be FSA Farm No., Legal Description, Plat Map, etc.)*
- Entity information *(name, address, social security or tax identification number, percent ownership, balance sheet for each member)*
- Conservation Plan *(CL Only)*
- Transition Plan for Organic or Sustainable Agricultural, if applicable

61. Standard Eligible Lenders Applying for Guarantees of \$125,000 or Less:

- Narrative
- Balance sheet dated _____
- Cash flow budget, if applicable
- Description of the location of each tract of land to be farmed by the loan applicant *(This may be FSA Farm No., Legal Description, Plat Map, etc.)*
- Entity information *(name, address, social security or tax identification number, percent ownership, balance sheet for each member)*
- Credit report
- Plan for servicing borrower
- Conservation Plan *(CL Only)*
- Transition Plan for Organic or Sustainable Agricultural, if applicable

62. Standard Eligible Lenders Applying for Guarantees Greater than \$125,000:

- Narrative
- Balance sheet dated _____
- Cash flow budget, if applicable
- Description of the location of each tract of land to be farmed by the loan applicant *(This may be FSA Farm No., Legal Description, Plat Map, etc.)*
- Entity information *(name, address, social security or tax identification number, percent ownership, balance sheet for each member)*
- Credit report
- Plan for servicing borrower
- Proposed loan agreement
- Verification of all debts greater than \$1,000
- Verification of non-farm income, if applicable
- 3 year production history, if applicable
- 3 year financial history *(income, expenses, balance sheets)*, if applicable
- If construction or development is proposed, a copy of the plans, specifications, and schedule
- Conservation Plan *(CL Only)*
- Transition Plan for Organic or Sustainable Agricultural, if applicable

FSA-2212
(05-15-15)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 3

PREFERRED LENDER APPLICATION FOR GUARANTEE

INSTRUCTIONS TO LENDER: LOAN APPLICANT WILL COMPLETE PARTS A, B, AND G. LENDER WILL COMPLETE PARTS C THROUGH F.

PART A – APPLICANT’S INFORMATION

1. APPLICANT’S NAME		2. CO-APPLICANT’S NAME	
3. APPLICANT’S TELEPHONE NO. <i>(Including Area Code)</i>	4. APPLICANT’S ADDRESS		5. APPLICANT’S 9 DIGIT SSN OR TAX ID NO.
6. APPLICANT’S BIRTH DATE	7. CO-APPLICANT’S BIRTH DATE	8. CO-APPLICANT’S 9 DIGIT SSN	9. TOTAL NUMBER OF HOUSEHOLD MEMBERS
10. TYPE OF OPERATION: <input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> TRUST <input type="checkbox"/> JOINT OPERATION <input type="checkbox"/> CORPORATION <input type="checkbox"/> COOPERATIVE <input type="checkbox"/> L.L.C <input type="checkbox"/> OTHER <i>(Explain):</i> _____			11. ACRES OWNED 12. ACRES RENTED
13. MARITAL STATUS: <input type="checkbox"/> MARRIED <input type="checkbox"/> UNMARRIED <input type="checkbox"/> DIVORCED <input type="checkbox"/> LEGALLY SEPARATED <input type="checkbox"/> WIDOWED			
14. Have you or any member of the entity obtained a direct or guaranteed loan from USDA?			YES NO
15. If "YES" to Item 14, was the loan paid in full? If not paid in full, please explain:			
16. Have you or any member of the entity ever been in receivership, been discharged in bankruptcy, or filed a petition for bankruptcy?			
17. If "YES" to Item 16, provide details:			
18. Are you or any member of the entity delinquent on any debt to the United States Government?			
19. Are you <i>(or members holding a majority interest if an entity applicant)</i> a United States citizen?			
20. If "NO," to Item 19, are you a non-citizen national, or a qualified alien? <i>(Please provide documentation)</i>			
21. Are you a veteran? If "YES", indicate Branch and dates of service:			
22. Are you an employee, related to an employee, or an associate of an employee of the Lender or Farm Service Agency?			
23. Are you farming? If "YES", number of years experience:			
24. If "NO" to Item 23, but you have operated a farm in the past, list dates:			

PART B – LOAN APPLICANT CERTIFICATION

RIGHT TO FINANCIAL PRIVACY ACT OF 1978

FSA has a right of access to financial records held by financial institutions in connection with providing assistance to you, as well as collecting on loans made to you or guaranteed by the government. Financial records involving your transaction will be available to FSA without further notice or authorization but will not be disclosed or released by this institution to another government Agency or Department without your consent except as required by law.

THE FEDERAL EQUAL CREDIT OPPORTUNITY ACT prohibits creditors from discriminating against applicants on the basis of race, color, religion, sex, national origin, marital status, or age (provided the applicant has the capacity to enter into a binding contract), because all or a part of the applicant's income derives from any public assistance program, or because the applicant has in goodfaith exercised any right under the Consumer Credit Protection Act.

RESTRICTIONS AND DISCLOSURE OF LOBBYING ACTIVITIES

- The loan applicant certifies that: if any funds, by or on behalf of the loan applicant, have been or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant or Federal loan, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, or loan, the loan applicant shall complete and submit Standard Form - LLL, "Disclosure of Lobbying Activities," in accordance with its instructions.
- The loan applicant shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including contracts, subcontracts, and subgrants, under grants and loans) and that all subrecipients shall certify and disclose accordingly.
- This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this statement is a prerequisite for making or entering into this transaction and is imposed by 31 U.S.C. 1352. 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.

ABUSE OF CONTROLLED SUBSTANCES

The loan applicant certifies that he or she as an individual, or any member of an entity applicant, has not been convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years in accordance with 21 U.S.C. 889. The loan applicant also certifies that he/she as an individual, or any member of an entity applicant is not ineligible for Federal benefits based on a conviction for the distribution of controlled or any offense involving the possession of a controlled substance under 21 U.S.C. 862.

TEST FOR CREDIT

The individual or authorized party certifies that the needed credit, without a loan guarantee, cannot be obtained by the individual applicant, or in the case of an entity, the needed credit cannot be obtained considering all assets owned by the entity and all of the individual members. The provisions of this paragraph do not apply if the guarantee requested is a Conservation Loan.

FEDERAL DEBT

The loan applicant certifies and acknowledges that any amounts paid by FSA on account of the liabilities of the guaranteed loan borrower will constitute a Federal debt owing to FSA by the guaranteed loan borrower. In such case, FSA may use all remedies available to it, including offset under the Debt Collection Improvement Act, to collect the debt from the borrower. The Agency's right to collect is independent of the lender's right to collect under the guaranteed note and will not be affected by any release by the lender of my (our) obligation to repay the loan. Any Agency collection under this paragraph will not be shared with the lender.

ACKNOWLEDGMENT

I certify that I accept and comply with the conditions stated hereon. I certify that the statements made by me in this application are true, complete, and correct to the best of my knowledge and belief and are made in good faith to obtain a loan. I understand that the 14-day prompt approval period will not begin until a complete application has been filed. (Warning: section 1001 of title 18, United States Code provides for criminal penalties to those who provide false statements on loan applications. If any information on this application is found to be false or incomplete, such finding may be grounds for denial of the requested credit and for civil and criminal prosecution.)

25A. APPLICANT’S SIGNATURE	25B. DATE	26A. CO-APPLICANT’S SIGNATURE	26B. DATE
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PART C - TYPE OF ASSISTANCE REQUESTED

27. PURPOSE(S) OF LOAN		
28. INTEREST RATE _____ % <input type="checkbox"/> FIXED <input type="checkbox"/> VARIABLE	29. INTEREST ASSISTANCE REQUESTED <input type="checkbox"/> YES <input type="checkbox"/> NO	30. REPAYMENT PERIOD (Years)
31. LOAN TYPE <input type="checkbox"/> FO <input type="checkbox"/> OL <input type="checkbox"/> OL/LOC <input type="checkbox"/> CL	32. LOAN AMOUNT OR LOC CEILING \$	

PART D - PROPOSED SECURITY

A. Item Description	B. Lien Position	C. Estimated Value	D. Amount of Prior Lien	E. Collateral Value
33.		\$	\$	\$
34.		\$	\$	\$
35.		\$	\$	\$
36.		\$	\$	\$
TOTALS:		\$	\$	\$

PART E - ENVIRONMENTAL INFORMATION

Based on a site visit to the loan applicant's operation and discussion of the operating plan, answer the following. (If "YES" please explain and attach to this form):	YES	NO
37. Floodplains: If the loan will be secured by real estate, does the property contain any existing structure (i.e., farm dwellings or service buildings) or does the proposal involve development (i.e., construction, channeling, or other alteration) located within the 100-year floodplain as defined by FEMA floodplain maps, NRCS soil surveys, or other documentation?		
38. State Water Quality Standards: Did the investigation indicate the operation may violate State Water Quality Standards?		
39. Historical and Archaeological Sites: Does the property contain structures over 50 years old, structures with significant architectural features, or does the property have any historical significance which may make it eligible for the National Register of Historic Places?		
40. Wetlands and Highly Erodible Land: Will loan funds be used for any purpose that may contribute to the erosion of Highly Erodible Land or the Conversion of Wetlands; OR will loan funds be used to drain, dredge, fill, or otherwise manipulate any land or reduce the flow, circulation, or reach of water?		
41. Hazardous Substances: If the loan will be secured by real estate, did the "due diligence" investigation in respect to underground storage tanks and contamination from hazardous substances indicate contamination?		

PART F - LENDER INFORMATION AND CERTIFICATION

I certify that all requirements of 7 C.F.R. Part 762 and FSA-2201 have been or will be met. This loan has been processed as in the lender's application to obtain preferred lender program (PLP) status and supporting documentation for this application is on file.

42A. LENDING INSTITUTION NAME AND ADDRESS	42B. LENDER 9 DIGIT TAX ID NO.	42C. REGULATORY AGENCY
	43A. NAME OF LENDER'S REPRESENTATIVE	43B. TITLE OF LENDER'S REPRESENTATIVE
	44A. AUTHORIZED LENDER REPRESENTATIVE'S SIGNATURE	44B. DATE

Telephone No. (Including Area Code):

PART G - VOLUNTARY INFORMATION FOR MONITORING PURPOSES

Ethnicity, race, and gender information is requested in order to monitor FSA's compliance with Federal laws prohibiting discrimination against loan applicants and to determine if you qualify for targeted funds. You are not required to furnish this information, but are encouraged to do so. Failure to complete this information may result in you not receiving access to targeted funds for which you may be eligible. Entity applicants should base their answers on the ethnicity, race, and gender of the owners of a majority interest in the entity.

45. ETHNICITY <input type="checkbox"/> Hispanic or Latin <input type="checkbox"/> Not Hispanic or Latino	46. RACE (Choose as many boxes as applicable) <input type="checkbox"/> American Indian or Alaska Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> White <input type="checkbox"/> Black or African American	47. GENDER <input type="checkbox"/> MALE <input type="checkbox"/> FEMALE
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PART H - FSA USE ONLY

48A. DATE RECEIVED	48B. DATE COMPLETED
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REQUIRED PRIVACY ACT AND PUBLIC BURDEN STATEMENT

The following statement is made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a - as amended). The authority for requesting the information identified on this form is the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1921 et. seq.). The information will be used to determine eligibility and feasibility for loans and loan guarantees, and servicing of loans and loan guarantees. The information collected on this form may be disclosed to other Federal, State, and local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in the applicable Routine Uses identified in the System of Records Notice for USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information may result in a denial for loans and loan guarantees, and servicing of loans and loan guarantees. The provisions of criminal and civil fraud, privacy, and other statutes may be applicable to the information provided.

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 60 minutes 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 COUNTY FSA OFFICE.**

The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.) Persons with disabilities, who wish to file a program complaint, write to the address below or if you require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). Individuals who are deaf, hard of hearing, or have speech disabilities and wish to file either an EEO or program complaint, please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish).

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail to U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov. USDA is an equal opportunity provider and employer.

A Creating an Account With USDA eAuthentication Level 2 Access

USDA developed a centralized eAuthentication service to provide authentication for USDA Web services. USDA eAuthentication provides centralized administration of users and a unified credential that can be used to provide users with single sign-on capability across all participating Web applications.

USDA eAuthentication Level 2 accounts enable the secure presentation of information and electronic signing of submissions. FSA lenders **must** obtain USDA eAuthentication Level 2 account to acquire a Level 2 user ID and password. Follow these steps to obtain a Level 2 account.

Step	Action
1	Go to http://www.eauth.egov.usda.gov/eauthCreateAccount.html and CLICK “Level 2 Access” hyperlink.
2	Complete and submit the 4-step registration. Required fields are indicated by asterisk (*).
3	After users submit the registration, the Level 2 Access Confirmation Page will be displayed that provides instructions on activating the newly created Level 2 account.
4	Users will receive a confirmation e-mail within 24 hours of registering. The e-mail message will provide further instructions and the link necessary to activate the account.
5	Obtain final verification of user’s identity by presenting a Government-issued ID card (such as, State-issued driver’s license or ID, military ID, passport) at user’s local USDA Service Center, where a Local Registration Authority will verify user’s identity. This must be done in person; otherwise, Level 2 authorization cannot be granted. To locate user’s local USDA Service Center, go to http://offices.sc.egov.usda.gov/locator/app .
6	Send request, in writing to FSA State Office, ATTN: FLP Division, to link the validated eAuthentication ID as either a Lender Administrator or Branch Administrator.

B Accessing Forms

Although all FSA lenders have access to online forms, users **must** register for a USDA Level 2 user ID and password to be able to save their information on the form and to submit the form electronically.

Lenders with an eAuthentication Level 2 user ID and password shall follow these steps to access forms.

Step	Action
1	Go to the Service Center Agencies eForms Home Page at http://forms.sc.egov.usda.gov/eForms/welcomeAction.do and CLICK “Login”.
2	On the eAuthentication Warning Screen, CLICK “I Agree”.
3	On the USDA eAuthentication Login Screen, enter user ID and password and CLICK “Login”.
	Note: When viewing forms, have only 1 browser window open. Each form has a supporting instruction file that explains how to complete the form.

--*

***--Electronic Access to Forms for FSA Lenders (Continued)**

C Searching for Forms

To search for forms, follow subparagraph B, under “eForms”, CLICK “**Browse Forms**”, and do either of the following:

- select the Agency, program, and service name from the corresponding drop-down menus to narrow the search results
- when searching for a specific form, enter information in the “Form Number” and “Title or “Keywords” fields.

CLICK “**Search**” to view all forms that meet user’s search criteria.

D Submitting Forms

Forms may be submitted to FSA as follows.

- lenders without an eAuthentication Level 2 account may submit printed forms (that is, paper hardcopies) to FSA. After users have located the form they need at <http://forms.sc.egov.usda.gov/eForms/welcomeAction.do> and filled in all the required information, users may print out and mail or FAX the form to the local USDA Service Center.

Note: To locate user’s local USDA Service Center, go to <http://offices.sc.egov.usda.gov/locator/app>.

- lenders with an eAuthentication Level 2 account may submit forms to FSA electronically. The eAuthentication Level 2 user ID serves as the signature when submitting forms electronically.

E Application Authorization Security Management (AASM) System

AASM is the database that contains lenders’ information and the eAuthentication user ID’s of all lender-employees authorized to participate in electronic reporting. FSA initially, and the lender’s Security Administrators (SA’s) thereafter, will use AASM to authorize lender-employees to access the USDA Lender Interactive Network Connection (LINC).

After authorized in AASM, lender-employees may use LINC to close guaranteed loans and manage lender semiannual and default status reports that keep the lender up-to-date in FSA’s accounting records. Lenders may request more than one SA to be authorized in AASM.--*

***--Electronic Access to Forms for FSA Lenders (Continued)**

E Application Authorization Security Management (AASM) System (Continued)

The lenders' SA's are:

- FSA points-of-contact for maintaining the lender-employees' USDA eAuthentication Level 2 ID's in AASM
- responsible for adding and removing other employees designated by the lender to use LINC.

Lender-employees:

- are responsible for ensuring that they adhere to the requirements outlined in FSA-2201
- are required to have a Level 2 user ID and password before being authorized in AASM (subparagraph A)
- do not need another Level 2 account and may use their existing Level 2 user ID and password if they have Level 2 access with another USDA Agency.

The FSA LINC User Guide at

http://www.fsa.usda.gov/Internet/FSA_File/gls_lender_linc_user_guide.pdf provides further details on adding a lender-employee in AASM.

F Lender Interactive Network Connection (LINC)

LINC, located at <https://usdalinc.sc.egov.usda.gov/>, allows electronic reporting by lenders to FSA. LINC allows lenders to:

- submit semiannual and default status reports
- add loan closings
- view loans
- add lender EFT's for pre-authorized debit (PAD) information
- add lender-employees in AASM.

See the FSA LINC User Guide for instructions on completing these functions.--*

Guaranteed Loan(s) Versus Direct Loan Comparison

Farmers may be facing loan repayment problems due to various reasons. Before qualifying for a direct loan there are at least three questions/issues that need to be reviewed and analyzed:

- availability of other credit before qualifying for a direct loan
- loan security
- repayment ability

Availability of other credit before qualifying for a direct loan

The test for credit must be considered. If a guaranteed loan is an option, then the applicant will not qualify for a direct loan. If the lender will not continue with the borrower even with a guaranteed loan, ask the question “Why Not”. Could the bank’s reason for not continuing be the same reason that FSA shouldn’t make a direct loan? Does the applicant have a reasonable chance for success?

Loan Security

Guaranteed and Direct loan programs security requirements and loan terms are basically the same. NEW guaranteed and NEW direct OL loan(s) must be adequately secured by chattels and/or real estate by at least 1 to 1.

Repayment ability - Average guaranteed interest rate loans closed FY2016 = 5.0908%

268 FO = 5.0207% 97 OL = 5.0773% 92 OL/LOC = 5.1745%

The amortized payment amount for a \$100,000 loan is as follows:

Situation	Loan	Interest Rate	Loan Terms	Payment Amount
New Direct OL	\$100,000	Current rate = 2.125%	7 yrs.	\$15,540
New Guar OL	\$100,000	5.09 %	7 yrs.	\$17,383

Refinancing an existing guaranteed loan with direct loan funds:

In most instances, a direct OL loan should not be used to refinance an existing guaranteed loan(s). Existing OL/LOC guaranteed loan(s) can be restructured for up to 7 years or 10 years from the date of the original note, OL/LN guaranteed loan(s) can be restructured for up to 15 years, and FO/LN guaranteed loan(s) can be restructured for up to 40 years. Direct FO loans cannot be used to refinance debt. Guaranteed FO/LN loan(s) funds can be used by lenders to refinance debt. Existing guaranteed loan(s) can be restructured without consideration as to whether or not there is adequate security remaining. *If the guaranteed borrower(s) won't cash flow utilizing all available guaranteed authorities, we don't see how it would cash flow when a guaranteed loan is refinanced with a direct loan.*

Situation	Loan	Interest Rate	Loan Terms	Payment Amount
Restructure Existing Guar OL/LN	\$100,000	5.09 %	max 15 yrs.	\$9,740
Restructure Ext Guar OL/LOC	\$100,000	5.09 %	max 7 yrs.	\$17,383
New Guar FO/LN	\$100,000	5.09 %	25 yrs.	\$7,210

Direct Loan Subordination or Guaranteed OL/LOC Loan? Which Has the Most Risk for Lenders?

Is the direct loan subordination or a 5-year guaranteed operating loan line of credit loan (OL/LOC) better for your institution?

Situation: Farmer needs \$325,000 annual operating loan. Lender request for a \$325,000 subordination at 6% interest with a 1st lien on crops and a 1st lien on machinery. Borrower had a partial crop failure. \$325,000 @ 6% = \$19,500 year interest accrual

What was the lender's loss?

“Subordination Example” – 50 % Crop Loss

Loan		\$325,000
Crop Income	-	\$162,500
Interest	+	\$19,500
Unpaid debt		\$182,000
<p style="color: blue; margin: 0;">After expenses machinery must net \$182,000 to avoid a loss.</p> <p style="color: blue; margin: 0;">What will the machinery bring at a forced liquidation sale?</p>		

“Guaranteed OL/LOC Example”

Loan		\$325,000
Crop Income	-	\$162,500
Interest	+	\$19,500
Unpaid debt		\$182,000
90% Loss Claim Payment	-	\$163,800
Lender Guaranteed Loan Loss		\$18,200
<p>If liquidated after the 1st year with a 50% crop loss, a lender loses no principal & earns \$1,300 interest income.</p>		

The lender must determine which has the most risk for your institution?

Is it the OL/LOC or the subordination???

Common Complaint: The borrower has to pay a \$4,387.50 guarantee loan closing fee.

Response: FSA does charge a one time loan origination fee. Spread the fee over the length of the guaranteed 5 year OL/LOC loan.

$$\$325,000 \times 90\% \times 1.5\% = \$4,387.50 \text{ guar fee}$$

$$\$4,387.50 \times 1.5\% \text{ guar fee} \div 5 \text{ years} = \$877.50 / \text{year}$$

$$\$877.50 \div \$325,000 \text{ loan} = .27\% \text{ yearly cost}$$

In summary, regardless of the loan size, the “annual guaranteed loan fee” cost for a 5-Year OL/LOC loan calculates to only .27 % or 27 basis points per year.

Option: Lender pays 1.5% loan fee for borrower with prepayment penalty
Increase interest rate 3/8% or .375 basis points

279 Subordination of Direct Loan Security (7 CFR 762.142(c))**A Direct Loan Subordination When Guaranteed Loan Is Being Made**

The Agency may subordinate its security interest on a direct loan when a guaranteed loan is being made if, as appropriate, the requirements of the regulations governing Agency direct loan subordinations are met and only in the following circumstances:

- to permit a guaranteed lender to advance funds and perfect a security interest in crops, feeder livestock, livestock offspring, or livestock products, such as milk, eggs, wool, etc.
- when the lender requesting the guarantee needs the subordination of the Agency's lien position to maintain its lien position when servicing or restructuring
- when the lender requesting the guarantee is refinancing the debt of another lender and the Agency's position on real estate security will not be adversely affected
- to permit a Line of Credit to be advanced for annual operating expenses.

See 4-FLP for additional guidance.

B Direct Loan Subordination to Secure LOC

The Agency may subordinate its basic security in a direct loan to permit guaranteed line of credit only when both of the following additional conditions are met.

- The total unpaid balance of the direct loans is less than or equal to 75 percent of the value of all of the security for the direct loans, excluding the value of growing crops or planned production, at the time of the subordination. The direct loan security value will be determined by an appraisal. The lender requesting the subordination and guarantee is responsible for providing the appraisal and may charge the applicant a reasonable appraisal fee.
- The applicant cannot obtain sufficient credit through a conventional guaranteed loan without a subordination. Before approving a combination guaranteed loan and subordination, the local loan approval official will document that the applicant requested a Contract of Guarantee - LOC through at least 1 participating lender. If the local loan approval official has information available that supports a conclusion that credit is not available without a subordination, documentation in the case file will be sufficient to verify that other credit is not available.

LENDER NARRATIVE - “Credit Presentation”

(2-FLP Par 66 C)

If a loan narrative is not provided, FSA will notify lender that the application is “incomplete” as per 2-FLP Par. 97. The loan narrative may be less detailed for an applicant with an outstanding direct and/or guaranteed loan.

The loan narrative must be an evaluation and not just a summary of the data. Include the following:

1. Description of the farming operation. (*Character and eligibility*)

- Type of Enterprise
- Key Personnel – entity members and their roles
- Management structure
- Background of the farm operation and those members
- Past performance
- Proposed changes to the operation
- Is real estate, owned and rented, adequate and can sustain reasonable success
- Is the equipment (& real estate) adequate along with other facilities needed for the operation

2. Eligibility Requirements: Discuss eligibility in the loan narrative. It is acceptable to say in the loan narrative that the “Applicant meets the FSA eligibility requirements of 2-FLP Handbook, Part 8, Par. 108.”

2-FLP Handbook - Paragraph 108 A eligibility requirements in a summarized format. Please review the Handbook for more detailed information and explanation. An applicant, including members of an entity applicant, must meet the following eligibility criteria to obtain a guaranteed loan. An eligible applicant is an applicant that:

- ✓ meets all requirements about prior debt forgiveness (obtained from FSA County Office)
- ✓ is not delinquent on any Federal debt, other than IRS
- ✓ does not have any outstanding recorded judgments obtained by the United States in any Court
- ✓ is a citizen of the United States, a U.S. non-citizen national, or a qualified alien under applicable Federal immigrations laws
- ✓ has the legal capacity to incur the obligations of the loan; includes all members who will be liable for the loan
- ✓ has acceptable credit history; includes all entity members.
- ✓ is unable to obtain sufficient credit elsewhere without a guarantee
- ✓ has not been convicted of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years.
- ✓ Entity applicants? See FSA 2-FLP Handbook Paragraph 108-111 for all entity eligibility requirements

3. **Provide an assessment of the collateral being offered - (Collateral)**
Describe the collateral being used to secure the proposed loan. What is the loan to value? Is it in line with lender's underwriting without a guarantee? State if additional collateral is available? Address how appraised/estimated values were derived, if appraisals were not provided.
4. **Discuss the total credit needs being requested if it cannot be thoroughly explained/itemized on the guaranteed loan application.**

5. Individual "Married" Applications:

Provide the full legal name(s) of co-borrowers or co-signers who will execute the promissory note. Lender needs to address if applicant is filing "Married filing jointly" or "Married filing separately" if a copy of **Form 1040 U.S. Individual Income Tax Return** is not provided to FSA.

6. **Entity Applications:** Provide the full legal name of all entity members, share percentages, social security numbers, and current addresses of those members, co-borrowers or co-signers that will be required to execute the promissory note.
7. **Discuss the loan applicant's financial condition and projected plan with repayment ability. (Credit, Capital and Capacity)**
What is the applicant's current position – working capital? Debt structure and equity. Include any significant assumptions that you are making towards his/her financial condition and/or cash flow projection. Include deviations from historical performance. Key here is to provide documentation to support lender's proposed loan with the projected cash flow and post closed balance sheet. If there are weaknesses, what are the offsetting strengths?
8. **What are the short-term and long-term business goals of the operation?** Discuss these with your customer and give brief comments in narrative.
9. **What will be your customer's reporting requirements? (Conditions)**
Are there any limitations to those requirements? Based on your analysis of the aforementioned topics, should any mitigating measures be taken to assist the borrower to meet their goals to have long term viability?
10. **What is the lender's servicing plan after the loan is closed? (Conditions)**
Planned visits and monitoring of the operation? Year-end analysis of the operation and reporting requirements required of the borrower? Will there be any capital purchase limitations that will require the lender's pre-approval? Other conditions with the loan?
11. **If the loan contains balloon payments, state the conditions related to the renewal of the loan.**

Any other pertinent information relative to the request should be provided. Keep in mind, the narrative is the most important piece of the application package. It may contain out of the ordinary data or variances in normal practices for the type of operation.

Beginning Farmer = A beginning farmer or rancher is an individual or entity who:

- Meets the loan eligibility requirements for a direct or guaranteed OL or FO loan, as applicable;
- Has not operated a farm for more than 10 years. This requirement applies to all members of an entity;
- Will materially and substantially participate in the operation of the farm:
 - In the case of a loan made to an individual, individually or with the family members, material and substantial participation requires that the individual provide substantial day-to-day labor and management of the farm, consistent with the practices in the county or State where the farm is located.
 - In the case of a loan made to an entity, all members must materially and substantially participate in the operation of the farm. Material and substantial participation requires that the member provide some amount of the management, or labor and management necessary for day-to-day activities, such that if the individual did not provide these inputs, operation of the farm would be seriously impaired;
- Agrees to participate in any loan assessment and borrower training required by Agency regulations;
- Except for an OL applicant, does not own real farm property or who, directly or through interests in family farm entities owns real farm property, the aggregate acreage of which does not exceed 30 percent of the average acreage of the farms in the county where the property is located. If the farm is located in more than one county, the average farm acreage of the county where the applicant's residence is located will be used in the calculation. If the applicant's residence is not located on the farm or if the applicant is an entity, the average farm acreage of the county where the major portion of the farm is located will be used. The average county farm acreage will be determined from the most recent Census of Agriculture;
- Demonstrates that the available resources of the applicant and spouse (if any) are not sufficient to enable the applicant to enter or continue farming on a viable scale; and
- In the case of an entity:
 - All the members are related by blood or marriage; and
 - All the members are beginning farmers.

NOTE: Simply being defined as a "beginning farmer" will not qualify for a waiver of the 1.5% guarantee fee waiver.

Socially Disadvantaged Applicant = Socially disadvantaged applicant (SDA) is an individual or entity who is a member of a socially disadvantaged group (*American Indians, Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women*). For entity applicants, the majority interest must be held by socially disadvantaged individuals. For married couples, the socially disadvantaged individual must have at least 50 percent ownership in the farm business and make most of the management decisions, contribute a significant amount of labor, and generally be recognized as the operator of the farm.

Entity = Entity means a corporation, partnership, joint operation, cooperative, limited liability company, trust, or other legal business organization, as determined by the Agency, that is authorized to conduct business in the state in which the organization operates. Organizations operating as non-profit entities under Internal Revenue Code 501 (26 U.S.C. 501) and estates are not considered eligible entities for Farm Loan Programs purposes.

Embedded Entity = Embedded entity means an entity that has a direct or indirect interest, as a stockholder, member, beneficiary, or otherwise, in another entity.

Entity Member = Entity member means all individuals and all embedded entities, as well as the individual members of the embedded entities, having an ownership interest in the assets of the entity.

Family Farm = Family farm is a business operation that:

- (1) Produces agricultural commodities for sale in sufficient quantities so that it is recognized as a farm rather than a rural residence;
- (2) Has both physical labor and management provided as follows:
 - (i) The majority of day-to-day, operational decisions, and all strategic management decisions are made by:
 - (A) The borrower and persons who are either related to the borrower by blood or marriage, or are a relative, for an individual borrower; or
 - (B) The members responsible for operating the farm, in the case of an entity.
 - (ii) A substantial amount of labor to operate the farm is provided by:
 - (A) The borrower and persons who are either related to the borrower by blood or marriage, or are a relative, for an individual borrower; or
 - (B) The members responsible for operating the farm, in the case of an entity
- (3) May use full-time hired labor in amounts only to supplement family labor
- (4) May use reasonable amounts of temporary labor for seasonal peak workload periods or intermittently for labor intensive activities.

In summary, the day-to-day labor and all of the day-to-day management/operational decisions should be made by members of the family farm.

Entity Ownership of Large Farms - 2-FLP Par.111B (7 CFR 762.120(k))

The collective ownership interest of all entity members may exceed the family farm definition limits only if the following conditions are met:

- all of the entity members are related by blood or marriage
- all of the members are or will be operators of the entity
- each entity member's ownership interest may not exceed the family farm definition limits.
- the majority interest holders of the entity must meet the following requirements
 - the entity member is a US citizen or an alien lawfully admitted to the US for permanent residence
 - the entity member, in past dealings with FSA, must not have provided FSA with false or misleading documents or statements
 - the entity member has an acceptable credit history
 - the entity members must meet the operator (OL) and the operator/owner (FO) requirements.

Full Legal Name: Guaranteed Loan Applications

All FSA guaranteed loan applications must be filed using the customer's full legal name (including middle name). FSA's Loan Guarantee is tied to the promissory note. FSA will issue the FSA-2235, Loan Guarantee, using the customer's full legal name as taken from the application.

Most lenders feel that it is SOP to properly perfect a real estate lien that

1. Deed of Trust name be identical to the name on the Deed to the property
2. Name on the promissory note be identical to the name on the Deed of Trust.

FSA will not be requiring the borrower to change the borrower's name on the deed to the property if different than the borrower's full legal name. A lenders promissory note may be in a shortened/different version of the borrower's name other than the full legal name that FSA is requiring on the guaranteed loan application and Loan Guarantee.

When the borrowers full legal name is not used on the promissory note FSA will allow the use of an AKA in the promissory note addendum that references the borrowers full legal name.

Loan Limits - (2-FLP Par. 244 A on page 10-1)

Effective: October 1, 2016

Maximum total unpaid "PRINCIPAL" balance outstanding

<u>Maximum Loan Amount</u>	<u>Description</u>
\$300,000	Direct FO
\$1,399,000	Guaranteed FO & CL
\$1,399,000	Combined Direct and Guaranteed FO
\$300,000	Direct OL
\$1,399,000	Guaranteed OL
\$1,399,000	Combined Direct and Guaranteed OL
\$1,399,000	Combined Guaranteed OL, FO & CL
\$1,699,000	Combined Guaranteed and Direct OL, FO, & CL

The maximum levels above include the guaranteed loan being made plus any outstanding direct or guaranteed principal owed by anyone who will sign the promissory note. The dollar limit of guaranteed loans is adjusted annually based on Prices Paid by Farmers Index.

Loan Guarantee Percentage - (2-FLP Par. 195 on page 8-165)

The guarantee in most instances will be 90%.

CLP and PLP lenders will not be less than 80%.

The guarantee will be issued at 95% when:

- OL or FO: 100% of the loan funds will refinance the Agency's direct loan debt.
 - ✓ The guarantee will be issued using a weighted percentage between 90-95% on OL or FO loans when a portion of the loan is used to refinance Agency's direct loan debt.
See 2-FLP Par.196 A on page 8-167 on how to calculate.
- OL or FO: greater than 50% of lender loan funds will be obtained through Beginning Farmer Program under the State Treasure's Missouri Linked Deposit
- FO: loan purpose is to participate with the Direct Beginning Farmer Downpayment loan.
- OL: made during period where there is an outstanding Direct Beginning Farmer Downpayment loan

Guarantee Loan Fees

2-FLP Par. 136 C page 8-61 and 2-FLP Par. 247A page10-12

FSA charges a 1.5% loan closing fee on most guaranteed loans. The fee is calculated as follows: (Loan Amount x % guaranteed x 1.5%). 1.5% fee may be passed onto the borrower and included in loan funds.

The following loan types qualify for the 1.5% fee waiver:

1. Loan specifically where more than 50% of the funds are used to refinance an Agency direct loan.
2. Applicants who currently meet both the FSA BEGINNING FARMER definition/requirements and have an **outstanding balance or approved, but not funded**, FSA Direct Beginning Farmer Downpayment (3-FLP Part 7 Section 2) Program FO loan.
3. Applicants who currently meet the FSA BEGINNING FARMER definition/requirements and have an **outstanding balance or approved, but not funded**, loan where more than 50% of the specific loan funds are under the Missouri Linked Deposit Agriculture - Beginning Farmer program.

See State of Missouri website: <http://www.treasurer.mo.gov/LinkedDeposit.asp> for further clarification and understanding of the Missouri Linked Deposit program – Beginning Farmer Program.

Therefore, prior to receiving the 1.5% fee waiver under the Missouri - Linked Deposit Program, the lender must provide FSA with a copy of the following:

1. Missouri - Linked Deposit Program Beginning Farmer Loan Application signed by both the lender and borrower
2. State of Missouri - Linked Deposit Program Beginning Farmer approval letter
3. Lender promissory note addendum

There are multiple state programs under the Missouri Linked Deposit program and only the subtype **Agriculture - Beginning Farmer** program qualifies for the FSA guaranteed loan 1.5% fee waiver. No other state program qualifies for the 1.5% guarantee fee waiver. The applicant may qualify for the Missouri Linked Deposit Beginning Farmer program but may not qualify for the FSA 1.5% fee waiver if farming longer than 10-years as the State's program has a different beginning farmer definition than FSA.

A 1.5% guarantee fee waiver exception is applied to each individual guaranteed loan independently and separately.

Simply being defined as a “beginning farmer” or “socially disadvantaged farmer” will not qualify for a waiver of the 1.5% guarantee fee waiver.

The guaranteed loan applicant must meet the FSA 2-FLP Exhibit 2 Beginning Farmer definition to qualify for the 1.5% fee waiver as of the date the application is received.

On a guaranteed OL loan the 2-FLP Exhibit 2 beginning farmer definition that pertains to owning more than 30 percent of the average size farm in the county does not apply.

MISSOURI
LINKED  DEPOSIT
Loans to Develop Our Future

AGRICULTURE – BEGINNING FARMER LOAN APPLICATION

Name: _____

Business Name (as reflected on loan application): _____

Social Security #: _____ Tax I.D. #: _____ Mailing Address: _____

_____ City: _____ County: _____

_____ State: _____ ZIP: _____ Physical

Address (if different than mailing address): _____ City: _____ County: _____

_____ State: _____ Zip: _____ Phone #: _____

_____ FAX #: _____ Amount Requested: \$ _____

_____ Applicant's Equity: % _____

Farm Acreage: owned _____ rented _____ Number of Employees: _____ Applicant's Net Worth _____

Use of loan proceeds: _____

Type of Operation: Grain Farming (wheat, corn, etc) Soybean Cattle Poultry Cotton Other: _____

If you are requesting this loan due to drought or other natural disaster, please provide an explanation of the impact on your operation: _____

Please attach a brief narrative describing the type of operation you have, how the proceeds will be used, the reason you're requesting a Missouri Linked Deposit Program loan and the impact it will have on your operation.

NOTE: Missouri Linked Deposit Program loans are issued by Treasurer Zweifel's office for a one-year term, which may be renewed annually up to five years. A Missouri Linked Deposit for a multi-year fixed rate may be considered. If you are requesting a multi-year fixed rate, please attach a justification based on sound business reasons.

DEMOGRAPHIC INFORMATION

Have you participated in the Missouri Linked Deposit Program previously? Yes No

If yes, what time period: _____

Are you a minority and/or a female or neither (question required by 30.758, RSMo)

Are you a veteran, reservist or member of National Guard or the spouse of such or neither

Are you using MO Agriculture and Small Business Development Authority's (MASBDA)

Beginning Farmer Program or received a USDA guarantee for this loan? Yes No

APPLICATION CERTIFICATION FOR A BEGINNING FARMER:

*In submitting this application, I the undersigned eligible borrower have read the following and hereby certify and agree that I meet the following eligibility criteria: **

(a) I am a permanent Missouri resident and at least 18 years of age. True False



CLINT ZWEIFEL
 MISSOURI STATE TREASURER

Missouri State Treasurer Clint Zweifel • P.O. Box 210 • Jefferson City, MO 65102
 (573) 751-2372 • LinkedDeposit@treasurer.mo.gov • www.treasurer.mo.gov/LinkedDeposit

Revised 08/11

1.5% FSA Guaranteed Loan Closing Fee

Lender pays 1.5% fee for borrower

- If a Deal Breaker
- If cause Lender to Lose Business

\$100,000 loan = \$1,350 FSA 1.5% Loan Fee

(\$100,000 loan request X 90% = \$90,000 Loan Guarantee X 1.5% fee)

Operating (OL) Loan

- Increase interest rate 3/8% or 37.5 basis points
- 5-Year: promissory note prepayment penalty
- Higher interest rate versus borrowing the loan fee equal

\$100,000 loaned at 5.5% over 7 years = \$17,597 per yr annual payment

\$101,350 loaned at 5.125% over 7 years = \$17,361 per yr annual payment

Farm Ownership (FO) Loan

- Increase interest rate 1/4% or 25 basis points
- 6-Year: promissory note prepayment penalty
- Slightly higher cost than borrowing the loan fee.

\$100,000 loaned at 5.25% over 20 years = \$8,196 per yr annual payment

\$101,350 loaned at 5% over 20 years = \$8,025 per yr annual payment

Collecting the 1.5% Fee

\$1,350 fee collected back over 5 years = \$270 additional interest that must be collected

\$1,350 fee collected back over 6 years = \$225 additional interest that must be collected

Payment	OL 7-Yr Loan 1.5% Fee Collected	If repaid early	FO 20-Yr Loan 1.5% Fee Collected	If repaid early
1	\$375.00	\$1,725.00	\$250.00	\$1,600.00
2	\$705.15	\$2,055.15	\$493.02	\$1,843.302
3	\$987.83	\$2,337.83	\$728.66	\$2,078.66
4	\$1,220.23	\$2,570.23	\$956.49	\$2,306.49
5	\$1,399.41	\$2,749.41	\$1,176.06	\$2,526.06
6			\$1,386.90	\$2,736.90

Some borrowers will pay off early.

Prepayment penalty will be owed in addition to the amount of interest already collected.

Maximum Interest Rates on Guaranteed Farm Loans

2-FLP Par.135 (7 CFR 762.124(a))

Fixed and Variable Rates

The interest rate on an FSA guaranteed loan may be fixed or variable as agreed upon between the borrower and the lender. The lender may charge different rates on the guaranteed and the non-guaranteed portions of the note. The guaranteed portion may be fixed while the unguaranteed portion may be variable, or vice versa. If both portions are variable, different bases may be used. If a variable rate is used, it must be tied to an index or rate specifically agreed to between the lender and borrower in the loan instruments and the rate adjustments must be in accordance with normal practices of the lender for nonguaranteed loans. Upon request, the lender must provide the Agency with copies of its written rate adjustment practices.

Lenders are not required to tie the promissory note guaranteed interest rates to 3-month LIBOR or 5-year Treasury.

The FSA interest rate rule does not require that the promissory note interest rate remain below the maximum throughout the term of the loan. Interest rates can fluctuate based on the pricing practice spelled out in the promissory note. FSA is not required to monitor the interest rate at any other time.

Interest Rate Pricing

The maximum rate is not based on loan terms, purpose, or type. It is based on how long the interest rate is fixed.

- Variable-rate notes of any term and fixed-rate notes with terms less than 5 years will be considered a variable-rate loan (3-month LIBOR)
- Fixed-rate notes for 5 years or more would be considered a fixed-rate loan. (5-year Treasury)

Maximum Interest Rates

Before issuing the FSA-2235, Loan Guarantee, and/or approving an existing guaranteed loan restructure, FSA should check that the interest rate on both the guaranteed portion and the nonguaranteed portion of a fixed or variable rate promissory note may not exceed FSA's maximum interest rate allowed using the applicable index and spread (3-mo LIBOR or 5-yr Treasury).

At the time of loan closing or loan restructuring, FSA must verify

OL/FO loan with ***variable-rates or rates fixed less than 5 years***, the benchmark will be 6.5% or 650 basis points above the 3-month LIBOR.

OL/FO loan with rates ***fixed for 5 years or longer***, the benchmark will be 5.5% or 550 basis points above the 5-year Treasury.

When 3-month LIBOR falls below 2%, the maximum spread will increase by 100 basis points (1%) for both to:

- 7.5% or 750 basis points above 3-month LIBOR
- 6.5% above 5-year Treasury

Risk-Based Pricing:

- Lenders who use a risk based pricing practice will document the risk rating of the borrower without consideration of the guarantee and the risk rating of the borrower with consideration of the guarantee.
- Borrower interest rate should be based on one tier lower (representing lower risk) than the borrower would receive without a guarantee. Should be discussed in the narrative.
- FSA will only be requesting a copy of lender's risk-based pricing practices when the borrower's promissory note loan closing or loan restructuring interest rate exceeds the applicable index and spread (3-mo LIBOR or 5-yr Treasury).
- Lender's risk-based pricing practices are strictly confidential and for FSA use only. FSA will file in the lenders operation file.

Not Using Risk-Based Pricing:

- The maximum interest rate (FSA benchmark) will be based on the **length of time the rate is fixed** rather than loan type.
- The maximum interest rate may not exceed the appropriate benchmark at the time of **loan closing or restructuring**.

3-month LIBOR and 5-year Treasury Links

Historical interest rates will be available in GLS, FSA Intranet, and FSA Internet.

- 3-month LIBOR: http://online.wsj.com/mdc/public/page/2_3020-libor.html
Scroll down to find year and date needed.
3-month LIBOR was .867% on 10/5/2016
- 5-year Treasury Rate: <http://www.federalreserve.gov/releases/h15/data.htm>
Scroll down to 5-year Treasury constant maturities and click on the business day.
5-year Treasury constant maturities was 1.22% on 10/4/2016

FSA Employees - GLS Processing

If the interest rate is variable or fixed for less than five years, select "Variable".

If the interest rate is fixed for five or more years, select "Fixed."

Interest Charges: Interest must be charged only on the actual amount of funds advanced and for the actual time the funds are outstanding.

ENVIRONMENTAL “Due Diligence” REQUIREMENTS

FLP “GUARANTEED” LOANS

FSA is required to complete Environmental Assessments or Reviews for all FSA guaranteed requests.

FSA regulations in the environmental review process include: The National Environmental Policy Act (NEPA); 1-EQ Handbook and the 2-FLP Handbook.

Some applications will require additional information from other USDA agencies or organizations to fulfill National Environmental Policy Act or other special law requirements. The need for this information will indicate an “incomplete” application and will stop the loan processing timeframes for SEL, CLP and PLP lenders until FSA has adequate information to complete the environmental review.

2-FLP Par.208-209 states that lenders will assist in the environmental review process by providing environmental information to FSA when requested. In all cases, the lender must retain documentation of their investigation in the loan applicant’s case file. However, the lender should submit enough information in the due diligence process so that the FSA Authorized Agency Official, in most cases, can perform an adequate assessment without having to visit the farm.

Even though the lender or applicant may supply information used in the preparation of an environmental review, FSA is still responsible for independently evaluating the environmental issues and taking responsibility for the environmental review as the lead agency.

FSA must complete its environmental review process before making a direct and/or guaranteed loan approval decision.

Three Levels of Environmental Review

- Categorical Exclusion (CATEX): This includes most loan proposals. Actions include (subject to the Agency risk assessment) refinancing of debt, AFO/CAFOs with less than 1000 animal unit capacity, irrigation projects less than 320 acres, annual operating expenses, loans to purchase livestock and equipment, and other actions that are not extraordinary or controversial. CLP and PLP lenders may certify that they have documentation in their file to demonstrate environmental compliance. SEL lenders must submit evidence supporting compliance. PLP, CLP and SEL lenders must submit evidence supporting compliance. Use the **CATEX Guaranteed Loan checklist**
- Environmental Assessment (EA): Includes construction and expansion of AFO/CAFOs with 1,000 or more animal units, irrigation projects over 320 acres, aquaculture projects, and other projects if two or more resources are being impacted, or if wetlands are impacted, or if there is controversy or extraordinary circumstances. PLP, CLP and SEL lenders must submit evidence supporting compliance. Public notice of availability of the EA is required. The assessment processing time can be significant due to the need to consult regulating entities. Expenses incurred will be paid by the applicant. Permits, nutrient management plans, public notification, are required before the loan can be approved. Use the **Guaranteed Environmental Assessment checklist**.
- Environmental Impact Statement (EIS): Complete this assessment if the project or proposal will have a major impact to the environment, or the project is controversial. Typically only done at the national level.

Minimum Lender Requirements

- _____ 1. A Farm Visit must be completed by the lender and/or lender's representative in the environmental due diligence process.
- _____ 2. Environmental Certification: Lender will certify environmental compliance on the FSA- 2211, Application for Guarantee Part F or on the FSA-2212, Preferred Lender Application for Guarantee Part E.
- _____ 3. Environmental Risk Management: **Note – FSA cannot complete the FSA-851 for lenders: use of the form is not copyrighted and can be used by lenders for due diligence assessments.** When real estate is taken as **basic security** the lender will complete an FSA-851, "Environmental Risk Survey Form;" the American Society of Testing and Materials Standards e-1528, Transaction Screen Questionnaire; or a similar environmental risk screening tool approved by the FSA State Environmental Coordinator (SEC). Fixture filings are not considered to be a real estate lien. Check to see property on DEA National Clandestine Laboratory Register: <http://www.justice.gov/dea/clan-lab/clan-lab.shtml>
- _____ 4. Highly Erodible Land, Sodbusting, Swampbusting, and Wetlands: All FSA direct and guaranteed applications require an AD-1026 certifying compliance with the highly erodible land and wetland rules to be considered complete.
- _____ 5. Certified Wetland Determination: When the proposed project creates a shift in land use, the applicant/borrower may need to obtain a certified wetland determination.
- _____ 6. Floodplains: If there are and/or will be **buildings/fixtures located on the real estate property** to be taken as basic and/or additional loan security, a floodplain determination must be completed. Impact to floodplains will be considered. Flood insurance will be required for any proposed and/or existing buildings/fixtures located in the 100 year floodplain.
- _____ 7. Section 106 Review*: A determination must be made if the proposed project has the potential to affect historical property and cultural resources. When the proposed project indicates a **soil disturbance** that exceeds the depth, extent or kind of previous cultivation (plow zone) or major renovation of a structure over 50 years old will occur, DNR and Tribal consultation is required.
- _____ 8. Threatened/Endangered Species*: When threatened or endangered species are shown in the project area and the project creates a shift in land use, FSA will determine if consultation is required with US Fish & Wildlife (FWS) and/or Missouri Department of Conservation (MDC).
- _____ 9. CAFO - DNR Requirements: Borrowers must be in compliance with the rules and regulations of the Missouri Code of State Regulations (CSR) and DNR Guide to Animal Feeding Operations. AFO/CAFOs over 1000 animal units need a current operating permit and nutrient management plan in the name of the operator. **NOTE - DNR Voluntary Operating Permits are no longer available.** See <http://www.dnr.mo.gov/env/wpp/cafo/>
- _____ 10. Nutrient Management Plan (NMP): See the screening table in this book and the DNR NMP Planner: <http://nmplanner.missouri.edu/>
- _____ 11. County Land Use or Zoning: Project must be in compliance with county and/or any local land use or zoning laws. MU Extension website: <http://nmplanner.missouri.edu/regulations/mocountyrules/>
- _____ 12. All construction projects disturbing over one acre MUST have a DNR Operating Land Disturbance Permit. This is a plan to minimize erosion and discharges during the construction phase.
- _____ 13. Guaranteed Loan Narrative: Must summarize the details of environmental compliance. Lender responsibility to inform FSA that the proposed project may have a significant impact to the human environment.

* In some cases if NRCS is providing "Technical Assistance" on the exact same site/location, the NRCS-MO-CPA-52 may be used in place of a SHPO and/or FWS/MDC review/contact.

EPA (NMP) Screening Table

A **Small CAFO** confines fewer than the number of animals listed in the table **and** has been designated as a CAFO by the permitting authority as a significant contributor of pollutants.

Animal Sector	Size Thresholds (number of animals)		
	Large CAFOs	Medium CAFOs ¹	Small CAFOs ²
cattle or cow/calf pairs	1,000 or more	300 - 999	less than 300
mature dairy cattle	700 or more	200 - 699	less than 200
veal calves	1,000 or more	300 - 999	less than 300
swine (weighing over 55 pounds)	2,500 or more	750 - 2,499	less than 750
swine (weighing less than 55 pounds)	10,000 or more	3,000 - 9,999	less than 3,000
horses	500 or more	150 - 499	less than 150
sheep or lambs	10,000 or more	3,000 - 9,999	less than 3,000
turkeys	55,000 or more	16,500 - 54,999	less than 16,500
laying hens or broilers (liquid manure handling systems)	30,000 or more	9,000 - 29,999	less than 9,000
chickens other than laying hens (other than a liquid manure handling systems)	125,000 or more	37,500 - 124,999	less than 37,500
laying hens (other than a liquid manure handling systems)	82,000 or more	25,000 - 81,999	less than 25,000
ducks (other than a liquid manure handling systems)	30,000 or more	10,000 - 29,999	less than 10,000
ducks (liquid manure handling systems)	5,000 or more	1,500 - 4,999	less than 1,500

¹Must also meet one of two "method of discharge" criteria to be defined as a CAFO or may be designated.

² Never a CAFO by regulatory definition, but may be designated as a CAFO on a case-by-case basis.

Combination of Animal Units Example:

100 head of cows	X 1	=	100 animal
50 head dairy cows	X 1.4	=	70 animal
500 head fat hogs (55# to market)	X .4	=	200 animal
500 head sheep	X .1	=	50 animal
3 head horses	X 2	=	6 animal
TOTAL		=	426 animal units

Once an animal is weaned from its mother, start counting as an individual animal unit.

FSA requires a current DNR Operating Permit on all large AFOs, and a current Nutrient Management Plan (NMP) on all medium and large AFOs, and a NMP on some small AFOs. FSA also requires a current NRCS or PE certification that the AFO is operating in compliance with the current DNR permit and NMP when financing or refinancing most existing facilities. As of August 2016, DNR no longer issues voluntary operating permits. Permits and NMPs must be provided before the loan can be approved.

Nutrient Management Plan (NMP) Requirements

LARGE & MEDIUM CAFOs must maintain a current Nutrient Management Plan or NMP. Some Small AFOs will be required to have an NMP based on risk.

Owners that plan to spread or irrigate processed wastes for reuse as organic fertilizers and soil conditioners must have a detailed NMP that addresses minimum criteria and be field specific.

“ALL” export – no discharge NMP states all waste (litter/manure and/or compost) will be hauled offsite. Owner is not allowed to spread on any owned acres. The owner is responsible for safe management of litter/manure and/or compost until custody of it is transferred to other responsible party. Weekly records of operations are required to be maintained at the facility for a five year period.

DNR has defined a CAFO as:

“An operation is defined as a CAFO if it falls within the Class I size category (IA, IB, or IC) and confines, stables, or feeds animals for 45 days or more in a 12 month period and a ground cover of vegetation is not sustained over at least 50 percent of the confinement area.”

EPA has defined a CAFO as:

Concentrated animal feeding operation (“CAFO”) means an Animal Feeding Operation (AFO) that is defined as a Large CAFO or as a Medium CAFO.

Two or more AFOs under common ownership are considered to be a single AFO for the purposes of determining the number of animals at an operation, if they adjoin each other or if they use a common area or system for the disposal of wastes.

Animal Class Category		DNR Permit Classes			Class II
		Class IA	Class IB	Class IC	
Animal unit equivalent		7,000	3,000 to 6,999	1,000 to 2,999	300 to 999
	Beef cow, feeder, veal calf, cow/calf pair and dairy heifer	7,000	3,000 to 6,999	1,000 to 2,999	300 to 999
	Horses	3,500	1,500 to 3,499	500 to 1,499	150 to 499
	Mature Dairy cows	4,900	2,100 to 4,899	700 to 2,099	210 to 699
	Swine weighing over 55 lbs.	17,500	7,500 to 17,499	2,500 to 7,499	750 to 2,499
	Swine weighing under 55 lbs.	70,000	30,000 to 69,999	10,000 to 29,999	3,000 to 9,999
	Sheep, lambs, and meat and dairy goats	70,000	30,000 to 69,999	10,000 to 29,999	3,000 to 9,999
	Chicken laying hens, pullets and broilers with a wet handling system	210,000	90,000 to 209,999	30,000 to 89,999	9,000 to 29,999
	Turkeys in growout phase	385,000	165,000 to 384,999	55,000 to 164,999	16,500 to 54,999
	Chicken laying hens without a wet handling system	574,000	246,000 to 573,999	82,000 to 245,999	24,500 to 81,999
	Chicken broilers and pullets, and turkey poults in brood phase, all without a wet handling system	875,000	375,000 to 874,999	125,000 to 374,999	37,500 to 124,999

A NMP may be a loan approval mitigation requirement for an AFO having a 1 time capacity ≤ 300 AU’s if there is a potential to cause adverse effects on the environment as a result of animal waste.

NMP Storm Water Exemption

If NMP is current and is actively implemented, the NMP protects against land application discharges and provides an EPA “Storm Water Exemption” due to weather events.

Production area discharges by CAFO’s are not covered by the NMP. A producer needs to obtain a DNR Operating Permit or have sufficient documentation that supports the operation was designed and/or is being operated properly in compliance with DNR regulations in order to fall under the EPA “Storm Water Exemption”.

MISSOURI DEPARTMENT OF NATURAL RESOURCES (DNR)

Permit Requirements

DNR construction permits are no longer required for agricultural projects with the exception of those with earthen storage structures in accordance with House Bill 28. Agricultural waste management systems still must comply with Missouri design regulations in 10 CSR 20-8.300. Construction must be in accordance with a Professional Engineer's (PE) design. DNR will not be issuing voluntary construction permits.

There are now just two (2) DNR permits (Land Disturbance/Excavation and/or Operating) that a lender may encounter in the FSA guaranteed loan process.

Land Disturbance Permit - DNR

An operation that will disturb one acre or more of land may be required to obtain a land disturbance permit. A DNR Operating Permit for land disturbance purposes that specifically identifies the project must be issued before any site vegetation is removed or the site disturbed. Any site owner/operator subject to these requirements for storm water discharges and who disturbs land prior to permit issuance from the MDNR is in violation of both State and Federal laws.

Operating Permit - DNR

All Class I CAFO's (>= 1000 AU's) are required to obtain a DNR Operating Permit. **Prior** to construction a producer will need to apply and receive their DNR Operating Permit.

At the state level, water quality is protected through the department's permit application and approval process. Water pollution construction and operating permits are a requirement for all size and types of CAFOs. These permits typically have a list of very specific and stringent requirements to follow and operations are expected to keep detailed records of farm related activities and submit them to the state agency for review each year. Neighbor notification requirements and buffer distances must be met. DNR may inspect the facility prior to approval of the operating permit.

In addition, DNR has developed stringent state technical standards that CAFOs must follow and relate to the handling and land application of animal manure.

DNR resource website: <http://www.dnr.mo.gov/env/wpp/cafo/index.html>

Prior to FSA issuing the FSA-2235, "Loan Guarantee," FSA must be provided with an NRCS Certification or Professional Engineer Certification that states the

1. facility is finished/complete and in compliance with the MO DNR Operating Permit
2. manure/litter and mortality waste are being handled properly and in accordance with NRCS conservation practice standards contained in the Field Office Technical Guide.

In order to be in compliance with DNR requirements, temporary stockpiling of uncovered solid manure/waste within the production area, without runoff collection, is not allowed. Waste from this system cannot be stored outside of houses where exposed to rainfall.

Water Wells Permit

State law established well construction standards aimed to protecting Missouri's groundwater. If drilling a new well, a DNR New Well Certification must be obtained.

County/Local Restrictions & Zoning Ordinances Concentrated Animal Feeding Operations (CAFO's)

County health and/or zoning ordinances have been imposed by local governments on animal feeding operations beyond what is required in regulations by the MO Department of Natural Resources (DNR).

In the environmental and/or loan approval process, a good source is the University of Missouri website:

<http://nmplanner.missouri.edu/regulations/mocountyrules/>

The website may not have the most current information so it is important to check with the local zoning or county clerk offices while evaluating prospective operation sites.

Local Government Health Ordinances usually address and/or defines the:

- Size of the CAFO in animal units for the different livestock types
- Animal unit is further broken down into four (4) CAFO class categories
- Air restrictions
- Number of acres and % land slope requirements for waste application
- Minimum setback requirements for land waste application, facility, and lagoon from a dwelling, stream, well, spring, other CAFO's, etc.
- Fees to obtain a permit
- Permit renewal requirements
- Cash or surety bond requirements
- Grandfather clauses for existing facilities
- Transfer of ownership requirements

Local restrictions could impact FSA's ability to finance new operations and/or impact existing operations.

- Existing facilities (no ownership changes) are generally grandfathered to operate without a county permit, but typically cannot expand the operation and/or modify the facilities without obtaining a permit.
- Transfer of ownership can be restrictive. Value of the property depends on whether or not the facility complies with the local government health ordinance at the time of the ownership transfer and, if not, whether the county would grant an exception of the ordinance requirements.

In summary, local health and/or zoning ordinances increase the risk to lenders and must be analyzed thoroughly.

The lender is required to address:

“What effect, if any, would the county/local government zoning and/or health ordinance have on the repayment/collection of the guaranteed loan?”

EPA Concentrated Animal Feeding Operations Inspections

Ten Tips to Ensure Operations are in Compliance

If you own a Concentrated Animal Feeding Operation (CAFO), you have probably heard about EPA's inspection and enforcement activities in Region 7. These activities are part of an increased national emphasis aimed at ending harmful discharges of pollutants from CAFOs into rivers and streams.

Having EPA show up at your facility for an inspection can sometimes be a daunting experience. Inspections are very comprehensive and typically cover all aspects of a facility's operation. EPA inspectors routinely perform walk-throughs of production and land application areas, review records and collect samples. To assist producers in preparing for inspections, EPA offers the following 10 tips to help ensure operations are in compliance.

1. Are you discharging? Answering this question is one of the primary purposes of an EPA CAFO inspection. Owners and operators of CAFOs should evaluate their facilities to determine if any runoff is getting into nearby rivers and streams. If you are discharging, contact DNR to determine waste controls and permit requirements.
2. Are you controlling runoff from feed storage areas? CAFOs are required to control runoff from all production areas, including feed storage areas.
3. Are you controlling runoff from manure/bedding stockpiles? These stockpiles are considered part of a facility's production area even if they are located outside the facility's footprint. Care should be taken to prevent runoff from discharging into nearby rivers and streams.
4. If your operation conveys runoff from the production area through a man-made ditch, flushing system or other similar man-made device, then you need to obtain a permit or stop the discharge.
5. It is important to read your DNR Operating Permit or National Pollutant Discharge Elimination System (NPDES) permit and implement its requirements.
6. Are you counting animals correctly? Both EPA and state regulatory agencies require that species in open lots be counted together with similar species in confinement for the purposes of determining your size status as a CAFO. Also, if your operation confines enough animals of one species to be considered a large CAFO, then all animals at the operation must be counted and runoff from these areas must be contained.
7. Maintain complete and accurate animal inventory records. One of the first things an inspector does is determine your CAFO status by looking at the number of animals that have been confined at your facility. This determination can take time if the right records are not readily available.
8. If you have a DNR Operating or NPDES permit, you cannot expand operations beyond the capacity listed in your current permit without authorization from DNR.
9. Maintain lagoon berms free of trees, shrubs and erosion features and follow pump-down level requirements for lagoons to maintain adequate storage levels.
10. Maintain records for land application of manure solids and liquids and follow a nutrient management plan/manure management plan in the application of any manure. These records are vital to demonstrating that you are implementing appropriate land application practices.

Floodplains

National Flood Insurance Program (NFIP) regulations require flood insurance for insurable buildings/structures located in Special Flood Hazard Area (SFHA) that carry a mortgage loan backed by a federally regulated lender. The SFHAs are the areas determined to be subject to a one percent (1%) probability of being flooded in a given year. This is known as the Base Flood Elevation (BFE) or 100-year flood zone.

FSA must determine if there will be any buildings/structures located in the 100-year flood zone. The proposed project cannot adversely affect the floodplain to be in compliance with EO 11988. When there are buildings/structures that provide a contributory value to the loan collateral's present market value, floodplain documentation is required as part of the loan approval process as follows:

- **Lender Documentation:** The lender is to provide a FEMA Form 086-0-32, Standard Flood Hazard Determination, to determine whether an existing and/or a proposed building/structure is located in the 100-year flood zone. *FEMA Form 086-0-032 is not required on bare land.*
- **FSA Documentation:** FSA will utilize an Arc GIS color map as the source for environmental floodplain documentation. FEMA Form 086-0-32 is not required. An Arc GIS color floodplain map must be attached to the FSA-850 for FP and the RD 1940-22, RD 1940-21, or Exhibit 21 Class II EA for FLP.

If any existing and/or proposed building/structure is located in the 100-year flood zone, flood insurance must be a condition of loan approval. Not all of the 100-year flood zone areas are covered by the National Flood Insurance Program (NFIP). If the project area is not participating in the NFIP it may not be eligible for FSA assistance.

Elevation Certificate:

An Elevation Certificate can be prepared by a land surveyor, engineer or architect authorized by law to certify elevation information documenting that the building/structure is outside the 100-year flood zone.

When an elevation certificate is obtained that shows that the building/structure is located outside the 100-year flood zone, the elevation certificate can be used to obtain a LOMA (Letter of Map Amendment) or LOMR-F (Letter of Map Revision-Fill) from FEMA. The issuance of a LOMA or LOMR-F eliminates the Federal flood insurance purchase requirement or the producer may be able to obtain a reduced flood insurance premium.

- If the building/structure was built on natural ground and its lowest adjacent grade is at or above the 100-year flood zone, a producer could request a LOMA from FEMA.
- If the building/structure was built on fill (or has been elevated by the placement of earthen fill), a producer could request a LOMR-F from FEMA.
- However, lenders retain the prerogative to require flood insurance as a condition of any loan as part of their standard business practices, regardless of the location of the structure. Although a structure built on a site that has been elevated by the placement of fill may be removed by FEMA from the SFHA, the structure may still be subject to damage during the 100-year and higher-magnitude floods. Many floods occur outside of designated SFHAs, and about 25 percent of NFIP flood insurance claims are for buildings/structures located in these low-risk areas.
- Request a LOMA or LOMR-F from FEMA at the following website.

<https://www.fema.gov/letter-map-amendment-loma>

Normally the PE completing the elevation certification can complete this for the customer. The LOMA and LOMR-F application forms must be certified by a Registered Professional Engineer or Licensed Land Surveyor. Therefore, requesters may incur certain fees associated with obtaining data and hiring a Registered Professional Engineer or Licensed Land Surveyor to provide and certify certain information that must be submitted with LOMA and LOMR-F requests.

- If the project area is not participating in the National Flood Insurance Program, obtaining a LOMA and LOMR-F from FEMA would allow FSA to provide assistance.

Development in the Floodplain – Permit Required

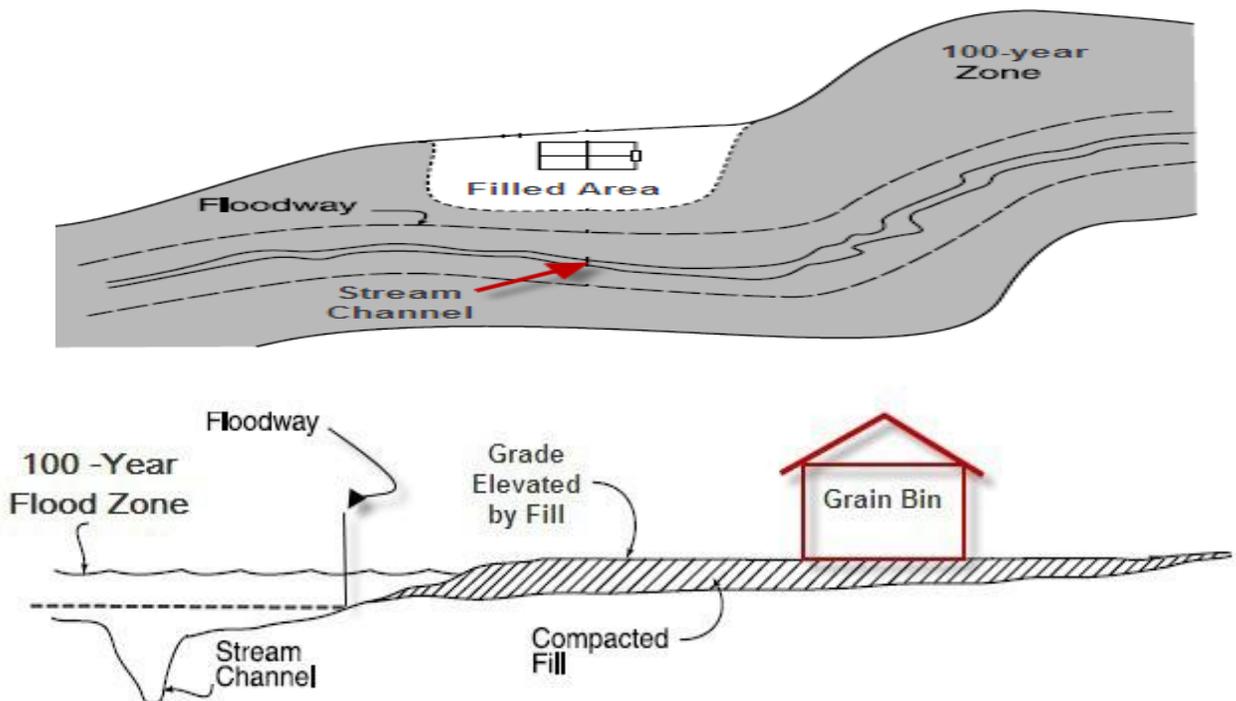
NFIP requires a development permit for any construction development within a floodplain. The development permit is obtained from the local Flood Plain Administrator. This official may require a certification by a qualified design professional that indicates the building/structure is reasonably safe from flooding.

Earthen fill is sometimes placed in a SFHA to reduce flood risk to the filled area. Fill is defined as material from any source placed to raise the ground to, or above, the 100-year flood zone. The common construction practice of removing unsuitable existing material (topsoil) and backfilling with select structural material is not considered the placement of fill, if the practice does not alter the existing (natural grade or ground) elevation. The placement of compacted fill is considered development and will require a development permit from the local Flood Plain Administrator

Local floodplain authorities usually grant a variance for agricultural structures.

If the name of the local Flood Plain Administrator is not known, contact the local County Commissioners.

Placement of fill and/or building within the floodway is prohibited. A floodway is a 1 foot rise above the regular channel flood stage.



In summary,

- If building is in a 100-year flood zone, a development permit must be obtained.
- If placing fill in a 100-year flood zone, a development permit must be obtained.
- If any existing and/or proposed building/structure is located in the 100-year flood zone, flood insurance must be obtained.
- If the building/structure is located above the 100-year flood zone, an elevation certificate can be obtained. This document can be used to obtain a LOMA or LOMR-F from FEMA which can eliminate the need or reduce the fee for flood insurance.

FSA Environmental Assessments Guide

Revised 09/22/2016

The purpose of this summary is to help lenders and applicants expedite the Environmental Evaluation process when a project involves an animal feeding operation. FSA necessarily has to complete consultation with regulating agencies and entities as part of their environmental evaluation process, and must give interested parties a defined response time. There are actions that the lender and applicant can complete to help the process. The lender and applicant may consider:

1. Has the lender conducted a site visit? If the lender is an SEL or CLP they can complete an FSA-851 to identify “due diligence” issues. FSA should not complete the FSA-851 for the lender.
2. AD-1026 – since the construction of the AFO will involve excavation the customer needs to contact the FSA office and execute a new AD-1026 Highly Erodible Wetland Certification. This allow FSA to refer to NRCS for possible HEL and Wetland determinations and determine FSA compliance. If they have not participated in FSA programs this will allow FSA to issue a farm and tract number and get the customer on the FSA contact list for program and benefit notifications.
3. The applicant should contact NRCS to determine if they can get assistance with Nutrient Management Planning (NMP), technical assistance, and available financial assistance programs such as the Environmental Quality Incentives Program (EQIP). The applicant should inform NRCS that they are possibly participating in the FSA guaranteed loan program, and:
4. The applicant should inquire to NRCS about the availability of an NRCS-completed CPA52 Environmental Evaluation Worksheet, and CR1 Cultural Resource Worksheet. NRCS completion of these worksheets reduces or eliminates the FSA requirement to complete consultations including those with DNR (cultural resources), USFWS and Department of Conservation, historical societies, and Native American tribes. FSA typically gives each of these consulted entities a 30-day response time so there is a **significant** reduction in processing times if NRCS has the resources available to assist in the CPA52 and CR1 completion.
5. The applicant should communicate with the integrator/professional engineer/technical service provider for assistance in determining if a DNR land disturbance permit is required, if a DNR operating permit is required, and/or for assistance in developing a nutrient management plan without NRCS assistance.

6. The lender should provide to FSA (preferably a color .pdf file) containing:
- A plat page showing the location of the farm(s) and location of the development site
 - A color aerial or satellite photo of the development area showing the location of the facility to be constructed, outlining the building location including the stack house or any other structure associated with the facility, and any driveway or disturbance necessary to access the construction site.
 - Overlay a circle on the map above identifying all potentially affected parties within a minimum 1.5 times the normal DNR buffer distance (1500'). This should include the name of landowners, homes, businesses, public buildings, cultural resource sites, and similar assets.
 - A topographical map identifying the boundary of the site to be developed (for SHPO referral)
 - If existing buildings are to be impacted by the development a photo of the buildings (for the SHPO referral)
 - Project description, excavation/building diagram (this information may be available in the appraisal). This does not include detailed bid or specification information.
 - A FEMA flood hazard determination on the developed site and any property serving as collateral for the loan.
 - If a construction permit or county zoning permit has been obtained provide a copy of the permit.
 - **IMPORTANT - Please communicate as early as possible whether a NRCS CPA-52 and CR1 will or will not be available.**
 - **FSA can begin environmental evaluation prior to receipt of a complete application, significantly reducing processing times.**

Communication is the key to speeding the process – notify FSA as soon as any potential environmental issues are identified!

OL/LN Loan Purposes
Intermediate Term Loans
2-FLP Par.122 B (7 CFR 762.121(a))

OL term guarantee may only be used for the following authorized loan purposes:

1. Purchase of livestock and machinery/equipment.
2. 1-year loan for payment of annual operating expenses, family subsistence, and purchase of feeder animals.
3. Payment of scheduled principal and interest payments on term debt provided the debt is for authorized FO or OL purposes.
4. Refinancing debt incurred for authorized OL purposes when the lender and loan applicant can demonstrate the need to refinance.
5. Limited real estate improvements, so long as the loan can be repaid within 7 years (no balloon installments) and the loan is fully secured. Improvements financed over periods longer than 7 years are assumed to be for real estate rather than operating purposes and will not be financed with OL funds.
6. Payment of loan closing costs.

Note: When the guaranteed loan funds are to be used for refinancing purposes, a reasonable chance for success still must exist. The lender must demonstrate and document in the loan narrative that problems with the loan applicant's operation have been identified, can be corrected, and the operation returned to a sound financial basis.

FO/LN Loan Purposes
Long Term Loan
2-FLP Par.123 B (7 CFR 762.121(b))

FO guarantee may only be used for the following authorized loan purposes:

1. Purchase a farm.
2. Make capital improvements that can be made fixtures to the real estate.
3. Refinancing debt incurred for authorized OL or FO purposes when the lender and loan applicant can demonstrate the need to refinance.
4. Promote soil and water conservation and protection.
5. Payment of loan closing costs.

Note: When the guaranteed loan funds are to be used for refinancing purposes, a reasonable chance for success still must exist. The lender must demonstrate and document in the loan narrative that problems with the loan applicant's operation have been identified, can be corrected, and the operation returned to a sound financial basis.

OL/LOC Loan Purposes
2-FLP Par.122F (7 CFR 762.121(a))
5-year Annual Line of Credit Operating Loan

Agency Instructions 2-FLP Par.122 F (7 CFR 662.121(a)) state that loan funds disbursed under an OL/LOC line of credit loan may only be used for the following authorized loan purposes:

1. Payment of annual operating expenses, family subsistence, and purchase of feeder animals.
2. Payment of current annual operating debts advanced by the lender or other creditors for the current operating cycle. Under no circumstances can carry-over-operating debts from a previous operating cycle be refinanced.

This means that only the current year's cash flow operating plan expenses (operating and family living) can be advanced on this year's OL/LOC annual production loan.

The Agency's Instructions DO NOT ALLOW OLD CARRYOVER DEBT/BILLS that were not paid from the previous year to be carried over and advanced on this year's OL/LOC loan.

If a loss claim is requested, file documentation is required to support the beginning OL/LOC principal loan balance.

3. Purchase of routine capital assets, such as replacement livestock, that will be repaid within the operating cycle.
Only routine, annual recurring, capital purchases that are bought with cash, and not typically financed, may be included under the OL/LOC. These purchases must be scheduled for repayment within the operating cycle.
Capital items should be financed with an IT loan and the payment shown in the Debt Repayment Table.
4. Payment of scheduled, non-delinquent term debt payments provided the debt is for authorized FO or OL purposes.

**Using Direct Loan Funds to Finance
Integrated Livestock Loans**

Utilizing direct loan funds to finance an integrated livestock operation is not considered a prudent usage of these subsidized government loan programs. We do not want to use subsidized government loan programs that indirectly may benefit the integrator.

An integrator's livestock contract, in most instances, does not provide adequate income to support the repayment of other existing debt. It barely provides a minimum wage standard of living for the labor requirements.

If the loan applicant/borrower needs direct funding assistance to finance an integrated livestock facility, then something is definitely wrong.

- Does the loan applicant/borrower lack a cash down payment or sufficient equity?
- Is the cost of the facility higher than what the contract will support?
- Why aren't the integrator contract payments adequate to service the debt? Is the loan applicant/borrower having difficulties servicing its existing debt?
- Is the proposed operation strong enough to have a reasonable chance for success?
- etc.

Exceptions require State Office review/approval.

Loan Terms

Determined by Loan Type & Security

2-FLP Par. 137 (7 CFR 762.124(b) and (c))

2-FLP Par. 168 (7 CFR 762.126(d))

The type of security obtained for a loan must be appropriate to the type of loan, and the loan terms must be consistent with the useful life of the security.

Guaranteed loans may be secured by any property, if the term of the loan and expected life of the property will not cause the loan to be under secured.

Loans	Guidelines
Short-term	Annual OL's should be secured at least by crops and livestock that will generally be sold during the term of the loan.
Intermediate-term	OL's should be secured by collateral that has a life expectancy at least as long as the loan. Loans to be repaid over a 2- to 7-year period should be secured by breeding livestock and equipment. <u>The lender should evaluate the equipment proposed to be used for security to ensure that it will not depreciate faster than the loan is repaid.</u>
Long-term	Loans scheduled to be repaid over more than 7 years must be secured by real estate. <u>Anticipated depreciation of the improvements must be considered when establishing terms.</u>

In summary, prudent lending practices require that:

1. The borrower's loan must be fully secured at all times based on the expected financial condition of the operation, the depreciated value of the collateral, and the principal balance on the loan.
2. Term loans will be scheduled for repayment over the minimum period necessary, considering the loan applicant's ability to repay and the useful life of the security.
3. The terms of the proposed loan shall not exceed the useful life of the guaranteed loan security.
4. If applicable, useful life of the collateral must be documented in the loan approval write-up.

Open Accounts/Non-Disturbance Agreements

The non-disturbance agreement can be an effective tool in keeping a farmer in business. It can be used for open-account creditors that will not get paid.

Warning: The Non-Disturbance Agreement must cover the full term of the new and/or existing loans. We do not care if the non-disturbance agreement balloons after our loans are supposed to be paid in full. However, if the guaranteed loans are later restructured, then the existing non-disturbance agreement must be extended to match the new terms.

Documentation of Cash Flow Feasibility

The lender must follow the guidelines listed in 2-FLP Par.151-154 Determining Financial Feasibility of Proposed Loan (7 CFR 762.125) on pages 8-85 through 8-92.

FSA defines FEASIBLE PLAN as the loan applicants/borrowers cash flow or debt service margin is \geq (greater than or equal to) 1 to 1 or 100%.

The cash flow plan must be realistic and supportable. All components of the plan should be as accurate as possible and based on the individual operation and the market. The cash flow projections must be based on the loan applicant's financial history and proven record of production (SEL only) and financial management. Unless fully justified, the cash flow projections should not be outside the range of the (minimum last 3-years) historical performance. Deviations from historical performance may be acceptable if adequate documentation is provided to FSA on the specific changes in the operation.

A lender's LOAN NARRATIVE must:

1. document the method used to project income and expenses (farm and nonfarm)
2. provide an explanation of any deviations from historical performance.

A lender's CASH FLOW BUDGET must:

1. reflect, as closely as possible, the predicted cash flow of the operating cycle.
 - The cash flow starting and ending period should always match the borrower's starting and ending tax year.
 - Most borrowers are on a January 1st to December 31st tax year. The cash flow period should match the tax year. If you have anything different, then the cash flow should be redone to match the tax year.
 - We have seen too many problems when they are not. When they are different, neither the borrower nor lender can adequately analyze/assess the borrower's financial and cash flow position.
2. be documented in sufficient detail to adequately reflect the overall condition of the operation
 - Many lenders determine the cash flow feasibility without considering the implications associated with cash carryover, accounts payable, cash capital purchases, and personal debt obligations.
3. When the planned loan term exceeds the current year or one (1) production cycle and the projected cash flow plan is not considered to be a typical year, a typical cash flow budget must be prepared to reflect a feasible plan for the remaining years/term of the loan.
 - A typical year cash flow includes only 1-year of production income and expenses.
 - An example of a non-typical year could be when the cash flow includes > \$1000.00 cash on hand, NTCCA inventory carryover, carryover debt, cash capital expenditures, start-up operations, significant operation changes, etc.

Section 4 Credit Decision

Subsection 1 Financial Feasibility of Proposed Loan (7 CFR 762.125)

151 Determining Financial Feasibility of Loans (7 CFR 762.125)

A Purpose

This paragraph describes how SEL and CLP lenders must demonstrate that an applicant has sufficient financial resources to repay a guaranteed loan. PLP lenders use methods outlined in their CMS to determine the financial feasibility of a loan.

B Feasible Plan

The applicant's proposed operation must project a feasible plan. The cash flow budget analyzed to determine feasible plan must represent the predicted cash flow of the operating cycle.

Note: See Exhibit 2 for the definition of feasible plan.

A lender must determine whether an applicant has sufficient financial resources to repay a guaranteed loan. To make this determination, lenders work with the applicant to prepare a cash flow budget for the farm operation. As used in this part, the term "operation" includes all farm activities and income as well as all nonfarm income pledged by the applicant.

The cash flow budget used in the loan application must:

- reflect, as closely as possible, the predicted cash flow of the operating cycle
- be documented in sufficient detail to adequately reflect the overall condition of the operation.

*--The lender's projected cash flow budget should include all cash inflows and outflows. If the authorized agency official determines that cash inflows have been overestimated or cash outflows have been underestimated or omitted from the plan, the authorized agency official will recalculate the debt coverage. If the recalculation shows adequate cash flow, the authorized agency official will document the findings and proceed with processing the request.

If, after re-evaluation, the cash flow budget is no longer feasible, the lender will be notified and given up to 10 calendar days to revise the plan. The lender will justify any changes made to the cash flow budget.

Note: For Streamlined CL requests, a cash flow budget is **not** required. The lender should follow their internal procedures to determine financial feasibility.--*

151 Determining Financial Feasibility of Loans (7 CFR 762.125) (Continued)

B Feasible Plan (Continued)

Poultry or hog production contracts are the basis of grower income and facility value. The dependability of production contracts has a profound impact on the prospects for loan repayment. “Flock-to-flock” or “turn-by-turn” type arrangements alone may not be a dependable source of income or a reasonable projection of income for poultry or hog
*--applicants who **do not** have a current financial performance history with FSA.--*

Note: For contract income to be considered dependable, the contract must:

- be for a minimum period of 3 years
- provide for termination based on objective “for cause” criteria only
- require that the grower be notified of specific reasons for cancellation
- provide assurance of the grower’s opportunity to generate enough income to ensure repayment of the loan by incorporating requirements such as a minimum number of flocks or turns a year, minimum number of bird or hog placements per year, or similar quantifiable requirements.

Applicants requesting loans to expand their poultry or hog operation by adding more houses/barns or purchasing additional land to increase the size of the poultry or hog operation, and who **are** presently indebted to FSA, will be required to have a contract with a minimum 3-year term. The contract must at least cover the facilities financed with the guaranteed funds. When contract income **cannot** be determined to be dependable and likely to continue, that is **cannot** be used to reasonably project future income, the authorized agency officials shall:

- inform the guaranteed lender of the contract provisions that result in the determination.
- provide an opportunity for submitting a revised contract before a final decision on the request.

Note: Whenever possible, guarantee requests should be approved subject to modification of unacceptable contract provisions.

151 Determining Financial Feasibility of Loans (7 CFR 762.125) (Continued)**B Feasible Plan (Continued)**

*--The impact of industry trends must be assessed in guaranteed loan requests from poultry and/or hog growers and can be based on standard production budgets developed by contractors, consultants, or extension specialists. While these budgets are acceptable starting points, the budget must reflect realistic performance assumptions for the individual situation, including, but not limited to, the following:

- increased input costs
- changes in unit numbers and weights
- increased idle time between flocks of poultry or turns of hogs
- other relevant factors that affect net income.

The impact of age, condition, and potential obsolescence of the facilities must be assessed for loans to purchase or refinance existing facilities. Budgets must factor in any reduced efficiency and the potential costs for required modernization of existing facilities to comply with production contract requirements.

Note: Unless PLP lender's CMS specifically addresses how production contracts are evaluated and analyzed for financial feasibility, PLP lenders will comply with the requirements of this subparagraph.--*

Loan Agreement

Use only those that pertain. Modify to fit each individual and unique situation

The Loan Agreement is a signed legal document between the loan applicant/borrower and the lender. The following items are suggestions/recommendation that should be considered and addressed by the lender and, if applicable, included in the lender's security documents (promissory note, security agreement, or loan agreement).

1. Annual Financial Statement:

If not provided by insert date, the loan will be in nonmonetary default.

2. Income Tax Records: Complete copy of the Federal and State Income Tax Return with ALL supporting schedules, including the depreciation worksheet.

If not provided by insert date, the loan will be in nonmonetary default.

3. Current and prior years actual production and financial history:

If not provided by insert date, the loan will be in nonmonetary default.

4. Cash flow Projection:

If not provided by insert date, the loan will be in nonmonetary default.

5. Entity loan(s) - Annual financial statement and individual tax returns on each member.

If not provided by insert date, the loan will be in nonmonetary default.

6. Insurance requirements.

- Adequate property and liability insurance must be obtained on the security and a mortgage clause added to the insurance policy requiring all benefits to be paid jointly with the lender.
- Crop Insurance is required and an assignment of indemnity obtained in favor of the lender in the following minimum levels:

- The loan applicant must obtain Catastrophic (CAT) risk protection insurance coverage on all economically significant crops for this year and all subsequent years or waive eligibility for emergency crop loss assistance in connection with the uninsured crop. Economically significant crops are those that contributed at least 10 percent of the value of the producer's share of the crop in the past year or is expected to contribute at least 10 percent in the coming year.

7. A CCC-36, "Assignment of Payment" has been executed to cover ALL FSA and CCC program payments in which the loan applicant/borrower has an interest.

We agree to submit any and all FSA and CCC program payments that were not paid directly to the bank within 10 days of receipt.

8. Limitations on the purchase and/or sale of capital assets.

- Capital expenditures are not authorized unless approved/agreed upon by the lender in the signed annual cash flow.
- Any machinery/equipment lease of longer than 1 year is considered a "Capital Lease" and must be treated as a capital expenditure.

9. Government Payments and Programs Security Agreement Clause:

All payments, accounts, general intangibles, or other benefits (including, but not limited to, payments in kind, deficiency payments, letters of entitlement, warehouse receipts, storage payments, emergency assistance payments, diversion payments, and conservation reserve payments) in which I now have, and in the future may have, any rights or interest and which arise under, or as a result of, any preexisting, current or future Federal or state government program (including, but not limited to, all programs administered by the Commodity Credit Corporation and the Farm Service Agency).

10. Annual Loan Security Requirements:

Agree to notify the lender with any changes and/or additions to our loan security within 30 days.

11. Collateral inspections / requirements. (Chattels – minimum 1 farm inspection visit per year.)

12. Maintaining minimum basic foundation livestock numbers:

We agree to maintain the following minimum number of basic foundation livestock by keeping breedable age replacements. If the livestock numbers fall below these minimum requirements, any and all sales proceeds must be applied on the lender's loan as an extra principal payment.

Cows	50 head
Replacement Heifers	5 head
Bulls	2 head

13. We agree not to incur any additional debt or co-sign for the liabilities of others without first discussing with the lender.

14. For any property owned jointly, a "Disposition of Jointly Owned Property Agreement" needs to be obtained and signed by all owners which may include spouses. Note: You do not need this document for property owned jointly by husband and wife.

15. Any improved management and/or production practices to be implemented.

16. Purposes for which loan funds or funds advanced under the line of credit will be used.

17. Interest rate and terms; how and when the rate may fluctuate; term of loan; and conditions related to the repayment, renewal, etc., of loan with balloon payments.

18. Entity loan(s): Establish a limit on compensation of entity members, hired labor, consultants, patronage refunds, dividend payments, or distribution of net income.

19. Limits on Family Living Expenses:

Establish a limit on family living expenses, partner withdrawals, partner salaries, and/or other partner compensation, as to the amount agreed upon in the cash flow.

20. Bank Account Requirements:

We agree to maintain the farm and/or family living accounts at this institution.
We agree to run all farm income and farm expenses through the farm account.

21. Integrator Information Exchange Waiver: It is essential to the success of the operation that the lines of communication remain open between the contract grower, lender, and the integrator. Privacy Act liability concerns have been expressed as an issue. Therefore, the borrower/grower must grant permission for open discussion and exchange of information and/or documents concerning production and management issues between the lender and integrator, strictly related to the poultry enterprise, while under the contract grower agreement.

Within two weeks of the lenders request, the loan will be in nonmonetary default if the grower does not set up and participate in a "Grower, Lender and Integrator" meeting.

22. Integrator Settlements Statements: When requested by the lender, the grower will provide copies of the individual flock settlement statements. Set up to receive on an "annual" or "as needed" basis.

Within two weeks of the lenders request, the loan will be in nonmonetary default if the grower does not provide the settlement statements.

23. OL/LOC Loan Requirement:

If ALL farm income is not applied as a payment on the OL/LOC loan, the loan will be in nonmonetary default.

24. OL/LOC Annual Renewal Requirements:

Credit ceiling, special limitations, and conditions precedent to annual readvancement or continuation of loans or lines of credit. The promissory note must contain language that limits OL/LOC advances for subsequent years:

- The outstanding OL/LOC unpaid principal and interest shall be due and payable annually on [v] (insert date).
- Failure to reduce the OL/LOC loan down to (\$0.00 - \$100.00) annually on the required due date shall constitute an event of default by the borrower. If not reduced, are there enough current assets on hand that **WILL BE SOLD and all of the PROCEEDS APPLIED on the OL/LOC Loan** that could pay it in full?
- If the borrower operates under a January 1st to December 31st cash flow, Lender shall not be obligated to advance any funds after the end of the borrower's current operating year cash flow which ends December 31st if:
 1. The borrower fails to reduce the OL/LOC loan down to (\$0.00 - \$100.00).
 2. The bank does not obtain FSA concurrence, in writing, that the next production year's cash flow projects a feasible plan as per 2-FLP.

(Note: For CLP lenders - FSA written concurrence is not required, thus allowing the lender the option whether to advance under the terms and conditions of the Guarantee.)

Date: _____

Name of Lender: _____

By: _____

I agree to the foregoing and acknowledge receipt of a copy of this agreement.

Date: _____

By: _____

Borrower

By: _____

Spouse

Existing Promissory Notes - “FSA Guarantee Available”

2-FLP Par.247A on page 10-13

2-FLP Par.247 A states that the lender can use its existing promissory note when the loan purpose is to refinance or restructure the lender's own debt. There should always be a justifiable reason (maintaining an interest rate, loan term, or lien position) for the lender to request a guarantee on an existing promissory note.

If FSA is placing a Loan Guarantee on a lender's existing promissory note, even if the terms and conditions didn't change, a dated amendment/allonge/modification agreement is required to be executed that delineates the promissory note modification date and the unpaid principal balance. The lender may roll unpaid accrued interest into a new principal amount using the allonge provided the new principal amount is less than or equal to the loan amount approved and obligated by FSA.

ALLONGE Requirements:

- Lenders may use their own allonge form.
- Reference and specially identify the promissory note which it is modifying.
- Be signed by the borrowers as they have signed the promissory note.
- Include the date it is executed by the borrowers. Date must be equal to, and/or greater than, the date of the FSA-2232, Conditional Commitment.
- State the unpaid principal amount and accrued interest as of the date it is executed.
- Interest accrual owed as of the allonge date is not covered under the FSA Loan Guarantee.
- Lender must provide FSA with a copy of the signed original promissory note and allonge.

Example: Amendment/Allonge/Modification Agreement wording:

I (We) acknowledge a Farm Service Agency (FSA) Loan Guarantee has been placed on this promissory note and I(we) will comply with the FSA 2-FLP Handbook (7 CFR 762) rules and regulations while this guarantee is in effect. ...

FSA Loan Guarantee and GLS Processing

- Allonge date will be the “Date of Promissory Note” in block 7 on Form FSA-2235.
- Allonge date will be the FSA GLS loan closing date.
- Loan Amount on Form FSA-2235 in blocks 5 and 8c must match the GLS obligation amount and should be the principal amount as stated on the allonge (assuming a single note is used).
- If the original principal amount has been paid down, the new lower allonge principal amount should be used on Form FSA-2235 and entered into GLS. A partial GLS de-obligation may be necessary. FSA must obligate the same dollar and cent amount (\$36,023.07) to match the unpaid principal amount (\$36,023.07) owed the lender. DO NOT ROUND, as it must match exactly to the penny.

Secondary Market – Allonge Requirements

If the lender plans to sell the guaranteed portion on the secondary market, the loan approval official will attach a memo on FSA letterhead to the Loan Guarantee using the following language:

Farm Service Agency (FSA) acknowledges that the allonge entered into on May 28, 2013, between Bob and Betty Borrower, Anytown, USA, and First Bank, Anytown, USA, attaches to and amends promissory note number 1234 in the amount of \$300,000 and executed on April 1, 2013. FSA also acknowledges that this allonge was executed for the purpose of obtaining a guarantee on the previously executed promissory note 1234 and the date of the executed allonge is the closing date used for FSA Loan Guarantee purposes.

If you have any question, please contact our office.

Promissory Note Signature Requirements

2-FLP Par.247A on page 10-14

The promissory note is executed by the individual liable for the loan.

On a case by case basis, a condition may be included on Form FSA 2232, Conditional Commitment, which specifies additional parties who must be liable for the loan; however, this condition must be related to the unique circumstances of the loan.

Entity promissory note requirements:

1. Executed by the member(s) who is authorized to sign for the entity. On entity loans, FSA recommends documentation (Article of Incorporation, Operating Agreement, entity legal document, etc.) be obtained that says who has the authority to sign the note and mortgage for the entity. Sometimes it takes ALL members of the entity to incur debt for the entity.
2. Executed to evidence liability for the entity, any embedded entities, and the individual liability of all entity members (including individual owners of embedded entities).

Personal guarantees, or other forms, will not be used to address the individual liability requirement. FSA cannot accept a lender's **Guaranty** document.

FSA's Loan Guarantee is tied to the promissory note and FSA cannot implement offset and/or collection procedures without the individuals' signature on the promissory note.

3. Individual liability can be waived by the Agency for members holding less than 10 percent ownership in the entity if the collectability of the loan will not be impaired.

FSA Handbook 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.

The lender will obtain a lien on additional security when necessary to protect the Agency's interest.

Prenuptial Agreement

FSA's Attorney - "OGC" Opinion

Missouri Revised Statute § 451.220 states that the Prenuptial Agreement must be in writing, must be acknowledged by each of the contracting parties, and must be proved by at least one subscribing witness.

Missouri Revised Statute § 451.230 provides that marriage contracts (prenuptial agreements) are subject to the same acknowledgement and recording requirements as deeds of conveyance for land.

Missouri Revised Statute § 451.240 states that when there is real property at issue, the Prenuptial Agreement does not have legal effect unless such requirements are met.

Prenuptial Agreement must be recorded in order for the FSA security property to remain separate property, and to avoid FSA having to require spouse to assume personal liability for the debt on the property. The language in the MO statute is mandatory language – it says the document “shall” (rather than “may”) be recorded in order to be legally valid. Thus, there is no flexibility in the statutory language itself.

Also, the case law regarding some of the validity requirements for prenuptial agreements in Missouri is fairly extensive, and there have been cases where even when parties met those objective requirements (such as recording, witnesses, etc.) the contract has not been valid for other reasons (i.e. insufficient consideration, signed under duress, etc.). It is difficult enough to predict whether the contract may be held invalid for other reasons that are not always obvious.

In addition, we can't even assume that general provisions of Missouri law will automatically control if the prenuptial agreement is invalid – if ownership of this security property is the very issue the spouse contests as invalid in this prenuptial agreement, a court may conclude, depending upon the evidence submitted by the spouse (for example, if she shows some kind of fraud by the husband inducing her to sign these documents), that equity dictates she have ownership rights, contrary to both the Prenuptial Agreement and Missouri law. The recording is significant to FSA (and any other third parties) in the event that the spouse is actually granted some or all ownership rights through a court proceeding (i.e. divorce decree): that will provide at least some protection to FSA because we can argue on FSA's behalf that FSA had the required notice (through the recording) that the spouse had agreed to the property as separate, and therefore FSA did not require her personal liability on the debt.

Guaranteed Loan Request to Refinance Existing Guaranteed Loan(s)

Question: *Lender B has applied for a guaranteed loan to refinance Lender A's existing FSA guaranteed loan. Borrower is shopping interest rates. Existing guaranteed Lender A refused to lower the interest rate. Lender B applies for an FSA guaranteed loan to refinance Lender A's existing guaranteed loan. No other money involved.*

Answer: NO - Loan application from Lender B will be rejected as the loan applicant does not meet the basic 2-FLP Par 108 J – Test for Credit loan eligibility requirement. The refinancing reason must be for some other legitimate authorized loan purpose other than to just lower the interest rate. We realize that a lower interest rate from Lender B will lower the borrower's payment and improve repayment capacity, but usually the borrower's cash flow already reflects a feasible plan at Lender A's existing guaranteed loan higher interest rate.

Question: *What if Lender B is providing other credit needs that are essential to the farming operation that Lender A won't loan for?*

Answer: Yes, an application can be approved for Lender B to take over the entire financing needs of the borrower. FSA must be provided with the reason why the borrower does not wish to retain its business with the existing guaranteed lender. A file review must be completed by the AFLS.

Question: *What if the borrower is unhappy with its existing guaranteed Lender?*

Answer: FSA will not force the borrower to stay with this lender. FSA must be provided with the reason why the borrower does not wish to retain its business with the existing guaranteed lender. A file review must be completed by the AFLS.

Substitution Of Lender In all cases, a "Substitution of Lender" as per 2-FLP Par 287 can be approved by the SED to transfer the Loan Guarantees from Lender A to Lender B. However, both lenders must be in agreement for the substitution of lender to occur. FSA cannot force the original lender to agree to a substitution of lender transaction. The purchasing lender must be aware that the guaranteed loan(s) is being bought AS IS.

Matured Loan If Lender A's guaranteed loan has a fully matured promissory note, then it would be acceptable for Lender B to apply for a guaranteed loan to refinance Lender A's existing guaranteed loan without a contact being made.

Facts: Lender A's loan policy is that it will not issue a promissory note for longer than three (3) years. Lender closes guaranteed FO/LN loan 3-1-2008 utilizing a 15-year amortization repayment schedule with the loan maturing 3-1-2011. Existing lender can restructure the existing loan without occurring any additional loan fees.

Bridge Loan for Unfunded Direct FO Approved with Guaranteed FO

FSA cannot use the guaranteed FO loan program to guarantee a “Bridge Loan” which provided interim financing on an unfunded FSA Direct FO loan.

A Guaranteed FO and participation Direct FO loan were approved subject to the availability of funding. The Guaranteed FO/LN loan was funded, but the Direct FO remained unfunded and on a waiting list. Proposed lien position - Guaranteed FO to hold a 1st lien and the Direct FO a 2nd lien.

Question: The lender has agreed to make a “bridge loan” for the unfunded direct loan. Lender wants to close the guaranteed FO loan with a bridge loan with the bridge loan holding a 1st lien position and the guaranteed FO to be in a 2nd lien. When the direct FO is funded and closed, the bridge loan would be paid in full and the guaranteed FO loan would move into a 1st lien position. Can we allow this change in lien position?

Answer: NO *National Office stated that despite the good intentions from the lender the guaranteed loan must close as required by the Conditional Commitment. Therefore, the lender cannot close the guaranteed FO/LN loan until the Direct FO is funded.*

The FSA-2232, “Conditional Commitment,” cannot be issued until the direct loan is funded. Both the guaranteed FO and direct FO loan must be closed at the same time. If the lender makes a bridge loan, it will be for both the guaranteed and direct loan (unguaranteed) and no assurance/guarantee from FSA that it will be refinanced at a later date. Remember, new financial information is needed after 90 days. If circumstances change, FSA has the authority to reject both loans.

Exception: If the lender makes the nonguaranteed “bridge loan” in a 2nd lien position at an interest rate and loan terms that the loan applicant can repay based on the cash flow on which the loan was approved, the FSA-2232, Conditional Commitment, could be issued with the guaranteed loan closed in a 1st lien position. Unless the loan became in default for nonpayment, the lender would need to remain with the bridge loan, even if the direct FO loan remained unfunded or the direct FO loan could not be closed due to an adverse change.

Counterparty Risk

Will the supplier and/or grain buyer still be in business when it is time to pick up the supplies or grain check?

Do you know what the stability of the farm expense supplier and/or the grain/livestock buyer is? Can the borrower afford to take the risk?

Counterparty risk, otherwise known as default risk, is the risk of a contract that the counterparty will not live up to its contractual obligations. Counterparty risk should be considered when evaluating a contract.

- Selling grain under a cash contract in which the seller relinquishes possession and receives payment at a later date.
- Locking in and prepayment of fertilizer, chemicals, fuel, etc., which remain in the possession of the supplier.

Amish/Mennonite Insurance Requirements

As a general rule, FSA will accept for small loans without specialized buildings, the church-issued self-insurance letters, CAM or MUA as an alternative to customary property/casualty insurance.

Lender needs to request usage of alternative insurance in loan narrative. FSA's decision is based on loan type, \$\$\$ amounts, proposed operation, security, etc. on a case-by-case basis.

FSA will address insurance requirements in the FSA-2232, Conditional Commitment. If FSA requires insurance, lender can close loan with the church-issued self-insurance letters, CAM or MUA, but the FSA-2232, Conditional Commitment, will state that losses due to lack of state licensed property insurance are not covered by Loan Guarantee.

Insurance Policy

- Company supplying policy must be licensed or otherwise authorized by law to transact business in MO.
- Mandatory mortgage clause payable to lender

MO Statute – Request for Notice of Sale

Situation: Bank A holds a 1st lien on 160 acres.

Bank B holds a perfected 2nd lien taken as additional security for the FSA guaranteed loan.

Bank A is foreclosing on the 1st lien position.

Bank B was not notified and only recently saw the foreclosure notice in the newspaper.

Question: **Is there any MO Statute that requires the 1st lienholder to notify the 2nd or junior lienholder of the pending foreclosure?**

The primary notice of foreclosure must be given pursuant to RSMO 443.320 by publication notice.

RSMO 443.325 requires notice to be given to anyone who files a Request for Notice with the County Recorder when there is a foreclosure under a power of sale.

If the GL lender did not file a Request for Notice, its only notice would be the publication notice.

The filing of a Request for Notice is discretionary, but any prudent lender would file such a request so that it would know to enter a protective bid at the foreclosure sale or take other action as necessary to protect its secured position.

Utilizing FSA's Direct and/or Guaranteed Loan Programs to Purchase Farm at Public Auction

A number of farms are being sold at auction rather than through a real estate agent. We have received some inquiries from banks about wanting to use the FSA Direct and/or Guaranteed Farm Ownership program to finance the purchase at the public auction.

MAYBE: FSA can possibly make a Direct and/or Guaranteed FO in an auction situation. It is not easy, but it can be done. Many things must fall into place to allow this to happen. Both the applicant/lender must fully understand what FSA can and cannot do.

On a Direct FO Loan Request, FSA does not have a complete application without a contract. Therefore, FSA cannot order an appraisal of the property and/or approve a direct loan without a contract. FSA's budget is too tight to spend \$700-\$1000 on an appraisal on the slight chance that our applicant will be the successful bidder. There is the issue when there are multiple applicants for the same property and how FSA would handle the appraising of the property.

Each FLM has the responsibility to manage their office as they see fit. If time permits, FSA can assist with a cash flow to see what the loan applicant could afford to pay.

The loan applicant/lender needs to have a "Plan B" in case the loan applicant is the successful bidder. Issues that could cause problems include, but not limited to, the following:

- What if the farm does not appraise for enough to cover the bid?
- What if there is an environmental issue on the farm?
- Can a bridge loan be obtained to fund the purchase until FSA funding is available or does the loan applicant have a third party that can purchase the farm and then re-sell it back to them?
- What if FSA wasn't told the complete truth up front?
- What if there are marital or cash flow problems?

In summary, FSA cannot provide any type of commitment, and if the loan applicant purchases land at a public auction, they are on their own. If the loan applicant is the successful bidder, FSA can start processing the application, but there are no guarantees that the loan will be approved. FSA cannot obligate any money until we have a so-called "done deal".

Federal and State Income Tax Forms

When obtaining a copy of the borrower's income tax records, the following should be copied:

- ✓ a complete copy of the FEDERAL Tax Return and ALL supporting schedules
- ✓ a complete copy of the STATE Tax Return and ALL supporting schedules

Obtain a copy of the borrower's **depreciation schedule** on chattel secured loans.

Having trouble getting a copy of the borrower's Federal and/or State Income Tax Records? Obtain income tax records directly from IRS by having the borrower execute the following forms:

1. **Federal:** Form 4506, "Request for Copy of Transcript of Tax Form." Form 4506 must be received within 120 days of signature date.

Note: The IRS can provide a **Tax Return Transcript** for many returns free of charge. The transcript provides most of the line entries from the original tax return. See **Form 4506-T, Request for Transcript of Tax Return**, or you can call 1-800-908-9946 to order a transcript.

2. **State:** Form 1937, "Request for Photocopy of Missouri Income Tax Return."

Amount of Security in Today's Volatile Market

How much collateral that the lender proposes and/or FSA requires to adequately secure the FSA Loan Guarantee depends on what security is available and the guaranteed loan risk exposure. In today's volatile market (real estate and commodity), it is imperative that FSA ensure that proper and adequate security for the guaranteed loan be obtained and maintained.

FSA 2-FLP Par. 166 B states that security must be adequate to fully secure the loan and that more security will be taken whenever it is available. It is the FSA loan approval official's responsibility to complete a guaranteed loan collateral due diligence analysis. The FSA Loan Guarantee is not a substitute for the lender requiring adequate collateral to fully secure its loan.

FDIC and other farm financial experts have expressed a concern about the market value of farm real estate. Farm real estate values in the 80's had a 25% market correction from its high to the low. FSA loss claim risk increases if there would be a similar farm real estate market adjustment. We cannot predict the future, but the possibility of a farm real estate market correction does exist.

FSA's guaranteed loan risk position to PMV should not be greater than 56.25% or additional real estate security should be taken whenever it is available. The decision on whether additional security is to be taken is based on its agricultural PMV, not a business or commercial value. Exceptions require STO concurrence.

Present Market Value (PMV) *minus* 25% decline in PMV = Market Risk Adjustment Value

Market Risk Adjustment Value *times* 75% Net Recovery Value (NRV) = 56.25% Risk Exposure

Example:

\$500,000 1st lien nonguaranteed loan
\$500,000 2nd lien FSA Loan Guarantee

\$1,000,000 total risk exposure

Real Estate Assets:

450 acres @ \$3,000/acre = \$1,350,000 proposed FSA guaranteed loan security

80 acres @ \$4,000/acre = \$320,000 with no debt – lender not taking as guaranteed loan security

House in town = \$250,000 with no debt - lender not taking as guaranteed loan security

\$1,000,000 total risk exposure divided by \$1,350,000 proposed FSA guaranteed loan security
= 74% risk exposure

FSA will approve the loan and require in the FSA-2232, Conditional Commitment, that the lender will obtain a 1st lien on both the \$250,000 - house in town and the \$320,000 - 80 acres as additional security. USPAP appraisal not required on the 80 acres and house in town since taken as additional security. If only the 80 acres is taken as additional security, there is still a 59.9% risk exposure. If only the house is taken as additional security, there is still a 62.5% risk exposure. However, if all real estate owned secures the guaranteed loans, then there will be only a 52% risk exposure.

If the guaranteed loan applicant is not willing to provide both the house in town and 80 acres as additional security, then the loan will be rejected (test for credit and security issue) and appeal rights provided.

Effective 4-1-2011 and Until Further Notice

Amount and Quality of Security
“Adequate Security”
2-FLP Par.166 (7CFR 762.126) on pages 8-113 through 8-115

1. **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.**
2. **The lender will obtain a lien on additional security when necessary to protect the Agency’s interest.**

At a minimum, FSA requires the value of the security to be at least equal to the loan amount. However, more security will be taken whenever it is available.

A 1:1 loan to value ratio is not adequate when additional security is available. The adequacy of security will be judged in consideration of the total security available, prior liens, and the lender’s normal practices.

More security may be required if:

- the quality of the security is low
- cash flow is below average
- production capability is suspect
- management history is limited
- enterprise is not firmly established or is atypical for the area.

To evaluate the quality and overall adequacy of the proposed security, the lender should evaluate and determine that more security is required to protect themselves and FSA’s interests based on the answers to the following questions:

- Is the value of the primary security at least equal to the proposed loan amount?
- Is additional security available?
- Is this a specialized operation with limited sale opportunities?
- What is the age, durability, depreciation rate, and useful remaining life of the security?
How does this compare to the term of the loan?
- What is the proposed lien position on the primary security?
- Is the applicant’s net worth high or low compared with their total liabilities, including the proposed amount of the loan or LOC?
- Does the loan applicant have a strong cash flow position and high profitability?

In summary, most lenders tend to cross-collateralize all loans on all available security.

An assignment will be used when appropriate (crop insurance, integrated hog and poultry contracts, dairy, FSA program payments, etc.) in an amount sufficient to make the installments due on the loan.

Amount and Quality of Security “Lien Position”

2-FLP Par.166 (7CFR 762.126) on pages 8-115 through 8-116

1. Any chattel-secured guaranteed loan must have a higher lien priority (including purchase money interest) than an unguaranteed loan secured by the same chattels and held by the same lender.

Note: Any lender, who holds an unguaranteed loan with a first lien on the same collateral proposed as security for a guaranteed loan, must subordinate its lien position to the guaranteed loan.

2. Junior lien positions are acceptable only if the total amount of debt with liens on the security, including the debt in junior lien position, is less than or equal to 85 percent of the value of the security.

85% Junior Lien Example

Loan collateral valued at \$100,000
Unguaranteed loan – 1st lien position at \$50,000
Guaranteed loan – 2nd or junior lien position limited to \$35,000
Total debt limited to \$85,000 or 85%

When a guaranteed loan is in a 1st lien position, FSA can make a 100% loan to collateral value.

When guaranteed and unguaranteed loans share equal lien position: neither loan will be considered junior. In these situations, the lender will provide a written agreement, agreeable to FSA, outlining how proceeds will be distributed if security is liquidated. If an agreement is not provided, then when any equally shared security is liquidated, the net proceeds shall be divided pro-rata based on the amounts loaned.

Example: When the net proceeds are divided pro-rata, if the lender makes a \$700,000 guaranteed loan in conjunction with a \$300,000 unguaranteed loan and the security is subsequently liquidated resulting in \$800,000 net proceeds, \$560,000 would be applied to the guaranteed loan and \$240,000 to the unguaranteed loan.

3. Junior liens on crops or livestock products will not be relied upon for security unless the lender is involved in multiple guaranteed loans to the same borrower and also has the first lien on the collateral.
4. 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.

National Office has the authority to grant an exception of any requirement involving security. Request must be in writing and explain why the change is in the best interest of the Government and that the collectability of the loan will not be impaired.

Separate and Identifiable Security

2-FLP Par. 167 (7 CFR 762.126(c))

Par 167 B states:

The guaranteed loan must be secured by identifiable collateral. To be identifiable, the lender must be able to distinguish the collateral item and adequately describe it in the security instrument.

1. Financing Livestock

For livestock operations, the purchase or refinancing will be limited to either a guaranteed loan or a non-guaranteed loan, but not both. We will not allow a lender to co-mingle guaranteed loan security with the same class of livestock that isn't security for the guaranteed loan. More than one owner's livestock co-mingled in the same lot/pasture/field and/or on the same farm is not acceptable in meeting the guaranteed loan separate and identifiable security requirements.

Exception may be considered on a written percentage ownership (50%, 75% 2/3rd, etc) agreement that includes all owners and states all costs, death loss, and sales are split based on the percentage. All creditors involved must be in total written agreement.

Any exception to this policy must have prior state office written approval.

Different breeds, branding, ear tagging, or tattooing are not sufficient distinction. Reasons:

- Will a picture be taken of each and every head?
- The feed was paid with guaranteed OL/LOC loan funds. Do the cattle with the other identification or non-FSA security know not to eat the feed in front of them?
- Isn't FSA's security property that always gets sick and die, struck by lightning or stolen, etc?
- Ask the question if an inspection will be made every time that an animal dies and /or is sold. When accounting for death loss, will a carcass inspection be done and picture taken it include the identification markings?
- The problem of splitting by breed is that when they are sold, the sale barn may not do a very good job of identifying the cattle on the sale receipt as they might be listed as all X-bred. Will a picture be taken at the sale barn?
- Another problem is age.
- Calves grow up and become yearlings; yearlings become heifers; and heifers become cows. When does one creditors lien end and another creditor's lien start?
- What if there are multiple brands and/or tattoos?

2. Financing Machinery

In most instances, individual items of machinery/equipment are NOT considered to be "Separate and Identifiable Security" for guaranteed loan purposes. On a case-by-case basis, exception may be allowed for a tractor, combine, cotton picker, licensed vehicle/trailer or unique items of machinery.

Any exception to this policy must have prior State Office written approval.

Transfer of Ownership Assets – Documentation Required

For estate/tax purposes, borrower/loan applicants are being advised to transfer assets from one type of ownership to another type of ownership. Typical example: As individuals, the borrowers have transferred assets to an entity such as a trust, LLC, partnership, etc. On loans secured by chattels, a Bill of Sale or transfer of ownership document from the individual to the entity must be obtained for file documentation purposes. Remember that a taxable event may occur with the transfer of assets.

FSA can continue with an individual guaranteed loan as long as the entity to whom the chattel or real property was transferred to executes/signs the existing promissory note as a co-obligator.

Chattel Security Requirements When Legal Ownership/Title Could be Questioned

Legal ownership of chattel assets can become an issue, when machinery/equipment and/or livestock is given to, borrowed from, stored, leased, and/or shared with a relative, neighbor, or friend. Legal ownership must be resolved upfront. A written ownership statement and/or certification must be obtained from the other party regarding any and all of the items listed on the borrower's security agreement that could become a legal ownership problem.

All chattel security that is jointly owned will have an "Agreement for Disposition of Jointly Owned Property" that is to be signed by all owners of the property, including spouses.

It is important that a chattel lien search be completed on previous owners to determine if the property is free and clear of all liens and encumbrances. A partial release from another creditor may be required to properly perfect FSA's required 1st lien position.

Example: Son has applied for an FSA loan and does not have adequate collateral to obtain the loan. Dad offers to give or gift son specific items of machinery. In this situation, a Bill of Sale (\$1 and other considerations) must be obtained that includes a detailed description of the machinery and all of the previous owners' signatures including spouses. Lender must be assured that "gift item" is free of liens.

Leased Equipment – Documentation Requirements

Leased equipment is not owned, but leased from a third party. We understand that there may be a right-to-purchase agreement. If this right-to-purchase agreement is executed by the borrower, the item now becomes security for the guaranteed loan due to the now owned and hereafter acquired property clause in the Conditional Commitment.

Leased equipment should not be appraised and used as collateral for a guaranteed loan. Better loan documentation needs to be made when equipment leases are included in the cash flow.

The lender needs to obtain and/or submit a copy of the lease to FSA. The guaranteed file needs to reflect at least the following information:

- For what purpose was the lease entered into? (tractor, combine, irrigation, equipment, etc.)
Be specific and include manufacturer and model.
- Payment amount? (annually, monthly, semi-annually, etc.)
- Lease payment due date? (month/year)

For those guaranteed lenders that do not have to submit everything to the Agency, the credit presentation, loan narrative/cover letter, and/or cash flow needs to address any equipment leases.

UCC1 & MO Secretary of State



Website: <http://www.sos.mo.gov/>

As of August 28, 2013, a change was made to MO UCC laws regarding the name used to file a UCC1. Now the person's name on their valid MO driver's license is the one that is used to file a UCC1. Consequently, the Office of General Counsel, FSA's attorneys, has provided the following guidance to our offices.

- 1. When completing a UCC1 Financing Statement for initial filing for an individual, if the person has a valid Missouri driver's license, the name that will be shown on the UCC1 as the Debtor will need to match the driver's license exactly. IF the person's full legal name is different than the name on their valid Missouri's driver's license, you need to put the full legal name on the UCC1 as an additional debtor. This is true for each individual that will sign the security instruments.**
As documentation of the driver's license name, you will need copies of each person's driver's license as part of a complete application. Date stamp the copies the day they are received in the office to document the basis for using that specific name at this point in time.
- 2. When completing a UCC1 Financing Statement for initial filing for a formal entity, the financing statement must contain the name that is stated to be the registered entity's name on public record most recently filed with, issued to, or enacted by the jurisdiction of the organization, i.e., Articles of Incorporation, Partnership Agreement, etc.**
- 3. If the person does not have a valid Missouri driver's license, including people that have driver's licenses from other states, the person's full legal name will be shown on the UCC1 Financing Statement.**
- 4. The person's full legal name will still be reflected on all other debt and security instruments such as notes, Deeds of Trust, and security agreements, in accordance with FSA's regulations and Handbook requirements.**
- 5. Existing UCC1 Financing Statements are still legally valid with only full legal names on them. However, as they come up for continuation, or if there is a reason to amend them, add the driver's license name as an additional debtor. If the person has more than one UCC1 Financing Statement, it's recommended to make all necessary changes to all UCC1s at one time.**
- 6. Creditors are responsible for monitoring changes in the person's name as reflected on their valid Missouri's driver's license since that name may change.**
Consequently, as you work with borrowers, check the names to be certain there aren't any changes from what is on the UCC1 Financing Statement. If there are changes, follow the guidance as outlined above.

FSA's Direct Loan Collateral Description - UCC1 & Security Agreement

FSA on the advice of its attorney, Office of General Counsel (OGC), uses the following general collateral description on its UCC1:

- All crops, livestock, farm products, equipment, certificates of title, goods, supplies, inventory, accounts, deposit accounts, supporting obligations, payment intangibles, general intangibles, investment property, crop insurance indemnity payments, and all entitlements, benefits, and payments from all state and federal farm programs.*
- _____ ;and
- All proceeds, products, accessions, and security acquired hereafter.*

The security interest perfected secures a future advance clause and the security agreement contains an after acquired property clause.

Disposition of such collateral is not hereby authorized.

On the UCC1 filings, FSA does not use a detailed description nor does it list serial numbers. Rather a detailed description (Quantity, Kind, Manufacturer, Size and Type, Condition, Year of Manufacture, & Serial Number) is clearly and with great care listed on the Security Agreement. It is our opinion that the purpose of UCC filings is to alert others (lenders and anyone needing credit information) that someone has a financial interest with the Debtor. If someone wants to know what specific item a creditor has a lien on, then they need to contact the creditor holding the UCC1 lien position for further details, generally a copy of the Security Agreement.

Conducting and Review of Secretary of State UCC Lien Searches

An online lien search in the office of Secretary of State is required for UCC filings to determine proper lien position. FSA uses the following steps to complete an online lien search:

1. Use the MO Secretary of State's website <http://www.sos.mo.gov/ucc>.
Click on the "Research UCC Filings" link.
2. Login with your User ID and Password that you must obtain from the Secretary of State's Office.
3. Select "New UCC Search".
4. Select Individual or Organization.
If an individual, both "Standard" and "Non-Standard" searches should be run on the customer's
 - full legal name
 - driver's license name, if different than full legal name
 - commonly known name
 - last name with first initial
5. Separate lien searches are required for all parties that are to become debtors for loans. In addition, a lien search would be required for any party that pledges security for a loan who would not become a debtor. All the searches should be saved and/or printed for lien analysis and filed in the case file.
6. When there is a match for a customer, additional filing information is available by clicking on the "View Filing Chain" button.
7. By clicking on the "View Document" button, you can see the UCC on file.
8. Save and/or Print the UCC.

County Clerk/Recorder's Office Lien Searches

It is the lender's responsibility to complete a lien search to show that the required chattel lien position is obtained.

FSA instructs its offices when searching in the County Clerk/Recorder's Office that a Report of Lien Search should include all financing statements filed of record, any Federal Tax Liens of record filed during the past eleven years and one month, and any judgments of record filed during the past twenty years. Relying on Case.net as the sole source of information for judgments is incomplete, since Missouri Circuit Court records reflected on Case.net vary widely on the start date for the reported information. Some Circuit Court records are only available through Case.net for public cases filed since 2006.

If a borrower moved within the past five years from another county or operates land in more than one county, a Report of Lien Search should be obtained from each county.

FSA Direct loans records search requirements:

<u>Type of Lien</u>	<u>Office</u>	<u>Period of Search</u>
Fixture filings	County Recorder	5 Years
Federal and/or State tax liens	County Recorder	11 Years & 1 Month
Judgments	County Recorder	20 Years

FSA-2232
(08-03-16)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 2

CONDITIONAL COMMITMENT

(See Page 4 for Privacy Act and Paperwork Reduction Act Statements.)

PART A – GENERAL INFORMATION

1. Lender's Name and Mailing Address	2. Type Loan			
	<input type="checkbox"/> FO	<input type="checkbox"/> OL	<input type="checkbox"/> OL/LOC	<input type="checkbox"/> CL
	3. Principal Amount of Loan or Line of Credit Ceiling		4. Percent of Guarantee	
	\$		%	
5. Loan Applicant's Name		6. FSA Account Number (ST and CO code/FSA ID Number)		

From an examination of information supplied by the lender on the above proposed loan, and other relevant information, it appears that the transaction can be properly completed.

Therefore, the United States of America acting through the Farm Service Agency (FSA) hereby agrees that, in accordance with 7 C.F.R. Part 762 and related forms, it will execute FSA-2235, Loan Guarantee, subject to the conditions and requirements specified in said regulations and included below.

PART B - CONDITIONS

7. To obtain a FSA-2235, Loan Guarantee, the lender must submit the following to FSA:
- A. This FSA-2232 with Part D completed and executed indicating acceptance of the conditions.
 - B. FSA-2233, Lender Certification.
 - C. FSA-2236, Guaranteed Loan Closing Report.
 - D. A copy of a properly executed debt instrument (promissory note or loan agreement).
 - E. A guarantee fee in the amount of \$ _____
- In addition, the lender will be required to:
- F. Execute an FSA-2221, Interest Assistance Agreement, if Interest Assistance is included in the loan.
 - G. Execute an FSA-2201, Lender's Agreement, if a current version has not already been executed.
 - H. Submit a copy of an evaluation or appraisal from standard eligible lenders if not previously submitted.

8. GENERAL REQUIREMENTS

Lender agrees that any provisions in its security instruments, including promissory notes, security agreements, financing statements, deeds of trust, or other forms used by the lender to evidence or secure a guaranteed loan, which do not comply with 7 C.F.R. Part 762, are unenforceable by the lender without the written concurrence of FSA. Such provisions and enforcement are waived by the lender.

The lender agrees that FSA has not nor will not certify to the validity, accuracy, legality, or enforceability of any note, security agreement, financing statement, deed of trust or other forms which lender may have provided to FSA, the providing of such forms being for informational purposes only.

9. INTEREST ASSISTANCE REQUIREMENTS

If the subject guaranteed loan has been approved for participation in the interest assistance program, FSA will reimburse interest to the lender at a maximum of 4 percent per annum of average outstanding principal, subject to limitations in FSA regulations. Interest assistance is available under this commitment for a period not to exceed _____ years or the term of the loan, whichever is less, subject to limitations in FSA regulations. Availability of interest assistance is subject to the loan being closed in accordance with the conditions of this commitment and with FSA regulations. Interest assistance availability is subject to the execution of FSA-2221, Interest Assistance Agreement, and compliance with the conditions of the agreement.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident. Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

10. REQUIREMENTS FOR LOANS SECURED BY CHATTELS

As required in 7 CFR Part 762.140, yearly accounting and reconciliation with the security agreement is required for all chattel loan collateral, i.e., livestock, farming and other equipment, crops, other farm products, supplies, inventory, accounts and contract rights, and general intangibles. An assignment will be obtained on all USDA crop and livestock program payments and all crop insurance proceeds when required as security. All collateral pertains to that now owned and hereafter acquired.

11. OPERATING LINE OF CREDIT REQUIREMENTS

- A. The total principal balance owed at any one time on advances made within an approved line of credit may not exceed the line of credit ceiling.
- B. The total amount of line of credit advances and income releases cannot exceed the total estimated expenses, less interest expense, as indicated on the borrower's plan, unless the plan is revised and continues to reflect a feasible plan.
- C. Prior to any future year advances, standard eligible lenders must submit a copy of the borrower's income and expenses for the previous year, the projected cash flow for the borrower's operation for the upcoming operating cycle, a current balance sheet, and a certification that the borrower is in compliance with the provisions of the line of credit agreement and the income and loan proceeds for the previous year have been accounted for. All of the above items are to be submitted for FSA written approval before future year's advances are made.

12. HIGHLY ERODIBLE LAND AND WETLAND CONSERVATION

- A. This commitment is conditional upon loan proceeds not being used for a purpose that will contribute to excessive erosion of highly erodible land or to the conversion of wetlands to produce an agricultural commodity.
- B. All guaranteed lenders will be required to monitor compliance of these requirements as part of their servicing responsibilities. During loan servicing contacts the borrower's compliance is to be reviewed and analyzed. If the borrower violates 7 CFR Part 12 or 7 CFR Part 799 the loan will be in default.
- C. If loan applicants' farm properties contain any highly erodible land, wetland, or converted wetland, the lender will include the following provisions in its debt and security instruments:

"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."

13. CROP INSURANCE

The loan applicant will obtain at least catastrophic risk protection insurance coverage or sign a benefits waiver for each of their economically significant crops, for which coverage is offered or reinsured by the Federal Crop Insurance Corporation.

14. LOAN PURPOSE

List loan purposes below. Purposes should be identical to those described in "FSA-2211, Application for Guarantee or FSA-2212, Preferred Lender Application for Guarantee", unless otherwise indicated. The total amount to be advanced on a line of credit will not exceed the projected credit needs for the operating cycle:

15. INTEREST RATE AND TERMS

The interest rate on both the guaranteed portion and the nonguaranteed portion not exceed the maximums established in 7 C.F.R. Part 762.124(a). This loan will have the following interest rate and terms: *(If rate is variable, indicate basis only):*

16. SECURITY

This loan will be secured by the collateral listed on “FSA-2211, Application for Guarantee, or FSA-2212, Preferred Lender Application for Guarantee” unless otherwise noted and described below. If an evaluation or appraisal was not completed at the time of the request for guarantee, this loan is approved subject to the lender obtaining an evaluation or appraisal, prior to loan closing completed in accordance with 7 C.F.R. Part 762, to support the following estimated values. Standard eligible lenders must submit an evaluation or appraisal, acceptable to FSA, prior to receiving FSA-2235, Loan Guarantee.

Required Security:

A. Item Description	B. Lien Position	C. Estimated Value	D. Amount of Prior Lien	E. Collateral Value
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
TOTALS:		\$	\$	\$

OTHER

17. Other requirements: (Insert any additional conditions or on an attachment referred to in this space; otherwise insert "NONE").

PART C – AGENCY SIGNATURE

18. This conditional commitment becomes null and void unless the lender accepts the conditions, closes the loan, and requests the guarantee within _____ days, unless this time is extended in writing by FSA, or upon the lender's earlier notification to FSA that it does not desire to obtain an FSA guarantee. Any negotiations concerning these conditions must be completed by that time.

19A. Signature of Authorized Agency Official	19B. Date (MM-DD-YYYY)
19C. Name (Printed)	19D. Title

PART D – ACCEPTANCE OR REJECTION OF CONDITIONS

20. To: Farm Service Agency (FSA)

The conditions of FSA-2232, Conditional Commitment, outlined on previous pages:

- A. are acceptable and the undersigned lender intends to proceed with the loan transaction and to request issuance of the guarantee at the appropriate time.
- B. are acceptable, but for other reasons, the undersigned lender does not desire a guarantee and withdraws the application.
- C. are not acceptable, and for that reason the undersigned lender does not desire a guarantee and withdraws the application.
- D. are not acceptable but would be acceptable if the following changes were made:

21. Lender hereby certifies that it will comply with the requirements and regulations of 7 CFR Part 762, and FSA-2201, Lender's Agreement.

If Item 20A above is checked:

- A. It is understood that the following information may now be released upon request: Name and address of applicant, name and address of lender, amount of loan, and general purpose of loan.
- B. It is anticipated that the loan will be closed in approximately _____ days.

22. **NOTE TO LENDER:** Complete and execute the Acceptance or Rejection of Conditions as indicated above on the copy of this form and return completed form to the FSA Office address provided:

23A. Signature of Lender Representative	23B. Date (MM-DD-YYYY)
23C. Name (Printed)	23D. Title

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a – as amended). The authority for requesting the information identified on this form is 7 CFR Part 762, the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.), and the Agricultural Act of 2014 (Pub. L. 113-79). The information will be used to establish the lender's agreement to the terms and conditions for obtaining the requested FSA Farm Loan Programs benefits. The information collected on this form may be disclosed to other Federal, State, Local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in applicable Routine Uses identified in the System of Records Notice for USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information may result in a denial of the requested FSA Farm Loan Programs benefits.*

The provisions of criminal and civil fraud, privacy, and other statutes may be applicable to the information provided.

*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 18 minutes 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 COUNTY FSA OFFICE.***

LENDER'S AGREEMENT

See Page 7 for Privacy Act and Paperwork Reduction Act 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 page 6. Your signature indicates consent with this agreement.

Part A - Background Information

1. Lender's Name and Mailing Address	2. Tax Identification Number (9 digit of tax ID No.)
	3. Telephone Number

4. This agreement establishes the above lender as a:

Preferred Lender (PLP) Certified Lender (CLP) Standard Eligible Lender (SEL)

5. The following branch offices of the lender are covered under this agreement: (Include a complete address for each branch)

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

The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the bases of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.) Persons with disabilities, who wish to file a program complaint, write to the address below or if you require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). Individuals who are deaf, hard of hearing, or have speech disabilities and wish to file either an EEO or program complaint, please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish).

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail to U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov. 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 requirements 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.
 - g. Has made changes to its risk-based pricing practice.
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 the lender submits an application for a guarantee, 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, directors, 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.
2. **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:
- 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;
 - 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;
 - Ensure that all security with appropriate lien priorities is obtained in accordance with the conditional commitment and Agency regulations;
 - Ensure that all closing documents required to be recorded are recorded accurately, in the appropriate offices, and in a timely and accurate manner;
 - Ensure that security interests are perfected in collateral according to applicable regulatory requirements and procedures;
 - Ensure that all required hazard insurance will be obtained in accordance with Agency regulations or is now in effect;
 - 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;
 - Ensure that construction, relocation, repairs, or development are completed in accordance with applicable drawings and specifications;
 - 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;
 - Secure the entire loan 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;
 - 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

- 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.
- Supervision** - The lender's responsibilities regarding borrower supervision include, but are not limited to, the following:
 - Ensure loan funds are not used for any unauthorized purpose.
 - 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.
 - Perform an annual analysis of the borrower's financial condition to determine the borrower's progress when required by Agency regulation.

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 those services which would be considered normal industry standards of loan management or failure to comply with any servicing requirement of 7 C.F.R. Part 762 or the lender's agreement or the guarantee. The term includes the concept of a failure to act or failing to act timely consistent with actions of a reasonable lender in loan making, servicing, and collection.
- 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 other Federal or state regulatory agency 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. Terms and amounts for PLP lenders are included in the lender's Credit Management System.
- 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 claim has been paid by the Agency, any future funds which may be recovered from the borrower by the lender, 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. An estimated loss claim must be submitted by the lender no later than 150 days after the payment due date unless the account has been completely liquidated and then a final loss claim must be filed. Interest accrual will cease upon approval of the estimated loss and never later than 210 days from the payment due date. Estimated and final loss 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, guideline, or the terms of this agreement, the Agency may take action in accordance with appropriate/governing 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** -
 - a. Agency regulations describe the authorities and responsibilities for lenders. In addition, PLP lenders will process and service loans as described in their application for PLP status approved by the Agency. This application is described in the Credit Management System attached 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.
 - b. Lenders participating in electronic data submission with the Agency shall designate a Security Administrator to access the Agency's Guaranteed Loan System (GLS). The lender's Security Administrator will be certified to delegate access to other lender employees. The Security Administrator and all other lender employees who access must have completed the Agency's login requirements by obtaining an eAuthentication account with Level 2 Access. The lender agrees to immediately notify the Agency of such employees who have met these requirements and when any such employees terminate employment. The lender also agrees to notify the Agency in the event of any loss, theft or unauthorized disclosure or use of any user identification number or password. Individual user identification number and passwords may not be transferred between employees.

The lender will ensure that all supporting documentation required by the Agency be submitted to the appropriate offices, in a timely and accurate manner. All forms of data transmitted through electronic data submission are considered received on the date they are submitted. If, in the Agency's judgment, standard business cannot be conducted by electronic data submission, the Agency will, at its discretion and upon notice to the lender, return to paper-based systems.

Part I - Duration and Modification

1. **Duration and Termination**
 - a. **Duration of 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 7 C.F.R. Part 762, and agree to the participation requirements and other provisions of this agreement.

1. Name and Title of Authorized Lender's Representative	2. Signature of Authorized Lender's Representative	3. Date
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FSA-2235
(09-19-16)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 2

LOAN GUARANTEE

NOTE: This form is completed by current Federal Government employees, and is therefore excluded from the Paperwork Reduction Act requirement as specified in the 5 CFR 1329.3, and OMB approval is not required for this form.

1. Lender's Name and Address: Telephone Number (Including Area Code):	2. Borrower's Name and Address: Telephone Number (Including Area Code):
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3. Loan Type: <input type="checkbox"/> FO <input type="checkbox"/> OL <input type="checkbox"/> LOC <input type="checkbox"/> CL	4. FSA Account Number: A. State Code B. County Code C. FSA ID Number
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5. Loan Amount or Line of Credit Ceiling \$	6. Guarantee Percent %	7. Date of Promissory Note or Line of Credit Agreement
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8. The loan is evidenced by (a) _____ notes described below. This instrument is attached to note (b) _____ in the principal amount of (c) \$ _____ and is number (d) _____ of (e) _____

9. Lender Note ID Number	10. Principal Amount	11. Percent of Total Principal Amount	12. Guaranteed Amount
	\$		\$
	\$		\$
	\$		\$
	\$		\$
TOTALS:	13. Total Principal Amount of Column 10 Equals Loan Amount in Item 5 \$	14. Total Percentage of Column 11 must Equal 100% 100%	15. Total Guaranteed Amount of Column 12 must Equal Item 5 Multiplied by Item 6 \$

NOTE: Copy of Note covered by this agreement must be attached.

16. In consideration of the lender making the listed loans or line of credit advances, the United States of America, acting through the Farm Service Agency of the United States Department of Agriculture (hereafter called "Government"), pursuant to the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et. seq.), agrees that in accordance with and subject to the conditions and requirements in this Loan Guarantee, it will pay to:
- A. Any holder, 100 percent of any loss on the guaranteed portion held by such holder and on interest due on such portion.
 - B. The lender, any loss sustained by such lender on the guaranteed portion including:
 - (1) Principal and interest indebtedness as evidenced by the notes or by assumption agreements,
 - (2) Any loan subsidy due and owing, and
 - (3) Principal and interest indebtedness on authorized protective or emergency advances for protection and preservation of collateral.
17. If the Government conducts the liquidation of the loan, loss occasioned to a lender by accruing interest after the date the Government accepts responsibility for liquidation will not be covered by this Loan Guarantee. The lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is paid by the Agency. The Agency will not pay interest beyond 210 days from the payment due date.

In the case of a Chapter 7 bankruptcy, in cases where the lender filed an estimated loss claim, the Agency will pay the lender interest which accrues during and up to 45 days after the date of discharge on the portion of the chattel only secured debt, that was estimated to be secured but was found to be unsecured upon final disposition, and up to 90 days after the date of discharge on the portion of real estate secured debt that was estimated to be secured but was found to be unsecured upon final disposition. The Agency will pay the lender interest which accrues during and up to 90 days after the time period the lender is unable to dispose of the acquired property due to state imposed redemption rights on any unsecured portion of the loan during the redemption period, if an estimated loss claim was paid by the Government during the liquidation action.

CONDITIONS OF GUARANTEE

Loan or Line of Credit Servicing	The lender will be responsible for servicing the entire loan and will remain the secured party of record. The lender agrees that, if liquidation of the account becomes imminent, the lender will consider the borrower for interest assistance under 7 C.F.R. Part 762 and will not initiate foreclosure action until 60 days after a determination has been made with respect to the eligibility of the borrower to participate in the interest assistance program.	
Lien Priorities	The entire loan will be secured by the same security with equal lien priority for the guaranteed and unguaranteed portions. The unguaranteed portion will not be paid first nor given any preference or priority over the guaranteed portion.	
Full Faith and Credit	The Loan Guarantee constitutes an obligation supported by the full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which lender or any holder has actual knowledge at the time it became such lender or holder or which lender or any holder participates in or condones. Any losses occasioned will be unenforceable to the extent that loan funds are used for purposes other than those specifically approved by the Government in its conditional commitment for guarantee. In addition, the Loan Guarantee will be unenforceable by lender to the extent any loss is occasioned by the violation of usury laws, negligent servicing, or failure to obtain the required security regardless of the time at which Government acquires knowledge of the foregoing. Negligent servicing is defined as the failure to perform those services which would be considered normal industry standards of loan management or failure to comply with any servicing requirement of 7 C.F.R. Part 762 or the lender's agreement or the Loan Guarantee. The term includes the concept of failure to act or failure to act timely consistent with actions of a reasonable lender in loan making,	
Rights and Liabilities	The Loan Guarantee and right to require purchase will be directly enforceable by holder notwithstanding any fraud or misrepresentation by the lender or any unenforceability of this Loan Guarantee by lender. Nothing contained herein will constitute any waiver by Government of any rights it possesses against the lender. Lender will be liable for and will pay to the Government any payment made by Government to holder, which if the lender had held the guaranteed portion of the loan, the Government would not be required to make.	
Payments	Lender will receive all payments of principal, or interest, and any loan subsidy on account of the entire loan and will promptly remit to the holder the holder's pro rata share thereof determined according to its respective interest in the loan, less only lender's servicing fee.	
Protective and Emergency Advances	Authorized protective and emergency advances made by the lender will be guaranteed against a percentage of loss to the same extent as provided in this Loan Guarantee. Protective and emergency advances not authorized by 7 C.F.R. Part 762 will not be guaranteed.	
Custody of Unguaranteed Portion	The lender must retain the unguaranteed portion of the loan in its portfolio.	
Termination of Guarantee	The Loan Guarantee will terminate automatically (a) upon full payment of the guaranteed loan, (b) upon full payment of any loss obligation under this Loan Guarantee, (c) upon denial of the lender's claim and expiration of appeal rights, or (d) upon written notice from the lender to the Government that the Loan Guarantee will terminate 30 days after the date of notice, provided the original Loan Guarantee is returned to the Government to be canceled.	
Settlement	The amount due under this Loan Guarantee will be determined and paid as provided in 7 C.F.R. Part 762.	
Interest Capitalization	Lender and holder may capitalize interest only when the note is restructured. When delinquent interest is capitalized and treated as principal, the new principal amount may exceed the principal amount of the loan listed herein, but may not exceed statutory loan limits. The new loan principal amount and new guaranteed portion will be identified as restructuring in an addendum to this Loan Guarantee. Such capitalized interest will be covered by this Loan Guarantee. Reference to principal and interest and principal advanced herein, shall include any capitalized interest on the guaranteed portion of the loan resulting from the restructuring of a guaranteed farm loan and not exceeding statutory loan limits.	
Regulation	This Loan Guarantee and all action hereunder are governed by and must be in compliance with the statutory authority and regulation issued thereunder at 7 C.F.R. Part 762 in effect on the date of this instrument, and future amendments not inconsistent with this instrument.	
18A. Name of Authorized Agency Official (<i>Print</i>)		18B. Title
18C. Signature of Authorized Agency Official		18D. Date Signed (<i>MM-DD-YYYY</i>)

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

FSA-2233
(12-16-13)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 2

LENDER CERTIFICATION

1. BORROWER'S NAME <i>(Last, First, and M.I.)</i>	2. LOAN NO.
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3. The undersigned lender certifies that the following requirements have been or will be met on the guaranteed loan closed on _____.
- a. No major changes have been made in the lender's loan or line of credit conditions and requirements since submission of the application (except those approved in the interim by the Agency in writing).
 - b. All insurance requirements are in effect.
 - c. Truth in lending requirements have been met.
All equal employment opportunity and equal credit and nondiscrimination requirements have been or will be met at the
 - d. appropriate time.
 - e. The loan or line of credit has been properly closed, and the required security instruments have been obtained, or will be obtained, on any acquired property that cannot be covered initially under State law.
 - f. The borrower has a marketable title to the collateral owned by the borrower, subject to the instrument securing the loan or line of credit to be guaranteed and subject to any other exceptions approved in writing by the Agency. When required, an assignment on all USDA crop and livestock program payments has been obtained.
 - g. When required, personal, joint operation, partnership, or corporate or other guarantees have been obtained.
 - h. Liens have been perfected and priorities are consistent with requirements of the Conditional Commitment.
 - i. Loan proceeds have been, or will be disbursed for purposes and in amounts consistent with the Conditional Commitment and as specified on the loan application. In line of credit cases, if any advances have occurred, they have been disbursed for purposes and in amounts consistent with the Conditional Commitment and Line of Credit Agreements.
 - j. There have been no material adverse changes in the borrower's condition, financial or otherwise, since submission of the application.
 - k. Evaluation or appraisals have been completed which support security values stated in the Conditional Commitment.
 - l. All other requirements specified in the Conditional Commitment have been met.

4. Name and Title of Lender's Representative	5. Signature of Lender's Representative	6. Date
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7. **NOTE:** Along with this form, submit the following, as appropriate:
- a. Guarantee Fee
 - b. Copy of executed promissory note or loan agreement.
 - c. FSA-2236, Guaranteed Loan Closing Report.
 - d. Copy of evaluation or appraisal if Standard Eligible Lender and not previously submitted.
 - e. FSA-2221, Interest Assistance Agreement, if Interest Assistance is included in the loan.
 - f. FSA-2201, Lender's Agreement, if a current version has not already been executed.

NOTE: *The following statement is made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a - as amended). The authority for requesting the information identified on this form is the Consolidated Farm and Rural Development Act, as amended (7 U.S.C. 1921 et. seq.). The information will be used to determine eligibility and feasibility for loans and loan guarantees, and servicing of loans and loan guarantees. The information collected on this form may be disclosed to other Federal, State, and local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in the applicable Routine Uses identified in the System of Records Notice for USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information may result in a denial for loans and loan guarantees, and servicing of loans and loan guarantees. The provisions of criminal and civil fraud, privacy, and other statutes may be applicable to the information provided.*

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 15 minutes 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 COUNTY FSA OFFICE.

The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the basis of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual's income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.) Persons with disabilities, who wish to file a program complaint, write to the address below or if you require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) please contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). Individuals who are deaf, hard of hearing, or have speech disabilities and wish to file either an EEO or program complaint, please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish).

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail to U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov USDA is an equal opportunity provider and employer.

Using the Appraisal to Determine the Useful Life of Security

2-FLP Par. 181 B states that appraisals are not part of a “complete” loan application and that the guaranteed loan may be approved by the loan approval official, subject to the lender obtaining an acceptable appraisal. The key word is “may.”

Appraisals can and should be requested prior to the loan approval decision when:

1. Information from the appraisal is needed to determine maximum allowable loan terms.

As per 2-FLP Par. 137, all guaranteed term OL and/or FO loans must be scheduled for repayment over the minimum period necessary considering the loan applicant’s ability to repay and the useful life of the security. A shorter repayment period than the lender requested may need to be approved to be assured that the loan will be adequately secured throughout the term of the loan, taking into account the probable depreciation of the security. Obtaining a copy of the appraisal prior to loan approval may be necessary to determine the useful life of the security. This is extremely important when the loan purpose is to refinance debt on an existing integrated livestock confinement facility.

2. Security or loan value is an issue.

Yes, it is acceptable to obtain a copy of the appraisal from a SEL, CLP or PLP lender prior to loan approval and/or issuing the FSA-2235, “Loan Guarantee.”

When the loan has been approved subject to the appraisal, the lender is responsible for obtaining an acceptable appraisal before loan closing.

FSA is required to do an appraisal review prior to issuing the FSA-2235, “Loan Guarantee.”

Depreciation Can Affect Repayment Capacity

When depreciation potentially can have an adverse affect, FSA has developed the following tools to assist in the loan decision process:

FSA Tools available at: <http://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/State-Offices/Missouri/lenders/lenders.pdf>

1. MO 2-FLP 33 Depreciation Loan Term Calculator 5-26-2004.xls
2. MO 2-FLP 34 Loan Term Depreciation Feasibility 2-15-2005.xls

Poultry Mitigation

Economic difficulties still plague the poultry industry. Dramatic increases in energy and other costs, periodic reductions in demand leading to increased flock placement intervals, increased/decreased bird weight, building/equipment upgrade requirements, and other relevant factors that affect net income have affected profit margins and returns.

FSA must mitigate its security/repayment capacity risk. FSA has a significant risk exposure, primarily through loan guarantees, with producers who grow poultry under contract.

FSA's instructions (2-FLP Par.151) require a dependable source of farm and/or non-farm income in its evaluation, assessment, and analysis of direct and/or guaranteed loan applications from family farms by the loan approval official. Any application involving a company that contracts for livestock production needs to be financially strong and have a proven history for similar type of production contracts. Company information should be evaluated and used as an indicator of the strength and weakness of the livestock production contract.

FSA needs the integrator's commitment and is requiring a poultry contract term that at least covers the contributory value of the facilities financed with the guaranteed loan funds.

A State Office approved production contract **will be required/in effect** prior to FSA issuing the FSA-2235, Loan Guarantee.

Contract Requirements

Before income from a poultry production contract can be considered a dependable source of income, the poultry production contract must:

- provide assurance of the producer's opportunity to generate income with which to develop a cash flow budget and repay the loan. This assurance must be stated in the contract, which will incorporate requirements, such as a minimum number of flocks per year, minimum number of bird placements per year, or similar quantifiable requirements.
- provide for termination based on objective "for cause" criteria only
- require that the grower be notified of specific reasons for cancellation
- [new construction] - Term of the contract equal to and/or greater than the proposed loan terms. Loan terms should take into consideration the integrators estimated new construction payback.
- [existing poultry facilities] - Term of the contract equal to and/or greater than the economic useful remaining life and/or the proposed loan terms whichever is less

Feasibility - Repayment Capacity

2-FLP Par.151 B requires that the cash flow budget used in the loan application must:

- reflect, as closely as possible, the predicted cash flow of the operating cycle
- be documented in sufficient detail to adequately reflect the overall condition of the operation.
- reflect realistic performance assumptions for the individual situation, including, but not limited to, the following:
 - increased input costs
 - changes in unit numbers and weights
 - increased idle time between flocks of poultry
 - other relevant factors that affect net income

- must factor in any reduced efficiency and the potential costs for required modernization of existing facilities to comply with production contract requirements. The impact of age, condition, and potential obsolescence of the facilities must be assessed for loans to purchase or refinance existing facilities.

Where depreciation and/or security may be a concern, the Agency loan approval official may require a reduced loan term other than what the lender requested when the cash flow margin is greater than 110%.

Refinancing Debt on an Existing Facility: Loan Applicant must provide:

- last 3-years of actual settlement statements
- last 3-years Federal and State Income Tax Records with all supporting schedules
- depreciation schedule

Purchase of Existing Facilities: Seller must provide the:

- last 3-years of actual settlement statements
- last 3-years of actual operating expenses on the facility

New construction: Borrower must agree to depreciate the equipment over a 10-year MACRS recovery period and the buildings over a 15-year MACRS recovery or a yearly cash flow will need to be provided for every year of the loan starting in year eight.

Down Payment: If a cash down payment is being offered as part of the loan financing package it must be unencumbered and verified as such.

Loan Terms

Prudent lending practices warrant loan terms be limited as to the:

- Amount of equity in the proposed collateral
- Contributory useful economic remaining life of the proposed collateral
- Term of the production contract & Integrator strength/reliability
- Reliable income generated (farm and nonfarm)

New Construction Loan Terms

New building construction loans terms are limited to the following unless there are extenuating circumstances:

1. Any new building incentive paid back on a separate note/loan.
2. Building (70% of total construction costs) terms limited to a FO/LN 15-year amortized payment.
3. Equipment (30% of total construction costs) terms limited to 7-year OL/LN and should not exceed a 10-year amortization.
4. Bare land contributory value limited to 30-year amortized payment.
5. Non-poultry contributory building value limited to remaining useful economic life not to exceed a 30-year amortized payment.

Existing Facilities - Appraisal & Lender Farm Visit Walk Through

The Appraisal needs be submitted with the application to allow FSA to determine the adequacy of the collateral.

Representative of the lender must complete a walk-through/inspection of the existing facility prior to the submission of a FSA Farm Loan Program Loan Guarantee. Lenders are required to evaluate and address in the loan cover letter and/or field report all findings.

Existing Facilities Loan Terms

When loan funds will be used to refinance and/or purchase existing specialized buildings/integrated livestock facility, the loan approval official must document that the proposed guaranteed loan repayment terms do not exceed the contributory useful economic remaining life (equipment and/or buildings) of the proposed collateral based on the facilities actual age. Existing poultry facility loan terms are limited to the following, unless there are extenuating circumstances:

1. Poultry contract term being offered.
2. Actual physical age of the poultry building and equipment subtracted from date of the new construction (building = 15-years and equipment = 10-years) if does not exceed contract term.
3. Bare land contributory value limited to 30-year amortized payment – no balloon.
4. Non-poultry contributory building value limited to remaining useful economic life should not exceed a 30-year amortized payment – no balloon.

Suggested “Loan Agreement” Requirements:

1. Information Exchange Waiver: It is essential to the success of the operation that the lines of communication remain open between the contract grower, lender and the integrator. Privacy Act liability concerns have been expressed as an issue. Therefore, the borrower/grower must grant permission for open discussion and exchange of information and/or documents concerning production and management issues between the lender and integrator, strictly related to the poultry enterprise, while under the contract grower agreement.

Within two weeks of the lenders request, the loan will be in nonmonetary default if the grower does not set up and participate in a “Grower, Lender and Integrator” meeting.

2. Settlement Statements: When requested by the lender, the grower will provide copies of the individual flock settlement statements. Can be provided on an annual or on an as needed basis.

Within two weeks of the lenders request, the loan will be in nonmonetary default if the grower does not provide the settlement statements.

3. Income tax records: Complete copy of the Federal and State Income Tax Return with ALL supporting schedules including the depreciation worksheet. If not provided by (*insert date*), loan will be in nonmonetary default.
4. Annual financial statement: If not provided by (*insert date*), loan will be in nonmonetary default.

Servicing Existing Guaranteed Loans:

FSA will work on a case by case basis with lenders on servicing existing guaranteed loan indebted borrowers. FSA will require documentation from the Integrator indicating continuance even without contract, if no contract can be obtained. No new loan funds will be provided, if Integrator is not determined to be a reliable source of income (Determined by STO). Term cannot exceed remaining useful life of collateral.

Poultry Farm – No Dwelling:

Recent history reflects poultry inventory farms will not sell without a livable dwelling or will be greatly reduced causing unnecessary losses to lenders and FSA. What is the loan to market value? Is additional security available? Are there any mitigation risk options available to reduce the guaranteed loss risk? If no to these questions, the loan may not be able to be approved. Can a dwelling be added to poultry farm site in the future? If yes, then documentation must be provided as to costs involved and the dwelling’s contributory value.

Appraisals: The USPAP appraiser must be provided the following information:

1. Contract Terms
 1. Proposed Gross Income Expected (# birds X # flocks X bird size X \$.xx/lb)
 2. Length of Contract
2. Poultry Equipment Age
 - Waterers: Original Equipment? Yes or No If no, year(s) totally replaced _____
 - Feeders: Original Equipment? Yes or No If no, year(s) totally replaced _____
 - Radiant Brooders: Original Equipment? Yes or No If no, year(s) totally replaced _____

If age unknown or the seller/owner of a facility does not provide the actual age of the equipment (waterers, feeders, and radiant brooders) age will be determined from the date facility was originally built. If equipment was totally replaced over a period of years, age will be determined from the 1st year replacement started.
3. Equipment Supplier cost estimate for “essential” repairs/upgrades to obtain contract.
4. Equipment Supplier evaluation/best guess estimate as to when the equipment will need to be replaced/upgraded.
 - Waterers: _____
 - Feeders: _____
 - Radiant Brooders: _____

Existing Facilities: Requires FSA State Office Review/Concurrence If Actual Age PLUS Proposed New Loan Terms Exceed 25 years

State Office review/concurrence is required for use of any guaranteed loan funds to finance facilities when the actual age plus proposed new loan terms exceed 25 years. Submit the following information through the Area Farm Loan Specialist:

1. Type of operation
2. Integrator
3. Whether facility has been retrofitted to meet all of the Integrators “Premium Standards” criteria.
4. Actual age and remaining useful economic life of poultry building
Actual____Remaining _____
5. Actual age and remaining useful economic life of poultry equipment
 - Waterers: Actual ____ Remaining ____
 - Feeders: Actual ____ Remaining ____
 - Radiant Brooders: Actual ____ Remaining ____
6. Breakdown of the contributory value on the guaranteed loan security being offered
 - poultry building
 - poultry equipment
 - bare land
 - other buildings
7. Poultry contract term
8. Proposed loan type and term of loan
9. Detailed justification for making a loan on this facility

Secondary Market Sequence of Selling Loans

1. Lender closes loan.
2. FSA issues FSA-2235, Loan Guarantee.
3. Loan can only be sold after it is fully advanced.
4. Lender contacts secondary market.
5. Secondary market accepts loan and a settlement date is established.
6. Lender sends copy of FSA-2235, Loan Guarantee and promissory note (documents needed as established by secondary market).
7. Lender sends FSA-2242, Assignment of Guarantee, with lender's original signature to FSA along with documentation of settlement date.
8. FSA determines the following:
 - The name of the holder,
 - The holder is not the borrower or a relation of the borrower and is not an owner or subsidiary of the lender itself,
 - The loan is current,
 - The lender is selling only the guaranteed portion of the loan, and
 - FSA is not currently holding a guaranteed portion of a loan for more than 180 days that the lender refused to repurchase from a holder.
9. Once it is determined the loan is eligible to be sold, verify that all information on the FSA-2242(s) is consistent with the FSA-2235 "Loan Guarantee" and the promissory note.
10. The authorized agency official will sign in blue ink or digitally sign with a blue ribbon certification (provided the holder accepts FSA's digital signature) the FSA-2242 "Assignment of Guarantee", mark original on all pages, and mail the original hard copy or email the digitally signed copy **DIRECTLY** to the holder listed in item 3 along with a cover letter including USDA letterhead as verification of the guarantee. Courtesy copy will be sent to the lender.

Secondary Market Opportunities - FSA Guaranteed Loans

The secondary market for USDA guaranteed loans is a key feature of the guaranteed lending program. The lender may resell the guaranteed portion of the loan to an interested party. The interested party then becomes the *Holder* of the loan, but the original lender must retain the loan servicing responsibilities.

Investors who are looking for safe investments with a reasonable return are attracted to these loans because of the Government's full Faith and Credit guarantee against default. The existence of the secondary market makes guaranteed loan notes more liquid. By reselling the guaranteed portions, lenders reduce interest rate exposure, increase their lending capabilities, and generate fees.

The existence of the secondary market is a strong inducement for lenders to become involved in guaranteed lending. Selling the guaranteed portion of the loan to other investors offers a number of advantages, including:

- **Reduced Interest Rate Risk.** Lenders can transfer risk of interest rate increases on the guaranteed portion of a fixed rate loan.
- **Increased Liquidity.** Selling the loan on the secondary market frees the funds for additional lending or investing activity.
- **Increased Lending or Investing Capabilities.** Since the guaranteed portion of the loan is generally not applied against a bank's lending limit, it can be used to expand lending capabilities.
- **Increased Return on Investment and Retains Loan Servicing Duties.** The sale of the guaranteed portion of the loan in the secondary market increases the lender's overall return on investment. Each time a bank sells a guaranteed portion, it generally retains a servicing fee of ½ % to 2 % on the guaranteed portion sold on the secondary market. Retaining the loan servicing responsibilities maintains the relationship with its customer.

Example: As of 8/29/2013 Farmer Mac II offered a 15-yr fixed rate on a 25-yr Am for 4.38%. 4.38% Farmer Mac II rate + 1.12 % servicing fee = 5.5 % promissory note rate.

1. Unguaranteed Portion (10%)

\$	50,000	Unguaranteed Portion (\$500,000 loan amount X 10%)
	5.5%	Note Rate (unguaranteed rate can be on a different rate structure)
\$	2,750	Interest on Unguaranteed Portion

2. Guaranteed Portion (90%)

\$	450,000	Guaranteed Portion (\$500,000 loan amount X 90%)
	1.12%	Servicing Rate
\$	5,040	Servicing Fee

3. Interest & Fee Income Year 1

$$\text{\$2,750} + \text{\$5,040} = \text{\$7,790}$$

4. Return with a 1.12% Servicing Fee

$$\text{\$7,790} / \text{\$50,000} = \text{15.58\% ROA plus \$450,000 available to loan to another customer.}$$

- **Rates and Terms.** Lenders may be able to offer the producer more flexible repayment terms, as well as fixed and/or reduced interest rates, to improve cash flow.
- **Sales tool** – Provide fixed-rate long term financing. Lenders can use to keep existing or attract new customers.

How Much Are You Making on Your Guaranteed Loans?

ROA CALCULATOR

90% Guaranteed Portion

Spread (between Loan Rate and Net Yield)
(Servicing Fee or Margin)

L
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R
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	1.00%	1.25%	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%
5.00%	14.00%	16.25%	18.50%	20.75%	23.00%	25.25%	27.50%	29.75%	32.00%
5.25%	14.25%	16.50%	18.75%	21.00%	23.25%	25.50%	27.75%	30.00%	32.25%
5.50%	14.50%	16.75%	19.00%	21.25%	23.50%	25.75%	28.00%	30.25%	32.50%
5.75%	14.75%	17.00%	19.25%	21.50%	23.75%	26.00%	28.25%	30.50%	32.75%
6.00%	15.00%	17.25%	19.50%	21.75%	24.00%	26.25%	28.50%	30.75%	33.00%
6.25%	15.25%	17.50%	19.75%	22.00%	24.25%	26.50%	28.75%	31.00%	33.25%
6.50%	15.50%	17.75%	20.00%	22.25%	24.50%	26.75%	29.00%	31.25%	33.50%
6.75%	15.75%	18.00%	20.25%	22.50%	24.75%	27.00%	29.25%	31.50%	33.75%
7.00%	16.00%	18.25%	20.50%	22.75%	25.00%	27.25%	29.50%	31.75%	34.00%
7.25%	16.25%	18.50%	20.75%	23.00%	25.25%	27.50%	29.75%	32.00%	34.25%
7.50%	16.50%	18.75%	21.00%	23.25%	25.50%	27.75%	30.00%	32.25%	34.50%
7.75%	16.75%	19.00%	21.25%	23.50%	25.75%	28.00%	30.25%	32.50%	34.75%
8.00%	17.00%	19.25%	21.50%	23.75%	26.00%	28.25%	30.50%	32.75%	35.00%
8.25%	17.25%	19.50%	21.75%	24.00%	26.25%	28.50%	30.75%	33.00%	35.25%
8.50%	17.50%	19.75%	22.00%	24.25%	26.50%	28.75%	31.00%	33.25%	35.50%
8.75%	17.75%	20.00%	22.25%	24.50%	26.75%	29.00%	31.25%	33.50%	35.75%
9.00%	18.00%	20.25%	22.50%	24.75%	27.00%	29.25%	31.50%	33.75%	36.00%
9.25%	18.25%	20.50%	22.75%	25.00%	27.25%	29.50%	31.75%	34.00%	36.25%
9.50%	18.50%	20.75%	23.00%	25.25%	27.50%	29.75%	32.00%	34.25%	36.50%
9.75%	18.75%	21.00%	23.25%	25.50%	27.75%	30.00%	32.25%	34.50%	36.75%
10.00%	19.00%	21.25%	23.50%	25.75%	28.00%	30.25%	32.50%	34.75%	37.00%

Determine the ROA on your Guaranteed Loan by selecting the Spread (across the top) and the Loan Rate charged to your borrower (down the side). The corresponding rate is the ROA earned on your Guaranteed Loan. The Spread is the difference between the Loan Rate and the Farmer Mac Net Yield. For Example: 15-yr fixed: 25-yr Am

Loan Rate:	5.50%	ROA Earned on Loan	15.58%
Farmer Mac Net Yield	<u>-4.38%</u>		
Spread	1.12%		

The ROA is determined by the following formula:

$$\frac{(\text{Spread} \times \text{Guaranteed Balance}) + (\text{Unguaranteed Balance} \times \text{Loan Rate})}{\text{Unguaranteed Balance}}$$



Contact Us

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Fax: 877-921-5727

OL/LOC Annual Operating Loans

Annual Renewal Requirements - Documents Submitted to FSA

SEL Lenders

2-FLP Par.265 C on page 11-9

For an Operating Line of Credit (OL/LOC) loan, **prior to any advances** for the 2nd, 3rd, 4th, or 5th year on the OL/LOC loan, the lender must submit to the FSA Office:

1. Current Financial Statement/Balance Sheet (farm and non-farm) dated and signed by the borrower(s).
2. Farm visit report or collateral inspection.
3. Income and expense summary: Updated MO 2-flp Guide 20 or similar documentation of the previous year's income and expenses (farm and non-farm).
4. Projected cash flow signed by lender and borrower which projects a feasible plan.
5. Narrative summary of the borrower's financial progress.

SEL lenders must receive written approval from FSA prior to any advances for the 2nd, 3rd, 4th, or 5th year. FSA should respond, in writing, within 14 calendar days. FSA's approval to include the \$\$\$ amount of the Maximum OL/LOC Advance & Farm Income Releases that the borrower cannot exceed during current cash flow annual operating plan.

CLP Lenders

2-FLP Par.265 E on page 11-11

Prior to any advances for the 2nd, 3rd, 4th, or 5th year on the OL/LOC loan, the lender will submit to the FSA Office:

1. Current Financial Statement/Balance Sheet (farm and non-farm) dated and signed by the borrower.
2. The lender must provide a **written certification** stating that:
 - a cash flow projecting a feasible plan was developed.
 - the borrower is in compliance with the provisions of the Loan/Line of Credit Agreement.
 - the previous year income and expenses (farm and non-farm), loan funds, and security proceeds have been accounted for.

Obtaining written approval from the County Office is not necessary as long as the above is provided and Lender follows FSA's suggestions/recommendations to stay in compliance with the FSA 2-FLP Par.124 B OL/LOC loan limitation requirement.

PLP Lenders

PLP lenders will submit what is stated in their own PLP Lender's Agreement Credit Management System (CMS).

Recommend Lender follow FSA's suggestions/recommendations to stay in compliance with the FSA 2-FLP Par.124 B OL/LOC loan limitation requirement.

OL/LOC Beginning of Year Balance

“File Documentation”

Must Be Able To Show That OL/LOC Loan Can Be Paid In Full

The case file must be adequately documented to reflect that prior to the lender advancing on the OL/LOC operating loan for the 2nd, 3rd, 4th or 5th years, the OL/LOC must be theoretically speaking zeroed out. This doesn't necessarily mean that each OL/LOC loan be paid down to zero \$ owed on the promissory note at the end of each cash flow year.

However, it does mean that there must be at least enough current assets on hand at the beginning of the next cash flow year that **WILL BE SOLD and the PROCEEDS APPLIED on the OL/LOC loan** that could, in theory, have paid the guaranteed OL/LOC loan in full at the end of the prior year's cash flow operating year.

Any payments and/or obligations to be paid directly from current assets on hand that will not be applied on the OL/LOC loan cannot be considered in the documentation that the OL/LOC loan was theoretically speaking paid down to zero \$ owed on the promissory note at the end of each cash flow year.

If it is not tax-deductible expense on the borrower's income tax records (1040 Schedule F), then FSA does not allow the expense to be considered as a current asset and justified as a carryover debt on the OL/LOC loan. An example is fall tillage work or hay to be fed.

1-1-2017 Balance Sheet – Review Current Assets

1/1/2017 to 12/31/2017 cash flow annual operating cycle

Current Assets - Some will be SOLD and PROCEEDS APPLIED on OL/LOC loan	OL/LOC maximum BOY balance As of 1/1/2017
➤ COH = \$10,000	COH has NO value. LOC balance = \$0.00
➤ fall of 2015 wheat input cost = \$35,000	\$35,000 Beginning OL/LOC Balance is OK.
➤ prepaid 2016 seed/fertilizer = \$150,000	\$150,000 Beginning OL/LOC Balance is OK. If all obligations cannot be met, obtain documentation of prepaid expenses.
➤ feeder cattle/hogs	Beginning OL/LOC Balance should not exceed the current number of head on hand to be sold and applied on note X (purchase price + accrued interest + feed input costs)
➤ soybeans = \$50,000 ➤ 10,000 bu corn to be sold = \$50,000 ➤ 250 bales hay to be fed ➤ 5,000 bu corn to be fed ➤ fall tillage work – no value	\$40,000 farm payment due 3/2016 to be paid from soybeans and/or corn. BOY OL/LOC balance cannot exceed \$60,000.

Failure to adequately/properly document the case file can result in a loss claim reduction or denial.

OL/LOC Loan Advances for Term Debt Payments

MO FSA Position Paper

Two Months (60 Days) Before the End of the Cash Flow Year

2-FLP Par.262B specifies as to the order in which loan installments will be paid.

“When a lender receives a payment from the sale of encumbered property, loan installments will be paid in the order of lien priority. When a payment is received from the sale of unencumbered property or other sources of income, loan installments will be paid in order of their due date. Agency approval is required for any other proposed payment plans.”

Will the borrower pay the OL/LOC balance in full plus meet all other obligations this year?

Lender needs to prepare a loan collateral analysis or T-table.

Unless a collateral loan analysis shows repayment of the OL/LOC in full, lenders should not be authorizing advances on the OL/LOC loan and/or releasing guaranteed loan collateral proceeds to pay intermediate (IT) debt payments, long term (LT) debt payments, or lease payments two months (60 days) before the end of the borrower’s cash flow operating year.

At the Beginning of the Cash Flow Year

Based on a January 1, 2014 financial statement, the borrower does not have sufficient working capital and/or current assets on hand to meet all financial obligations currently due and/or coming due.

Lender has requested authorization from FSA to advance on the 2014 OL/LOC loan to pay Intermediate (IT) debt payments, Long Term (LT) debt payments, or lease payments, that are due or coming due at the beginning of the borrower’s cash flow operating year that should have been paid from last year’s farm income.

In most instances, when the borrower is coming up short as the previous year’s farm income isn’t enough to meet all obligations, FSA does not consider it to be a prudent lending practice for a lender to advance on the OL/LOC loan to pay Intermediate (IT) debt payments, Long Term (LT) debt payments, and/or lease payments at the beginning of a cash flow year on financial obligations that should have been paid from previous year’s income.

OL/LOC Annual Operating Loan Servicing

Maintain Compliance with 2 FLP Par. 124B – OL/LOC Loan Limitations

Following FSA's suggestions/recommendations keeps the lender in compliance with the FSA 2-FLP Par.124 B OL/LOC loan limitation requirement:

The total dollar amount of line of credit advances and income releases cannot exceed the total estimated expenses, less interest expenses, as indicated on the borrower's cash flow budget, unless the cash flow budget is revised and continues to reflect a feasible plan.

1. Lender obtains FSA written concurrence before advancing on the OL/LOC Loan.
2. For OL/LOC renewals, lender to complete a YEA which includes a EOY - OL/LOC asset reconciliation which documents that the last year's OL/LOC loan was zeroed or theoretically zeroed out before re-advancing on the OL/LOC (years 2 thru 5) for the next operating year.
3. Borrower/Lender agree on a cash flow for the current operating year.
4. Lender/FSA determine the maximum OL/LOC Loan Advance and/or farm income releases for the cash flow operating year. FSA tool (Guide 35 or 36) is available.
5. Lender submits information to FSA for review.
6. FSA provides written authorization to the lender to advance on the OL/LOC loan.

Lender/Borrower Discussion: Does the borrower understand the cash flow as to:

- What, if any, capital expenditures are allowed.
- How family living expenses are to be paid. Is this a farm or nonfarm income responsibility?
- How, when, and from what source of income the intermediate and term debt payments are to be paid. Is this a farm or nonfarm income responsibility? Can it be paid from OL/LOC loan?

Loan Agreement Requirements:

- Borrower remits **ALL** farm income as a payment on the OL/LOC loan. (**All in – All out.**)
- Providing a BOY (January 1st) Inventory/Balance Sheet.
- Borrower providing EOY actuals and/or Federal & State Income Tax Records and all supporting schedules including the depreciation worksheet.

Lender Monitoring/Servicing:

- Monitors OL/LOC loan advance totals – Do not exceed maximum amount calculation.
- Borrower remits **ALL** farm income as a payment on the OL/LOC loan. (**All in – All out.**)
- Comply with UCC laws/security notice requirements and have the borrower(s) execute a CCC-36, "Assignment of Payment" to cover ALL FSA and CCC program payments.
- If in the last two months of year, lender wants to release proceeds from farm income proceeds and/or advance on OL/LOC to pay term loan installments and/or prepay expenses, a collateral loan analysis or T-table must be prepared that shows borrower will repay OL/LOC in full.
- Farm income released back to the borrower: When there isn't any debt owed on the OL/LOC loan, the lender could release the farm income proceeds back to the borrower. However, this release counts the same as an OL/LOC loan advance.

Maximum OL/LOC Advance & Farm Income Release Worksheet

OL/LOC Loan Limitations (2-FLP Par.124B)

Name: _____

Borrower ID: _____

1. What is the total farm operating expense?
Exclude all interest and depreciation. \$ _____

2. Is there BOY COH that will be spent for family living, farm operating expenses, capital expenditures or payments? minus \$ _____

3. Is there any nonfarm income? Gross or Net minus \$ _____
 - If gross, all of the pay check deductions must be shown as an expense item under family living expenses and/or the debt repayment section.

4. What are the total family living (FL) expenses?
Monthly credit card payments, house payments, car payment, payroll deductions, etc can be shown here or under #6 Debt Repayment Schedule. add \$ _____

5. Are there any capital expenditures where a loan is not being made to cover the cost? If so, add the amount of cash inflow needed. add \$ _____

6. Are there any income taxes, intermediate and/or long term debt payments in the debt repayment table coming due in the cash flow year that need to be paid before the OL/LOC is repaid?
Do not include IT debt payments, LT debt payments, or lease payments that come due within the last two months of the borrower's cash flow operating year. Other IT or LT installments can be included if FSA and lender are comfortable with these obligations being paid before the OL/LOC is repaid. add \$ _____

Debt Repayment Schedule					
Creditor	\$ to be Paid	Date Due	Creditor	\$ to be Paid	Date Due

OL/LOC Advances & Farm Income Releases shouldn't exceed: → \$ _____

Deduct Beginning of Year (BOY) Prepaid Expenses
Include expenses (i.e. fall seeded crop cost) paid in the previous operating year with cash, released farm income, and/or OL/LOC advances. Do not include expenses charged not paid. minus \$ _____

Cash Flow Cushion (\$\$\$ Amount of Excess)

When farm expenses, family living expenses, or debt repayment are greater than originally planned, it is acceptable to use the cash flow cushion, without FSA concurrence.

Cash Flow Cushion Calculated by:

Balance Available To Pay Debt \$ _____

minus (-) Debt Repayment \$ _____

Cash Flow Cushion \$ _____ → add \$ _____

Maximum OL/LOC Advances & Farm Income Releases: → \$ _____

Note: This document should be revised at any time as the need arises. If in the last two months of year lender wants to release proceeds from farm income proceeds and/or advance on OL/LOC to pay term loan installments a collateral loan analysis or T-table must be prepared that shows borrower will repay OL/LOC in full.

Family Living Reconciliation Table

[Obtain from Income Tax Records, Credit Report, Bank Accounts, and Loan History Records]

[Record any and all transactions between the "beginning and ending" date of the tax year.] Do Not enter negative numbers.

1 Total gross farm income (Schedule F)			
2 Deduct total gross farm expenses (Schedule F)	(-)		
3 Add any loan(s) used to refinance Schedule F cash farm expenses	(+)		
4 Add depreciation expense (Schedule F)	(+)		
5 Add interest expense (Schedule F)	(+)		
6 Add Federal and State income tax refunds received	(+)		
7 Deduct Federal and State income tax paid	(-)		
8 Add gross Non-farm income	(+)		
9 Add or Deduct difference between the beginning and ending <u>principal</u> balances on the annual operating loan. Compare to the BEGINNING balance. If unknown, assume - \$0.00 -.			
Identify loan → _____			
ending <u>principal</u> balance _____			
(minus -) beginning principal balance _____			
Add if ending principal balance is higher, deduct if less. (+) or (-)			
10 Deduct <u>interest</u> payment on annual operating loan.	(-)		
11 Deduct <u>principal and/or interest</u> payments on all farm & nonfarm term debt loans.			
Identify loan → _____	(-)		
Identify loan → _____	(-)		
Identify loan → _____	(-)		
Identify loan → _____	(-)		
Identify loan → _____	(-)		
Identify loan → _____	(-)		
Identify loan → _____	(-)		
Identify loan → _____	(-)		
12 Add any loan(s) used to pay any of the <u>principal and/or interest</u> term debt loan payments shown in # 12 above.	(+)		
13 Add or Deduct difference between the beginning and ending <u>principal</u> balances on personal credit cards. Compare to BEGINNING balance. If unknown, assume - \$0.00 -.			
ending principal balance _____			
(minus -) beginning principal _____			
Add if ending principal balance is higher, deduct if less. (+) or (-)			
14 Deduct credit card payments	(-)		
15 Deduct cash spent for capital expenditures	(-)		
16 Add or Deduct difference between the beginning and ending checking/savings account balances. Compare to BEGINNING balance. If unknown, assume - \$0.00 -.			
beginning account balance _____			
(minus -) ending account balance _____			
Add if ending account balance is less, deduct if higher. (+) or (-)			
17 Deduct ALL deductions/W-2 withholdings (federal/state taxes, social security, insurance, retirement, etc.) from non-farm employment.	(-)		
18 EQUALS FAMILY LIVING EXPENSES			

Cannot use line # 18 family living expense by itself in the FSA-431-2, Cash Flow. In Table F or Table K, you must also add item #17 nonfarm W-2 withholdings, item #14 credit card payments, and any item #11 nonfarm term debt payments to #18

Annual Financial Analysis by Lender

2-FLP Handbook Par.265

Lenders must perform an annual analysis within 90 days of the end of the borrower’s operating cycle and submit all required items to FSA within 30 days of the completed analysis. Providing the optional MO 2-FLP Guide 21, “Lender’s Loan Analysis Documentation,” meets FSA’s annual financial analysis requirements.

PLP lenders will perform an annual analysis in accordance with the requirements established in the Lender’s Agreement CMS. The following table clarifies what is required for SEL & CLP lenders based on loan and collateral types.

		SEL	CLP
Secured by Real Estate (Primary)	Analyze	<ul style="list-style-type: none"> • Balance sheet • Discuss observations about farm business with borrower. 	<ul style="list-style-type: none"> • Lender will determine need for analysis based on financial strength. Annual analysis may be waived or postponed if borrower is financially strong.
	Submit	<ul style="list-style-type: none"> • Balance sheet • Narrative summary of borrower’s financial progress. 	<ul style="list-style-type: none"> • If analysis is performed, submit summary of lender’s annual analysis. • If analysis is not performed, submit reasons why an analysis was not necessary.
Secured by Chattels (Primary)	Analyze	<ul style="list-style-type: none"> • Review borrower’s progress regarding goals, trends, changes in financial performance, & compare actuals to planned. • An account of the whereabouts or disposition of collateral. • Discuss observations about farm business with borrower. 	<ul style="list-style-type: none"> • Lender will determine need for analysis based on financial strength. Annual analysis may be waived or postponed if borrower is financially strong.
	Submit	<ul style="list-style-type: none"> • Balance sheet • Income and Expense statement or Income Tax Records. • Annual farm visit report or collateral inspection. • Narrative summary of borrower’s financial progress. 	<ul style="list-style-type: none"> • If analysis is performed, submit summary of lender’s annual analysis. • If analysis is not performed, submit reasons why an analysis was not necessary.
OL/LOC Loans	Submit	<ul style="list-style-type: none"> • Balance sheet • Income and Expense statement or Income Tax Records. • Annual farm visit report or collateral inspection. • Narrative summary of borrower’s financial progress. • Projected cash flow showing feasible plan. • Documentation that last year OL/LOC zeroed out. • Request to advance future funds. 	Certification stating: <ul style="list-style-type: none"> • Cash flow projects feasible plan. • Borrower is in compliance with LOC agreement. • Previous year income, loan funds and security proceeds properly accounted for.

General Servicing Responsibilities

2-FLP Par. 262-264 (7CFR 762.140(a))

When the guaranteed loan is closed, the lender must comply with all of the terms and conditions of the Conditional Commitment. Servicing responsibilities can differ on a loan-by-loan basis.

The lender is responsible for obtaining and maintaining the lien coverage and lien priorities which are specified in the Conditional Commitment during the existence of the FSA guarantee.

As per Par. 262, lenders are responsible for:

- servicing the entire loan in a reasonable and prudent manner
- protecting and accounting (monitoring and tracking) for collateral
- remaining the mortgagee or secured party of record.

The lender cannot enforce the guarantee to the extent that a loss results from a violation of usury laws or negligent servicing regardless of when FSA discovers the violation or negligence. Negligent servicing is defined as a 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 as well as a failure to act in a timely manner.

The lender is responsible for:

- servicing their guaranteed loans as they service any other loan in their portfolio
- complying with all FSA program requirements

As per Par. 263, the lender's responsibilities regarding borrower supervision include, but are not limited to, the following:

- ensuring loan funds are not used for unauthorized purposes.
- ensuring borrower compliance with the covenants and provisions contained in the promissory note, loan agreement, mortgage, security instruments, any other agreements, and this part.

Note: Any violations which indicate non-compliance on the part of the borrower must be reported, in writing, to both the Agency and the borrower.

- ensuring the borrower is in compliance with all laws and regulations applicable to the loan, the collateral, and the operations of the farm.
- receiving all payments of principal and interest on the loan as they fall due.

If the loan is sold on the secondary market, promptly disburse to the holder its pro-rata share according to the amount of interest the holder has in the loan, less only the lender's servicing fee.

- performing an annual analysis of the borrower's financial condition to determine the borrower's progress.
- **7 CFR 762.140(d) – When a lender receives a payment from the sale of encumbered property, loan installments will be paid in the order of lien priority. When a payment is received from the sale of unencumbered property or other sources of income, loan installments will be paid in order of their due date. Agency approval is required for any other proposed payment plans.**

General Servicing Responsibilities (Continued)

As per Par. 264, the lender's responsibilities regarding servicing collateral include, but are not limited to, the following:

- obtain income and insurance assignments when required.
- ensure the borrower has or obtains marketable title to the collateral.
- inspect the collateral as often as deemed necessary to properly service the loan.
- A loan secured by chattel and other personal property should have a farm inspection completed annually with the inspection report identifying whether or not the collateral is being properly maintained. Changes in inventory should be noted and sources identified to assure that loan covenants are in compliance and that risk of loss in the loan does not occur.

Recommendation: Obtain and review the borrower's depreciation schedule yearly.

- ensure the borrower does not convert loan security. If there is conversion, FSA and the lender will determine whether the potential recovery is cost effective.
- ensure the proceeds from the sale or other disposition of collateral are accounted for and applied in accordance with the lien priorities on which the guarantee is based or used for the purchase of replacement collateral.
- ensure the loan and the collateral are protected in the event of foreclosure, bankruptcy (Part 13), receivership, insolvency, condemnation, or other litigation.
- ensure taxes, assessments, or ground rents against or affecting the collateral are paid.
- ensure adequate insurance is maintained. - The insurance policy should contain a loss payable clause in favor of the lender as the mortgagor or secured party.
- ensure that insurance loss payments, condemnation awards, or similar proceeds are applied on debts in accordance with lien priorities on which the guarantee was based, or used to rebuild or acquire needed replacement collateral.

Failure by the lender to report a borrower violation to FSA in a timely manner could result in the reduction or denial of a loss claim.

LENDER'S LOAN ANALYSIS DOCUMENTATION

[See Par.265 of 2-FLP Handbook for Requirements]

[SEL and CLP Lenders ONLY]

Note: Information to be prepared at the end of the borrower's cash flow operating year.

Borrower's Name _____ Tax ID# _____

Address _____

	LOAN # 1	LOAN # 2	LOAN # 3	LOAN # 4
Loan Type	FO/LN OL/LN OL/LOC	FO/LN OL/LN OL/LOC	FO/LN OL/LN OL/LOC	FO/LN OL/LN OL/LOC
FSA Loan #	#5 _____	#5 _____	#5 _____	#5 _____
Lender Loan #				
Original Loan Amount	\$ _____	\$ _____	\$ _____	\$ _____
As of DATE	___/___/___	___/___/___	___/___/___	___/___/___
Principal Balance	\$ _____	\$ _____	\$ _____	\$ _____
Interest Balance	\$ _____	\$ _____	\$ _____	\$ _____
Interest Rate	_____%	_____%	_____%	_____%
Payment Status	Current Ahead Behind	Current Ahead Behind	Current Ahead Behind	Current Ahead Behind
If Ahead or Behind Schedule \$ Amount Behind/Ahead	\$ _____	\$ _____	\$ _____	\$ _____
Next Payment Due Date	___/___/___	___/___/___	___/___/___	___/___/___
Loan secured by	chattels real estate both	chattels real estate both	chattels real estate both	chattels real estate both
Is this loan adequately secured?	Yes No	Yes No	Yes No	Yes No

1. Financial Statement Information as of ___/___/___ **OR** see attached Balance Sheet

• Amount of Total Debts Owed: \$ _____

• Amount of Total Assets Owned: \$ _____

2. Date of last security inspection made by lender: ___/___/___

Guaranteed Loan Servicing

Reserved for STO Approval Authority

Fifteen (15) servicing actions have been specifically reserved for State Office SED approval. See MO Notice FLP-264 dated 9/14/2005.

1. FSA Handbook 2-FLP Par. 278 A-B pertaining to submission of subordination of guaranteed loan security when National Office DAFLP approval is required.
2. FSA Handbook 2-FLP Par. 280 A-D pertaining to partial releases.
3. FSA Handbook 2-FLP Par. 281 A-D pertaining to transfer and assumptions.
4. FSA Handbook 2-FLP Par. 283 A-C pertaining to emergency advances.
5. FSA Handbook 2-FLP Par. 285 A-D pertaining to release of liability upon withdrawal on an active loan.
6. FSA Handbook 2-FLP Par. 287 A-C pertaining to substitution of lender.
7. FSA Handbook 2-FLP Par. 326 F pertaining to capitalization of interest on loans with interest assistance.
8. FSA Handbook 2-FLP Par. 328 A-D pertaining to debt writedown loss claims.
9. FSA Handbook 2-FLP Par. 344 A-B pertaining to bankruptcy loss claims.
10. FSA Handbook 2-FLP Par. 359 A-G pertaining to estimated loss claims.
11. FSA Handbook 2-FLP Par. 359 E and Par. 360 D pertaining to protective advances.
12. FSA Handbook 2-FLP Par. 360 A-H pertaining to final loss claims.
13. FSA Handbook 2-FLP Par. 361 A-C pertaining to release of liability after liquidations.
14. FSA Handbook 2-FLP Par. 362 B pertaining to FSA actually conducting the liquidation.
15. FSA Handbook 2-FLP Par. 375 A-E pertaining to repurchase of guaranteed portion from a secondary market holder.

A pencil notation should be in the left margin at the start of each of the fifteen (15) Par. references as recommended by the notice? The notation should say something similar to the following:

STO SED Approval Only
See MO Notice FLP-264 dated 9/14/2005

If you have one of the fifteen servicing actions that need SED approval, the State Office needs to be provided with a copy of the following:

1. Copy of the Lender's written request.
2. FLM's cover letter with detailed explanation of the facts and recommendation.
3. AFLS recommendation/concurrence (letter, email, or signing off on FLM's letter).

STO does not need the case file.

Emergency Advances OL/LOC Loan

2-FLP Par. 283 (7 CFR 762.146(a)) on page 11-47

Lenders can request FSA to approve an OL/LOC emergency advance when the OL/LOC loan has reached its ceiling and some “**aberration**” causes “additional” expenses to exceed the original budgeted/planned expenses and is necessary to avoid significant damage to or loss of the security.

An emergency advance in excess of the original loan amount will be made as an advance on the OL/LOC loan and not as a separate note. The lender’s loan documents must contain sufficient language to ensure that any emergency advance will constitute a debt of the borrower to the lender and be secured by the security instrument. An emergency advance cannot be approved if its use will cause the total amount of the borrower’s debt to exceed FSA’s statutory loan limit.

SEL’s and CLP lenders must obtain written permission from FSA before an emergency advance on LOC can be made.

Where liquidation is imminent, advances will be made as **Protective Advances** according to 2-FLP Par.359 (7 CFR 762.149) on pages 14-15.

To request an emergency advance, SEL and CLP lenders need to submit the following to the Farm Loan Manager:

1. a narrative explaining all of the following:
 - loan funds are to be advanced for authorized operating loan purposes
 - financial benefit to the lender and the Government from the advance will exceed the amount of the advance
 - loss of crops or livestock is imminent unless the advance is made.
2. balance sheet
3. cash flow projection

Additional Loans Made Outside the Loan Guarantee

Additional nonguaranteed loans are acceptable if the lender does due diligence and documents that repayment capacity of the operation has not been exceeded and/or does not affect the guaranteed loan collateral.

Unauthorized Payments - Loss Claim Deduction

2-FLP Par. 359 D (7 CFR 762.149) on page 14-14

As per 2-FLP Par. 359 D, the amount of any payments made by the borrower on unapproved loans or advances outside of the guarantee will be deducted from any loss claim if detrimental to the guaranteed loan.

Payments to be Paid in Order of Lien Priority

2-FLP Par. 263 B (7 CFR 762.140(d)) on page 11-4

When a lender receives a payment from the sale of encumbered property, loan installments will be paid in the order of lien priority. When a payment is received from the sale of unencumbered property or other sources of income, loan installments will be paid in order of their due date. Agency approval is required for any other proposed payment plans.

Partial Release

Guaranteed Loan Collateral

FSA Concurrence Not Required

2-FLP Par.280 (7 CFR 762.142(b)) on pages 11-40 through 11-42

A partial release is the release of a portion of security used as collateral for a loan.

Without FSA concurrence: a lender may release guaranteed loan security as follows:

1. When the security item is being sold for market value and the proceeds will be applied to the loan in accordance with lien priorities.

Note: In the case of term loans, proceeds will be applied as extra payments and not as a regular installment on the loan.

Security will not be released for the purpose of providing collateral for another loan.

2. The security item will be used as a trade-in or source of down payment funds for a like item that will be taken as security.

Note: FSA input may be requested when there is a question of whether a reasonable value is being obtained for the security.

3. The security item has no present or prospective value.

Note: Older security items that are now junk or obsolete may be left off of the security agreement when it is updated. Regardless, proceeds from the sale of these items as scrap or salvage should be applied to the loan as an extra payment.

State Office approval is required on all other Partial Releases.

Note:

- ⇒ Written consent of any prior or junior lien holder must be obtained and delivered to FSA if any proceeds are not applied according to lien priority.
- ⇒ A partial release will not be allowed if it would result in the borrower being released from loan liability.

Partial Release

Guaranteed Loan Collateral

Written Approval of FSA

2-FLP Par.280 (7 CFR 762.142(b)) on pages 11-40 through 11-42

A partial release of security may be approved in writing by the Agency upon the lender's request when:

1. proceeds will be used to make improvements to real estate that increase the value of the security by an amount equal to or greater than the value of the security being released

Example: A borrower may sell a parcel of real estate to provide funds for construction of a dwelling or reduce debt to another creditor.

2. security, other than significant income generating property, will be released outright, with no consideration, but the total unpaid balance of the guaranteed loan is less than or equal to 75 percent of the value of the security for the loan, after the release, excluding the value of growing crops or planned production, based on a current appraisal of the security

3. significant income generating property will not be released unless it is being replaced, and business assets will not be released for use as a gift or any similar purpose

Note: The release must serve a purpose other than to simply allow a borrower to obtain clear title to security items.

Cropland, significant machinery, and business assets will not be released, unless it is being replaced, proceeds are being used for authorized loan purposes.

4. Agency concurrence is provided in writing to a lender's written request.

Must meet both requirements

Lenders will submit the following information to the Agency:

1. a current balance sheet on the borrower.
2. a current appraisal of the security.

Note: Unless specifically requested by FSA, the lender will not be required to provide an appraisal of any real estate security being released. Based on the level of risk and estimated equity involved, the Agency shall determine what security needs to be appraised. Any required security appraisals must meet the requirements of §762.127.

3. a description of the purpose for the release.
4. any other information requested by the Agency needed to evaluate the proposed servicing action.

Subordination of Guaranteed Loan Security

2-FLP Par.278 (7 CFR 762.142) on pages 11-37 through 11-38

1. Overview Subordination of guaranteed loan security.

The lender may not subordinate its interest in property which secures a guaranteed loan, except in either of the following:

- the lender may subordinate its security interest in crops, feeder livestock, livestock offspring, or livestock products when no funds have been advanced from the guaranteed loan for their production, so a lender can make a loan for annual production expenses *[Requires written Agency approval.]*
- the lender may, with written Agency approval, subordinate its interest in basic security in cases where the subordination is required to allow another lender to refinance an existing prior lien, no additional debt is being incurred, and the lender's security position will not be adversely affected by the subordination.
- National Office may provide an exception to the subordination prohibition if such action is in the Agency's best interest.

2. Lender Request for Subordination of Guaranteed Loan Security.

FSA discourages subordination of real estate, equipment, and other basic security and will not provide regulatory approval authority at levels lower than DAFLP. If a request is received that SED feels is in the best interest of the Government and the borrower, it can be forwarded to the National Office for final consideration.

Subordinations will not be approved simply to allow the operation to expand, or to allow a lender to secure an operating loan with basic security. The request should contain:

- a description of the transaction including the use of the funds to be obtained through the subordination.
- explanation of the borrower's cash flow before and after the proposed subordination documenting the improvement to be attained.
- certification that the guaranteed loan will still be secured after the subordination based on a current appraisal.
- an explanation of how the subordination is necessary to keep the borrower in business, or otherwise how the Government will benefit from the subordination, other than through conservation of loan funds.

Agency refusal to grant an exception to published regulations is not appealable.

NOTE: Subordinations will not be submitted to National Office for an exception request if the only reason that a lender is requesting the subordination is to avoid the 1.5% loan closing fee.

Release of Liability Upon Withdrawal

2-FLP Par.285 (7 CFR 762.146(b)) on pages 11-50 through 11-51

An individual who is obligated on a guaranteed loan may be released from liability by a lender with the written consent of the Agency provided the following conditions have been met.

1. The individual to be released has withdrawn from the farming or ranching operation. The lender must submit a narrative outlining who is to be released and why.
2. A divorce decree and final property settlement does not hold the withdrawing party responsible for the loan payments. A copy of the divorce decree must be submitted with the lender's request. The lender must document that release of divorced borrowers is a common practice carried out in their nonguaranteed loan portfolio.
3. The withdrawing party's interest in the security is conveyed to the individual or entity with whom the loan will be continued.
4. The ratio of the amount of debt to the value of the remaining security is less than or equal to .75, or the withdrawing party has no income or assets from which collection can be made.
5. Withdrawal of the individual does not result in legal dissolution of the entity to which the loans are made. Individually liable members of a general or limited partnership may not be released from liability. Partners, parents, cosigners, stockholders, and entity members may often be released from liability. However, when the guaranteed loan is made to individuals farming as a partnership, and each partner is fully liable, release of 1 partner would terminate the partnership and the existence of the entity to which the loans were made. The lender must document that release of withdrawing members is common in their unguaranteed portfolio and all other conditions in this paragraph are met.
6. The remaining liable party projects a feasible plan (see § 762.102(b)). The lender must submit a cash flow projection for the remaining liable party with the request for release. A release will not be approved when a loss is probable.

A written request from the lender is required.

A release of liability requires State Office/SED approval.

Servicing Distressed Accounts – “Delinquent Loans”

Delinquent Account Servicing Overview

2-FLP Handbook Part 12 (Page 12-1 through 12-65)

FSA considers a guaranteed loan to be in default when they are 30 days past due on a payment or in violation of provisions of the loan documents. A customer may also be in default if they have violated bank security instruments by failing to maintain collateral as agreed; filing bankruptcy; defaulting on another loan with the same lender; failure to submit reports as required; and conversion of loan security.

Within 120 Days, Lender must decide to either restructure or liquidate the account. The penalty for noncompliance is that FSA can stop covering interest accrual under the Loan Guarantee. The overall servicing process includes, but is not limited to, the following:

- Failure to address default in a prudent and timely fashion may result in a reduction or rejection of a lender's request for a loss claim.
- If a Customer is current on a loan, but will be unable to make a payment, the lender should notify FSA and proceed with discussing restructuring/modification options. Any modification of the loan terms MUST meet all of the restructuring requirements before they are implemented.
- Prompt follow-up on delinquent payments and early recognition of problems are keys to resolving many delinquent loans and distress issues.
- Face to face or telephone communication with the Customer and/or FSA should be followed up with a letter if the loan remains in default and corrective action is not taken. Copies of the correspondence to the borrower should be made available to FSA.
- The lender must negotiate in good faith to resolve any problem to allow the customer to cure a default, where reasonable.
- Inspection of the collateral to assure that the collateral is being properly maintained AND properly accounted for is important and should be a priority issue in a default scenario. A lender MUST obtain information to account for and to verify the collateral status. An independent appraisal of the collateral may be necessary depending on the situation.
- At meetings with the borrower, FSA is not required to attend. However, if FSA is there, FSA doesn't have the authority to concur with any agreement reached at that time. It must be done in writing and through proper channels with FSA.
- The variety of possible restructuring options include, but are not limited to: rescheduling, reamortization, deferral, debt write-down and/or combination of these alternatives. See Guaranteed Loan Servicing Options and Conditions of Servicing Restructuring Requirements.
- When the form FSA-2248 “Guaranteed Farm Loan Default Status Report,” is submitted to FSA, attach the borrower's current financial statement and cash flow, if available.
- All normal and typical loan servicing actions are escalated and magnified when default occurs on a guaranteed loan. Advances on loans in a default scenario MUST have written concurrence from FSA before they are advanced.
- If the lenders non-guaranteed loan is past due, FSA should be notified, in writing, of potential issues affecting the operation and ability to perform the FSA guaranteed loans. This will fall into the area outlined in the current loan but potential problem scenario outlined above.

Delinquent Guaranteed Loan Servicing Timeline Guide SEL and CLP

(For PLP Lenders see the PLP Lender's Agreement/Credit Management System)

Date Completed	Action
	1. Date that payment was first missed.
	2. Arrange a meeting with borrower within 15 days default or within 45 days of the payment due date to identify the nature of the delinquency and develop a course of action that will eliminate the delinquency and correct the underlying problem. (Par. 300 D).
	3. The lender/borrower meeting will be summarized and sent to the Agency immediately on the form FSA-2248, "Guaranteed Farm Loan Default Status Report." FSA-2248 is submitted every 60-calendar days thereafter until the default is resolved or a final loss claim is submitted. (Par. 300 D)
	4. Within 120 calendar days of a past due loan payment, either a <u>Loan Restructuring Plan</u> is implemented or a <u>Decision to Liquidate</u> is made. (Par. 300 H)
	If restructuring, stop and use the MO 2-FLP Guide 16 Restructuring Checklist. If liquidating, continue with this checklist.
	5. Even though interest assistance funding is unavailable a lender may not initiate foreclosure action until 60 calendar days after Interest Assistance eligibility has been considered. (Par. 300 D & G) Complete Block # 14 on the FSA-2248. This starts the 60-day clock. 14. INTEREST ASSISTANCE (IA) HAS BEEN CONSIDERED: ▲ a. Has been ruled out as an option to correct the default.
	6. Within 150 days after the payment due date, a written liquidation plan must be submitted to the Agency. (Par. 355 E)
	7. Within 20 calendar days from the receipt of the lender's liquidation plan, FSA must either approve it or request modifications. (Par. 355 F and Par. 358 F)
	8. Within 150 days after the payment due date, all lenders are required to submit an estimated loss claim, unless the account has been completely liquidated and then the final loss claim must be filed. The Agency will not pay interest beyond 210 days from the payment due date. (2-FLP Par. 355 E and 359A)
	9. FSA must respond, in writing, within 30 calendar days of the receipt of the lender's estimated loss claim request (Par. 355 G and par. 359 F). The lender will discontinue interest accrual on the defaulted loan at the time the estimated loss claim is paid by FSA (Par.359G).
	10. Immediately following the completion (last day) of the collateral liquidation, the lender has just another 30 calendar days to submit a final loss claim (Par. 355 I).
	11. FSA must respond, in writing, within 40 calendar days of the receipt of the lender's final loss claim request. (Par 360 F)

**SEL & CLP
RESCHEDULING, REAMORTIZATION,
CONSOLIDATION & DEFERRAL CHECKLIST**

For rescheduling, reamortization, and deferral, review Instructions 2-FLP Par.312A through Par.327C [7 CFR 762.145].

For consolidation of debt, review Instructions 2-FLP Par.286 [7 CFR 762.146(e)].

Name of Borrower:		Type of Loan(s):
Lender:	<input type="checkbox"/> CLP <input type="checkbox"/> SEL	Type of Restructuring:
Date Restructuring Received:		Date Approved/Rejected:

(Notify lender, in writing, within 14 days of lender's request)

The FSA Loan Approval Official certifies that the borrower meets the following restructuring requirements as per 7 CFR 762.145 (2-FLP Par.312 A, General Requirements).

1. Borrower currently meets the loan eligibility requirements of 7 CFR 762.120. The provisions regarding prior debt forgiveness and delinquency on a Federal debt do not apply to restructuring.
 - does not have any outstanding recorded Federal US judgments
 - US citizen
 - has the legal capacity to incur the obligations of the loan
 - has an acceptable credit history
 - is not able to obtain sufficient credit elsewhere without a guarantee
 - has not had a controlled substance conviction within the last 5 years
 - still meets family farm definition (OL's - operator & FO's - owner/operator)
 - entity borrowers cannot be owned by another entity
2. Lender security position will not be adversely affected.
3. A feasible cash flow cannot be developed with the existing repayment schedule, but can be developed with the revised repayment terms.
4. If applicable and if loan sold on secondary market, Holder and FSA must concur with the proposal.

Signature _____ Date _____
(Loan Approval Official Certification of Restructuring Requirements)

NOTE TO LENDER: As per Par.312A, even if the Agency concurs with the restructuring action, a final loss claim may be reduced, adjusted, or rejected as a result of negligent servicing.

FORMS/DOCUMENTS REQUIRED for a RESTRUCTURING ACTION

SEL Lenders: As per Par.313A SEL lenders must request and obtain Agency prior written approval for all restructuring actions. SEL lenders must provide a copy of the following items for Agency review:

<input type="checkbox"/> Yes	Did the lender provide a <u>cover letter</u> describing the specific loan servicing request?
<input type="checkbox"/> Yes	Did the lender provide a copy of a current <u>financial statement</u> (s) from all liable parties? <input type="checkbox"/> Yes <input type="checkbox"/> No Did it include both farm and non-farm assets and liabilities? <input type="checkbox"/> Yes <input type="checkbox"/> No Is it dated and signed by the borrower(s)?
<input type="checkbox"/> Yes <input type="checkbox"/> N/A	If an <u>entity</u> , did the lender provide a copy of a current financial statement and income/expense information from all members that are liable for the debt.
<input type="checkbox"/> Yes	Did the lender provide a <u>cash flow</u> prepared in accordance with Par.151 – Par.153B? <input type="checkbox"/> Yes <input type="checkbox"/> No Did the cash flow reflect a feasible plan?
<input type="checkbox"/> Yes <input type="checkbox"/> N/A	Was interest assistance required to achieve a feasible plan? If yes, have the requirements of 2-FLP Par.230D been met. <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Yes	Did the lender provide a copy of a <u>credit bureau report</u> ? <input type="checkbox"/> Yes <input type="checkbox"/> No Are there any CBR debts not reflected on the financial statement?
<input type="checkbox"/> Yes <input type="checkbox"/> N/A	Did the lender provide a <u>verification of nonfarm income</u> ? [FSA-2014, lenders own form, W-2, pay stub, earnings statement from employer, or any other verification.]
<input type="checkbox"/> Yes	Did the lender provide a <u>verification of all debts of \$1,000 or more</u> ? [FSA-2015, lender’s own form, credit bureau report, or any other documented verification. It is recommended that written verification be obtained when verifying prior liens on primary security.]
<input type="checkbox"/> Yes	Did the lender provide <u>financial records</u> for the past 3-years to support cash flow projections? [Actual farm & non-farm income and expense history data and/or a complete set of Federal and State income tax records with supporting schedules.]
<input type="checkbox"/> Yes <input type="checkbox"/> N/A	(<u>SEL only</u>) - Did the lender provide <u>production records</u> for the past 3-years to support cash flow projections? [Actual production records/yields of crops and livestock]

CLP Lenders: As per Par.313B, a CLP lender is not required to obtain prior written approval of the Agency when restructuring. CLP lenders are required to have the above forms/documents in their loan file, but are not required to provide FSA with a copy. However, at a CLP lender file review, an agency official should check to see that all of the required restructuring forms/documents are in the lender’s file.

COUNTY OFFICE PROCESSING REQUIREMENTS:

1. Approval Authority: ALL restructuring proposals will be reviewed/approved in writing by the appropriate agency loan approval official based on the total outstanding (direct and/or guaranteed) principal in accordance with the loan approval authorities as set forth in 1-FLP Handbook Par.29D.

Total Outstanding Principal = \$ Yes No SED approval required?

When the restructuring proposal is within the Farm Loan Manager's approval authority AND the guaranteed loan became delinquent during the first year of the loan OR if it has been previously restructured, the AREA FARM LOAN SPECIALIST OR DISTRICT DIRECTOR must concur with the restructuring proposal before the SEL lender is given written approval to restructure. Yes No AFLS or DD concurrence required?

2. 14-day Restructuring Approval: The Agency approval official must respond to the lender, in writing, within 14 days of the lender's request. (Par. 314B)

3. Restructuring Terms: Are the proposed restructured terms acceptable? Yes No

The guaranteed loan should be restructured over the MINIMUM number of years necessary to obtain a positive cash flow. (Par.326B)

- OL/LOC: repaid over a period up to, but not to exceed 7-years or 10-years from the date of the original note, whichever is less.
- OL/LN: repaid over a period up to, but not to exceed fifteen (15) years.
- FO/LN: repaid over a period up to, but not to exceed forty (40) years.

4. Security Requirements: The guarantee loan doesn't need to be fully secured at the time of restructuring, but the new proposed annual principal and interest payment must include enough principal to offset the annual depreciation of the remaining security.

5. Balloon or Unequal Installments: Yes N/A Loans can be restructured with balloon or unequal installments under certain circumstances. (Par.312A). When using balloon installments, the restructured loan must be:

- Fully secured when the balloon payment becomes due. Current appraisal required. When note balloons, must project value adjusted for depreciation.
- Under no circumstances can crops and/or livestock be used as security.
- Minimum terms 5-years if real estate and 3-years if equipment secured.

6. OL/LOC Loans: Yes N/A Advances can no longer be made against any OL/LOC loan that had any portion of the loan restructured. The OL/LOC must be termed out. (Par.326B)

7. Deferrals: Yes N/A The following conditions apply to deferrals (Par.327).

- Payments up to 5-years may be deferred, but cannot exceed the maturity date.
- Principal can be deferred either in whole or in part.
- Interest may be deferred only in part. For multi-year deferrals, annual payment of a reasonable portion of accruing interest must be paid as indicated by the borrower's cash flow projections.
- A feasible plan must be developed at the end of the deferral period.

8. Consolidations: Yes N/A The following conditions apply to consolidations (**Par.286**). Only OL's of the same type (OL/LN to OL/LN and OL/LOC to OL/LOC) can be consolidated.
- Cannot consolidate a FO/LN and/or OL's secured by real estate, OL's with IA, or SAA.
 - Cannot consolidate an OL closed before 10/1/91 with an OL closed after 10/1/91.
 - If consolidating OL/LOC's loans, loan conditions/maturity dates must be the same.
 - Consolidated loan principal cannot exceed statutory loan limits in §7 CFR 762.122.
 - Consolidation cannot adversely affect the value of the security and security position.
 - A new note will be taken. The new note will describe the OL notes being consolidated and state that the indebtedness is not satisfied. The original OL notes must be retained.
 - Use FSA-2245 to provide the lender with a Modification of Guarantee form to identify the new loan amount, new terms, and % of guarantee. FSA-2245 will be attached to the original Guarantee.
9. Capitalized Interest: Yes N/A Lender may capitalize outstanding interest when restructuring the loan. (**Par.326D**) When restructuring a guaranteed loan with capitalized interest:
- As a result of capitalization of interest, the new principal amount cannot exceed the statutory loan limits contained in 7 CFR 762.122. Excess interest above the statutory limit cannot be capitalized, but can be scheduled for repayment as non-capitalized interest over the term of the restructured note.
 - When the new principal/guaranteed portion is greater than the original loan amount, use FSA-2245 to provide the lender with a "Modification of Guarantee." FSA-2245 will be attached to the original Loan Guarantee. In all other restructuring situations where capitalized interest is not involved, FSA-2245 is not required.
 - **Prior to the loan approval official approving capitalized interest on a restructured guaranteed loan with an active Interest Assistance Agreement, contact the Farm Loan Section of the State Office for guidance and ultimate concurrence/approval.**
10. Environmental Evaluation Required: Yes No Form 850, "Environmental Screening Worksheet," must be completed **only if**, as a result of the restructuring, it alters the purpose, location, or design of the project as originally approved.
11. Restructuring Proposal Evaluation: Discuss with the lender any problems with the proposal, inform if the borrower is eligible for interest assistance, request corrections, or suggest revisions to the lender. If corrections are significant, put in writing and establish a time frame to respond.

Can the restructuring proposal be approved?

- Yes If yes or a favorable decision, send lender written authorization to proceed with the restructuring. The letter must state all items that the lender needs to provide after the loan(s) have been restructured and can also include any additional loan requirements that you wish to impose.
- No If no or an unfavorable decision, notify both lender and borrower, in writing, with appeal rights according to 1-APP.

AFTER THE LOAN(S) HAVE BEEN RESTRUCTURED the LENDER MUST PROVIDE the FOLLOWING TO FSA:

<input type="checkbox"/> Yes <input type="checkbox"/> N/A	(SEL only) - Did the SEL lender meet all of the requirements in the agency approval letter?
<input type="checkbox"/> Yes	(SEL & CLP) - Did the lender provide a copy of the restructured promissory note and/or allonge/modification agreement? [The existing note must be modified by attaching an allonge or any other legally effective amendment evidencing the revised terms or a new note must be taken. However, if a new note then the note must describe the loan being restructured, state that the indebtedness was not satisfied, and then retain the original promissory note as an attachment.]
<input type="checkbox"/> Yes <input type="checkbox"/> N/A	(SEL & CLP) – <u>Is the loan reflected as being “Delinquent” on GLS?</u> If so, FSA-2248, "Guaranteed Loan Borrower Default Status," must be completed if the loan was previously reported to Finance Office as delinquent and the <i>Delinquency Code</i> field on the GLS "LD" screen is anything other than blank.
<input type="checkbox"/> Yes <input type="checkbox"/> N/A	(CLP only) - Did the CLP lender provide a written certification that all of the forms/documents have been obtained and are in the file and all restructuring requirements have been met in accordance with 2-FLP?
<input type="checkbox"/> Yes <input type="checkbox"/> N/A	(CLP only) - Did the CLP lender provide a narrative outlining the circumstances surrounding the need for the restructuring and any applicable calculations?

COUNTY OFFICE REQUIREMENTS AFTER the LENDER HAS CLOSED the RESTRUCTURING and RETURNED ALL of the REQUIRED ITEMS.

1. Finance Office Notification: FSA-2249, "Request for Restructuring Guaranteed Loans," in most instances should be completed and submitted via fax to Finance Office for all guaranteed loans restructured. A separate form is required for each loan.
2. Delinquent Loan on GLS: Yes N/A If the loan was previously reported to Finance Office as delinquent (*Delinquency Code* field on the GLS "LD" screen is anything other than blank), process the FSA-2248 in the Guaranteed Loan System (GLS).
3. Interest Assistance: Yes N/A If new interest assistance is being extended on the existing interest assistance guaranteed loan which has been restructured (**Par 230 D**):
 - Make a copy of FSA-2231, “Request For Obligation Of Funds Guaranteed Loans,” and the “GLS Obligation Request” screen. Write 'CORRECTED' in red at the top of both copies. On the copy of the FSA-2231 write in red “This loan has been restructured. The term of the IA is being modified from _ years to _ years.” Approval official to date and sign the corrected form. On the “GLS Obligation Request” screen copy write in red the new number of IA years in the field *Term of Interest Asst*.
 - Make a copy of FSA-2221, Interest Assistance Agreement. On the copy, at the top in red write 'CORRECTED'. Correct the expiration date of the Interest Assistance Agreement, and have the lender, borrower, and FSA initial the change.
 - FSA-2249, "Request for Restructuring Guaranteed Loans," must be completed for all guaranteed loans restructured.
 - Provide a copy of the original promissory note and of the restructuring “Allonge”.
 - Forward all of the above items attached to a cover letter to the Farm Loan Programs Section of the state office for review. State Office will forward to Finance Office.

Lender Liquidation Plan

2-FLP Par.358 on page 14-9 through 14-12

Once the decision to liquidate is made, all (SEL, CLP, and PLP) lenders must prepare a liquidation plan within 150 calendar days of the payment due date.

The SEL and CLP lender's liquidation plan, and any revisions of the plan, must be approved, **in writing**, by the Agency.

It is recommended that the lender read the following prior to liquidation of the account:

- ✓ the Liquidation Section of the Lender's Agreement
- ✓ 2-FLP Handbook Part 12, Par. 300, Monetary Default - Overall Loan Servicing Process
- ✓ 2-FLP Handbook Part 14, Par. 355-362, Liquidation

Interest Assistance 60-day Consideration: The lender may then proceed to begin liquidation actions at its discretion as long as it has been at least 60 days since the borrower's eligibility for interest assistance was considered. The lender must submit the form FSA-2248 and have checked block 14(A) indicating that Interest Assistance has been ruled out or the involuntary liquidation may be delayed. The lender must not initiate foreclosure action on the loan until 60 calendar days after eligibility of the borrower to participate in the IA program has been established by FSA.

Within 150 Days after the payment due date all lenders must submit a

1. written liquidation plan that must include a schedule of all projected liquidation activities, and a complete inventory of the security to be sold.
2. estimated loss claim unless the account will be completely liquidated.

The liquidation plan needs to include the following:

Date Completed	
	1. A current signed and dated balance sheet (farm and nonfarm assets and liabilities) from all liable parties. If under the protection of the bankruptcy court, a copy of the bankruptcy filing, schedules, and discharge notice.
	2. A proposed method of maximizing the collection of debt which includes specific plans to collect any remaining loan balances on the guaranteed loan after loan collateral has been liquidated, including possibilities for judgment.
	3. If the borrower has converted loan security, the lender will determine whether litigation is cost effective. The lender must address, in the liquidation plan, whether civil or criminal action will be pursued. If the lender does not pursue the recovery, the reason must be documented when an estimated loss claim is submitted.
	4. Any proposal to release the borrower from liability will be addressed in the liquidation plan in accordance with Par. 361 (7 CFR 762.146(c)) on page 14-24 through 14-25. If approved in writing by FSA, a release of liability will not be granted until all of the collateral has been liquidated and properly accounted for.

	5. Provide FSA with a copy of the acceleration notice. Foreclosure proceedings commence once a loan is accelerated.
	6. An estimate of time necessary to complete the liquidation from start to finish.
	7. An estimate/explanation of reasonable liquidation expenses (Par.359 B).
	8. No later than 150 days after the payment due an estimated loss claim must be submitted on the Form FSA-2254, "Guaranteed Loan Report of Loss." Utilize the form FSA-2295, "Guaranteed Estimated Loss Review Checklist," in preparing the estimated loss claim.
	9. An estimate/explanation of any protective advances (Par.360 D).
	<p>10. Provide a copy of an independent appraisal report on ALL collateral (chattels and real estate) securing the loan that meets the requirements of Par.181-183 (7 CFR 762.127).</p> <p>It is recommended that prior to issuing a work order to the appraiser that FSA concurrence be obtained.</p> <p>For <u>chattels</u>, provide a copy of a current chattel appraisal and/or statement of value from the auctioneer prior to a sale. (Use MO 2-FLP Guide 23 or similar format.)</p> <p>For <u>real estate</u>, the appraisal must be completed as per Uniform Standards of Professional Appraisal Practices and 2-FLP Par.183.</p> <p>Once the appraisal is received, it will be forwarded to the FSA Staff Appraiser for an appraisal review.</p> <p>The appraisal requirement may be waived by the Agency in the following cases:</p> <ul style="list-style-type: none"> ✓ bankruptcy trustee is handling the liquidation and the lender has submitted the trustee's determination of value. ✓ lender's proposed method of liquidation rarely results in receipt of less than market value for livestock and used equipment. ✓ purchase offer has already been received for more than the debt.
	<p>11. If real estate, provide FSA with a completed Exhibit 10 of 2-FLP Handbook, "Net Recovery Value," (7 CFR 762.102).</p> <ul style="list-style-type: none"> ➤ When it is necessary to enter a bid at a foreclosure sale, the lender may bid the amount that it determines is reasonable to protect its and the Agency's interest. At a minimum, the lender will bid the lesser of the net recovery value or the unpaid guaranteed loan balance (Par.357). ➤ <u>Before the foreclosure sale is held, the lender needs to obtain written concurrence from the Agency on what the minimum bid would be.</u>

If, within 20 calendar days of the Agency's receipt of the liquidation plan, the Agency fails to approve it or fails to request that the lender make revisions, the lender may assume the plan is approved and proceed with the liquidation of the account as long as it has been at least 60 days since the borrower's eligibility for interest assistance was considered.

Guaranteed Loss Claim Checklist

2-FLP Par. 359-360 (7 CFR 762.149) on pages 14-11 through 14-18

Prior to telling a borrower **NO**, it is in the best interest of the bank to obtain whatever information they still need from the borrower to file a guaranteed loss claim.

Within 150 days after the payment due date, all lenders are required to submit a written liquidation plan and an estimated loss claim, unless the account has been completely liquidated and then the final loss claim must be filed. The Agency will not pay interest beyond 210 days from the payment due date. (2-FLP Par. 355 E and 359A)

Immediately following the completion (last day) of the collateral liquidation, the lender has just another 30 calendar days to submit a final loss claim (2-FLP Par. 355 I).

The first item in the case file that FSA checks is the Conditional Commitment for each loan.

- ✓ Are there any special terms and conditions?
- ✓ What was the loan purpose?
- ✓ What collateral was required for the loan?

If the lender is going to file a guaranteed loss claim request, FSA will require the following information:

Date Completed	Provide the following when filing a guaranteed loss claim.
	<p>1. Signed FSA-2254, "Guaranteed Loan Report of Loss," for each loan that a loss claim will be requested on.</p> <p>FSA uses a checklist in the loss claim process and must be able to answer and provide file documentation for all questions. Recommend that the lender reviews the FSA loss claim checklists:</p> <ul style="list-style-type: none"> ✓ For estimated loss claims, FSA uses the form FSA-2295, "Guaranteed Estimated Loss Review Checklist." ✓ For final loss claims, FSA uses the form FSA-2296, "Guaranteed Final Loss Review Checklist."
	<p>2. Current signed and dated balance sheet (farm / nonfarm assets and liabilities) from all liable parties.</p> <p>If under the protection of the bankruptcy court, a copy of the bankruptcy filing, schedules, and discharge notice.</p> <ul style="list-style-type: none"> ✓ Determine if there are assets not mortgaged from which collection could be made from? ✓ Check the county assessor records and determine if there are any assets not known to the lender?
	<p>3. Provide a copy of a current credit bureau report.</p>

	4. Copy of <u>Federal</u> and <u>State</u> Income Tax Records with all supporting schedules including the depreciation worksheet.
	5. Provide a copy of the borrower's <u>detailed loan history computer records</u> (<i>advances, principal and interest payments, and interest rate changes</i>) for ALL active and recently <u>paid in full</u> GUARANTEED loan(s) owed to the lender.
	6. Provide a copy of the borrower's promissory note and <u>detailed loan history computer records</u> (<i>advances, principal and interest payments, and interest rate changes</i>) for ALL active and <u>paid in full</u> NON-GUARANTEED loan(s) owed to the lender since the closing date of the first guaranteed loan(s). <ul style="list-style-type: none"> ✓ FSA completes an excel spreadsheet checking all loans against the terms shown on the promissory note. ✓ Did the lender make any non-guaranteed loans without FSA concurrence? ✓ Were the payments made in the order of lien priority?
	7. Provide a copy of the detailed accounting of the disposition of the guaranteed loan security and the proceeds for all guaranteed loan collateral (normal income/current assets, IT assets, and real estate). <ul style="list-style-type: none"> ✓ For normal crops and livestock income, the lender's records are compared to the FSA payment history records, prior and current balance sheets, cash flow, and the income tax records are worked backwards. ✓ For equipment sold at public auction, the settlement statement is compared to the Conditional Commitment, original and subsequent appraisals, security agreements, balance sheets, and depreciation records to be assured that all equipment owned and thereafter acquired is properly accounted for. ✓ In summary, is there any collateral unaccounted for?
	8. Justification and explanation of all protective advances made on the loan.
	9. Copy of all liquidation expenses deducted from the sale of security property.
	10. <u>For Interest Assistance loans</u> : – The final interest assistance claim must be processed.
	11. <u>For OL/LOC loans</u> : - The lender must have complied with 2-FLP Par.124 B - OL/LOC loan limitations requirements. The amount of loan proceeds that the lender advances plus the amount of income that the lender releases to the borrower normally cannot exceed the borrower's total planned expenses, excluding interest expense unless the cash flow is revised and continues to reflect a feasible plan.

Net Recovery Value Calculation

A. Market Value of the Property (Based on appraisal conducted according to 762.127) (Part 8, Section 4, Subsection 3)			
1. Annual Rent x Holding Period (HP)	\$ -	X	= \$ -
2. Annual Royalty x Holding Period (HP)	\$ -	X	= \$ -
3. Other Annual Income x Holding Period (HP)	\$ -	X	= \$ -
4. Annual % Property Appreciation x HP	0%	X	= \$ -
Total			= \$ -
Explanations of calculations			
Estimated holding period	90	Days	
90	/	365	= 24.66%
period	divided	Year	
(days)			
Holding period is typically 90 days unless longer period is agreed upon by FSA.			
Advertising is considered to be covered by the costs of real estate commission			

C. Expenses			
1. Prior Lienholder Indebtedness (P&I)	\$ -		\$ -
Principal	+	Interest	
2. Annual Taxes and Assessments x HP			
Taxes	X	Holding Period	
3. Annual Property Depreciation x HP			
Depreciation	X	Holding period	
4. Annual Management Costs x HP			
Mgt Cost	X	Holding period	
5. Essential Repairs to Secure and Resell			
6. Other Costs			\$ -
Taxes			
Closing Costs/Attorney			
Appraisal			
Environmental			
7. Resale Expenses-Commissions Advertising			\$ -
Real estate Commission %		Advertising	
8. Total Interest cost During Holding Period			
(note rate)			
Principal	Rate	Holding Period	
9. Hazardous Waste Cleanup			
Total			\$ -

D. Net Recovery Value	
Market Value of property + Expected Income or revenue - Expenses =	Net Recovery Value
\$ - + \$ - - \$ -	= \$ -

BANKRUPTCY SERVICING

2-FLP Par.341-344 on pages 13-1 through 13-10

Failure by the lender to properly service the account in bankruptcy could result in a reduction or denial of a guaranteed loss claim payment.

1. Most important is to hire a “Bankruptcy” attorney.
2. Immediately notify FSA, in writing, of the bankruptcy filing and provide a copy of the:
 - Notice of Commencement of Case Under Chapter 7, 11, 12, or 13 Of the Bankruptcy Code, Meeting of Creditors, and Fixing of Dates
 - Bankruptcy Schedules
3. Lender needs to instruct its attorney to be proactive and file the necessary motions to keep the bankruptcy moving forward.
4. Follow 2-FLP Handbook Par.341, Lender’s Responsibilities in Bankruptcy Proceedings (7 CFR 762.148(a)). Lender responsibilities include, but are not limited to:
 - Filing a proof of claim and all necessary paperwork.
 - Attend, and when necessary, participate in meetings of the creditors and court proceedings.
 - Seeking adequate protection of the collateral securing the guaranteed loan.
 - If chattel security, complete a chattel security inspection prior to the 341 Meeting of Creditors. Obtain permission from borrower’s attorney/bankruptcy court. Compare the security agreement with the collateral inspection and determine if all of the guaranteed loan collateral can be properly accounted for.
 - Take the opportunity at the 341 Meeting of Creditors to obtain information as the borrower is under “Oath”. Ask questions. Is all guaranteed loan security properly accounted for?
 - For additional discovery purposes and production of documents, a Rule 2004 Examination Hearing may be necessary.
 - Use Section 523 Exception to Discharge of Debts for conversion, false information, and fraud.
 - Obtain an appraisal of the security. Are the borrower’s collateral values acceptable? If necessary, request a “Valuation Hearing.”
 - Request payment for attorney, appraisal, and other fees allowed under promissory note.
 - Make sure that the principal and interest debts are accurate.
 - If secured, make sure that post petition interest accrual is being paid.

For Chapter 11, 12 or 13 Reorganization Bankruptcy filings:

- ❖ Seek a dismissal of the bankruptcy proceedings when the proposed operation is not feasible.
 - ❖ Request modifications of any plan if it appears additional recoveries are likely.
 - ❖ Does the proposed plan address the following items? If not, consult with FSA.
 - A “Drop Dead Clause” if plan in default for 30 days.
 - Make sure borrowers are paying promissory note interest rate? Fight against any interest rate cram down.
 - Are repayment terms acceptable? (Chattels – 5 years & Real Estate – 20 years)
 - Require that an annual financial statement to be provided by an agreed upon date.
 - Require that a copy of yearly Federal and State Income Tax Records and all supporting schedules to be provided by an agreed upon date.
 - Is there adequate insurance with lender lien?
 - Is there a clause that states if taxes & insurance not paid that plan is in default?
 - Require that scheduled payments fall due when collateral is sold.
 - Is plan reasonable? Is plan based on 3-5 year financial history?
 - Ask for lender farm visits to inspect collateral to be assured that collateral is being maintained.
 - ❖ Monitor confirmed Chapter 11, 12 and 13 plans.
 - If the borrower fails to comply, the lender will send a default cure notice and/or seek a dismissal of the reorganization plan.
5. Submit FSA-2248, Guaranteed Farm Loan Default Status, when the borrower defaults and every 60-days thereafter, until the default is resolved.
 6. Within 150 days of the payment due date, lenders will submit a written liquidation plan and an estimated loss claim. The date the borrower files for bankruptcy protection becomes the payment due date for FSA loss claim purposes.
 7. Keep the agency informed, in writing, of all aspects of the bankruptcy proceedings.

FSA can utilize the services of its attorney, Office of General Counsel (OGC) in certain bankruptcy situations.

In summary, the lender and/or the lender’s attorney, should seek advice from FSA on a case-by-case basis to determine what FSA expects and/or requires from the lender in order to protect the FSA Loan Guarantee.

Borrower Subject to FSA “Offset” - After Final Loss Claim Payment

FSA Guaranteed Loan Application includes the loan applicant’s certification and acknowledgement that any final guaranteed loss claim paid by FSA will constitute a Federal debt. ALL guaranteed loans closed after 7/20/2001 will be subject to offset after a guaranteed **final loss claim is paid** by FSA.

After the FSA guaranteed “Final” loss claim is paid, the borrowers will be notified, in writing, by the FSA State Office, of the pending offset. Offset covers:

- ✓ FSA payments including the borrower’s % ownership in an entity
- ✓ income tax refunds
- ✓ federal salary
- ✓ social security
- ✓ wage garnishment
- ✓ etc.

Loss Claim Recovery 2-FLP Par. 362A (7CFR 762.149)

The application of the loss claim payment to the account does not automatically release the borrower of liability for any portion of the borrower’s debt to the lender. The lender will continue to be responsible for monitoring and collecting the full amount of the promissory note debt for three (3) years.

The lender will share and remit any recoveries made on the borrower(s) account after the Agency’s payment of a final loss claim. FSA must be paid a pro-rata share of the recovery until the account is paid in full or otherwise satisfied.

As a minimum, the lender should be requesting from the borrower(s):

- annual financial statement
- Federal and State income tax records with all supporting schedules.

Lender must report its collection activities to FSA by November 30 using Form FSA-2261.

FSA Guaranteed Loans Reported to Commercial Credit Bureaus

Since June 2005, FSA reports to two credit bureaus (Experian & Dunn and Bradstreet) on the first day of each month as mandated by the Debt Collection Improvement Act of 1996 and Office of Management and Budget Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables”.

FSA reports the information it receives from the lender on the form FSA-2241, “Guaranteed Farm Loan Status Report,” and the form FSA-2248, “Guaranteed Farm Loan Default Status Report.”

1. On active loans, the unpaid principal plus accrued interest is reported as of the effective date of the last monetary update on the loan.
2. Loans in default could report different balances every 60 days assuming the lender is submitting the default status reports (FSA-2248) as required.
3. Terminated (paid in full) loans are reported with a zero balance on the report for the month following the termination. **Paid in full loans are reported only once.**
4. Loans with final loss claims not subject to offset, according to 2-FLP Par.363 B, are reported for 3 years from the effective date of the loss. The amount of the final loss claim (less any recoveries) is reported.
5. Loans subject to offset are reported as long as the offset exists. The amount reported is the outstanding offset balance plus interest accrued through the date of the credit bureau report. Once the debtor becomes ineligible for offset, loans with a terminated debt offset are reported 3 years from the effective date of the writeoff.

It is extremely important that lenders accurately and timely submit the required FSA-2241 and/or FSA-2248 report forms.

2014 Farm Bill

What's in the 2014 Farm Bill for Farm Service Agency Customers?

The Agricultural Act of 2014 (the Act), also known as the 2014 Farm Bill, was signed by President Obama on February 7, 2014. The Act repeals certain programs, continues some programs with modifications, and authorizes several new programs administered by the Farm Service Agency (FSA). Most of these programs are authorized and funded through 2018.

OVERVIEW

The Direct and Counter-Cyclical Program and the Average Crop Revenue Election program are repealed and two new programs are established: Price Loss Coverage (PLC) and Agricultural Risk Coverage (ARC). Upland cotton is the only covered commodity that is no longer eligible to participate in these programs, but rather, becomes eligible for the new Stacked Income Protection Plan (STAX) offered by the Risk Management Agency (RMA). Until STAX becomes available, upland cotton is eligible for transition payments made by FSA for 2014 and 2015 crops.

The Marketing Assistance Loan program continues mostly unchanged. The Milk Income Loss Contract Program continues through Sept. 1, 2014, unless it is replaced by the Dairy Margin Protection Program prior to that date.

The Conservation Reserve Program (CRP), USDA's largest conservation program, continues through 2018 with an annually decreasing enrolled acreage cap. The contract portion of the Grassland Reserve Program enrollment has been merged with CRP. The Biomass Crop Assistance Program is extended and funded at \$25 million per year.

The Noninsured Crop Disaster Assistance Program has been expanded to include protection at higher coverage levels, similar to buy-up provisions offered under the federal crop insurance program. The Livestock Forage Disaster Program, the Livestock Indemnity Program, the Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish, and the Tree Assistance Program are continued, with modifications starting in October 2011, and succeeding years. The Supplemental Revenue Assistance Program (SURE), which covered losses through Sept. 30, 2011, is not reauthorized.

The credit title of the Act continues and improves the direct and guaranteed loan programs that provide thousands of America's farmers and ranchers the opportunity to obtain the credit they need to begin and continue their operations. The changes in the Act provide FSA greater flexibility in determining eligibility including expanded definitions of eligible entities, years of experience for farm ownership loans, and allowing youth loan applicants from urban areas to access loans. FSA's popular microloan and down payment loan programs, important to furthering the Administration's objective of assisting beginning farmers, have been improved by raising loan limits and emphasizing beginning and socially disadvantaged producers. The Act also provides greater enhancements for lenders to participate in the guaranteed conservation loan program and eliminates term limits for the guaranteed operating program, allowing farmers and ranchers the opportunity for continued credit in cases where financial setbacks may have prevented them from obtaining commercial credit.

ADJUSTED GROSS INCOME

Adjusted gross income (AGI) provisions have been simplified and modified. Producers whose average AGI exceeds \$900,000 are not eligible to receive payments or benefits from most programs administered by FSA and the Natural Resources Conservation Service (NRCS). Previous AGI provisions distinguished between farm and non-farm AGI.

PAYMENT LIMITATIONS

The total amount of payments received, directly and indirectly, by a person or legal entity (except joint ventures or general partnerships) for Price Loss Coverage, Agricultural Risk Coverage, marketing loan gains, and loan deficiency payments (other than for peanuts), may not exceed \$125,000 per crop year. A person or legal entity that receives payments for peanuts has a separate \$125,000 payment limitation.

Cotton transition payments are limited to \$40,000 per year. For the livestock disaster programs, a total \$125,000 annual limitation applies for payments under the Livestock Indemnity Program, the Livestock Forage Program, and the Emergency Assistance for Livestock, Honeybees and Farm-Raised Fish program. A separate \$125,000 annual limitation applies to payments under the Tree Assistance Program.

ACTIVELY ENGAGED IN FARMING

Producers who participate in the Price Loss Coverage or Agricultural Risk Coverage programs are required to provide significant contributions to the farming operation to be considered as “actively engaged in farming.” The Act requires the Secretary to promulgate regulations to define “significant contribution of active personal management” as part of this determination.

COMPLIANCE

The Act continues to require an acreage report for all cropland on the farm. The acreage report is required to be eligible for Price Loss Coverage; Agriculture Risk Coverage; transition assistance for producers of upland cotton; marketing assistance loans; and loan deficiency payments.

Compliance with Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) provisions continues to be required for participation in most FSA and NRCS programs. These provisions place restrictions on the planting of an agricultural commodity on highly erodible land or wetlands. Further, they prohibit the conversion of a wetland to make possible the production of an agricultural commodity.

The Act adds premium assistance for crop insurance as a benefit subject to compliance with HELC and WC provisions. New provisions are created for determinations, administration, and penalties relating to HELC and WC provisions that are unique to crop insurance. FSA will make HELC/WC eligibility determinations for crop insurance participants based on NRCS technical determinations of HELC/ WC compliance.

PRICE LOSS COVERAGE (PLC) AND AGRICULTURAL RISK COVERAGE (ARC)

Base Reallocation and Yield Updates: Owners of farms that participate in PLC or ARC programs for the 2014-2018 crops have a one-time opportunity to: (1) maintain the farm’s 2013 bases through 2018; or (2) reallocate base acres (excluding cotton bases). Covered commodities include wheat, oats, barley, corn, grain sorghum, rice, soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed, dry peas, lentils, small chickpeas, large chickpeas and peanuts. Upland cotton is no longer considered a covered commodity, but the upland cotton base acres on the farm are renamed “generic” base acres. Producers may receive payments on generic base acres if those acres are planted to a covered commodity.

A producer also has the opportunity to update the program payment yield for each covered commodity based on 90 percent of the farm’s 2008 - 2012 average yield per planted acre, excluding any year when no acreage was planted to the covered commodity. Program payment yields are used to determine payment amounts for the Price Loss Coverage program.

Price Loss Coverage: Payments are issued when the effective price of a covered commodity is less than the respective reference price for that commodity established in the statute. The payment is equal to 85 percent of the base acres of the covered commodity times the difference between the reference price and the effective price times the program payment yield for the covered commodity.

County ARC: Payments are issued when the actual county crop revenue of a covered commodity is less than the ARC county guarantee for the covered commodity and are based on county data, not farm data. The ARC county guarantee equals 86 percent of the previous five-year average national farm price, excluding the years with the highest and lowest price (the ARC guarantee price), times the five-year average county yield, excluding the years

with the highest and lowest yield (the ARC county guarantee yield). Both the guarantee and actual revenue are computed using base acres, not planted acres. The payment is equal to 85 percent of the base acres of the covered commodity times the difference between revenue for the covered commodity. Payments may not exceed 10 percent of the benchmark county revenue (the ARC guarantee price times the ARC county guarantee yield).

Individual ARC: Payments are issued when the actual individual crop revenues, summed across all covered commodities on the farm, are less than ARC individual guarantees summed across those covered commodities on the farm. The farm for individual ARC purposes is the sum of the producer's interest in all ARC farms in the state. The farm's ARC individual guarantee equals 86 percent of the farm's individual benchmark guarantee, which is defined as the ARC guarantee price times the five-year average individual yield, excluding the years with the highest and lowest yields, and summing across all crops on the farm. The actual revenue is computed in a similar fashion, with both the guarantee and actual revenue computed using planted acreage on the farm. The individual ARC payment equals: 65 percent of the sum of the base acres of all covered commodities on the farm, times the difference between the individual guarantee revenue and the actual individual crop revenue across all covered commodities planted on the farm. Payments may not exceed 10 percent of the individual benchmark revenue.

Election Required: All of the producers on a farm must make a one-time, unanimous election of: (1) PLC/County ARC on a covered-commodity-by-covered-commodity basis; or (2) Individual ARC for all covered commodities on the farm. If the producers on the farm elect PLC/County ARC, the producers must also make a one-time election to select which base acres on the farm are enrolled in PLC and which base acres are enrolled in County ARC. Alternatively, if individual ARC is selected, then every covered commodity on the farm must participate in individual ARC. The election between ARC and PLC is made in 2014 and is in effect for the 2014 – 2018 crop years. If an election is not made in 2014, the farm may not participate in either PLC or ARC for the 2014 crop year and the producers on the farm are deemed to have elected PLC for subsequent crop years, but must still enroll their farm to receive coverage. If the sum of the base acres on a farm is 10 acres or less, the producer on that farm may not receive PLC or ARC payments, unless the producer is a socially disadvantaged farmer or rancher or is a limited resource farmer or rancher. Payments for PLC and ARC are issued after the end of the respective crop year, but not before Oct. 1.

In 2015, producers in PLC have an additional option. Producers enrolling in PLC, and who also participate in the federal crop insurance program, may, beginning with the 2015 crop, make the annual choice whether to purchase additional crop insurance coverage called the Supplemental Coverage Option (SCO). SCO provides the producer the option of covering a portion of his or her crop insurance deductible and is based on expected county yields or revenue. The cost of SCO is subsidized and indemnities are determined by the yield or revenue loss for the county or area. Crops for which the producer has elected to receive ARC are not eligible for SCO benefits.

Producers who enroll their 2015 crop of winter wheat in SCO may elect to withdraw from SCO prior to their acreage reporting date without any penalty. This allows producers additional time to make an informed decision related to whether to enroll in the Agricultural Risk Coverage program (ARC) or the Price Loss Coverage (PLC) program. If they choose ARC, they will not be charged a crop insurance premium so long as they withdraw from SCO prior to their acreage reporting date.

COTTON TRANSITION PAYMENTS

For the 2014 crop year, transition payments are provided to cotton producers on farms that had cotton base acres in 2013. For the 2015 crop year, transition payments will only be offered in counties where STAX is unavailable.

MARKETING ASSISTANCE LOANS (MALs)

The Act extends the authority for nonrecourse marketing assistance loans (MALs) and loan deficiency payment (LDPs) for the 2014 – 2018 crops of wheat, corn, grain sorghum, barley, oats, upland cotton, extra-long staple cotton, long grain rice, medium grain rice, soybeans, other oilseeds (including sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe and sesame seed), dry peas, lentils, small chickpeas, large chickpeas, graded and nongraded wool, mohair, honey, unshorn pelts and peanuts.

Provisions are mostly unchanged from the 2008 Farm Bill, except marketing loan gains and loan deficiency payments are subject to payment limitations.

DAIRY PROGRAMS

The Act extends the Milk Income Loss Contract Program (MILC) from Oct. 1, 2013, through the earlier of the date on which the Secretary certifies that the Dairy Margin Protection Program is operational or Sept. 1, 2014. Dairy producers who were enrolled in 2013 do not need to re-apply. MILC payments are issued when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt), as adjusted by a dairy feed ration formula.

The Dairy Margin Protection Program replaces MILC and will be effective not later than Sept. 1, 2014, through Dec. 31, 2018. The margin protection program offers dairy producers: (1) catastrophic coverage, at no cost to the producer, other than an annual \$100 administrative fee; and (2) various levels of buy-up coverage. Catastrophic coverage provides payments to participating producers when the national dairy production margin is less than \$4 per hundredweight (cwt). The national dairy production margin is the difference between the all-milk price and average feed costs. Producers may purchase buy-up coverage that provides payments when margins are between \$4 and \$8 per cwt. To participate in buy-up coverage, a producer must pay a premium that varies with the level of protection the producer elects.

In addition, the Act creates the Dairy Product Donation Program. This program is triggered in times of low operating margins for dairy producers, and requires USDA to purchase dairy products for donation to food banks and other feeding programs.

Dairy Indemnity Payment Program (DIPP)

The DIPP provides payments to dairy producers when a public regulatory agency directs them to remove their milk from the commercial market because it has been contaminated by pesticides and other residues.

CONSERVATION RESERVE PROGRAM (CRP)

The Act continues CRP with modifications. The acreage cap is gradually lowered to 24 million acres for fiscal years 2017 and 2018. The requirement to reduce rental payments under emergency haying and grazing is eliminated. Rental payment reductions of not less than 25 percent are required for managed haying and grazing.

Producers also are given the opportunity for an “early-out” from their CRP contracts, but only in fiscal year 2015. The rental payment portion of the Grassland Reserve Program enrollment has been incorporated into the CRP.

The Transition Incentive Program (TIP) continues to allow for the transition of CRP land to a beginning or socially disadvantaged farmer or rancher so land can be returned to sustainable grazing or crop production. TIP now includes eligibility for military veterans (i.e., veteran farmers).

BIOMASS CROP ASSISTANCE PROGRAM (BCAP)

BCAP provides incentives to farmers, ranchers and forest landowners to establish, cultivate and harvest eligible biomass for heat, power, bio-based products, research and advanced biofuels. Crop producers and bioenergy facilities can team together to submit proposals to USDA for selection as a BCAP project area. BCAP has been extended through 2018 and is funded at \$25 million per fiscal year.

NONINSURED CROP DISASTER ASSISTANCE PROGRAM (NAP)

NAP has been expanded to include buy-up protection, similar to buy-up provisions offered under the federal crop insurance program. Producers may elect coverage for each individual crop between 50 and 65 percent, in 5 percent increments, at 100 percent of the average market price. Producers also pay a fixed premium equal to 5.25 percent of the liability. The waiver of service fees has been expanded from just limited resource farmers also to include beginning farmers and socially disadvantaged farmers. The premiums for buy-up coverage are reduced by 50 percent for those same farmers. Grazing land is not eligible for buy-up coverage. NAP is also made available to producers that suffered a loss to a 2012 annual fruit crop grown on a bush or tree in a county declared a disaster by the Secretary due to a freeze or frost.

DISASTER PROGRAMS

The following four disaster programs authorized by the 2008 Farm Bill have been extended indefinitely (beyond the horizon of the Act). The programs are made retroactive to Oct. 1, 2011. Producers are no longer required to purchase crop insurance or NAP coverage to be eligible for these programs (the risk management purchase requirement) as mandated by the 2008 Farm Bill.

Livestock Forage Disaster Program (LFP)

LFP provides compensation to eligible livestock producers that have suffered grazing losses due to drought or fire on land that is native or improved pastureland with permanent vegetative cover or that is planted specifically for grazing. LFP payments for drought are equal to 60 percent of the monthly feed cost for up to five months, depending upon the severity of the drought. LFP payments for fire on federally managed rangeland are equal to 50 percent of the monthly feed cost for the number of days the producer is prohibited from grazing the managed rangeland, not to exceed 180 calendar days.

Livestock Indemnity Program (LIP)

LIP provides benefits to livestock producers for livestock deaths in excess of normal mortality caused by adverse weather or by attacks by animals reintroduced into the wild by the federal government. LIP payments are equal to 75 percent of the average fair market value of the livestock.

Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish (ELAP)

ELAP provides emergency assistance to eligible producers of livestock, honeybees and farm-raised fish for losses due to disease (including cattle tick fever), adverse weather, or other conditions, such as blizzards and wildfires, not covered by LFP and LIP. Total payments are capped at \$20 million in a fiscal year.

Tree Assistance Program (TAP)

TAP provides financial assistance to qualifying orchardists and nursery tree growers to replant or rehabilitate eligible trees, bushes, and vines damaged by natural disasters.

NON-FARM BILL PROGRAMS

The following programs continue under laws other than the 2014 Farm Bill.

Emergency Conservation Program (ECP)

ECP is authorized by Title IV of the Agricultural Credit Act of 1978, Section 401 (P.L. 95-334) (16 U.S.C. 2201). ECP provides emergency cost-share assistance to farmers and ranchers to help rehabilitate farmland and ranchland damaged by natural disasters and to carry out water conservation measures during periods of severe drought. Cost-share assistance may be offered only for emergency conservation practices to restore land to a condition similar to that existing prior to the natural disaster.

Farm Storage Facility Loan Program (FSFL)

FSFL provides low-interest financing for producers to build or upgrade farm storage and handling facilities.

USDA is an equal opportunity provider and employer.

To file a complaint of discrimination, write: USDA, Office of the Assistant Secretary for Civil Rights, Office of Adjudication, 1400 Independence Ave., SW, Washington, DC 20250-9410 or call (866) 632-9992 (Toll-free Customer Service), (800) 877-8339 (Local or Federal relay), (866) 377-8642 (Relay voice users).



Program Objective

- To help agricultural producers enter into value-added activities related to the processing and/or marketing of bio-based value-added products and/or to expand markets and increase financial returns to agricultural producers.

Nationally Competitive Grants Available

- The maximum award per grant is \$250,000 for working capital and \$75,000 for planning (subject to change annually)
- Planning Grant: To facilitate economic planning activities to determine the viability of a value-added venture, and may include costs for an independent feasibility study and development of a marketing and business plan.
- Working Capital Grant: For operational costs directly related to the processing and/or marketing of the value-added product.
- Example Ineligible Costs: Land, buildings, equipment, vehicles, R&D, engineering design, agricultural production, crop harvesting, delivery of raw commodity to a processing facility.
- Matching Funds Required: Must be equal to or greater than the grant amount, without conflicts of interest, and must contribute to eligible value-added project purposes. Matching funds can be in the form of cash, in-kind, value of the commodity, line of credit, etc.

Agricultural Producers May Apply

- Independent Producer (IP), Agricultural Producer Group (APG), Farmer or Rancher Cooperative (COOP), Majority-Controlled Producer Business (MAJ)

▶ *Must currently produce and own more than 50% of the subject agricultural commodity*

Priority Status

- Beginning Farmer or Rancher, Farmer or Rancher Cooperative, Mid-Tier Value Chain Proposals
Small or Medium Family Farm, Socially-Disadvantaged Farmer or Rancher, Veterans

Value-Added Methods

- Change in Physical State, Farm- or Ranch-based Renewable Energy, Local Foods Marketing & Distribution, Non-Standard Agriculture Production, Product Physical Segregation

For More Information / How to Apply

- Contact USDA Rural Development Business Programs in the Missouri State Office at 573-876-9321 or visit the website <http://www.rd.usda.gov/programs-services/value-added-producer-grants>

Address: USDA Rural Development, Attn: Business Programs
601 Business Loop 70 West, Parkade Center, Suite 235
Columbia, MO 65203



APPLICANT ELIGIBILITY

- Agricultural producers
- Rural small businesses

PROJECT ELIGIBILITY

- Purchase and installation of a renewable energy system
- Energy efficiency improvements
- Commercially available technology
- Project must have technical merit
- The project must be located in a rural area with a population of 50,000 or less according to the latest US census. Agricultural production projects can be located in non-rural areas of a State of the United States.
- The applicant must be the owner of the project and control the revenues and expenses of the project, including operation and maintenance.

GRANT FUNDING

- The amount of grant funds will not exceed 25 percent of total eligible project costs.
- The applicant is responsible for and must secure the remainder of the total eligible project costs not covered by grant funds. Other direct Federal grant funds and applicant in-kind contributions cannot be used to meet the matching fund requirement.
- Renewable energy system grant applications will be accepted for a maximum of \$500,000 (minimum grant is \$2,500)
- Energy efficiency improvement grant applications will be accepted for a maximum of \$250,000 (minimum \$1,500)

ELIGIBLE PROJECT COSTS

Costs must be an integral and necessary part of the renewable energy system or energy efficiency improvement. Eligible costs include the following:

- Post-application purchase and installation of equipment (new, refurbished, or remanufactured). Agricultural tillage equipment, used equipment, and vehicles are not eligible.
- Post-application construction, improvements, or retrofitting (not residential)
- Permit and license fees, professional service fees (except for application preparation)

APPLICATIONS

Grant applications are selected for funding based on a competitive process. In determining the amount of a grant awarded, USDA will consider the following criteria:

- The type of renewable energy system to be purchased
- The estimated quantity of energy to be generated by the renewable energy system
- The expected environmental benefits of the renewable energy system
- The amount of energy savings expected to be derived from the activity, as demonstrated by an energy audit
- Estimated simple payback period

FOR MORE INFORMATION / HOW TO APPLY

Contact the USDA Rural Development Business Program Specialist according to the project location:

North Missouri:	Steve Gerrish (Moberly, MO)	660-263-7400, Ext.4	steve.gerrish@mo.usda.gov
Southwest Missouri:	James Combs (Springfield, MO)	417-831-5246, Ext.4	james.combs@mo.usda.gov
Southeast Missouri:	Ray Mowery (Houston, MO)	417-967-2028, Ext.4	ray.mowery@mo.usda.gov
Missouri State Office:	Business Programs (Columbia, MO)	573-876-9321	matt.moore@mo.usda.gov nathan.tutt@mo.usda.gov freda.ferguson@mo.usda.gov

Program information and applications are also available at our website:

<http://www.rurdev.usda.gov/MO-REAP.html>

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
7(a) Loans	\$5 million	85% guaranty for loans of \$150,000 or less; 75% guaranty for loans greater than \$150,000 (up to \$3.75 million maximum guaranty)	Term Loan, Expansion/renovation, new construction, purchase land or buildings; purchase equipment, fixtures, lease-hold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit, inventory or starting a business	Depends on ability to repay. Generally, working capital & machinery & equipment (not to exceed life of equipment) is 5-10 years; real estate is 25 years.	Loans less than 7 years: \$0 - \$25,000 Prime + 4.25% \$25,001 - \$50,000 P + 3.25% Over \$50,000 Prime + 2.25% Loans 7 years or longer: 0 - \$25,000 Prime + 4.75% \$25,001 - \$50,000 P + 3.75% Over \$50,000 Prime + 2.75%	(No SBA fees on loans of \$150,000 or less approved in FY 2015.) Fee charged on guaranteed portion of loan only. \$150,001-\$700,000 = 3.0% - \$700,000-\$1,000,000 = 3.5%; plus 3.75% on guaranty portion over \$1 million, less than 12 months; 25% Ongoing fee of 0.519% on loans over \$150,000.	Must be a for-profit business & meet SBA size standards; show good character, credit, management, and ability to repay. Must be an eligible type of business. Prepayment penalty for loans with maturities of 15 years or more, if prepaid during first 3 years. (5% year 1, 3% year 2 and 1% year 3)	Long-term financing; Improved cash flow; Fixed maturity; No balloons; No prepayment penalty (under 15 years)
7(a) Small Loans is any 7(a) loan \$350,000 and under, except the Community Advantage and Express loans	\$350,000	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a) Plus, all loan applications will be credit scored by SBA. If not an acceptable score, the loan can be submitted via full standard 7(a) or Express.	Same as 7(a)
SBAExpress	\$350,000	50%	May be used for revolving lines of credit (up to 7 year maturity) or for a term loan (same as 7(a)).	Up to 7 years for Revolving Lines of Credit including term out period. Otherwise, same as 7(a).	Loans \$50,000 or less: prime+6.5% Loans over \$50,000: prime+4.5%	Same as 7(a)	Same as 7(a)	Fast turnaround; Streamlined process; Easy-to-use line of credit
SBA Veterans Advantage 10/01/14 - 09/30/15	Processed under SBAExpress \$350,000	Same as SBAExpress	Same as SBAExpress	Same as SBAExpress	Same as SBAExpress	No guaranty fee. Ongoing fee of 0.519% on loans above \$150,000.	Same as 7(a) Plus, small business must be owned and controlled (51%+) by one or more of the following groups: veteran, active-duty military/in TAP, reservist or National Guard member or a spouse of any of these groups, or a widowed spouse of a service member or veteran who died during service, or a service-connected disability	Same as SBAExpress No guaranty fee Same as 7(a) but with a reduced guaranty fee.
CapLines: 1. Working Capital; 2. Contract; 3. Seasonal; and 4. Builders	Processed under 7(a) \$5 million	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a) except guaranty fee for non SBAExpress loans will be reduced by 50%. Ongoing fee of 0.519% on loans above \$150,000	Same as 7(a) Plus, all lenders must execute Form 750 & 750B (short-term loans)	1. Working Capital - (LOC) Revolving Line of Credit 2. Contract - can finance all costs (excluding profit). 3. Seasonal - Seasonal working capital needs. 4. Builder - Finances direct costs when building a commercial or residential structure
Community Advantage Mission-focused lenders only. Expires 03/15/17	\$250,000	Same as 7(a)	Finance seasonal and/or short-term working capital needs; cost to perform; construction costs; advances against existing inventory and receivables; consolidation of short-term debts. May be revolving.	Up to 10 years, except Builder's CAP Line, which is 5 years	Same as 7(a)	Same as 7(a)	Same as 7(a)	Same as 7(a) Plus lenders must be CDFIs, CDCs or micro-lender targeting underserved market

U.S. Small Business Administration Baltimore District Office (410) 962-6195
www.sba.gov/md

10 S. Howard Street, Suite 6220
 Baltimore, MD 21201

Information current as of October 2014. SBA Programs and services are provided on a nondiscriminatory basis. See the SOP for the most up to date information

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
International Trade	\$5 million	90% guaranty (up to \$4.5 million maximum guaranty) (Up to \$4 million maximum guaranty for working capital)	Term loan for permanent working capital, equipment, facilities, land and buildings and debt refinancing related to international trade	Up to 25 years.	Same as 7(a)	Same as 7(a)	Same as 7(a) - Plus, engaged or preparing to engage in international trade or adversely affected by competition from imports.	Long term financing to allow small business to compete more effectively in the international marketplace
Export Working Capital Program	\$5 million	90% guaranty (up to \$4.5 million maximum guaranty)	Short-term, working-capital loans for exporters. May be transaction based or asset-based. Can also support standby letters of credit	Generally one-year or less, may go up to 3 years	No SBA maximum interest rate cap, but SBA monitors for reasonableness	Same as 7(a)	Same as 7(a) - Plus, need short-term working capital for exporting.	Additional working capital to increase Export sales without disrupting domestic financing and business plan
Export Express	\$500,000	90% guaranty for loans of \$350,000 or less; 75% guaranty for loans greater than \$350,000	Same as SBAExpress plus standby letters of credit	Same as SBAExpress	Same as SBAExpress	Same as 7(a)	Applicant must demonstrate that loan will enable them to enter a new, or expand in an existing export market. Business must have been in operation for at least 12 months (though not necessarily in exporting).	Fast turnaround; Streamlined process; Easy-to-use line of credit
504 Loans Provided through Certified Development Companies (CDCs) which are licensed by SBA	504 CDC maximum amount ranges from \$5 million to \$5.5 million, depending on type of business.	Project costs financed as follows: CDC: up to 40% Lender: 50% (Non-guaranteed) Equity: 10% plus additional 5% if new business and/or 5% if special use property.	Long-term, fixed-asset loans: Lender (non-guaranteed) financing secured by first lien on project assets. CDC loan provided from SBA 100% guaranteed debenture sold to investors at fixed rate secured by 2nd lien.	CDC Loan: 10- or 20-year term fixed interest rate. Lender Loan: Unguaranteed financing may have a shorter term. May be fixed or adjustable interest rate	Fixed rate on 504 Loan established when the debenture backing loan is sold. Declining prepayment penalty for 1/2 of term.	.5% fee on lender share, plus CDC may charge up to 1.5% on their share. CDC charges a monthly servicing fee of 0.625%-1.5% on unpaid balance. Ongoing guaranty fee is 0.9375% of principal outstanding. Ongoing fee % does not change during term.	Alternative Size Standard: For-profit businesses that do not exceed \$15 million in tangible net worth, and do not have an average two full fiscal year net income over \$5 million. Owner Occupied 51% for existing or 60% for new construction.	Low down payment - equity (10/15 or 20 percent) (The equity contribution may be borrowed as long as it is not from an SBA loan) Fees can be financed: SBA/CDC Portion: Long-term fixed rate Full amortization and No balloons
Non-7(a) Loans Microloans Loans through nonprofit lending organizations:	\$50,000	Not applicable	Purchase machinery & equipment, fixtures, leasehold improvements, working capital, etc. Cannot be used to repay existing debt.	Shortest term possible, not to exceed 6 years	Negotiable with intermediary. Subject to either 7.75 or 8.5% above intermediary cost of funds.	No guaranty fee	Same as 7(a)	Direct loans from nonprofit intermediary lenders; Fixed-rate financing; Very small loan amounts; Technical assistance available

U.S. Small Business Administration
409 3rd Street, S.W.
Washington, DC 20416

SBA Answer Desk
1-800-827-5722
www.sba.gov

This is an overview and does not include full policy and procedures. See the current Lender and Development Company Loan Programs SOP 50 10 5 (G) for more details. 4-10-962-6195
October 2014

<u>Counties</u>	<u>Farm Loan Manager</u>	<u>AFLS</u>	<u>Address</u>	<u>Phone</u>
Adair , Putnam, Schuyler	Shane Ebeling, Acting FLM Lisa Denton, FLPT	4	2410 S. Franklin Street Kirksville, MO 63501	660-665-3274 Fax 855-842-0824
Barry , Lawrence, McDonald, Newton	Russell Neill, FLM Gordon Pond, FLO Becky Thomas, FLPT	3	76 Main Street Cassville, MO 65625	417-847-2862 Fax 855-827-5255
Butler , Carter, Ripley, Wayne	Brent Summers, SFLO Taylor Miller, FLO Monica McCain, FLPT	2	4327 Highway 67 N Poplar Bluff, MO 63901	573-785-8416 Fax 855-850-2618
Carroll , Caldwell, Clay, Clinton, Ray	Annette G. Brandt, SFLO Kay Lichte, FLPT	1	1405 North Hwy 65, Ste. A Carrollton, MO 64633	660-542-8732 Fax 855-826-0254
Clark , Lewis, Marion, Knox, Scotland	William Bonine, SFLO Karma Hillyer, FLPT Jane Bohon, FLPT	4	Route1, Box 16A Kahoka, MO 63445	660-727-3364 Fax 855-841-0750
Cole , Callaway, Gasconade, Maries, Miller, Moniteau, Osage	Kelly Volmert, FLM Haley Samson, FLOT Jessica Luebbert, FLOT Julie Long, FLPT	4	1911 Boggs Creek Road Jefferson City, MO 65101	573-893-5196 Fax 855-841-0749
Dunklin	Andrew Barker, FLM Emily Wilson, FLO Sheila Franks, FLPT	2	704 North By-Pass Kennett, MO 63857	573-888-2536 Fax 855-841-0752
Grundy , Sullivan, Livingston, Mercer	L. John McKinny, FLM Sarah Lowrey, FLO Benna Trump, FLPT Deborah Meinecke, FLPT	1	3415 Oklahoma Ave. Trenton, MO 64683	660-359-2006 Fax 855-863-7031
Harrison , Daviess, DeKalb, Gentry, Worth	Charles Meissen, FLM Pat Barnett, FLPT	1	1400 N. 41 st Street Bethany, MO 64424	660-425-7635 Fax 855-825-4738
Lafayette , Cass, Jackson, Johnson, Saline	Brian Bagnell, FLM Brian Wheeler, FLO Galen Tuley, FLOT Becky Brandt, FLPT	1	120 West 19 th Street Higginsville, MO 64037	660-584-8732 Fax 855-835-5200
Macon , Randolph, Linn, Boone, Chariton, Howard and Shelby	Shane Ebeling, FLM Leann Martin, FLO Brenda Johnson, FLPT Audrey Hayward, FLPT	4	2108 U.S. Hwy 63 Suite C Macon, MO 63552	660-385-2616 Fax 855-842-7891
Monroe , Pike, Ralls, Audrain, Montgomery, Lincoln, Warren, St. Charles	Amy Peiter, FLM Jason Azdell, FLOT Mary DeOrnellis, FLPT	4	18771 Hwy 15 Paris, MO 65275	660-327-4137 Fax 855-850-2614
New Madrid , Mississippi	Andy Wallace, FLO Paula Newson, FLPT	2	495A Hwy 61 New Madrid, MO 63869	573-748-2557 Fax 855-849-1530
Nodaway , Andrew, Atchison, Buchanan, Holt, Platte	Matthew Strueby, FLM Brett Henggeler, FLOT Tammy Luke, FLPT	1	502 W South Hills Dr. Ste. 104 Maryville, MO 64468	660-582-7423 Fax 855-846-2013

October 2016

Counties	Farm Loan Manager	AFLS	Address	Phone
Pemiscot	Kevin Gilmore, SFLO Denna Morris, FLPT	2	1206 Hwy 84 West Caruthersville, MO 63830	573-333-1923 Fax 855-827-5253
Pettis, Benton, Cooper, Morgan	Steven Lair, FLM Ella Strode, FLOT Aren Dameron, FLOT Connie Berendzen, FLPT	1	1407 W. 32 Street Sedalia, MO 65301	660-826-3339 Fax 855-861-0832
Polk, Cedar, Dallas, Henry, Hickory, St. Clair	Brian Hedges, FLM Dylan Holloway, FLO Jennifer Yarbrough, FLPT	3	1333 East Broadway Bolivar, MO 65613	417-326-4823 Fax 855-825-4973
St. François, Bollinger, Cape Girardeau, Franklin, Iron, Jefferson, Madison, Perry, Ste. Genevieve, St. Louis, Washington	Sedrick Hicks, FLM LaDonna Petzoldt, FLO Laura Sarratt, FLPT	2	812 Progress Drive Farmington, MO 63640	573-756-6488 Fax 855-830-7528
Stoddard, Scott	Kevin Hunt, FLM Mike Guethle, FLO Teresha Harris, FLPT Heather Barker, FLPT	2	18450 Ridgeview Lane Dexter, MO 63841	573-624-5939 Fax 855-830-4753
Texas, Crawford, Dent, Douglas, Howell, Oregon, Ozark, Phelps, Reynolds, Shannon	Kelly Arnold, FLM Debi Huff, FLPT	3	6726 A Hwy 63 Houston, MO 65483	417-967-2028 Fax 855-835-5210
Vernon, Bates, Barton, Dade, Jasper	Joni Klumpp, FLM Suzette Berning, FLPT	3	102 W. Allison Nevada, MO 64772	417-667-8137 Fax 855-846-9256
Webster, Camden, Christian, Greene, Laclede, Pulaski, Stone, Taney, Wright	Kurt Shelangoski, FLM Abigail Calton, FLOT Emily Nunan, FLPT	3	1202 Banning Street Marshfield, MO 65706	417-468-2088 Fax 855-842-7896

AFLS

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| 1. Phillip Fay
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brent.landiers@mo.usda.gov | 3. Ron Keith
417-831-5246
ron.keith@mo.usda.gov | 4. Rick LePage
573-893-5196
rick.lepage@mo.usda.gov |
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October 2016

**FSA Crop and Livestock Commodity Prices
2017 Farm Business Plan Cash Flow Projections.**

Commodity	Unit	Price
Corn	bu.	\$ 3.60
Grain Sorghum	bu.	3.25
Wheat	bu.	4.50
Soybeans	bu.	9.50
Cotton	lbs.	.73
Rice	cwt.	12.22
Purple Hull Peas	lbs.	.38
Seedless Watermelons	lbs.	.08
Regular Watermelons	lbs.	.05
Cantaloupes	lbs.	.20
Popcorn	lbs.	.135
Peanuts	lbs.	.215
Feeder Pigs (40-50 lbs.)	lbs.	1.00
Market Hogs	lbs.	.60
Cull Sows	lbs.	.45
Feeder Steers		
500-550 lbs.	lbs.	1.65
550-750 lbs.	lbs.	1.55
750-800 lbs.	lbs.	1.45
Feeder Heifers = 90% of Steer Prices		
Fed Cattle-Choice Steer and Heifers	lbs.	1.20
Cull Cows	lbs.	.75
Slaughter Lambs	lbs.	1.45
Slaughter Ewes	lbs.	.50
Slaughter Kids (70lbs)	lbs.	1.55
Milk Grade A	cwt.	16.50
Grade B	cwt.	15.50