

Nebraska Lender Processing Checklists

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SEL AND CLP REQUIRED DOCUMENTATION FOR A COMPLETE FSA GUARANTEED FO, OL, LOC and CL LOAN REQUEST

In addition to the items submitted to FSA, lenders are expected to maintain in their files all applicable items that do not need to be submitted. Lenders certify that they have the required documentation in their files by signing FSA-2211.

SEL Lender Requirements:

✓	Submission Requirement	For Loans \$125,000 or Less 1/	For Loans Greater than \$125,000	Conservation Loans (CL) Streamlined 4/
	Application Form FSA – 2211	Y	Y	Y
	Loan Narrative	Y 2/	Y 2/	Y 2/
	Current Balance Sheet (not over 90 days)	Y	Y	Y
	Cash Flow Budget (if applicable)	Y 3/	Y 3/	N/A 5/
	Description/Location of Farmed Land (owned - rented - rent shares)	Y 6/	Y 6/	Y 6/
	Entity Information (if applicable)	Y 7/	Y 7/	Y 7/
	Credit Report	Y	Y	Y
	Environmental Information	Y 8/	Y 8/	Y 8/
	Conservation Plan (NRCS-CPA 1155 and or Toolkit plan - for CL only)	Y 9/	Y 9/	Y 9/
	Transition Plan (for CL if applicable)	Y 9/	Y 9/	Y 9/
	Proposed Loan Agreement		Y 11/	Y 10/ & 11/
	Development/Construction Plan (if applicable)		Y	Y /10
	Verification of Debts Over \$1,000	12/	Y 12/	Y /10
	Verification of Nonfarm Income or “Other Farm” Income		Y	N/A
	3 Years of Production History		Y	N/A
	3 Years of Financial History		Y	N/A
	Appraisals	Y 14/	Y 14/	Y 14/
	Business File/CCC-902	15/	15/	15/
	AD-1026	16/	16/	16/

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CLP Lender Requirements:

✓	Submission Requirement	For Loans \$125,000 or Less 1/	For Loans Greater than \$125,000	Conservation Loans (CL) Streamlined 4/
	Application Form FSA – 2211	Y	Y	Y
	Loan Narrative	Y 2/	Y 2/	Y 2/
	Current Balance Sheet (not over 90 days)	Y	Y	Y
	Cash Flow Budget (if applicable)	Y 3/	Y 3/	N/A 5/
	Description/Location of Farmed Land (owned - rented - rent shares)	Y 6/	Y 6/	Y 6/
	Entity Information (if applicable)	Y 7/	Y 7/	Y 7/
	Credit Report	LF	LF	LF
	Environmental Information	Y 8/	Y 8/	Y 8/
	Conservation Plan (NRCS-CPA 1155 and or Toolkit plan - for CL only)	Y 9/	Y 9/	Y 9/
	Transition Plan (for CL if applicable)	Y 9/	Y 9/	Y 9/
	Proposed Loan Agreement		LF 11/	LF 10/ & 11/
	Development/Construction Plan (if applicable)		LF	LF /10
	Verification of Debts Over \$1,000	12/	LF 12/	LF /10
	Verification of Nonfarm Income or “Other Farm” Income		LF	N/A
	3 Years of Production History		LF 13/	N/A
	3 Years of Financial History		LF	N/A
	Appraisals/Evaluations	Y 14/	Y 14/	Y 14/
	Business File/CCC-902	15/	15/	15/
	AD-1026	16/	16/	16/

Note: Items marked with an “LF” are items that do not have to be submitted, but must be maintained in the lender’s file. Please refer to the attachment for an explanation of items 1 through 11.

Explanation of items 1 through 11 concerning the complete SEL or CLP application.

In addition to the minimum requirements, the lender will perform at least the same level of evaluation and documentation for a guaranteed loan that the lender typically performs for non-guaranteed loans of a similar type and amount.

The Agency may require lenders with a lender loss rate in excess of the rate for CLP lenders to assemble additional documentation from paragraph 67.

On an individual lender basis, FSA may request additional information to make eligibility and approval decisions. (Paragraph 66A)

Copies of leases and contracts will no longer be required although the lender will be responsible for insuring the loan applicant has leases as represented in the cash flow budget and no provisions which will harm the collectability of the loan.

- 1/ A loan will be considered \$125,000 or less if each loan type being requested is \$125,000 or less. Such as a request for an operating loan of \$125,000 and a farm ownership of \$125,000 for a total of \$250,000 will be considered under \$125,000. A request for an operating term loan of \$100,000 on machinery and a Line of Credit operating loan of \$40,000 for a total of \$140,000 will be considered over \$125,000 because they are the same loan type.
- 2/ (Paragraph 66C) The application package must include a narrative description of the lender's underwriting of the loan. The narrative must contain information and analysis of any loan application data that are out of the ordinary, or at variance with normal practices for the type of operation and region. The narrative must be an evaluation and not just a summary of the data. It may be less detailed for a present customer who already has a guaranteed loan or an FSA direct loan.

The narrative should address the following, as applicable:

- The name, Social Security number, and current address of any co-borrowers or co-signers required to execute the note at loan closing
- describe the farming operation, such as types of enterprises, key personnel and management structure, their roles and background, proposed changes to the operation and adequacy of real estate, equipment, and other facilities
- an assessment of the adequacy of the collateral being offered to secure the proposed loan, describe the method used to establish market value, an evaluation or appraisal
 - the sources used by the lender for commodity price forecasts must be stated
 - provide an explanation of any deviations from historical production
- a discussion of the loan applicant's financial condition and projected repayment ability

NOTE: The lender should discuss any significant assumptions of deviations from historical performance in the proposed cash flow budget.

NOTE: For Streamlined Conservation Loan (CL) applications only, if the applicant meets the streamlined application criteria (see 4/ below), the lenders will not be required to submit cash flow. The lender should discuss the applicant's financial conditions that qualifies the applicant for this waiver in the narrative.

- Conservation Loans (CLs) only, discuss the conservation plan, which should include the conservation practices that will be financed and the need of the qualifying conservation practices
- the short-term and long-term business goals of the operation
- the borrower's reporting requirements, limitations, and other conditions based on the lender's analysis of the proposal
- lender servicing plan describing the borrower's financial reporting requirements, limitations and conditions, plans for visiting the borrower, and any other borrower supervision (SEL only)
- if the loan contains balloon payments, the conditions related to the renewal of loan
- a discussion of how the loan applicant meets the loan eligibility requirements
- proposed loan agreements, any proposed nontypical agreement between the lender and loan applicant must be explained. (This item only applies on loans over \$125,000.) (Paragraph 67F)
- conflict of interest
 - When a lender submits the application for a guaranteed loan, the lender will inform the Agency in writing of any relationship which may cause an actual or potential conflict of interest. (Paragraph 32A)

Relationships include:

- 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 (other than lending relationships in the normal course of business) in the loan applicant or borrower
- 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
- 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
- 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 have substantial business dealings other than in the normal course of business) with the loan applicant or borrower
- the lender or its officers, directors, principal stockholders, or other principal owners have substantial business dealings with an Agency employee.

- Conflict of interest (continued)

- The lender must furnish additional information regarding conflict of interest concerns to the Agency upon request.
- The Agency will not approve the application until the lender develops acceptable safeguards to control any actual or potential conflicts of interest.

- when guaranteed loan funds will be used for refinancing

The lender must indicate what the loan applicant will do differently to ensure the success of the farming operation. The lender must explore different financial options that would allow the loan applicant to achieve a positive cash flow. The lender should consider adjusting the loan terms or negotiating with other creditors to adjust their loan terms or rates as needed to make the loan feasible.

3/ The cash flow must break down the debts to be paid in a table itemizing each creditors payment. On requests over \$125,000 the cash flow budget must include all work sheets/schedules that were utilized in developing the cash flow.

4/ For Conservation Loan (CL) ONLY, applicants may qualify for a Streamline application process. To meet the Streamline CL criteria, a loan applicant must meet all of the following requirements:

- be current on all payments to all creditors including FSA
- a debt to asset ratio of 40 percent or less
- current balance sheet indicates a net worth of 3 times the requested loan amount or greater
- have a FICO credit score from the Agency obtained credit report of at least 700, for entity applicants, the individual members of the entity must be at least 700.

5/ Applicants who qualify for Streamlined CL's have already developed a higher level of management skills and financial security. For applicants with exceptionally strong financial positions meeting streamlined CL criteria, the lender will not be required to perform as intensive a cash flow analysis as is necessary with other applicants. Guaranteed lenders should follow their internal procedure to determine financial feasibility for Streamline CL's

6/

Description of farm and ranch land included in the operation

OWNED LAND

[illegible]

RENTED OR LEASED LAND

[illegible]

7/ (Paragraph 66I)

Entity information. For entity loan applicants, include all members:

- ___ Names
- ___ Addresses
- ___ Social Security Number
- ___ Percentage of ownership of entity
- ___ Personal Balance Sheet (not over 90 days old at the time of filing the application) for each member

(Articles of incorporation and partnership agreements are not required although the lender is responsible for insuring the entity has authority to operate in the state and has the authority to borrower.)

8/ (Paragraph 208 and 209)

All lenders must insure that the guaranteed loan is in compliance with environmental requirements including hazardous substances, wetland, HEL, flood plains, water quality standards and National Historic Preservation Act. All SEL and CLP lenders will complete part F of Form FSA - 2211 (Application for Guarantee) by stating yes or no to each question.

In addition to the questions on the application and **on all loans that require real estate to be taken as primary security (FO or OL loans)**, all lenders must complete the Form FSA 851 "Environmental Risk Survey Form" or similar documentation. CLP lenders will retain this document in their file and SEL lenders will submit the document to FSA with the loan application. The loan application will not be considered complete until this documentation has been completed.

Confinement livestock operations may require a special use permit from the Nebraska Department of Environmental Quality.

9/ Required on CL loan applications only, if applicable

10/ Required with CL applications for loans more than \$125,000.00.

11/ Proposed loan agreements - any proposed nontypical agreements between the lender and the borrower should be explained in the loan narrative. (This item only applies to requests over \$125,000.)

12/ Any debt over \$1,000 that will be a prior lien on the pledged collateral must be verified in writing to protect the lender. (SEL - must submit a copy to FSA. CLP - must have a copy in the lender file.)

13/ Paragraph 153A indicates that the CLP lenders are not required to estimate production yields; however, paragraph 153B requires the CLP lender to provide an explanation in the loan narrative of any yield deviation from historical production. Therefore, it is recommended that the CLP lender should obtain the production history so a comparison can be made in the loan narrative. CLP lenders are not required to submit production history to FSA, history must be maintained in lenders file.

14/ (Paragraphs 181, 182, and 183)

Current appraisals (not over 12 months) are required by SEL and CLP lender except for:

- additional security
- loans of \$50,000 or less if a strong equity position exists.

A strong equity position is defined as a loan to value ratio of 60% on chattels and 70% on real estate or less. The loan to value is calculated by dividing the requested loan amount plus any prior lien amounts by the estimated value of the collateral being pledged for the loan.

If an appraisal is not required, the lender must provide a current estimate of value which will include the legal description of the property and/or a list describing the chattel property being offered for security.

For loans of \$250,000.00 or less, lenders may use a **real estate evaluation** as an alternative method to establish collateral value of the real estate security rather than obtaining a real estate appraisal. Lenders must complete the loan evaluations in accordance with the Federal regulators published Interagency Appraisal and Evaluation Guidelines. Lenders must document the value of the real estate by applying the same policies and procedures as their non-guaranteed loans. If they would require an appraisal on a non-guaranteed loan, they should request an appraisal for the guaranteed loan. For example, a lender should consider obtaining an appraisal as the lenders portfolio risk increases or for higher risk real estate-related financial transactions. Acceptable real estate evaluations must identify the location of the property, provide a description of the property including any improvements and its current and projected uses, provide confirmation that the property was physically inspected and the date of the inspection, describe the analysis performed and the supporting information used to determine the property's market value, provide information on the preparer including experience and qualifications to complete the evaluation and must include the effective date of the evaluation and the preparer's signature. FSA has the discretion to require an appraisal, but will do so only for loans with unusually high risk factors.

For loans greater than \$250,000.00, lenders must document the value of the real estate using a **current real estate appraisal** completed by a State Certified General Appraiser. Appraisal reports must be a USPAP compliant appraisal report. Restricted reports as identified by USPAP are not acceptable.

FSA may allow lenders to use real estate appraisals more than 12 months old under certain conditions when requesting a FSA guaranteed loan. When the appraisal is more than 12 months old, the lender must document that the **market conditions have remained stable or improved** based on current sales of similar property, **the property in question remains the same or in better condition and value of the property has remained the same or increased.** When using an appraisal over 12 months old, all collateral and loan approval considerations will be based on the market value stated on the appraisal. **The value will not be adjusted for time or any other reason.**

Note: Appraisal more than 12 months old may be used for all guaranteed loan requests, including loans of \$250,000.00 or less.

It is recommended that the lender, as a normal course of business, contact the FLM prior to ordering a chattel or real estate appraisal to review the appraiser's qualifications.

When an appraisal is necessary, the SEL or CLP lenders are not required to complete the appraisal before loan approval. The conditional commitment will be issued subject to an appraisal being completed in an amount adequate to secure the loan. The CLP lender must maintain the appraisal in the bank file but is not required to send the appraisal to FSA. The SEL lender must submit the appraisal to FSA and receive FSA acceptance prior to the SEL lender closing the loan.

- 15/ Borrowers are required to have CCC-902 on file with FSA. Lenders should remind borrowers that CCC-902 must be submitted to FSA if it is not already on file but the lender does not have to submit a copy of the Form CCC-902 or have one on file at the bank. FSA will determine if a current CCC-902 is on file when the application is filed.
- 16/ Borrowers are required to have AD-1026 on file with FSA. Lenders should remind borrowers that AD-1026 must be submitted to FSA if it is not already on file but the lender does not have to submit a copy of the Form AD-1026 with the application or have one on file at the bank. FSA will determine if a current AD-1026 is on file when the application is filed.

PLP required documentation for a complete FSA guaranteed loan request

- Form FSA - 2212 "PLP application."
- Loan Narrative discussing the "5 C's" of credit and applicable items from Handbook 2-FLP (Rev. 1) Paragraph 70A & 70B.
- Description and location of all farmland (may be included in the loan narrative).
- When the applicant is an entity, the names, social security numbers and percent ownership for each entity member must be provided.
- Any other items agreed to during the approval of the PLP's lender status and included in the PLP lender agreement and attached credit management system (CMS).
- For CL guarantees, a copy of the conservation plan. A copy of the transition plan, if applicable.

PLP lenders must certify that the required items, not submitted, are in their files. On a case-by-case basis, the Agency may request additional information from any lender or review the lender's files as needed to make eligibility and approval decisions. These requests shall be made only in situations when, because of the unique characteristics of the loan request, an eligibility or approval decision cannot be made without additional information.

1/ (Paragraph 70B)

The application package must include a narrative description of the lender's underwriting of the loan. The narrative must contain information and analysis of any loan application data that are out of the ordinary, or at variance with normal practices for type of operation and region. The narrative must be an evaluation and not just a summary of the data. Since the authorized agency official will rely on the narrative and application form for making the loan approval decision, it is important that the narrative covers any issues or questions that may arise during the evaluation process. It may be less detailed for a present customer who already has a guaranteed loan or an FSA direct loan.

The narrative should address the following, as applicable:

- describe the farming operation, such as types of enterprises, key personnel and management structure, their roles and background, proposed changes to the operation and adequacy of real estate, equipment, and other facilities
- an assessment of the adequacy of the collateral being offered to secure the proposed loan, describe the method used to establish market value, an evaluation or appraisal
- a discussion of the loan applicant's financial condition and projected repayment ability

Note: The lender should discuss any significant assumptions of deviations from historical performance in the proposed cash flow budget.

- the short-term and long-term business goals of the operation
- the borrower's reporting requirements, limitations, and other conditions based on the lender's analysis of the proposal

1/ (Paragraph 70B) continued

- lender servicing plan describing the borrower's financial reporting requirements, limitations and conditions, plans for visiting the borrower, and any other borrower supervision
- if the loan contains balloon payments, the conditions related to the renewal of loan
- a discussion of how the loan applicant meets the loan eligibility requirements.
- proposed loan agreements, any proposed non-typical agreement between the lender and loan applicant must be explained. (Paragraph 68A)
- conflict of interest

When a lender submits the application for a guaranteed loan, the lender will inform the Agency in writing of any relationship which may cause an actual or potential conflict of interest. (Paragraph 32A)

- Relationships include:
 - 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 (other than lending relationships in the normal course of business) in the loan applicant or borrower
 - 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
 - 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
 - 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 have substantial business dealings other than in the normal course of business) with the loan applicant or borrower
 - the lender or its officers, directors, principal stockholders, or other principal owners have substantial business dealings with an Agency employee.
- The lender must furnish additional information regarding conflict of interest concerns to the Agency upon request.
- The Agency will not approve the application until the lender develops acceptable safeguards to control any actual or potential conflicts of interest

1/ (Paragraph 70B) continued

- Character
- Capacity
- Capital
- Conditions
- Collateral

2/ (Paragraph 208 and 209)

All lenders must insure that the guaranteed loan is in compliance with environmental requirements including hazardous substances, wetland, HEL, flood plains, water quality standards and National Historic Preservation Act. PLP lenders will complete part E of Form FSA - 2212 (Preferred Lender Application for Guarantee) by stating yes or no to each question.

Borrowers are required to have CCC-902 on file with FSA. Lenders should remind borrowers that CCC-902 must be submitted to FSA if it is not already on file but the lender does not have to submit a copy of the Form CCC-902 or have one on file at the bank. FSA will determine if a current CCC-902 is on file when the application is filed.

Borrowers are required to have AD-1026 on file with FSA. Lenders should remind borrowers that AD-1026 must be submitted to FSA if it is not already on file but the lender does not have to submit a copy of the Form AD-1026 with the application or have one on file at the bank. FSA will determine if a current AD-1026 is on file when the application is filed.

In addition to the questions on the application and on all loans that require real estate to be taken as primary security (FO or OL loans) the PLP lender must complete Form FSA 851 "Environmental Risk Survey Form" or similar documentation. The PLP lender will retain this document in their file. The loan application will not be considered complete until this documentation has been completed and the 14 calendar day time frame will not start.

Confinement livestock operations may require a special use permit from the Department of Environmental Quality.

3/ (Paragraphs 181, 182, and 183)

Current appraisals (not over 12 months) are required by PLP lender except for:

- additional security
- loans of \$50,000 or less if a strong equity position exists.

A strong equity position is defined as a loan to value ratio of 60% on chattels and 70% on real estate or less. The loan to value is calculated by dividing the requested loan amount plus any prior lien amounts by the estimated value of the collateral being pledged for the loan.

If an appraisal is not required, the lender must provide a current estimate of value which will include the legal description of the property and/or a list describing the chattel property being offered for security.

3/ (Paragraphs 181, 182, and 183) continued

For loans of \$250,000.00 or less, lenders may use a **real estate evaluation** as an alternative method to establish collateral value of the real estate security rather than obtaining a real estate appraisal. Lenders must complete the loan evaluations in accordance with the Federal regulators published Interagency Appraisal and Evaluation Guidelines. Lenders must document the value of the real estate by applying the same policies and procedures as their non-guaranteed loans. If they would require an appraisal on a non-guaranteed loan, they should request an appraisal for the guaranteed loan. For example, a lender should consider obtaining an appraisal as the lenders portfolio risk increases or for higher risk real estate-related financial transactions.

Acceptable real estate evaluations must identify the location of the property, provide a description of the property including any improvements and its current and projected uses, provide confirmation that the property was physically inspected and the date of the inspection, describe the analysis performed and the supporting information used to determine the property's market value, provide information on the preparer including experience and qualifications to complete the evaluation and must include the effective date of the evaluation and the preparer's signature. FSA has the discretion to require an appraisal, but will do so only for loans with unusually high risk factors.

For loans greater than \$250,000.00, lenders must document the value of the real estate using a **current real estate appraisal** completed by a State Certified General Appraiser. Appraisal reports must be a USPAP compliant appraisal report. Restricted reports as identified by USPAP are not acceptable.

FSA may allow lenders to use real estate appraisals more than 12 months old under certain conditions when requesting a FSA guaranteed loan. When the appraisal is more than 12 months old, the lender must document that the **market conditions have remained stable or improved** based on current sales of similar property, **the property in question remains the same or in better condition** and **value of the property has remained the same or increased**. When using an appraisal over 12 months old, all collateral and loan approval considerations will be based on the market value stated on the appraisal. **The value will not be adjusted for time or any other reason.**

Note: Appraisal more than 12 months old may be used for all guaranteed loan requests, including loans of \$250,000.00 or less.

It is recommended that the lender, as a normal course of business, contact the FLM prior to ordering a chattel or real estate appraisal to review the appraiser's qualifications.

When an appraisal is necessary, the SEL or CLP lender are not required to complete the appraisal before loan approval. The conditional commitment will be issued subject to an appraisal being completed in an amount adequate to secure the loan. The CLP lender must maintain the appraisal in the bank file but is not required to send the appraisal to FSA. The SEL lender must submit the appraisal to FSA and receive FSA acceptance prior to the SEL lender closing the loan.