

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency  
Washington, DC 20250

**General Program Administration  
1-FLP (Revision 1)**

**Amendment 132**

**Approved by:** Acting Deputy Administrator, Farm Loan Programs



**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 167 C has been amended to remove obsolete material.

Subparagraph 221 A has been amended to provide additional initial assessment elements.

Subparagraph 222 A has been amended to provide information for the FOML evaluation.

Subparagraph 222 K has been added to provide guidance on farm transition and estate planning.

Subparagraph 222 L (previously subparagraph K) has been amended to provide additional references for term limits.

Subparagraph 223 B has been amended to update elements to be reviewed during the annual review.

Exhibit 15 has been amended as follows, subparagraph:

- A 2a to update contact information
- C 5 to revise the Term Limits Screen to reflect updates.

Page Control Chart		
TC	Text	Exhibit
	7-19, 7-20 8-41, 8-42 8-42.5, 8-42.6 (add) 8-43, 8-44 8-50.5, 8-50.6 8-51 through 8-84	15, pages 7, 8 pages 41, 42



\*--167 FMMI

## A Background

FMMI is a commercial off-the-shelf web-based financial management system that provides online, real-time transaction and on-demand query capabilities. FMMI is a comprehensive system for all of USDA's financial and accounting functions.

PLCE data recorded in FMMI includes:

- State allocations in 4 PLCE funding accounts
- purchase order obligations
- invoices
- disbursements
- accounting adjustments made through purchase order or invoice modifications
- penalty interest
- manual disbursements
- post payment adjustments
- canceled checks
- vendor records
- FSA client records.

Borrower and property loan information is validated and stored in the BOPR table in FMMI to ensure that applicable customer data is accurate at obligation and back-fed correctly to PLAS.

SED shall ensure that an adequate number of employees are trained, delegated authority, and have the proper security clearance, user ID, and password to input and approve transactions using FMMI, which requires 2 employees to successfully process all transactions. Any FLP employee, as identified by FLC, may be selected and trained as a FMMI user. A contracting warrant is not needed for FMMI access or to process any PLCE transaction in FMMI.--\*

## 167 FMMI (Continued)

**B User Assistance**

The FMMI User's Guide can be referenced for specific questions and may be obtained by accessing the FLP web site at

**[http://fsaintranet.sc.egov.usda.gov/fcad/Manuals/FMM\\_%20User\\_Guide\\_V109272012.pdf](http://fsaintranet.sc.egov.usda.gov/fcad/Manuals/FMM_%20User_Guide_V109272012.pdf)**.

CLICK "Manuals" located on the left navigation bar.

**C Requesting FMMI Access**

Access to FMMI is obtained by the following steps.

Step	Action
1	Log-in to the FMMI portal and complete the self-certification.
2	<p>Using secure e-mail procedures, submit the following documents:</p> <p>* * *</p> <ul style="list-style-type: none"> <li>• self-certification that the online training guides have been reviewed</li> <li>• completed and signed FSA 13-A</li> <li>• completed and signed FSA-FM1, which is obtained from the contacts listed in subparagraph 161 C.</li> </ul> <p>The documents shall be submitted to either of the following:</p> <ul style="list-style-type: none"> <li>• Anne Steppe at <b><a href="mailto:anne.steppe@wdc.usda.gov">anne.steppe@wdc.usda.gov</a></b></li> <li>• Ann Smith at <b><a href="mailto:ann.smith@wdc.usda.gov">ann.smith@wdc.usda.gov</a></b>.</li> </ul>
3	Upon receipt of the required documents, the National Office will process a user access request through the FMMI portal.
4	NFC completes the user access request and notifies employee.

## Section 2 Farm Assessment

## 221 Overview

## A Objective

**[7 CFR 761.103(a)] The Agency, in collaboration with the applicant, will assess the farming operation to:**

- (1) Determine the applicant's financial condition, organizational structure, and management strengths and weaknesses;**
- (2) Identify and prioritize training and supervisory needs; and**
- (3) Develop a plan of supervision to assist the borrower in achieving financial viability and transitioning to private commercial credit or other sources of credit in the shortest time practicable, except for CL.**

An assessment:

- is an evaluation of the applicant's operation, developed jointly with the applicant
- is completed after an applicant, not currently indebted to FSA, has been determined eligible for a direct loan
- identifies weaknesses in the operation, prioritizes them from most to least critical, and determines their impact on the operation's needs and goals
- helps to identify operational goals, positive and negative trends in the applicant's management, earnings and capital positions, productivity, and physical assets
- builds a strategy in the areas of planning, counseling, loan controls, analysis, monitoring, borrower training, and other supervisory needs
- \*--identifies the strategy to ensure that a borrower graduates to commercial credit before term limits are met, as well as provides for farm transition and estate planning.--\*

The assessment process enables FSA to determine the kind and amount of financial and supervisory assistance needed by the applicant. In conducting assessments, authorized agency officials need to draw upon their knowledge, expertise, and judgment to arrive at conclusions on local economic conditions, production constraints and capabilities, the farm's historical performance, productive capabilities, adequacy of equipment and facilities, business goals, and project performance. Listening to the applicant's perceptions of the operation is critical to the assessment process.

## 221 Overview (Continued)

### A Objective (Continued)

All available resources shall be used when developing the plan to assist the borrower to address any operational weaknesses and achieve the borrower's goals, including:

- local farm management consultants
- the Extension Service
- educational institutions
- producer associations
- successful local farmers
- fellow FSA employees.

## 222 Elements of an Initial Assessment

### A Type of Farming Operation

**[7 CFR 761.103(b)] Except for ML, the initial assessment must evaluate, at a minimum, the:**

**(2) Type of farming operation.**

**[7 CFR 761.103(c)] For ML, the Agency will complete a narrative that will evaluate, at a minimum, the:**

**(1) Type of farming operation and adequacy of resources;**

**\*--For ML's made for FO purposes, the adequacy of resources must include an evaluation establishing the value of the real estate.--\***

## 222 Elements of an Initial Assessment (Continued)

**A Type of Farming Operation (Continued)****(4) The financial viability of the entire operation, including a marketing plan, and available production history, as applicable;**

The initial assessment must identify or describe the type of farming operation, including:

- the business focus of the operation, including major types of crops, livestock, or other output produced by the farm
- minor commodities being produced, such as fat steers from a dairy operation
- size of the operation, such as number of milking herd and herd average, number of acres being farmed, and projected yields
- market conditions, environmental concerns, and other external factors
- production contracts, capital leases, or other special contractual arrangements that affect the farming operation
- the effects of special circumstances, if any, related to the applicant's family and organization.

Production Levels. Evaluation of production levels, such as bushels per acre, percent calf crop, pounds of milk per animal, and pounds of grain, shall include a determination of:

- whether there is sufficient capacity to generate projected income
- if present levels of production will attain the goals set by the applicant.

If production is below area standards, the authorized agency official must discuss with the applicant why this is so and develop plans to improve production. Possible strategies for improvement may include feed analysis, soil testing, or investment in different equipment. If applicable, credit needs for additional investments should be discussed.

Reporting of yields may not be practical or applicable for some operations. For example, an operation producing vegetables on a plot of land, whose production is measured in rows, partial rows, or raised beds in greenhouses, would be better measured by the income for that production space. Also, a producer of eggplants and tomatoes who switches to bell peppers and salad greens for the current production cycle will not have available yields for this cycle and the yields for eggplant and tomato production will not be applicable to the projections for the current cycle. Additional guidance on developing projections for these types of operations is provided in subparagraph 242 A where the use of historical information is discussed.

**222 Elements of an Initial Assessment (Continued)****A Type of Farming Operation (Continued)**

Applicability and Appropriateness of Practices. The initial assessment must:

- evaluate existing farm practices, such as herd health and cropping practices, breeding and milking programs, and soil and feed testing
- determine applicability and appropriateness of practices based on what is typical for the area, cost effectiveness of the practice, type of operation, and demonstrated effectiveness.

If the authorized agency official does not know enough about a particular enterprise to make this evaluation, the authorized agency official must consult other resources, such as the Extension Service.



**222 Elements of an Initial Assessment (Continued)****A Type of Farming Operation (Continued)**

Timeliness of Operations. The initial assessment must evaluate the timeliness of the farm's operations. For example, the authorized agency official shall determine if each of the following operations, as applicable, is conducted in a timely manner and how this affects the performance of the operation:

- planting
- fertilizer and herbicide application
- harvesting
- calving
- marketing (weight and/or condition)
- breeding
- vaccination.

Appropriateness of Marketing Plan. The authorized agency official must assist the borrower in developing and evaluating a marketing plan. This plan must describe marketing practices and strategies, especially for any unique commodities the operation produces. The plan shall address whether marketing is accomplished so as to lock in a profit when possible or whether it is done speculatively as the accruing interest on operating loans may surpass a price increase obtained by holding back on the sale of commodities.

## 222 Elements of an Initial Assessment (Continued)

**B Goals for the Farming Operation**

**\*--[7 CFR 761.103(b)] Except for ML, the initial assessment must evaluate, at a minimum, the:**

**(3) Goals for the farming operation.**

**[7 CFR 761.103(c)] For ML, the Agency will complete a narrative that will evaluate, at a minimum, the:**

**(3) The goals of the operation;--\***

Setting goals is essential for the success of any farming operation. The applicant's goals provide the direction for the applicant's business. FSA uses the applicant's goals to help identify the need for financial and supervisory assistance. The authorized agency official must learn the personal and business aspirations of the farm family and work with the applicant to prioritize goals from most to least important. In many situations, the authorized agency official must have in-depth discussions with the applicant to identify these business aspirations.

The authorized agency official shall work with the applicant to incorporate short-, intermediate-, and long-term goals into the comprehensive farm business planning process. For example, the farm operating plan, supervisory plan, and training plan must facilitate achieving these goals. A farm operation might set goals for reducing expenses or for increasing yields and production level. Corrective measures and goals should be divided into stages for implementation over several years, when appropriate.

If the farm operation is an entity, the authorized agency official must meet with all the principals to ensure that the organization's goals are compatible with those of each principal.

The authorized agency official must also:

- identify and evaluate any changes the applicant intends to make, such as expansion of farmland, new buildings, and new management techniques
- identify increased credit needs, increased management skills, growth opportunities, and operating efficiency required to accomplish the planned changes
- determine how planned changes relate to the applicant's business goals.

## 222 Elements of an Initial Assessment (Continued)

**J Graduation Plan**

**[7 CFR 761.103(b)] Except for ML, the initial assessment must evaluate, at a minimum, the:**

**(10) Graduation plan, except for CL.**

FLP's, except for CL, are designed to allow borrowers to transition to private commercial credit or other sources of credit in the shortest period of time practicable through the use of supervised credit, including the farm assessment and:

- borrower training, 3-FLP, Part 18
- market placement, 2-FLP, paragraph 72
- borrower graduation, 4-FLP, Part 4.

The authorized agency official must document the borrower's status about graduation and the consideration given each item in this subparagraph. The borrower's progress toward graduation should be noted with any recommendations for further action to achieve graduation.

**\*--K Farm Transition and Estate Planning**

Farm transition and estate planning involves many personal, and often complex, decisions and should be developed in conjunction with a will and the assistance of attorneys and accountants, as needed, who have knowledge and expertise in agricultural operations.

The authorized agency official will counsel applicants on the importance of establishing a farm transition and estate plan. Applicants should consider the vision, values, and expectations for the future of their farming operation. Identifying successors who will operate the farm, non-farm heirs, and others involved parties, location of important documents, distribution of assets, and resolution of liabilities are important considerations. In addition, a plan to transfer management, ownership, income and labor as part of retirement should be addressed.

The initial assessment may address the actions an applicant will take to develop the farm transition and estate plan. The assessment update documents that plans have been developed and are updated, as needed.

**Note:** The assessment will not address the actual contents nor include the actual documents of the farm transition and estate plans.--\*

**222 Elements of an Initial Assessment (Continued)****L Term Limits**

Term limits are part of the assessment and are recorded in FBP. The authorized agency official will complete the Term Limits Screen within the Farm Assessment Narrative each time the assessment is completed or updated.

\*--A more detailed reference with examples for term limits can be found in 3-FLP, subparagraphs 132 E and 202 D.--\*

**Notes:** Term limits for current borrowers are provided in the Customer Profile.

By signing the assessment report, applicants and borrowers indicate receipt and acknowledgement of the term limits.

## 223 Annual Review and Assessment Update

### A Objective of Annual Review

**[7 CFR 761.103(e)] The Agency reviews the assessment to determine a borrower's progress at least annually. The review will be in the form of an office visit, field visit, letter, phone conversation, or year-end analysis, as determined by the Agency. For Streamlined CLs, the borrower must provide a current balance sheet and income tax records. Any negative trends noted between the previous years' and the current years' information must be evaluated and addressed in the assessment of the Streamlined CL borrower.**

**[7 CFR 761.103(f)] If a CL borrower becomes financially distressed, delinquent, or receives any servicing options available under part 766 of this chapter (5-FLP), all elements of the assessment in paragraph (b) of this section (paragraph 222) must be addressed.**

In times of LR's the authorized agency official may prioritize the completion of the assessment according to current agency directives.

The annual review:

- monitors the borrower's progress towards the operation's goals
- evaluates supervisory assistance provided to assist borrower graduation to commercial credit.

### B Scope of Annual Review

The annual review must address any significant changes to the borrower's farming operation, expenses, or financial condition that have occurred since the most recent assessment update or annual review. The authorized agency official shall pay particular attention to the following:

- changes in operations or goals
- status of progress toward goals
- need for changes in plan of supervision
- need for additional borrower training
- \*--term limits
- real estate evaluation, if a new FO ML is requested
- remind borrower to review farm transition and estate planning documents.

**Note:** The assessment update will not address the actual contents nor include the actual documents of the farm transition and estate planning.--\*

**223 Annual Review and Assessment Update (Continued)****C Assessment Updates**

**[7 CFR 761.103(d)] An assessment update must be prepared for each subsequent loan. The update must include a farm operating plan and any other items discussed in paragraph (b) of this section (subparagraphs 222 B through F and I through J) that have significantly changed since the initial assessment.**

This assessment update serves as a gauge for measuring the borrower's progress and the effectiveness of FSA assistance.

**D Documentation**

If significant changes have occurred, the authorized agency official must document the nature of each change and the reason for the change.

The documentation must address only new or changed information. Documentation in FBP must be adequate to record the type of supervision given, the findings of the review, and any items requiring follow-up.

**224-240 (Reserved)**

## Farm Business Plan - FSA User Guide (Continued)

### A Overview (Continued)

#### 2 System Access and Security (Continued)

##### a User Access to the FBP System (Continued)

- FLC or FBP Coordinator will:
  - ensure that a completed/signed FSA-13-A has been received before FBP user access request is processed
  - process FSA-13-A according to FBP - State FBP Coordinator User Guide, Section C1 or C2
  - after the request has been processed, complete, sign, and date the “ASA / Application Approver Name & Title” line located beneath the “Justification”

ASA / Application Approver Name & Title: 	For Application(s): 	Signature: 	Date: 
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**Figure 0, FLC or FBP Coordinator Signature--\***

- send the processed FSA-13-A to the SLR, with a request that the form be e-mailed or FAXed to ISO at 877-828-2051
- notify the immediate supervisor and employee when FSA-13-A has been processed
- monitor emails received from ISO when an employee has left FSA. If FSA-13-A has not already been received, then notify the employee’s supervisor that FSA-13-A needs to be completed

**Note:** The ERSR online system cannot be used for FBP access requests.

- ISO will send a confirmation email when FSA-13-A is received.

#### FSA National Office and Other Employees

FSA-13-A’s for National Office, KCMO, contractors, and other employees will be completed by the immediate supervisor and submitted to Pixie Greer, FBP Program Sponsor by e-mail \*--to [pixie.greer@wdc.usda.gov](mailto:pixie.greer@wdc.usda.gov) or by FAX to 202-690-3573.--\*

## **Farm Business Plan - FSA User Guide (Continued)**

### **A Overview (Continued)**

#### **2 System Access and Security (Continued)**

##### **b Exiting the FBP System**

FSA users **must** always exit FBP by clicking “**Log Out**” at the top of the page.

##### **c Customers Obtaining Access to the FBP System**

Customer access to FBP is **not** currently available.

#### **3 Privacy of Information**

All data communications between the client web browser and server, including user ID's, passwords, and all financial information, is protected by industry standard 128-bit SSL encryption. For more information on eSignatures, see **Electronic File Maintenance, Reports, and Signatures** (Section B).



## Farm Business Plan - FSA User Guide (Continued)

### C General Information (Continued)

#### 4 Lender Information (Continued)

##### b Location/Department

The “Location/Department” on the General Information Screen is the Service Center where the customer currently receives FLP services.

- When a new customer is added, the “Location/Department” defaults to the Service Center location of the user adding the customer. If the location is **not** correct, it should be changed. CLICK “**Location/Department**” link and select the correct Service Center from the drop-down menu.
- “Restricted” location, visible only to administrative users, is reserved for employee relationship and sensitive accounts. After an account has its location designated as “Restricted”, only FLC, FBP Coordinator, and employees specifically designated by the FBP Coordinator as the customer’s “Lender Staff” can access the account.

##### c Special Handling of Employee Relationship Records

Any existing or new customer defined according to 3-PM, paragraph 141, as an FSA employee, or related to or closely associated with an FSA employee, will have their location/department designated as “Restricted”.

**For new customers**, the Service Center **must** immediately notify the FBP Coordinator after receiving an application and provide the applicant’s tax ID. Unless otherwise determined by FLC, the FBP Coordinator will:

- create the customer record
- designate the customer’s “Location/Department” as “Restricted”
- add the necessary FLP employees to the customer’s lender staff
- notify the designated Service Center when the record is created and restricted.

**For existing customers**, the FBP Coordinator will place FSA employee or employee relationship records into the restricted area. In addition, the lender staff designated by SED or DD to service this record will be associated by the FBP Coordinator as the customers’ “Lender Staff”.

## Farm Business Plan - FSA User Guide (Continued)

### C General Information (Continued)

#### 5 Farm Assessment Information

Initial farm assessments and updates must always be entered on the General Information Screen. Farm assessments do **not** document loan feasibility. The farm assessment is intended to summarize and describe the operational business, resources, and assets of the business. It should not duplicate those areas addressed in the Credit presentation.

Provide information and make changes in each element of the assessment using the WordPads, text boxes, check boxes, radio buttons and drop down-menu to select the appropriate date below each topic, as needed. Text font size should not exceed 10 pt, to ensure that the assessment will print correctly.

The Term Limits Screen will be completed each time an assessment is completed or updated.

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<p>Term Limits - Under current laws and regulations, there is a limit to the number of years that a FSA borrower is eligible to receive FSA direct loans. You may receive a direct Farm Ownership (FO) loan if you have not had a direct FO outstanding for more than 10 calendar years. You may receive a direct Operating loan (OL) if you have received a direct OL in no more than 7 calendar years, or as long as you are a Beginning Farmer (you have not operated a farm for more than 10 years).</p>	
<p>Our records indicate that you:</p>	
1.	<input type="checkbox"/> Are receiving your first FO and have 10 years of total FO eligibility as it solely relates to term limits.
2.	<input type="checkbox"/> Have received FOs for: Number of years outstanding: <input type="text"/> Number of years remaining: <input type="text"/>
3.	<input type="checkbox"/> Have no remaining eligible years due to FO term limits.
4.	<input type="checkbox"/> Are a Beginning Farmer and have received OLs (including this one) for: Number of years received as a Beginning Farmer: <input type="text"/> Number of years remaining as a Beginning Farmer: <input type="text"/>
5.	<input type="checkbox"/> Are receiving your first OL and have 6 additional years in which you may close an OL. (The years may be non-consecutive and you may close more than one OL in each year).
6.	<input type="checkbox"/> Have received OLs for: Number of years received: <input type="text"/> Number of years remaining: <input type="text"/>
<p>FSA may grant you a 1-time waiver of the direct OL limitation for 2 years on a case-by-case basis if certain conditions are met.</p>	
7.	<input type="checkbox"/> Have no remaining eligible years due to OL term limits.
8.	<input type="checkbox"/> Are receiving a loan not subject to term limits (CL; ML to Beginning or Veteran Farmer; YL; or farming land subject to tribal jurisdiction).

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#### a New Customers

See 1-FLP, paragraph 222 for instructions on the documentation required for an initial assessment.

#### b Assessment Review and Updates

See 1-FLP, paragraph 223 for instructions on the documentation required for updates to the assessment.

**Note:** Farm assessments, if completed or updated, will be printed, signed, and dated by the customer to acknowledge participating in completing the document.