

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 244

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 28 A has been amended to clarify:

- that referenced subparagraphs 28 E and 28 F are both from Part 2.
- that the FLC, the reviewee, and the reviewee's supervisor are to coordinate availability of loan dockets as necessary to meet CQR standards
- clarify approval officials who may be subject to revocation of loan approval authority and placement on a DO.

Subparagraph 28 C has been amended to remove the reference to completion of FSA-2103 within the Microsoft Teams Channel.

Subparagraph 28 E has been amended to clarify FLS who may be subject to revocation of loan approval authority and placement on a DO.

Subparagraph 28 F has been amended to clarify FLC or DD who may be subject to revocation of loan approval authority and placement on a DO.

Subparagraph 28 G has been amended to include that reinstatement of approval authority may be subject to the requirements of any applicable DO.

Page Control Chart		
TC	Text	Exhibits
	2-12.5, 2-12.6 2-13, 2-14 2-14.5 through 2-14.8	

27 Maintaining Approval Authority (Continued)**B Hires With Prior Loan Approval Authority (Continued)**

Employees who have not held loan approval authority within the last year immediately before the selection to the new position must submit and pass independently prepared Loan dockets for credit quality review as described in subparagraph 25 A.

Note: The loan approval authority of employees who move to a position that does not require loan approval authority is automatically revoked. A new delegation will be required if the employee is selected for a position requiring loan approval authority. The employee must submit the independently prepared loan dockets as provided in subparagraph 25 A.

C Maintaining Loan and Servicing Approval Authority

After approval authorities are granted, SED's and FLC's will monitor employees to ensure loan making and servicing actions meet credit quality standards. Loan approval officials must exercise loan making and/or servicing authority annually to satisfy nationwide credit quality standards established in paragraph 28.

D CED's Maintaining Responsibility for FLP Activities

SED, in conjunction with FLC, must determine whether circumstances warranting the granting of loan approval to CED continue to exist according to subparagraph 25 D. If the circumstances warranting the granting of loan approval authority no longer exist, CED should be advised their loan approval authority will be suspended. Suspension of loan approval authority based on these circumstances will not be considered as a performance issue.

CED's, with only loan servicing responsibilities, will be required at a minimum to service 10 case files according to their servicing authorities each year.

To meet the minimum number of files required each year, CED may be required to process cases outside of their immediate County Office area.

Note: Actions that may be counted include, but are not limited to the following:

- PLS
- disaster set-aside
- subordinations
- partial releases.

DD will be responsible for tracking the number of case files on which CED completed loan servicing actions.

27 Maintaining Approval Authority (Continued)

E Failure to Maintain Loan Approval Authority

Follow appropriate PM directives for guidance if an employee, whose position description requires the employee to maintain loan approval authority, does not successfully meet the criteria in subparagraphs C and D.

28 Credit Quality Standards

A Credit Quality Review Requirements

Credit quality reviews are designed to thoroughly assess a loan docket on a broad range of items, including underwriting proficiency and adherence to certain programmatic and administrative requirements. To demonstrate continued proficiency, approval officials other than FLS's, FLC's, and DD's are annually required to satisfy credit quality standards on 3 docket reviews using FSA-2103. No more than 4 loan dockets may be submitted to satisfy this requirement. The number and occurrence of FLS's reviews (to be completed by the FLC or designee) are addressed in subparagraph 28 E, while the number and occurrence of FLC's and DD's reviews (to be completed by the DAFLP or designee) are addressed in subparagraph 28 F.

SED, with DAFO and DAFLP concurrence, may grant an exception to the requirement for a loan approval official to meet the annual credit quality standards. Examples of circumstances potentially warranting an exception may include extended unavailability of the employee because of illness or detail to an alternative job responsibility.

***--Note:** As necessary, FLC's, loan approval officials, and their supervisors must coordinate the opportunity for loan approval officials to prepare and/or approve loan dockets from outside the loan approval officials' routine service area for the employee to meet the number of required credit quality reviews. Therefore, the availability of credit actions by loan approval officials will typically not be an accepted basis for an exception to credit quality standards.

An approval official, other than FLS, FLC, and DD, who does not satisfy the minimum credit quality standards stated in this subparagraph or (if applicable) the minimum credit quality standards stated in subparagraph 28 B annually does not satisfy the requirements to--* maintain loan approval authority. Further action, including revocation of loan approval authority and placement on a DO, will be completed by the appropriate supervisory and human resource staff, in consultation with FLC to determine employee training needs. (22-PM, paragraph 432, refers to using an OTI to address performance issues. According to DR 4040-430, an OTI is now referred to as a DO.)

28 Credit Quality Standards (Continued)

C Credit Quality Review Procedures (Continued)

FLC's are responsible for identifying review officials who will complete credit quality reviews of all employees with delegated loan approval authority other than FLC's and DD's. Formal credit quality reviews will typically be completed by State Office employees with delegated loan approval authority. However, at the discretion of FLC, FLM's who met credit quality review standards in the previous FY and have not failed a credit quality review in the previous or current FY may also be eligible to complete formal credit quality reviews of FLO's not supervised by FLM. FLC's are encouraged to involve trainees and other loan staff to observe the review process for training and employee development purposes when appropriate.

FSA-2103 will be used to complete credit quality reviews. The completed FSA-2103 must be physically stored in State operational files. States are encouraged to also retain completed FSA-2103 digitally. The credit quality review must be discussed with the employee and their supervisor.

Notes: The completed FSA2103 will not be placed in the borrower case file.

Results of State developed supplemental review forms must not be used to determine an approval official's receipt or maintenance of approval authorities.

--The reviewer will perform a credit quality review for any of the 3 types of reviews:--

(1) Review of Loan Processor – This review type is applicable when the reviewee processed and approved the loan action, or processed an action approved by another employee. The reviewer will answer questions 2 A through 2 N based on a file review. A loan docket satisfies credit quality standards if 160 points or more are awarded with no critical questions being scored “Low”. The reviewer will enter the credit quality review result as one of the following:

- Passed
- Failed on Points
- Failed on Critical
- Failed on Critical and Points.

(2) Review of Approval-Only Official - This review type is applicable when the loan action was processed by another employee and approved by the reviewee. Those credit quality review questions 2 A through 2 N which the approval official had resources available at the time of approval to correctly evaluate will be scored according to FSA-2103 instructions.

28 Credit Quality Standards (Continued)

C Credit Quality Review Procedures (Continued)

Many States authorize loan approval to be completed remotely, without the benefit of the entire docket on hand. If approval was based solely on a review of automated FBP *--documentations, any question which FSA-2103 instructions provide should be answered “Medium” or “Low”, and which the response of “Medium” or “Low” would only be reasonably determined based on a review of the physical file or other applicable documents, will be scored “High” and the circumstances documented in the Summary--* of Deficiencies.

(3) Review of Docket Reviewer - This review type is to be used when a credit quality review is being completed to evaluate a previous credit quality review by the reviewee. The reviewer completing the Review of Docket Reviewer will complete a credit quality review of the loan action, answering FSA-2103 questions 2 A through 2 N according to FSA-2103 instructions. Assessment Results will be entered as:

- Pass – if the total points in the initial credit quality review and the Review of Reviewer credit quality review are within 25 points and any critical answer of “Low” is answered the same on both credit quality reviews
- Failed on Points – if the total point difference between the two credit quality reviews is greater than 25
- Failed on Critical – if any critical answer of “Low” is answered differently between the two credit quality reviews
- Failed on Critical and Points - if the total point difference is greater than 25 and any critical answer of “Low” is answered differently between the two credit quality reviews.

The reviewee’s initial credit quality review should be attached to the Review of Docket Reviewer credit quality review when placed in the operational file.

Note: Except for a FLS, FLC, or DD; Review of Loan Processor and Review of Approval-Only Official are applicable reviews to be conducted per subparagraph 28 A. Review of Loan Processor and Review of Docket Reviewer credit quality reviews are appropriate to subparagraph 25 A.

28 Credit Quality Standards (Continued)

C Credit Quality Review Procedures (Continued)

With the exception of Review of Approval-Only Official reviews when approval was based primarily on FBP, it is recommended that the reviewer have the complete physical file available at the time of the review. If this is not feasible, the reviewer will identify each item needed from the physical file necessary to accurately answer questions 2A through 2N on FSA-2103 and request that the reviewee provide each of the necessary documents electronically. In the case of a Review of Approval-Only Official reviews when approval was based primarily on FBP, the reviewer will typically need only information within FBP for the review.

Results of annual credit quality reviews will be captured * * * and reports will be available to State and National Offices.

D Service Center Reviews

Annually for each service center, the FLC or designee will review at least:

- 2 direct loan restructured accounts, if available
- 2 approved guarantee loan requests from CLP or PLP lenders, if available
- 2 direct loan denials, if available.

The purpose of these reviews conducted in accordance with this subparagraph is to ensure continued proper processing of these requests and to identify potential training needs. Therefore, the scores and results of these reviews will not typically affect an employee's approval authorities. However, at the discretion of FLC, restructured account reviews may be used to satisfy an approval official's annual credit quality review requirements.

Note: FSA-2103 is designed to be used solely for the purpose of evaluating approved requests. Accordingly, loan denial reviews are not required to be evaluated using FSA-2103. While a formal review template is not available, reviews should focus on determining if a proper and timely loan denial decision was made and communicated effectively with the applicant and/or lender.

By October 31 of each year, each FLC will submit a Service Center Review Report of the prior fiscal year to the Director of LMD. This report will detail service center reviews completed during that fiscal year, including:

- number of service centers with completed reviews and a brief explanation of the reasons/circumstances regarding any service center(s) without a complete review during the fiscal year

28 Credit Quality Standards (Continued)

D Service Center Reviews (Continued)

- summary of each re-occurring issue (concerns noted in 2 or more dockets reviewed within the State) including FLC's intended steps to address each of the reoccurring issues
- FLC recommendations for National Office action (such as clarification/revision of Handbook or national training) regarding repetitive findings from 2 or more dockets.

E FLS Credit Quality Review Requirements

To demonstrate continued proficiency, FLS's who hold FLP loan approval authority as of October 1 of the current fiscal year are annually required to satisfy credit quality standards on 2 loan docket reviews using FSA-2103. No more than 3 dockets may be submitted to satisfy this requirement. FLS reviews will be completed by FLC or their designee. A docket satisfies FLS credit quality standards if 160 points or more are awarded with no critical questions being scored "Low" on FSA-2103. FLS will not satisfy the requirements to maintain approval authorities if * * * minimum credit quality standards are not met * * * annually. Further action, including revocation of approval authority and placement on a DO, will be completed by the appropriate supervisory and human resource staff, in consultation with FLC, to determine employee development needs. (22-PM, paragraph 432, refers to using an OTI to address performance issues. According to DR 4040-430, an OTI is now referred to as a DO.)

Docket complexity standards are outlined in subparagraph 28 A, and dockets selected by FLC for review may include those where FLS acted as the approval official only and did not prepare the docket independently. In these instances, many States authorize the approval review to be done remotely, without the benefit of the entire docket on hand. Accordingly, any question scored "Medium" or "Low" solely for reasons that were either outside the control of FLS, or that could not reasonably be evident to FLS at the time of the approval review, will not negatively impact the credit quality review of FLS. In those instances, the review official will note on FSA-2103 that the sole reason(s) for a "Medium" or "Low" question score was outside FLS control and answer the question as "High".

In instances when FLS has not processed or approved an adequate number of loan requests to satisfy the requirements in subparagraph 28 D, FLS may substitute 1 or more of the docket requirements with independently completed credit quality file reviews that were completed by FLS using FSA-2103. FLC will complete their own review of the subject docket. The review will be scored according to subparagraph 28 C, Review of Docket Reviewer.

28 Credit Quality Standards (Continued)

F FLC and DD Credit Quality Review Requirements

To demonstrate continued proficiency, the National Office will routinely conduct credit quality reviews for FLC's and DD's who hold FLP loan approval authority as of October 1 of the fiscal year in which the review is conducted. When a review is scheduled during a fiscal year, FLC's and DD's are required to satisfy credit quality standards on 2 loan docket reviews using FSA-2103. No more than 3 dockets may be submitted to satisfy this requirement. A docket satisfies credit quality standards for FLC or DD if 160 points or more are awarded with no critical questions scored "Low" on FSA-2103. FLC or DD will not satisfy the requirements to maintain approval authorities if minimum credit quality standards are not met * * * within any fiscal year reviewed. Further action, including revocation of approval authority and placement on a DO, will be completed by the appropriate supervisory and human resource staff, in consultation with the National Office, to determine employee development needs. (22-PM, paragraph 432, refers to using an OTI to address performance issues. According to DR 4040-430, an OTI is now referred to as a DO.)

Docket complexity standards are outlined in subparagraph 28 A, and dockets selected for review by the National Office may include those where FLC or DD acted as the approval official only and did not prepare the docket independently. In these instances, many States authorize the approval review to be done remotely, without the benefit of the entire docket on hand. Accordingly, any question scored "Medium" or "Low" solely for reasons that were either outside the control of DD or FLC, or that could not reasonably be evident to DD or FLC at the time of the approval review, will not negatively impact the credit quality review of FLC or DD. In those instances, the review official will note on FSA-2103 that the sole reason(s) for a "Medium" or "Low" question score was outside the control of FLC or DD, and will answer the question as "High".

In instances when FLC or DD has not processed or approved an adequate number of loan requests to satisfy the requirements in subparagraph 28 D, the National Office may substitute 1 or more of the docket requirements with independently completed credit quality file reviews completed by FLC or DD using FSA-2103. The National Office will complete its own review of the subject docket. The review will be scored according to subparagraph 28 C.

FLC and DD credit quality reviews will be conducted by National Office staff. States will be selected by DAFLP annually for FLC and DD reviews. Selection criteria to be considered by DAFLP may include the FLPR data and the FLPR review schedule.

G Reinstatement of Approval Authority

Employees whose approval authority has been revoked as a result of a failure to maintain *--credit quality standards may have authority reinstated if they meet the requirements of any applicable DO, complete all required additional assigned training, and satisfy credit--* quality review standards described in this paragraph on 3 consecutive dockets.

28 Credit Quality Standards (Continued)

H Continuing Education Requirements

Employees who deliver FLP are strongly encouraged to complete at least one continuing education training activity each year. The training activity may include completing FSA-developed courses available in AgLearn, participating in National Office FLP hot topics training, or any other available courses in financial analysis and production management, such as:

- Extension Service webinars and workshops
- non-FSA developed AgLearn courses
- ABA or Farm Credit sponsored workshops and seminars
- local community college workshops.

* * *

--FSA-developed courses in AgLearn can be found using the Dashboard search section and searching for “DAFLP” or “Farm Loan”.--

Note: The FLP Training SharePoint site at https://usdagcc.sharepoint.com/sites/fsa-oa/field-office/Farm_Loan_Programs_Training includes a Continuing Education section where courses may be found. New training courses will be posted as they become available.