

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 290

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

This handbook has been updated throughout to remove reference to the POAD, Appraisals Branch SharePoint site.

Subparagraph 25 A has been amended to clarify when denied loan requests or files approved through AFT can be used to meet docket requirements for obtaining loan approval authority.

Paragraph 28 has been amended to:

- update the Credit Quality Review Requirements
- eliminate the Service Center Review requirement.

Subparagraph 41 H has been amended to:

- remove the requirement for LSPMD to maintain a file on accepted discrimination complaints
- remove the requirement for LSPMD to notify State Offices when a discrimination complaint is accepted or closed
- require State Offices to maintain a file on accepted discrimination complaints.

Subparagraph 45 N has been amended to reflect a CFR change that made socially disadvantaged applicants ineligible for certain funding transfers.

Subparagraph 141 C has been amended to include loan underwriting administrative appraisal reviews.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 141 F has been amended to:

- clarify property and appraiser licenses
- remove requirement for a State supplement
- add requirement for identification of PII or confidential information for release for appraisal assignments.

Subparagraph 141 H has been amended to clarify the use of Third-Party Appraisals.

Subparagraph 141 J has been amended to:

- update NATS vendor maintenance responsibilities
- clarify when an appraisal may be ordered
- remove a state supplement requirement.

Subparagraph 142 A has been amended to add additional information for personal property appraisals not completed on FSA-2160.

Subparagraph 142 B has been amended to clarify appraisal report expectations.

Subparagraph 142 E has been amended to clarify details about real estate appraisal software.

Subparagraph 143 A has been amended to add FSA-2165A for the administrative appraisal review.

Subparagraph 143 B has been amended to clarify the administrative appraisal review.

Subparagraph 143 C has been amended to describe the new administrative appraisal review process.

Subparagraph 143 D has been amended to update communications for issues revealed during a technical appraisal review and to adjust required third-party technical appraisal reviews.

Subparagraph 143 E has been amended to update timeframes for post decision vendor completed technical appraisal reviews.

Subparagraph 143 I has been amended to clarify ACOR completion.

Subparagraph 145 C has been amended to clarify license types and use for POAD, Appraisals Branch appraisers.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 147 C has been amended to update the POAD, Appraisals Branch training plan.

Subparagraph 147 D has been removed.

Subparagraph 162 C has been amended to update contact information for additional ARMP delegation requests.

Subparagraphs 221 A has been amended to:

- clarify that the farm assessment is a process rather than a single document
- remove and consolidate administrative text.

Paragraph 222 has been amended to:

- update the farm assessment process and requirements
- clarify each required aspect of the farm assessment.

Subparagraph 241 C has been amended to include timely completion of farm operations and feasibility evaluation when developing the farm operating plan.

Subparagraph 242 A has been amended to:

- eliminate the requirement to complete the FLP Amortization Tool
- clarify how several aspects of the farm assessment are addressed as part of the farm operating plan.

Paragraph 251 has been amended to add a reference to 4-FLP, Part 2 when classifying accounts.

Paragraphs 445 through 447 have been added for DD management oversight.

Exhibit 7 has been amended to add a paragraph reference.

Exhibit 19 has been amended to remove Module 10.

Exhibit 70 has been withdrawn to eliminate the instructions for FLP Amortization Tool.

B Obsolete Material

This handbook obsoletes Notice FLP-950.

Amendment Transmittal (Continued)

Page Control Chart		
TC	Text	Exhibit
1-6	2-7 through 2-10 2-10.5, 2-10.6 2-10.7, 2-10.8 (add) 2-12.5 through 2-12.8 2-13, 2-14 2-14.5 through 2-14.10 3-5, 3-6 3-19, 3-20 6-1 through 6-22 6-22.7, 6-22.8 6-27 through 6-30 6-33, 6-34 7-5, 7-6 8-41, 8-42 8-42.5, 8-42.6 (remove) 8-43 through 8-50 8-50.5, 8-50.6 (remove) 8-51 through 8-84 8-85 through 8-88 8-88.5 through 8-88.8 8-89 through 8-102 9-79 through 9-83 (add)	1, pages 3-6 7, pages 1-2 19, page 1 70, pages 1-5 (remove)

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24 Delegating Appraisal Authority

A General Requirements

Only SED's may delegate appraisal authority according to Exhibit 7, subparagraph A. SED's may delegate appraisal authority to FSA employees who have completed the required training and have the necessary experience.

B Chattel Appraisals

SED may delegate chattel appraisal authority to employees who have completed the training requirements in subparagraph 145 A.

C Administrative Appraisal Reviews

SED may delegate authority to complete administrative appraisal reviews to employees who have completed the training requirements in subparagraph 143 B.

25 Delegating Loan Approval Authority

A Receiving Approval Authority

Loan approval authority must be obtained by:

- employees hired as FLO's
- employees who have not been previously delegated loan approval authority and are selected for a FLC, DD, or FLS position
- CED's designated to obtain loan approval authority according to subparagraph C.

To obtain loan approval authority, employees must successfully:

- complete Phase 1 of the FLOT program according to 6-PM, Part 13

Notes: All employees required to obtain loan approval authority, except GS-11 FLO's or GS-12 FLM's hired under Direct Hiring Authority (DHA) as defined in Exhibit 2, have 1 calendar year to complete Phase 1, which includes:

- orientation training
- required training and testing, as stated in 6-PM, subparagraph 198 A
- additional trainings required in 6-PM, subparagraph 194.5 A
- hands-on loan docket preparation training.

DHA-hired FLO or FLM employees have 6 months from the hiring date to complete Phase 1.

Phase 2 will not begin until Phase 1 training and testing requirements have been met.

- complete Phase 2 of the FLOT program as follows:
 - FLO's, FLOT's, and CED's will:
 - *--meet credit quality standards in subparagraph 28 D on a minimum of 5 but not--* more than 7 independently prepared loan dockets, of which at least 2 must be term loans

25 Delegating Loan Approval Authority (Continued)

A Receiving Approval Authority (Continued)

- at the discretion of FLC, be required during Phase 2 to submit additional loan dockets meeting credit quality standards, until the trainee demonstrates the ability to make sound credit decisions

Notes: Loan docket reviews cannot be used to obtain loan approval authority.

FLC will establish the number of additional loan dockets required.

- be placed on a DO if the trainee's 3 of the maximum of 7 independently prepared loan dockets fail to meet credit quality standards

Note: If the trainee is placed on a DO because of failure to meet credit quality standards on the required independently prepared loan dockets, this action must be documented in the comments section of FLOTRACK.

- after successful completion of the DO, submit a new set of loan dockets that meet credit quality standards

Notes: If the trainee's 3 of the maximum of 7 independently prepared loan dockets again fail to meet credit quality standards, follow 6-PM, subparagraph 198 D to determine the next action.

Loan docket reviews cannot be used to obtain loan approval authority.

- have 1 calendar year to complete Phase 2 and be delegated loan approval authority
- DHA, FLO, or FLM employees will:
 - *--meet credit quality standards in subparagraph 28 D on a minimum of 5 but not--* more than 7 independently prepared loan dockets, of which at least 2 must be term loans
 - be placed on a DO if the direct hire's 3 of the maximum of 7 independently prepared loan dockets fail to meet credit quality standards

25 Delegating Loan Approval Authority (Continued)

A Receiving Approval Authority (Continued)

Notes: Loan docket reviews cannot be used to obtain loan approval authority.

If the DHA, FLO, or FLM employee is placed on a DO because of failure to meet credit quality standards on the required independently prepared loan dockets, this action must be documented in the comments section of FLOTRACK.

- after successful completion of the DO, submit a new set of loan dockets that meet credit quality standards

Notes: If 3 of the maximum of 7 independently prepared loan dockets again fail to meet credit quality standards, follow 6-PM, subparagraph 198 D to determine the next action.

Loan docket reviews cannot be used to obtain loan approval authority.

- have 6 months to complete Phase 2 and be delegated loan approval authority
- FLC's, DD's, and FLS's will:
 - meet credit quality standards on a minimum of 3 independently prepared loan dockets, of which at least 1 must be a term loan

Notes: Not more than 4 loan dockets may be submitted to meet this requirement.

File reviews, as outlined in the following bullet, are in addition to this requirement. Accordingly, there are no substitution options for this requirement to complete and pass independently prepared loan dockets.

- submit a minimum of 4 acceptable loan docket reviews

Notes: Not more than 6 loan docket reviews may be submitted to meet this requirement.

When recording trainee loan docket reviews in FLOTRACK Docket information, choose "Docket Type":

- File Review - Direct Loan
- File Review - Guaranteed Loan (SEL)
- File Review: PLS.

25 Delegating Loan Approval Authority (Continued)

A Receiving Approval Authority (Continued)

- be placed on a DO if the trainee's:
 - 2 of 4 independently prepared loan dockets fail to meet credit quality standards
 - 3 of 6 loan docket reviews are not acceptable

Note: If trainee is placed on a DO due to failure to meet credit quality standards on the independently prepared loan dockets or loan docket reviews, this action must be documented in the “Comments” section of FLOTRACK.

- after successful completion of the DO, submit a new set of loan dockets and loan docket reviews that meet credit quality standards

Note: If the trainee's 2 of the maximum of 4 independently prepared loan dockets again fail to meet credit quality standards, or 3 of the maximum of 6 loan dockets are not acceptable, follow 6-PM, subparagraph 198 D to determine next action.

- have 6 months to complete Phase 2 and be delegated loan approval authority.

The Loan dockets submitted for State Office review and approval must be sufficiently complex to reflect the ability to make sound credit decisions and analyze an applicant's operation. The loan dockets submitted must include **all** of the following types of loans:

- direct loans

***--Note:** No more than **2** of any combination of Microloans, streamlined loans, AFT, or denied requests when denial is based on feasibility, may be submitted. Youth loans may not be submitted.--*

- SEL guaranteed loans only, excluding EZ guarantee requests
- PLS applications.

Notes: In cases where SEL and/or PLS applications are **not** available, FLC may
--substitute direct loans to meet this requirement, excluding youth loans.--

When substituting a direct loan for SEL and/or PLS, note “File Substitution for SEL or PLS” in the “Comments” section in FLOTrack.

Loan dockets submitted for review may include credit actions recommended for approval.

25 Delegating Loan Approval Authority (Continued)

B Failure to Receive Loan Approval Authority

Follow 6-PM, subparagraph 198 D if an employee whose position description requires the employee to obtain loan approval authority, or CED designated to obtain loan approval authority, does not successfully meet the criteria in subparagraph A.

C CED Loan Approval Authority

SED's, in consultation with FLC and the appropriate DD, may designate CED's to obtain loan approval authority if CED:

- agrees to maintain competency with ongoing FLP activity
- while completing the FLOT program and working toward obtaining loan approval authority, agrees to have added to the performance plan under Program Management, Execution of Duties, or similar element the following standard, "Successfully completes assigned training and training activities within established timeframes"
- is able to perform the duties according to 27-PM, Exhibit 4.4

Note: 27-PM, Exhibit 4.4 will be attached to the CED's position description when loan approval authority has been delegated.

- completes the formal FLOT program
- meets the requirements established in subparagraph A.

CED's, who held FLP loan approval authority **within** the previous 12 months immediately before the SED designation, may submit a statement requesting waiver of additional training. SED, in consultation with FLC and DD, shall determine any training required before CED is delegated loan approval authority.

CED's, who held FLP loan approval authority but **not** within the previous 12 months immediately before the SED designation, must submit the number of independently prepared files required under subparagraph A. SED, in consultation with FLC and DD, shall evaluate the CED's knowledge of **current** FLP loan requirements, financial analysis, and FBP to determine required training before CED is delegated loan approval authority.

25 Delegating Loan Approval Authority (Continued)**D Circumstances for Designating CED's**

SED's, in conjunction with FLC, should identify areas of their State that could justify and benefit from CED having loan approval and servicing authority.

The office or area where CED would be designated by SED to obtain loan making and servicing approval authority must meet all the following conditions:

- direct and/or guaranteed caseload in the office or area is high, complex, or geographically challenging and FLM, SFLO, or FLP team servicing the office or area needs additional help
- CED has sufficient time for additional responsibilities required to obtain and maintain loan making and servicing authority without negatively impacting CED's current farm program obligations

Notes: The requirement established in subparagraph 27 D will be considered when evaluating this condition.

FLM or SFLO is responsible for managing loan making and servicing activity in Service Centers considered to be Type 1 offices when CED with loan approval authority is headquartered in the office.

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 FLC's and DD's) that held loan approval authority as of October 1 of the current fiscal year are annually required to satisfy credit quality standards on 2 docket reviews using FSA-2103. No more than 3 loan dockets may be submitted to satisfy this requirement. The number and occurrence of FLC's and DD's reviews (to be completed by the DAFLP or designee) are addressed in subparagraph 28 C.--*

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. With SED concurrence, FLC may coordinate with FLC's from other States to obtain applicable credit actions, if necessary. The availability of credit actions by loan approval officials will typically not be an accepted basis for an exception to credit quality standards.

28 Credit Quality Standards (Continued)

A Credit Quality Review Requirements (Continued)

An approval official, other than * * * FLC and DD, who does not satisfy the minimum credit quality standards stated in this subparagraph * * * will be issued a letter of counseling or reprimand by the approval official's supervisor. SED, in consultation with FLC, may also consider a reduction of the employee's delegated loan approval authority. An approval official, other than * * * FLC and DD, who does not satisfy the minimum credit quality standards stated in this subparagraph in the FY immediately following a letter of counseling or reprimand does not satisfy the requirements to maintain loan approval authority and 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.

* * *

Loan dockets reviewed by FLC or designee must be sufficiently complex, as determined by *--FLC, to reflect the employee's ability to make sound credit decisions and adequately analyze an applicant's operation. Dockets selected must have a disposition date in the same FY of the formal credit quality review. Loan dockets eligible for formal credit quality review may include:

- approved direct loan applications (including those processed through AFT)
- denied direct loan applications which include a feasibility determination as one of the reasons for denial
- approved SEL guaranteed loan applications (except those that were evaluated in conjunction with a Direct Down Payment loan or Direct Participation loan as outlined in 2-FLP, subparagraph 96 D)
- approved PLS requests
- approved subordination requests.--*

28 Credit Quality Standards (Continued)

A Credit Quality Review Requirements (Continued)

***--Notes:** No more than 1 microloan docket, denied docket when denial was based on feasibility, AFT docket, streamline loan, or direct subordination request may be used to satisfy the annual credit quality requirements.

Youth loans and PLP, CLP, and EZ guarantee requests are not eligible for review.--*

Only 1 request per applicant can be used for formal credit quality review purposes, regardless of the number of requests included in a credit action; for example, an applicant is approved for an FO, OL, and PLS in a single credit action. In this situation, only 1 request can be used to satisfy the requirements of this paragraph.

--For approval officials, other than FLC and DD, dockets selected for review by FLC will-- typically be those that were prepared with minimal assistance by the employee being reviewed. However, a loan approval official may lack appropriate processed actions for the
 --FY to meet credit quality review standards. In such an event, as is common with FLS,-- dockets that were recommended for approval by another employee, but formally approved by the loan approval official being reviewed (a Review of Approval-Only Official review type) may be substituted by the FLC. If this Review of Approval-Only Official review fails, the FLC is not required to complete a Review of Loan Processor review of that loan action.

Other than in the case of a FLC or DD approval official, if a recommended only docket (Review of Loan Processor review) fails to satisfy credit quality standards, FLC or designee will additionally complete a review of the approval official (Review of Approval-Only Official).

--In instances when the FLS has not processed or made a loan decision on an adequate number of loan requests to satisfy the requirements in this subparagraph, FLC may substitute 1 or more of the docket requirements with independently completed credit quality file reviews that were completed by FLS using FSA-2103. The review will be scored according to subparagraph 28 D.--

* * *

28 Credit Quality Standards (Continued)

A Credit Quality Review Requirements (Continued)

--Loan dockets reviewed for credit quality must have a final disposition. If a review is to be completed on a loan that is approved, the review official will wait to complete the review until after the loan is closed and all loan closing documents have been provided by the closing agent. However, there may be instances when closing documents cannot be obtained to complete a timely credit quality review. When this occurs, the reviewer may document-- the circumstances within the Summary of Deficiencies section and answer Credit Quality Review Questionnaire question 2 M “Were closing documents properly completed, were security interests perfected, and were required insurance, lien searches and/or title opinions obtained?” based on available information.

B Exceptional Previous Performance

--Approval officials, other than FLC and DD, who satisfy credit quality review standards outlined in subparagraph 28 A with a score of 180 points or more on all docket reviews the previous FY may have reduced credit quality review requirements for future years.-- Approval officials who demonstrate this level of performance on independently prepared loan dockets are required to pass 1 docket annually with a score of at least 180 without critical questions being scored Low. If the loan docket reviewed does not meet this standard, the requirements outlined in subparagraph 28 A will be in effect.

*--C 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 were in their present position and held 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.

An FLC or DD who does not satisfy the minimum credit quality standards stated in this subparagraph will be issued a letter of counseling or reprimand by the approval official’s supervisor. SED (in consultation with FLC in the case of a DD) may also consider a reduction of the employee’s delegated loan approval authority. The National Office will review FLC or DD again in the year immediately following a letter of counseling or reprimand. An FLC or DD who does not satisfy the minimum credit quality standards stated in this subparagraph in the fiscal year immediately following a letter of counseling or reprimand does not satisfy the requirements to maintain loan approval authority; and 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.--*

28 Credit Quality Standards (Continued)

***--C FLC and DD Credit Quality Review Requirements (Continued)**

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 loan decision to be made 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 loan decision, 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 made a loan decision on an adequate number of loan requests to satisfy the requirements in this subparagraph, 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 review will be scored according to subparagraph 28 D.

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.--*

D Credit Quality Review Procedures

FLC’s are responsible for coordinating annual credit quality reviews for all employees within the State with delegated loan approval authority, other than FLC’s and DD’s, and developing a plan to ensure that all review processes are completed timely for credit quality review results to be addressed as necessary in employees’ annual performance review. FLC’s will create and share the plan with loan staff by January 31 of each year. Loan dockets selected for formal credit quality review will be determined by FLC and must have been approved in the same FY of the credit quality review; however, specific files for review do not need to be identified by January 31. Plans may include types of loan dockets to be reviewed, timing of reviews, identification of reviewers, and methodology of reviews. The plan will include the FLC’s analysis of loan docket availability for each loan approval official subject to credit quality review (with input as necessary from the loan approval official and their supervisor) and the FLC’s intent and direction to address any concerns of docket availability. Plans may be communicated with loan staff informally via conference call or e-mail, or more formally using a notice or amendment.

28 Credit Quality Standards (Continued)

D Credit Quality Review Procedures (Continued)

FLC's must first coordinate the credit quality reviews of employees with lower approval authority levels. This is necessary to determine if sufficient independently prepared and approved loan dockets are available to satisfy the requirements of subparagraph 28 A for those employees. Loan docket selection and review requirements for loan approval officials with higher loan limits may be affected by the results of credit quality reviews completed on dockets where the employee served as the approval official only.

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 completed within the Internal Review and Documentation Tracking System (IRDTS) will be used to complete credit quality reviews. The completed FSA-2103 must be * * * stored in State operational files, in addition to digitally retaining the completed FSA-2103 in IRDTS. The credit quality review must be discussed with the employee and *--their supervisor. A copy of the completed FSA-2103 must be provided to the reviewee.--*

Notes: The completed FSA-2103 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.

28 Credit Quality Standards (Continued)

D Credit Quality Review Procedures (Continued)

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 the loan action. The loan action may have been approved/denied by another employee, with the reviewee being a recommending official. 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/denied by the reviewee. Those credit quality review questions 2 A through 2 N which the approval official had resources available at the time of disposition to correctly evaluate will be scored according to FSA-2103 instructions.

Many States authorize loan decisions to be completed remotely, without the benefit of the entire docket on hand. If the loan decision was based solely on a review of FBP, it is likely that not all questions on FSA-2103 can be fully answered. In those cases where a response of “Medium” or “Low” would only be reasonably determined based on a review of the physical file or other applicable documents, the credit quality review will not be negatively impacted. Those questions will be scored “High” and the circumstances documented in the Remarks section of FSA-2103 or included as an attachment. Points will be tabulated by the automated FSA-2103 and an Assessment Result entered by the reviewer as stated in Review of Loan Processor above.

28 Credit Quality Standards (Continued)

D Credit Quality Review Procedures (Continued)

(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. The automated credit quality review will tabulate Total Docket Points. 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.

- *--With the exception of Review of Approval-Only Official reviews when the loan decision--* 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 Review of Approval-Only Official reviews when the loan decision was based primarily on FBP, the reviewer will typically need only information--* within FBP for the review.

28 Credit Quality Standards (Continued)

D Credit Quality Review Procedures (Continued)

Reviewers should consider if any error noted was caused by an employee other than the reviewee, without input, acknowledgement, or required oversight of the reviewee. In such instances, reviewers will typically document the circumstances in the Remarks section of FSA-2103 or include as an attachment, and the error should not negatively impact the credit quality review.

A single error should not cause multiple non-critical questions to be answered “Medium” or “Low”. Rather, if an individual error potentially impacts more than one non-critical question, the primary question affected by the error will be answered according to FSA-2103 instructions, and the common error should not be a basis for answering other non-critical questions to be answered “Medium” or “Low”.

Example: A debt on the credit report with a \$10,000 balance and a \$2,000 annual installment was overlooked by the approval official during processing of a direct loan application. Potentially, this could impact FSA-2103 non-critical questions “Were financial statements and loan schedules properly completed?” and “Were farm expense and cash outflow budget projections completed correctly and adequately documented?”. Instead, the reviewer should score only the primarily impacted question accordingly and document the results of all potentially affected questions in the Remarks section or include as an attachment. The answer for critical question “Was the correct feasibility decision made or recommended and adequately documented?” may also be impacted by the error.

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

* * *

E 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 * * *.

28 Credit Quality Standards (Continued)**F 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 * * * 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.

41 Nondiscrimination in FLP (Continued)

G Processing Loan and Servicing Applications When an Applicant Files a Discrimination Complaint (Continued)

If an applicant or borrower files, or has filed, a discrimination complaint against the agency official responsible for processing the loan or servicing application, DD or SED will assign a different official to process the request. Processing responsibility may be reassigned to:

- an authorized agency official from either of the following:
 - same district, but a different county
 - another district
- DD.

Note: Reassignment of processing loan or servicing applications is temporary. When the investigation is closed, and if it is determined that discrimination did not occur, the loan or servicing application will be returned to the appropriate office.

H Monitoring Discrimination Complaints

State Offices will monitor accepted discrimination complaints to ensure compliance with *--subparagraphs G and I. The State Office will maintain a file on all accepted discrimination complaints.

Note: On a quarterly basis, LSPMD will provide FLC's with a list of "Open FSA Civil Rights Complaints".--*

41 Nondiscrimination in FLP (Continued)

I 2008 Farm Bill Acceleration and Foreclosure Moratorium

[7 CFR 766.358(a)]Notwithstanding any other provisions of this subpart, borrowers who file or have filed a program discrimination complaint that is accepted by USDA Office of Adjudication or successor office (USDA), and have been serviced to the point of acceleration or foreclosure on or after May 22, 2008, will not have their account accelerated or liquidated until such complaint has been resolved by USDA or closed by a court of competent jurisdiction. This moratorium applies only to program loans made under subtitle A, B, or C of the Act (for example, CL, FO, OL, EM, SW, or RL). Interest will not accrue and no offsets will be taken on these loans during the moratorium. Interest accrual and offsets will continue on all other loans, including, but not limited to, non-program loans.

Under the 2008 Farm Bill, there is a moratorium on the acceleration or foreclosure for certain borrowers who have a pending program discrimination complaint, or file a program discrimination complaint that is accepted as valid by OA.

When the State Office is notified by OCR or LSPMD that the borrower has an accepted complaint, it will process DLS Transaction “5G”, using Descriptive Code “7” to establish the indicator for accounts that may be eligible for a moratorium. The effective date of the “5G” transaction will be the date the complaint was accepted by OA.

Note: State Offices will monitor all accounts flagged “OAC1”. The State Office will process DLS Transaction “5H”, using Descriptive Code “7” at the conclusion of the moratorium.

If the borrower has an accepted complaint at OA and the account is at the point of acceleration or in foreclosure, interest will not accrue and no offsets will be taken on any CL’s, FO’s, SW’s, RL’s, OL’s, and EM’s and any recoverable costs associated with these loans.

The moratorium will end on the date the claim is resolved.

If any requests for debt settlement or payoff during the moratorium are received, contact LSPMD.

45 Allocating Loan Program Funds (Continued)

M CL Funds (Continued)

- (3) An applicant who will use the loan funds to build conservation structures or establish conservation practices to comply with 16 U.S.C. 3812 (section 1212 of the Food Security Act of 1985) for highly erodible land.

N Transfer of Funds

[7 CFR 761.211] If sufficient unsubsidized guaranteed OL funds are available, then beginning on:

- (a) August 1 of each fiscal year, the Agency will use available unsubsidized guaranteed OL loan funds to make approved direct FO loans to beginning farmers * * * under the Down payment loan program; and--*
- (b) September 1 of each fiscal year the Agency will use available unsubsidized guaranteed OL loan funds to make approved direct FO loans to beginning farmers.

46 Maintaining Borrower Addresses and Service Center Office Codes

A Changing Borrower Address Records

An authorized agency official must maintain correct addresses for all direct and guaranteed loan borrowers within the authorized agency official's jurisdiction and caseload.

An authorized agency official should make borrower address changes for borrowers with the following:

- direct loans only, by updating BP
- both direct and guaranteed loans, by updating BP and by processing a PLAS TC 4C in GLS
- guaranteed loans only, by updating BP and processing a PLAS TC 4C in GLS.

Note: Name and address data entered in GLS for a customer should exactly match BP data for the same customer.

See 1-CM, paragraph 198 for documenting customer data changes.

Use FSA-137 to request borrowers' address information from USPS.

46 Maintaining Borrower Addresses and Service Center Office Codes (Continued)

B Maintaining the Accuracy of Name and Address Information

SCIMS information is matched nightly against PLAS information to detect variances. Any variances between SCIMS and PLAS systematically generate TC 4C to update PLAS.

County Offices shall view the following reports, available through the FSA Data Marts, using the Farm Loan Programs Data Mart, at least monthly to ensure that name and address information in BP and SCIMS are accurate. Select the “Farm Loan Programs Data Mart > PLAS Reports” link to display the following options:--*

- SCIMS-PLAS Exception
- SCIMS-PLAS Update
- SCIMS-PLAS Discrepancy.

Any necessary corrections to BP or PLAS based on the reports in this subparagraph **must** be made immediately.

Notes: County Offices shall contact State Offices regarding questions about how to process corrections.

BP is a multi-agency database shared by FSA, NRCS, and RD. Consult CED and other agency representatives, as applicable, before making changes/corrections in BP.

*--C SCIMS to PLAS Exception Report

Exceptions found between current PLAS borrower information and current SCIMS borrower information prevent updating name and address information in PLAS from SCIMS. The SCIMS to PLAS Exception Report provides the current PLAS borrower case number, name, and address information, the current SCIMS name and address information, and a descriptive exception type message that allows the County Office to make corrections.

If the correction is made in BP, the SCIMS-PLAS update process will correct PLAS, allowing for 2 workdays. If the correction is made in PLAS, users need to process the appropriate ADPS transaction or make the appropriate contact for assistance.

The SCIMS to PLAS Exception Report is a cumulative report; therefore, only the most recent report is viewable each day. The following is an example format of the data that may be displayed.

<u>Case Number</u>	<u>Exception Type</u>	<u>Borrower Information (P=PLAS, S=SCIMS)</u>
XX-XXX-XXXX	SCIMS TAXID INACTIVE	(P) SMITH, MARIA A 246 ELM HWY MONROE, AL 12345 (S) SMITH, MARIA A 123 COUNTY RD MONROE, AL 12345

--*

Part 6 Appraisals**141 General Appraisal Requirements****A General**

[7 CFR 761.7(a)] This section describes the requirements for:

- (1) Real estate and chattel appraisals made in connection with the making and servicing of direct FLP loans and Nonprogram loans**
- (2) Appraisal reviews conducted on appraisals made in connection with the making and servicing of direct and guaranteed FLP and Non-program loans.**

B Purpose

Appraisals are an integral part of determining whether there is adequate security to support a loan or servicing action.

FSA uses appraisals to determine the current market value of real and personal property or other security pledged, or to be pledged to support direct loans and loan servicing actions. The value of real estate is based on the highest and best use of the property determined through the appraisal process.

FSA requires a lender to obtain an appraisal in certain guaranteed loan making and servicing cases.

C Staff Appraiser Responsibilities

Staff appraisers shall:

- conduct:
 - real estate appraisals
 - technical appraisal reviews
 - *--loan underwriting administrative appraisal reviews--*
- provide:
 - chattel appraisal training
 - administrative appraisal review training.

States shall contact POAD, Appraisals Branch for assistance with appraisals.

141 General Appraisal Requirements (Continued)

D USPAP Compliance

[7 CFR 761.7(b)(1)] Real estate appraisals, technical appraisal reviews and their respective forms must comply with the standards contained in USPAP, as well as applicable Agency regulations and procedures for the specific FLP activity involved. Applicable procedures and regulations are available for review in each Agency State Office.

To comply with OMB Circular No. A-129, the employee making a real estate appraisal may not approve any action in which the real estate appraisal was used, including loan approval or any servicing action.

E Appraisal Costs

Responsibility for payment of appraisal costs is as follows:

- FSA, for cost of obtaining an appraisal associated with direct loan making and loan servicing activities

Note: See Part 7 for information on FSA appraisal costs and payments.

- the applicant or borrower for costs associated with appealing or negotiating FSA appraisals.

Notes: See:

- paragraph 144 for information on appraisal appeals
- 5-FLP, subparagraph 230 B for possible exceptions for paying for an appraisal.

F Obtaining Appraisals

A chattel appraisal may be conducted by either an FSA employee who has been delegated chattel appraisal authority from SED or a vendor appraiser.

A real estate appraisal may be conducted by either an FSA staff appraiser or a vendor appraiser. For direct credit transactions, other than a direct FO loan that does not exceed \$50,000 according to 3-FLP, subparagraph 95 A or EM loan according to 3-FLP, subparagraph 248 A, a real estate appraisal is obtained according to the following table.

141 General Appraisal Requirements (Continued)

F Obtaining Appraisals (Continued)

*--

IF type of property is...	THEN appraisal can be completed by...
residential properties, including 1 to 4 single family units, vacant residential parcels, and rural residential properties Note: Residential and rural residential properties have highest and best use as residential, where the majority of value is in the residence, there are not significant agricultural improvements, and the market area recognizes the property as residential.	<ul style="list-style-type: none"> • State-certified residential (CR) or State-licensed residential appraiser (LR), if within the scope of the appraiser's State appraisal license • State-certified general (CG) appraiser, or • staff appraiser.
property other than residential or rural residential	<ul style="list-style-type: none"> • State-certified general vendor appraiser • staff appraiser.

--*

Notes: A credit transaction includes any action or existing debt secured by real estate and any proposed loans, subordinations, prior liens, or guarantees.

If there are concerns about whether the property under consideration may be
 --appraised by a State-certified or State-licensed residential appraiser, contact POAD, Appraisals Branch. There may be different license criteria between State licensing boards for CR license.--

NATS will be used to request, track, process, and document appraisals for chattel and real estate properties that are performed by a vendor appraiser or a POAD, Appraisals Branch staff appraiser.

NATS may be used to request, track, and document chattel appraisal assignments for field staff.

* * *

FSA offices shall release information requested by the appraiser to complete real estate
 --appraisals. FSA offices should identify any information provided as confidential if the information is considered PII or confidential as required by FSA policy. The information-- will be uploaded in NATS to the work order associated with the request and be included with the request quote and award provided to the vendor or staff appraiser.

141 General Appraisal Requirements (Continued)

G Using an Existing Appraisal

[7 CFR 761.7(c)] Except where specified elsewhere, when a real estate appraisal is required, the Agency will use an existing real estate appraisal to reach loan making or servicing decisions under either of the following conditions:

- *--(1) The appraisal was completed within the previous 18 months and the Agency determines that:**
- (i) The appraisal meets provisions of this section and applicable Agency loan making and servicing requirements, and**
 - (ii) Market values have remained stable since the appraisal was completed; or**
- (2) The appraisal was not completed in the previous 18 months but has been updated--* by the appraiser or appraisal firm that completed the appraisal and both the update and original appraisal were completed in accordance with USPAP.**

Note: Current USPAP requirements provide that an update of an appraisal is a new appraisal assignment. The appraiser may provide a new report:

- without incorporating the prior report
- by incorporating the prior report by attachments
- by incorporating the prior report by reference only if the original appraiser's firm and original intended users agree.

An existing chattel appraisal may be used if it was completed within the previous 12 months and:

- FSA determines that the appraisal meets the loan making and/or servicing requirements
- market values have remained stable since the appraisal was completed.

141 General Appraisal Requirements (Continued)**H Using Third Party Appraisals**

FSA may use an appraisal that has been completed by a third party for any direct loan making or servicing action, provided the appraisal meets all of the following:

- *--real estate appraisal
 - administrative review and/or technical appraisal review is completed and the appraisal is found acceptable
 - meets subparagraph 142 B requirements
- personal property appraisal
 - administrative review is completed and the appraisal is found acceptable
 - meets subparagraph 142 A requirements
- real estate and personal property appraisals meet subparagraph 141 G requirements.

Notes: A technical appraisal review can be completed upon request by FLC. If the findings are unacceptable, FLC, with AB input, may choose to address concerns with the client of the appraisal report. If the findings are not resolved, or the client will not allow communications with the appraiser, the report will not be used, and an FSA appraisal will be completed or ordered.--*

FSA does not need to be listed as an intended user in a third-party appraisal report for any direct loan making or servicing action; however, FSA must verify that the appraisal was ordered by and prepared for a financial institution or land trust. Borrower-ordered appraisals are not acceptable for loan making or servicing actions except as provided in 5-FLP for special servicing actions.

The NATS system will be used to track, review, and document the use of third-party appraisals.

I Sharing Appraisals with BIA

Upon BIA's written request, FSA may provide a copy of the appraisal report obtained for any direct loan transaction, and approved for FSA use after any applicable review, even if FSA is named as the only client. OGC consent will be obtained for release if the appraisal was obtained as a result of litigation.

An appraisal received from BIA will be considered a third-party appraisal. See subparagraph H for third party appraisal requirements.

141 General Appraisal Requirements (Continued)

J Procurement of Appraisal Products

FSA uses micropurchase and contract authority, as described by FAR, to acquire appraisal products. Procurements for appraisal products may be used for real estate appraisals, chattel appraisals, or technical reviews.

The procurement of a vendor technical review can only be approved by POAD, Appraisals Branch.

FSA will use PLCE funds for procuring appraisal products and document funding approval using FSA-2128. See Part 7 for guidance on processing PLCE micropurchase at or below--* the micropurchase threshold, or for guidance on processing contracts for products above the micropurchase threshold.

--Generally, a real estate appraisal or personal property appraisal should be procured as soon as possible in the loan or loan servicing application process. The ordering official should consider that the applicant's or borrower's loan is reasonably feasible prior to ordering an appraisal. Approval of the loan or servicing action can be subject to an acceptable appraisal.--

SED will ensure that the ordering and processing of appraisal product requests occurs using NATS and that the processing of acquisitions for products is completed in accordance with Part 7. * * *

--A State supplement:--

* * *

- may define SOW's.

When an appraisal is to be obtained, an SOW is necessary to clearly define FSA's requirements for the appraisal product. Exhibit 39 is the SOW for real estate appraisal products and Exhibit 44 is the SOW for chattel appraisal products.

To allow for consistency of standards and requirements for appraisal products between State boundaries and appraisal regions, the State will adopt the SOW's as provided. If modifications are necessary to address unique market areas or economic considerations that impact real estate properties in the State or region, the State supplement may provide a modified SOW.

141 General Appraisal Requirements (Continued)

J Procurement of Appraisal Products (Continued)

If a specific property or properties with unique characteristics require modifications to the SOW, such as for specialty farming operations or when timber, minerals etc. are to be valued, the State may contact POAD, Appraisals Branch for assistance. The following guidelines may be used for properties with unique characteristics:

- Exhibit 51, Dairy Addendum to FSA Appraisal Guidelines
- Exhibit 52, Hog Addendum to FSA Appraisal Guidelines
- Exhibit 53, Poultry Addendum to FSA Appraisal Guidelines.

A word version of the SOW exhibits can be found under “Farm Loan and Rural Development Programs” on the Employee Forms site at <https://intranet.fsa.usda.gov/dam/ffasforms/employeeprogform.asp>.

Upon SED request, POAD, Appraisals Branch will provide:

- further guidance on work and reporting requirements for specialized properties
- technical assistance
- approval of additional SOW’s and exhibits created for specialized properties.
- identify APOC.

SED, in consultation with FLC, will select Service Center and/or State Office employees to be the APOC.

APOC is an ARMP/APOC who handles PLCE transactions related to appraisal products and provides oversight of the micropurchase process. APOC has the authority to commit the Agency for purchasing appraisal products when the cost of products is less than or equal to the micropurchase threshold.

Note: See Exhibit 24 for required ARMP/APOC training. SED may contact POAD, Appraisals Branch about any additional APOC training that may be needed.

* * *

141 General Appraisal Requirements (Continued)

J Procurement of Appraisal Products (Continued)

Procurement of appraisal products will be through approved appraisal vendors. POAD, *--Appraisals Branch will evaluate and approve appraisal vendors and maintain vendor profiles in NATS. State Offices should forward inquiries to be added to FSA's approved appraiser list, or requests to update vendor profile information in NATS, to **SM.SA.NatsHelpDesk@usda.gov**.

A vendor business or vendor appraiser must:

- be registered in SAM and properly maintain information required by SAM
- provide and maintain vendor information as requested by FSA on FSA-2155
- sign the SOW to be maintained in each vendor appraiser's NATS profile--*
- provide acceptable appraisal product that meets SOW requirements and consistently meet agreed upon timeframes

Note: The security of a PDF appraisal services product file is the responsibility of the vendor.

- attend required meetings with FSA.

Note: Vendor appraisers must remain independent from other FSA processes that are not appraisal-related. FSA processes that are not appraisal-related include completion of environmental screening questionnaires or forms.

* * *

141 General Appraisal Requirements (Continued)

K APOC Responsibilities

APOC's:

- ensure that Part 7 is followed for purchases of appraisal products at or below the micropurchase threshold limit
- review FSA-2128, Part B, to ensure that there is adequate documentation and support and
--provide approval of the selected or recommended vendor using NATS--
- assist field offices and vendors with basic procurement issues
- coordinate issues that need further clarification by either County Office or POAD, Appraisals Branch
- provide oversight for appraisal products requests to ensure that requests for procurement are needed and meet the Agency's mission
- ensure that documentation and concerns are clarified to adequately obtain a quote from vendors
- ensure proper rotation of vendors within their service area and that the best value is the
*--basis of vendor selection using NATS

Note: "Best value" is defined in Exhibit 2.

- process work orders for micropurchases and issue LOE to the vendor to proceed with the assignment as described by the work order using NATS
- may use Exhibit 66 if needed to notify applicant/borrower of the appraisal assignment.--*

Note: See Exhibit 21 for PLCE roles and responsibilities.

142 Appraisal Reports

A Chattel Appraisals

[7 CFR 761.7(b)(2)] When a chattel appraisal is required it must be completed on an applicable Agency form (available in each Agency State Office) or other format containing the same information.

FSA may use FSA-2160. If FSA-2160 is not used, the chattel appraisal, as a minimum, will identify all chattel items appraised, including the following details:

- documentation of the appraiser's physical on-site inspection of the chattel property

Note: Physical inspection of the chattel property is required unless a written exception is provided.

- *--the quantity, kind, sex, breed, average age, color, weight or average weight, brands or--* other identification, and value of livestock

Note: Weight is not required for breeding stock.

- the quantity, kind, manufacturer, size and type, condition, year of manufacture, serial or motor number, and value of machinery and other equipment
- *--name of owner, date of report, total value of livestock, total value of machinery and/or equipment, final value of appraised property, and appraisal report must be signed and dated.--*

The appraised value of chattel property will be based on public sales or wholesale values of the same or similar property in the market area. In the absence of public sale data, reputable publications may be used to establish market value.

142 Appraisal Reports (Continued)

B Real Estate Appraisals

A real estate appraisal, as a minimum, will be an appraisal report as defined by USPAP. Any exception to allow the use of a restricted appraisal report requires approval by POAD, Appraisals Branch. Approval of restricted reports will only be granted under extraordinary circumstances, limited to situations where there will be only a single user of the report. Only FSA staff appraisers are authorized to complete the reports. These reports will be for internal FSA use only.

Real estate appraisals must include as a minimum, the following details:

- documentation of the physical onsite inspection of the subject and comparable properties by the appraiser

Note: Physical inspections are required for the appraisal unless an exception is provided by Agency pandemic policy or written approval.

- documentation of the results of the following 3 approaches to estimating value, as *--determined to be applicable and necessary, or explanation of exclusion:--*

- sales comparison approach
- cost approach
- income approach

- if adjustments are made, the basis for these adjustments as recognized by the market and supported by adequate documentation within the appraisal report

* * *

- the comparable sales used, including a breakdown of land and improvement features and photographs of improvements and land. A minimum of 3 comparable sales must be used.

Note: The use of less than 3 comparable sales or the use of the subject property's pending sale as a comparable is prohibited. Contact POAD, Appraisals Branch for guidance.

142 Appraisal Reports (Continued)

B Real Estate Appraisals (Continued)

Before the passage of the Agricultural Act of 2014 (Pub. L. 113-79) on February 7, 2014, CONACT provided for direct FO loans secured by real estate after December 23, 1985, the appraisal **must** consider the value of oil, gas, and other minerals for FSA to perfect its lien on the minerals. FSA is no longer required to include the value, even if nominal, of oil, gas, and other minerals to perfect its lien.

When the value of mineral rights is needed to adequately collateralize the loan, FSA-2164, Part D or other formats that provide the same information, will be included in the appraisal report to support the market value arrived at by the appraiser.

C Real Estate Appraisals Completed by POAD, Appraisals Branch

Real estate appraisals completed by POAD, Appraisals Branch must meet the same work and *--reporting requirements as provided in the State's SOW for vendor appraisals. POAD,* Appraisals Branch must remain independent from other FSA processes that are not appraisal-related.

Note: FSA processes that are not appraisal-related include completion of environmental screening questionnaires or forms.

If States are unable to obtain appraisal services through micropurchase and contract *--authority, SED will request assistance from POAD, Appraisals Branch through NATS.

When an appraisal request is beyond the position description of POAD, Appraisals Branch staff appraiser, the assignment must be procured from a vendor or conducted by an SRA.*

142 Appraisal Reports (Continued)

D Approved Appraisal Formats

Any appraisal format that meets USPAP requirements is acceptable. The preferred format for appraisal reports is the UAAR format.

--An appraisal report in a PDF file format with a digital signature or e-signature is acceptable for use by the agency.--

* * *

142 Appraisal Reports (Continued)**E Real Estate Appraisal Software**

--FSA has appraisal software available for Appraisals Branch staff to provide appraisal reports, appraisal review reports, and sales documentation and management.--

* * *

F Potential Liquidation Value

[7 CFR 761.2] Potential liquidation value (PLV) is the amount of a lender's protective bid at a foreclosure sale. Potential liquidation value is determined by an independent appraiser using comparables from other forced liquidation sales.

For loan servicing cases when 5-FLP, Exhibit 60 is required, appraisal reports will be developed and reported using Exhibit 40.

The appraisal request will include both a market value appraisal using the approved SOW for the property type being appraised and a PLV appraisal using Exhibit 40. The appraisal report being completed will have both market value and PLV developed in the same report.

Note: The primary difference between the definition of market value and PLV is linked to property exposure time in the open market, if sold. The market value definition is based on a reasonable time allowance for exposure in the open market, while PLV's are made under the assumption that the seller is under extreme compulsion to sell and a normal marketing effort is not possible because of brief exposure time to the market.

SED's shall establish exposure times to be used in Exhibit 40 by contacting their Regional OGC to determine specific public notice of sale statutes for the State that the property foreclosure is to take place. The State legal statute citation number will be needed along with the number of days. The exposure time will be estimated and provided to the appraiser on Exhibit 40 when the appraisal is ordered.

143 FSA Review of Appraisal Reports

A Overview

[7 CFR 761.7(d)(1)] With respect to a real estate appraisal, the Agency may conduct a technical appraisal review or an administrative appraisal review, or both.

[7 CFR 761.7(d)(2)] With respect to a chattel appraisal, the Agency may conduct an administrative appraisal review.

Real estate appraisals used for any direct or guaranteed loan making or servicing purpose are subject to a technical appraisal review and/or an administrative appraisal review by FSA for compliance with applicable FSA regulations and procedures.

Note: Real estate administrative appraisal reviews will be completed on FSA-2165 in *--NATS with FSA-2165A uploaded in the document tab, and chattel administrative--* appraisal reviews will be completed on FSA-2167 in NATS.

B Administrative Appraisal Reviews

* * *

An administrative appraisal review is performed as a due diligence function in the context of *--a loan making or servicing decision to ensure compliance with basic Agency organizational requirements, excluding USPAP compliance. This review is completed as part of the loan underwriting process. An administrative appraisal review is completed to verify that the:--*

- correct property was appraised
- math is correct
- appraisal is logical and understandable.

* * *

Note: An administrative appraisal review does not include a determination of compliance *--with USPAP. The administrative appraisal review shall not fall under USPAP standards and requirements.--*

* * *

143 FSA Review of Appraisal Reports (Continued)

C Conducting Administrative Appraisal Reviews

FSA will complete an administrative appraisal review:

- within 7 calendar days of receiving a vendor appraisal obtained for any direct loan purpose
- of chattel appraisals completed by FSA employees, as determined by SED
- on all third-party appraisals
- on all appraisals submitted for guaranteed liquidation and/or write-down.

*--Administrative appraisal reviews are conducted by FSA FLP employees and Appraisals Branch staff. An administrative reviewer shall not express a different opinion of value and shall not certify to the type and extent of review:

- FLP staff must complete training on conducting administrative appraisal reviews according to paragraph 147 before receiving the required delegation of authority:
 - their review will be documented by completing FSA-2165A and uploading the form to the NATS documents tab
 - if all answers on FSA-2165A are agree and there are no other issues discovered, no signature is required on FSA-2165A
 - the administrative reviewer will complete FSA-2165 in NATS by filling N/A in all comment boxes and complete the rest of the form as necessary to accept the appraisal for use.

If a box or boxes are checked disagree, or other significant concerns are noted, the FLP staff member will sign FSA-2165A and refer the review to POAD, Appraisals Branch staff:

- Appraisals Branch staff shall complete an administrative review as a loan underwriter, not acting in the capacity of a real estate appraiser. This review shall not comply with USPAP standards and requirements and will only address basic Agency requirements:
 - if only underwriting issues are found, the reviewer shall work to correct the discrepancy, and once amended, complete FSA-2165
 - if significant issues beyond the scope of an underwriting issue are discovered, a technical appraisal review will be completed by Appraisals Branch staff.--*

143 FSA Review of Appraisal Reports (Continued)

D Technical Appraisal Reviews Overview

--A technical appraisal review will be in writing and must be completed according to USPAP. The scope of the technical appraisal review requires the review appraiser to form an-- opinion as to:

- the adequacy and relevance of the data used
- the propriety of any adjustments to the data
- the appropriateness of the appraisal methods and techniques used
- whether the analysis and conclusion of the appraisal under review is credible, and if not, the reason for expressing different opinion of value
- *--whether the appraisal is acceptable for FSA use.

The technical appraisal review will be completed by a POAD, Appraisals Branch appraiser or a vendor appraiser as authorized by POAD, Appraisals Branch.

The appraiser must certify as to the type and extent of the review process. A technical appraisal review may include a desk review and/or a field review. The client may request the review appraiser to provide an opinion of value in according to USPAP.

For agriculture properties, the technical appraisal review is completed on FSA-2166, or any other format that contains, at minimum, the same information and complies with USPAP standards.

A technical desk review:

- is an analysis of the material presented in the appraisal report as to the adequacy of the documentation of the final value opinion--*
- may reveal concerns, such as math errors, discrepancies of legal descriptions, comparable sales used that are not recent or similar to the subject property, failure to give value consideration to all items located on the subject property, and failure to address the condition of the subject and comparable sales.

143 FSA Review of Appraisal Reports (Continued)**D Technical Appraisal Reviews Overview (Continued)**

A technical field review involves an examination of all aspects of developing and reporting the appraisal. Most information contained in the appraisal report is verified, inspected, and researched. Other information, such as other comparable sales, not included in the report may be addressed.

Problems or areas of concern detected during the technical appraisal review will be referred *--to the appraiser who conducted the appraisal for vendor completed appraisal reports. FLC, SED, APOC, and Ordering Official will be notified by e-mail that the technical appraisal review revealed deficiencies and an expected timeline for the resolution, and may be invited to virtual meetings with the appraiser.

When a technical appraisal review determines a third party appraisal report is not credible, the appraiser who conducted the review will contact FLC. The appraiser and FLC will collaborate to determine if the third party lender will be contacted to attempt to resolve the deficiencies. If it is determined the lender will not be contacted, the lender does not permit contact with the appraiser, or if the deficiencies cannot be resolved, a new appraisal report will be ordered.--*

* * *

143 FSA Review of Appraisal Reports (Continued)**D Technical Appraisal Reviews Overview (Continued)**

Technical appraisal reviews will be documented in NATS, and the technical review report * * * will be uploaded to NATS documents with the appropriate NATS label.

Note: NATS's labels associated with technical review documents are restrictive labels that only allow access to the documents by staff appraisers or POAD, Appraisals Branch SRA's.

Technical review reports will not be released except with written consent of SRA as required by an appeal according to 1-APP or as directed by the SRA.

Technical appraisal reviews may be used to evaluate risk assessment of direct loans to ensure:

- quality necessary to support loan security and loan servicing needs
- appraisals are completed according to USPAP standards, assignment conditions, and FSA's appraisal regulations.

143 FSA Review of Appraisal Reports (Continued)

E Conducting Technical Appraisal Reviews

FSA will complete a technical appraisal review when a request is submitted through NATS and POAD, Appraisals Branch concurs that a technical review is necessary:

- on direct loan appraisals when an administrative review detects serious problems
- upon request of the loan approval official after an administrative review is completed and before loan approval.

After loan closing, technical appraisal reviews will be completed for the following:

- *--first direct loan appraisal completed by a vendor appraiser and then 1 at least every 4 FY's thereafter
- on 1 third-party appraisal report if 2 or more reports prepared by a non-vendor appraiser are received within a 12-month period, unless a technical appraisal review was completed within the last 2 years.--*

Note: If an appraisal has been technically reviewed under any of the previous bullets, it is **not** necessary to conduct another review of another appraisal completed by the same appraiser on a different category, such as appraisal reviewed with a direct loan and the same appraiser subsequently completes another assignment that is submitted to FSA as a third-party appraisal. A review would **not** be necessary.

- of appraisals conducted by vendor appraiser in a random spot check method that is established by POAD, Appraisals Branch

Note: Each year, POAD, Appraisals Branch will vary the method used to select appraisals for review to ensure that adequate internal controls are maintained.

- on a more frequent basis if problems have been detected in the scheduled spot check review
- on appraisals submitted for guaranteed loan liquidation or write-down that were found unacceptable during the administrative review.

Notes: If the technical review shows an unacceptable appraisal, approval of a loss claim or write-down will not be granted until an acceptable appraisal is obtained.

When a technical review indicates that an appraisal is unacceptable, the appraiser completing the review will provide a memorandum outlining deficiencies and citing the corresponding USPAP standards according to subparagraph D. FLC will coordinate contact with the lender to discuss deficiencies documented in the memorandum, and decide on appropriate actions depending on the request and status of the loan as outlined in subparagraph D.

143 FSA Review of Appraisal Reports (Continued)

F Guaranteed Loan Evaluations or Appraisals Submitted to FSA

When an evaluation or appraisal is required to be submitted for a guaranteed loan, the authorized agency official will review the document to determine whether the correct type of valuation (evaluation or appraisal) was performed based on the loan amount and other risk factors.

--Evaluations will be reviewed using FSA-2234 and will be completed in NATS.--
Appraisals for guaranteed loan making will be reviewed to determine whether the:

- correct type of appraisal report was used

Note: Restricted appraisal reports are not acceptable. Residential appraisal reports should only be used where appropriate based on the property's characteristics.

- person completing the appraisal had the required qualifications
- correct property was valued, including any improvements to be added
- value of the real estate is adequate to secure the loan as proposed by the lender.

Findings will be document in a running case record.

If issues relating to these items are found and cannot be corrected, the evaluation or appraisal cannot be used and the conditions of the guarantee have not been met. The authorized agency official will contact the lender and discuss the actions needed to correct the issues. This discussion should be documented in writing to the lender and discussed in the running record. If the lender is unable to provide corrections as discussed, FSA will provide the lender appeal rights according to 2-FLP and FSA-2235 will not be issued.

143 FSA Review of Appraisal Reports (Continued)

I ACOR

ACOR:

- an internal quality control review that provides oversight of FSA's administrative review function and appraisal/technical review requirements
- promotes a consistent and effective approach to conducting quality assurance reviews for appraisals, administrative reviews, and technical reviews
- is **not** USPAP technical review.

For direct loans:

- the primary objectives of ACOR are to evaluate the effectiveness of FLP delivery systems and ensure compliance with applicable statutes, regulations, and directives related to appraisals
- ACOR will be completed * * * on a random sampling basis to provide an internal quality control oversight methodology and identify training needs for appraisals, administrative reviews, and technical reviews.

For guaranteed loans:

- the primary objectives of ACOR are to evaluate the effectiveness of lenders' appraisal and appraisal review process and provide oversight of lenders' appraisal process and appraisal review process
- ACOR may be completed * * * during lender reviews conducted by the National Office.

ACOR for POAD, Appraisals Branch appraisers will be conducted on 1 appraisal or 1 technical review when an appraisal has not been completed during the 2-year cycle, selected at random.

145 Appraiser Qualifications**A Chattel Appraisals**

Chattel appraisals may be completed by an FSA employee or vendor appraiser.

FSA employees must have delegated chattel appraisal authority from SED according to subparagraph 146 A.

FSA vendor appraisers must:

- possess sufficient experience or training to establish market value of chattel property based on public sales of the same or similar property in the market area
- demonstrate, to SED's or designee's satisfaction, sufficient experience and training to establish market values of chattel property.

Notes: A vendor appraiser's qualifications shall be documented and maintained in the contract file and the NATS vendor profile documents.

Vendor appraisers must meet any State licensing requirements if required by state law.

B Real Estate Vendor Appraisers

Vendor appraisers must:

- meet license requirements according to subparagraph 141 F
- be licensed in the State in which the property to be appraised is located.

C POAD, Appraisals Branch * * * Appraisers

*--POAD, Appraisals Branch (AB) appraisers are FSA employees who are responsible for real estate appraisals and technical real estate appraisal reviews nationwide. Appraisers must have a certified general real estate appraiser license in any 1 state or territory, or be fulfilling the training requirements in subparagraph 146 B.

An AB appraiser may have other responsibilities that include, but are not limited to:--*

- developing and providing training to FLP staff to obtain administrative appraisal review and chattel appraisal delegation
- performing duties as a supervisor appraiser and/or mentor to an appraiser trainee.

146 Appraiser Training Requirements

A Obtaining/Maintaining Chattel Appraisal and Chattel Administrative Review Authority

To obtain the delegation, employees are required to:

- take the appropriate training to obtain initial chattel appraisal and administrative review authority
- demonstrate, to SED's or designee's satisfaction, sufficient experience and training.

Employees with delegated authority for chattel appraisals and chattel appraisal administrative reviews must complete continuing education courses every 3 years.

SED may contact POAD, Appraisals Branch to help develop a customized training plan for their State for initial delegations and continuing education. See subparagraphs 147 C and D for more information about training plan and training material.

* * *

146 Appraiser Training Requirements (Continued)

B Obtaining State-Certified General Real Estate Appraiser Status

Appraiser trainees must acquire State-certified general appraiser status within 5 years from being designated as a staff appraiser in their duty station State. The Appraisal Foundation through the AQB provides guidance about real property appraiser qualification criteria.

AQB guidance can be obtained at: **Real Property Appraiser Qualification Criteria (appraisalfoundation.org)**. A State-certified general (CG) license requires a minimum of education both in appraisal educational course work and a bachelor's degree, a minimum of hours of experience completing appraisal or technical appraisal review assignments and successful completion of a final examination. The appraiser trainee should contact the State licensing and certification board about State licensing requirements.

--An appraiser trainee (AT) can have no experience, be a licensed residential (LR) or a-- certified residential (CR) appraiser. To acquire this status, the appraiser trainee must meet their respective State licensing requirements for education and experience and complete the following course training, at a minimum.

Trainee Category	Hours	Course Description
AT	30	Basic Appraisal Principles
AT	30	General Appraiser Market Analysis and Highest and Best Use
LR or CR	15	
AT or LR	15	Statistics, Modeling, and Finance
AT	120	Appraisal training, approaches to value and methodology of which a majority must concentrate in farm real estate-related courses, in:
LR	75	
CR	75	
		<ul style="list-style-type: none"> • sales comparison approach • cost approach • income approach. <p>Note: For LR or CR State licensing board will determine the accepted course hours of training. Generally, 75 additional hours would be required of which a majority must concentrate in farm real estate-related courses.</p>
AT	15	15-Hour National USPAP
LR or CR	7	7-Hour National USPAP Update
AT	30	Report Writing and Case Studies with farm real estate related emphasis.
LR	15	
AT, LR or CR	30	Technical appraisal review of which a majority must concentrate in farm real estate-related courses.
AT, LR or CR	N/A	Education Requirements – Applicants for the Certified General credential must hold a bachelor's degree or higher from an accredited college or university.

146 Appraiser Training Requirements (Continued)**B Obtaining State-Certified General Real Estate Appraiser Status (Continued)**

*--IDP will identify approved courses for general appraisal training, approaches to value and methodology, and any elective courses.

Required courses may be completed through an approved institution as accepted by the State licensing board for the certified general license.

The appraiser trainee will be required to complete at a minimum a total of 3,000 hours of experience. Hours of experience will be determined by the State licensing requirements. Generally, an LR appraiser trainee would be required at a minimum to have 2,000 additional hours of experience with 1,500 hours as non-residential. A CR appraiser trainee would be required at a minimum to have 1,500 of non-residential experience.

The appraiser trainee will follow their IDP that is established by their supervisor and participate in any trainee development program provided by the POAD, Appraisals Branch.

Typically, State licensing board requires a designated "Supervisor Appraiser" for the purpose of the State licensing requirement. The POAD, Appraisals Branch will designate a CG licensed staff appraiser to be the "supervisor appraiser" for the appraiser trainee. The designated supervisor appraiser will complete the required supervisor courses to meet the State requirements. The supervisor appraiser will mentor the trainee and may sign appraisal or technical appraisal reports for the appraiser trainee that are beyond the scope of the appraiser trainee's existing license.

An appraiser trainee working toward a CG license must maintain their current license status by completing basic and/or continuing education courses according to their training plan and the requirements established by the State Appraisal Board.--*

147 Training Requirements for Performing Real Estate Administrative Appraisal Reviews

A State Responsibility

State Offices are responsible for ensuring adequate number of employees are trained and available to perform administrative appraisal reviews.

B Obtaining/Maintaining Real Estate Administrative Appraisal Review Authority

To obtain the delegation, employees are required to:

- take the appropriate training to obtain administrative appraisal review authority
- demonstrate, to SED's or designee's satisfaction, sufficient experience and training.

Delegated authority for real estate administrative appraisal reviews requires continuing education to be completed every 3 years.

SED may contact POAD, Appraisals Branch to help develop a customized training plan for their State for initial delegations and continuing education.

C Training Plan

--The POAD, Appraisals Branch will provide States each quarter with an invitation to forward to staff who need appraisals training.--

* * *

148 Release of Appraisal Report**A General**

An appraisal report, paid for or performed by FSA, is considered an administrative document for collateral valuation and may not be released to the public or other parties except through FOIA, in accordance with subparagraph 141 I and this subparagraph.

B Release to Applicant or Borrower Per the Equal Credit Opportunity Act (ECOA)

Pursuant to 12 CFR §1002.14(a), for any loan making or servicing purpose, FSA must provide an applicant or borrower a copy of any real estate appraisal or written real estate valuation paid for or performed by FSA.

FSA must promptly provide a copy of the real estate appraisal or the real estate evaluation to the applicant upon:

- FSA's acceptance of the appraisal report
- receipt or completion of FSA-2132.

Copies shall be provided electronically (via e-mail) and must contain the following language in the body of the e-mail:

“In accordance with the Equal Credit Opportunity Act (ECOA), the Farm Service Agency is providing you with a copy of the appraisal report or written real estate valuation developed in connection with your loan application. Enclosed is a copy of the appraisal or valuation report for **[property address]**.

Please carefully review the contents of the enclosed report. This document provides an estimation of the value of the property in question and has been compiled based on a thorough valuation of the property itself, comparable market sales, and other relevant factors.

If you have any questions regarding the content of the report or the appraisal/evaluation process, please contact this office at **[County Office Address]** or telephone **[phone number]**.”

162 Primary Roles and Responsibilities Needed for PLCE (Continued)

B State PLCE Monitor (Continued)

- ensuring that State and County Office staff correctly follow all PLCE procedures and provide guidance or training as needed; and
- working as liaison between Contracting Officer, ARMP, APOC, and TPOC.

C ARMP

The ARMP's primary function is to make PLCE micropurchases. ARMP authority is delegated by FBC AD POA. Only the ARMP may make micropurchases. States may delegate more than 1 employee in the ARMP role.

Note: Every APOC is an ARMP; however, not every ARMP is an APOC. Therefore, States will defer to State instructions as to the specific role applicable for the needed micropurchase.

The responsibilities of the ARMP include the following:

- conducting market research by contacting vendors and obtaining feedback
- notifying vendor of award and issuing task order, letter of engagement or similar
- notifying County Office of vendor award
- coordinating modifications of initial award with PLCE monitor and/or contracting official
- accepting and receiving copy of completed work
- submitting invoice to FMMI TY Processor for payment
- maintaining a log of transactions and rotations of awards among vendors.

***--Note:** For appraisal product acquisitions, NATS will fulfill this requirement as--* described in subparagraph 167 B.

See Exhibit:

- 21 for eligible positions, training requirements, and authorities for the ARMP role
- 24 to request an ARMP delegation and guidance on how micropurchases are obtained.

Note: The ARMP role may **not** be re-delegated. **All** duties identified in Exhibit 24 must be handled by the FBC AD POA-delegated ARMP **only**. TPOC, ARMP or authorized agency representatives are authorized to accept the completed work from a vendor.

162 Primary Roles and Responsibilities Needed for PLCE (Continued)

C ARMP (Continued)

To obtain an ARMP designation, States will submit requests for information, or delegation of authority requests, with required proofs of training, through the FBC AD POA ServiceNow intake portal at **Agency Representative for Micro-Purchases (ARMP) Delegation (FSA Only) - FPACNow (servicenowservices.com)**.

A request for an increase of ARMP delegations for States and/or US Territory offices must include:

- number of FMMI transactions processed per year in last 2 fiscal years for each ARMP (broken down by the number of related to appraisals and other FMMI transactions)
- whether you have Service Center areas that do not have a designated ARMP presence
- existing number of active ARMP designees
- existing number of allotted ARMP slots. (see Exhibit 24).

Submit memorandums for additional ARMP delegations:

- *--with APOC authorities to Sherry Husley, POAD at **sherry.husley@usda.gov**
- without APOC authorities to Md Mutaleb, LMD, at **md.mutalbe@usda.gov** and Javier Arenas, LMD, at **javier.arenas@usda.gov**.--*

National Office will coordinate with AD, POAB to approve or deny requests for an increase of ARMP delegations. Upon notification of approval of additional slots, States will submit new ARMP designee packages to AD, POAB.

D TPOC

The Technical Point of Contact is otherwise known as an Authorized Agency Official, and for PLCE procurement purposes, the TPOC is the person who identifies PLCE needs.

Responsibilities include:

- completing required documents and forwarding those documents to ARMP, APOC, or State Office according to this Part and applicable State instructions;
- receiving completed work
- recommending payment for completed work.

See Exhibit 21 for eligible positions, training requirements, and authorities for the TPOC role. TPOC, ARMP or authorized agency representatives are authorized to accept the completed work from a vendor.

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 progression lending plan to assist the borrower in achieving financial viability and transitioning to private commercial credit or other sources of credit at reasonable rates and terms, except for CL.**

*--The assessment is a process, rather than a singular document, for evaluating the farm operation. Information provided by the applicant is evaluated and utilized in making a credit determination.

The assessment process:--*

- is an evaluation of the applicant's operation, developed jointly with the applicant

* * *

- identifies weaknesses in the operation * * * and determines their impact on the operation's needs and goals
- helps to identify current operational goals, long-term development and growth plan 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, building and maintaining working capital reserves and savings, including the potential use such reserves/savings, and other needs
- identifies a strategy to ensure that a borrower graduates to commercial credit before term limits are met, and provides for farm transition and estate planning
- enables FSA to determine the kind and amount of financial and other assistance needed by the applicant.--*

221 Overview (Continued)

A Objective (Continued)

* * * In conducting assessments, authorized agency officials need to draw upon their knowledge, research, 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, the opportunities of developing and maintaining a working capital reserve, business goals including those for long-term development and growth, and project performance. Listening to the applicant's perceptions of the operation is critical to the assessment process.

All available resources will 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
- other organizations that serve as farmer advocates.

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 all loan types, the initial assessment will include a brief summary of the operation's primary enterprise(s), overall size, general farming practices, and address any special or atypical circumstances regarding the operation. The type of farming operation is further evaluated in the review and development of the loan application, farm operating plan, balance sheet, and credit presentation. See paragraph 242.

Note: For ML's, the ML narrative in the credit presentation will document the adequacy of resources accordance to subparagraph 222 C.--*

* * *

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) * * * The short- and long-term goals of the operation, including goals to reasonably increase working capital reserves and savings, including reasonable savings for retirement and education, to support operational stability and growth, and goals for progression towards graduation to commercial credit or eventual self-financing.

***--(8) Progression lending plan, except for streamlined CL.**

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

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

(3) The short- and long-term goals of the operation, including goals to reasonably increase working capital reserves and savings, including reasonable savings for retirement and education, to support operational stability and growth, and goals for progression towards graduation to commercial credit or eventual self-financing.

***--(4) The short- and long-term financial viability of the farming operation, including a marketing plan, and available production history, as applicable;**

Note: For ML's, the short- and long-term financial viability of the farming operation and available production history are evaluated in the review and development of the farm operating plan, balance sheet, and credit presentation. The ML narrative in the credit presentation will document how the farm business plan was developed and is based on history, as applicable. See 1-FLP, paragraph 242.--*

222 Elements of an Initial Assessment (Continued)

B Goals for the Farming Operation (Continued)***--(5) Progression lending plan;**

For all loan types, setting goals is essential for the success of any farming operation. The applicant's goals provide the direction for the applicant's business and helps FSA identify the need for financial assistance. The authorized agency official must have in-depth discussions with the applicant to learn the personal and business aspirations of the farm family and work with the applicant to prioritize goals from most to least important.

The authorized agency official will work with the applicant to incorporate short-term and long-term development and growth goals into the comprehensive farm business planning process. The authorized agency official must:

- assist the borrower in developing and evaluating a marketing plan that will be integrated in the short-term and long-term goals. This plan must describe marketing practices and strategies, especially for any unique commodities the operation produces.
- assist in developing realistic goals for the accumulation and use of working capital reserves and savings, including savings for retirement and education expenses and the potential need for flexible repayment terms to achieve those savings.
- work with the applicant to develop a practical progression lending plan, tailored to the individual needs and risks associated with the operation, which includes realistic timetables for realizing improvements in critical areas. An applicant's involvement and understanding of FSA's responsibilities for graduation, except for YL and CL, through the use of progression lending are essential to a successful relationship.
- develop and include a graduation plan to transition borrowers to commercial credit or other sources of credit at reasonable rates and terms in the shortest period of time practicable. The borrower's status and progress toward graduation should be noted with any recommendations for further action to achieve graduation.
- discuss the impact and importance of business structure, transition or estate planning has on the goals of the farm operation. Changing business structure may impact farm loan and farm program eligibility, as well as transition and estate planning. The level of consideration will depend on the complexity and age of the operation.--*

222 Elements of an Initial Assessment (Continued)***--C Adequacy of Resources to Conduct the Operation--***

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

(4) Adequacy of real estate, including facilities, to conduct the operation.

***--(5) Adequacy of chattel property used to conduct the operation.**

When developing the farm operating plan, the authorized agency official will assess the adequacy and appropriateness of real estate, including facilities and improvements, and personal property, such as equipment and livestock. See paragraph 242.

Environmental considerations will be evaluated and assessed in accordance with 1-EQ and 2-EQ.

Descriptive details for equipment, such as make, model, age, and condition, and for livestock, such as breed, age, and weight should be completed in the balance sheet detail screens.--*

* * *

222 Elements of an Initial Assessment (Continued)***--D Key Personnel Qualifications**

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

(1) Farm organization and key personnel qualifications.

Farm organization (individual, informal entity, or formal entity) is assessed through the application. Key personnel qualifications are assessed and evaluated when making eligibility determinations for managerial ability (3-FLP, paragraph 69) and farm experience (3-FLP, subparagraph 132 D). Any necessary discussion regarding these items should be addressed in the eligibility section of the FBP Credit Presentation.

E Historical Performance

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

(6) Historical performance, except for Streamlined CL;

For all loan types, the initial assessment will include a brief narrative summary of the historical production and financial performance of the applicant's operation. Historical performance is further evaluated in the review and development of the farm operating plan, balance sheet, and credit presentation. See paragraph 242.--*

222 Elements of an Initial Assessment (Continued)**F Farm Operating Plan**

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

(7) Farm operating plan.

*** * ***

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

(2) Amount of assistance necessary to cover expenses to carry out the proposed farm operating plan, including building an adequate equity base;

--For all loan types, the farm operating plan is evaluated and developed during the feasibility determination process and credit presentation. The credit presentation will document the amount of assistance necessary to carry out the proposed farm operating plan, including building an adequate equity base. See 3-FLP, subparagraph 351 C.--

222 Elements of an Initial Assessment (Continued)

G Training Plan

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

(9) Training plan.

* * *

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

(6) Training plan.

--The authorized agency official evaluates the need for borrower training in the credit presentation. See 3-FLP, Part 18 for borrower training requirements. Additionally, borrower training requirements are included on FSA-2313.--

* * *

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

Term limits are part of the assessment and are recorded in FBP. The authorized agency *--official will complete the Term Limits section 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 * * *, applicants and borrowers indicate receipt and acknowledgement of the term limits.

223 Annual Review and Assessment Update

A Annual Review Process

See 4-FLP, Part 2 for annual review process.

B 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 D and G) 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.

C 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 oversight given, the findings of the review, and any items requiring follow-up.

224-240 (Reserved)

Section 3 Farm Operating Plan

241 Overview

A Objective

The primary objective of the farm planning process is to develop a plan that most accurately reflects the expected cash flow and business activities for the operating cycle. The developed production cycle plan is consistent with the applicant's or borrower's growth and development plan goals. The farm operating plan consists of the Balance Sheet Trends, Income/Expense Trends, and Farm Assessment. The farm operating plan documents the operation's:

- financial position
- cash flow
- repayment ability
- planned savings for working capital reserves, savings, and retirement and education expenses.

FSA uses FBP to evaluate loan feasibility and the likelihood of achieving financial viability. An applicant or borrower may use an alternative format for the farm operating plan that contains the same information as required by FBP. An original signed copy of the farm operating plan must be retained in the case file.

B Farm Operating Plan Format

FSA uses FBP to perform financial planning, analysis, loan origination and servicing functions, and manage the FLP portfolio. The instructions found in the Farm Business Plan User Guide must be followed to ensure proper documentation. The User Guide is located on the FSA FLP Intranet website under Software User Guides at <https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index>.

C Timing of Farm Operating Plan

- *--The farm operating plan should reflect agricultural norms for the type of commodity or enterprise in a geographical area, considering climate conditions and other factors vital to the operation's success. If there are any changes to the operation during the production cycle, the changes will be noted on the plan. The revision will be signed and dated by the borrower and the authorized agency official and documented in FBP. The period covered by the--* plan should not exceed 18 months unless special circumstances dictate a longer planning period.

242 Developing Farm Operating Plans

A General

[7 CFR 761.104(a)] An applicant or borrower must submit a farm operating plan to the Agency, upon request, for loan making or servicing purposes.

A farm operating plan used for loan making or loan servicing decisions will be developed in a manner that advances the applicant's or borrower's plan for short- and long-term goals and will be based on:

- a typical year's plan for existing farm operations or enterprises without changes
- accurate, verifiable, reliable, and realistic information * * *
- *--the adequacy and appropriateness of real estate, including facilities and improvements, and personal property, such as equipment and livestock, used to successfully conduct the farming operation. Consideration should be given to any necessary repairs, the operational life of the assets compared to the loan term, and any other factors which could impact the feasibility of the farm operating plan.--*

[7 CFR 761.104(b)] An applicant or borrower may request Agency assistance in developing the farm operating plan.

Applicants are encouraged to obtain technical assistance from their local Service Center or 1 of the many stakeholder organizations that work with farmers and ranchers. Sources of technical assistance include, but are not limited to, Land Grant Universities, Extension Service, State programs, and partner organizations, including 1 of the many grants or cooperative agreements administered by USDA. States may contact their State Outreach or Beginning Farmer and Rancher Coordinator for assistance.

Note: Applicants using OLA have the option to specifically request FSA assistance in developing the farm operating plan. Assistance should be provided according to 3-FLP, subparagraphs 41 A and D.

[7 CFR 761.104(c)] The farm operating plan will be based on accurate and verifiable information.

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 prospect 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 current financial performance history with FSA.

242 Developing Farm Operating Plans (Continued)

A General (Continued)

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 income to ensure loan repayment, by incorporating requirements, such as a minimum number of flocks or turns per 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 FSA loan.

When contract income **cannot** be determined to be dependable and likely to continue, it **cannot** be used to reasonably project future income. In that scenario, the authorized agency official will:

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

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

[7 CFR 761.104(c)(1)] Historical information will be used as a guide.

The authorized agency official will review the farm operating plan to ensure that it is reasonable, relative to historical performance, * * * local practices, and conditions.

242 Developing Farm Operating Plans (Continued)

A General (Continued)

To report past yields, documentation, such as operator's sales receipts, financial statements, contracts, and tax returns, may be used by applicants whose operations' past yields do not provide pertinent information for the projected plan. Such operations include vegetable operations in which different crops are grown to meet changing market demands, operations that produce crops using measures such as rows or partial row instead of acres, or operations that grow crops that sell in volumes, such as bunches. For such operations, past reliable history of income and expenses or cash receipts may be used to project the field, greenhouse, *--or operations' production revenue. If an applicant is assuming an operation and the operation will remain substantially unchanged, the assessment may consider the most recent 3 years of production data for the existing operation.

The authorized agency official will evaluate at least the last 3 years of financial data for the farm or applicant. Financial data can be gathered from tax returns, applicant records, or FSA records. If an applicant is taking over an operation and the operation will remain substantially unchanged, the assessment may consider the most recent 3 years of financial data for the existing operation, if available, along with the applicant's own living expenses. A per-unit cost breakdown of per acre/head by commodity item is ideal when developing a plan for operating expenses. Consideration of historical changes to items including, but not limited to, liquidity, solvency, working capital position, and repayment margin must be taken into account when developing the farm operating plan.--*

[7 CFR 761.104(c)(2)] Positive and negative trends, mutually agreed upon changes and improvements, and current input prices will be taken into consideration when arriving at reasonable projections.

--Trend analysis of the applicant's operation must use comparable data for each year (i.e. analysis of balance sheets completed at the same time each year).--

The impact of industry trends must be assessed when developing farm operating plans used in loan requests from poultry or hog growers, and can be based on standard production budgets developed by contractors, consultants, or extension specialists. While these budgets are accepted starting points, the authorized agency official must ensure that the farm operating plan reflects realistic performance assumptions for each 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.

242 Developing Farm Operating Plans (Continued)

A General (Continued)

The impact of age, condition, and potential obsolescence of the facilities must be assessed for loans to purchase or refinance existing facilities. The farm operating plan must factor in any reduced efficiency as well as the potential costs for required modernization of existing facilities to comply with the contract's requirements.

[7 CFR 761.104(c)(3)] Projected yields will be calculated according to the following priorities:

- (i) The applicant or borrower's own production records for the previous 3 years;**
- (ii) The per-acre actual production history of the crops produced by the farming operation used to determine Federal crop insurance payments, if available;**

Notes: This does not mean that averages will be the projection used in every plan. Positive and negative trends will be considered when projecting production levels. The primary focus should always be on developing a realistic projection. If production has been increasing each year for the past 3 years, using the most recent year's production level or a higher level consistent with the trend will, in most cases, be the most realistic projection.

Conversely, if the trend is negative, the average may overstate production, and the most recent year's level is probably the most realistic projection. However, a higher production level may be projected if the negative trend is the result of disaster conditions, or if actions have been taken that will definitively reverse the trend.

Additionally, 3 years is the minimum years of records to be considered, if available. The applicant, at their discretion, can provide more than 3 years of records if these additional records provide a more realistic yield projection. The basis for the yield used should be adequately documented in FBP.

When the production of a growing commodity can be estimated, that estimate must be considered in production projections.

- (iii) FSA Farm Program actual yield records;**
- (iv) County averages;**
- (v) State averages.**

[7 CFR 761.104(c)(4)] If the applicant or borrower's production history has been substantially affected by a disaster declared by the President or designated by the Secretary of Agriculture, or the applicant or borrower has had a qualifying loss from such disaster but the farming operation was not located in a declared or designated disaster area, the applicant or borrower may:

242 Developing Farm Operating Plans (Continued)

A General (Continued)

(i) Use county average yields, or state average yields if county average yields are not available, in place of the disaster year yields when the county or state average yields are realistic and reasonable compared to the applicant's actual non-disaster year yields, as determined by the agency approval official; or

(ii) Exclude the production year with the lowest actual or county average yield if their yields are affected by disasters during at least 2 of the 3 years.

Note: SED will issue a State supplement containing the 3-year history of disaster declarations for all counties in their State, along with the type of disaster and the incident period.

[7 CFR 761.104(d)] Unit prices for agricultural commodities established by the Agency will generally be used. Applicants and borrowers that provide evidence that they will receive a premium price for a commodity may use a price above the price established by the Agency.

FSA-established prices will be used in all farm operating plans developed, unless the applicant provides evidence that they will receive a premium price or a price other than that established by the State. Evidence of this may include, but is not limited to, contracts or other written agreements that guarantee the price for the commodity being produced. If the applicant has historically received a premium price because of above average quality or grade of the product produced, the premium will be taken into account when determining the expected price to be received for that product.

SED will issue a supplement listing the unit prices for all commodities commercially produced in their State, including resources for pricing and marketing strategies for commodities that have not traditionally been commercially produced or marketed in the past. Examples may include organic production, locally or regionally produced agricultural food products, direct marketing to restaurants and grocery stores, CSA, and farmers markets.

Pricing data for alternative production and marketing methods may be available from the following:

- NASS, through its 2008 organic production survey at http://www.agcensus.usda.gov/Publications/2007/Online_Highlights/Organics/index.php

242 Developing Farm Operating Plans (Continued)

A General (Continued)

- AMS:
 - grain and foodstuffs at <http://www.ams.usda.gov/mnreports/lbfnof.pdf>
 - fruit and vegetables at <http://www.marketnews.usda.gov/portal/fv>
 - wholesale terminal markets at <http://usdareports.com>
- RMA provides price for organically grown commodities
- National Agricultural Library has resources available on sustainable and organic agriculture at <http://afsic.nal.usda.gov/organic-production>
- nonprofit organizations such as Rodale Institute's New Farm Organic Price Report
- local sources such as the State Department of Agriculture, farmers market organizations, State organic farmers and gardeners associations, roadside stand organizations, local retail outlets, and State universities.

Note: See Exhibit 28 for a guide to determining projected prices.

[7 CFR 761.104(e)] For MLs, when projected yields and unit prices cannot be determined as specified in paragraphs (c) and (d) of this section because the data is not available or practicable, other documentation from other reliable sources may be used to assist in developing the applicant's farm operating plan.

[7 CFR 761.104(f)] Development of farm operating plans and determination of appropriate repayment terms must include consideration of a reasonable amount of cash flow margin to increase working capital reserves and savings, including reasonable savings for retirement and education, to support operational stability and growth.

According to applicant or borrower goals, and to the extent a feasible plan can be developed, farm operating plans developed for most direct loan making purposes will budget for a reasonable accumulation of working capital reserves and savings, including savings for capital investment, retirement, and education, including the education expenses of relatives. Unequal repayment terms may be necessary for a feasible plan to be developed.

Farm operating plans for youth loans, LR loans, and new loans in concurrence with special servicing requests, will not include a budgeted amount for working capital reserves or savings accumulation, but those goals will be considered as part of the farm assessment. Applicants may also be eligible for interest-only payments in the first year, enabling them to make progress towards long-term financial goals.

242 Developing Farm Operating Plans (Continued)

A General (Continued)

For guaranteed loans, strategies to achieve working capital reserve and savings goals will be addressed as part of the lender's narrative and according to the lender's agreement and lender's internal lending policies. Commercial lending standards typically provide for margin requirements that allow for a reasonable amount of working capital reserve and savings accumulation. Consequently, in joint financing situations, the savings projections included in the farm operating plan developed by a guaranteed lender may differ from the plan developed for the FSA direct loan. This is acceptable if other significant assumptions about projected farm income and expenses are similar.

Applications for direct loan assistance will not be considered incomplete if the farm operating plan provided by the applicant does not budget for working capital reserve and savings accumulation. However, after a direct loan application is submitted, the agency official will:

- collaborate with the applicant on the importance of budgeting for long-term working capital reserve and savings goals
- ensure that the applicant is provided an opportunity to select authorized repayment terms that best align with, and makes progress towards, their long-term working capital reserve and savings goals.

--The agency official may use the FLP Amortization Tool to analyze with the applicant various repayment options for the applicant to consider.--

See * * * Exhibit 71 for a resource that can be used to assist in assessing an applicant's working capital reserve and savings needs.

For direct loan making requests, other than requests for annual OL's, down payment loans, youth loans, LR loans, and concurrent special servicing actions, a feasible plan that includes a reasonable amount of cash flow margin to increase working capital reserves and savings accumulation for the first 3 years of the loan may require using unequal repayment terms, as authorized in 3-FLP, paragraphs 135, 174, 204, and 245, including interest-only installments, unequal installments, or balloon installments for term OL's.

If a feasible plan can be developed with equally amortized installments that includes a reasonable amount of cash flow margin to increase working capital reserves and savings, the applicant will only be provided the option for either of the following:

- first-year interest-only payment followed by equally amortized installments
- equally amortized installments for the life of the loan.

242 Developing Farm Operating Plans (Continued)

A General (Continued)

The loan official will consult with the applicant to determine an appropriate savings amount and select repayment terms that result in a feasible plan. The amount budgeted will not normally exceed the greater of \$7,000, or 5 percent of typical year projected total farm operating expenses (less interest and depreciation). * * *

*--Additional justification is required for a repayment plan that utilizes more than 1 year of interest only installments or a balloon installment to achieve savings (ending cash on hand + capital withdrawal) that exceed the greater of \$7,000, or 5 percent of typical year projected total farm operating expenses (less interest and depreciation). That justification must be used to explain why the higher savings amount is reasonable for that particular applicant to meet their goals and will be documented in the capacity section of the credit presentation.

The identified and approved savings amount will be reflected in the cash flow projection based on how the funds will be accounted for. If the savings are to be deposited in an account listed as a farm asset, the savings amount will be reflected in ending cash on hand. If the savings are to be deposited in an account listed as a personal asset (such as an IRA or a personal savings account), the savings amount will be reflected as a capital withdrawal.--*

* * *

Notes: The income of a non-applicant will not disqualify an applicant from accessing repayment terms that are necessary to achieve the short- and long-term goals of the applicant or operation.

Typical year cash flow budgets are not to include beginning cash on hand or non-recurring carryover income or expenses. Repayment plans that include a balloon installment require a typical year cash flow budget to be completed that reflects the applicant will have a feasible plan once regularly amortized installments begin.

Unequal installment plans are not authorized for annual OL's and down payment loans. However, term youth loans and LR loans may still qualify for interest-only installments, unequal installments, or balloon installments, but farm operating plans for those loans will not include a budgeted amount for working capital reserves or savings accumulation.

242 Developing Farm Operating Plans (Continued)**A General (Continued)**

If the direct loan request is made along with primary loan servicing, farm operating plans will not budget for working capital reserve or savings accumulation, as eDALR\$ already provides for margin according to regulation. Payments for new direct term loans, except for down payment loans, approved concurrently with PLS will be interest-only for the first year with equally amortized installments beginning year 2, unless an alternative repayment schedule is necessary to develop a feasible plan, or if the applicant requests an alternative repayment schedule as documented by the applicant's acceptance and signature of FSA-2313. A typical year plan will be developed in FBP showing a positive cash flow that includes repayment of the new loans and restructured loans if unequal installments are used.

[7 CFR 761.104(g)] Except as provided in paragraph (h) of this section, the applicant or borrower must sign the final farm operating plan prior to approval of any loan or servicing action.

[7 CFR 761.104(h)] If the Agency believes the applicant or borrower's farm operating plan is inaccurate, or the information upon which it is based cannot be verified, the Agency will discuss and try to resolve the concerns with the applicant or borrower. If an agreement cannot be reached, the Agency will make loan approval and servicing determinations based on the Agency's revised farm operating plan.

If a loan making or servicing decision is based on a revised farm operating plan the applicant does not agree with, the authorized agency official will enter the plan on which the applicant does not agree in FBP along with the plan submitted by the applicant. The authorized agency official will document in FBP the differences in the plans and the fact that the loan making or servicing decision was based on a revised farm operating plan on which the applicant does not agree.

In FBP, the plans should be named such that it is clear which plan is the applicant's plan and which plan is developed by FSA.

242 Developing Farm Operating Plans (Continued)

B Consideration of New Enterprises

For new enterprises that are **not** a part of the applicant's history, the authorized agency official may use reliable sources, such as enterprise budgets from Extension Service and Land Grant Universities, as acceptable documentation to support the farm operating plan. Farm operating plans developed for new enterprises must use acceptable State or county average production levels. In addition, the local conditions (soil productivity, climate, etc.) that will affect the enterprise and current realistic income and expense information will be considered when State or county averages are used.

Note: Program loan cost contracting funds are available and may be used to procure technical assistance for applicants planning new enterprises if public sector institutions (Extension Service, State Government, Land Grant Universities, etc.) cannot provide the assistance necessary.

C Consideration of Farm Program Payments

The authorized agency official will:

- determine whether the applicant has applied for and may be eligible to receive any type of program payment assistance
- contact CED to determine the type and amount of program payment assistance the applicant has received or can expect to receive during the period covered by the farm operating plan
- include typical program payments and subsidies that are included in the President's annual appropriations budget in the cash flow projection of the farm operating plan
- not include any:
 - disaster related payments in the cash flow projections of long range and/or typical year farm operating plans, as disasters and any related type of payment assistance are ad-hoc and are not considered typical for a farming operation
 - 1-time payment assistance appropriated as a result of special legislation by Congress and the President in the cash flow projections of long range and/or typical year farm operating plans, as 1-time payment assistance is not considered typical for a farming operation.

243 Revising Farm Operating Plans**A Revising Plans**

The authorized agency official and the applicant or borrower must revise the farm operating plan when changes occur in the farming operation or in the planned or actual use of loan funds. Any revisions made to the plan must be circled, dated, and initialed by the borrower and the authorized agency official. If major revisions cannot be accommodated in the original farm operating plan, a new plan must be completed and attached to the original. This new plan must be labeled, "Revision I, II, III," etc. to reflect the latest revision under consideration.

B FSA Responsibility for Revisions

The authorized agency official will meet with the applicant or borrower to discuss, date, and sign the revised farm operating plan. The revised plan must be placed in the applicant's or borrower's file and follow-up actions posted to DLS. The authorized agency official will provide a copy of the revised farm operating plan to the applicant.

244-246 (Withdrawn--Amend. 67)

247-250 (Reserved)

Section 4 Borrower Account Classification

251 Overview

A CONACT Requirements

--CONACT requires FSA to establish a plan to encourage each borrower (except CL) to graduate to private commercial credit or other sources of credit. FSA uses the borrower account classification system as part of the Operational Review in 4-FLP, Part 2 to identify borrowers with the best potential to obtain commercial credit. Classification also-- identifies borrowers in need of special loan servicing and helps the National Office evaluate the quality of FSA's direct loan portfolio.

Classifications are not disclosed to credit bureaus or other lenders. A borrower cannot appeal an account classification.

B Classification Categories

Accounts will be identified as 1 of the following.

Classification	Classification Category
1	Commercial
2	Standard
3	Acceptable
4	Marginal
5	Not Classified

C When Classification Is Required

All classifications will be completed using FBP. See the Farm Business Plan User Guide at <https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index> for guidance on completing the classification. * * *

Direct loans will be classified using the FBP credit presentation that is used to analyze and *--approve the loan. Test for credit eligibility criteria must be satisfied for requests regardless of account classification. Financially stronger accounts, such as those classified 1 or 2, or that qualify for AFT, often require more thorough documentation.

Note: AFT loans will be classified as a "3" in the FBP D-Loan Making; Application Fast Track Credit Action Model.

Operational review will be completed as required in 4-FLP, Part 2. Classification and graduation review (except for CL) are part of the operational review process.--*

* * *

251 Overview (Continued)**C When Classification Is Required (Continued)**

Before an account is identified as “Currently Not Collectible (CNC)”, the current classification will be reviewed.

- Accounts which have not been previously classified, or those with a classification score of 1 or 2 will be assigned a score of “5,” “Not Classified” using the D-Loan/Special Classification Credit Action.
- Accounts previously scored 3, 4, or 5 will not be reclassified before CNC.

CNC accounts returned from cross servicing are not required to be classified.

D Classification of Youth Loans

New youth loans will be classified as “3” when completing the Youth Loan Credit Action. For existing youth loans that become delinquent, the D-Loan/Special Classification Credit Action will be used and will be assigned a score of “5”, “Not Classified”. If the youth loan is restructured, the loan will be reclassified back to “3”.

E Classification of CL’s

CL’s will be classified using the FBP credit presentation that is used to analyze and approve the loan. There is no test for credit for CL’s, so a classification of commercial or standard is acceptable without further documentation.

* * *

Streamlined CL’s will be classified as “2” using the D-loan/special classification credit action.

--If CL only accounts, including Streamlined, subsequently becomes delinquent or financially distressed, all documents will be obtained to complete PLS and the account will be-- classified using the updated information.

F Classification Reporting

Field Offices must use the Active FLP Borrowers Report from FLP Data Mart at <https://fsadw.nitckc.usda.gov/analytics> to monitor classifications. This report identifies the classification category and date for the most recent classification for each borrower. When a new classification is completed in FBP, the authorized agency official must update the Classification Review Workflow in DLS as soon as it is possible to do so.

Section 2 (Withdrawn--Amend. 252)

441-444 (Withdrawn--Amend. 252)

--Section 3 DD FLP Management*445 Overview****A Background**

DD FLP Management Reports will be used to monitor the delivery of FLP in Service Centers to ensure adherence to appropriate laws, policies and procedures.

B Purpose

The DD FLP Management Report provides a standardized and consistent reporting format and means by which DD can:

- monitor and follow up on actions to be taken by FLP Service Center Staff.
- view previously completed reports
- document results.

C Objectives

The primary objectives of the DD FLP Management Reports are as a tool that supports oversight and management to align service center teams with the resources necessary to manage offices efficiently.

Reports provide 4 key areas of critical importance for DD review of each service center:

- application processing
- delinquency
- security
- general office management.

D SED Responsibilities

SED is responsible for implementing the DD FLP Management process in their State by ensuring that all required reviews, analyses, and reports are completed according to this part.--*

--446 DD FLP Management Report Process*A Administering DD Management Report Reviews**

The DD FLP Management Reports will be completed semi-annually and are the official record documenting the results of semi-annual reviews.

The Management Report Form:

- was developed to assist DD with completing FLP management reviews conducted in the FLP Service Centers
- enables DD to electronically document and submit review results to state and Field Offices
- contains the review areas and talking points for each reporting period
- will be placed in operational file for three FY's.

B Form Access

An application will be used for completing and submitting the management report. Access the DD FLP Management Report from the following link:

<https://usdagcc.sharepoint.com/sites/FSA-DAFLP/SitePages/internalreviews.aspx>.

Only authorized users will have access to the form. Authorized users include DD, FLC, DSED, and SED. Request for user access outside of these positions can be submitted by email to **DDFLP@usda.gov**.

DD's are required to complete reporting semi-annually. Delegation of Loan Approval Authority is not a requirement for report completion.--*

*--446 DD FLP Management Report Process (Continued)

C Reporting Timeframes

All reporting activities are due semi-annually; however, DD's may complete this report more frequently, if necessary, to assist in the overall FLP management of the Service Center. Semi-annual completion is due on the following dates:

First report:

- completion by April 30
- should reflect data gathered between October 1 and March 31.

Second report:

- completion by October 30
- should reflect data gathered between April 1 and September 30.

D Key Areas of Review

Application Processing: DD's should review application processing timeframes, rejected and withdrawn applications, and attempts by FSA staff to assist borrowers in achieving complete applications. Reviewing these items will inform management if applicants are being treated impartially and in accordance with FLP policies and will ensure the service center has provided adequate customer service to all producers.

Delinquency: Reviewing loan portfolio delinquency provides management with an understanding of the overall health of the FSA loan portfolio and allows management to discuss with FLP staff opportunities for assisting delinquent borrowers. Through this review, DD's will focus on reasons for delinquency, determine FSA's involvement before delinquency, continued communication efforts, and reviewing the security for the delinquent account.

Security: Reviewing FSA's overall loan security provides management with an understanding of County Office efforts to ensure loans are adequately secured and all necessary inspections have been completed. DD reviews should focus on security inspections, DLS dashboard entries, UCC continuations, and security requirements.

General Office Management: Reviewing producer records to ensure they are entered consistently between Farm Program and Farm Loan Program systems for applicant/entity documents (e.g., Business Partner, FBP, FSA-2001, Operating Agreement, etc.).

Completion of the DD FLP Management Report will help DD's identify the challenges and conditions that impede Service Centers from achieving program metrics and will convey this information to the National Office.--*

--446 DD FLP Management Report Process (Continued)*F Notifications**

Upon completion of the report, users will receive an auto-generated e-mail with all report responses included. This report should be forwarded to SED, DSED, FLC, and the respective Service Center employees.

G Action Items

An action item is a note attached to a review area, a review record, or a review item in a management report. Action items allow users to document concerns and issues about management reviews.

DD's will use action items to bring awareness to the Service Center and State Office, of problems and deficiencies discovered during the management review.

447 Responsibilities**A DD Responsibilities**

DD's will:

- coordinate and plan all FLP management review site visits with FLP State Office staff so that participation by FLC or FLS can be arranged when necessary
- notify SED, DSED, and FLC of any apparent problems that may require immediate attention
- use the DD FLP Management Report to:
 - complete reviews for each Service Center semi-annually
 - document specific findings for each case file or operational file reviewed
 - record and follow up on any noted problems or inconsistencies as an "Action Item"
 - submit completed Service Center oversight reports.--*

--447 Responsibilities (Continued)*B Service Center Responsibilities**

Service Center staff will:

- assist as needed with items to be reviewed
- be available to discuss specific cases or to answer questions from DD
- follow up on any action items identified by DD.

C State Office Responsibilities

SED's will:

- ensure that timely FLP management reviews are completed by DD's
- assign a State Coordinator.

State Coordinator's will:

- review semi-annually reports submitted
- follow up on any identified action items
- discuss concerns with DD, FLC, DSED, and SED
- document the actions taken to remedy identified deficiencies in the operational file.

D National Office Responsibilities

DD FLP Management report will be reviewed in conjunction with the FLPR process. Reports for each FLP Service Center within a State will be reviewed to ensure that:

- consistent management reviews are being conducted by DD's in the State
- SED's, DSED's, and FLC's are monitoring and addressing any deficiencies or apparent problems identified by DD's.--*

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2201	Lender's Agreement		43, 47
FSA-2211	Application for Guarantee		44, 47
FSA-2232	Conditional Commitment		Ex. 7
FSA-2234	FSA Review of Lenders Evaluation of Collateral		143
FSA-2235	Loan Guarantee		143, Ex. 7
FSA-2241	Guaranteed Farm Loan Status Report		61
FSA-2242	Assignment of Guarantee		Ex. 7
FSA-2248	Guaranteed Farm Loan Default Status Report		61
FSA-2301	Request for Youth Loan		44, 47, 48
FSA-2304	Notice of Incomplete Application		Ex. 7
FSA-2305	Second Notice of Incomplete Application		Ex. 7
FSA-2307	Notice of Complete Application		Ex. 7
FSA-2313	Notification of Loan Approval and Borrower Responsibilities		3, 202, Ex. 7
FSA-2314	Streamlined Request for Direct OL Assistance		48
FSA-2341	Certification of Attorney		43
FSA-2342	Certification of Title Insurance Company		43
FSA-2446	DLS/ADPS/GLS Account Correction		52
FSA-2465	Assignment, Acceptance, and Release (Wool and Mohair)		3
FSA-2489	Assumption Agreement		3
FSA-2510	Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due		3
FSA-2512	Notice of Availability of Loan Servicing to Borrowers Who Are Current, Financially Distressed, or Less Than 90 Days Past Due		3
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who Are in Non-Monetary Default		3
FSA-2535	Conservation Contract		3
FSA-2543	Shared Appreciation Agreement		3
FSA-2570	Offer to Convey Security		3
FSA-2585	Acquisition or Abandonment of Secured Property		5
FSA-2722	Update to TOP and Cross-Servicing Information		5

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
IRS 1098	Mortgage Interest Statement		5, Ex. 18
IRS 1099-A	Acquisition or Abandonment of Secured Property		5
IRS 1099-C	Cancellation of Debt		5
IRS 1099-G	Statement for Recipient of Certain Government Payments		5
OF-306	Declaration of Federal Employment		Ex. 44
OF-347	Order for Supplies and Services		161
SF-87	Fingerprint Chart		Ex. 44
SF-1449	Solicitation/Contract/Order for Commercial Items		161, 168

Note: SF-1449 is available on GSA's form website at www.gsa.gov/portal/forms/type/TOP.

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
AASM	Application Authorization Security Management	Ex. 18
ACCP	accelerated payment	167, 171
ACIF	Agricultural Credit Insurance Fund	164
ACOR	Appraisal Compliance Oversight Review	143, Ex. 2
AD, POAB	FBC, Acquisition Division, Policy, Oversight, and Accountability Branch	161, 162, 168
ADR	alternative dispute resolution	42
AFT	Application Fast Track	25, 28, 251
AMC	appraisal management company	141
ARMP	Agency Representative for Micro-Purchase	141, Part 7, Ex. 19-21, 24
ARRA	American Recovery and Reinvestment Act of 2009	164, 165, Ex. 16
APOC	Appraisal Point of Contact	Text, Ex. 2, 19-21, 40, 44, 64
AQB	Appraisal Qualification Board	146
AS	Agricultural Specialist	23, 26, Ex. 7
BIR	Business Information Report	48
BOB	Budget Oversight Branch	171
BOPR	Borrower Property Table	165, 169
BP	Business Partner	5, 44, 46
BPA	blank purchase agreement	Ex. 24

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
CAFO	confined animal feed operation	Ex. 51, 52
CEC	Client Experience Center	54.5
CL	conservation loan	Text, Ex. 2, 16, 18
CMT	Constant Maturity Treasury	Ex. 17
CNC	currently not collectible	41, 251, Ex. 5
CO	Contracting Officer	23, Ex. 44
CONACT	Consolidated Farm and Rural Development Act	1, 21, 29, 142, 251
CPA	Certified Public Accountant	Ex. 26
CRM	Customer Relationship Management	49
CSA	community supported agriculture	242, Ex. 28
DATA	Digital Accountability and Transparency Act	Part 7
DMB	Debt Management Branch, RD Business Center	5, 61
DNP	Do Not Pay	43, 53, Ex. 15.5, 15.6
ECM	Enterprise Content Management	5, 52, 171
eDALR\$	electronic Debt and Loan Restructuring System	242, Ex. 17
EIN	employee identification number	Ex. 15.6
FAIN	Federal Award Identification Number	162, 166, Ex. 21
FAR	Federal Acquisitions Regulation	141, 161, 163, 167, 168, Ex. 2, 21, 24
FBC	Farm Production and Conservation Business Center	161-163, 167, 168, Ex. 21
FHP	Farm and Home Plan	Ex. 5
FLB	Rural Development Farm Loan Branch	5, 41, 52, Ex. 18
FLOTRACK	Farm Loan Officer Trainee Tracking System	25
FLPIDS	Farm Loan Programs Information Delivery System	56
FLPRA	Farm Loan Programs Risk Assessment	28, 143, 401-403, Ex. 18
FmHA	Farmers Home Administration	52, Ex. 5
FMMI	Financial Management Modernization Initiative	Part 7, Ex. 19-23
FPAC	Farm Production and Conservation	22, 49, 161, 162, 168, 169, Ex. 2, 17
FPDS-NG	Federal Procurement Data System -New Generation	163, 168
GCB	Guaranteed Commercial Branch, Servicing Office	50, 52
IAS	Integrated Acquisition System	161, 163, 164, 168, Ex. 21-23
IRM	Information Resource Management	49-51, 54, 56
ITLAP	Indian Tribal Land Acquisition Program	2, Ex. 16
KZ	cancellation	171
LOA	Loan Analyst	23, 26, Ex. 7
LOC	line of credit	29, Ex. 16
LR	limited resource	242, 263, Ex. 16, 70
LRA	Local Registration Authority	4
LRS	Loan Resolution Specialist	23, 26, Ex. 7

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
ML	microloan	165, 222, 242, Ex. 2, 16
NAPHSIS	National Association for Public Health Statistics and Information Systems	53
NATS	National Appraisal Tracking System	Text, Ex. 19, 21
OA	Office of Adjudication	41
OAC1	Office of Adjudication and Compliance flag denoting acceptance of program discrimination complaint	41, Ex. 18
OBIEE	Oracle Business Intelligence Enterprise Edition	46, 56, 167
OLA	Online Loan Application	3, 48, 242
PAC	Program Authority Code	163, 165, 166, 168, Ex. 21, 25
POA	Policy Oversight and Accountability	161-163, 167
PCA	Production Credit Association	Ex. 18
PIID	Placeholder Procurement Identification Number	162, 168, Ex. 21
PLP	Preferred Lender Program	28, 29, 43, Ex. 5, 18
PLS	Primary Loan Servicing	25, 27, 28, 42, 144, 242, Ex. 5, 18, 70
PLV	potential liquidation value	142, Ex. 40
POAD	Program Operations and Appraisals Division	Text, Ex. 15.5, 21, 40
PRB	Programs Report Branch, RD Business Center	5, 54.5
PVND	Term in the FMMI User Guide representing the creation of a vendor record	165, 166
RCN	replacement cost new	Ex. 51-53
RDBCSO	Rural Development Business Center Servicing Office	46, 52, 54.5
REO	real estate owned	Ex. 40
RRA	Regional Review Appraiser	4
SALP	Special Apple Loan Program	2
SAM	System for Award Management	43, 53, 141, 161, 162, 165, 167, Ex. 20, 23, 44
SDMS	State Directives Management System	3
SEL	standard eligible lender	25, 28, 43, Ex. 5, 18
SLR	Security Liaison Representative	54.5
SOW	Statement of Work	141-143, Ex. 2, 20, 40, 44, 64
SRA	supervisory review appraiser	141-143
TC	transaction code	46, 49, 50, 52, 165, 170, 171, Ex. 18

Delegating FLP Authority

A SED Delegations

SED may delegate the following authorities to employees who have experience and completed the required training authority to:

- prepare personal property appraisals and real estate evaluations
- complete administrative appraisal reviews
- establish and document the estimated value of real estate security when an appraisal has been waived for an EM according to 3-FLP, subparagraph 248 A
- estimate market value of remaining real estate security greater than \$50,000 for:
 - extending the maturity date of balloon payments according to 5-FLP, subparagraph 129 A
 - *--release without compensation under 4-FLP, subparagraphs 146 D and 146 F if an--* appraisal is not obtained.

See subparagraph B for authority to estimate real estate value less than \$50,000.

*--**Note:** Real estate evaluations and estimates will be documented on FSA-2132. See--* paragraph 148.

B FLC/DD/FLM/SFLO Delegations

The following is a list of authorities that may be delegated to employees who have experience and have completed any required training according to subparagraph 23 C.

Authority	AS	FLO	LOA	FLOT	LRS	PT
Sign correspondence as regular signing official.		X	X	X	X	
Sign correspondence “for” (see note).	X	X	X	X	X	X
Establish supervised bank account and deposit loan checks.	X	X	X	X	X	X
Countersign supervised bank account checks/withdrawals.	X	X	X	X	X	X
Input pre-note information for EFT.	X	X	X	X	X	X
Plan and inspect site development work.	X	X				
Check preliminary title opinion for exceptions.	X	X	X	X	X	X
Check final title opinion or mortgage policy for proper lien position.	X	X	X	X	X	X
Review loan closing statement for proper funds disbursement.	X	X	X	X	X	X

Delegating FLP Authority (Continued)

B FLC/DD/FLM/SFLO Delegations (Continued)

Authority	AS	FLO	LOA	*--FLOT	LRS	PT
Execute financing statements or other legal instruments to obtain and preserve security on chattel loans.	X	X	X	X	X	X
Approve FSA-2242.	X	X	X	X	X	X
Review loan closing and issue FSA-2235.		X				
Approve satisfaction/release of security instruments.	X	X	X	X	X	X
Prepare FSA-2040.	X	X	X	X	X	
Release chattel/crop security per approved FSA-2040.	X	X	X	X	X	X
Revise Farm Business Plan and FSA-2040 when necessary.	X	X	X	X	X	
Approve replacement/development - use of insurance proceeds.	X	X				
Approve servicing actions, including liquidation plans submitted by lenders.	X	X				
Requests for PLCE goods and services.	X	X	X	X	X	X
Approve loan restructuring.	X	X				
Approve emergency advance requests.	X	X	X	X	X	
Complete lender reviews.	X	X	X	X	X	
Ordering credit reports.	X	X	X	X--*	X	X
Execute FSA-2232.		X				
Execute FSA-2235.		X				
Consent to a junior lien.		X				
Estimate value of real estate for dispositions less than \$50,000.		X				
Execute FSA-2025.		X				

Notes: Routine correspondence and form letters may be signed by a delegated employee on behalf of the authorized agency official. This includes, but is not limited to, forms FSA-2304, FSA-2305, FSA-2307 and FSA-2313. To effectively sign on behalf of an authorized agency official, the delegated employee must ensure the name of the official they are signing for is included in the document signature block. The signature of the delegated employee should be preceded by either the word “for” or “p.p.”, short for per procuracionem.

Delegated authorities for agency officials that were granted before December 31, 2007, using previous form numbers or regulation citation will not have to be reissued. These delegations remain valid and it is not necessary to modify them if the reason is only to change references to streamlined handbooks.

NATS AgLearn Training Modules

AgLearn training courses have been developed for new users or users that have been assigned a new NATS role. Users should locate the NATS modules in AgLearn by searching for “National Appraisal Tracking” and self-assign the applicable course modules based on their role.

User / EAS Role	AgLearn – NATS Training Modules
Ordering Official (OO), TPOC app.fsa.flp.nats	<ul style="list-style-type: none"> • Module 1 – Introduction to NATS • Module 2 – NATS Initial Work Order Setup • Module 3 – Sending the WO to the Vendor or Staff Appraiser • Module 5 – Completing a Third-Party Administrative Review in NATS • Module 7 – Farm Storage Facility Loans (FSFL) • Module 8 – Chattel Appraisal Work Order
APOC, ARMP app.fsa.flp.nats.apoc	<ul style="list-style-type: none"> • All modules for OO / TPOC, plus the following: • Module 4 – APOC and Funding Staff Process Work Order, Parts 1 and 2 • Module 6 – NATS Advanced Tasks <p>* * *</p>
Funding Staff – FMMI and PLCE app.fsa.flp.nats.fc	<ul style="list-style-type: none"> • Module 1 – Introduction to NATS • Module 4 – APOC and Funding Staff Process Work Order, Parts 1 and 2 • Module 6 – NATS Advanced Tasks • Module 9 – Funding Staff Roles and Profile
State Administrator/ app.fsa.flp.nats.admin.so	<ul style="list-style-type: none"> • Module 1 – Introduction to NATS • Module 11 – State Administrator Roles
National Office/ app.fsa.flp.nats.admin.no	<ul style="list-style-type: none"> • Module 1 – Introduction to NATS • Module 12 – National Office User Roles

Users may direct questions about the training to the NATS helpdesk at **SM.SA.NatsHelpDesk@usda.gov**.

