

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 310

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

The handbook text has been updated throughout to:

- replace “chattel” with “personal property”
- add Application Fast Track (AFT) and related updates
- streamline farm assessment requirements by removing certain exceptions to ML’s.

Subparagraph 21 B has been amended to update CFR language about delegations of authority.

Subparagraph 21.5 G has been amended to clarify the real estate evaluation training description and include approved vendors as providers for training.

Subparagraphs 24 B and D have been amended to update references and add information on real estate evaluations.

Subparagraph 25 A has been amended to:

- replace PLS with direct loan special servicing where applicable.
- clarify that DD’s, FLC’s, and FLS’s required progress towards delegation of approval authority.

Subparagraph 25.5 A has been amended to:

- remove subordinations as an eligible docket type for credit quality review
- add DBSA and DSA as eligible direct loan special servicing dockets for both loan approval authority and credit quality review.

Subparagraph 29 A has been amended to update CFR language.

Subparagraph 29 E has been amended to remove recreation loans.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 42 D has been amended to add references to real estate evaluations.

Subparagraph 42 G has been added to provide guidance on adverse decisions related to real estate evaluations.

Subparagraphs 141 A through K have been amended to:

- add real estate evaluations
- replace the term “appraisal” with “valuation” in relevant statements
- remove the USPAP compliance reference
- extend the useable age of an appraisal report to 36 months
- clarify reviews of third party appraisals.

Subparagraph 142 A has been amended to:

- update the CFR reference to include real estate evaluations
- clarify physical inspection requirements for personal property appraisals.

Subparagraph 142 B has been amended to include the USPAP compliance.

Subparagraph 142 C has been amended to include information on appraisal software.

Subparagraph 142 D has been amended to update the CFR definition for potential liquidation value and clarification.

Subparagraphs 143 A through E have been amended to:

- replace “appraisal” with “valuation” in relevant locations
- add real estate evaluations to CFR and administrative text.

Subparagraph 143 H has been amended to:

- refer to 32-AS Supplement
- remove State requirement to maintain technical review record keeping systems and internal controls.

Paragraph 144 has been amended to replace references to “appraisal” with “valuation” in relevant locations.

Subparagraph 144 E has been added to provide reconsideration information for real estate evaluations.

Subparagraph 144 F has been amended to provide appeal information for real estate evaluations and appraisals more than 18 months.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 144 H has been amended to clarify errors identified in real estate evaluations and personal property appraisals.

Subparagraph 146 D has been amended to clarify real estate evaluation and real estate evaluation review authority.

Paragraph 148 has been amended to replace “appraisal” with “valuation” in relevant locations.

Subparagraph 148 C has been amended to add real estate evaluation release for lenders.

Paragraph 149 has been amended to remove work file and file organization and structure and include real estate evaluation information.

Subparagraph 201 B has been amended to include an exception for developing farm operating plans for loan transactions processed through AFT.

Subparagraph 221 A has been amended to replace “supervisory lending” with “progression lending”.

Subparagraphs 222 A through G have been amended to remove CFR language and text specific to ML’s.

Subparagraph 222 B has been amended to include marketing plan goals and plans for graduation as part of a progression lending plan.

Subparagraph 222 C has been amended to:

- combine the evaluation of the adequacy of resources to conduct the farming operation including real estate, facilities, and personal property
- remove “adequacy of chattel property used to conduct the operation”.

Subparagraphs 222 E and F, and 223 B have been amended to add an exception for loan transactions processed through AFT.

Subparagraph 242 A has been amended to:

- address exceptions to farm operating plans for loan requests approved through AFT
- clarify what flexible repayment options exist for such requests.

Subparagraph 242 C has been amended to add agency official responsibility for disaster and ad hoc related program payments.

Subparagraph 263 A has been amended to remove references to subordinations and AFT.

Subparagraph 263 B has been amended to include an exception for loan transactions approved through AFT.

Subparagraph 462 A has been amended to replace PLS with direct loan special servicing where applicable.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Exhibit 7 has been amended to update delegations of authority for real estate evaluations.

Exhibit 28 has been amended to add the State planning notice template and instructions.

Exhibit 40 has been amended to update potential liquidation value.

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Part 2 FLP Training and Authorities

21 Overview

A Purpose

This Part provides information and guidance on:

- FSA's authority to administer FLP
- the Farm Loan Training Program
- delegating and maintaining loan approval and appraisal authorities
- redelegating SED authority
- maximum loan approval authority by grade and position
- maximum loan limits.

B Program Authority

CONACT, Section 339 provides the Secretary of Agriculture authority to issue regulations and make delegations of authority as necessary to administer FLP. The Secretary delegated FLP authorities to the Under Secretary for Farm Production and Conservation in 7 CFR 2.16. The Under Secretary further delegated these authorities to the FSA Administrator in 7 CFR 2.42. The Administrator delegates authorities to SED's, as applicable.

[7 CFR 761.1] (a) The Administrator delegates the responsibility to administer Farm Loan Programs of the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.) to the Deputy Administrator for Farm Loan Programs subject to any limitations established in 7 CFR 2.16 (a) (2) and 7 CFR 2.42.

(b) The Deputy Administrator:

(1) Delegates to each State Executive Director within the State Executive Director's jurisdiction the authority, and in the absence of the State Executive Director, the person acting in that position, to act for, on behalf of, and in the name of the United States of America or the Farm Service Agency to do and perform acts necessary in connection with making and guaranteeing loans, such as, but not limited to, making advances, servicing loans and other indebtedness, and obtaining, servicing, and enforcing or releasing security and other instruments related to the loan. For actions that do not result in a loss to the Farm Service Agency, a State Executive Director may redelegate
--authorities received under this paragraph to a Deputy State Executive Director, Farm Loan Chief, Farm Loan Specialist, District Director, Farm Loan Manager, Senior Farm Loan Officer, Farm Loan Officer, Loan Analyst, Loan Resolution Specialist, Program Technician, or other positions as determined by the FSA Administrator.--

(2) May establish procedures for further redelegation or limitation of authority.

CONACT, Section 376 provides the Secretary of Agriculture authority to use CED's to make and service FLP loans to the extent CED's have been trained to do so.

--21.5 Farm Loan Training Program*A Overview**

Positions that include FLP duties are required to obtain the necessary skills and experience to effectively implement the program. All employees hired to administer the farm loan program will go through a training program as outlined in this paragraph.

Section 361 of the CONACT requires that adequate training on credit, financial analysis, and farm management be provided to employees who will have loan approval authority. This paragraph outlines the training requirements for all FLP positions, including those that do not require approval authority, as well as CED's pursuing approval authority.

Note: The training requirement applies to CED's pursuing loan approval authority under Section 376 of the CONACT. CED's must have an approved FSA-2127 according to subparagraph 25 F, before being registered in FLOTrack. State FLP training coordinators will record the approved FSA-2127 when registering new CED trainees in FLOTrack.

B Training Structure

The FLP Training Program is an individually paced program. Training requirements differ for positions requiring loan approval authority versus those not requiring loan approval authority. Requirements are outlined in subparagraphs 21.5 F and G.

Training is completed while serving as an active member of the farm loan team. Daily assignments, duties and tasks will be outlined by the trainer or supervisor depending on the needs of the office. A supplemental FLP Training Manual guides trainees through the many aspects of the training program. This guide utilizes suggested reading and key concepts to prepare trainees for program area tests. Positions requiring loan approval authority will be required to demonstrate loan making and servicing proficiency according to paragraph 25.

FLOTrack will be used to track a trainee's progress through the training program. Registration should be completed according to the FLOTrack User Guide within 10 calendar days of the trainee's start date.--*

***--21.5 Farm Loan Training Program (Continued)**

F Training Requirements and Timeframe for All FLP Positions (Continued)

FLP Fundamentals

FLP Fundamentals serves as an introductory overview of common FLP duties and expectations, system software applications, FLP overview and resources, targeted funding, and loan security requirements. FLP Fundamentals should be completed after Orientation Training, and within 180 days of hire.

Loan Underwriting Training

Loan Underwriting Training provides participants with a working knowledge of FSA's underwriting software (FBP). There are 3 courses within the Loan Underwriting Training, FBP 101, 201 and 301. State FLP training coordinators will provide guidance to the trainee on which courses to register for.

21.5 Farm Loan Training Program (Continued)

G Additional Requirements for Positions Requiring Loan Approval Authority

Positions requiring loan approval authority (FLC, FLS, DD, FLM, FLO, FLOT, CED) are required to complete the following additional training requirements and obtain loan approval authority.

Personal Property Valuation Training, Administrative Appraisal Review and Real Estate Evaluation Training

According to Exhibit 7, subparagraph A, the SED may delegate the authority to prepare personal property appraisals, complete administrative appraisal reviews and complete real estate evaluations to employees who have experience and have completed the required training. Self-enrollment is completed in AgLearn. The training is conducted by the *--National Office staff or approved vendor. Upon completion of this training, trainees--* will provide a certificate of program completion to their State FLP training coordinator so the completion date can be entered in FLOTrack. See Paragraph 24 for additional information on appraisal authorities. The training must be completed and the authority delegated within 1 year of hire. This training and associated authorities are optional for employees whose position does not require loan approval authority.

- Personal Property Valuation Training provides an introductory overview of terminology, why personal property valuations are needed, who can perform a personal property valuation, and how to perform and report a personal property valuation.
- Administrative Appraisal Review Training provides an introductory overview of appraisal basics and terminology, understanding the subject property and comparable sales, reviewing approaches to value, and completion of FSA-2165A.
- *--Real Estate Evaluation Training provides an overview of principles and methodology, FSA policy related to real estate evaluations, and completion of--* FSA-2132.

Submission of Dockets

Paragraph 25 outlines the docket submission requirements for positions requiring loan approval authority. As an active member of the farm loan team, the trainee will complete loan dockets and submit those dockets for scoring. The trainee must obtain full approval authority within 18 months of hire.

24 Delegating Valuation Authority--***A General Requirements**

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

***--B Personal Property Appraisal Authority**

SED may delegate personal property appraisal authority to employees who have completed the training requirements in subparagraph 146 A.--*

C Administrative Appraisal Reviews

SED may delegate authority to complete administrative appraisal reviews to employees who have completed the training requirements in paragraph 147.

D Real Estate Evaluations

SED may delegate authority to complete real estate evaluations to employees who have
*--completed the training and experience requirements in subparagraph 146 D with maximum limitations according to the following table.

Loan Approval Official Maximum Real Estate Evaluation Limitations			
Position	FLO, FLOT GS-5/7/9	FLO GS-11	FLM, DD, FLS, SFLO, FLC GS-12/13
Transaction Amount	microloan*	\$250,000*	\$500,000
* Authority to complete evaluations for transaction values above the FLO and FLOT limit subject to a maximum of \$500,000 may be provided in limited circumstances.			

SED, in consultation with FLC, can increase or decrease the transaction value limit delegated to individuals or positions.--*

25 Delegating Loan Approval Authority

A Receiving Approval Authority

Loan approval authority must be obtained by:

* * *

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

*--To obtain loan approval authority, employees must successfully complete the training elements according to subparagraphs 21.5 F and G. This paragraph supplements and further clarifies the requirement in subparagraph 21.5 G to obtain loan approval authority.

Loan approval authority will be obtained incrementally consistent with position and grade according to subparagraph 29 D. Training has been grouped into the following 3 sections, each requiring a delegation of approval authority:

- Direct Loan Making and Direct Loan Regular Servicing
- Direct Loan Special Servicing
- Guaranteed Loan Making and Servicing

Within 1 year of hire, the trainee will obtain approval authority in direct loan making and direct loan regular servicing. To progress toward this requirement, the trainee will first complete a mock direct loan training docket available on the DAFLP SharePoint site. This docket is designed to allow the trainee to understand the flow of processing a loan, practice their analytical skills, and apply loan making knowledge. The docket will be submitted to the trainer for scoring and constructive feedback. This docket does not count toward loan approval authority. This mock direct loan docket will be completed within 6 months of hire.

Once the mock docket is successfully completed, the trainee will complete 3 direct loan dockets. 1 of those 3 direct loan dockets is required to be completed by 9 months of hire. Two more direct loan dockets are required by 12 months of hire. Successful completion of these 3 dockets results in receiving direct loan making and direct loan regular servicing authority, the first incremental authority. Additionally, the trainee will obtain 2 more incremental authorities, direct loan special servicing, and guaranteed loan making and servicing authorities. State Offices will continue to review dockets submitted for loan approval authorities. These additional incremental authorities must be obtained by the end of the 18-month training period. Completion of all 3 incremental authorities results in a full delegation of loan approval authority.--*

25 Delegating Loan Approval Authority (Continued)

A Receiving Approval Authority (Continued)

Required progress towards delegation of approval authority within:

- 6 months: 1 mock direct loan docket
- 9 months: 1 direct loan docket
- 12 months: 2 more direct loan dockets
- 18 months: All remaining dockets for full authority.

***--Note:** DD's, FLC's, and FLS's only need to complete 1 mock docket within 6 months, 1 direct loan docket within 12 months, and the remaining guaranteed loan making docket, direct loan special servicing docket, and required CQR's within 18 months.--*

FLOT's, FLO's, SFLO's, FLM's and CED's will:

- meet credit quality standards in Part 9, Section 4 on a minimum of 5 independently prepared loan dockets identified in paragraph 25.5, of which:
 - 3 must be direct loan making dockets of which, at least 2 must be term loans
 - 1 must be a guaranteed loan making docket
 - *--1 must be a direct loan special servicing docket--*

Notes: No more than 7 total loan dockets may be submitted to meet this requirement.

As necessary, the trainer, in coordination with the FLC must coordinate the opportunity for trainees to prepare loan dockets from outside the trainees' routine service area for the employee to meet the number of loan dockets required. With SED concurrence, FLC may coordinate with FLC's from other States to obtain applicable loan dockets, if necessary.

--In cases where guaranteed or direct loan special servicing applications are not available to allow the trainee to meet required timeframes, FLC may contact the national FLP training coordinator to obtain a substitution guaranteed or direct loan special servicing training docket to meet this requirement. Only 1-- substitution docket may be used to meet training requirements.

- at the discretion of FLC, be required to submit additional loan dockets, not to exceed 7, meeting credit quality standards, until the trainee demonstrates the ability to make sound credit decisions

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

- be placed on a DO according to subparagraph 21.5 I if the trainee'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)

DD's, FLC's, and FLS's will:

- meet credit quality standards in Part 9, Section 4 on a minimum of 3 independently prepared loan dockets identified in paragraph 25.5, of which:
 - 1 must be a term direct loan making docket
 - 1 must be a guaranteed loan making docket
 - *--1 must be a direct loan special servicing docket--*

Notes: No more than 4 loan dockets may be submitted to meet this requirement.

As necessary, SED may coordinate with SED's from other States to obtain applicable loan dockets, if necessary.

--In cases where guaranteed or direct loan special servicing applications are not-- available, the FLC may contact the National Office for up to 1 substitution loan docket to meet this requirement.

* * *

- *--additionally, meet credit quality standards in Part 9, Section 4 on a minimum of 4 Review of Reviewer CQR's, all of which must receive a passing score.

Note: No more than 6 file reviews may be submitted to meet this requirement.--*

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

Note: Loan docket reviews cannot be substituted for dockets to obtain loan approval authority.

- be placed on a DO according to subparagraph 21.5 if the trainee's:
 - 2 of 4 independently prepared loan dockets fail to meet credit quality standards
 - 3 of 6 loan docket reviews fail to meet credit quality standards.

25 Delegating Loan Approval Authority (Continued)**F National Office Approval for CED's Receiving Loan Approval Authority**

SED's will submit FSA-2127 to the National Office to request approval for all CED's
--designated to obtain approval authority by e-mailing the completed FSA-2127--
to SM.FSA.DCWa2.FLOT. FSA-2127 will include the following:

- circumstances that warrant designating CED to obtain loan approval authority according to subparagraph 25 D
- copy of COC's written concurrence for CED to assume additional FLP responsibilities
- map designating the districts with FLP Service Centers where CED will assist
- list of FLP Service Center employees, by position, for the office CED will assist.

The National Office will notify SED when DAFO and DAFLP approval has been granted.

25.5 Loan Dockets

A Docket Types

The loan dockets are completed files that are reviewed to ensure proficiency before delegating loan approval authority, according to paragraph 25, as well as to maintain loan approval authority through credit quality reviews, according to Part 9, Section 4. They must be sufficiently complex to reflect the ability to make sound credit decisions and analyze an applicant's operation.

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.

Loan dockets reviewed must have a final disposition. If a review is to be completed on a loan that is approved but not yet closed, the review official will wait to finalize the review until after the loan is closed and all loan closing documents have been provided by the closing agent for dockets used to obtain loan approval authority. Each type of loan docket has specific requirements that must be followed.

Direct loan making dockets:

- may be approved direct loan applications (including streamlined, microloans and loans processed through AFT)
- may be denied direct loan applications which include a feasibility determination as one of the reasons for denial (excluding streamlined, microloans and loans processed through AFT)
- cannot be youth loans.

Guaranteed loan making dockets:

- must be SEL guaranteed loans

Note: SEL requests used may be approved or denied when the reason for denial includes a feasibility determination. (Except those that were evaluated in conjunction with a direct down payment loan or direct participation loan, according to 2-FLP, subparagraph 96 D.)

- cannot be PLP, CLP, and EZ guaranteed requests.

25.5 Loan Dockets

A Docket Types (Continued)

--Direct loan special servicing dockets:--

- may be approved PLS applications.
- may be denied PLS applications which include a feasibility determination as one of the reasons for denial
- *--may be approved DBSA or DSA applications.--*

* * *

Notes: Among the dockets submitted for loan approval authority, only 2 may be a Microloan, streamlined loan, AFT, or a denial based on feasibility. * * *

Among the dockets submitted to satisfy annual credit quality requirements, only 1 may be a ML, * * * streamlined loan, AFT, or a denied request (when denial is based on feasibility).

26 Delegating FLP Authority

A Delegating Authorities

Employees who have experience and have completed required training may be delegated listed authorities according to Exhibit 7. The authority to service loans is inherent for employees possessing delegated FLP approval authority according to Part 2.

B Delegations to FLO

FLM's or SFLO's may delegate FLP authorities to FLO's or FLOT's who have the appropriate training and experience, but do not currently possess delegated loan approval authority. Use caution in delegating authority to employees still in training.

C Delegations to PT

FLM's or SFLO's may delegate FLP authorities to LOA's, program assistant's, and PT's.

26 Delegating Loan Servicing Authority (Continued)

D Delegations to CED

*--See 27-PM, Exhibit 7 for FLP responsibilities that may be performed by CED's designated by SED to obtain FLP authority.

E Delegations to AS, LOA, and LRS

FLC's, FLM's, or SFLO's may delegate FLP authorities to AS, LOA, or LRS.--*

27 Maintaining Approval Authority

A Employee Who Accepts New FLP Position Within the State

When an FLP employee with loan approval * * * authority accepts a new FLP position within the State, a new delegation of authority is not required.

Loan approval authority is automatically increased when the employee's grade increases, unless:

- SED issues a new delegation of authority limiting the authority
- the original delegation of authority established limitations on approval authority.

Note: A new delegation of authority is not required to be issued when only the employee's grade increases.

B Hires With Prior Loan Approval Authority

A new delegation of authority is required for employees who held loan approval authority in another State before selection to the new position.

Employees with current loan approval authority who have moved to another State may submit a copy of the previous delegation letter, and when possible a statement from the previous FLC, addressing the quality of loan docket reviews based upon credit quality review guidelines.

SED's, in consultation with FLC's, will use this information or review their records to establish the following:

- necessary actions and training for obtaining a current delegation of loan approval authority
- *--determine whether the employee will be required to submit loan dockets for credit--* quality review, and if so, the number of loan dockets to be submitted to determine whether approval authority will be delegated to the employee.

Note: Loan docket submission requirements must not exceed those described in subparagraph 25 A.

29 Maximum Loan Authorities**A OL, FO, CL, and EM Program Loan Limitations**

Limitations on maximum loan amounts for OL, FO, and EM are established in CONACT.

[7 CFR 761.8 (a)] The outstanding principal balances for a farm loan applicant or anyone who will sign the promissory note cannot exceed any of the following at the time of loan closing or assumption of indebtedness. If the outstanding principal balance
--exceeds any of the limits at the time of approval, the Agency must document that--
funds will be available to reduce the indebtedness prior to loan closing or assumption of indebtedness.

(1) Farm Ownership, Down payment loans, Conservation loans, and Soil and Water loans:

(i) Direct--\$600,000;

(ii) Guaranteed--\$1,750,000 (for fiscal year 2019 and increased at the beginning of each fiscal year in accordance with paragraph (b) of this section) (subparagraph B);

***--Notes:** The limit is \$2,558,000 for FY 2027.--*

This limit includes land contract guarantees.

29 Maximum Loan Authorities (Continued)

A OL, FO, CL, and EM Program Loan Limitations (Continued)

(iii) Any combination of a direct Farm Ownership loan, direct Conservation loan, direct Soil and Water loan, guaranteed Farm Ownership loan, guaranteed Conservation loan, and guaranteed Soil and Water loan--\$1,750,000 (for fiscal year 2019 and increased each fiscal year in accordance with paragraph (b) of this section) (subparagraph B);

***--Notes:** The limit is \$2,558,000 for FY 2027.--*

This limit includes land contract guarantees.

(2) Operating loans:

(i) Direct--\$400,000;

(ii) Guaranteed--\$1,750,000 (for fiscal year 2019 and increased each fiscal year in accordance with paragraph (b) of this section) (subparagraph B);

***--Note:** The limit is \$2,558,000 for FY 2027.--*

(iii) Any combination of a direct Operating loan and guaranteed Operating loan--\$1,750,000 (for fiscal year 2019 and increased each fiscal year in accordance with paragraph (b) of this section) (subparagraph B);

***--Note:** The limit is \$2,558,000 for FY 2027.--*

(3) Any combination of guaranteed Farm Ownership loan, guaranteed Conservation loan, guaranteed Soil and Water loan, and guaranteed Operating loan--\$1,750,000 (for fiscal year 2019 and increased each fiscal year in accordance with paragraph (b) of this section) (subparagraph B);

***--Notes:** The limit is \$2,558,000 for FY 2027.--*

This limit includes land contract guarantees.

29 Maximum Loan Authorities (Continued)**D Loan Approval Limitations for Direct and Guaranteed Loans (Continued)**

The SED, after consulting with the FLC, may issue a State supplement that reduces the maximum loan approval limitations described in the preceding table. This State supplement must be submitted to the National Office for pre-approval.

The SED, in consultation with the FLC, may raise the loan approval authority limits for GS-11, 12, and 13 employees who routinely demonstrate exceptional loan making proficiency. Approval authority may be increased by the following:

- direct loan making, increase up to an additional \$200,000
- guaranteed loan making, increase up to an additional \$400,000.

The SED, after consulting with the FLC, shall issue a State supplement establishing the method and standards, including what constitutes higher than average proficiency, for monitoring and evaluating the basis for raising loan approval authorities. This State supplement must be submitted to the National Office for pre-approval.

E Official Loan Approval Limitations for Nonprogram Loans

The following table identifies the maximum loan approval authority for nonprogram loans by grade and title of approval officials.

*--

Type of Loan	FLM, SFLO GS-11/12	DD, FLS, or FLC	SED
Real Estate	\$400,000	\$500,000	Any amount
Personal Property	\$200,000	\$300,000	Any amount

--*

* * *

Outstanding loan balances from other direct or guaranteed FLP loans will not affect the amount an applicant is eligible to receive under nonprogram loans. Any outstanding nonprogram loan balances will not affect the amount an applicant is eligible to receive under any other FLP.

F Loan Servicing Actions

See 4-FLP, 5-FLP, and 7-FLP for loan servicing authorities.

30-40 (Reserved)

42 Appeals (Continued)

***--D Adverse Decisions Involving Valuations**

Text on appraisal reviews provided in subparagraphs E, F, and G will be added to the reconsideration language provided in 1-APP or APP notices, as applicable, when an adverse decision is based on real estate appraisal, personal property appraisal, or real estate evaluation except when either of the following applies:

- the valuation is for PLS or preservation servicing and 5-FLP requires using a specific form or exhibit
- the valuations in question was associated with or connected to, an FSA decision wherein appeal rights were previously offered and concluded.

Notes: Valuations may only be reconsidered or appealed. Mediation is not available on real estate appraisals, personal property appraisals, or real estate evaluations.

See subparagraph 144:

- C for additional guidance about handling real estate independent technical appraisal reviews received from an applicant or borrower
- D for additional guidance about handling personal property independent--* appraisal reviews received from an applicant or borrower
- E for additional guidance about handling real estate evaluation independent reviews received from an applicant or borrower
- H for additional guidance when an applicant or borrower identifies errors in an--* appraisal.

42 Appeals (Continued)

E Real Estate Appraisals

The following text shall be added to the reconsideration paragraph in adverse decision letters involving a real estate appraisal.

You may request a copy of the real estate appraisal used in our decision. We will provide you with a copy within five days of your request. If you would like to discuss the appraisal, or you believe there are errors, including mathematical or property description errors in the appraisal, you should request reconsideration.

Independent Technical Appraisal Review

If you believe the real estate appraisal FSA obtained is incorrect for reasons other than those stated above, you may obtain an independent technical appraisal review. The issue under reconsideration will be whether FSA's real estate appraisal is consistent with the Uniform Standards of Professional Appraisal Practice. If you want this option, you must include a copy of the independent technical appraisal review, or notify this office of your intent to obtain an independent technical appraisal review, in your request for reconsideration. This review must be provided to this office at the time of or before the reconsideration meeting. You must pay to obtain a current independent technical appraisal review from a State-certified general appraiser. The appraiser and the independent technical appraisal review must meet the standards contained in FSA regulations. You may request a copy of the regulations from this office. If you cannot find a qualified appraiser to conduct the independent technical appraisal review, a list of qualified appraisers is available in this office.

If you do not submit an independent technical appraisal review at the time of or before the reconsideration meeting, you waive your right to have us reconsider the appraisal. If you submit an independent technical appraisal review, we will determine whether the appraiser and the independent technical appraisal review meet FSA requirements. If the independent technical appraisal review meets FSA requirements, we will consider all comments contained in the independent technical appraisal review and determine if the appraisal obtained by FSA should be revised.

42 Appeals (Continued)

***--F Personal Property Appraisals**

The following text will be added to the reconsideration paragraph in adverse decision letters involving a personal property appraisal.

You may request a copy of the personal property appraisal used in our decision. We-- will provide you with a copy within five days of your request. If you would like to discuss the appraisal, or you believe there are errors, including mathematical or property description errors in the appraisal, you should request reconsideration.*

Independent Appraisal Review

**--If you believe the personal property appraisal FSA obtained is incorrect for reasons other than those stated above, you may obtain an independent appraisal review. The issue under reconsideration will be whether FSA's personal property appraisal is--* consistent with the present market value of like items in your area. If you want this option, you must include a copy of the independent appraisal review, or notify this office of your intent to obtain an independent appraisal review, in your request for reconsideration. You must pay to obtain a current independent appraisal review from a qualified appraiser. This review must be provided to this office at the time of or before the reconsideration meeting. The appraiser and the appraisal review must meet standards contained in FSA regulations. You may request a copy of the regulations from this office. If you cannot find a qualified appraiser to conduct the independent appraisal review, a list of qualified appraisers is available in this office.*

If you do not submit an independent appraisal review at the time of or before the reconsideration meeting, you waive your right to have us reconsider the appraisal. If you submit an independent appraisal review, we will determine whether the appraiser and the appraisal review meet FSA requirements. If the independent appraisal review meets FSA requirements, we will consider all comments contained in the independent appraisal review and determine if the appraisal obtained by FSA should be revised.

42 Appeals (Continued)

*--G Real Estate Evaluations

The following text will be added to the reconsideration paragraph in adverse decision letters involving a real estate evaluation.

You may request a copy of the real estate evaluation used in our decision. We will provide you with a copy within five days of your request. If you would like to discuss the evaluation, or you believe there are errors, including mathematical or property description errors in the evaluation, you should request reconsideration.

Independent Evaluation Review

If you believe the real estate evaluation FSA obtained is incorrect for reasons other than those stated above, you may obtain an independent evaluation review. The issue under reconsideration will be whether FSA's real estate evaluation is consistent with the present market value of real estate in your area. If you want this option, you must include a copy of the independent evaluation review, or notify this office of your intent to obtain an independent evaluation review, in your request for reconsideration. You must pay to obtain a current independent evaluation review. This review must be provided to this office at the time of or before the reconsideration meeting. The evaluation review must meet standards contained in FSA regulations. You may request a copy of the regulations from this office. If you cannot find a qualified individual to conduct the independent evaluation review, a list of qualified appraisers is available in this office.

*If you do not submit an independent evaluation review at the time of or before the reconsideration meeting, you waive your right to have us reconsider the evaluation. If you submit an independent evaluation review, we will determine whether the evaluation review meets FSA requirements. If the independent evaluation review meets FSA requirements, we will consider all comments contained in the independent evaluation review and determine if the evaluation obtained by FSA should be revised.--**

H Nondiscrimination Statement

The nondiscrimination statement in subparagraph 41 C must be included in all adverse decision letters.

42 Appeals (Continued)

H Actions When Loan Servicing Denial Is Overturned in NAD Final Determination

1-APP, subparagraph 135 A requires that FSA implement a final determination not later than 30 calendar days after the effective date of the notice of final determination. An appeal determination is administratively final when the provisions of 1-APP, subparagraph 135 B have been met.

The authorized agency official will advise the borrower of the next steps to be taken in the loan servicing request within 5 workdays of the date the appeal decision becomes administratively final, or the date FSA determines that it will not pursue a further review of the hearing officer's decision, whichever comes first. The contact will be by telephone or in person, with a written follow-up.

1-APP, subparagraph 135 D provides that, according to FSA regulations, FSA may consider changes in the borrower's condition in implementing NAD's final determination. If there have been significant changes to the borrower's financial or farming situation since the date of the original FSA decision, only the information that has changed needs to be submitted or revised. Any revised or new documents must be initialed or signed, as appropriate, by both the borrower and the authorized agency official.

Note: A significant change is a change that would materially affect the feasibility of, or eligibility for, the proposed loan servicing action.

FSA may request updated financial or production information as the borrower's circumstances may have changed during the pendency of the appeal that may adversely affect the borrower's farming operation.

Note: Adversely affect means that a change unrelated to the issue resolved through the appeal will result in the borrower no longer being eligible for the loan servicing action requested, or the previously developed FBP not being feasible.

After completing the review and evaluation of all necessary revisions, the authorized agency official will approve or deny the loan servicing request according to the applicable FLP handbook. Any loan servicing denial will be handled according to 1-APP, subparagraph 135 E.

The State appeals coordinator will monitor receipt and implementation of final NAD determinations to ensure that they are properly and timely implemented.

54.5 RDBCSO Reports (Continued)**C RDBCSO Reports and Descriptions (Continued)**

FSA Quarterly Reports	Description
RC 655A	Status of Net Recovery Buyout Borrower Detail
RC 655G	Status of Shared Appreciation Borrower Detail
RC 655J	Status of Partial Sales Borrower Detail
RC 661E	Farm Credit Programs Deferred Loan Accounts
RC 676A	Report of Flagged Accounts

FSA Annual Report	Description
RC 830A	Inventory of Debt Instruments Held by Local Servicing Office

55 Type of Assistance and Fund Codes**A Fund Codes**

Fund codes are used to identify a type of loan. For example, Fund Code 44 indicates OL.

Obsolete fund codes are not used for new loans; however, obsolete fund codes will be reassigned if the loan is assumed.

See Exhibit 16 for a list of fund codes.

B Type of Assistance Codes

Type of assistance codes identify the specific type of loan for DLS obligation purposes. For example, a Type of Assistance Code 152 is a 1-year Youth loan for an SDA applicant.

See Exhibit 16 for a list of types of assistance codes.

56 NATS**A Purpose and Overview**

NATS is used to:

- order, process, and track real estate appraisal orders for direct loans, inventory property, and FSFL
- *--order, process, and track personal property appraisal orders for direct loans
- process and track third party real estate and personal property reviews--*

56 NATS (Continued)

A Purpose and Overview (Continued)

- *--process and track guaranteed (when applicable) real estate, personal property, and evaluation reviews
- complete administrative reviews, technical reviews, and personal property reviews for--* product acceptance.

NATS is part of the FLPIDS suite of software applications. Key initiatives that NATS supports are:

- digital records management program - all Federal records must be created, retained, and managed in electronic formats
- USDA digital signature authentication
- data collection enabling the leveraging of information
- data reports available in the OBIEE/Datamart to manage and review work orders, vendors, PLCE transactions (for appraisals), vendor coverage, vendor rotation, etc.
- consistent processing of requests for appraisal services to avoid replication
- paperless management of vendors, non-vendors and user profiles.

B User Assistance

NATS can be accessed directly from DLS or from the FLP Applications Menu at <https://intranet.fsa.usda.gov/fsa/applications.asp> by searching for “National Appraisal Tracking System (NATS)” or by following these steps.

Step	Action
1	On the FSA Intranet Home Page, “CLICK Applications”.
2	On the FSA Intranet, FSA Applications Page, CLICK “D-F”. CLICK “Farm Loan Programs Systems”.
3	On the FSA - Farm Loan Programs Systems Home Page, CLICK “Logon”.
4	On the FSA - Farm Loan Programs Systems Home Page, under Applications, CLICK “NATS”.
5	FSA – Farm Loan Programs – National Appraisal Tracking System page will be displayed.

Part 5 Planning and Performing Construction and Other Development**121 Overview****A Purpose**

[7 CFR 761.10(a)] This section describes Agency policies regarding the planning and performing of construction and other development work performed with:

(1) Direct FLP loan funds; or

(2) Insurance or other proceeds resulting from damage or loss to direct loan security.

[7 CFR 765.205(c)] *Subordination of real estate security.* For loans secured by real estate, the Agency will approve a request for subordination subject to the following conditions:

***--(xiii) Any planned development of real estate security will be performed as directed--* by the lessor or creditor, as approved by the Agency, and will comply with the terms and conditions of § 761.10 (this part) of this chapter.**

122 Borrower Requirements for Preparing a Construction and Development Plan**A Applicability**

An applicant for an FLP loan for construction or repair of farm dwellings, service buildings, or land development must submit a construction and development plan to FSA before loan approval.

A borrower using insurance or other proceeds resulting from the damage or loss of loan security for construction, repair, or land development must submit a construction and development plan to FSA before the release of any proceeds.

An applicant for a subordination to a commercial lender where loan funds will be used for construction or repair of farm dwellings, service buildings, or land development must submit a construction and development plan to FSA before approval of the subordination.

B Funds for Development Work

[7 CFR 761.10(b)] The applicant or borrower:

**(1) Must provide the Agency with an estimate of the total cash cost of all planned
*--development prior to loan approval;--***

Note: Estimates must be provided from the supplier or contractor who will provide services or perform the repair.

**(2) Must show proof of sufficient funds to pay for the total cash cost of all planned
*--development at or before loan closing; and--***

**(3) Must not incur any debts for materials or labor or make any expenditures for
development purposes prior to loan closing with the expectation of being
reimbursed from Agency funds.**

Acceptable sources of funds to pay for the planned development include loan proceeds, any cash furnished by the borrower, proceeds from cost sharing programs, or proceeds from the sale of property.

--Part 6 Valuations*141 General Valuation Requirements--*****A General**

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

- *--(1) Real estate and personal property 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;**
- (3) Real estate evaluations made in connection with the making and servicing of direct FLP loans and Non-program loans; and**
- (4) Reviews of real estate evaluations made in connection with the making and servicing of direct and guaranteed FLP and Non-program loans.**

B Purpose

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

FSA uses valuations to determine the estimated current market value of real and personal property or other security pledged, or to be pledged to support direct loans and loan servicing actions.

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

FSA permits the use of real estate evaluations in lieu of real estate appraisals when the transaction qualifies for an appraisal exemption according to this Part for FLP direct loans. Guidance for appraisal exemptions for the guaranteed loan program is found in 2-FLP.--*

--141 General Valuation Requirements (Continued)--

C Staff Appraiser Responsibilities

--Staff appraisers will:--

- conduct:
 - real estate appraisals
 - technical appraisal reviews
 - loan underwriting administrative appraisal reviews
- provide:
 - *--personal property valuation training
 - administrative appraisal review training
 - real estate evaluation and review training.

States will contact POAD, Appraisals Branch for assistance with valuations.--*

* * *

***--D Valuation Costs**

Responsibility for payment of valuation costs is as follows:

- FSA, for cost of obtaining a valuation 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 *--valuations.

Notes: See:

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

*--141 General Valuation Requirements (Continued)

E Obtaining Valuations

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

A real estate evaluation may be conducted by an FSA employee who has been delegated real estate evaluation authority by SED.--*

A real estate appraisal may be conducted by either an FSA staff appraiser or a vendor appraiser. * * * A real estate appraisal is obtained according to the following table.

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.	• State-certified residential or State-licensed residential appraiser, if within the scope of the appraiser's State appraisal license • State-certified general appraiser • staff appraiser.
property other than residential or rural residential	• State-certified general 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 certified residential licenses.

NATS will be used to request, track, process, and document appraisals for personal property 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 personal property appraisal assignments for field staff.--*

FSA offices will 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 Valuation Requirements (Continued)*F Using an Existing Appraisal**

[7 CFR 761.7(c)] Except as otherwise provided in 7 CFR part 766, when a real estate appraisal is required, the Agency will use an existing real estate appraisal to conduct the loan transaction 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 the Agency determines that the appraisal meets the requirements of this section, and:**

(i) The appraisal has been updated by the appraiser or appraisal firm that completed the appraisal and both the update and the original appraisal were completed in accordance with USPAP; or

(ii) The appraisal was completed in the previous 36 months and the Agency has documentation that:

(A) Market conditions have remained stable or improved based on sales of similar properties:

(B) The property in question remains in the same or better condition; and

(C) The value of the property has remained the same or increased.--*

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.

***--141 General Valuation Requirements (Continued)**

F Using an Existing Appraisal (Continued)

The Farm Business Plan will be used to document the justification for the use of any real estate appraisal over 18 months old.

An existing personal property 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.

--G Using Third-Party Appraisals--

A third-party appraisal is any appraisal the agency receives for use in direct loan programs that was not ordered by the agency, including appraisals provided by guaranteed lenders in participation lending actions. 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 the *--licensure table in subparagraph 141 E and all of the following:--*

- real estate appraisal
 - *--administrative review, technical appraisal review, or both 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 F requirements.--*

--141 General Valuation Requirements (Continued)*G Using Third-Party Appraisals (Continued)--***

Notes: A technical appraisal review can be completed upon request by FLC after the second level review. If the findings are unacceptable, FLC, with Appraisals Branch 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. If the appraisal was ordered and prepared for use by a land trust, the Appraisals Branch must be consulted before use.

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

--H 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.

--I 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, *--personal property 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.

--141 General Valuation Requirements (Continued)*I Procurement of Appraisal Products (Continued)--***

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 personal property 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.

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.

*--141 General Valuation Requirements (Continued)

I Procurement of Appraisal Products (Continued)--*

- 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.

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 Valuation Requirements (Continued)*J 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 Personal Property Appraisals**

[7 CFR 761.7(b)(2)] When a personal property appraisal or real estate evaluation 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 for personal property appraisals. If FSA-2160 is not used, the personal property appraisal, as a minimum, will identify all personal property items appraised, including the following details:

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

Note: Physical inspection of the personal property is required unless adequate video or photographs of the items to be purchased exist in the case file.--*

- 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 personal 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

***--[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.**

Real estate appraisal reports must be USPAP compliant. 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.

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.--*

A real estate appraisal, as a minimum, will be an appraisal report as defined by USPAP. Only FSA staff appraisers are authorized to complete restricted appraisal reports. These reports will be for internal FSA use only.

Restricted appraisal reports received from vendors or third parties will not be reviewed and are unacceptable for agency use.

A signatory appraiser's license type must be appropriate for the assignment (see subparagraph 141 F).

* * *

Appraisal reports must include the following requirements at a minimum.

Subject property details will:

- include documentation of the personal on-site inspection of the subject and property by the appraiser, performed as part of the scope of work of the appraisal assignment

Note: Personal inspections are required for the appraisal assignment unless an exception is provided by Appraisals Branch.

- identify, analyze, and summarize relevant characteristics
- include a breakdown of land and improvement features and values
- include a 3-year sales history of the subject property, including details of any pending transactions.

142 Appraisal Reports (Continued)

B Real Estate Appraisals (Continued)

Comparable sale details must:

- be similar to the subject property in terms of appearance, utility, and market
- be clearly identified, with all information verified and analyzed by the appraiser
- include a breakdown of land and improvement features and values.

142 Appraisal Reports (Continued)

B Real Estate Appraisals (Continued)

Approaches to value must:

- document the results of the following 3 approaches to value, as determined to be applicable and necessary, or a reasonable explanation of exclusion:
 - sales comparison approach
 - cost approach
 - income approach
- include a minimum of 3 closed comparable sales must be used within each applicable approach
- not use the subject property's pending sale as a comparable sale
- adequately explain and support adjustments made to comparable in the appraisal report
- include analysis appropriate for the subject property's complexity and lead to a credible conclusion.

Note: Agency ordered appraisal reports must also comply with the applicable SOW.

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.

142 Appraisal Reports (Continued)**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.

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

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 or a review appraiser.

* * *

142 Appraisal Reports (Continued)

--D 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 may be determined by an independent appraiser using comparables from other forced liquidation sales.

For loan servicing cases when 5-FLP, Exhibit 60 is required, a liquidation value appraisal using Exhibit 40 or a market value only appraisal may be ordered.

When a liquidation value appraisal is ordered, the appraisal request will include both a market value appraisal using the approved SOW for the property type being appraised and a liquidation value appraisal using Exhibit 40. The appraisal report being completed will have both market value and liquidation value developed in the same report. The value reported in the appraisal report is not the potential liquidation value. The potential liquidation value must be calculated by completing 5-FLP, Exhibit 60 to determine the bid amount at the foreclosure sale.

When a market value only appraisal report is ordered, only the single value will be provided, and 5-FLP, Exhibit 60 will be used to calculate the potential liquidation value.

Note: The primary difference between the definition of market value and liquidation value 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 liquidation values 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 Valuation 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 personal property appraisal or real estate evaluation, the Agency may conduct an administrative review.**

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

Personal property appraisals and real estate evaluations used for direct or guaranteed loan servicing purposes are subject to administrative reviews.--*

* * *

***--B Administrative Valuation Reviews**

An administrative valuation 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 valuation review is completed to verify that the:--*

- correct property was appraised
- *--mathematic calculations are correct
- valuation is logical and understandable.--*

* * *

***--Personal property administrative appraisal reviews will be completed on FSA-2167 in NATS for vendor completed personal property appraisals by farm loan staff who have received the delegation of authority.**

Real estate evaluation reviews will be completed on FSA-2175 by farm loan staff who have received the delegation of authority.

Real estate administrative appraisal reviews are conducted by FSA FLP employees and Appraisals Branch staff. An administrative reviewer will not express a different opinion of value and will not certify to the type and extent of review. The real estate administrative appraisal review does not include a determination of compliance with USPAP. It does not fall under USPAP standards and requirements, it used solely for underwriting purposes.--*

--143 FSA Review of Valuation Reports (Continued)*B Administrative Valuation Reviews (Continued)**

The process for completing a real estate administrative appraisal review follows:

- real estate administrative appraisal reviews completed by farm loan staff will be documented by completing FSA-2165A and uploading the form to the NATS documents tab labeled Work order: Other – Work order and document name 2165A-(Work Order Number)
- 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, completing the value boxes, completing the rest of the form as necessary to accept the appraisal for use, and uploading the signed FSA-2165 to Admin Review tab in NATS.

If a box or boxes are checked disagree, other significant concerns are noted, or assistance to complete the administrative appraisal review is needed the FLP staff member will complete and sign FSA-2165A, upload the form to NATS, and refer the review to POAD, Appraisals Branch staff by assigning the Administrative Review task to James Baird in NATS from the task button at the bottom of the homepage.

Appraisals Branch staff will complete an administrative review as a loan underwriter, not acting in the capacity of a real estate appraiser. This review will not comply with USPAP standards and requirements and will only address basic agency requirements:

- if only underwriting issues are found, the reviewer will 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 may be completed by Appraisals Branch staff.

C Conducting Administrative Valuation Reviews

FSA will complete an administrative valuation review:--*

- within 7 calendar days of receiving a vendor appraisal obtained for any direct loan purpose
- *--of personal property appraisals completed by FSA employees, as determined by SED--*

--143 FSA Review of Valuation Reports (Continued)*C Conducting Administrative Valuation Reviews (Continued)**

- of a minimum of 5 percent of real estate evaluations completed by loan officials

Note: FLC's will be responsible for annually identifying the evaluations to be reviewed. Additional files may be reviewed at the discretion of SED and FLC.--*

- on all third-party appraisals
- on all appraisals submitted for guaranteed liquidation, write-down, or both.

* * *

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, a field review, or both. The client may request the review appraiser to provide an opinion of value 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.

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

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.

--A technical appraisal 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 Valuation 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 Valuation Reports (Continued)--

E Conducting Technical Appraisal Reviews

FSA will complete a technical appraisal review * * * on direct loan appraisals when an *--administrative review detects serious problems, or at an FLC's request with Appraisals Branch concurrence.--*

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 4 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 Valuation 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 documented 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 Valuation Reports (Continued)--**G Guaranteed Loan Evaluations or Appraisals Not Submitted to FSA**

FSA will conduct lender reviews according to 2-FLP, paragraph 267. During the lender review, the authorized agency official will review the:

- file to determine whether the correct type of valuation (evaluation or appraisal) was performed based on the loan amount and other risk factors

Note: Evaluations not previously reviewed by FSA based on the files selected for review and findings will be documented using FSA-2234.

- appraisals not previously reviewed by FSA based on the files selected for review 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.

Note: Any errors noted by the review will be discussed with the lender during the lender review exit conference and documented in the letter to the lender outlining the results of the lender review. The lender will be reminded of their responsibilities under the Lender's Agreement and reminded that any loss incurred because of the unacceptable evaluation or appraisal may result in a reduced or denied loss claim.

--143 FSA Review of Valuation Reports (Continued)--

H Recordkeeping and Internal Management Controls

Each State must maintain a recordkeeping system and internal management controls
--according to 32-AS Supplement, and File Maintenance and Disposition Manual, to ensure--
that all administrative * * * reviews and compliance activities are accomplished.

--143 FSA Review of Valuation 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 a 2-year cycle, selected-- at random.

--144 Appeals of Decisions Based on Valuations--**A Scope**

This paragraph provides general information on appealing a direct loan making or loan servicing decision based on an appraisal. See 1-APP and paragraph 42 for additional information on appeals.

***--B When a Decision Based on a Valuation May Be Challenged**

An applicant or borrower may request reconsideration or appeal of any adverse decision based on an FSA valuation. However, when the valuation was obtained in connection with a request for PLS and negotiation of the valuation has been completed according to 5-FLP,--* paragraph 230, the negotiated value is not appealable.

C Reconsideration of Real Estate Appraisals

An applicant or borrower may request reconsideration of an adverse decision based on a real estate appraisal and provide an independent technical appraisal review, completed by a State-certified general appraiser.

The independent technical appraisal review:

- is performed to determine whether the analysis, opinions, and conclusions in the appraisal report obtained by FSA are appropriate and reasonable
- may include either a desk review and/or a field review.

Note: The appraiser conducting the technical appraisal review must certify as to the type and extent of the review process.

At the applicant's or borrower's request, the agency official shall provide a list of State-certified general appraisers. The applicant or borrower may select an appraiser from the list or retain any other State-certified general appraiser to conduct the independent technical appraisal review according to USPAP Standard 3. The applicant or borrower must pay the cost of the independent technical appraisal review.

FSA will review the independent technical appraisal review, as well as the appraisal used to make the decision, and determine if corrections are needed to the original appraisal report. If corrections are necessary, FSA will request the original appraisal be corrected. The authorized agency official will notify the applicant or borrower of the outcome of reconsideration according to 1-APP and provide a copy of the corrected appraisal report.

--144 Appeals of Decisions Based on Valuations (Continued)*D Reconsideration of Personal Property Appraisals--***

An independent appraisal review is performed to determine whether the analysis, opinions, and conclusions in the appraisal report obtained by FSA are appropriate and reasonable.

FSA will review the independent appraisal review received from the applicant or borrower, *--along with a copy of the appraisal, and decide the personal property's final appraised--* value. The authorized agency official will notify the applicant or borrower of the outcome of reconsideration according to 1-APP.

***--E Reconsideration of Real Estate Evaluations**

An independent review of the real estate evaluation is performed to determine whether the analysis, opinions, and conclusions in the report obtained by FSA are appropriate and reasonable.

FSA will review the independent review received from the applicant or borrower, along with a copy of the real estate evaluation, and decide the real estate's final market value. The authorized agency official will notify the applicant or borrower of the outcome of reconsideration according to 1-APP.

F Valuation Appeals

[7 CFR 761.7(e)] Challenges to a valuation used by the Agency are limited as--* follows:

- (1) When an applicant or borrower challenges a real estate appraisal used by the Agency for any loan making or loan servicing decision, except primary loan servicing decisions as specified in § 766.115 of this chapter (5-FLP, paragraph 230), the issue for review is limited to whether the appraisal used by the Agency complies with USPAP. The applicant or borrower must submit a technical appraisal review prepared by a State Certified General Appraiser that will be used to determine whether the Agency's appraisal complies with USPAP. The applicant or borrower is responsible for obtaining and paying for the technical appraisal review.**

Notes: The applicant or borrower does **not** have the right to provide a second independent appraisal for consideration.

The issue for review is the appraisal of the subject property's current market value based on the development of an opinion of the highest and best use of the real estate as required by USPAP.

--144 Appeals of Decisions Based on Valuations (Continued)*F Valuation Appeals (Continued)**

(2) When an applicant or borrower challenges a personal property appraisal used by--* the Agency for any loan making or loan servicing decision, except for primary loan servicing decisions as specified in § 766.115 of this chapter (5-FLP, paragraph 230), the issue for review is limited to whether the appraisal used by the Agency is consistent with present market values of similar items in the area. The applicant or borrower must submit an independent appraisal review that will be used to determine whether the appraisal is consistent with present market values of similar items in the area. The applicant or borrower is responsible for obtaining and paying for the independent appraisal review.

***--(3) When an applicant or borrower challenges a real estate evaluation used by the Agency for any loan making or loan servicing decision, except for primary loan servicing decisions as specified in § 766.115 of this chapter (5-FLP, paragraph 230), the issue for review is limited to whether the real estate evaluation used by the Agency is consistent with present market values of similar properties in the area. The applicant or borrower must submit an independent review of the real estate evaluation that will be used to determine whether the real estate evaluation is consistent with present market values of similar properties in the area. The applicant or borrower is responsible for obtaining and paying for the independent real estate evaluation review.**

Note: FSA will review the qualifications of the reviewer selected by the applicant or--* borrower.

--144 Appeals of Decisions Based on Valuations (Continued)*F Valuation Appeals (Continued)--***

If the borrower:

- is being considered for PLS under 5-FLP, the appeal challenging FSA's appraisal may include the borrower's independent appraisal according to 5-FLP, paragraph 230

Note: In Homestead Protection under 5-FLP, Part 7, the borrower has the right to select an independent appraiser from a list of appraisers provided by the authorized agency official. The issue on appeal will be whether FSA's appraisal is consistent with USPAP and the borrower may only provide an independent technical appraisal review of FSA's appraisal. The borrower does **not** have the right to provide a second independent appraisal for consideration or negotiation of the appraisal.

- disagrees with the appraised value used to determine the amount due under a shared appreciation agreement or net recovery buyout recapture agreement, the issue on appeal will be whether FSA's appraisal is consistent with USPAP, and the borrower may only provide an independent technical appraisal review of FSA's appraisal.

Note: Subparagraphs 42 D and E provide text to be added to the reconsideration paragraph in adverse decision letters involving appraisals.

***--144 Appeals of Decisions Based on Valuations (Continued)**

G Releasing FSA Valuation Reviews--*

Administrative appraisal reviews performed by an FSA employee:

- before an initial decision are part of the FSA record and must be submitted to NAD as part of the appeal process
- after an initial decision are not part of the FSA record and would not be releasable except under a subpoena from NAD according to 7 CFR 11.8(a), and only after any information prohibited from disclosure is deleted.

Technical appraisal reviews performed before or after an initial decision are part of the FSA record and must be submitted to NAD as part of the appeal process.

***--H Errors Identified in a Valuation**

If either the authorized agency official or borrower discovers any mathematical or property description errors in a real estate appraisal, the discrepancies must be reported to FLC, SED, and POAD, Appraisals Branch. POAD, Appraisals Branch shall review the nature of the--* discrepancy and make a determination to:

- contact the appraiser to correct the appraisal
- determine whether the discrepancies are material to the final value determined in the appraisal report.

*--If either the authorized agency official or borrower discovers a mathematical or property description error in a personal property appraisal or real estate evaluation, the discrepancies must be reported to FLC and SED.

The valuation may be corrected up until the time the appeal hearing begins or as a result--* of the appeal hearing.

145 Appraiser Qualifications***--A Personal Property Appraisals**

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

FSA employees must have delegated personal property appraisal authority from SED according to subparagraph 146 A and Exhibit 7.--*

FSA vendor appraisers must:

- *--possess sufficient experience or training to establish market value of personal 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 personal 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 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 Appraisals Branch appraiser may have other responsibilities that include, but are not limited to:

- *--developing and providing training to FLP staff to obtain administrative review, personal property appraisal, and real estate evaluation delegation--*
- performing duties as a supervisor appraiser and/or mentor to an appraiser trainee.

146 Valuation Training Requirements***--A Obtaining/Maintaining Personal Property Appraisal and Personal Property--*
Administrative Review Authority**

To obtain the delegation, employees are required to:

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

--Employees with delegated authority for personal property appraisals and personal property 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.

146 Valuation Training Requirements (Continued)**C Maintaining State-Certified General Real Estate Appraiser Status**

POAD, Appraisals Branch appraisers are required to maintain their State-certified general appraiser status by completing continuing education courses according to the standards established by the State Appraisal Board.

The appraiser, with supervisor approval, should select the continuing education course topics.

--D Obtaining/Maintaining Real Estate Evaluation Authority and Real Estate Evaluation Review Authority--

To obtain the real estate evaluation delegation, employees are required to:

- take the appropriate training to obtain * * * real estate evaluation authority
- *--demonstrate to SED's or designee's satisfaction, sufficient experience and training for the level of authority.

Employees with delegated authority for real estate evaluations must complete continuing education courses every 3 years and demonstrate proficiency in completing real estate evaluations through administrative reviews and credit quality reviews.

The POAD, Appraisals Branch will provide at least biannual training for real estate evaluation delegation of authority and offer continuing education each odd year.

***--Note:** Approved third party training may be used as a substitute or complement to Appraisals Branch Training.--*

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 quarterly training opportunities for delegation of authority and continuing education opportunities each even year.--

--148 Release of Valuation Report--**A General**

--A valuation 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]**.”

--148 Release of Valuation Report (Continued)--**B Release to Applicant or Borrower Per the Equal Credit Opportunity Act (ECOA) (Continued)**

The real estate appraisal or written real estate evaluation must be provided to the applicant at least three business days prior to loan closing or other such consummation of the transaction. The applicant may waive the three-day waiting period upon written request to the Agency, but any such waiver must be provided three business days prior to loan closing or other such consummation of the transaction. The real estate appraisal or written real estate valuation completed on a withdrawn or denied application must also be provided promptly to the applicant, but in no case later than 30 days after the denial or withdrawal.

FSA will document the date that a real estate appraisal or written real estate evaluation is provided to the applicant by placing a copy of the electronic notification in the file.

C Release to Lender

An appraisal report may be released to a lender if the lender is either:

- an intended user stated in the report

Note: A lender that is listed as an intended user in the appraisal report may not request changes or add requirements to the appraisal assignment. FSA, as the client, is the only party that may request changes or add requirements to the appraisal assignment.

- participating in a loan transaction and has a participation arrangement with FSA.

Note: The participation arrangement will be in writing with the applicant or borrower's acknowledgement.

--A real estate evaluation will not be released to a lender.--

D Release to Peer Review Committee or Regulatory Authority

A real estate appraisal report may be released to a peer review committee or regulatory authority upon written request with consultation with POAD, Appraisals Branch. The SED shall inform the review committee in writing that, appraisal information developed for USDA is protected from unauthorized use and unauthorized disclosure pursuant to the administrative and/or civil remedies/criminal penalties identified in applicable Federal statutes to include the Privacy Act of 1974 (5 U.S.C. 552a - as amended).

To ensure proper awareness, individuals/organizations granted access to federally protected information are advised that they may be held legally liable should they commit an unauthorized use/unauthorized disclosure of the protected information in violation of Federal statute.

--149 Real Estate Evaluations*A Purpose**

[7CFR 761.7 (f) (2)] A real estate evaluation may be completed when a real estate appraisal is not required to determine the security value under this subpart.

Real estate evaluations determine the estimated market value of real estate used as basic security for direct loans and certain loan servicing actions when real estate appraisals are not required. The requirement to obtain a real estate appraisal may be waived in certain circumstances, and a real estate evaluation may be completed in lieu of an appraisal. See 4-FLP and 5-FLP for servicing actions that allow the use of a real estate evaluation.

The Agency may obtain a real estate appraisal instead of an evaluation when the authorized Agency official determines it is in the best interest of the government due to complexity of the assignment, staffing, workload, or other reasons.

B Real Estate Evaluation Limits

[7 CFR 761.7 (f) (1)] Real estate related financial transactions that do not exceed the higher of the current OMB appraisal threshold or the following limits do not require a real estate appraisal:

- (i) \$500,000 for commercial real estate transactions; or**
- (ii) \$250,000 for business loan transactions.**

The appraisal threshold for direct loan making is the amount of the new loan being secured by the real property. The appraisal threshold for direct loan servicing is the total amount of the Agency's debt being secured by the real property.

[7 CFR 761.2 (b)] Business loan means a loan or other extension of credit made primarily for agricultural purposes to any corporation, general or limited partnership, business trust, joint venture, sole proprietorship, or other person (including entities and individuals engaged in farming enterprises).

The appraisal threshold is tied to the type of loan being made. All Direct Program loans would be considered business loans at minimum, as FSA exclusively makes loans to entities and individuals engaged in farming enterprises.

[7 CFR 761.2 (b)] Commercial real estate transaction means a real estate-related financial transaction that is secured by a property whose primary value is not derived from a single 1-4 family residence.--*

--149 Real Estate Evaluations (Continued)*B Real Estate Evaluation Limits (Continued)**

The threshold for commercial real estate transactions applies when the loan is made for farm ownership purposes and the majority of the value of the real estate is not derived from a single 1-4 family residence. The property may include a primary residence where the majority of the value is from the farm land and not the residence, but generally should be bare land or minimally improved to be considered for the commercial threshold. A property does not meet the requirements for a commercial real estate transaction if the real estate is primarily considered to be a residential property in the community (e.g. a small vacant acreage) or if there is a dwelling unit that houses fewer than 5 families providing the majority of the value to the property. The dwelling unit may be townhouses, condominium, a house, or other situations where fewer than 5 families would be housed.

Example: If an applicant requested a loan to purchase a 30-acre farm for \$500,000 including a dwelling with an estimated contributory value of \$350,000, it would not be considered a commercial real estate transaction because the dwelling provides the primary value. Therefore, FSA would only be able to complete a real estate evaluation if the FSA loan amount is \$250,000 or less and other criteria are met. If the FSA loan request is more than the business loan threshold or other applicable criteria were not met, a real estate appraisal would be required.

In this example, the estimated values for the dwelling and the land as part of the decision making process can be obtained from the tax assessed value, third party real estate evaluations, prior real estate appraisals, appraisals from the same market area, National Agricultural Statistics Service (NASS) county average land values, or online research.

Note: The appraisal threshold limit for Non-Program loans that do not meet the definitions for a business loan, or a commercial real estate transaction is \$100,000 to comply with OMB Circular A-129.

C Completing Real Estate Evaluations

The authorized agency official must complete real estate evaluation training provided by the Appraisals Branch, other approved sources, or a combination thereof in completing real estate evaluations. The official must demonstrate sufficient experience in completing real estate evaluations and have the delegated authority according to 1-FLP. Exhibit 7. SED, in consultation with FLC, will determine the level of delegation not exceeding \$500,000. See 1-FLP, subparagraph 24 D for maximum transaction limits by position and grade.

Third-party real estate evaluations will not be accepted.--*

--149 Real Estate Evaluations (Continued)*C Completing Real Estate Evaluations (Continued)**

Real estate evaluations should be completed by authorized agency officials who are independent of the loan transaction approval when possible. Proficiency and market awareness is gained through completion of real estate evaluations and the accompanying analysis. Although not required, individuals or a team sufficiently sized to support the State workload should be selected to complete real estate evaluations, especially those above Microloan level, when possible.

For real estate evaluations completed by FSA farm loan staff, the Income Approach and Cost Approach will not be used. If the subject property requires using these approaches to estimate market value, a real estate appraisal should be ordered.

Real estate evaluations for direct loan making and servicing must be completed on FSA-2132 or another format that includes, at minimum, the same information as FSA-2132.

Staff should attach supporting documentation to FSA-2132, such as real estate property tax card or assessor record, aerial imagery, and property photographs to enable a reviewer to understand the analysis and considerations made.

Farm Business Plan will be used to track when real estate evaluations are completed.

D Real Estate Evaluation Decisions

[7 CFR 761.7 (f) (3)] The determination to not obtain a real estate appraisal is subject to applicable Agency guidance.

[7 CFR 761.7 (f) (4)] Notwithstanding the provisions of this subpart, the Agency retains the discretion to obtain a real estate appraisal in lieu of completing a real estate evaluation on a case-by-case basis.

Real estate evaluations can be a useful tool to expedite loan processing in some circumstances; however, properties with increased complexity may require a real estate appraisal even when it would otherwise qualify for using an evaluation in subparagraph B. Situations that may warrant an appraisal include:

- construction/renovation loans
- farms with specialized buildings or operations
- commercial facilities (dairies, poultry, swine, feed lots, greenhouses, etc.)
- vineyards or wineries
- orchards and other permanent plantings with significant value or income--*

--149 Real Estate Evaluations (Continued)*D Real Estate Evaluation Decisions (Continued)**

- uncommon and unique properties or improvements
- properties encumbered with conservation easements, life estates, other use restrictions, property right severances (air, geothermal, mineral, timber), or fractional interests (lease fee/leasehold, undivided interests) etc.
- highly improved properties
- transitional use properties (edge of town or subdivision, etc.)
- mixed use properties
- properties with no recent, similar comparable sales available or limited to no available information on comparable sales (non-disclosure states)
- properties with values closely tied with income production, or where cost and depreciation on newer buildings are needed for comparison with other improvements.

Note: There may be limited circumstances where the above list of features would not exclude the appraisal waiver. Contact the Appraisals Branch for consultation and written approval if this applies.

Other real estate transactions not listed in the previous list may require a real estate appraisal. Contact the Appraisals Branch to discuss other complexities impacting the property that may exclude the use of a real estate evaluation.

When it has been determined a loan transaction falls under the appraisal threshold described in subparagraph 149 B and it is not a complex property as described in this subparagraph, a real estate evaluation may be completed.

The tax or assessed value (TAV) of real property is used for tax rolls in ad valorem taxation. The TAV may be derived and calculated differently in each State and jurisdiction. These values are not market value as defined in Exhibit 2, although they may correlate it. The TAV may be used as the market value estimate in a real estate evaluation in certain circumstances.--*

*--149 Real Estate Evaluations (Continued)

D Real Estate Evaluation Decisions (Continued)

When TAV is determined to be at or below market value, it may be used to calculate the combined loan to value (CLTV) ratio to determine if a real estate evaluation using the tax or assessed value is adequate, if additional support is needed, or if a real estate appraisal is necessary for loan making decisions. The CLTV for the following example calculation includes the FSA loan request and any prior liens secured by the same real estate:

$$\text{CLTV} = (\text{current FSA loan transactions} + \text{prior liens}) \div \text{TAV}$$

Examples of support for TAV comparison to market value include:

- information found in local real estate appraisals of similar properties
- comparing recently closed sales to their TAV prior to transaction closure
- comparing recent similar sales to the subject property TAV
- annual NASS agricultural property value information
- FSA COC members, other FSA employees, or both, familiar with local markets
- similar MLS sold data or current listings with available tax information.

The TAV may be used as the estimated market value for collateral value when the CLTV does not exceed 90 percent and will be documented in Parts A and B of FSA-2132 without completing the full form.

Example: A current loan request of \$250,000 has been received with \$100,000 in prior liens and is eligible for a real estate evaluation based on threshold and complexity. The TAV is \$400,000 and was determined to be at market value.

$$\text{CLTV} = (\$250,000 + \$100,000) \div \$400,000$$

$$\text{CLTV} = .875 \text{ or } 88\%$$

If the CLTV is between 90 and 100 percent, the full FSA-2132 must be completed with additional supporting information.

If the CLTV meets or exceeds 100 percent, or the TAV is determined to be above market value, a real estate appraisal report will be required.

If the loan transaction is for loan servicing, the TAV CLTV analysis may be foregone, and a full real estate evaluation or a real estate appraisal will be completed depending on threshold value, complexity, and other factors.--*

--149 Real Estate Evaluations (Continued)*D Real Estate Evaluation Decisions (Continued)**

When the description of the property the tax assessor used for the basis of their value does not match the current description of the property (improvements and land), additional documentation or a real estate appraisal will be required according to the following guidance:

- if the differences can be documented indicating the market value would be higher than the TAV, the ratio guidelines above will be used

Example: If a survey shows more acreage on a parcel than the tax assessor describes.

- if the difference cannot be documented to show the market value would be higher than the TAV, an appraisal report will be required

Example: If there was a barn on the property that contributed value to TAV that is no longer there.

- if the only discrepancy is the property used for security has multiple tax parcel numbers, but is considered to be a single property in the community, the tax parcel information will be added together and the sum of the TAV will be used.

A full real estate evaluation may be completed when the CLTV is less than 90 percent at the discretion of the loan official.

Notwithstanding any of the guidance within paragraph 149, FLP staff may opt to obtain a real estate appraisal in lieu of completing a real estate evaluation as needed because of staffing, workload, training, or other considerations.--*

* * *

150-160 (Reserved)

Part 7 PLCE's**161 Overview****A Purpose**

This part describes procedures for:

- the PLCE budget process and proper use of PLCE funds
- establishing required primary roles, responsibilities, eligible employees, training requirements and delegations of authority for processing PLCE transactions
- processing PLCE requests at the County and State Office levels
- what to do when there is a concern about vendor payments
- handling return checks and cancelling a PLCE transaction.

B Program Authority

Exhibit 20 provides information on proper invoices according to FAR.

Exhibit 21 provides information on transactional roles, responsibilities, required training, eligible employees for each primary role, and required delegations of authority separate from Exhibit 7.

Exhibit 22 provides information for accessing IAS for new users.

Exhibit 23 provides information on creating IQ-Program Loan Cost Fund Requisitions in IAS.

Exhibit 24 is used to request ARMP delegation from Farm Production and Conservation Business Center, Acquisitions Division, Policy, Oversight and Accountability Branch (FBC, AD, POA) and includes ARMP guidance for making micropurchases.

Exhibit 25 provides program authorities to request PLCE services or pay bills related to a borrower or inventory property account. If a State needs program authority for a cost item not listed in Exhibit 25, SED must send an email to the appropriate point of contact according to subparagraph C.

--Part 6 provides guidance for real estate and personal property appraisals.--

161 Overview (Continued)

B Program Authority (Continued)

The FMMI User Guide:

- shall be used in conjunction with this part
- is located on the DAFLP Intranet website for software guides at <https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index>.

For IAS and general contractual acquisition guidance, see FPAC Procurement Operating Procedures (POP), online IAS User Guides, and FAR, which is accessible online at <https://www.acquisition.gov/?q=browsefar>.

Other source material relating to IAS transactions is found at <https://ias.usda.gov/guidance.html>.

C PLCE and FMMI Help Desk Information

The National Office is the first point of contact for all PLCE and FMMI related inquiries as follows.

Point of Contact for PLCE and FMMI Inquiries		
DATA Act Assistance	Md Mutaleb Javier Arenas	md.mutaleb@usda.gov javier.arenas@usda.gov
FMMI Document Approvals	Md Mutaleb Javier Arenas	
FMMI User Access	Javier Arenas	
General FMMI or PLCE Inquiries	Md Mutaleb Javier Arenas	
Lost Vendor Payments	Md Mutaleb Javier Arenas	
PLCE Funding	Md Mutaleb Javier Arenas	
Vendor Record Inquiries (FMMI or SAM)	Md Mutaleb Javier Arenas	

Matters unable to be resolved at the primary contact level will be expedited to the appropriate FMMI Help Desk Team.

--Questions related to technical aspects of farm real estate and personal property appraisals-- will be directed to the State APOC as provided in Part 6. The commitment and payment of PLCE funds related to appraisal requests are handled according to this subparagraph.

163 Understanding PLCE (Continued)

B PLCE “Non-Contractuals”

PLCE cost items that consist of paying a bill, statement, or similar demand for payment generated by a third-party against a borrower or inventory property are referred to as Routine Loan Account Maintenance, otherwise called “non-contractuals”. These cost items are **exempt** from FAR and Agriculture Acquisition Regulation (AGAR) provisions and are not subject to total cost thresholds. All non-contractual PLCE’s have fixed costs and pre-determined, specific vendors. The cost and vendor for non-contractual items are all outside FSA’s control and, if the cost item is not paid, the Government’s security interests are threatened.

Each expense in Exhibit 25 under the contract purpose labeled “Loan Account Maintenance” for loan making, loan servicing, and inventory property are “non-contractual” items. There are no other PLCE cost items that fall under this category. If an expense item is not listed under Loan Account Maintenance and does not contain an “N” in the PAC, it is **not** a “non-contractual” cost item and **cannot** be treated as such.

See paragraph 166 for guidance on processing PLCE ‘non-contractual’ items.

C PLCE Micropurchases

What constitutes a PLCE micropurchase is how the item is obtained and the cost of the item. When the Agency initiates the purchase, and the cost of the item is less than or equal to \$2,500.00 for non-appraisals (PLCE services) or \$10,000.00 for appraisal products, that PLCE is identified as a PLCE micropurchase.

***--Note:** Appraisal product can be real estate appraisal, personal property appraisal, technical appraisal review, review estate inspections, personal property--* inspections, or year-end analysis activities.

Micropurchase requests are fully handled by the ARMP, APOC, or a Contracting Officer or Contract Specialist, and are routed through the State PLCE Monitor. County Offices may **not** take any action on a micropurchase PLCE request unless instructed to do so by the ARMP, APOC, or contracting official as described in State procedure.

See subparagraph 162 C for information on the ARMP role and see paragraph 167 and Exhibit 24 for guidance on processing PLCE micropurchase items.

D PLCE Contractual Requests

PLCE contractual cost items are all expenses initiated by the Agency with a total cost equal to or more than \$2,500.01 for non-appraisals or \$10,000.01 for appraisal products.

State Offices will submit requests through the FBC AD POA ServiceNow intake portal according to subparagraph 162 C.

Note: NATS will be used to create and track documents for any contract for appraisal products.

--163 Understanding PLCE (Continued)*D PLCE Contractual Requests (Continued)**

County Offices may **not** take any action on a contractual PLCE request unless instructed to do so by the Contracting Officer or Contract Specialist.

See paragraph 168 for specific guidance on processing contractual PLCE's.

E PAC

Exhibit 25 provides a list of each authorized PLCE expense. Each expense item has an assigned unique 3-digit alphanumeric character that is required for obligating and controlling funds and tracking expenses. If there is a "Comment" annotated for the selected PAC, the TPOC and State PLCE Monitors should review the Exhibit 25 "Note" section for usage clarification or application.

All transactions fall under 1 of these 3 categories as follows.

- Loan Making PAC's are applicable during the loan application process only. Once a loan is closed, it becomes a loan servicing action.
- Loan Servicing PAC's are applicable from the point of loan closing through the final disposition of the loan. This includes corrections to documents filed at loan closing.
- Inventory Property PAC's are applicable only after FSA has received the deed and taken the property into inventory, not during the acquisition process. Any PLCE item incurred on behalf of FSA during the acquisition process (foreclosure, voluntary conveyance, etc.) is a loan servicing action and is charged to the borrower's account, not the inventory property. This includes accrued or delinquent taxes, attorney fees, or any other expense related to the liquidation of security prior to the date taken into Government inventory.

F Historical PAC Reference

PAC's found in Exhibit 26 were made obsolete effective October 1, 2010. For loan servicing purposes, Exhibit 26 is retained for historical reference only.--*

166 Processing Routine Loan Account Maintenance “Non-contractual” PLCE’s (Continued)

G Workflow Process for Routine Loan Account Maintenance (“Non-Contractual”) Expenses (Continued)

*--

Step	With Invoice	Invoice Pending
5	PLCE request is parked and posted in FMMI creating a ZMY transaction, using the FMMI User Guide as reference.	PLCE request is parked and posted in FMMI creating a ZMY transaction, using the FMMI User Guide as reference.
6	After ZMY is posted, invoice is parked and posted in FMMI, creating a TY payment document as shown in the FMMI User Guide.	A copy of the budget-approved FSA-2128 and associated FMMI transaction documents are returned to the requesting office.
7	A copy of the approved and completed FSA-2128 and FMMI ZMY and TY transaction documents are returned to the requesting office for placement in file(s).	Once the County Office receives invoice, using the original FSA-2128, forwards invoice to the PLCE Monitor with a digitally signed request for payment.
8	End	Invoice is processed and posted in FMMI, creating a TY payment document as shown in the FMMI User Guide.
9		A copy of the completed FSA-2128 and FMMI TY invoice transaction document are returned to the requesting office for placement in file(s).
10		End

--*

167 Processing Micropurchase PLCE's

A Forms

The forms associated with PLCE micropurchases include.

- **FSA-2128** is required to initiate and pay **non-appraisal** micropurchase PLCE requests with a total cost at or below the micropurchase threshold limit of \$2,500.00 as described in subparagraph 163 C. Additional documents may be required depending upon what is needed and State procedure. TPOC's should contact their ARMP or Contracting Officer when guidance is needed.
- **FSA-2128** is also required to initiate and pay appraisals products (noted in subparagraph 163 C of this part) at or below the micropurchase threshold of \$10,000.00. Additional documentation may be required depending upon State procedure. TPOC's should contact their APOC, ARMP, or Contracting Officer when guidance is needed. FSA-2128 for appraisal products will be processed in NATS.

Note: Once a PLCE item exceeds the \$2,500.00 (non-appraisals) or \$10,000.00 (appraisal products) threshold, it must be handled according to paragraph 168, including after-award modifications requested by the vendor that raises the initial total of funds committed.

- **FSA-2172** is used for requesting Emergency PLCE vendor checks for non-appraisal micropurchases as described in subparagraph 170 G. Emergency checks for micropurchases are very rare and usually involve an emergency custodial livestock *--situation. Real estate and personal property appraisers are **never** paid using the--* Emergency PLCE payment process.

Micropurchase vendors are required to submit an invoice according to the instructions in Exhibit 20. For appraisal products, the telephone number and UEI number are not required on the invoice as they will be available in the NATS Vendor profile. FSA-2171 is **not** used for micropurchases.

All micropurchase vendors operating under this subpart must register in SAM. FSA-2173 is **not** used for or by micropurchase vendors. ARMP should contact the National Office in instances of one-time only vendors needed in emergency custodial situations.

--Additional information about real estate and personal property appraisals is provided in-- Part 6.

167 Processing Micropurchase PLCE's (Continued)

B Filing Requirements

* * * FSA-2128 and other documents related to recoverable cost items are treated as a debt instrument and filed in the borrower's case file.

*--Documents for non-recoverable cost items are not debt instruments. Since "A" funds are non-recoverable, there is no need to file "A" funds PLCE documents in the borrower's casefile. These documents are adequately stored in NATS.

ARMP's are required to maintain a log of transactions and rotation of awards among vendors and maintain secured transaction files containing all relevant transaction information. For appraisal product acquisition, NATS fulfills these requirements.

NATS automatically rotates vendors and tracks the vendor rotation. Documentation of vendor rotation and appraisal awards is provided by NATS reports "Vendor Rotation Report" and "Work Order RE Admin Review Report: available in OBIEE / Datamart accessible from the NATS Reports menu option.

NATS also has a document repository that is used to store transaction files for each work order. The transaction files will contain, at a minimum, the following documents when they are applicable to the work order type.

Item	Description
Requisition	Request for service with documentation that identifies the Government need, Government cost estimate, proof of funding availability, and authorized signatures. FSA-2128 is considered a "requisition".
Required Requisition Documents	Program documents used in addition to FSA-2128 that support the requisition, including and not limited to, copies of e-mailed requests for quotes, quote response, engagement letter, appraisal order or task order, SAM search documentation, complete SAM registration documentation, etc.
FMMI Funds Commitment Document	A copy of the posted FMMI ZMY Adobe form that contains the FMMI user identifiers, date, and time stamps.
Invoice	Invoice submitted to Agency by the vendor when services rendered. Invoice must match posted FMMI TY document.
FMMI Payment Document	A copy of the posted FMMI TY Adobe form that contains the FMMI user identifiers, date, and time stamps.
Acceptance of Service Document	Program acceptance of service or product will be an e-mail or other documentation that may include FSA-2167, FSA-2165, or acceptance from staff appraiser based on the technical review.
Correspondence	All related e-mails, letters, documented telephone calls, and other relevant documents.

--*

167 Processing Micropurchase PLCE's (Continued)**B Filing Requirements (Continued)**

For appraisal product acquisition, NATS generates and saves many of the transaction files, however, ARMP must manually upload the additional documents to NATS including the quote response, SAM search documentation, invoice, appraisal, review(s), FMFI documents, and any additional transaction documents listed above. NATS fulfills the requirement for maintaining transaction files.

All transaction files will be retained for a period of seven years from the date of the final payment. Use file codes:

- CONT-2(a) for transactions over \$2,000.00
- CONT-2(b) for transactions less than \$2,000.00.

The transaction files will be subject to random audits by the FBC AD POA compliance designee. Contracting Officers also may conduct routine file reviews without permission from the FBC staff.

C Vendor Selection

In addition to requesting PLCE funds commitment and disbursements, FSA-2128 is used to record associated market research information. The ARMP will contact appropriate vendors to conduct market research for the required service and make the appropriate entries in FSA-2128. Purchases should be consistent with established guidelines for required sources of services and applicable acquisition procedures for making micropurchases.

How much market research a PLCE requires is dependent upon the dollar amount provided to the ARMP. ARMP's will conduct enough market research to ensure that the Government gets a good value for its money in terms of reasonable price and timely, reliable and quality service.

When making micropurchases, ARMP's will identify the service that best satisfies the PLCE requirement, weighing both price factors and non-price factors like time of delivery. Higher priced contractors may be used if it represents a better value; however, it is the ARMP's responsibility to perform basic comparison-shopping and briefly document the basis for vendor decisions.

All micropurchase vendors must register in SAM; see subparagraph 165 A.

--Vendor selection for real estate and personal property appraisals will be handled-- according to Part 6 and State instructions.

Part 8 Progression Lending

Section 1 Introduction

201 Overview

A Applicability

[7 CFR 761.101] This subpart applies to all direct FLP applicants and borrowers, except borrowers with only Non-program loans.

FSA's direct loan programs assist family farmers with temporary financial assistance to improve their potential to graduate to securing credit from commercial lenders. To ensure that this program objective is met, FLP direct loan programs:

- have in place:
 - term limits (3-FLP)
 - graduation requirements (4-FLP, Part 2)
 - market placement to assist eligible borrowers to obtain guaranteed loans (2-FLP)
- Note:** CL's are **not** subject to term limits or graduation.
- require:
 - borrower training to ensure that guaranteed loans or commercial credit can be obtained in the future (3-FLP, Part 18)
 - FSA and the loan applicant or borrower to complete farm assessment * * * updates as needed (Section 2)
 - the loan applicant or borrower to prepare a farm operating plan, with FSA assistance as needed (Section 3)
 - FSA to classify accounts (Section 4)
 - *--FSA, with borrower input, to complete analysis as required (Section 5).--*

201 Overview (Continued)**B FSA's Role**

FSA's role is to help its direct loan applicants and borrowers in the progression lending process to:

- identify short-, intermediate-, and long-term goals consistent with financial success
- pinpoint and prioritize problem areas
- *--develop strategies and a farm operating plan, except for loan transactions processed through AFT, to:--*
 - meet operational goals
 - graduate to commercial credit
- provide objective credit counseling
- evaluate progress and adjust the action plan as needed.

C Applicant/Borrower's Role

The applicant or borrower has the ultimate responsibility for success of the farming operation. FSA serves in an advisory role, providing temporary assistance. Therefore, it is especially important for the applicant or borrower to prepare to graduate to guaranteed or commercial credit by:

- identifying the goals for the operation
- pinpointing and prioritizing problem areas
- developing strategies and a farm operating plan to meet the operation's goals
- evaluating progress and adjusting operating plan as needed
- complying with the borrower responsibilities according to paragraph 202.

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 progression lending 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 of such reserves and 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)] * * * The initial assessment must evaluate, at a minimum, the:

(2) Type of farming operation.

* * *

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.

* * *

222 Elements of an Initial Assessment (Continued)

B Goals for the Farming Operation

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

--(3) The short- and long-term goals of the operation, including a marketing plan,--
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.

*--(7) Progression lending plan, including a plan for graduation, except for streamlined
CL; and--*

* * *

222 Elements of an Initial Assessment (Continued)**B Goals for the Farming Operation (Continued)**

* * *

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)] * * * The initial assessment must evaluate, at a minimum, the:

--(4) Adequacy of resources to conduct the farming operation including real estate, facilities, and personal property.--

* * *

--When developing the assessment, 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)] * * * 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)] * * * The initial assessment must evaluate, at a minimum, the:

--(5) Historical performance, except for Streamlined CL and loan transactions processed through AFT;--

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)] * * * The initial assessment must evaluate, at a minimum, the:

--(6) Farm operating plan, except for loan transactions processed through AFT.--

*** * ***

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)] * * * The initial assessment must evaluate, at a minimum, the:

--(8) 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.

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(c)] An assessment update must be prepared for each subsequent loan. The update must include a farm operating plan, unless the subsequent loan was processed through AFT, 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)

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 or demonstrate a reasonable likelihood of repayment for any loan request, including those processed through AFT. 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.

*--Establishing Planning Prices: By December 31 of each year, SED will issue a notice listing the unit prices for all major commodities commercially produced in their State and post to the State's public-facing website. State established prices will be based on information from reputable sources. When evaluating sources the following order of consideration will be utilized. Once an acceptable source has been established, further source research is not required.

For the current year planning price in the following order of priority:

- State Land Grant University/Extension price projections
- State Department of Agriculture
- ERS (Less local basis)
- WASDE (Less local basis)
- most recent year NASS price
- other.

For the historical actual price received in the following order of priority:

- NASS
- State Land Grant University/Extension price projections
- AMS
- other.--*

242 Developing Farm Operating Plans (Continued)

A General (Continued)

*--Once the State has selected a reliable source. The same source should be utilized for future annual planning price establishment. Altering between different sources for the same commodity is discouraged and will require documentation to substantiate why the change is in the best interest of the program.

Planning Price Deviations: State-established prices will not be developed for all commodities that may be produced by a farming operation, in every State. If the State-established planning prices are not developed for a commodity, the loan official will document the price used in the farm operating plan by:

- using a contiguous State's planning price, if established
- using a reputable source, such as land grant university, extension, Food and Agricultural Policy Research Institute (FAPRI), etc.
- using other governmental resources (NASS, ERS, State Department of Agriculture, etc.)
- using local sources such as farmers market organizations, State organic farmers and gardeners associations, roadside stand organizations, and local retail outlets.

The use of prices, other than the current year price, is authorized with FLC concurrence and supporting documentation.

State-established prices will be used in all farm operating plans developed, unless a premium price or a price other than that established by the State, is appropriate and documented in the case file. Premiums received for specific commodities, exceptional marketing, niche markets, etc., must be clearly documented and supported in the case file. It is the customer's responsibility to provide documentation to support prices that exceed State-established planning prices. 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.

*--The price used in the plan should be based on the market (State) where the commodity is or will be sold.

As an alternative to utilizing State planning prices, farm operating plans can be based on revenue guarantees, such as those provided by crop and livestock insurance products held by the producer, for the current year. These revenue guarantee products represent a minimum revenue guarantee. If the revenue guarantee is used, production and price are not required to be included in the FOP. The loan official will collect and maintain the insurance documents in the borrower's case file as support. Revenue guarantees should not be used in a typical year plan.--*

242 Developing Farm Operating Plans (Continued)

A General (Continued)

***--Note:** See Exhibit 28 for the planning price notice template.--*

* * *

[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.

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.

242 Developing Farm Operating Plans (Continued)

A General (Continued)

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.

***--Note:** A loan transaction approved through AFT cannot be considered for a limited resource interest rate, unequal installments following the first scheduled annual payment, or balloon payments.--*

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.

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.

242 Developing Farm Operating Plans (Continued)

A General (Continued)

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.

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)**A General (Continued)**

--7 CFR 761.104(i)] For loan transactions processed through AFT, the likelihood of repayment is evaluated by the financial benchmarking process in lieu of a farm operating plan. Therefore, the aspects of paragraphs (c), (d), (e), (f), (g), and (h) of this section which require the Agency to verify income, expense, yield, and price planning to create accurate and verifiable cash flow budgets and for the applicant to sign the final farm operating plan do not apply to applications processed through AFT.--

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
- *--include disaster and ad hoc related program payments, if currently authorized and funded, in the farm operating plan for the year in which the payment will be received (the current year plan), if they can be reasonably projected

Note: While the exact payment rates may not be available, FLP staff should include a reasonable projected payment amount in the current year operating plan after consultation with FP staff, and reviewing publicly available information, to validate the applicant's likely eligibility for the program, and estimate a realistic and reasonable payment amount to be included in the projection. Projections and calculators obtained from Extension, Land Grant University, and other reliable sources can be determined reasonable, and used to document the projected payment for ARC, PLC, etc. However, these one-time payments cannot be included in a typical-year plan.--*

242 Developing Farm Operating Plans (Continued)**B Consideration of New Enterprises (Continued)**

- 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 5 Analysis

261, 262 (Withdrawn--Amend. 285)

263 Minimum Requirements of the Analysis

A Operations Requiring Analysis

[7 CFR 761.105(a)] The Agency conducts an analysis at its discretion or if the borrower:

(1) Is being considered for a new direct loan * * *;

Notes: See 4-FLP, subparagraphs 22 A and 116 B for analysis requirements for subordinations.

Only existing borrowers are subject to a full analysis when they are being considered for a new subsequent direct loan. This is not a requirement for a new applicant.

--Loan transactions approved through AFT are excluded from an analysis under-- this paragraph.

(2) Is financially distressed or delinquent;

***--(3) Has a loan deferred, excluding deferral of an installment under Subpart B of part 766; (5-FLP, Part 2) or**

(4) Is receiving a limited resource interest rate on any loan, in which case the review will be completed at least every 3 years.--*

Completion of an analysis is mandatory for any borrower meeting the criteria above. An analysis will be completed as part of the operational review under 4-FLP, Part 2. Information needed to complete an analysis will be requested according to 4-FLP, subparagraph 116 B. A "Full Operational Review" workflow must be completed in DLS upon determination that a borrower meets any requirement for a mandatory analysis.

The decision to perform an analysis on other borrowers is at the discretion of the authorized agency official. An analysis should not be completed for borrowers with:

- youth loans only
- loans flagged as having bankruptcy, foreclosure, or court action pending
- streamlined CL's unless they have been delinquent or are financially distressed.

263 Minimum Requirements of the Analysis (Continued)

A Operations Requiring Analysis (Continued)

The authorized agency official will use knowledge, experience, and judgment to identify high-risk operations requiring such additional supervisory attention. Supervisory judgments must be objective and apply sound credit and financial management principles.

Operations that may benefit from a full analysis include those that are:

- undergoing major changes
- experiencing adverse production or financial conditions
- subject to volatile changes in the business climate.

B Timing

***--[7 CFR 761.105(b)] Except when processing a loan transaction under § 761.105(a)(1) approved through AFT, the analysis must include a review of the previous--* production cycle's actual income, expense, and production performance, as well as a farm operating plan for the new operating cycle.**

An analysis should coincide as close as possible to the borrower's production and marketing cycle.

The authorized agency official will use the financial information provided by the borrower to develop a farm operating plan according to section 3. The farm operating plan will be used to complete the components of the operational review, including the analysis. See 4-FLP, subparagraph 16 C.

The authorized agency official must review existing assessments, FBP, written correspondence, and FSA-2040. If this review raises issues or questions, the authorized agency official must record these items in FBP to use when meeting with the borrower.

C Identifying and Evaluating Significant Changes

The analysis must identify and evaluate any significant changes to the borrower's farming operation, expenses, or financial condition that have occurred since the most recent assessment or operational review. In most cases, however, significant changes will not have occurred or, if such changes have occurred, they will be limited to 1 or 2 aspects of the borrower's situation. The authorized agency official will pay particular attention to the following:

- changes in operations or goals
- status of progress toward goals
- need for changes in the progression lending plan
- need for additional borrower training.

--Section 4 Credit Quality Reviews*461 Overview****A Background**

CQR's assist FSA in maintaining the financial integrity of the Farm Loan Programs. Reviews are performed to verify that officials who obtain or maintain loan approval authority adhere to all applicable agency rules and regulations governing loan making and loan servicing.

B Purpose

CQR's are designed to thoroughly assess a loan docket on a broad range of items, including underwriting proficiency and adherence to programmatic and administrative requirements.

C Objectives

The primary objective of CQR's is to evaluate loan making and servicing actions to ensure compliance with applicable statutes, regulations, and directives.

CQR's assess:

- a trainee's ability to make and service loans before obtaining loan approval authority
- a loan approval officials' suitability to maintain loan approval authority.

D SED Responsibilities

SED is responsible for implementing the CQR process in their State by ensuring that all required reviews necessary for loan approval officials to maintain loan approval authority are completed according to this part. CQR's are also an essential component of the FLP Training Program.--*

462 CQR Process

A CQR Requirements

To demonstrate continued proficiency, loan officials holding loan approval authority as of October 1 of the FY in review are required to satisfy credit quality standards on 2 loan docket reviews using FSA-2103. No more than 3 loan dockets may be submitted to satisfy this requirement.

As necessary, FLC's, loan approval officials, and their supervisors must coordinate the opportunity for loan approval officials to prepare or approve loan dockets from outside the loan approval officials' routine service area for the employee to meet the number of required CQR's. With SED concurrence, FLC may coordinate with FLC's from other States to obtain applicable credit actions, if necessary.

Approval officials, other than FLC's and DD's, are required to meet these standards annually. State Office staff are required to organize and complete reviews on loan approval officials in their State.

FLC's and DD's are required to meet these standards on a periodic basis as indicated by the National Office.

Loan dockets reviewed must be sufficiently complex, as determined by the review team, to reflect the employee's ability to make sound credit decisions and adequately analyze an applicant's operation. Dockets selected must have a final disposition date in the same FY of the formal CQR. Loan dockets eligible for CQR, identified in paragraph 25.5, may include:

- direct loan making dockets
 - guaranteed loan making dockets
 - *--direct loan special servicing dockets.--*
- * * *

FSA-2103 will be used to complete CQR's. The completed FSA-2103 must be stored in State operational files, in addition to digitally retaining the completed FSA-2103 in the Internal Review Document Tracking System. The CQR 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.

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

This table lists the required reports of this handbook.

Reports Control Number	Title	Reporting Period	Submission Date	Negative Reports	Reference
FLP4	FLPRA Annual Report	Annually	By February 1 each year	Required	403

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
FmHA 2006-21	Information Systems Management (ISM) Request for Changes to User Documentation		52
FD-258	Fingerprint Chart		Ex. 44
FSA-13-A	Data Security Access Authorization Form		54, 56
FSA-137	Address Information Request		46
FSA-159	Request for Supplies, Forms, and/or Publications		Ex. 5, 17
FSA-858	Determining if a Wetland May Be Present		222
FSA-2001	Request for Direct Loan Assistance		44, 47, 48
FSA-2025	Notice of Approval, Terms and Conditions and Borrower Responsibilities		3, Ex. 7
FSA-2026	Promissory Note		3
FSA-2028	Security Agreement		3, Ex. 44
FSA-2029	Mortgage/Deed of Trust		3
FSA-2040	Agreement for Use of Proceeds and Security		263, Ex. 7
FSA-2043	Assignment of Proceeds from the Sale of Dairy Products and Release of Security Interest		3
FSA-2044	Assignment of Income from Real Estate Security		3
FSA-2050	LexisNexis Search Request		63
FSA-2065	Annual Statement Loan Account		5, 49, 52

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2072	Cancellation of U.S. Treasury Check and/or Obligation		171
FSA-2103	Farm Loan Programs Credit Quality Review Questionnaire		462
FSA-2120	Moratorium Notice		41
FSA-2121	Termination of Moratorium		41
FSA-2125	Farm Loan Program County Information File Changes		46
FSA-2127	Request for CED FLP Loan Approval Authority		21.5, 25
FSA-2128	Program Loan Cost Expense (PLCE) Request		Text, Ex. 21, 23
FSA-2132	Real Estate Evaluation		21.5, 148, Ex. 7
FSA-2140	Deposit Agreement		3, 101, 102
FSA-2141	Interest-Bearing Deposit Agreement		102
FSA-2142	Statement of Deposits and Withdrawals		103
FSA-2144	Designated Financial Institution Pledge of Collateral		102
FSA-2145	Demand for Withdrawal of Supervised Bank Account Funds		103
FSA-2150	Development Plan		122, 125
FSA-2153	Release by Claimants		122
FSA-2154	Release by Contractor		122
FSA-2155	Vendor Appraiser Registration		141
FSA-2160	Appraisal of Personal Property		142, Ex. 44
FSA-2165	Administrative Appraisal Review for Real Estate Appraisals		143, 167
FSA-2165A	Administrative Appraisal Review		21.5
FSA-2166	Technical Appraisal Review and Certification		143
FSA-2167	Administrative Appraisal Review for Personal Property Appraisals		143, 167
FSA-2171	Substitute Invoice		166, 167, Ex. 20
FSA-2172	Request for Emergency Payment		166, 167, 171
FSA-2173	Program Loan Cost Expense (PLCE) Vendor Code Request		165-167
FSA-2175	Administrative Evaluation Review		143

Reports, Forms, Abbreviations, and Delegations 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
CLTV	combined loan to value	149
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
CQR	credit quality review	25, 461, 462, 463
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
DMT	Directives Management Tool	3, 57
DNP	Do Not Pay	43, 53, Ex. 15.5, 15.6
DO	demonstration opportunity	21.5
DBSA	distressed borrower set aside	25.5
DSED	Deputy State Executive Director	21.5, 446, 447, 462
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	21.5, 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
IDP	individual development plan	21.5
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

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

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
LRA	Local Registration Authority	4
LRS	Loan Resolution Specialist	23, 26, Ex. 7
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
PAT	program area test	21.5
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	Text, 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
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
TAV	tax or assessed value	149

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b))

Administrative Appraisal Review

Administrative appraisal review is a review of an appraisal to determine whether the appraisal:

- (i) meets applicable Agency requirements; and
- (ii) is accurate outside the requirements * * * of USPAP.

Adversely Affect

Adversely affect means that a change unrelated to the issue resolved through the appeal will result in the borrower no longer being eligible for the loan servicing action requested, or the previously developed FBP not being feasible.

Agency

Agency is the FSA.

Agency Official

The agency official is any employee with the agency. This term is used when the action does not require inherent or delegated authority.

*--Application Fast Track (AFT)

Application Fast Track is an accelerated underwriting process for direct loans, which uses financial and repayment data to benchmark and identify applicants least likely to default. This process serves as documentation of repayment capacity for qualified applicants.

Appraisal

Appraisal means a written statement independently and impartially prepared, setting forth an opinion as to the value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information. Real estate appraisals must comply with the Uniform Standards of Professional Appraisal Practice (USPAP).--*

Appraisal Compliance Oversight Reviews (ACOR)

Appraisal Compliance Oversight Reviews are internal quality control reviews of the agency's administrative review function and appraisal/technical review requirements.

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b)) (Continued)**Appraisal Point of Contact (APOC)**

The appraisal point of contact is the authorized agency official selected to be the point of contact for obtaining appraisal services under the micro purchase threshold and is authorized to complete micro-purchases for appraisal services within their delegated authority. This authorization will be provided by delegation per FAR 1.603-3 by FPAC Director.

Note: Duties and responsibilities include reviewing requests for purchase of appraisal services that does not involve the use of a Government purchase card. APOC has the authority to commit the Agency to purchase a good or service.

Approval Official

The approval official is the specific employee who has the authority to approve or deny the described action.

Authorized Agency Official

The authorized agency official is the FSA official that is authorized to perform specific tasks related to loan making or loan servicing. The appropriate official is determined by inherent authorities or delegations applicable to a particular task.

Beginning Farmer

Beginning farmer is **an individual or entity who:**

- (i) Meets the loan eligibility requirements for a direct or guaranteed CL, FO, or OL, as applicable;**
- (ii) Has not operated a farm for more than 10 years. This requirement applies to all members of an entity;**
- (iii) Will materially and substantially participate in the operation of the farm:**
 - (A) In the case of a loan made to an individual, individually or with the family members, material and substantial participation requires that the individual provide substantial day-to-day labor and management of the farm, consistent with the practices in the county or State where the farm is located; or**
 - (B) In the case of a loan made to an entity, all members must materially and substantially participate in the operation of the farm. Material and substantial participation requires that the member provide some amount of the management, or labor and management necessary for day-to-day activities, such that if the individual did not provide these inputs, operation of the farm would be seriously impaired;**
- (iv) Agrees to participate in any loan assessment and borrower training required by Agency regulations;**

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b)) (Continued)

Beginning Farmer (Continued)

(v) Except for an OL applicant, does not own real farm property or who, directly or through interests in family farm entities owns real farm property, the aggregate acreage of which does not exceed 30 percent of the average farm acreage of the farms in the county where the property is located. If the farm is located in more than one county, the average farm acreage of the county where the applicant's residence is located will be used in the calculation. If the applicant's residence is not located on the farm or if the applicant is an entity, the average farm acreage of the county where the major portion of the farm is located will be used. The average county farm acreage will be determined from the most recent Census of Agriculture;

(vi) Demonstrates that the available resources of the applicant and spouse (if any) are not sufficient to enable the applicant to enter or continue farming on a viable scale; and

(vii) In the case of an entity:

(A) All the members are related by blood or marriage; and

(B) All the members are beginning farmers.

Best Value

Best value involves selecting a vendor of whom the agency solicits a price for services through FAR based on the evaluation of the following factors:

- equitable selection of vendor on a rotational selection basis of all entity vendors in the service area
- the most reasonable price
- greatest competency to provide such service
- best education and experience to provide such service
- vendor past performance
- ability to meet requested time frames for the delivery of the product.

For appraisals, the vendor must have previous experience in appraising similar properties in the same geographical area as described in the SOW or task order that adhere to USPAP.

Note: Service area is the location of the subject property that is normally defined by county. Vendors identify counties in which they will provide services.

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b)) (Continued)**Borrower (or Debtor)**

Borrower (or debtor) is an individual or entity that has an outstanding obligation to the Agency or to a lender under any direct or guaranteed FLP loan, without regard to whether the loan has been accelerated. The term “borrower” includes all parties liable for such obligations, including collection-only borrowers, except for debtors whose total loans and accounts have been voluntarily or involuntarily foreclosed, sold, or conveyed, or who have been discharged of all such obligations owed to the Agency or guaranteed lender.

***--Business Loan**

Business loan means a loan or other extension of credit made primarily for agricultural purposes to any corporation, general or limited partnership, business trust, joint venture, sole proprietorship, or other person (including entities and individuals engaged in farming enterprises).

Combination Business or Farm Property

Combination business or farm property means real property for which the total appraised value is attributable to residential, and business or farm uses

Combined Loan to Value

Combined loan to value is a ratio used to assess risk. It is calculated by dividing the sum of the current FSA loan transaction and prior debt, divided by the estimated value (TAV for real estate evaluation determinations).

Commercial Real Estate Transaction

Commercial real estate transaction means a real estate-related financial transaction that is secured by a property whose primary value is not derived from a single 1-4 family residence.--*

Conservation Loan (CL)

CL means a loan made to eligible applicants to cover the costs to the applicant of carrying out a qualified conservation project.

Conservation Plan

Conservation plan means an NRCS-approved written record of the land user's decisions and supporting information, for treatment of a land unit or water as a result of the planning process, that meets NRCS Field Office Technical Guide (FOTG) quality criteria for each natural resource (soil, water, air, plants, and animals) and takes into account economic and social considerations. The conservation plan describes the schedule of operations and activities needed to solve identified natural resource problems and takes advantage of opportunities at a conservation management system level. This definition only applies to the direct loans and guaranteed loans for the Conservation Loan Program.

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b)) (Continued)**Conservation Practice**

Conservation practice means a specific treatment, such as a structural or vegetative measure, or management technique, commonly used to meet specific needs in planning and implementing conservation, for which standards and specifications have been developed. Conservation practices are contained in the appropriate NRCS Field Office Technical Guide (FOTG), which is based on the National Handbook of Conservation Practices (NHCP).

Conservation Project

Conservation project means conservation measures that address provisions of a conservation plan or Forest Stewardship Management Plan.

***--Disaster Set-Aside**

Disaster set-aside is the deferral of payment of an annual loan installment to the Agency to the end of the loan term in accordance with part 766, subpart B, of this chapter.

Distressed Borrower Set-Aside

Distressed borrower set-aside means the deferral of payment of an annual loan installment to the Agency to the end of the loan term in accordance with part 766, subpart J, of this chapter.--*

Down Payment Loan

Down payment loan is a type of FO loan made to beginning farmers and socially disadvantaged farmers to finance a portion of a real estate purchase under part 764, subpart E of this chapter.

Feasible Plan

Feasible plan means when an applicant or borrower's cash flow budget or farm operating plan indicates that there is sufficient cash inflow to pay all cash outflow. If a loan approval or servicing action exceeds one production cycle and the planned cash flow budget or farm operating plan is atypical due to an interest-only or otherwise unequal installment, cash or inventory on hand, new enterprises, carryover debt, atypical planned purchases, important operating changes, or other reasons, a cash flow budget or farm operating plan must be prepared that reflects a typical cycle. If the request is for only one cycle, a feasible plan for only that production cycle is required for approval.

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b)) (Continued)**Forest Stewardship Management Plan**

Forest Stewardship Management Plan means a **property-specific, long-term, multi-resource plan that addresses private landowner objectives while recommending a set and schedule of management practices designed to achieve a desired future forest condition developed and approved through the USDA Forest Service or its agent.**

FSA

FSA means **Farm Service Agency, an Agency of the USDA, including its personnel and any successor Agency.**

Graduation

Graduation means **the payment in full of all direct FLP loans, except for CLs, made for operating, real estate, or both purposes by refinancing with other credit sources either with or without an Agency guarantee.**

Loan Activity

Loan activity is any transactions processed in GLS, DLS, or PLAS to a borrower's loan.

Microloan (ML)

ML is a type of OL of \$50,000 or less made under reduced application, eligibility, and security requirements.

Personal Property

Personal property is property that may consist of, but is not limited to, crops, livestock, aquaculture species, farm equipment, inventory, accounts, contract rights, general intangibles, and supplies that are covered by financing statements and security agreements, chattel mortgages, and other security instruments. It is property that is not real estate, and the term is generally used to replace references to the term "chattel".

PLCE Expenses

PLCE expenses are defined as financial transactions and procurement items.

Program Loans

Program loans include **FO, CL, OL, and EM. In addition, for loan servicing purposes the term includes existing loans for the following programs no longer funded: SW, RL, EE, ST, and RHF.**

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b)) (Continued)***--Real Estate Evaluation**

Real estate evaluation is an estimate of value of real estate provided by an individual who is not required to comply with USPAP, using market supported information to analyze the subject property.

Real Estate-related Financial Transaction

Real estate-related financial transaction means any transaction involving:

- (i) The sale, lease, purchase, investment in, or exchange of real property, including interests in property or the financing thereof; or
- (ii) The refinancing of real property or interests in real property.--*

Streamlined Conservation Loan

Streamlined conservation loan means a direct or guaranteed CL made to eligible applicants based on reduced documentation.

Supervised Bank Account

Supervised bank account is an account with a financial institution established through a deposit agreement entered into between the borrower, the Agency, and the financial institution.

Technical Appraisal Review

Technical appraisal review is a review of an appraisal to determine if such appraisal meets the requirements of USPAP pursuant to Standard 3 of USPAP.

***--Transaction Value**

Transaction value means:

- (i) For loans or other extensions of credit, the amount of the loan, loan commitment, or other extensions of credit; and
- (ii) For sales, leases, purchases, investments in, or exchanges of real property, the market value of the property interest involved.--*

Definitions of Terms Used in This Handbook (7 CFR 761.2 (b)) (Continued)**Treasury Judgment Rate**

The treasury judgment rate is the interest rate applicable to deficiency judgments for all loan types (pursuant to 28 U.S.C. Section 1961).

Uniform Standards of Professional Appraisal Practice

Uniform standards of professional appraisal practice are **standards governing the preparation, reporting, and reviewing of appraisals established by the Appraisal Foundation pursuant to the Financial Institutions Reform, Recover, and Enforcement Act of 1989.**

***--Valuation**

Valuation is the estimation or determination of value of personal property or real estate by agency officials, vendors, or third parties, in each case, authorized or approved by the Agency.--*

Delegating FLP Authority

A SED Delegations

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

- prepare personal property appraisals * * *
- complete administrative appraisal reviews
- *--complete real estate evaluations within limits specified in subparagraph 24 D and 149--*

* * *

- complete asset investigations for deficiency judgments, debt settlement applications, or when otherwise required to complete loan servicing actions.

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				
* * *		* * *				
Execute FSA-2025.		X				
--Sign CCC-36 as Assignee for FLP	X	X	X	X	X	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.

***--State Planning Notice Template**

A Overview

By December 31 of each year, SED will issue a notice listing the unit prices for all major commodities commercially produced in their State, in accordance with subparagraph 242 A. At a minimum, planning prices will be developed for the top 10 most common commodities produced by FLP applicants in the State.

Price development may be for the whole State or subdivided into regions within the State. Periodic modifications to the planning prices may be made during periods of substantial price fluctuations but are expected to be justified and limited. To allow producers the flexibility to prepay inputs, State's should be prepared to issue pricing well ahead of the production cycle for the primary commodities included in the price list, but no later than calendar year end.

Subparagraph 242 A and this exhibit will guide the development and implementation of State-established planning prices. The planning prices calculator can be found on the DAFLP SharePoint and will be utilized to document the State-established planning price. Once the template has been completed, the State shall include the output screen of the calculator and the information contained in subparagraphs C through F of this Exhibit in the State notice. The notice shall be posted publicly in the "State Resources" section of their State's FSA website (www.fsa.usda.gov/state-offices/STATENAME).

States will issue both a current year price and a typical year price for each commodity included on the list. The typical year planning price will be representative of an expected typical year price to be realized by producers. Prices shall be determined by applying a weighted average of the current market price and the 5-year Olympic average using the most recent 5 years of available information. The calculated planning prices will not include farm program payments or other adjustments. All prices will be presented in increments of \$0.05 (e.g. \$4.25 vs. \$4.23).

State-established prices shall be used in all farm operating plans developed unless a premium price, or a price other than that established by the State, is appropriate and documented in the case file.--*

B State Planning Price List

Subparagraphs B through F of this Exhibit are intended to be used as a template for the required annual state notice referenced in subparagraph A.

[illegible]

— — *

***--State Planning Notice Template (Continued)**

C Premiums

Prices above or below the established planning prices may be used in developing current year or typical year cash flows. Premiums received for specific commodities, exceptional marketing, niche markets, etc. must be clearly documented and supported in the case file. It is the customer's responsibility to provide documentation to support prices which exceed State-established planning prices.

D Milk

The planning price for milk is a base price. Premiums or discounts received should be added or subtracted to the base price so the plan more accurately reflects the actual income producers would receive per cwt. Historical premiums/discounts will be documented in the case file.

E Contracts

If sales contracts are in place, the contract price should be utilized for the quantity covered under the contract in the current year plan, if applicable. The typical year plan can include the contract price if the contract covers more than one production cycle.

F Government Payments

Farm operating plans should include government payments that are known (CRP, EQIP, etc.) and consist of predictable, multi-year contractual payments.

Disaster and ad hoc related program payments, currently authorized and funded, should be included in the farm operating plan for the year in which the payment will be received (the current year plan), if they can be reasonably projected. While exact payment rates may not be available, FLP staff should include a reasonable projected payment amount in the current year operating plan after consulting with FP staff, and reviewing publicly available information, to validate the applicant's likely eligibility for the program, and estimate a realistic and reasonable payment amount to be included in the projection. Projections and calculators obtained from Extension, Land Grant University, and other reliable sources can be determined reasonable, and used to document the projected payment for ARC, PLC, etc. However, these one-time payments cannot be included in a typical year plan. See subparagraph 242 C for additional guidance on farm program payments.--*

Statement of Work Addendum for * * * Liquidation Value Appraisals

Background

The Farm Service Agency (FSA), an agency of the U.S. Department of Agriculture (USDA), makes and services loans secured by real estate. FSA needs appraisal reports to complete various direct loan making and loan servicing responsibilities. This Statement of Work (SOW) addendum addresses FSA's requirements for a * * * Liquidation Value * * * appraisal for the purpose of loan *--servicing. This addendum provides additional assignment conditions and supplements the Real Estate Appraisal Statement of Work, including the Dairy, Hog, and Poultry Addendums as applicable.--*

Objective

FSA intends for the Vendor to perform a real estate appraisal as described below and to provide the report in a PDF version to FSA by the specified date. These assignment conditions are to instruct *--the appraiser to develop not only a market value appraisal but also a liquidation value appraisal as--* defined below. This addendum is to be used when consideration for a short exposure time is necessary due to adverse servicing conditions.

Scope

The purpose of this Statement of Work (SOW) Addendum is to provide additional assignment conditions specific to this appraisal assignment. The purpose is for FSA to obtain an appraisal of a property by the described completion date to include a market value (12 CFR 34.42) and a * * * *--liquidation value (Dictionary of Real Estate Appraisal). See attached Exhibit 1, "Market Value Definition", and Exhibit 2, "Liquidation Value Definition".--*

FSA regulations require the appraiser take into consideration at a minimum the three approaches to value: Sales Comparison approach, Cost approach, and the Income approach. Specific instructions *--for liquidation value support for the approaches to value are contained under the Approaches to--* Value section of this addendum.

Period of Performance

Typically, the period of performance is 30 calendar days from the date of the Engagement Letter or the Purchase Order unless otherwise defined. The appraiser should realistically estimate the timeframe to complete the appraisal assignment considering an additional time required for the liquidation value component of the appraisal, if necessary.

Work Requirements

The appraiser is to complete the appraisal process and reporting standards of the USPAP in effect as of the effective date of the appraisal. Real estate appraisals shall be completed in accordance with USPAP and any other assignment conditions as further defined in the SOW required by FSA for this appraisal assignment, this addendum, and/or the engagement letter.

FSA's Appraisal Requirements

In general, FSA has specific appraisal conditions and requirements for completing and reporting the values in an appraisal and will be considered to be part of the Appraisal Assignment. The specific conditions and requirements are described in this section as well as in the base statement of work for *--the type of property appraised. Both market value and liquidation value are required in the report.--*

Statement of Work Addendum for * * * Liquidation Value Appraisals (Continued)

Client and Intended User

Generally, FSA will be named as the Client and intended user. FSA will advise the vendor if there are additional intended users and they will be listed after FSA.

Appraisal Process

The appraiser shall follow the real estate appraisal process and reporting standards of the USPAP in effect as of the effective date of the appraisal. The appraiser will need to consider the following specific requirements for this appraisal of the subject property in addition to the typical requirements in the appraisal process.

Intended Use

The intended use is for loan servicing with consideration for both a voluntary sale (market value) *--and an involuntary sale (liquidation value) of the subject property.--*

Exposure Time

For the market value appraisal, identify typical exposure for the property type in the subject's *--market. For the liquidation value, a set exposure time will be provided by FSA. Due to the--* potential of adverse servicing actions, the exposure time to the market for the subject property may be shorter than typical for the subject and its market area. Using an extraordinary assumption, cite the exposure time provided by FSA, and conclude that the consummation of a sale is within this *--short time period. Based on this shortened exposure time, please provide your opinion of liquidation value. Cite the extraordinary assumption and state the extraordinary assumption might have--* affected the assignment results.

FSA's Calculation and Support for Exposure Time: Exposure time is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale as of the effective date of the appraisal. The FSA authorized agency official will document the estimated exposure time to be used based on the following information.

For the state of _____, the state's legal statute (citation # _____) sets forth the length of public notice by advertisement of _____ days*.

Exposure time as determined by the Agency based upon the above State statutory requirements is
☐ 30 days ☐ 60 days ☐ 90 days ☐ other ____*.

The appraiser shall use this as the exposure time for the liquidation value as described above.

*To be provided by FSA at the time of engagement of an appraiser.

Data Collection

Collect, verify, and analyze such comparable market data that is available that meet the definition of *--market value and liquidation value.

For liquidation value, the vendor should verify comparable sale conditions with one or more--* parties to gain the appropriate knowledge of the sales transaction and determine that it meets the definition of the liquidation value sought.

Statement of Work Addendum for * * * Liquidation Value Appraisals (Continued)

Approaches to Value

All three approaches to value are to be considered. The report must explain if an excluded approach is not necessary for credible results. Each approach to value will be reconciled with the strengths and weaknesses. Consider the following approaches to value as part of the appraisal assignment.

Sales Comparison Approach

In addition to typical methodology used in the sales comparison approach, specific to this intended use, the appraiser should consider:

- *--For the liquidation value, comparable sales selected should be sales with similar exposure times.
- In the absence of comparable local sales that meet the definition of liquidation value, the--* vendor may consider:
 1. Expanding geographic boundaries for similar property type comparables which meet the definition found in the definitions in Exhibit 2 of this addendum (adjustments for location should be made if applicable).
 2. Using older local sales meeting definition of liquidation value and adjusting for market conditions as appropriate.
 3. Inclusion of market value sales and adjusting those sales. Market value sales should comprise no more than half of the total sales in the sales grid and direct comparison to sales meeting the definition of liquidation value (forced liquidation, Real Estate Owned (REO), auction, etc.) should be made for support of exposure adjustments and seller duress.
 4. Using ratios: liquidation value to market value ratios may be developed in support of adjustments for exposure time and seller duress to be used to adjust market value sales. This should be used only when there is a lack of comparable sales in the subject's market area and the sales have a similar highest and best use and the appraiser can reasonably establish the market value of the comparable sale at the time of the sale.
 5. Using market surveys: the appraiser may contact credible resources, i.e., farm real estate brokers/auctioneers, farm lenders, or others providing services in the subject's market area to conduct and document formal survey results on the diminution of value resulting from shortened exposure times linked to the PLV definition. This should include specific information, such as direct comparisons of liquidation sales of foreclosure/auctioned prices compared to their market value at the time of sale.

Cost Approach

In addition to typical considerations for the cost approach, if the subject property has building improvements that contribute to the value of the land, the vendor shall develop and report the cost approach to value. Please note this is an appraisal assignment condition and the cost approach shall not be excluded if there are significant improvements.

In addition, the report shall provide the following details for each individual building contributing value to the land, as follows: Effective Age, Remaining Economic Life, Replacement Cost New, Depreciation, and Contributory Value.

Income Approach

There are no special requirements outside the typical considerations for the income approach. If included, the analysis must clearly show calculations of the capitalization rates or discount rates of each comparable sale and the calculations on the subject property's net income and value. Explain exclusion of the income approach if applicable.

Statement of Work Addendum for * * * Liquidation Value Appraisals (Continued)

Allocation of Value

The appraisal shall contain an allocation of value among its land, building components, and other improvements.

Reconciliation

--Describe support for the “market value” as well as the “liquidation value” reviewing strengths-- and weaknesses of each approach to value in each appraisal.

Additional Comments

--Key to developing a liquidation value or market value is the learned information the appraiser-- gathers. The conditions of sale, seller duress, and exposure time can be gathered through sales research and verification which enable the appraiser to determine whether the price paid is reflective of market, disposition value, or liquidation value.

Care should be taken not to use rules of thumb or generally accepted adjustments as these do not constitute support. At best they can be used as a test of reason for an adjustment derived from another method. If you have any questions, contact the APOC immediately.

Reporting Requirements

Information included in the report should be in enough detail to answer all important questions that the client or reader might pose as to the physical characteristics of the property. In addition to typical reporting requirements, the report should also provide separate opinions of value, one based *--upon on the definition of market value and one based upon the definition of liquidation value.

Note: The liquidation value must be included in a separate analysis section of the report from the market value. Market value and liquidation value definitions are to be provided by FSA--* and shall be disclosed in the appraisal report and summarized in the following report sections:

- Letter of Transmittal,
- Summary of Salient Facts,
- Reconciliation Section in the appraisal report.

--The appraisal should be developed as one report with separate sales grids in support of the market-- and liquidation opinions of value.

Comparable Sales

Sales should be selected that have similar attributes of the subject and should be adequately analyzed. There should be comparable sales that support the market value as well as comparable *--sales that support the liquidation value and sales should be clearly identified. See comments--* under sales comparison approach above.

Statement of Work Addendum for * * * Liquidation Value Appraisals (Continued)

Final Market Value and Final * * * Liquidation Value

--Final values should be stated as a whole dollar amount for both the market value and the liquidation value. If the subject is improved or personal property is appraised, from both final value-- opinions, an allocated value will be stated for:

- Land,
- Building Improvements, if applicable,
- Equipment/Fixtures, if applicable,
- Personal Property, if applicable,
- Timber/Mineral Rights/Other, if applicable.

Exceptions

Any exceptions to the appraisal requirements in the SOW or this SOW Addendum may be made on a specific appraisal assignment by the APOC, in consultation with POAD Appraisal Branch. Exceptions may be granted if warranted and justifiable. Exceptions are to be made in writing, detailing the reasons the exception is being requested. The APOC may grant or deny the request and will reply in writing. The exception authority is only to be used on rare occasions and when deemed necessary by the Agency.

List of Exhibits

Exhibit 1, "Market Value Definition"

Exhibit 2, "* * * Liquidation Value Definitions"

Statement of Work Addendum for * * * Liquidation Value Appraisals (Continued)

Acceptance

The Vendor has reviewed, understands, and agrees to the term and requirements of the SOW Addendum.

Approved by:

Signature

Date

Print Name

Address

City, State, and Zip Code

Phone Number

E-Mail

Statement of Work Addendum for * * * Liquidation Value Appraisals (Continued)

Exhibit 1 - Market Value Definition

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: 12 CFR 34.42 (h)

Statement of Work Addendum for * * * Liquidation Value Appraisals (Continued)

Exhibit 2 - * * * Liquidation Value Definitions

* * *

Liquidation value is the most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Source: Dictionary of Real Estate Appraisal

--Personal Property Appraisal – SOW--

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--Personal Property Appraisal – SOW--

1. Background 2/

The Farm Service Agency (FSA), an agency of the U.S. Department of Agriculture (USDA), makes and services loans secured by personal property * * *. FSA needs appraisal reports to complete various direct loan making and loan servicing responsibilities. The Statement of Work (SOW) *--addresses FSA's requirements for personal property appraisal services.--*

2. Objective 2/

*--FSA intends for the Vendor to provide personal property appraisal reports in a PDF version, by the--
* specified date, to be delivered to the FSA Office requesting the appraisal. Timely delivery of the appraisal report is critical to the success of FSA's meeting its mission and providing loan assistance to farmers. The equipment and livestock are to be appraised on an appropriate Agency forms, or a format acceptable to the agency. Other personal property will be appraised in a narrative report and attached to the Agency appraisal form.

3. Scope 2/

The purpose of the SOW is for FSA to obtain a market value (12 CFR 34.42 (g), see attached Exhibit 1, for definition of "Market Value,") appraisal of personal property by the described completion date. The property will be appraised by using the **whole sale (auction) value**. This value is the estimated gross amount, expressed in terms of money, which could be typically realized from a sale, given a reasonable exposure time period. For the purpose of this SOW a 60 day marketing period is considered appropriate (unless otherwise stated) as a reasonable time for exposure in the open market, assuming that the subject property is professionally and actively marketed.

The appraiser shall furnish all materials, supplies, tools, equipment, personnel, and travel and shall complete all requirements of the Appraisal Order form or Purchase Order, and Engagement Letter by *--the specified date. This SOW applies to all personal property appraisals for FSA.

Typically, the appraiser will appraise the personal property in the "as is" condition unless--* otherwise stated in the appraisal engagement letter. "As is" condition is the condition of the property as you find it during your inspection.

FSA regulations require that the vendor take into consideration at a minimum the Sales Comparison approach. If the appraiser determines that another approach is applicable the appraiser will obtain written approval from the Appraisal Point of Contact (APOC) and adequately explain in the Scope of Work of the appraisal report.

--Personal Property Appraisal – SOW (Continued)--

4. Period of Performance 2/

Typically, the period of performance is 30 calendar days from the date of the Engagement Letter or the Purchase Order unless otherwise defined. The vendor should realistically estimate the timeframe to complete the appraisal assignment. The appraisal report must be received by the requesting office described in the engagement letter and/or work order. A request for an extension of the delivery date must include the reason for the extension and the timeframe that the appraisal report will be completed. Requests for an extension can be submitted by e-mail to the (APOC) or the Contracting Officer (CO) if a purchase order was issued. Written authorization for the extension or modification will be an e-mail response from the APOC or the CO.

5. Work Requirements 2/

The appraiser is to fulfill the appraisal process and reporting standards as described by FSA regulations, FSA forms, if applicable, and any other assignment conditions as further defined in this *--SOW or the engagement letter. Vendor may request a copy of FSA regulations regarding personal property appraisal requirement by contacting the APOC, CO or local FSA office as described in--* the engagement letter.

5.1 FSA's Appraisal Requirements

In general, FSA has specific appraisal conditions and requirements for completing and reporting the market value of personal property and will be considered as to be part of the Appraisal Assignment.

The specific conditions and requirements are described in this section.

5.1.1 Appraiser 1/

--The appraiser conducting the personal property appraisal assignment must be a professional that has received adequate training to be considered competent by industry professionals to perform the personal property appraisal. The appraiser must be licensed in the State in which the subject is-- located, except where there is no licensing. Evidence of competency includes documentation of training, education, a degree from an appropriate college or university, or certification from a professional society such as the American Society of Appraisers, American Society of Farm Manager and Rural Appraisers, Certified Farm Machinery and Equipment Appraiser or similar professional organizations or certifications. Vendor shall provide evidence of competency upon request by APOC or CO.

No other individual may provide assistance with the appraisal development process without prior written consent from FSA.

--Personal Property Appraisal – SOW (Continued)--

5.1.1.1 Notification Requirement of Individual Providing Assistance/Approval 1/

If the appraiser will have an associate or assistant appraiser providing assistance with the development of the appraisal assignment or will visit the subject property must notify the APOC in writing and receive written approval. Clerical support and normal information gathering is an exception for approval. The appraiser will provide FSA information as follows.

- Associate's name.
- Length of employment with vendor or explanation of association if not an employee.
- If background investigation has been completed by the State. Provide the date that the background investigation information was provided to the State.

Note: Date of license or registration certification would meet this requirement with a statement that background information was submitted with application for license/registration.

If the State has not completed a background investigation, or the requirement of submitting fingerprints, and it is necessary for the individual to provide assistance with the development of the appraisal assignment, FSA may require their own background investigation. In this case, the APOC will provide additional information.

5.1.2 Access to Property 1/

FSA requires that vendor to notify the property owner prior to accessing the property. The vendor shall provide the applicant or the FSA representative the opportunity to accompany the vendor on the property inspection. If the property owner is unavailable or considered uncooperative, the vendor may request assistance and/or guidance from the APOC to coordinate inspection of the property and/or obtaining assistance from a FSA representative.

The authorization to provide appraisal services is the engagement letter and if requested by the property owner the vendor shall provide the engagement letter to the owner as justification to inspect the property and to obtain information necessary for the appraisal assignment.

5.1.3 Client and Intended User

Generally, FSA will be named as the Client and intended user. FSA will advise the vendor if there are additional intended users and they will be listed after FSA. The additional intended user may not require the vendor to do more than FSA requirements would have otherwise done, unless directed by FSA. The FSA Borrower/Applicant will not be listed as an intended user.

5.1.4 Appraisal Process

The appraiser shall follow industry recognized appraisal process and reporting standards and any FSA regulation requirements in effect as of the effective date of the appraisal. The appraiser will need to consider the following requirements of the personal property in the appraisal process:

--Personal Property Appraisal – SOW (Continued)--

5.1.4.1 Intended Use

The stated intended use of the appraisal may have specific requirements that must be considered. If the intended use is not identified in this section of the SOW then FSA has no additional requirements.

5.1.4.2 Property Identification

All of the personal property to be appraised will be described on FSA 2028 Security Agreement, if available, or on an attachment.

--This property is owned by or taken care of by the person(s) named as “Owner” on the Personal Property Appraisal Order Form. In addition to the personal property listed, FSA security-- agreements cover all additions to and replacements to the property listed on the security agreement. Therefore, as the Vendor performs the appraisal, if the appraiser becomes aware of additional equipment, livestock, and other farm personal property, the appraiser is to describe this additional property with an appraised value on an attachment to the appraisal.

5.1.5 Property Location and Access 1/

--FSA understands the property is located at the location described in section A of the Personal Property Appraisal Order Form. If some of the property is not located at the location described-- and the new location will add considerable cost to the vendor to inspect the property, the vendor should contact the FSA APOC/CO and negotiate an increase in the Micro Purchase/Purchase Order amount.

--On-sight, visual inspection of the personal property listed must be performed. The effective date-- of this appraisal is the date of inspection. FSA requires that the appraiser inspects all security; and if unable to do so, then the reason why not must be explained and concurred with by the APOC. If concurrence is obtained then an Extraordinary Assumption should be utilized. The vendor is to

--contact the person listed under Section A of the Personal Property Appraisal Order Form for-- access to inspect and appraise the property. If the vendor is denied access, the vendor is to immediately inform the APOC to make other arrangements.

5.1.6 Approaches to Value

The report must explain why an excluded approach is not necessary for credible results. Each approach to value will be reconciled with the strengths and weaknesses. A dictionary definition of “explain” is “to give the reason for or cause of.” FSA regulations require that the vendor take into consideration at a minimum the Sales Comparison approach. If the appraiser determines that another approach is applicable the appraiser will obtain written approval from the Appraisal Point of Contact (APOC) and adequately explain the in the Scope of Work of the appraisal report.

Consider the following approaches to value as part of the appraisal assignment.

--Personal Property Appraisal – SOW (Continued)--

5.1.6.1 Sales Comparison Approach

Typical Sales Comparison methodology is defined as a set of procedures in which the appraiser derives a value by comparing the property being appraised to similar properties that have recently been sold, applying the appropriate units of comparison; identifying elements of comparison, and apply the quantitative or qualitative adjustment of each element of comparison to the sale prices of comparable sales.

The property will be appraised by using the **whole sale (auction) value**. This value is the estimated gross amount, expressed in terms of money, which could be typically realized from a sale, given a reasonable exposure time period. For the purpose of this SOW a 60 day marketing period is considered appropriate (unless otherwise stated) as a reasonable time for exposure in the open market, assuming that the subject property is professionally and actively marketed.

5.1.6.2 Cost Approach

The appraisal report must contain information on how the depreciation was extracted from the market data and used to determine contributory values for the personal property. If market data is not available the appraisal report will state as such and the conclusion will be supported. Industry acceptable depreciation methods can be used and should be adequately documented illustrating calculations, explanation as to appropriate method and reasoning for the depreciation and the replacement value.

5.2 Reporting Requirements 2/

Reporting requirement of information should be sufficient in detail to answer all important questions that the client or reader might pose as to the physical characteristics of the property. The report will include relevant information that supports a credible report, value, assumptions, conclusions and methodology.

If the appraiser cannot obtain sale information to support the market value, the APOC or CO may authorize an alternative method after the appraiser reports their search information of the market to the APOC or CO and find the appraiser's efforts were satisfactory.

The report is to describe the location of all property that is not located at the location described by FSA. Additionally, the report shall consist of, at a minimum, the following.

5.2.1 Form

The livestock and the equipment will be appraised by use of an appropriate Agency form, or a format

--acceptable to the agency. FSA personal property appraisal form is FSA-2160, "Appraisal of Personal Property." This form can be obtained from the APOC. The appraiser may provide-- addendums to the FSA form to support other personal property that is identified, methodology, adjustments, assumptions, conclusions, calculations and any requirement described in this subpart of the SOW.

--Personal Property Appraisal – SOW (Continued)--

5.2.2 *Inventory of Crops, Feed, etc.*

Inventory of crops on hand, feed on hand, etc. will be appraised in a narrative format by describing the item, the quantity, the quality, the unit value, source of unit value, and the final value. Then the cost to market and convert the item to cash will be explained and deducted for the market value. Provide a, concise narrative regarding your observations as to the overall condition and care of stored crops and major supplies on hand.

5.2.3 *Growing Crops*

All crops growing on the real estate described in item (b) page 2 of 7 of FSA-2028, Security Agreement, will be appraised if FSA provides a copy of the security agreement to the vendor. The growing crops will be described in a narrative format by the location, quantity, quality, age or maturity, unit value, source of unit value, and present gross crop value. The cost to harvest or market will be deducted, if the crop will be harvested within 30 days. If the crop will not be harvested within 30 days, then the cost invested in the crop may be used. In either case, the appraiser should deduct all known landlord leases due against the crop. The vendor is not required to conduct a lien search, only to advise FSA of their findings.

5.2.4 *Livestock*

All livestock described on FSA 2028, Security Agreement, will be appraised if FSA provides a copy of the security agreement to the vendor. Otherwise, livestock described by the work order and/or engagement letter will be appraised. The appraisal report will identify the livestock providing an Item No, livestock type, and at the minimum provide Quantity, Kind, Sex, Breed, Color, Weight or Average Weight, Age or Age Range, Brands or Other Identification, Value/Head and Dollar value.

5.2.5 *Equipment*

All equipment described on FSA 2028, Security Agreement, will be appraised if FSA provides a copy of the security agreement to the vendor. Otherwise, equipment or any other personal property described by the work order and/or engagement letter will be appraised. The appraisal report will identify the equipment or personal property providing an Item No, Quantity, Description, Manufacturer, Size and Type, Condition, Year of Manufacture, Serial Number, or Other Identification, and Dollar value.

5.2.6 *Base Acres, Quotas, Contracted*

If applicable, base acres, quotas, contracted acres, etc. are to be appraised using actual sales of the type for the same crop and the same processor. If the appraiser cannot obtain sale information, the APOC or CO may authorize an alternative method after the Appraiser reports their search of the market and the APOC or CO find the Appraiser's efforts were satisfactory.

5.2.7 *Other Personal Property*

If applicable, other personal property must be identified adequately to allow the client to understand and clearly identify the property, include type, description, model, and any specific identification of the property.

--Personal Property Appraisal – SOW (Continued)--

5.2.8 Total Value

Total value will be provided for inventory, growing crops, livestock, equipment and any other personal property. A final value of all personal property will be provided in the summary and conclusion of value section of the report. A statement as to what value has been determined will be included in the total value section. If forced liquidation value is requested by the client the determination of that value will be fully explained.

5.2.9 Photos

Each appraisal will include pictures of the significant items appraised and also include pictures of a representative sample of any livestock appraised, as well as crops, feed stocks and supplies. All pictured items will be identified.

5.2.10 Value Resource Documentation

The appraisal report should clearly document resource sources and information used to determine value. Personal property offered as security for FSA, shall be appraised utilizing the Blue Book, auctions, machinery dealers, livestock reports, etc.

5.2.11 Assumptions and Extraordinary Assumptions and Limiting Conditions

If any personal property cannot be viewed, then an Extraordinary Assumption may be used with a full explanation. Appraisal report should have an addendum identifying any assumptions and limiting conditions as appropriate.

5.0.12 Economic Characteristics

Any impacts of economic characteristics shall be discussed such as productivity, production and ownership costs, rents, gross and net income, etc. Economic characteristics should be supported from the market if value adjustments are required. Review and summarize production contract(s) for specialized agricultural facilities. Discuss the general market economics and/or the economics of the specialized agricultural facilities.

5.2.13 Approaches to Value

FSA regulations require that the appraisal will document the results when considering the three approaches to value, as determined to be applicable and necessary, except as provided in the scope of work.

5.2.14 Engagement Letter

A copy of the engagement letter or work order will be provided in the addendum of the appraisal report.

--Personal Property Appraisal – SOW (Continued)--

5.2.15 Certification

If the appraiser is not using FSA-2160, the appraiser will date and sign the appraisal report and include a statement that the values provided are based on market information and analysis that was available on the effective date of the appraisal report. If the appraiser is a member of a professional organization and the organization requires the appraiser to sign a certification, such certification will be included with the report.

5.2.16 Qualifications of the Appraiser

A resume listing applicable appraisal education and experience must be included. FSA does not require a copy of the appraiser's license or evidence of any personal liability insurance to be included in the report.

5.3 Personal Identifiable Information (PII)/FSA Program Information

The vendor will comply with the intent of the Privacy Act of 1974 to protect the individual's privacy from unwarranted invasion, to make sure that personal information in their possession, if provided by the federal agency, is properly used, and will prevent any potential misuse of personal information in their possession.

The vendor is contractually bound by the same requirement of information confidentiality as are Government employees.

Reference to FSA applicant, producer or borrower's personal identifiable information other than name, address or information that is of public record shall be considered confidential and not disclosed in the report.

5.4 Expert Witness/Testimony 3/

5.4.1 Request for Expert Witness

If needed, the appraiser agrees to be an expert witness for FSA concerning the appraisal in an appeal hearing or in court. FSA will issue an engagement letter or work order for expert witness services providing the location, date and time the appraiser will be required to provide expert witness testimony and an estimated cost for such services. If estimated fees and cost need to be negotiated, the APOC will contact an agency contracting officer for assistance.

5.4.2 Documentation of Services

The appraiser will be expected to maintain itemized documentation of prep work time, actual expert witness time, mileage and per diem that was incurred. The appraiser must submit an itemized invoice to be paid. The invoice will itemize the time that was required for preparation for the expert witness with a brief explanation of prep work completed.

--Personal Property Appraisal – SOW (Continued)--

5.5 Use Of/And Release of the Report

FSA's primary intended use of the appraisal will be stated in the engagement letter or work order. However, FSA may use the appraisal in other loan making and servicing actions, as FSA needs to do in carrying out requirements in government regulations. FSA does have need from time to time to release a copy of the report to the applicant, borrower, their representatives, and to other parties under the regulations that govern FSA's programs. These other parties may include peer groups, such as an appraiser organization. Any request from outside the agency, other than the applicant or lender, will need consent by an authorized FSA agency representative.

--Personal Property Appraisal – SOW (Continued)--

5.6 Acceptance Criteria

Delivery of the appraisal report will include a properly executed invoice. Invoice for payment will be processed when the appraisal is determined acceptable by FSA. An acceptable product will include the following.

1. Appraisal report must be delivered by the completion date stated on the engagement letter and/or work order (plus any extension of time granted by FSA).
2. Appraisal report is completed in accordance with current FSA requirements and meets the work requirements of this SOW that are applicable and any other requirements for a specific property which will be found in the engagement letter and/or work order for each appraisal order.
3. An administrative appraisal review accepts the appraisal report by FSA.

If the administrative appraisal review indicates that the appraisal report may not be acceptable, FSA will request guidance from staff appraiser. If FSA staff appraiser requires additional information to support the adjustments, explanation of the process, or SOW requirements must be met, the invoice approval and payment of the appraisal fee will be held until the appraisal is found acceptable to FSA.

The request for additional information will provide a specific timeframe for the information to be delivered and the criteria for the updated material to be added to the appraisal report. Typically, the timeframe to update the appraisal 7 calendar days or as specified by the request letter. If the appraiser determines that a completed appraisal report will need to be reissued the contract appraiser will need to have approval from APOC.

The appraisal report must be delivered by the completion date stated on the engagement letter or work order or as provided by an extension granted by FSA.

5.7 Invoicing

5.7.1 Invoice Information

A properly executed invoice for payment will be submitted to the APOC as directed in the engagement letter or work order. The invoice will include the appraiser's name, address, invoice number, UEI number, and name of the applicant/borrower as identified in the engagement letter or work order, county/borough/parish/city name that the appraisal was completed in and the amount.

5.7.2 Invoice Approval

The invoice will be processed for payment when the appraisal is determined acceptable by FSA. If the appraisal is not acceptable the appraisal fee will be held until the appraisal is found to be acceptable to FSA.

--Personal Property Appraisal – SOW (Continued)--

5.7.3 Final Payment

Federal Acquisition Regulations provide the U.S. Government 10 business days from receipt date of the appraisal to determine if the appraisal is acceptable. The invoice will be processed for payment within 30 calendar days or less from the date the appraisal was accepted. The appraiser will be notified in writing if the appraisal is unacceptable and at the discretion of the Government will be requested to make changes to the appraisal report in order to meet FSA SOW requirements. An unacceptable appraisal will be considered as in default and at the discretion of the Government the micro purchase/purchase order may be terminated.

The USDA procurement procedures require that ALL vendors be paid using Electronic Fund Transfer (EFT) system. The Debt Collection Improvement Act (DCIA) of 1996 requires that federal payments of invoices for goods and services received to be paid by EFT. Therefore, each vendor must be registered in the System for Award Management (SAM) that is available www.sam.gov

The vendor will be required to update the SAM data annually. FSA cannot update a vendor's information in SAM. For guidance on updating SAM please see the help links on the SAM web site.

FSA will only be able to process the invoice when the appraisal is determined acceptable and the appraiser is properly registered in the SAM web site.

6. Delivery 2/

Vendor is expected to deliver to the APOC an appraisal report that meets FSA requirements by the accepted delivery date as stated in the Vendor's quote or authorized extension.

FSA has additional requirements related to appraisal report.

6.1 Report Type

Narrative appraisal reports are acceptable. However, form reports are acceptable as long as the report form is approved by FSA. For approval contact the APOC.

6.2 Report Content

The content of an appraisal report must be consistent with the intended use of the appraisal and, at a minimum meet industry standards.

In addition to industry standard reporting requirements, FSA requests that the appraisal report include the requirements as described by section 5.2.

6.2.1 Layout/Formatting

The report must be in portrait layout with an 8 1/2" x 11" page size. Font size of text will be 11 or larger. Photos, maps or diagrams should allow the user to clearly view the contents of the image including labels. Transmittal letter will be the first page; consecutive pages will be the cover page, Summary of Salient Facts or Executive Summary, Table of Contents and the body of the appraisal. All pages of the report other than transmittal letter and cover page will have page numbers.

--Personal Property Appraisal – SOW (Continued)--

6.2.2 Reporting Requirements

Reporting requirements are items as addressed in paragraph 6.2 (Reporting Requirements) of this SOW.

6.3 Report Format

6.3.1 Electronic Copy of Appraisal Report

An electronic copy of the appraisal report is the preferred format. If the appraiser is unable to provide a PDF version of the appraisal report the appraiser may provide two hard copies of the appraisal report. The electronic copy will be acceptable to FSA if:

- Received by e-mail to the APOC's e-mail address or other e-mail address identified in the engagement letter or work order, as well as to the Ordering Official's (OO) e-mail address.
- Appraiser does not have software available to create a PDF document the appraiser should contact the APOC for approval to use other software application.

The PDF file must contain the complete appraisal report, the transmittal letter, signature of the appraiser within the report as required on all appropriate pages, i.e. certification, final value page, etc., and all pages are formatted appropriately with sequential page numbers.

- Size of the file may not exceed 20 Gigabytes (GB). If the appraisal report file is larger than 20 GB, the appraiser will need to contact the APOC to make other arrangements to deliver the electronic file to FSA by the (CO) delivery date.
- Send a follow up e-mail to the APOC identified in the engagement letter that the electronic report was transmitted by e-mail providing recipient, date, subject line and time of transmittal.
- Hardcopy report may be provided per section 6.3.2, if electronic report option is not used

6.3.2 Hard Copy Report

Upon approval by the APOC, the vendor may provide a printed appraisal report to FSA in lieu of a electronic copy. Two (2) copies of the appraisal report are to be delivered to FSA unless otherwise stated in the engagement letter. At a minimum one copy must be the original report with color photographs, etc., One (1) copy can be black and white. The original report must be delivered to the Ordering Official. The second original report shall be delivered to the APOC, as stated in the engagement letter. The report shall not be bound.

7. Place of Performance 2/

Typically, the location of the appraisal assignment may be any location as further described by the engagement letter or work order.

--Personal Property Appraisal – SOW (Continued)--

8. Late Delivery Penalty Fee or Cancellation of Assignment/Contract*

Communication with FSA regarding timely delivery of appraisal report is important. If the vendor is unable to deliver the appraisal report by the due date the vendor should request an extension in writing prior to the delivery date.

Liquidating damages will not be assessed if the vendor has received written authorization from the APOC or the CO for an extension.

If the vendor does not deliver the appraisal report or an electronic version by the authorized due date, the contract is in default and FSA may cancel the purchase/purchase order with notice to the vendor or assess a liquidated damages fee.

If the Vendor fails to perform the services, within the time specified in the appraisal engagement letter or extension authorized by the CO or APOC, following proper notification the Vendor shall, in the place of actual damages, pay to the Government liquidated damages of 3 percent **of the accepted quote amount per calendar day** from the date of notification for failure to deliver the appraisal report.

Liquidated damage percentage will not exceed 25 % of the accepted quote amount if delivered within 10 calendar days of the date notification. Liquidated damage fees will continue to be assessed at the stated percentage and 30 calendar days beyond the date of notification the appraisal order will be terminated with no payment. The vendor will be notified in writing if appraisal order is terminated. The failure to deliver an appraisal report by the due date which may cause the financial transaction not to close due to seller's unwillingness to extend the timeframe can result in immediate termination of micro-purchase and no payment upon written notice.

The appraisal report shall be delivered to the Ordering Official and the APOC as described in the appraisal engagement letter or work order. A request for an extension must include the reason for the extension and the timeframe that the appraisal report will be delivered and can be submitted by e-mail. The request for an extension should be sent to the APOC or the CO if a purchase order was issued as described in the appraisal order letter.

All written authorizations and approval of an extension for delivery will be an e-mail response.

The Vendor is aware that failure to deliver appraisal reports twice during a fiscal year, October through September period, within agreed upon timeframe could result in FSA no longer requesting appraisal services from the vendor.

Other non-performance issues the vendor will be notified in writing and the issue will be referred to the Contracting Officer.

--Personal Property Appraisal – SOW (Continued)--

9. Personal Identity Verification of Vendor Personnel 3/

The Government may request the Vendor to complete a background investigation of the Vendor and/or their employees. Upon request by the Government the vendor will provide the required documents necessary to complete a background investigation within the timeframes identified. The APOC or CO will request in writing the information needed and the timeframe that the documents are to be submitted to the APOC or CO. Typically, background investigations require; OF-306, Declaration of Federal Employment, and two completed FD-258's or SF-87 Fingerprint Charts with the signature and date of the applicant and a jpg format photo ID. Vendor is responsible for any expenses associated with the background investigation.

Failure to comply with the request could result in the termination of the work order or appraisal assignment. Such determination will be provide to the vendor in writing.

If background investigation results are unsatisfactory FSA can terminate the work order or appraisal assignment. FSA may request restrictions to be applied to the Vendor or their employees. FSA will only respond if there are concerns regarding the background investigation. The APOC or CO will notify the Vendor in writing with notification of immediate termination of work order or assignment or restrictions for employee assistance.

The Vendor shall comply with agency personal identity verification procedures identified in the contract that implement Homeland Security Presidential Directive-12 (HSPD-12), Office of Management and Budget (OMB) guidance M-05-24 and Federal Information Processing Standards Publication (FIPS PUB) Number 201 if requested by APOC or CO.

9.1 Properly Account for All Forms of Government-provided Identification

The Vendor shall account for all forms of Government-provided identification issued to the Vendor's employees in connection with performance under this contract. The Vendor shall return such identification to the issuing agency at the earliest of any of the following, unless otherwise determined by the Government:

- (1) When no longer needed for contract performance.
- (2) Upon completion of the Vendor employee's employment.
- (3) Upon notification that appraisal services are no longer needed and the Vendor has been removed from the Appraisal Vendor registry or services have been terminated.
- (4) Upon Vendor written request to no longer provide appraisal services. The Vendor shall return all forms of Government-provided identification issued to the Vendor and its employees.

FSA may delay final payment under a contract if the Vendor fails to comply with these requirements.

--Personal Property Appraisal – SOW (Continued)--

9.2 Subcontract Requirements

The Vendor shall insert the substance of this clause, including this paragraph, in all subcontracts when the subcontractor's employees are required to have routine physical access to a Federally-controlled facility and/or routine access to a Federally-controlled information system and/or visit FSA applicants or borrowers property. It shall be the responsibility of the prime Vendor to return such identification to the issuing agency in accordance with the terms set forth in paragraph 9.1 of this section, unless otherwise approved in writing by the APOC or CO.

10. Exceptions

Any exceptions to the appraisal requirements in this SOW, may be made on a specific appraisal assignment by the APOC, in consultation with an Agency appraiser. Exceptions may be granted if warranted and justifiable. Exceptions are to be made in writing, detailing the reasons the exception is being requested. The APOC may grant or deny the request and will reply in writing. The exception authority is only to be used on rare occasions and when deemed necessary by the Agency.

11. Exhibits

Exhibits that are included with the SOW are categorized into two groups; general or specific work requirements. General exhibits provide more specific information related to the SOW. Work requirement exhibits specifically address additional work requirements that may be specific to the *--state, region or specialized real estate or personal property as defined by the exhibit.--*

Vendor acknowledges that exhibits may be added to this SOW and that the vendor accepts the new or modified exhibit by acceptance of the assignment. An exhibit may be provided to the vendor through the Engagement Letter and does not require the vendor to accept a new SOW with the modified exhibit. Vendor should direct questions regarding added exhibits or modified exhibits received with engagement letter to the APOC or Agency Appraiser as noted in the engagement letter.

11.1 General Exhibits

11.1.1 Exhibit 1, "Market Value Definition"

11.1.2 Exhibit 2, "Agency Statement of Work Contact Information"

11.2 Specific Work Requirement or Reporting Exhibits

None.

--Personal Property Appraisal – SOW (Continued)--

12. Acceptance*

FSA may at times update the SOW with minor changes. Vendor will be notified of the changes by e-mail providing a summary of changes that have occurred, date of change, and version number. Vendor's signature will remain and the previous SOW signature page will be added to the revised SOW. In this situation, a vendor may request or provide a new SOW with a signature.

If FSA makes major changes to work or reporting requirements, late delivery penalty fee, acceptance or delivery requirements with in this SOW FSA will notify the vendor by e-mail and request the vendor to sign a new SOW. The vendor will be required to return a copy of the complete SOW with a completed signature page to the APOC. Digital signatures on a locked (secured) Portable Document Format (PDF) document are acceptable and may be transmitted to APOC by e-mail.

Failure to return a signed SOW and/or vendor registration form upon request by FSA may result in vendor to be removed from the vendor registry.

The Vendor has reviewed, understands and agrees to the term and requirements of the SOW.
Approved by:

Signature

Date

Print Name

Address

City, State and Zip Code

Phone Number

E-mail Address

--Personal Property Appraisal – SOW (Continued)--

Exhibit 1 3/

13.1 Market Value Definition

Source: 12 CFR 34.42 (g)

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.--*

--Personal Property Appraisal – SOW (Continued)--

14 Exhibit 2

14.1 Agency Statement of Work Contact Information

The following FSA employee(s) are the authorized agency official that is the APOC to assist the vendor on acquisition process, the SOW terms and requirements and can provide information to an appraiser that would like to be added to the FSA Appraiser Vendor registry.

Name:

Address:

Phone:

FAX:

E-mail Address:

Note: Any SOW for personal property shall have certain subparagraphs and/or clauses. The subparagraphs or clauses are identified as follows:

1/- means that the specific clause and/or subparagraph clause are included

2/ - means that the subparagraph heading is to be included.

3/ - means that the subparagraph heading and the whole subparagraph, including all subparagraphs in the section, are to be included.

A word version of this exhibit may be downloaded from the appraisal SharePoint web site at <https://usdagcc.sharepoint.com/sites/FSA-POAD-AB>.

Click on “Micropurchase Info” tab. Word version of this exhibit will be under the Shared Documents section of the page.

The word document for this exhibit may be modified and be used to provide a copy of the SOW to a vendor.

