

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

General Program Administration
1-FLP (Revision 1)

Amendment 43

Approved by: Deputy Administrator, Farm Loan Programs

Chris P. Beyershelm

Amendment Transmittal

A Reasons for Amendment

Paragraphs 29 and 45 have been amended to add CL's.

Paragraph 223 has been amended to:

- provide assessment requirements
- add a note in subparagraph C about loan evaluations for Streamlined CL's.

Subparagraph 251 E has been added to provide classification requirements for CL's.

Subparagraph 263 A has been amended to clarify that a year-end analysis is **not** required on Streamlined CL's, unless certain conditions are met.

Exhibit 2 has been amended to add the following definitions:

- agency official
- approval official
- beginning farmer
- conservation loan
- conservation plan
- conservation practice
- conservation project
- graduation
- streamlined conservation loan.

Exhibit 15, subparagraph J 12 has been amended to clarify how and when CL's and Streamlined CL's will be classified.

Exhibit 17 has been amended to include CL's with the interest rate for FO's.

Amendment Transmittal (Continued)

Page Control Chart		
TC	Text	Exhibit
	2-15 through 2-20 3-13 through 3-20 3-31, 3-32 3-53 7-9, 7-10 8-1, 8-2 8-47 through 8-84 8-101, 8-102 8-123, 8-124 8-129	1, pages 3, 4 page 5 page 6 (remove) 2, pages 1, 2 page 3 (add) 15, pages 67, 68 pages 68.5, 68.6 (add) pages 117, 118 17, pages 1, 2

29 Maximum Loan Authorities

A OL, FO, and EM Program Loan Limitations

Limitations on maximum loan amounts for OL, FO, and EM are established in CONACT. The Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act of 1999 (Pub. L. 105-277), amended the limitations applicable to guaranteed OL and FO by providing for an annual adjustment based on the rate of inflation applicable to FY.

[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 farm operating plan must reflect 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--\$300,000;

(ii) Guaranteed--\$700,000 (for fiscal year 2000 and increased at the beginning of each fiscal year in accordance with paragraph (b) of this section);

Note: FY 2010 loan limit is \$1,112,000.

***--(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--\$700,000 (for fiscal year 2000 and--*
increased each fiscal year in accordance with paragraph (b) of this section)
(subparagraph B);**

Note: FY 2010 loan limit is \$1,112,000.

(2) Operating loans:

(i) Direct--\$300,000;

(ii) Guaranteed--\$700,000 (for fiscal year 2000 and increased each fiscal year in accordance with paragraph (b) of this section);

Note: FY 2010 loan limit is \$1,112,000.

29 Maximum Loan Authorities (Continued)

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

- (iii) Any combination of a direct Operating loan and guaranteed Operating loan--\$700,000 (for fiscal year 2000 and increased each fiscal year in accordance with paragraph (b) of this section);

Note: FY 2010 loan limit is \$1,112,000.

- *--(3) Any combination of guaranteed Farm Ownership loan, guaranteed Conservation loan, guaranteed Soil and Water loan, and guaranteed Operating loan--\$700,000--* (for fiscal year 2000 and increased each fiscal year in accordance with paragraph (b) of this section);

Note: FY 2010 loan limit is \$1,112,000.

- *--(4) Any combination of direct Farm Ownership loan, direct Conservation loan, direct Soil and Water loan, direct Operating loan, guaranteed Farm Ownership loan, guaranteed Conservation loan, guaranteed Soil and Water loan, and guaranteed--* Operating loan--the amount in paragraph (a)(1)(ii) (subparagraph A) of this section plus \$300,000;

Note: FY 2010 loan limit is \$1,112,000.

- (5) Emergency loans--\$500,000;

- *--(6) Any combination of direct Farm Ownership loan, direct Conservation loan, direct Soil and Water loan, direct Operating loan, guaranteed Farm Ownership loan, guaranteed Conservation loan, guaranteed Soil and Water loan, guaranteed--* Operating loan, and Emergency loan--the amount in paragraph (a)(1)(ii) (subparagraph A) of this section plus \$800,000.

Note: FY 2010 loan limit is \$1,112,000.

B Adjustment for Guaranteed Loans

[7 CFR 761.8 (b)] The dollar limits of guaranteed loans will be increased each fiscal year based on the percentage change in the Prices Paid by Farmers Index as compiled by the National Agricultural Statistics Service, USDA. The maximum loan limits for the current fiscal year are available in any FSA office and on the FSA website at <http://www.fsa.usda.gov>.

29 Maximum Loan Authorities (Continued)

C Line of Credit Advances

[7 CFR 761.8 (c)] The total dollar amount of guaranteed line of credit advances and income releases cannot exceed the total estimated expenses, less interest expense, as indicated on the borrower's cash flow budget, unless the cash flow budget is revised and continues to reflect a feasible plan.

A Standard Eligible Lender must obtain Agency approval before issuing future year's funds according to 2-FLP, subparagraph 265 C. Approval may be provided by any Agency official with loan approval authority, and is not subject to the maximum loan limits established in subparagraph D.

Note: PLP and CLP lenders may provide future years' funds without prior FSA approval.

29 Maximum Loan Authorities (Continued)

***--D Official Loan Approval Limitations for OL, FO, CL, and EM**

The following identifies the maximum loan approval authority for OL, FO, CL, and EM--* by grade and title of * * * approval officials at the time of loan closing. All loan approval limitations include the loan being made plus any outstanding principal balances owed by anyone who will sign the promissory note. For LOC's, the maximum amount of the LOC ceiling will be considered the outstanding principal balance. An * * * approval official cannot approve or reject a loan request that will exceed the official's approval authority at the time of loan closing. The official must forward the loan and recommendations to the appropriate * * * approval official for action.

CO County Office employees who have loan approval authority may not exceed the authority of the equivalent grade FLO or FLM.

Type of Loan	FLO			FLM, DD, FLS or FLC	SED
	GS-7	GS-9	GS-11	GS-11/12/13	
Maximum Approval by Assistance Type - Limitation I					
Guaranteed OL	\$100,000	\$200,000	\$400,000	\$600,000	\$1,112,000
Direct OL	\$50,000	\$100,000	\$175,000	\$225,000	\$300,000
Guaranteed FO + SW	\$0	\$175,000	\$400,000	\$600,000	\$1,112,000
*--Direct FO + CL + SW	\$0	\$125,000	\$150,000	\$225,000	\$300,000
Direct EM	\$50,000	\$100,000	\$150,000	\$300,000	\$500,000
Maximum Approval for Combined Assistance Types - Limitation II					
OL Total Direct & Guaranteed	\$100,000	\$200,000	\$400,000	\$600,000	\$1,112,000
FO + CL + SW	\$100,000	\$200,000	\$400,000	\$600,000	\$1,112,000
Total Direct and Guaranteed					
Total Approval for Multiple Assistance Types - Limitation III					
OL + FO + CL + SW	\$100,000	\$400,000	\$550,000	\$750,000	\$1,412,000
Total Direct and Guaranteed					
Total Guaranteed	\$100,000	\$400,000	\$550,000	\$750,000	\$1,112,000
Total Approval for FO, CL, OL, and EM - Limitation IV					
OL + FO + CL + SW + EM--*	\$100,000	\$400,000	\$550,000	\$750,000	\$1,912,000
Total Direct and Guaranteed					

Note: Loans to employees in a County Office must be approved by the State Office. Loans to State Office employees must be approved by the National Office.

29 Maximum Loan Authorities (Continued)

--D Official Loan Approval Limitations for OL, FO, CL, and EM (Continued)--

Four loan approval criteria need to be considered when determining whether a loan is within an *** approval official’s authority. Each loan approval decision must meet all applicable criteria. Approval limitation I establishes the maximum by assistance type. Approval limitation II establishes the maximum for combinations of direct and guaranteed by assistance type. Approval limitation III establishes the maximum for combinations of all direct and guaranteed assistance types, except EM. In addition, it provides total guaranteed assistance limits. Approval limitation IV establishes the maximum for combinations of all direct and guaranteed assistance types.

A loan official can determine an applicant eligible when the loan request exceeds the official’s loan approval authority at the time eligibility is determined. This decision of eligibility will be reviewed by the *** approval official at the time of approval. However, a loan official cannot determine an applicant ineligible if the loan request exceeds their approval level at the time the decision is made. They can recommend that the applicant be determined ineligible, but since this determination will result in a loan being rejected it can *--only be made by an approval official whose approval authority level would allow them to--* approve the loan.

E Official Loan Approval Limitations for SALP and Emergency Loans for Seed Producers

The following identifies the maximum loan approval authority for SALP and Emergency Loans for Seed Producers by grade and title of *** approval officials.

Type of Loan	FLO			FLM, DD, FLS, or FLC	SED
	GS-7	GS-9	GS-11	GS-11/12/13	
Special Apple Loan	\$50,000	\$100,000	\$150,000	\$200,000	\$200,000
Emergency Loan for Seed Producers	\$50,000	\$100,000	\$150,000	\$200,000	Over \$200,000

29 Maximum Loan Authorities (Continued)

E Official Loan Approval Limitations for SALP and Emergency Loans for Seed Producers (Continued)

Outstanding loan balances from other direct or guaranteed FLP loans will not affect the amount an applicant is eligible to receive under these programs or the amount a loan approval official is authorized to approve. Any outstanding SALP or Emergency Loan for Seed Producers loan balances will not affect the amount an applicant is eligible to receive under any other FLP loan program.

F Official Loan Approval Limitations for Nonprogram Loans

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

Type of Loan	FLMGS-11/12	DD, FLS, or FLC	SED
Real Estate	\$400,000	\$500,000	Any amount
Chattels	\$200,000	\$300,000	Any amount
Recreation Loans to Individuals	\$175,000	\$300,000	Any amount

Note: Approval authority for recreation loans to individuals applies only to property that secured a recreation loan to an individual or farming corporation, not a recreation association.

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.

44 Collecting and Coding Ethnicity, Race, and Gender Information (Continued)**C Ethnicity, Race, and Gender Classifications**

An applicant, including individual entity members, may identify:

- his or her ethnicity as either of the following:
 - Hispanic or Latino - a person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish Culture or origin, regardless of race
 - not Hispanic or Latino
- himself or herself as a member of 1 or more of the following races:
 - Asian - a person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian Subcontinent including, for example, Cambodia, China, India, Japan, Korea, Malaysia, Pakistan, the Philippine Islands, Thailand, and Vietnam
 - American Indian or Alaskan Native - a person having origins in any of the original peoples of North and South America (including Central America), and who maintains tribal affiliation or community attachment
 - Black or African American – a person having origins in any of the black racial groups of Africa
 - Native Hawaiian or other Pacific Islander - a person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands
 - White - a person having origins in any of the original peoples of Europe, North Africa, or the Middle East
- his or her gender as male or female.

45 Allocating Loan Program Funds**A General**

[7 CFR 761.201(a)] This subpart addresses:

- *--(1) The allocation of funds for direct and guaranteed FO, CL, and OL loans:--*
- (2) The establishment of socially disadvantaged target participation rates; and
- (3) The reservation of loan funds for beginning farmers.

[7 CFR 761.201(b)] The Agency does not allocate EM loan funds to State Offices but makes funds available following a designated or declared disaster. EM loan funds are available on a first-come first-served basis.

***--B Timing of the Allocation of FO, CL, and OL Funds**

[7 CFR 761.202] The Agency's National Office allocates funds for FO, CL, and OL--* loans to the State Offices on a fiscal year basis, as made available by the Office of Management and Budget. However, the National Office will retain control over the funds when funding or administrative constraints make allocation to State Offices impractical.

[7 CFR 761.201(c)] State funding information is available for review in any State Office.

C National Reserves for FO and OL Funds

[7 CFR 761.203(a)] At the start of each fiscal year, the National Office reserves a portion of the funds available for each direct and guaranteed loan program. These reserves enable the Agency to meet unexpected or justifiable program needs during the fiscal year.

[7 CFR 761.203(b)] The National Office distributes funds from the reserve to one or more State Offices to meet a program need or Agency objective.

45 Allocating Loan Program Funds (Continued)

D Methods of Allocating Funds to State Offices

***--[7 CFR 761.204] FO, CL, and OL loan funds are allocated to State Offices using one--* or more of the following allocation methods:**

[7 CFR 761.204(a)] Formula allocation, if data, as specified in § 761.205 (subparagraph 45 E), is available to use the formula for the State.

[7 CFR 761.204(b)] Administrative allocation, if the Agency cannot adequately meet program objectives with a formula allocation. The National Office determines the amount of an administrative allocation on a case-by-case basis.

[7 CFR 761.204(c)] Base allocation, to ensure funding for at least one loan in each State, District, or County Office. In making a base allocation, the National Office may use criteria other than those used in the formula allocation, such as historical Agency funding information.

E Computing a Formula Allocation

--[7 CFR 761.205(a)] The formula allocation for FO, CL, or OL loan funds is equal to:--

(1) The amount available for allocation by the Agency minus the amounts held in the National Office reserve and distributed by base and administrative allocation, multiplied by:

formula allocation = (amount available for allocation - national reserve - base allocation - administrative allocation) x State Factor

(2) The State Factor, which represents the percentage of the total amount of the funds for a loan program that the National Office allocates to a State Office.

[7 CFR 761.205(b)] To calculate the State Factor, the Agency:

(1) Uses the following criteria, data sources, and weights:

45 Allocating Loan Program Funds (Continued)

E Computing a Formula Allocation (Continued)

CRITERIA	LOAN TYPE CRITERION IS USED FOR	DATA SOURCE	WEIGHT FOR *--FO AND CL (percent)	WEIGHT FOR OL LOANS--* (percent)
Farm operators with sales of \$2,500-\$39,999 and less than 200 days work off the farm	*--FO, CL, and OL loans	U.S. Census of Agriculture	15	15
Farm operators with sales of \$40,000 or more and less than 200 days work off farm	FO, CL, and OL loans	U.S. Census of Agriculture	35	35
Tenant farm operators	FO, CL, and OL loans	U.S. Census of Agriculture	25	20
Three-year average net farm income	FO, CL, and OL loans	USDA Economic Research Service	15	15
Value of farm real estate assets	FO and CL--*	USDA Economic Research Service	10	N/A
Value of farm non-real estate assets	OL loans	USDA Economic Research Service	N/A	15

- (2) Determines each State’s percentage of the national total for each criterion;
- (3) Multiplies the percentage for each State determined in paragraph (b)(2) of this section by the applicable weight for that criterion;
- (4) Sums the weighted criteria for each State to obtain the State factor.

F Pooling of Unobligated Funds Allocated to State Offices

--[7 CFR 761.206] The Agency periodically pools unobligated FO, CL, and OL loan-- funds that have been allocated to State Offices. When pooling these funds, the Agency places all unobligated funds in the appropriate National Office reserve. The pooled funds may be retained in the national reserve or be reallocated to the States.

A FLP notice will be issued before pooling of funds occurs.

45 Allocating Loan Program Funds (Continued)

G Distribution of Farm Loan Funds by State Offices

[7 CFR 761.207] A State Office may distribute its allocation of loan funds to District or County level using the same allocation methods that are available to the National Office. State Offices may reserve a portion of the funds to meet unexpected or justifiable program needs during the fiscal year.

H Target Participation Rates for Socially Disadvantaged Target Groups

[7 CFR 761.208(a)] (1) The Agency establishes target participation rates for providing *--FO, CL, and OL loans to members of socially disadvantaged groups.--*

- (2) The Agency sets the target participation rates for State and County levels annually.**
- (3) When distributing loan funds in counties within Indian reservations, the Agency will allocate the funds on a reservation-wide basis.**
- (4) The Agency reserves and allocates sufficient loan funds to achieve these target participation rates. The Agency may also use funds that are not reserved and allocated for socially disadvantaged groups to make or guarantee loans to members of socially disadvantaged groups.**

***--I FO and CL's Based on Ethnicity or Race**

[7 CFR 761.208(b)] The FO and CL loan target participation rate based on ethnicity--* or race in each:

- (1) State is equal to the percent of the total rural population in the State who are members of such socially disadvantaged groups.**
- (2) County is equal to the percent of rural population in the county who are members of such socially disadvantaged groups.**

J OL Based on Ethnicity or Race

[7 CFR 761.208(c)] The OL loan target participation rate based on ethnicity or race in each:

- (1) State is equal to the percent of the total number of farmers in the State who are members of such socially disadvantaged groups.**
- (2) County is equal to the percent of the total number of farmers in the county who are members of socially disadvantaged ethnic groups.**

45 **Allocating Loan Program Funds (Continued)****K Target Participation Rate for Women Farmers**

[7 CFR 761.208(d)] (1) The target participation rate for women farmers in each:

- (i) State is equal to the percent of farmers in the State who are women.**
 - (ii) County is equal to the percent of farmers in the county who are women.**
- (2) In developing target participation rates for women, the Agency will consider the number of women who are current farmers and potential farmers.**

L Loan Funds for Beginning Farmers

[7 CFR 761.209] Each fiscal year, the Agency reserves a portion of direct and guaranteed FO and OL loan funds for beginning farmers in accordance with section 346(b)(2) of the Act.

Direct FO and OL funds are reserved until September 1 of each FY. Beginning farmer downpayment funds are reserved until April 1 of each FY.

Note: Between April 1 and September 1 of each FY, beginning farmer downpayment funds may be used by any eligible beginning farmer.

Guaranteed FO and OL funds are reserved until April 1 of each FY.

Note: An FLP notice will be issued before the lifting of targets.

***--M CL Funds**

[7 CFR 761.210(a)] The following applicants and conservation projects will receive priority for CL funding:

- (1) Beginning farmer or socially disadvantaged farmer;**
- (2) An applicant who will use the loan funds to convert to sustainable or organic agriculture production system as evidenced by one of the following:**
 - (i) A conservation plan that states the applicant is moving toward a sustainable or organic production system, or**
 - (ii) An organic plan, approved by a certified agent and the State organic certification program, or**
 - (iii) A grant awarded by the Sustainable Agriculture Research and Education (SARE) program of the National Institute of Food and Agriculture, USDA.--***

45 Allocating Loan Program Funds (Continued)***--M CL Funds (Continued)**

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

N Transfer of Funds

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

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

46 Maintaining Borrower Addresses and Service Center Office Codes**A Changing Borrower Address Records**

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

An authorized agency official should make borrower address changes by processing DLS transactions 4A, 4B, 4C, or 4D, and by updating GLS or SCIMS, as appropriate.

Forms for requesting updated addresses include FSA-470, which FSA mails to the borrower's last known address, and FSA-137, which requests address information from USPS.

B Related Instructions

See 4-FLP, Part 12 for transferring servicing responsibilities when an existing borrower moves to an area serviced by a different County Office.

C Changing Servicing Office Codes

FSA-2125 will be used by State Offices to change servicing office codes and mail codes when all files for 1 or more County Office are moved.

47 Ensuring Borrower Compliance with Restrictions on Lobbying**A Overview**

[7 CFR 761.5] A person who applies for or receives a loan made or guaranteed by the Agency must comply with the restrictions on lobbying in 7 CFR Part 3018.

USDA regulations about restrictions on lobbying are published in 7 CFR Part 3018. This paragraph provides guidance about the implementing 7 CFR Part 3018 for FLP loan applicants and borrowers.

Note: CFR citations refer to Departmental regulations.

B Applicant and Lender Certification

Any applicant for a direct or guaranteed loan exceeding \$150,000 must certify compliance with lobbying activities requirements. The certification is obtained from all loan applicants on FSA-2001, FSA-2211, and FSA-2212.

Lenders applying for a loan guarantee exceeding \$150,000 must certify compliance with lobbying activities requirements. The certification is obtained from all lenders on FSA-2201.

Additional information on certification requirements is available in 7 CFR 3018.110, which is included in subparagraph D.

51 FOCUS**A Purpose and Overview**

FOCUS is an ad-hoc reporting system used by the National and State Offices for monitoring purposes. Users may choose to use “canned” reports or may prepare specific reports, as needed, using:

- direct loan data entered through ADPS
- application data entered in DLS.

B User Assistance

Refer to the USDA FOCUS Ad Hoc Reporting System Manual – Field Office User’s Manual for guidance. The User’s Manual may be obtained by ordering Item 257 from the Kansas City Warehouse.

C Training

State Office employees shall submit requests for training, through SED, to either of the following:

- USDA FSA DAFLP
STOP 0520
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0520
- FAX: 202-690-3573

D Security

To obtain an ID and password, users must submit requests according to appropriate IRM directives.

52 ADPS**A Purpose**

ADPS is a terminal application system that allows users to process FLP accounting transactions and view borrower or acquired property information. ADPS connects users located at State and County Offices to FSC, FLOO. Authorized users can access this system *--from a computer terminal. Authorized users shall enter and use information in ADPS for--* both loanmaking and loan servicing purposes.

B Overview

ADPS is used to:

- manuscript transactions and analyze and correct transactions rejected from updates (discrepancies)
- view a borrower's loan status information, which lists the following:
 - unpaid balances of existing direct loans along with basic information about each loan
 - cross-reference data from throughout the nation
 - detailed history of transactions
- route selected ADPS-manuscripted or discrepancy transactions that have to be processed by FSC, FLOO using special routing codes
- create a transaction suspense file for transactions awaiting the processing of other actions
- code transactions for automatic update, eliminating the need to take any further action to process the transactions
- view received, processed, and corrected payment activity
- view acquired property information and detailed history of transactions processed for an acquired property.

60 Interest Rates

A Interest Rates for Direct Loans

[7 CFR 761.9] Interest rates for all direct loans are set in accordance with the Act. A copy of the current interest rates may be obtained in any Agency Office.

Note: See Exhibit 17 for current interest rates.

B Interest Rates Available on the FFAS Intranet

Access interest rates applicable to FLP on the FFAS Intranet at
--<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=leba&topic=cir>--

61-100 (Reserved)

165 Using PLCE for Contractual Purchases or Services

A Obtaining Contractual Services

FSA uses FAR (48 CFR Part 1), Agriculture Acquisition Regulation (48 CFR Parts 401-453), USDA DR's and notices, and FSA notices to manage acquisitions.

All contractual documents must have the signature of a warranted Contracting Officer. As specified by FAR 1.602-1(b), only the Contracting Officer has the authority to enter into an agreement with a vendor for contractual supplies or services. All documents signed by the Contracting Officer must be within the limits of the Contracting Officer's authority.

Approved contractual documents will be processed in FFIS by an employee with delegated authority and the required security login and passwords.

* * *

Note: See paragraphs 163 and 164 for FLP responsibilities for PLCE monitoring and budget approval.

166 Using PLCE for Noncontractual Cost Items

A Obligating Funds for Noncontractuals

Obligate funds for noncontractual cost items according to the following.

Step	Action
1	<p>County Offices shall:</p> <ul style="list-style-type: none"> • maintain a copy of all FSA-2126's in chronological order using the initial obligation (MY) document number <p>Note: Certification of Services Received (TY) documents should be filed with the associated MY document.</p> <ul style="list-style-type: none"> • FAX a request for funding approval to the State Office FLP, Attn: PLCE Liaison. The request must include the following: <ul style="list-style-type: none"> • completed FSA-2126 signed by the authorized agency official • the ADPS Online Borrower History (OH) Inquiry (1st page) or AP Status Screens may be attached for verification of the "L" or "R" account.
2	<p>State Offices shall:</p> <ul style="list-style-type: none"> • check Exhibit 26 for proper PAC and authority to complete the request • check the BOPR table in FFIS to verify PLCE account "L" or "R" • review and approve using funds by signing and dating FSA-2126 • establish new vendors with a VID number • use electronic payment whenever possible • enter the information into FFIS for obligation (MY) • enter the MY document number on FSA-2126 and return a copy to the initiating office.

For many noncontractual expenses the cost item will be submitted for obligation and payment at the same time. In these instances, submit one FSA-2126 with both the obligation and certification of services parts completed. Submit the invoice with FSA-2126 and check (✓) the box at the top of FSA-2126 to indicate that the invoice is attached.

Part 8 Supervised Credit**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 supervisory 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)
 - 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 13)
 - FSA and the loan applicant or borrower to complete farm assessments and 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 a year-end 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 supervised credit process:

- identify short-, intermediate-, and long-term goals consistent with financial success
- pinpoint and prioritize problem areas
- develop strategies and an operating plan 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.

222 Elements of an Initial Assessment (Continued)

F Supervisory Plan

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

--(9) Supervisory plan, except for Streamlined CL.--

The authorized agency official must tailor the supervisory plan to the applicant's individual needs and risks associated with the operation. An applicant's involvement and understanding of FSA's supervisory responsibilities in providing supervised credit are essential to successful supervision. The authorized agency official must work with the applicant to develop practical plans and realistic timetables for realizing improvements in critical areas. The supervisory plan shall:

- identify and recommend areas of training which will help the applicant address operational weaknesses, according to 3-FLP, paragraph 402
- schedule the farm visit and record review and track through DLS by using the Farm Visit scheduling, tracking, and monitoring workflow activities
- ensure that the operational analysis will be done in FBP.

G Historical Performance

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

--(6) Historical performance, except for Streamlined CL;--

The authorized agency official must consider and analyze significant aspects of the operation's historical production and financial performance, trends, and current condition.

Production Data. The initial assessment must include and evaluate at least the last 3 years of production data for the farm, where possible. The applicant has the discretion to provide up to the last 5 years of production records. The evaluation must consider current production levels (e.g., bushels per acre, percent calf crop, pounds of milk per animal, and pounds of grain). It also must consider whether the farm has a capacity sufficient to generate projected production and to attain the applicant's goals. 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 production data for the existing operation.

Financial Data. The initial assessment must include and evaluate at least the last 3 years of financial data for the farm or applicant. The applicant has the discretion to provide up to the last 5 years of financial records. 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.

222 Elements of an Initial Assessment (Continued)

G Historical Performance (Continued)

Trend analysis must use comparable data for each year. For example, a trends analysis using balance sheets can be done properly only when the balance sheets from different years are *--“as of” approximately the same dates. Even though the balance sheets may not be--* submitted on, for example, December 31, 2XXX, the balance sheet may still be prepared “as of” that date.

The initial assessment must evaluate the current management and use of financial resources (income and credit), and how they contribute to or detract from the operation. The assessment shall determine how well financial resources are used in meeting * * * goals and whether the applicant stays within the budget, considering the following:

- appropriateness of income sources
- adequacy of dedicated resources
- appropriateness of credit use
- productivity levels as related to profitability
- effectiveness of income use
- existence of other income opportunities.

Numerous indicators based on actual performance must be considered red flags when analyzing an operation. For example:

- increasing expense-to-income ratio for several years and a large debt load without *--considerable nonfarm income, especially if the applicant has not suffered from natural disasters
- increasing current liabilities from year to year without corresponding increases in current assets, especially if the applicant has not suffered from natural disasters--*
- increasing trend in debt-to-asset ratio, while considering fluctuations in land values, the economy, and price levels
- declining working capital position
- declining repayment margins.

222 Elements of an Initial Assessment (Continued)

G Historical Performance (Continued)

The following illustrates how some financial indicators can alert the authorized agency official to potential problems or immediate concerns about the farming operation. For instance, an expense-to-income ratio that stays at 70 percent or higher for several years could indicate a potential problem. The same ratio at 80 percent or more coupled with minimal off-farm income is a cause for immediate concern.

Financial Indicator	Potential Problem	Immediate Concern
Expense-to-income ratio (without interest)	70 percent or more for several years	More than 80 percent with minimal off-farm income
Increased accounts payable	Sudden increase in accounts payable	Accounts payable extended over 2 months without cash-generating assets/ receivable accounts
Liquidity	Ratio less than 1.5 to 1	Ratio less than 1 to 1
Solvency	Ratio of 60 percent or more	Ratio of 75 percent or more
Family living expenses	Unsubstantiated estimates below \$20,000 for an average family	Unsubstantiated estimates below \$10,000 for an average family

H Farm Operating Plan

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

(7) Farm operating plan.--*

The initial assessment must include a balance sheet and provide a projected farm budget (1-year pro forma). The automated FBP system is the primary tool used in budget planning, but other systems acceptable to FSA may also be used.

A breakdown of per-acre expenses by commodity item is ideal when developing a plan of action regarding operating expenses. Examining per-unit costs assists in identifying whether expenses are being applied properly toward those income-generating areas. A per-unit cost breakdown also is useful with livestock production.

222 Elements of an Initial Assessment (Continued)**I Training Plan**

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

(10) Training plan.

The authorized agency official must describe FSA's initial recommendations for borrower training. The recommendations must assist the applicant in addressing operational weaknesses. See 3-FLP, Part 13 for borrower training requirements.

J Loan Evaluation

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

--(8) Loan evaluation, except for Streamlined CL.--

The authorized agency official must evaluate and discuss whether the proposed loan is reasonable based on:

- the applicant's goals and the operation's objectives
- projected cash flow (as analyzed in the farm operating plan software or an acceptable alternative)
- loan security
- other loan risk factors.

The loan evaluation is similar to the loan narrative, which is discussed in 3-FLP, paragraph 261. The loan evaluation and loan narrative must be consistent.

223 Annual Review and Assessment Update

A Objective of Annual Review

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

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

The annual review:

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

B Scope of Annual Review

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

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

C 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, a loan evaluation, and any other items discussed in paragraph (b) of this section (subparagraphs 222 B through F and I through J) that have significantly changed since the initial assessment.

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

***--Note:** Streamlined CL's do **not** require a loan evaluation.--*

223 Annual Review and Assessment Update (Continued)

D Documentation

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

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

224-240 (Reserved)

Section 4 Borrower Account Classification

251 Overview

A CONACT Requirements

CONACT requires FSA to classify borrower accounts and to review annually for graduation each direct loan borrower classified as “commercial” or “standard.” FSA uses the borrower account classification system to identify borrowers with the best potential to obtain *--commercial credit, except CL. See 4-FLP, Part 4 for graduation. Classification also--* identifies borrowers in need of special loan servicing and helps the National Office evaluate the quality of FSA’s direct loan portfolio.

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

B Classification Categories

Accounts will be identified as 1 of the following.

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

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

At the closing of a direct loan, classification will be completed using FBP. If the account is classified as commercial or standard, the authorized agency official must thoroughly document that the borrower has met the test for credit and therefore meets the eligibility requirements for the loan being granted.

At the time of a year-end analysis, done according to Section 5, the authorized agency official must also classify the account.

Subsequently, the authorized agency official at minimum must classify the account every 2 years with the updated data collected according to 4-FLP, subparagraph 47 B.

D Classification of Youth Loans

New youth loans will be classified as “3” when completing the Youth Loan Credit Action. For existing youth loans, that are current, complete a D-Loan/Special Classification Credit Action. A score of “3”, “Acceptable” will be assigned. For existing youth loans that are delinquent, the D-Loan/Special Classification Credit Action shall be used and will be assigned a score of “5”, “Not Classified”. The values of FSA’s Security Margin and percent of FSA Loss will be calculated from the best information available for the borrower. The basis for these values will be documented in the borrower’s case file.

***--E Classification of CL’s**

CL’s will be classified at loan closing using FBP. There is no test for credit for CL’s, so a classification of commercial or standard is acceptable without further documentation.

At the time of a year-end analysis, completed according to Section 5, the authorized agency official must classify the account.

Subsequently, the authorized agency official at minimum must classify the account every 2 years with the updated data collected according to 4-FLP, subparagraph 47 B.

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

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

F Classification Reporting

FSC, FLOO sends Report Code (RC) 736, “Annual Review and Classification of Farm Loan Borrowers,” to each County Office in January and July each year. This report identifies the classification category and date for the previous classifications for each borrower. The report has a space for the date of the next classification. When a classification is performed, the authorized agency official must file an ADPS Transaction #8N within 10 calendar days.

263 Minimum Requirements of the Analysis

A Operations Requiring the Year-End Analysis

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

- *--(1) Has received any direct loan, except for Streamlined CLs, chattel subordination, or--* primary loan servicing action within the last year;**
- (2) Is financially distressed or delinquent;**
- (3) Has a loan deferred, excluding deferral of an installment under Subpart B of part 766; or**
- (4) Is receiving a limited resource interest rate on any loan.**

The decision to perform year-end analyses on other borrowers is at the discretion of the authorized agency official. A year-end analysis is not required 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.--*

The authorized agency official shall 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 require a year-end 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)] To the extent practicable, the year-end analysis will be completed within 60 days after the end of the business year or farm budget planning period and must include:

- (1) an analysis comparing actual income, expense, and production to projected income, expense, and production for the preceding production cycle; and**
- (2) an updated farm operating plan.**

263 Minimum Requirements of the Analysis (Continued)

C Identifying and Evaluating Significant Changes

The year-end 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 initial assessment, assessment update, or annual 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 shall pay particular attention to the following:

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

263 Minimum Requirements of the Analysis (Continued)

F Analyzing How Performance Can Be Improved (Continued)

The authorized agency official should remind the borrower that deviations from the agreed-upon farm operating plan must be discussed with FSA.

G Preparing an Updated Farm Operating Plan

--The year-end analysis must include a current farm operating plan. The farm operating plan is prepared by the borrower, with FSA's assistance if needed.--

264-400 (Reserved)

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2212	Preferred Lender Application For Guarantee		44, 47
FSA-2232	Conditional Commitment		43, Ex. 7
FSA-2233	Lender Certification		43
FSA-2235	Loan Guarantee		Ex. 7
FSA-2242	Assignment of Guarantee		Ex. 7
FSA-2254	Guaranteed Loan Report of Loss		Ex. 35
FSA-2292	Guaranteed Loan Processing Checklist		Ex. 35
FSA-2301	Request For Youth Loan		Ex. 15
FSA-2304	Notice of Incomplete Application		Ex. 35
FSA-2305	Second Notice of Incomplete Application		Ex. 35
FSA-2306	Notice of Application Withdrawal/Pending Withdrawal		Ex. 35
FSA-2307	Notice of Complete Application		Ex. 35
FSA-2308	Notice of Eligibility for FSA Assistance		Ex. 35
FSA-2313	Notification of Loan Approval and Borrower Responsibilities		202
FSA-2318	Agreement for Disposition of Jointly-Owned Property		Ex. 35
FSA-2341	Certification of Attorney		43
FSA-2342	Certification of Title Insurance Company		43
FSA-2510	Notice of Availability of Loan Servicing to Borrowers who are 90 Days Past Due		3
FSA-2512	Notice of Availability of Loan Servicing to Borrowers Who Are Current, Financially Distressed, or Less than 90 Days past Due		3
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who are in Non-Monetary Default		3
FSA-2535	Conservation Contract		3
FSA-2543	Shared Appreciation Agreement		3
RD 1922-15	Administrative Appraisal Review for Single Family Housing		143
RD 1940-22	Environmental Checklist for Categorical Exclusions		Ex. 15, 35

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

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ACIF	Agricultural Credit Insurance Fund	163
ADR	alternative dispute resolution	42
AO	Administrative Officer	25, 27
ARRA	American Recovery and Reinvestment Act of 2009	28
BIR	Business Information Report	48
BOPR	Borrower Property Table	166
CDAT	Consent Decree Action Team	Ex. 12, 15
CIP	critical information protection	Ex. 15
CL	conservation loan	29, 45, 201, 222, 223, 251, 263, Ex. 2, 15
CMT	Constant Maturity Treasury	Ex. 17
CNC	currently not collectable	Ex. 12
CONACT	Consolidated Farm and Rural Development Act	1, 21, 29, 251
DDORS	District Director Oversight Reporting System	442, 443
EIN	employer identification number	162, Ex. 15
ERSR	Electronic Repository of Security Requests	53
FAR	Federal Acquisitions Regulation	162, 165
FCAO	Farm Credit Applications Office	49
FFIS Team	PARLC, LAO	167, 168
FHP	Farm Home Plan	Ex. 15
FISMA	Federal Information Security Management Act	Ex. 15
FLPRA	Farm Loan Programs Risk Assessment	Part 9
FLS	Farm Loan Specialist	23, 25, 29, 442, 443
FmHA	Farmers Home Administration	2
ISA	installment set-aside	Ex. 15
ITLAP	Indian Tribal Land Acquisition Program	2

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

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
LOC	line of credit	29
LOD	Loan Operations Division	168
LR	limited resource	Ex. 15
MADS	margin after debt service	Ex. 15
OAC	Office of Adjudication and Compliance	Ex. 12
OTI	Opportunity to Improve Plan	25, 27
PAC	Program Authority Code	164, 166, 167
PARLC, LAO	Policy, Accounting, Reporting, and Loan Center, Loan Accounting Office	167, 168
PIP	Performance Improvement Plan	25, 27
PLP	Preferred Lender Program	29, 43, 143
PLS	Primary Loan Servicing	25, 27, 29, 144
PVHT	Voucher Header Inquiry Table	167, 168
PVLT	Voucher Line Inquiry Table	167, 168
RCI	recoverable cost items	Ex. 15
SALP	Special Apple Loan Program	2, 29
SDMS	State Directives Management System	403
SEL	standard eligible lender	43
SLR	Security Liaison Representative	53
TC	transaction code	52
TDCLC	term debt capability lease coverage	252
TDLCR	term debt and capital lease coverage ratio	Ex. 15
TY	payment voucher transaction	166, 167, 168
VID	vendor identification	162, 166
WEM	Web Equity Manager	Ex. 15
YEA	year-end analysis	Ex. 15

Redelegations of Authority

SED's may redelegate their:

- loan approval authority to FLC, FLS, or DD
- authority to allow the use of a restricted appraisal report to the designated State staff appraiser.

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:

- meets applicable Agency requirements; and
- is accurate outside the requirements of Standard 3 of USPAP.

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.

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 loanmaking or loan servicing. The appropriate official is determined by inherent authorities or delegations applicable to a particular task.

***--Beginning Farmer**

The beginning farmer is an individual or entity who meets the loan eligibility requirements for a direct or guaranteed OL, FO, or CL loan, as applicable.--*

Complex Properties

Complex properties are properties exceeding 1 to 4 single family units that have income-producing potential, which typically includes business and agricultural properties.

***--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.--*

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

Conservation Practice

Conservation practice means a specific treatment that is planned and applied according to NRCS standards and specifications as a part of a resource management system for land, water, and related resources.

Conservation Project

Conservation project means conservation measures that address provisions of a conservation plan.--*

FSA

FSA 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.

Streamlined Conservation Loan

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

Noncomplex Properties

Noncomplex properties are properties including 1 to 4 single family units and agricultural properties, such as a small parcel of bare land without improvements, minerals, water, timber, or other income-producing attributes.

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

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.

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.

Farm Business Plan - FSA User Guide (Continued)

E Refinancing and Restructuring (Continued)

2 Direct Loan Servicing (Continued)

Step 4. Use “1/1/2008 After DALR\$” to “Save & Update” the credit presentation in the “D-Loan/Special Serv.” credit action. See [Income/Expenses – Projected – Feasibility](#) (Section H 1) for information on feasibility of restructured plans.

F Income/Expense

*--This section allows the user to add new actual or projected income/expense (cash flow) information for a customer or access income/expense records currently residing in FBP. There is no limit to the number of projected or actual income/expenses records that can be created or maintained for each customer.

Note: Income/expense (cash flow) information is **not** required for Streamlined CL’s according to 3-FLP.--*

1 Income/Expense Record Description

A meaningful description should be entered in “Description”, such as, “FYE-Act 12/31/08” or “FYE-Proj 12/31/08”, when a projected or actual income/expense record is created. This description will appear on reports.

2 Add/Modify/Delete Income Expense

To “Add/Modify/Delete” an actual or projected income/expense record the customer must first have been added to FBP, see [Adding a New Customer](#) (Section A 5). “Add/Modify/Delete” is available by accessing the Inc/Exp Summary (projected and actual) or the Income/Expense Trends. The “Add/Modify/Delete” option also gives users the ability to “Duplicate”, “Lock”, “Move”, select “#Mth” for monthly cash flows, and/or “Adjust Accruals”.

3 Income/Expense Summary

This option allows the user to select and display a single projected or actual income/expense on the screen. Financial information may be entered or modified on the income/expense summary or in the detailed schedules. A user may select an existing report or “Add/Modify/Delete” using either of the following methods:

- CLICK “Inc/Exp” on the toolbar, then select “PROJECTED Inc/Exp Sum” from the drop-down menu

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

3 Income/Expense Summary (Continued)

- CLICK “Dashboard” then select the “Navigation” tab, and CLICK “PROJECTED Inc/Exp Sum” under “Income/Expense”.

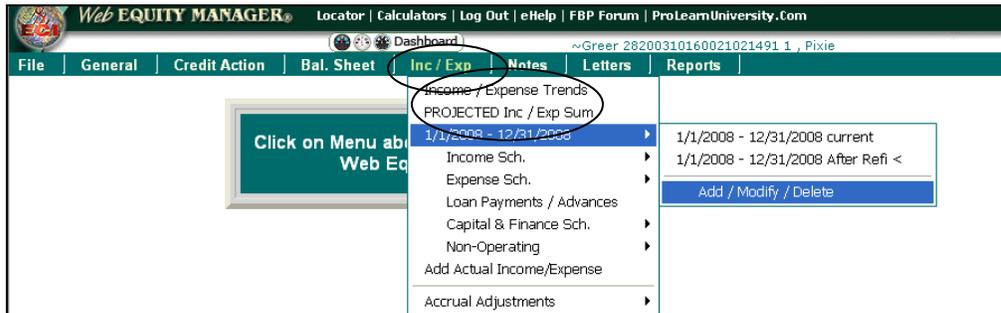


Figure 34, Inc/Exp Summary or Trends Using the Toolbar



Figure 35, Income/Expense Summary or Trends Using the “Dashboard” Tab

4 Income/Expense Trends

The “Income/Expense Trends” option allows multiple income/expense trends to be displayed and gives the user another option to access an existing report or choose “Add/Modify/Delete” for a new report. Any changes in the selection and order of reports in Income/Expense Trends will be reflected in “[Reports Setup](#)” (Section B 4 d). Trends are available by using either of the following methods:

- CLICK “Inc/Exp” on the toolbar, then select “Income/Expense Trends” from the drop-down menu
- CLICK “Dashboard”, then select the “Navigation” tab; CLICK “Income/Expense Trends” under “Income/Expense”.

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

4 Income/Expense Trends (Continued)

Financial information may be entered in summary or detailed schedule format. Before adding financial information or documentation to the memo pads or footnotes, be sure that the correct income/expense record is selected by clicking the radio button at the top of the screen.

Note: It is recommended that the “Income/Expense Summary” option be selected for more complex operations using multiple detailed schedules. Performance will be faster.

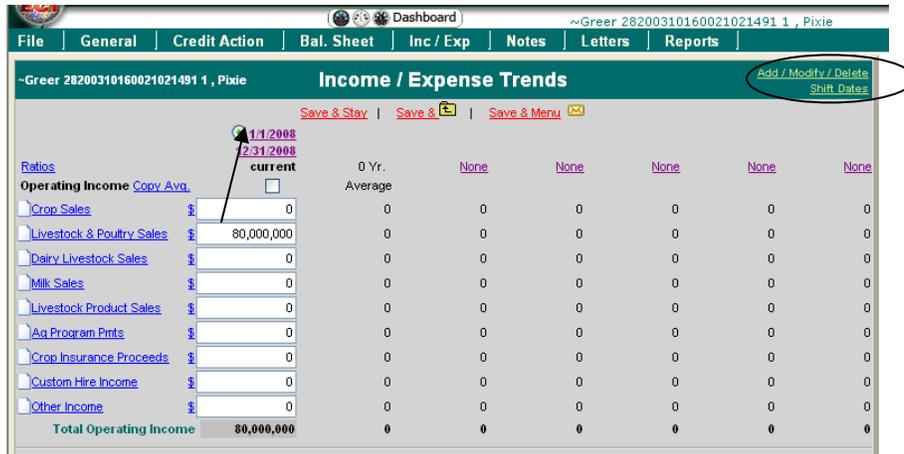


Figure 36

Farm Business Plan - FSA User Guide (Continued)

J Credit Actions (Continued)

12 Special Classification

The D-Loan Special Classification Credit Action will be used to classify the following:

- Flagged accounts where FSA cannot obtain current financial or production information for a customer
- Youth Loans according to 1-FLP, subparagraph 251 D
- *--Conservation Loans according to 1-FLP, subparagraph 251 E
- Streamlined CL's unless they become delinquent or distressed.--*

Before completing a classification, the General Information Screen must be completed. See [General Information](#) (Section C) for more information on what fields are required.

Complete a special classification credit action according to the following.

- Open the form by clicking “Credit Action”, “[Credit Action Name]”, and “Credit Presentation – Special Classification”.
- CLICK “Save & Update”. An “Update” box will be displayed. Check (✓) “General Information” **only** and CLICK “Update”.
- Manually calculate the FSA security margin by estimating the value of FSA’s total collateral **minus** prior liens **minus** FSA’s total loans. This value shall be entered in the provided field as either a positive or negative number.
- To calculate the percent of FSA loss take the FSA security margin (if negative) **divided by** FSA total loans.
- Select the “Assigned Classification Level” from the drop-down menu. All nonactive flagged accounts will be classified as “5”. Youth loans will be classified according to 1-FLP, subparagraph 251 D.
- CLICK “Score Now” to complete the process.
- Any documentation to support the calculations may be added in “Comments”.

Farm Business Plan - FSA User Guide (Continued)

K Special Features

1 eNotice

This feature allows e-mails to other FBP users from within specific areas of FBP. The e-mail that is generated will contain a link to the program area the user is currently at so the recipient can access that information and provide the applicable response to the eNotice. While working on a specific section of FBP, the user can generate an e-mail to FLC or FSL to review the same section and answer any questions about the development of FBP.

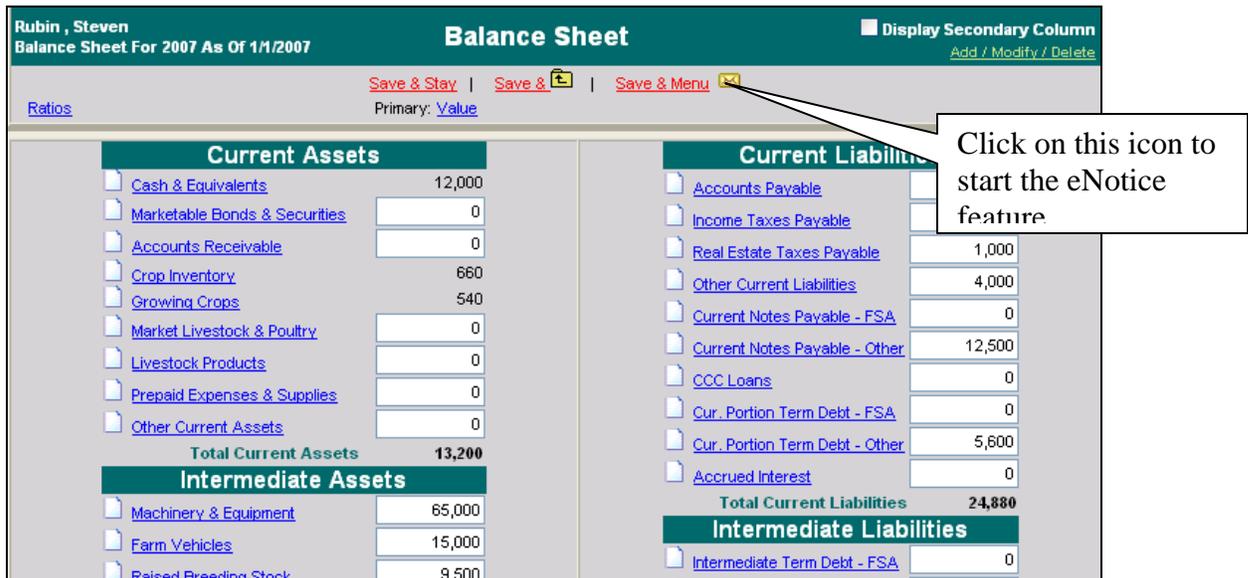


Figure 62

The first time the eNotice feature is accessed, the following prompt will be displayed.

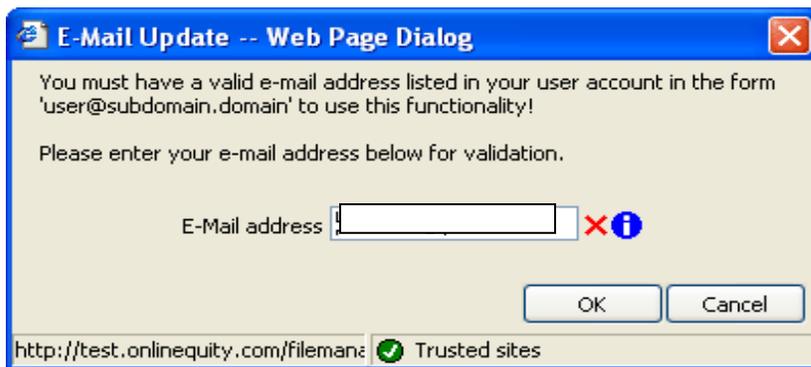


Figure 63

Ensure that the e-mail address is correct. CLICK "OK" to continue the validation process.

FLP Rates

A Interest Rates for FLP's

The following provides interest rates for FLP's as of September 1, 2010.

Loan Type	Current Rate (%)	Date Set
Rural Housing - Farm Loan Purposes		
Note: For the current interest rate, contact the National Office.		
Operating	2.375	9/1/10
Operating – Limited Resource	5.00	12/1/90
--Farm Ownership and Conservation Loans--	4.375	9/1/10
Farm Ownership – Limited Resource	5.00	4/1/86
Farm Ownership – Down Payment	1.50	5/22/08
Farm Ownership – Joint Financing	5.00	3/24/97
Soil and Water	4.375	9/1/10
Soil and Water – Limited Resource	5.00	7/1/92
Recreation – Individual	4.375	9/1/10
Farmer Program – Homestead Protection	4.375	9/1/10
Shared Appreciation Amortization	3.375	9/1/10
Softwood Timber Loans	4.375	9/1/10
Economic Emergency – Operating	2.375	9/1/10
Economic Emergency – Real Estate	4.375	9/1/10
Emergency – Amount of Actual Loss	3.75	1/25/94
Emergency – Major Adjustment: Subtitle A Purpose (Excess of Loss)	6.625	8/1/10
Emergency – Major Adjustment: Subtitle B Purpose (Excess of Loss)	5.00	9/1/10
Emergency – Annual Production	5.00	9/1/10
Nonprogram - Chattel Property	5.00	9/1/10
Nonprogram - Real Property	6.625	8/1/10
Apple Loans	1.00	9/1/10
Association – Grazing	4.375	9/1/10
Association – Irrigation and Drainage	4.375	9/1/10
Indian Land Acquisition	5.00	2/1/91

Publication 622, which provides amortization tables and financial basic payment tables, is available from MSD Warehouse. To request Publication 622, complete FSA-159, available at <http://165.221.16.90/dam/ffasforms/forms.html>, and submit it by 1 of the following methods:

- FAX to 816 363-1762
- e-mail to ra.mokansasc2.kcasbwhse
- mail to:

USDA/FSA/Kansas City Warehouse
9240 Troost Ave
Kansas City MO 64131.

FLP Rates (Continued)

B Treasury Rates

The following table provides the applicable Treasury rates.

Treasury Rates	Current Rate (%)	Date Set
90-Day Treasury Bill	0.125	10/1/09
Treasury Judgment Rate (see Note)	*--0.25	9/1/10--*

Notes: The 90-Day Treasury Bill rate is entered in eDALR\$ as the “Discount Rate” and is used to calculate present value and net recovery value.

The treasury judgment rate is the interest rate applicable to deficiency judgments for all loan types (pursuant to 28 U.S.C. Section 1961). The rate is based on the weekly average 1-year CMT yield published by the Federal Reserve System, Board of Governors. The rate shown is the most current rate posted to the Federal Reserve web site and is dated the *--week ending August 13, 2010. The actual judgment rate is the rate for the calendar--* week preceding the date the defendant becomes liable for interest. Access the Federal Reserve web site www.federalreserve.gov/releases/H15/current for the weekly average 1-year CMT yield.

C Historical 90-Day Treasury Bill Rates

The following table provides the historical 90-day Treasury bill rates.

Effective Date	Rate (%)	Effective Date	Rate (%)
December 1, 1988	7.500	December 1, 1990	7.500
January 1, 1989	7.875	January 1, 1991	7.375
February 1, 1989	8.250	February 1, 1991	7.125
March 1, 1989	8.500	March 1, 1991	6.500
April 1, 1989	8.750	April 1, 1991	6.250
May 1, 1989	9.000	May 1, 1991	6.125
June 1, 1989	9.150	June 1, 1991	5.875
July 1, 1989	8.750	July 1, 1991	5.750
August 1, 1989	8.625	October 1, 1991	5.625
September 1, 1989	8.250	November 1, 1991	5.375
October 1, 1989	8.125	December 1, 1991	5.250
December 1, 1989	8.000	January 1, 1992	4.875
February 1, 1990	7.875	February 1, 1992	4.375
April 1, 1990	8.000	March 1, 1992	3.875
May 1, 1990	8.125	May 1, 1992	4.125
July 1, 1990	8.000	June 1, 1992	4.000
October 1, 1990	7.750	July 1, 1992	3.750
November 1, 1990	7.625	September 1, 1992	3.500