

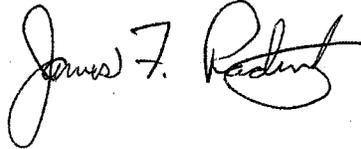
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

General Program Administration
1-FLP (Revision 1)

Amendment 56

Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Paragraph 147 has been added to provide training requirements for performing administrative appraisal reviews.

Exhibit 15 has been amended to add new and clarify other instructions.

Exhibit 17 has been amended to provide the monthly interest rates applicable to FLP.

Page Control Chart		
TC	Text	Exhibit
1, 2	6-5 through 6-8 6-21 6-22 (add) 8-101, 8-102	15, pages 3-6 pages 66.5-66.12 (add) pages 67, 68 pages 68.5, 68.6 (remove) pages 69-98 pages 98.5-98-10 (add) 17, pages 1, 2

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142 Appraisal Reports**A Chattel Appraisals**

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

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

- the quantity, kind, sex, breed, 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.

The appraised value of chattel property will be based on public sales 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 provided the appraisal is documented to reflect that the market value was established based on wholesale values, rather than retail values.

Note: Retail values include the cost of rehabilitation and other factors that are not typically included in a public sale.

142 Appraisal Reports (Continued)

B Real Estate Appraisals

A real estate appraisal, as a minimum, will be a summary appraisal report as defined by USPAP. Any exception to allow the use of a restricted report requires prior written approval by SED. SED may redelegate this authority to the designated State staff appraiser. Approval of restricted reports will only be granted under extraordinary circumstances, limited to situations where there will be only a single user of the report.

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

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

Note: Physical inspections are required for the appraisal to be USPAP compliant according to subparagraph 141 C.--*

- documentation of the results of the following 3 approaches to estimating value, except as provided in the scope of work in USPAP:
 - sales comparison approach
 - cost approach
 - income approach
- if adjustments are made, the basis for these adjustments, including land mix, time, water, buildings, depreciation, soils, and any other applicable adjustments recognized by the market and supported by adequate documentation in the appraisal
- at least a 3-year sales history of the property
- the comparable sales used, including a breakdown of land contribution by land class, building contribution by improvement, derived depreciation rates, basis for the cost of new improvements, remaining life of improvements, timber, mineral value, water rights and volume, water delivery system, photographs of improvements and land, etc.

Note: Using the subject property's pending sale as a comparable is prohibited.

- the value of any mineral rights.

Note: Because of CONACT requirements, a separate valuation of any mineral rights must be identified in appraisals, completed for any direct loan, to perfect the lien on any minerals. Because the particular CONACT requirement does not apply to guaranteed loans, a separate mineral valuation on an appraisal done for guaranteed loans is not required; however, the value of any mineral rights should still be considered in determining the overall value.

142 Appraisal Reports (Continued)

B Real Estate Appraisals (Continued)

When the value of mineral rights:

- *--can be determined, and/or is needed to 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
- is only nominal, FSA-2164, Part D or other formats that provide the same information, will reflect an amount as determined by the appraiser; the appraisal report shall document the basis for the appraiser's findings

Note: The nominal value may be determined to be as low as \$1.

- cannot be determined, instead of FSA-2164, the appraisal report will include language--* to specify that it includes any mineral rights of the subject property. In these cases, the following language may be used:

“The precise value of mineral interests in existence, as well as the economic feasibility to extract minerals from the subject property, or any anticipated future annual production or income from the production of minerals is unknown to the appraiser. This appraisal is not an exhaustive study of the actual or potential mineral production, and is based on the best information available as of the effective date of the appraisal. The final opinion of value in the appraisal report includes mineral rights of the subject property.”

C Approved Appraisal Formats

Any appraisal format that meets USPAP requirements is acceptable.

FSA has the following available formats that may be used along with additional documentation to meet USPAP requirements:

- FSA-2161
- * * *
- FSA-2162
- FSA-2163
- *--FSA-2164.--*

D Real Estate Appraisal Software

FSA has appraisal software available for full-time and part-time staff appraisers/reviewers. To obtain a copy of the software, or if there are questions about the software, contact PDEED at 202-720-3647 or at the following address.

USDA FSA PDEED
STOP 0521
1400 INDEPENDENCE AVE SW
WASHINGTON DC 20250-0521

143 FSA Review of Appraisal Reports

A Overview

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

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

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

B Administrative Appraisal Reviews

Administrative appraisal reviews are conducted by FSA employees, other than an FSA full-time or part-time State-designated appraiser/reviewer, delegated the responsibility by *-SED. Employees must have completed training on conducting appraisal reviews, according to paragraph 147, before receiving this delegation.--*

An administrative appraisal review is performed as a due diligence function in the context of a loanmaking or loan servicing decision and to ensure compliance with organizational requirements. After the administrative appraisal review, the appraisal user will be in a position to understand the strengths and weaknesses of the information in the report. An administrative appraisal review is completed to verify that the:

- correct property was appraised
- math is correct
- appraisal is logical and understandable
- appraisal complies with FSA contracting requirements.

Note: An administrative appraisal review does not include a determination of compliance with USPAP.

The administrative reviewer will refer to the designated State staff appraiser any areas of concern or problems detected. An administrative reviewer may not express a different opinion of value and may not certify to the type and extent of review.

The administrative appraisal review is completed for farm properties on FSA-2165 and for residential properties on RD 1922-15, or in any other format containing, at a minimum, the same information.

146 Appraiser Training Requirements (Continued)**D Payment of Training Fees (Continued)**

SED must mail the request for training funds to the following.

APPRAISAL TRAINING AND FUNDING
 USDA FSA DAFLP PDEED
 STOP 0521
 1400 INDEPENDENCE AVE SW
 WASHINGTON DC 20250-0521

FSA shall reimburse all full-time and part-time appraisers/reviewers for the ongoing dues and fees associated with obtaining and maintaining State-certified general appraiser status.

When claiming reimbursement of dues and fees, appraisers/reviewers must complete SF-1164 together with proof of payment and submit it to the following address unless otherwise directed in the annual notice, "Reimbursement of Dues and Fees for State Certified General Appraisers and * * * Training Program Expense Authorization".

FINANCIAL ACCOUNTING DIVISION
 USDA FSA
 PO BOX 419205
 KANSAS CITY MO 64141-6205

FSA-limited authority appraisers do not incur any training costs because they are trained in-house or on-the-job by full-time or part-time appraisers/reviewers and are not State-certified.

E Maintaining Appraisal Skills

Appraisers are required to maintain their appraisal skills by remaining actively engaged in all areas of real estate appraisal work. To maintain skills, appraisers holding an active certified general appraiser credential in any State or Territory must schedule work with their supervisor in a manner so as to complete a minimum of 10 appraisal work credits each FY. Work credits may be earned at the following rate:

- 2 credits for completing each agricultural property appraisal
- 1 credit for completing each agricultural property desk or field technical review.

Notes: Appraiser may earn the minimum credits from any mixture of real estate appraisal work (that is, completion of 3 appraisals (6 credits) and 4 technical reviews (4 credits) would satisfy the annual requirement).

This requirement does not pertain to appraiser trainees.

--147 Training Requirements for Performing Administrative Appraisal Reviews*A State Responsibility**

State Offices are responsible for developing and delivering a training program to an adequate number of employees to perform administrative appraisal reviews.

B Available National Training

An online course has been developed to supplement State-developed training. The online course is optional and can be accessed as follows:

- log into AgLearn at <http://www.aglearn.usda.gov>
- enter user ID and password
- CLICK “**Catalog**” tab
- CLICK “**Browse Catalog**”
- on left side of the page under Subject Area Menu, CLICK “+” next to **AgLearn Original Courseware Structure**
- on left side of the page, CLICK “+” next to **Farm Service Agency**
- navigate to and select “**Farm Loan**”
- on right side locate **Administrative Appraisal Review**, select “**To Do**” list, and take later or select “**Launch Content**” to begin training course.--*

148-160 (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

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.

--Before an account is identified as “Currently Not Collectible (CNC)” according to 5-FLP, subparagraph 126 A, a classification will be completed using FBP. The D-Loan/Special Classification Credit Action shall be used and will be assigned a score of “5”, “Not Classified”. Post cross servicing referral, CNC accounts are not required to be classified.--

251 Overview (Continued)**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

--Field Offices must use the Active FLP Borrowers Report from the FLP Data Mart at <https://fsadwhouse.sc.egov.usda.gov/FSA-DataMarts/FSAdataMartsHomePage.htm> to monitor classifications. This report identifies the classification category and date for the most recent classification for each borrower. When a new classification is performed in FBP, the authorized agency official must update the Classification Review Workflow in DLS.--

Farm Business Plan - FSA User Guide (Continued)

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Farm Business Plan - FSA User Guide (Continued)

A Overview

1 Farm Business Planning

FSA uses the FBP system to perform farm planning and analysis, loan origination and servicing functions, and manage the FLP loan portfolio. This will allow FSA to:

- assist customers in planning their business operations, either on-line or through traditional business methods
- improve the timeliness and quality of service
- thoroughly analyze credit actions with an improved, yet consistent process
- use accrual analysis, when appropriate, in analyzing credit decisions and preparing plans
- improve loan documentation and compliance with audits
- empower States to proactively manage their loan portfolio by providing access to a data mart of financial information.

Because the FBP system is flexible, there are many ways to deal with different circumstances. This user guide is designed as a starting point to provide overall FSA policy in farm planning and analysis, and discuss policies and business practices FSA has implemented in FBP. Additional information about actual software usage is available through the on-line eHelp or WEM user guide available from Web Equity Solutions at 1-800-264-0787. The information in both sources of help is the same. WEM is the software used to create FBP.

The term “FBP” is used in the following 2 contexts:

- collecting documents that compose FBP
- the system used to create the document FBP.

Farm Business Plan - FSA User Guide (Continued)

E Refinancing and Restructuring (Continued)

2 Direct Loan Servicing (Continued)

Step 4. Use “1/1/2010 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.

*--The Income/Expense Trends **must be** printed and signed by the customer for all loan making and servicing actions.

1 Adding a New Income/Expense

To add a new projected or actual income/expense record **CLICK “Inc/Exp”** on the toolbar. For a new customer with no existing records **CLICK “Add Projected Income/Expense”**. If the customer has existing records **CLICK “Add/Modify/Delete”** option from the fly-out window. The “Add/Modify/Delete” option may also be accessed through the Dashboard.

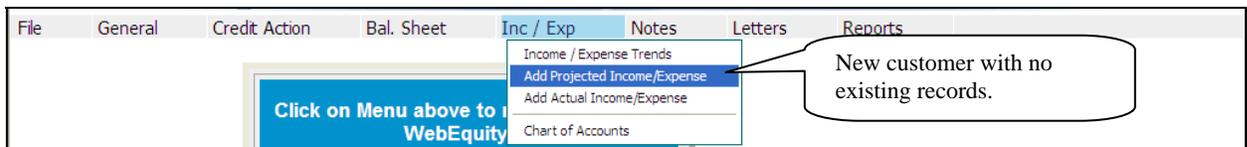


Figure 34a, Customer With No Existing Records

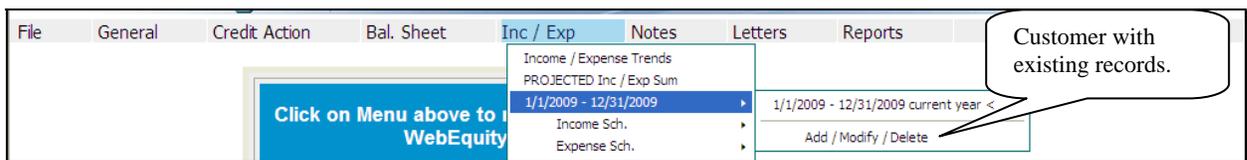


Figure 34b, Customer With Existing Records--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-1 Adding a New Income/Expense (Continued)

Complete the following fields on the Income/Expense Screen.

Field	Action
Projected Actual	From the drop-down menu, select either "Proj." or "Actual".
Beg. Date	Manually enter the date or CLICK "Calendar Icon".
End. Date	Manually enter the date or CLICK "Calendar Icon".
Description	Manually enter a description of the record. Note: The "Description" field appears on all printed reports and should contain a meaningful description of the income/expense being added. Example: "Before DALR\$ 2010" or "OL loan 2010."
Beg. Bal. Sht	CLICK " None Selected " link and select a balance sheet date that is displayed in the pop-up window.
End. Bal. Sht	CLICK " None Selected " link and select a balance sheet date that is displayed in the pop-up window. This field is only displayed for actual income/expense.
Monthly CF Setup	This is an Optional field. Select number of months for the monthly cash flow. See Section F 5.
Add	CLICK " Add " to display in the list of income/expense summaries.
	Note: When a record is created, a balance sheet should be associated with it, if possible, so that certain ratios are correctly calculated. For an actual income/expense record, if beginning and ending balance sheets cannot be matched, then select the same balance sheet for both the beginning and ending.



Figure 34c, Income/Expense Screen--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-2 Additional Links on the Income/Expense Screen

In addition to the list of income/expense summaries displayed on the screen, users will see additional features and hypertext links on the right side of the screen.

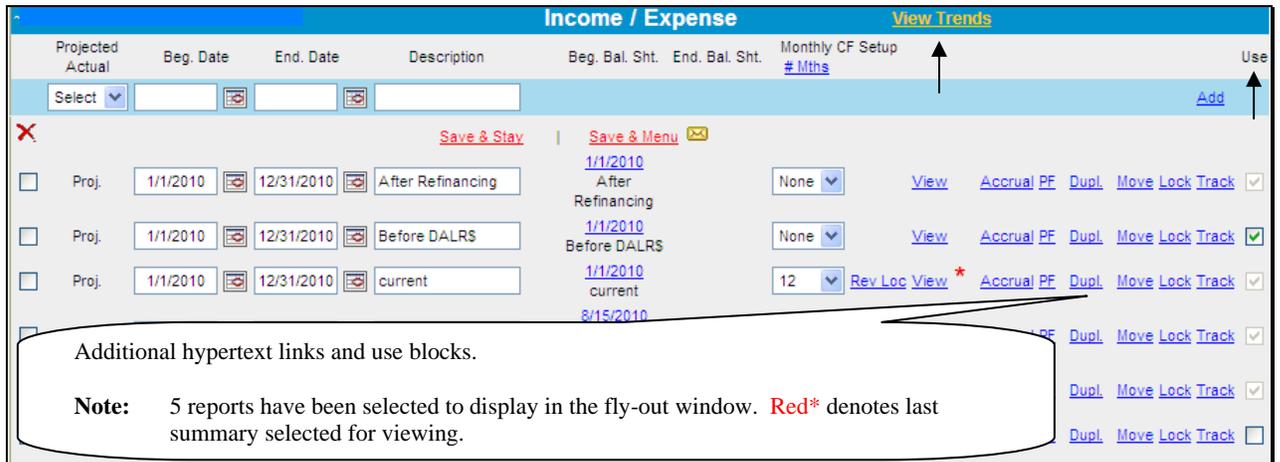
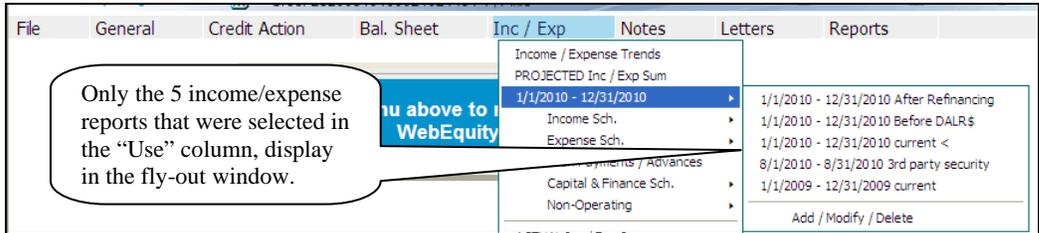


Figure 34d, Income/Expense Screen

Field	Action
View Trends	CLICK "View Trends" for quick access to Income/Expense Trends Screen.
Use	Check (✓) "Use" blocks to select which reports to display in the fly-out window or for use in "Reports Setup". If box is grayed out, the report is currently in use in "Reports Setup", or was the last report selected for viewing.
Rev Loc	Will only be displayed if users choose the Monthly CF Setup. CLICK "RevLoc" to display the "Revolving LOC Setup" box if customer has a loan with a Rev. LOC. Enter the interest rate for the LOC loan in the field on the left and click boxes next to the months on the right if users want interest paid other than year end. Save and return.



--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-2 Additional Links on the Income/Expense Screen (Continued)

Figure 34d, Revolving LOC Setup Screen

Field	Action
View	CLICK “View” to display the Income/Expense Summary Screen.
Accrual	Optional. May be used for customers who use an accrual recordkeeping system.
PF	Will only be displayed after a beginning balance sheet date is selected. CLICK “PF” to display the pro forma (projected) information for that year.
Dupl.	CLICK “Dupl.” to duplicate that particular year’s information. The duplicate will be displayed under the year user wanted to duplicate.
Move	CLICK “Move” to move a projected income/expense year down to an actual year and vice versa. CLICK “Move” for the year user wants to move and the system will automatically move the year.
Lock	CLICK “Lock” to lock the selected income/expense screen.

--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*--3 Income/Expense Summary – Entering Data

Using this option allows the user to select and display a single projected or actual income/expense summary on the screen.

CLICK “Inc/Exp” on the toolbar, highlight “Projected Inc/Exp Sum” or “Actual Inc/Exp Sum”, and select a summary description from the fly out window. The summary may also be accessed through the Dashboard Navigation Screen.

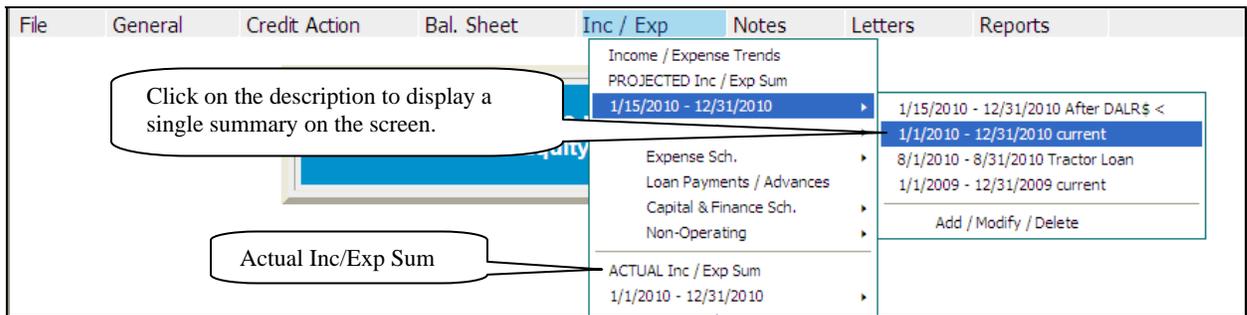


Figure 34e, Inc/Exp Summary Using the Toolbar



Figure 34f, Dashboard Navigation Screen

Projected and actual amounts can be entered as a summary dollar value or on schedules where the calculated total transfers to the income/expenses summary. Sometimes a mix of summary and scheduled input is appropriate. Scheduled information is especially appropriate when planning with production and yields.--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-3 Income/Expense Summary – Entering Data (Continued)

To add information at the summary level, add the total value to the applicable numeric input field, and click “Save & Stay” or “Save & Menu”. Data can be modified or deleted at the summary level.

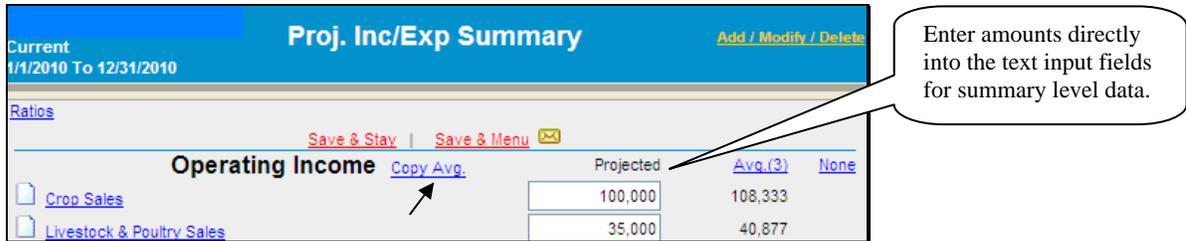


Figure 34g, Financial Data input at the Summary Level

Field	Action
Copy Avg.	Will copy the average of the previously selected years to the summary input column. Using this feature can be a time-saving tool for preparing a projection; however, it should not be used when creating actual records.
Avg.	Will display in parentheses, the number of years included in the average (in this example, 3). To modify the number of years represented in the average, CLICK “Avg.”. This will display the Report Setup Screen where users can select the number of years they want in the average. Caution: Be careful when selecting the years to be included so that atypical years, or years that include different enterprises compared to the projection, are not included.

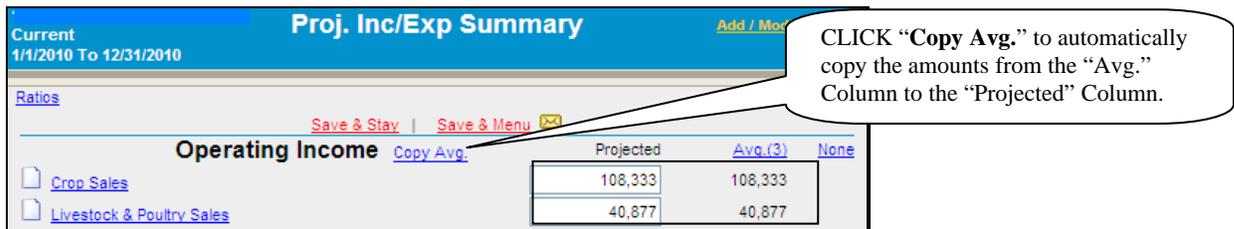


Figure 34g, Copy Average to Projection--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-3 Income/Expense Summary – Entering Data (Continued)

To add information at the schedule level, click on the hypertext link for the desired income/expense item. This will open up the schedule for that line item.



Figure 34h, Opening Schedule

Using crop sales as the example, users may enter new data by entering the applicable information in each category from left to right and then CLICK “Add” on the far right of the screen to add the item to the list. After all crops have been added, the “Total Sales” amount will be displayed on the Inc/Exp Summary Screen.

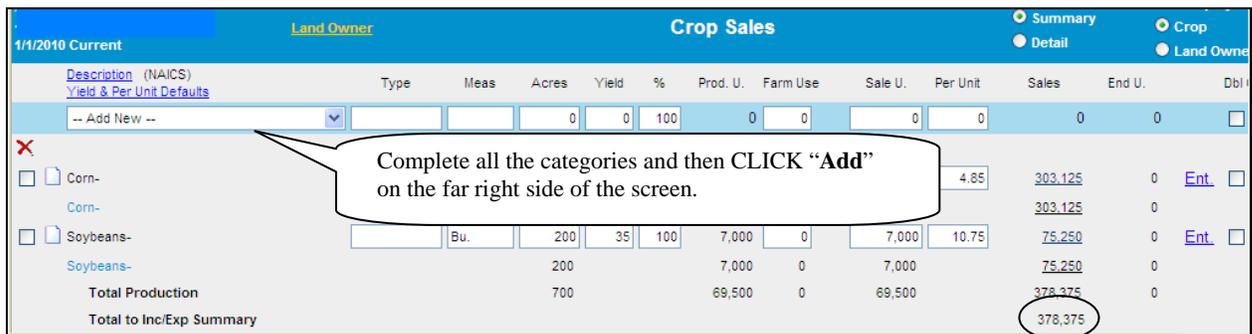


Figure 34i, Financial Data Input at the Schedule Level

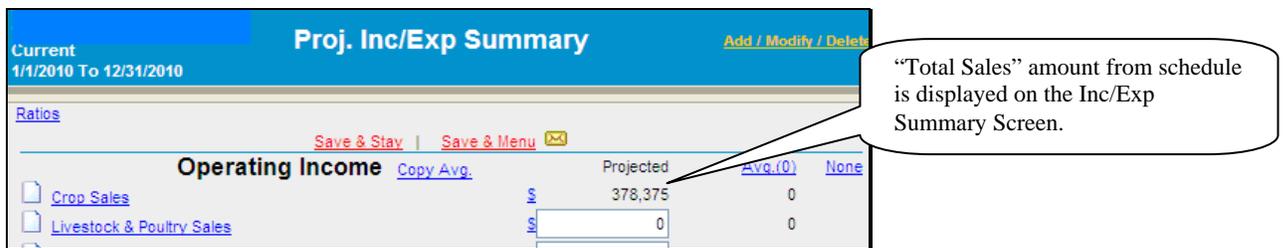


Figure 34j, Total Sales Amount

Note: When editing information in the schedule, if **all** line items are deleted, the value will not automatically be deleted from the Proj. Inc/Exp Summary Screen. Access the Proj. Inc/Exp Summary Screen to delete the value amount from the field.--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-3 Income/Expense Summary – Entering Data (Continued)

The crop schedule also includes a “Land Owner” link option where a user can enter information about the customer's land owners. To access this feature, CLICK “**Land Owner**”.

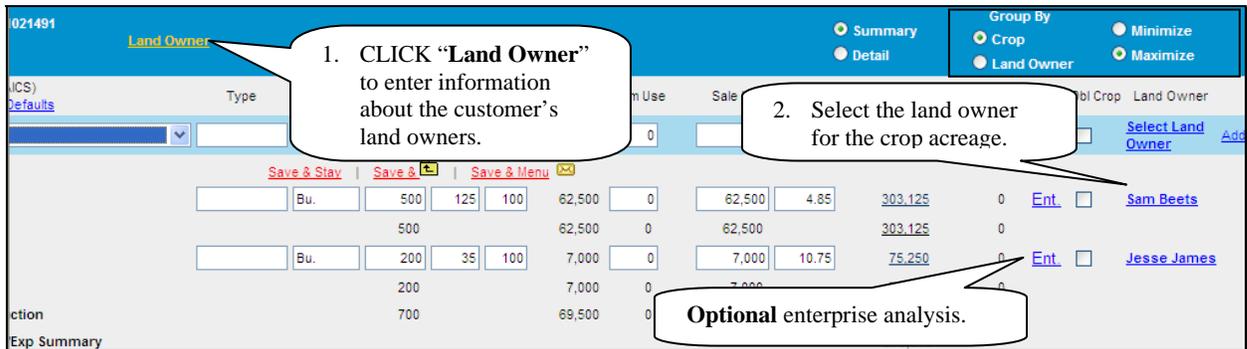


Figure 34k, Add Landowner Information

Type the land owners name in the “Description” field and CLICK “**Add**”. CLICK “**Detail**” and enter additional demographic information about the land owner. Return to the Crop Sales Screen and CLICK “**Select Land Owner**” link for each of the crops listed. After a land owner is selected, sort the crops by either the land owner or by the crop. Maximize the lists to view all the information or select minimize to view only the subtotals.

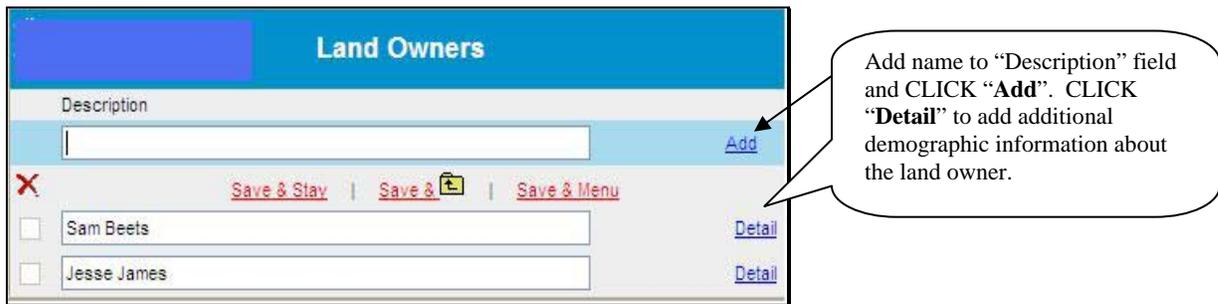


Figure 34l, Land Owner Description Screen--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-3 Income/Expense Summary – Entering Data (Continued)

Another option on the schedule is the **optional “Ent”** link, where a user can enter information needed for crop and livestock enterprise analysis. Break-even analysis is a useful farm management tool because it allows calculation of various combinations of price and yield that will cover anticipated costs. To access the Enterprise Analysis Section, CLICK **“Ent.”** link on the schedule.

Enterprise Analysis									
Corn --									
Save & Stay Save & [Icon] Save & Menu									
Copy Enterprise Defaults									
Income	Prchs.	Exp.	Margin	B/E					
100,000	0	0	100,000	0					
Projected	Acres	Yield	% Share	Units	Per Unit	Sales			
<input checked="" type="radio"/>	200	125	100	25,000	4	100,000			
<input type="radio"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	0	<input type="text" value="0"/>	0			
<input type="radio"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	<input type="text" value="0"/>	0	<input type="text" value="0"/>	0			
Type	Description	Calc Basis	Exp. U.	Per Exp. U.	Per A. or U.	%	Total	% C.F.	C.F.
-- Add New --	<input type="text"/>	---		0		100	0	100	0
Add									

Figure 34m, Enterprise Analysis Screen--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*--4 Income/Expense Trends - Entering Data

Using this option allows multiple income/expense summaries to be displayed and accessed. Users may also use the Income/Expense Trends Screen to make changes in the selection and order of the income/expense summaries. Any changes will be reflected in the “**Reports Setup**” (Section B 4 d) Section.

CLICK “**Inc/Exp**” on the toolbar and select “**Income/Expense Trends**” from the drop-down menu. Trends may also be accessed through the Dashboard Navigation Screen.

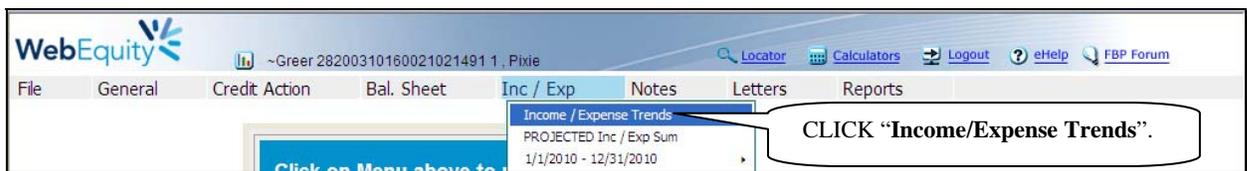


Figure 34n, Income/Expense Trends Using the Toolbar

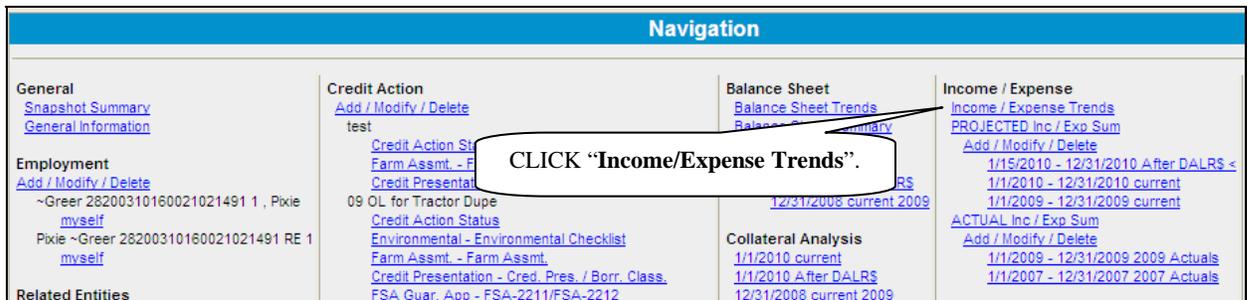


Figure 35, Dashboard Navigation Screen--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

*-4 Income/Expense Trends - Entering Data (Continued)

Projected and actual amounts can be entered as a summary dollar value or on schedules where the calculated total transfers to the income/expenses summary. Sometimes a mix of summary and scheduled input is appropriate. Scheduled information is especially appropriate when planning with production and yields. Before adding any 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 schedules. Performance will be faster.

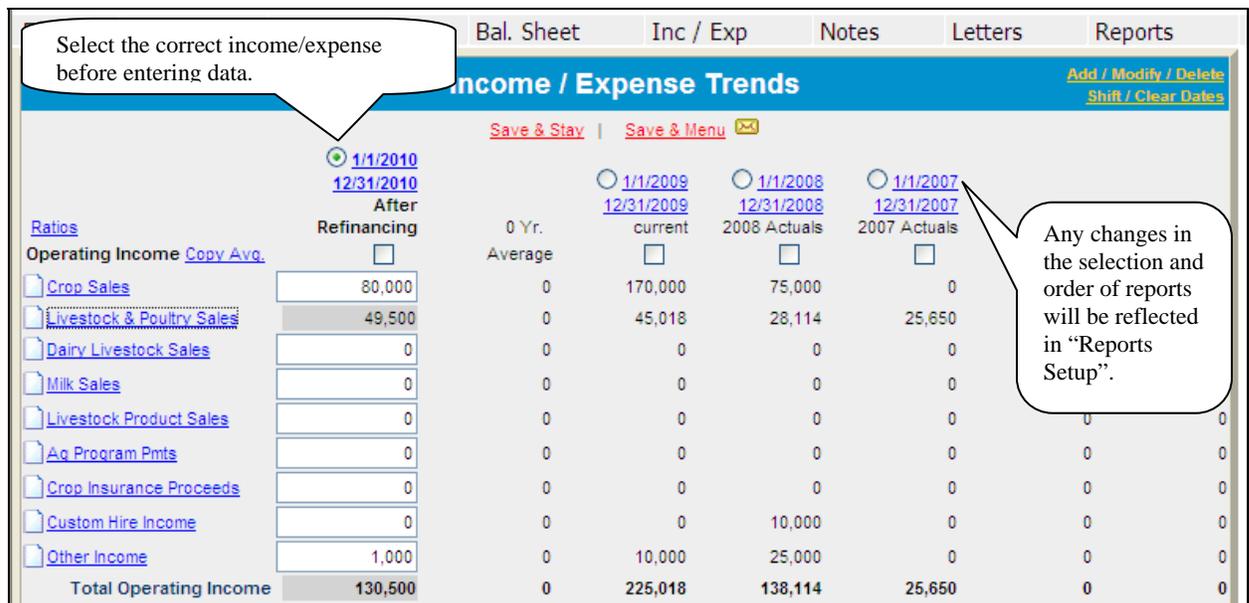


Figure 36, Income/Expense Screen--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

***--5 Using Income/Expense Categories**

The income/expense categories have been standardized and are similar to the categories that most commercial lenders use and similar to Schedule F. However, for each income or expense grouping, other categories can be added to fit the needs of the operation by using the schedule under “Other Income” or “Other Expense”.

Income/expenses are categorized into the following 4 parts:

- Operating Income and Expenses
- Nonoperating Income and Expense (including owner withdrawals, income and Social Security taxes, nonfarm income, and expenses)
- Financing (including term and operating advances and operating principal repayments)
- Capital Sales, Expenditures, Contributions, and Withdrawals.

6 Reports

See **Electronic File Maintenance, Reports, and Signatures** (Section B) for more information on what reports require signatures or need to be printed.

The following Income/Expense Reports are available:

- Trends – Inc/Exp
- Inc/Exp Common-Size
- Inc/Exp Comparative
- Income Statement
- Production Trends
- Projected Annual Cash Flow
- Monthly Cash Flow
- Cash Flow – Monthly Detail
- Inc/Exp Schedules
- Enterprise Analysis
- Actual - Inc/Exp Schedules
- Actual – Cash Flow.

The following Analysis Reports about capacity are available:

- Ratios & Indicators
- Repayment Capacity/Sensitivity
- Statement of Cash Flows.--*

Farm Business Plan - FSA User Guide (Continued)

F Income/Expense (Continued)

***--7 Locking Income/Expense Summaries**

Income/Expense Summaries should be locked after completing to prevent further modification of the data. Lock the Income/Expense Summary by clicking “Add/Modify/Delete”. The lock link can be found to the right of the selected summary.--*

* * *

G Income/Expenses - Actuals

1 General

Actual income and expenses, together with production information (“actuals”) contain important information with which future plans can be developed. The following are suggestions for handling categories of actual income/expenses.

Category	What to Do
Operating	
Crop/Livestock Production and Sales	<p>Crop/livestock sales can be entered as a summary dollar amount when the production details are not known, or on schedules to record the production and the details of each crop/livestock production category and its sale.</p> <p>Yield and production can be recorded even if dollar sales for each scheduled item are not broken down. If the total crop or livestock production does not correspond to the dollar sales shown on income tax returns or farm records, users can still preserve the actual production on a per-crop level. Enter the crop production information on the schedule, but uncheck “To I/E”. Then enter the total dollar sales for all crops on the actual summary page. This will preserve production on a scheduled per-crop level, but not require a breakdown of income on a per-crop level.</p>
Crop Production	Crop production/yields can be tracked on a per-farm basis. To do so, enter the farm name or FSA farm number under “Type” each year. FBP will combine the yields and production in the production trends report for each like-identified farm. “Type” is name and case sensitive, should be the same each year to take advantage of that option.
Purchases for Resale (i.e. market livestock, poultry)	Enter detailed purchases for resale within the “Livestock & Poultry Sales” schedule. If no detail of purchases is needed, a summary dollar amount of purchases can be entered on the summary page.
Operating Expenses (except depreciation and interest)	Enter operating expenses as summary amounts for each expense category, or as details for separate enterprises in the schedules. Summary input is recommended.
Depreciation	<p>Enter actual depreciation from the income tax return, if known, or estimate if it is unknown.</p> <p>Caution: Do not ignore depreciation, as it will be used in the accrual adjusted income statement later. It does not affect MADS, ending cash, or loan feasibility.</p>
Interest	See Financing .

Farm Business Plan - FSA User Guide (Continued)

G Income/Expenses - Actuals (Continued)

1 General (Continued)

Category	What to Do
Nonoperating	
Owner Withdrawals	Include living expenses and personal debt payments, i.e. credit cards, personal vehicle payments, home mortgage payments, student loans, personal loans, etc, in this category. Entries can be made on the schedules or as 1 summary entry. No itemization is required.
Income Taxes	Enter actual income and social security taxes paid during the year, unless net wages after taxes are entered in nonfarm income.
Nonfarm Income and Expense	Include gross wages, or net wages if no income taxes are entered, net business income, other nonfarm income or expense. Enter either as summary amounts or enter the details of the source or use of each type of funds in the schedule. Do not enter personal debt payments here. Generally, the nonfarm expense category will not be used.
Financing	
Loan Advances, Repayments, Interest Expense – Operating and Term	<p>Loan advances, repayments, and interest payments can either be entered as summary amounts or as details in the “Loan Payments” schedule.</p> <p>Interest Expense. If the breakdown:</p> <ul style="list-style-type: none"> • between operating and term interest is known, enter both in their respective expense category <p style="padding-left: 40px;">Note: This is the preferred method.</p> <ul style="list-style-type: none"> • is not known, enter the estimate of operating interest, deduct the estimate from the total actual interest, and enter the balance as term interest • is not known and cannot be estimated, enter all actual interest as term interest. <p style="padding-left: 40px;">Note: This will allow a conservative analysis of MADS.</p> <p>Caution: It is never recommended to enter all actual interest as operating interest, unless it actually is.</p>

Farm Business Plan - FSA User Guide (Continued)

G Income/Expenses - Actuals (Continued)

1 General (Continued)

Category	What to Do
Capital	
Capital Expenditures and Sales	<p>Enter as summary amounts or as details in the schedule. If entered on the schedule, ensure that the correct asset description is used from the drop-down menu.</p> <p>Caution: If collateral was sold or purchased, using the actual capital expenditure or sales schedules will not automatically add or subtract those items from the balance sheet schedules, appraisals, or security agreements.</p>
Capital Gains and Losses	<p>Enter capital gains and losses, if applicable. Entries are optional and do not affect the cash flow or the income/expense trends, but do affect an accrual-adjusted income statement.</p>
Capital Contributions and Withdrawals	<p>Capital contributions are inflows of capital that are not the result of business operations or other income. Capital contributions usually include gifts, inheritance, lottery winnings, the gift-value of substantial asset purchases for less than market value, and the capital contributions of partners or stockholders to an entity.</p> <p>Capital withdrawals are outflows of capital that are not the result of business operations or owner withdrawals. Capital withdrawals usually include gifts, the gift-value of substantial sales of assets for less than market value, and withdrawals of capital by partners or stockholders of an entity.</p> <p>Entering capital contributions and withdrawals is important to correctly construct a pro-forma balance sheet, if accrual analysis is completed.</p> <p>Caution: Ensure that capital contributions and withdrawals are not double-counted in capital sales and purchases.</p>

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected

The projected farm income and expenses, nonoperating income and expenses, financing, and capital plans for a future period are the components of FBP that determine feasibility.

1 Feasibility

*--a Loan Making and Servicing Actions, Except Primary Loan Servicing

When making or servicing loans, FSA uses current year projections (plans) that have been developed for a specified time period. For some operations, a projected plan for the current production cycle and typical plans for additional production cycles may be needed if further analysis of long-term repayment ability is in question.

Examples: A start-up operation with interest only payments in the first year.

An operation transitioning from traditional crops to organic.

See **Feasibility Definition** (Section H 1 c) for more information.

Consider the following.

- **Term loans;** long term feasibility must be considered. On-going farm business operations and reliable nonfarm income must be sufficient in the projected plan to pay on-going farm and nonfarm expenses, and term debts (**positive** MADS). It is not acceptable to use the liquidation of inventory, other assets, cash reserves, or atypical income sources to demonstrate long-run feasibility.
- **Annual operating loans;** short-term feasibility must be considered. The projected plan must provide the ability to repay the annual operating loan during the production cycle (**positive** ending cash).
- **Both term and annual operating loans;** both long and short-term feasibility must be considered. For both loans to be approved, the projected plan must provide the ability to repay the annual portion of the loan during the production cycle (**positive** ending cash) as well as the ability to pay on-going farm and nonfarm expenses, and term debts (**positive** MADS).

Note: If the projected plan shows that only the annual operating portion of the loan can be repaid (**negative** MADS, **positive** ending cash), the annual loan can be approved; however, the term loan would need to be denied.--*

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

1 Feasibility (Continued)

b Special Loan Servicing Actions (Primary Loan Servicing Only)

*--Feasibility for primary loan servicing actions is determined by DALR\$. See **Feasibility--***
Definition (Section H 1 c) for more information about feasibility.

c Feasibility Definition

*--A feasible plan or projection is demonstrated by the following.

Note: See 3-FLP, 4-FLP, or 5-FLP, as applicable, for additional information on feasibility.

Loan Type	MADS <u>1</u>/	Ending Cash
Loan Making and Servicing Actions, Except Primary Loan Servicing		
Term Loans, long term feasibility.	Must be positive.	Must be positive
Annual Operating Loans, short term feasibility.	May be positive or negative.	Must be positive
Youth Loans.	Is not applicable.	Must be positive
Primary Loan Servicing		
All loan types.	e-DALR\$ determination.	Must be positive

1/ A positive (zero or greater) MADS is equivalent to TDCLCR of 1.00 or greater. The terms can be used interchangeably.--*

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

*--2 Creating Current Year Projections

A projected plan for the current production cycle can be created for both short and long-run feasibility decisions. Projections can be entered using summary dollar values for each category or on schedules where the calculated total transfers to the income/expense summary. Sometimes a mix of summary and scheduled input is appropriate. Scheduled information is especially appropriate when planning with production and yields. See **Income/Expenses – Actuals** (Section G) for a description of each category and suggestions for the types of information that should be included.

The income/expense projection is categorized into the following 4 parts:

- Operating Income and Expenses (including current assets, current liabilities, crop and livestock sales, other farming income, purchases for resale, all farming expenses including interest, and depreciation)

Note: Income and expenses from current assets and current liabilities can generally be handled by making 1 of the following selections in the beginning balance sheet schedule:

- “None”, do not send to the income/expense projection
 - “Beg. Cash on Hand”, send to schedule on income/expense projection
 - send to selected income and expense schedule on income/expense projection.
- Nonoperating Income and Expenses (including owner withdrawals, income and Social Security taxes, nonfarm income and expenses)

Caution: Projected owner withdrawals must include family living expenses and personal debt payments, such as, credit cards, personal vehicle payments, home mortgage payments, student loans, personal loans, etc. The total amount of payments due during the planning period will be entered on the schedules or as 1 summary entry, no itemization is necessary.

- Financing (including term and operating advances and operating principal repayments)
- Capital Sales, Expenditures, Contributions, and Withdrawals.--*

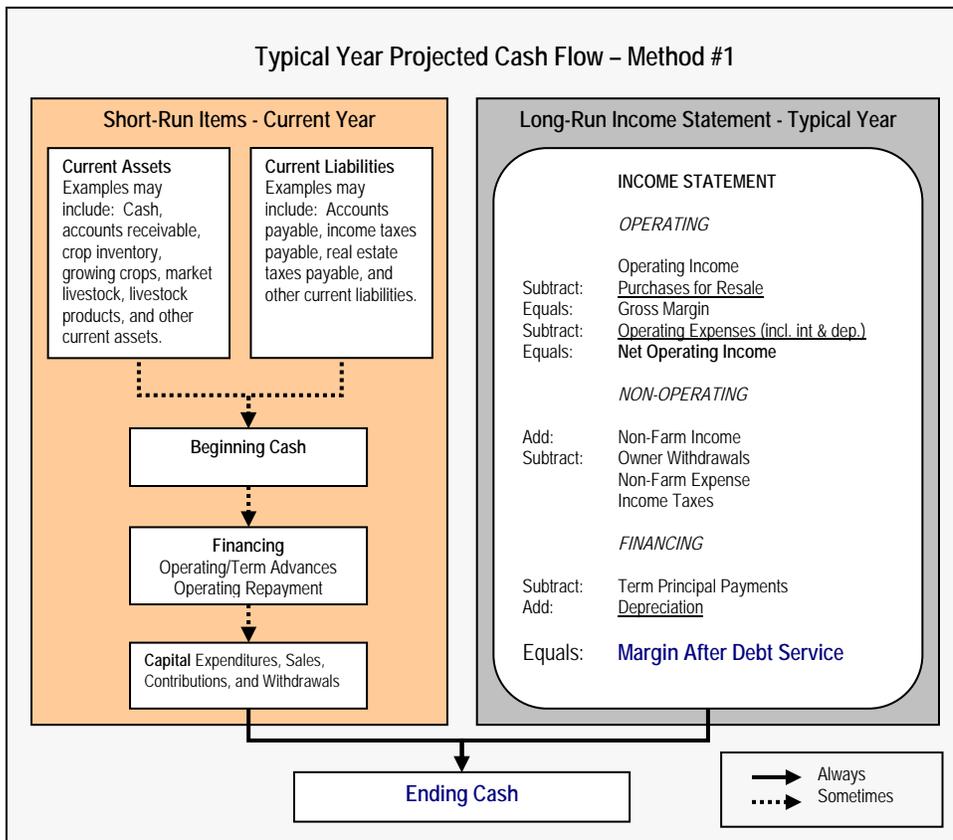
Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

*--3 Creating Typical Projections

A typical projection can be created for both short and long-run feasibility decisions. There are generally 2 methods of creating a projection for a typical year.--*

a Method 1, Separate Short-Run Items from Typical Year



Method 1 has the following features.

- The cash flow categories included in MADS are derived from long-run operations and/or a typical year. If a projection is developed with the income and expenses representing a typical year, a positive MADS means feasibility has been demonstrated in a typical year. For the business to be viable in the long-run, it must have a positive MADS.
- The categories contributing to “Ending Cash” may include current assets and inventories, current liabilities and unpaid expenses, current year financing activity, and any net residual from MADS. A positive ending cash position means that the projection is feasible in the current year as well.

Farm Business Plan - FSA User Guide (Continued)

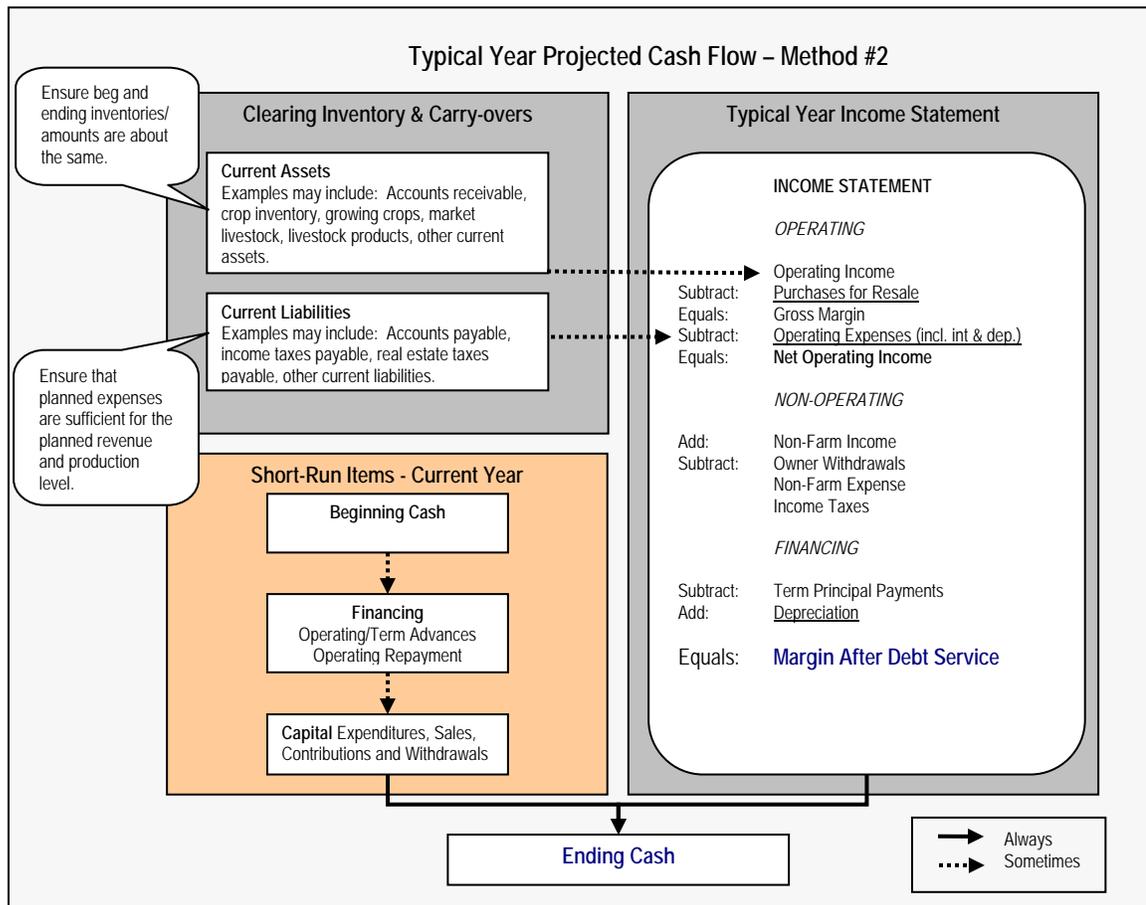
H Income/Expenses - Projected (Continued)

-3 Creating Typical Projections (Continued)--

a Method 1, Separate Short-Run Items from Typical Year (Continued)

- * * * When including sales of inventory in beginning cash, ensure that those sales are not double counted in operating income.

b Method 2, Transfer Current Assets and Payables into Operating



Method 2 has the following features.

- Current asset inventories may be sent to the projected operating income. However, because this is a typical year projection, ensure that the beginning and ending inventories/amounts are about the same.

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

--3 Creating Typical Projections (Continued)--

b Method 2, Transfer Current Assets and Payables into Operating (Continued)

- Accounts payable, income taxes payable, real estate taxes payable, and other current liabilities may be included in operating expenses. However, ensure that planned expenses are sufficient for the planned revenue and production level.
- Like Method 1, a positive MADS means feasibility has been demonstrated in a typical year because the projection was developed with the income and expense levels representing a typical year. In addition, a positive ending cash position means that the projection is feasible in the current year as well.

* * *

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

*--4 Monthly Cash Flow

Monthly cash flows are sometimes completed to assist in determining the annual operating credit needs from FSA, or revolving line of credit needs from another lender. The Projected Annual Cash Flow Report and Projected Monthly Cash Flow Reports may help the user determine the amount of borrower needs in these circumstances. The reports, by themselves, are not intended to be used to determine feasibility. Using monthly cash flows is optional.

If a user determines that a monthly cash flow is needed, the user must designate in the “Monthly CF Setup” drop-down menu, how many months the projection will cover when the income/expense is added or duplicated. Options include a 12-, 18-, or 24-month projection.



Figure 37a, Selecting Months for Projection

After the projection is created, monthly cash flow allocations may be added at the summary or schedule level. Both methods achieve the same result of having the cash inflow or outflow categories allocated in designated month or months, in addition to the overall total.--*

a Summary Level

Step 1. All inflow or outflow categories may have a monthly cash flow allocation entered at the summary level. CLICK blue “\$” next to the category amount.

Example: For “Fertilizers & Lime”, \$25,000 was entered as a summary dollar value. For “Gas/Fuel/Oil”, \$31,000 is a total from the detailed schedule. However, both can be allocated in the monthly cash flow by clicking the blue “\$”.

*--

Feed Supplement		0	0
Feed Grain & Roughage		15,000	0
Fertilizers & Lime	\$	25,000	0
Freight & Trucking		0	0
Gas / Fuel / Oil	\$	31,000	0
Insurance Exp		0	0

Figure 37b, Entering Monthly Cash Flow Projections--*

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

--4 Monthly Cash Flow (Continued)--

a Summary Level (Continued)

Step 2. User has the option of custom entries or selecting from the default “Monthly Codes” provided.

Example: On the Fertilizers & Lime Monthly Allocation Screen, user clicked “Monthly Code” drop-down menu and selected “Bi-Monthly-Start 2”.

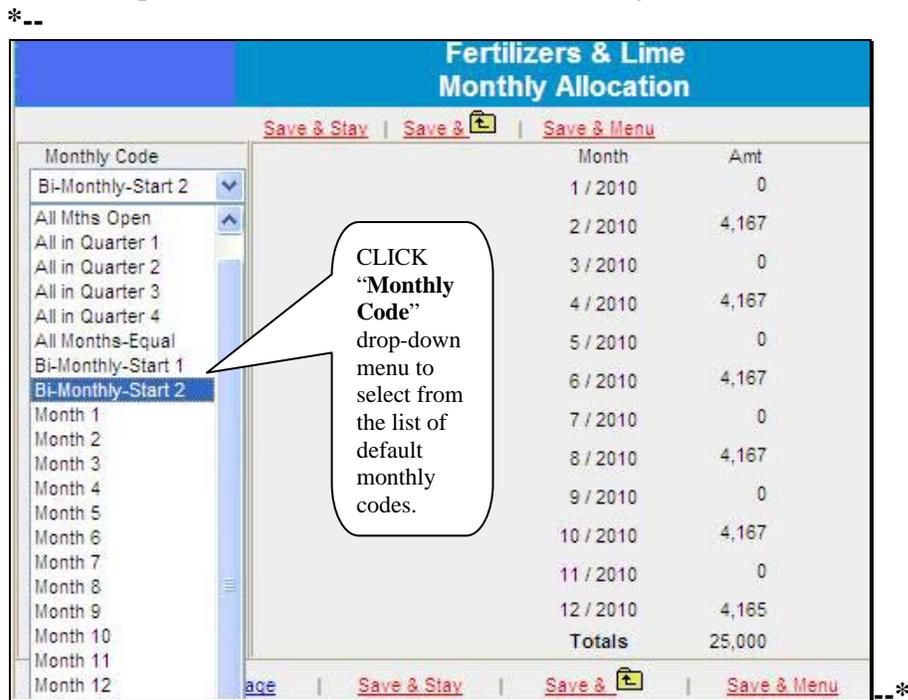


Figure 38

If the amount for any category on the projection is altered, the monthly allocation will automatically recalculate based on the monthly code selected. “Monthly Code” may be changed at any time.

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

--4 Monthly Cash Flow (Continued)--

b Schedule Level

Step 1. Select the category and enter the total amount for the projected plan period in the detailed schedule. More than 1 entry may be added. CLICK “Mth” next to each entry to allocate the amount in the monthly cash flow.

Example: For “Gas/Fuel/Oil”, total of \$31,000.

*--

Description	Amount	Pro Forma?	P.F.
Gas	30,000	None	
Oil	1,000	None	
Total Gas / Fuel / Oil	31,000		
Total to Inc/Exp Summary	31,000		

Figure 39--*

Step 2. User has the option of custom entries or selection from the default monthly codes provided.

Example: For “Gas” entry of “\$30,000”, user clicked the “Monthly Code” drop-down menu and selected “All Months-Equal”.

*--

Monthly Code	Month	Amt
All Months-Equal	1 / 2010	2,500
All Mths Open	2 / 2010	2,500
All in Quarter 1	3 / 2010	2,500
All in Quarter 2	4 / 2010	2,500
All in Quarter 3	5 / 2010	2,500
All in Quarter 4	6 / 2010	2,500
All Months-Equal	7 / 2010	2,500
Bi-Monthly-Start 1	8 / 2010	2,500
Bi-Monthly-Start 2	9 / 2010	2,500
Month 1	10 / 2010	2,500
Month 2	11 / 2010	2,500
Month 3	12 / 2010	2,500
Month 4	Totals	30,000

Figure 40

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

--4 Monthly Cash Flow (Continued)--

b Schedule Level (Continued)

*--Example: For “Oil” entry of “\$1,000”, the user clicked “Monthly Code” drop-menu and selected “All Mths Open”. Dollar amounts were manually entered in the “Amt” fields.

Month	Amt
1 / 2010	250
2 / 2010	250
3 / 2010	0
4 / 2010	250
5 / 2010	0
6 / 2010	250
7 / 2010	0
8 / 2010	0
9 / 2010	0
10 / 2010	0
11 / 2010	0
12 / 2010	0
Totals	1,000

Figure 41

Note: The blue “\$” on the summary page will change to italicized when the monthly cash flow allocation is added at the schedule level.

Freight & Trucking	\$	0	0
Gas / Fuel / Oil	\$	31,000	0
Insurance Exp.	\$	0	0
Labor Hired	\$	0	0

Figure 42

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

*--4 Monthly Cash Flow (Continued)

c Warnings

If the monthly cash flow allocation was added at the summary level and the user decides to add the amount at the schedule level, when the user clicks “Mth”, a warning message will be displayed. Take appropriate action, as follows:

- CLICK “Cancel”, to keep the current monthly cash flow allocation information
- CLICK “OK”, and the monthly cash flow allocation for the category will be deleted and the Monthly Allocation Screen will be displayed with the option of re-entering the information at the schedule level.



Figure 43

If monthly cash flow was added at the schedule level, and then the user clicks on the italicized “\$” on the summary page, a warning message will be displayed. Take appropriate action, as follows:

- CLICK “Cancel”, to keep the current monthly cash flow allocation information.
- CLICK “OK”, and the monthly cash flow allocation for the category will be deleted, and the Monthly Allocation Screen will be displayed with the option of re-entering the information at the summary level.

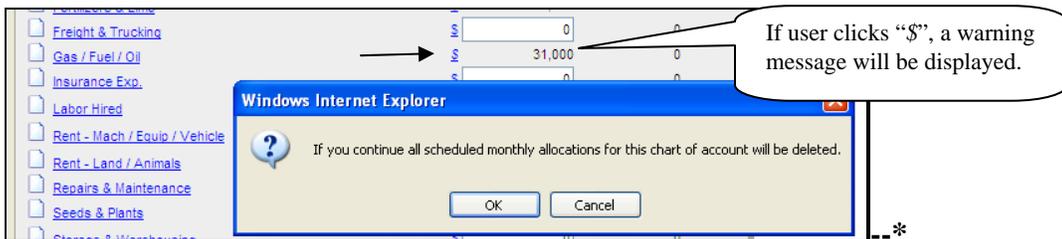


Figure 44

Farm Business Plan - FSA User Guide (Continued)

H Income/Expenses - Projected (Continued)

* * *

I Collateral Analysis/Chattel Appraisals

Collateral analysis involves assessing the adequacy of collateral pledged for a loan. It is completed when a loanmaking or loan servicing action is completed. Collateral analysis must be completed whenever a Credit Presentation is prepared.

In addition to populating the Credit Presentation, a separate collateral analysis report can be printed that shows the calculations involved in the analysis.

For all direct FSA loans, the default collateral discount factor is 100 percent. **This must not be changed.**

1 Describing the Collateral Position

The collateral position is usually described in the following 2 ways.

Description	Calculation
Margin of Collateral to Loan	(Amount of collateral minus prior liens) divided by total FSA loans.
Percent Loan to Collateral	(Total FSA loans divided by (amount of collateral minus prior liens)) multiplied times 100.

For new chattel loans, use the “Margin of Collateral to Loan” to determine if the 150 percent (1.50) security requirement is met.

***-2 Completing the Chattel Appraisal**

The descriptions and values in the chattel appraisal are derived from the balance sheet schedules. After a loan official has visited the farm and completed an appraisal of the chattel, the appraised values will need to be entered in the corresponding schedules. After the Balance Sheet has been updated, **CLICK “Balance Sheet”** and **“Chattel Appraisal”** to update the chattel appraisal information.

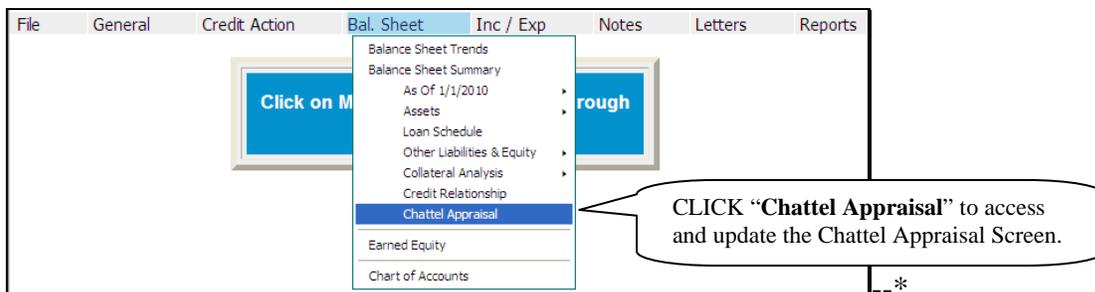


Figure 45a

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

*-2 Completing the Chattel Appraisal (Continued)

Complete the Chattel Appraisal Screen. Use the Footnote Section for any additional information as needed.

Defaults to "FSA". Ensure that it is changed if chattel appraisal was completed by someone other than an FSA employee.

Manually enter or use the calendar to select the date the chattel appraisal was completed.

Use Footnotes Section for any additional information as needed.

Figure 45b--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

*-2 Completing the Chattel Appraisal (Continued)

If the chattel appraisal is completed by the same official who recommends or approves the credit presentation, the appraisal form does not need to be printed or signed. If not printed, there **must** be a notation in the Collateral Section of the Credit Presentation that a chattel appraisal was completed, date of appraisal, and that the eSignature stamp of the recommending or approving official represents the person who completed the appraisal.

In all adverse actions, or if the appraisal was completed by someone other than the recommending/approving official, the chattel appraisal will need to be printed and signed.

To generate the printed chattel appraisal CLICK **“Reports”**, **“Balance Sheet”**, **“Chattel Appraisal”**, and select the chattel appraisal to be printed from the list provided.

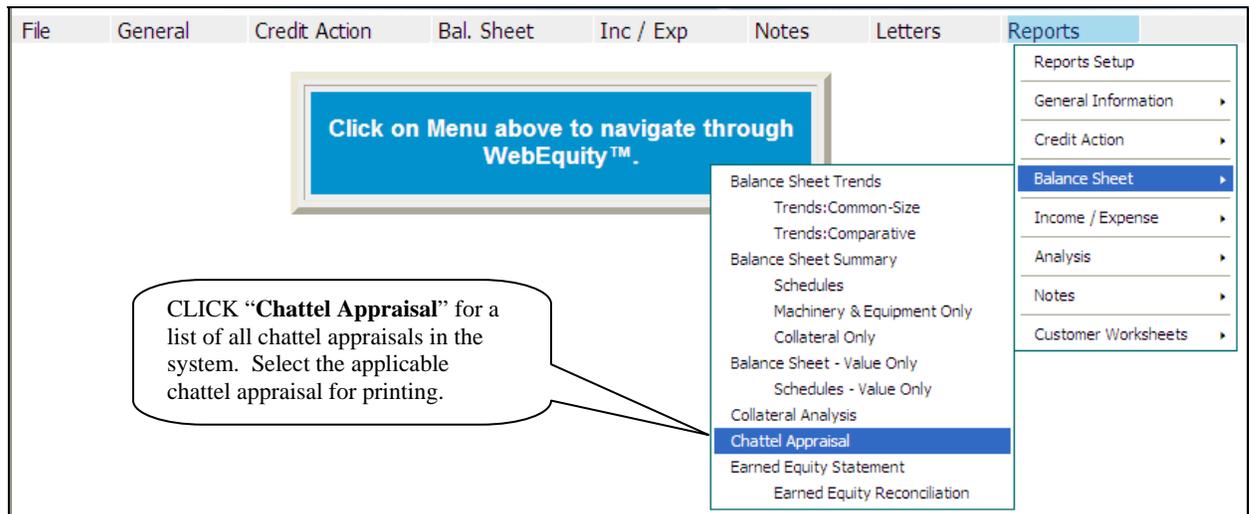


Figure 45c--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis

*--The collateral analysis is where a user can access, view, add, modify, or delete information specific to any collateral value for loans held by FSA and any prior lien holders. The values in the collateral analysis are derived from the associated balance sheet summary and schedules.

When building the collateral analysis, loans and the collateral used to secure the loan can be grouped together by creditors. For example, if all the FSA loans are secured by the same collateral, the loans and collateral could be grouped together. Separate FSA loan groups may be created when different collateral is used to secure different FSA loan types.

For prior lienholders, there can be a loan group for each creditor; or all prior lienholders can be grouped together. If there are prior liens, they **must** be added to the collateral analysis **before** adding any FSA loan group.

a Customer With No Prior Liens

Assume in this example that there are no prior liens on the collateral used to secure the FSA loans. Use the following steps to build the collateral analysis for the FSA loan group.

Step	Action
1	Verify the correct balance sheet is selected to use in building the collateral analysis.
2	CLICK “Bal. Sheet”, “Collateral Analysis”, and “Add/Modify/Delete”. When user first clicks this menu item, the only submenu item displayed is the “Add/Modify/Delete”. As users add loan groups, they will automatically be displayed in the submenu and be available for selection.

The screenshot shows the WebEquity software interface. The 'Bal. Sheet' menu is open, displaying several options: Balance Sheet Trends, Balance Sheet Summary, As Of 1/1/2010, Assets, Loan Schedule, Other Liabilities & Equity, Collateral Analysis, Credit Relationship, Chattel Appraisal, and Earned Equity. The 'Collateral Analysis' option is highlighted in blue. A separate box labeled 'Add / Modify / Delete' is also highlighted in blue. The interface includes a top navigation bar with 'File', 'General', 'Credit Action', 'Bal. Sheet', 'Inc / Exp', 'Notes', 'Letters', and 'Reports'. The WebEquity logo is visible in the top left corner.

Figure 45d

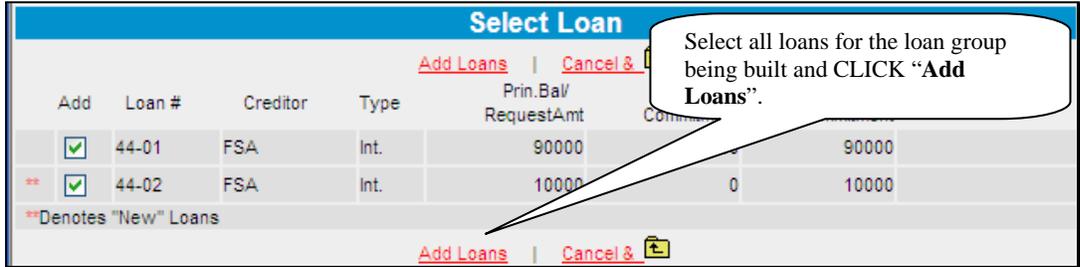
--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--a Customer With No Prior Liens (Continued)

Step	Action
3	<p>Complete the following fields to add the new FSA loan group:</p> <ul style="list-style-type: none"> • “Loan(s) Description”, enter a description of loans associated with the collateral • “Lien?”, select “Ours” for FSA • “Scoring & Rating”, checked by default • “Amt to Use: Select”, “As Marked On Schedule”. <p>CLICK “Add” to begin building the collateral analysis.</p>  <p>Figure 46</p>
4	<p>CLICK “Add from Loan Schedule” to choose the loans.</p>  <p>Figure 47</p>
5	<p>Select all the loans, existing and new, that need to be included in the loan group being built and CLICK “Add Loans”.</p>  <p>Figure 48</p>

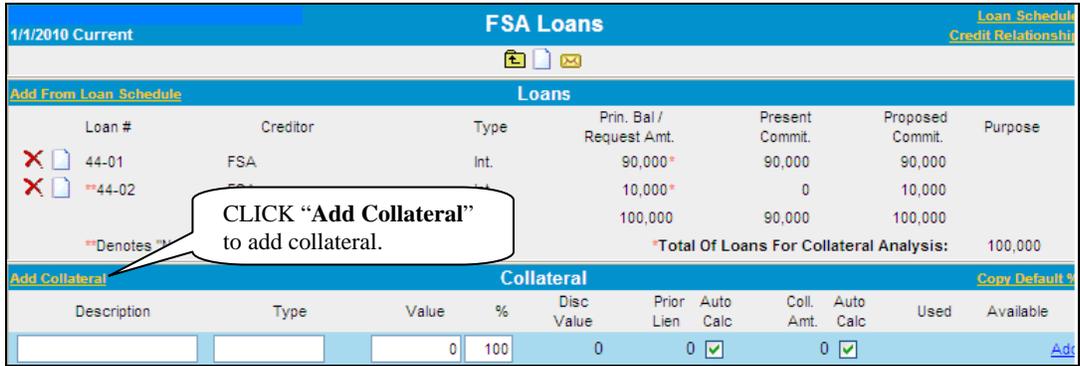
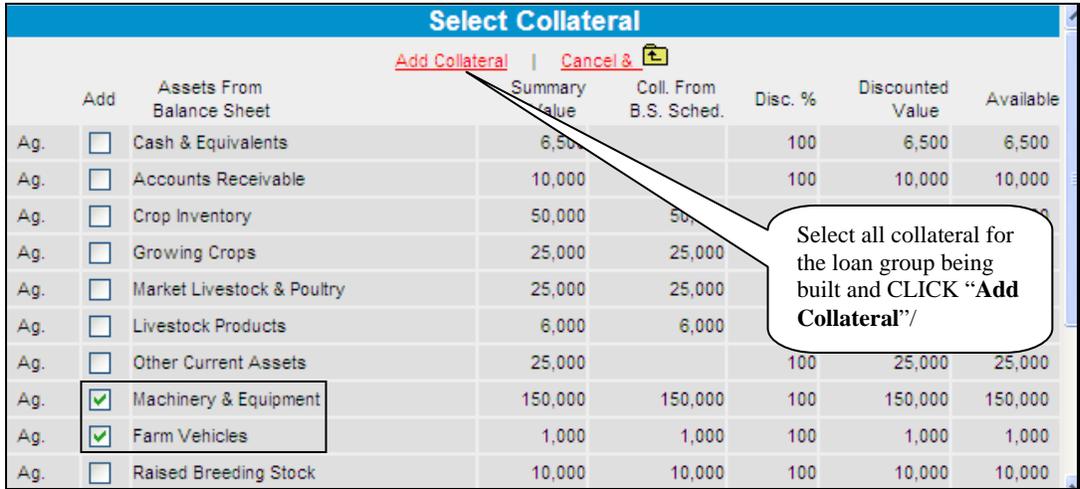
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Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--a Customer With No Prior Liens (Continued)

Step	Action
6	<p>CLICK “Add Collateral” to choose the collateral for the loan group being built.</p>  <p>Figure 49a</p>
7	<p>Select all collateral to be included in the loan group being built and CLICK “Add Collateral”.</p>  <p>Figure 49b</p>

--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--a Customer With No Prior Liens (Continued)

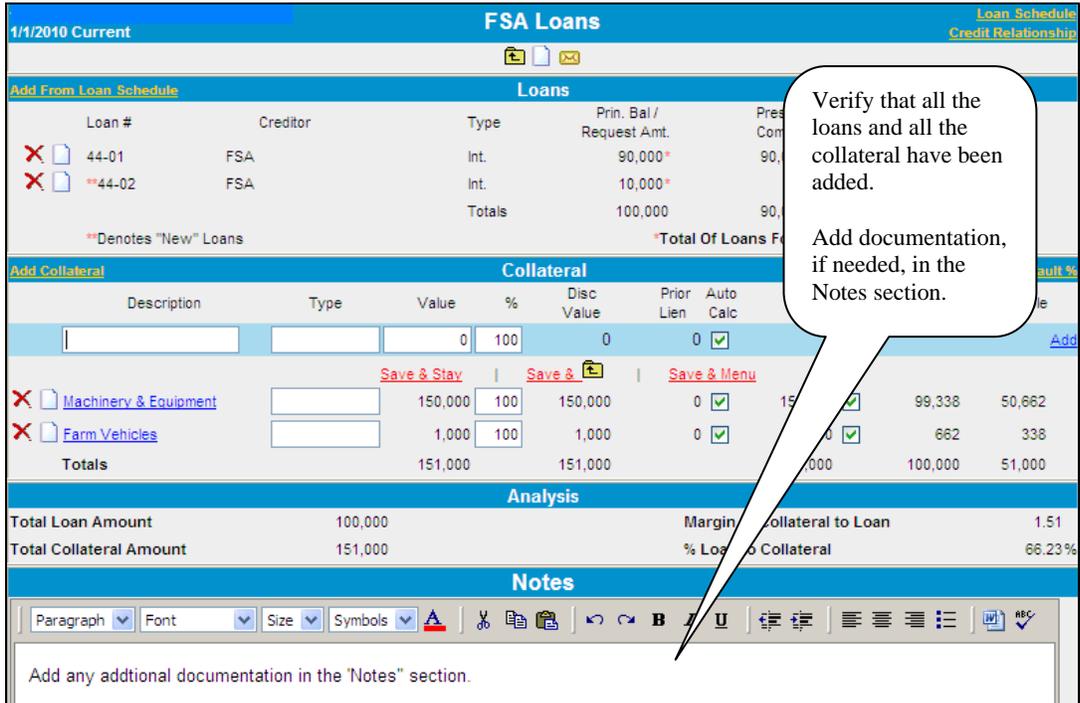
Step	Action
8	<p>Verify that the correct loans and collateral have been added for the loan group. If additional documentation is needed, it can be added to the Notes Section.</p>  <p>The screenshot displays the 'FSA Loans' interface. At the top, it shows '1/1/2010 Current' and 'Loan Schedule Credit Relationship'. Below this is a table for 'Loans' with columns: Loan #, Creditor, Type, Prin. Bal / Request Amt., and Pres. Com. Two loans are listed: 44-01 (FSA, Int., 90,000*) and **44-02 (FSA, Int., 10,000*). A note below states '**Denotes "New" Loans' and '*Total Of Loans F'. Below the loans table is a 'Collateral' section with columns: Description, Type, Value, %, Disc Value, Prior Lien, and Auto Calc. Two items are listed: 'Machinery & Equipment' (Value: 150,000, %: 100, Disc Value: 150,000) and 'Farm Vehicles' (Value: 1,000, %: 100, Disc Value: 1,000). A 'Totals' row shows a total value of 151,000. Below the collateral table is an 'Analysis' section with 'Total Loan Amount' (100,000) and 'Total Collateral Amount' (151,000). It also shows 'Margin Collateral to Loan' (1.51) and '% Loan to Collateral' (66.23%). At the bottom is a 'Notes' section with a rich text editor toolbar and a text area containing the instruction: 'Add any additional documentation in the "Notes" section.'</p>

Figure 50

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Farm Business Plan - FSA User Guide (Continued)

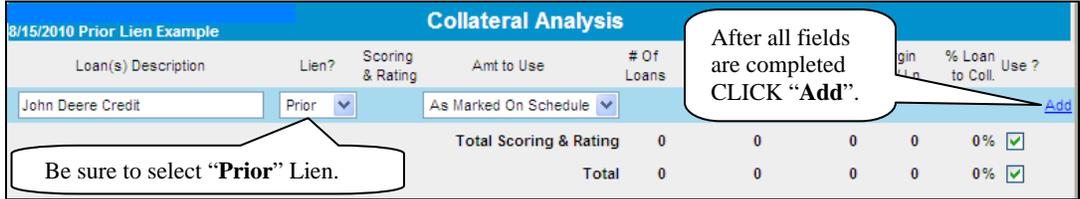
I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--b Customer With Prior Liens

When the customer has loans with creditors who have prior liens on the collateral used to secure the FSA loan, those creditors **must** be added to the collateral analysis **before** the FSA loan group.

Example: Assume in this example that the customer owes John Deere Credit \$26,000, secured by a first lien on a tractor worth \$35,000. The customer also has an FSA OL with a balance of \$90,000, secured by a lien on all machinery and equipment worth \$150,000, including the tractor.

Step	Action
1	<p>Complete the following fields to add the John Deere Credit loan group:</p> <ul style="list-style-type: none"> • “Loans Description”, enter a description of loans associated with the collateral • “Lien?”, select “Prior” for all prior loans • “Amt to Use”, select “As Marked On Schedule”. <p>CLICK “Add” to begin building the collateral analysis.</p>  <p>Figure 51a</p>
2	<p>CLICK “Add from Loan Schedule” to choose the loans.</p>  <p>Figure 51b</p>

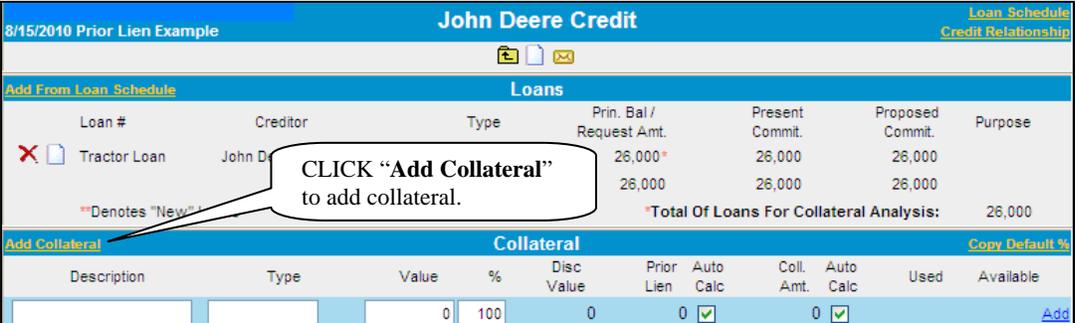
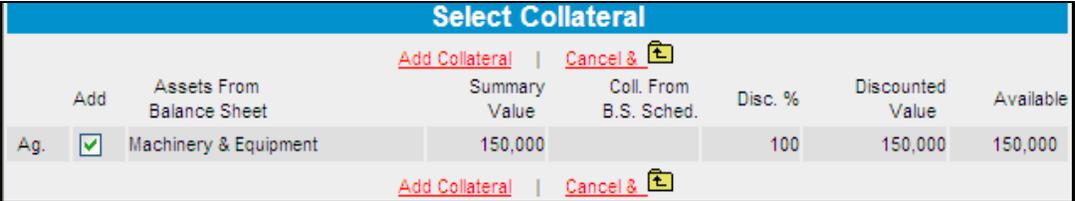
--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--b Customer With Prior Liens (Continued)

Step	Action
3	<p>Select the John Deere Credit loan and CLICK “Add Loans”.</p>  <p>Figure 51c</p>
4	<p>CLICK “Add Collateral” to choose the collateral for the loan group being built.</p>  <p>Figure 51d</p>
5	<p>Select collateral to be included in the loan group being built. CLICK “Add Collateral”.</p>  <p>Figure 51e</p>

--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--b Customer With Prior Liens (Continued)

Step	Action
6	<p>To adjust value of the collateral securing the prior lien holder, uncheck (✓) the “Auto Calc” box and enter the value of the asset securing the loans in the “Coll. Amt” Column.</p> <p>Add documentation, if needed, in the Notes Section.</p> <p>Make sure amount is \$0 before saving.</p> <p>The screenshot shows the 'John Deere Credit' software interface. At the top, it says '3/15/2010 Prior Lien Example' and 'John Deere Credit'. Below that is a 'Loans' table with columns for Loan #, Present, Proposed Commit., and Purpose. A loan for 'Tractor L' is listed with a value of 26,000. Below the loans table is an 'Add Collateral' table with columns for Description, Type, Value, %, Value, Coll. Amt., Auto Calc., Used, and Available. A row for 'Machinery & Equipment' is highlighted, with a value of 150,000 and a 'Coll. Amt.' of 35,000. The 'Auto Calc.' checkbox is unchecked. A 'Notes' section at the bottom contains the text 'Purchase money interest in JD Tractor'. Callouts from the text above point to the 'Auto Calc.' checkbox and the 'Coll. Amt.' column.</p>

Figure 52, John Deer Credit Prior Lien Loan Group

Caution: If more than one Prior Lien group is added to a collateral analysis, the user will need to always zero out the “Prior Lien” column before saving to allow the system to calculate correctly.

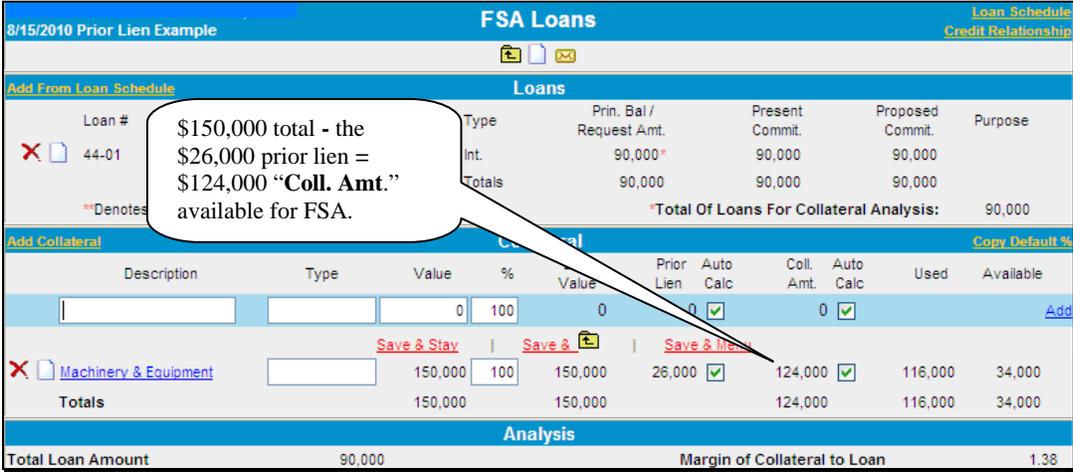
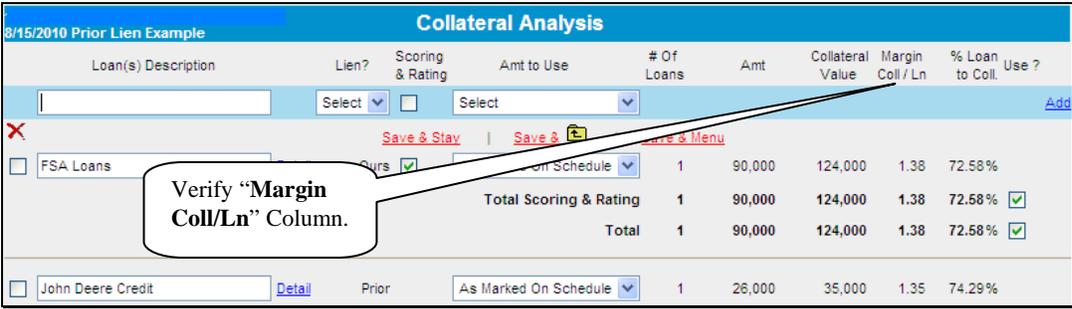
--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--b Customer With Prior Liens (Continued)

Step	Action
7	<p>Create the FSA loan group; add the FSA loans from the loan schedule, and then add the collateral securing those loans. In this example, even though all machinery and equipment is securing the FSA loan, there is only \$124,000 of collateral available for FSA (value of all machinery and equipment of \$150,000 minus John Deere prior lien of \$26,000 equals \$124,000). This amount is calculated automatically and captures any remaining equity in the tractor.</p>  <p>Figure 53, FSA Loan Group</p>
8	<p>Access the Collateral Analysis Summary Screen and verify that the margin of collateral to loan is correct in the “Margin Col/Ln” Column.</p>  <p>Figure 54, Collateral Analysis Screen</p>

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Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--c Customer With Negative Equity Prior Liens

When the customer has loans with creditors who have prior liens on the collateral used to secure the FSA loan, those creditors **must** be added to the collateral analysis **before** the FSA loan group. These prior liens may be under secured and are sometimes referred to as “upside-down” or negative equity loans.

Example: Assume in this example that the customer owes John Deere Credit \$26,000, secured by a first lien on a tractor worth only \$19,000. The customer also has an FSA OL with a balance of \$90,000, secured by a lien on all machinery and equipment worth \$150,000, including the tractor. FSA is secured; however, John Deere Credit is under secured by \$7,000 (tractor value of \$19,000 **minus** loan balance of \$26,000).

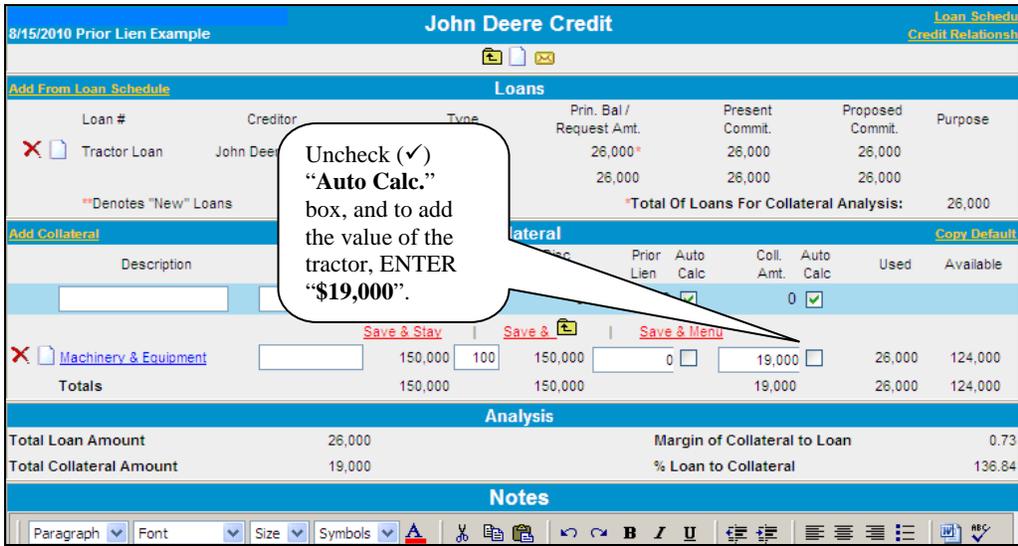
Step	Action
1	<p>Add the John Deere Credit loan group, select the John Deere Credit \$26,000 loan from the loan schedule, and then add all the machinery and equipment as collateral, even though only the John Deere tractor is collateral for this loan.</p> <p>To adjust the value of the collateral securing the prior lien holder, uncheck (✓) the “Auto Calc” box and enter the value of the asset securing the loans in the “Coll. Amt” Column. In this example the tractor is worth \$19,000.</p> 

Figure 55, John Deere Credit Prior Lien Screen

When user clicks “**Save & Stay**”, only the value of the tractor will be deducted from the total of “**Machinery and Equipment**”. **No** equity from the equipment will be used to secure the John Deere Credit loan.

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--c Customer With Negative Equity Prior Liens (Continued)

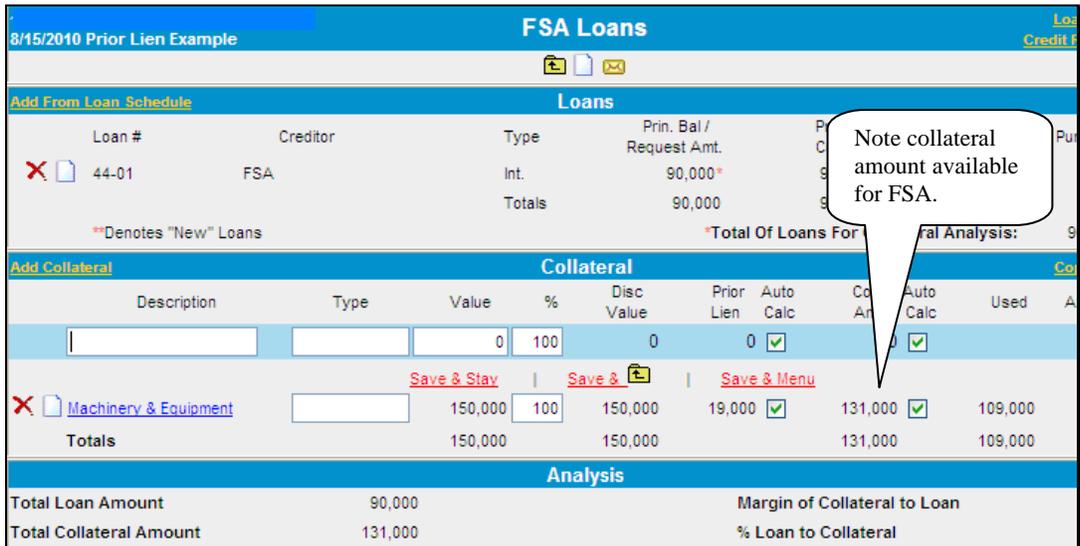
Step	Action
2	<p>Add the FSA loan group, select the FSA OL \$90,000 loan from the loan schedule, and then add the collateral securing the loan. In this example, the amount of collateral available is \$131,000 (value of equipment of \$150,000 minus value of tractor secured by prior lien of \$19,000). This amount is automatically calculated.</p> <p>Note: Although there is negative equity in the tractor, John Deere Credit’s adverse collateral position does not impact FSA’s position.</p> 

Figure 56, FSA Loans Screen

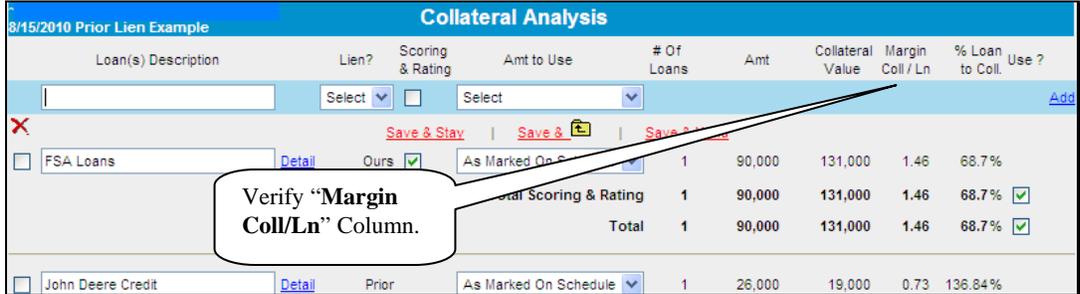
3	<p>Access the Collateral Analysis Screen and verify that the margin of collateral to loan in the “Margin Col/Ln” Column is correct.</p> 
---	--

Figure 57, Collateral Analysis Screen

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Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--d Customer With FSA Cross-Collateralized Loans

Sometimes the same asset may be used as collateral for multiple FSA loans. This is called, “cross-collateralization”. To correctly display the available collateral, the loan group that has the primary security interest in that asset must be added first.

Example: Assume that the customer has an FSA FO loan with a balance of \$165,000, secured by a first mortgage on a farm worth \$280,000. The farm also serves as additional collateral for the FSA OL loan, with a loan balance of \$90,000. The FSA OL is also secured by all machinery and equipment, valued at \$100,000.

Step	Action
1	<p>Add the FSA Real Estate loan group first. Select the FSA \$165,000 FO loan from the loan schedule and then add the real estate land, valued at \$280,000, as collateral. To ensure that the real estate security value is not double counted, the “Auto Calc” box must be unchecked (✓). In the “Col Amt.” field, enter an amount equal to the “Total of Loans for Collateral Analysis”. For this loan group, it will appear as if the loan is secured on a 1.1 basis.</p>

FSA Real Estate Loan										
8/15/2010 Cross - Coll Example										
Add From Loan Schedule										
Loans										
Loan #	Creditor	Type	Prin. Bal / Request Amt.	Present Commit.	Proposed Commit.	Purpose				
41-01	F		165,000*	165,000	165,000					
**Denotes "New" Loan			165,000	165,000	165,000		*Total Of Loans For Collateral Analysis: 165,000			
Add Collateral										
Description	Type	Value	%	Disc Value	Prior	Auto Calc	Coll. Amt.	Auto Calc	Used	Available
		0	100	0	0	<input checked="" type="checkbox"/>	0	<input checked="" type="checkbox"/>		
Real Estate - Land		280,000	100	280,000	0	<input type="checkbox"/>	165,000	<input type="checkbox"/>	165,000	115,000
Totals		280,000		280,000			165,000		165,000	115,000
Analysis										
Total Loan Amount		165,000		Margin of Collateral to Loan		1				
Total Collateral Amount		165,000		% Loan to Collateral		100				

Figure 58, FSA Real Estate Loan Screen

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Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--d Customer With FSA Cross-Collateralized Loans (Continued)

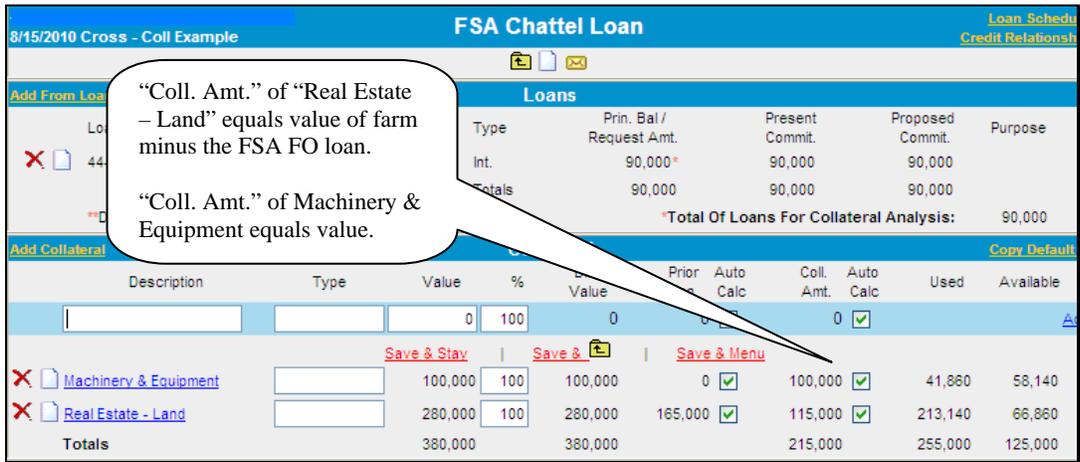
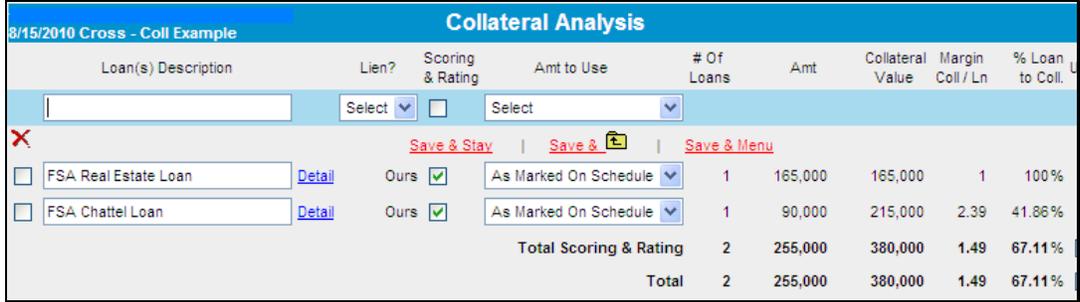
Step	Action
2	<p>Add the FSA Chattel Loan group, select the FSA \$90,000 OL loan from the loan schedule, and add the real estate land and the machinery and equipment as collateral.</p> <p>Note: Even though the farm is valued at \$280,000, the amount available for this loan group is only \$115,000. This amount is automatically calculated and represents the difference between the value of the farm (\$280,000) and the FSA FO loan secured by a first lien on the farm (\$165,000).</p> 
3	<p>Access the Collateral Analysis Screen and verify that the margin of collateral to loan is correct.</p> 

Figure 59, FSA Chattel Loan Screen

Figure 60, Collateral Analysis Screen

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Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--e Customer With Third-Party Pledge of Security

Sometimes, outside individuals or entities may provide third-party pledges of collateral. Because the customer does not own the collateral, it does not appear on their balance sheet and is; therefore, not available to be selected on the Select Collateral Detail Screen when building the collateral analysis. In these circumstances, the collateral pledged by the third party must be manually entered in the loan group.

Example: Assume that Dad pledged a tractor worth \$15,000 as additional security for a FSA OL loan in the amount of \$65,000. The FSA OL is also secured by all machinery and equipment valued at \$63,000.

Step	Action
1	Add the FSA OL loan group, select the FSA \$65,000 OL loan from the loan schedule, and then add the machinery and equipment valued at \$63,000, as collateral. Manually add the third-party additional collateral to the “Collateral” Section and CLICK “Add”.

The screenshot shows the 'FSA OL Loan' interface. At the top, it displays '8/15/2010 Collateral Example' and 'FSA OL Loan'. Below this is a 'Loans' table with columns for Loan #, Creditor, Present Commit., Proposed Commit., and Purpose. A loan from 'FSA' for \$65,000 is listed. Below the loans table is the 'Add Collateral' section with columns for Description, Type, Value, %, Disc Value, Prior Lien, Auto Calc, Coll. Amt., Auto Calc, and Available. Two items are listed: 'Dad's JD 4440 Tractor' (3rd party pledge, \$15,000) and 'Machinery & Equipment' (63,000). A callout box with the text 'Manually complete all the fields and CLICK “Add” to include the additional collateral.' points to the 'Add' button next to the tractor entry. At the bottom, an 'Analysis' section shows 'Total Loan Amount' of 65,000 and 'Total Collateral Amount' of 63,000, with a 'Margin of Collateral to Loan' of 0.97 and '% Loan to Collateral' of 103.17%.

Figure 61a, Third Party Pledge of Security

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Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--e Customer With Third-Party Pledge of Security (Continued)

Step	Action
2	<p>The \$15,000 will now be displayed in the “Coll. Amt.” Column.</p>

Figure 61b, FSA OL Loan Group

Step	Action
3	<p>Access the Collateral Analysis Screen and verify that the margin of collateral to loan is correct.</p>

Figure 61c, Collateral Analysis Screen

--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--f Customer With Personal Property Used for Security

Sometimes a customer’s personal property is needed as additional security. There are 2 methods that can be used to add the personal property as security to the collateral analysis. In both examples if additional documentation is needed it can be added to the attached WordPad.

Method 1: Assume that a customer has nonfarm real estate valued at \$125,000, with a prior lien of \$85,000. The customer wants to use the equity in the property, \$40,000, as additional security for a FSA OL loan in the amount of \$65,000. The FSA OL is also secured by all machinery and equipment, valued at \$63,000.

Add the FSA OL loan group, select the FSA \$65,000 OL loan from the loan schedule, and add machinery and equipment and nonfarm real estate as collateral. To adjust the value of the “Nonfarm Real Estate”, uncheck (✓) the “Auto Calc” box and enter the equity value in the “Coll. Amt” Column. In this example the equity in the property is \$40,000 (\$125,000 minus prior lien \$85,000 equals \$40,000 equity).

8/15/2010 Collateral Example							FSA Loan		Loan Schedule		
									Credit Relationship		
Add From Loan Schedule							Loans				
Loan #	Creditor	Type	Prin. Bal / Request Amt.	Present Commit.	Proposed Commit.	Purpose					
X	FSA	Int.	63,000*	63,000	63,000						
Totals			63,000		63,000						
**Denotes "New" Loans											
Add Collateral							Collateral				
Description	Type	Value	%	Disc Value	Used	Available	Copy Default %				
		0	100	0							
		Save & Stay		Save &							
X	Machinery & Equipment	63,000	100	63,000	12	41,888					
X	Nonfarm Real Estate	125,000	100	125,000	41	83,112					
Totals		188,000		188,000	103,000	63,000	125,000				
Analysis											
Total Loan Amount			63,000	Margin of Collateral to Loan			1.63				
Total Collateral Amount			103,000	% Loan to Collateral			61.17%				

\$40,000 Equity has been added to the Collateral Section and is being calculated in the “Margin of Collateral to Loan”.

Figure 61d, Personal Property for Additional Security--*

Farm Business Plan - FSA User Guide (Continued)

I Collateral Analysis/Chattel Appraisals (Continued)

3 Building the Collateral Analysis (Continued)

*--f Customer With Personal Property Used for Security (Continued)

Method 2: Assume that a customer has nonfarm real estate valued at \$125,000, with a prior lien of \$85,000. The customer wants to use the equity in the property, \$40,000, as additional security for a FSA OL loan in the amount of \$65,000. The FSA OL is also secured by **all** machinery and equipment, valued at \$63,000.

Add the FSA OL loan group, select the FSA \$65,000 OL loan from the loan schedule, and add machinery and equipment as collateral. Manually add the nonfarm real estate description, type (equity), and value of \$40,000 (\$125,000 **minus** prior lien \$85,000) to the Collateral Section. and CLICK “Add”.

Loans		Type	Prin. Bal / Request Amt.	Present Commit.	Proposed Commit.	Purpose
	Int.		63,000*	63,000	63,000	
	Totals		63,000	63,000	63,000	
				*Total Of Loans For Collateral Analysis: 63,000		

Collateral		Disc Value	Prior Lien	Auto Calc	Coll. Amt.	Auto Calc	Used	Available
	SF rental property	equity	40,000	100	40,000	40,000	24,466	15,534
	Machinery & Equipment		63,000	100	63,000	63,000	38,534	24,466
	Totals		103,000		103,000		63,000	40,000

Analysis		Total Loan Amount	Total Collateral Amount	Margin of Collateral to Loan	% Loan to Collateral
		63,000	103,000	1.63	61.17%

Figure 61e, Personal Property for Additional Security--*

J Credit Actions

In FBP, a credit action generates forms and other documentation containing the information necessary to approve, decline, and support a loanmaking or loan servicing decision.

The following are the current 8 credit actions that can be completed.

Credit Action Type	Used For	Type of Forms				
		Farm Assessment	Other	DALR\$ Input Report	Credit Presentation	Security Agreement
D-Loan Making*	Origination of direct loans	Available	Environmental Checklist	N/A	Cred. Pres/Borr. Class.	Available

Farm Business Plan - FSA User Guide (Continued)

J Credit Actions (Continued)

Credit Action Type	Used For	Type of Forms				
		Farm Assessment	Other	DALR\$ Input Report	Credit Presentation	Security Agreement
D-Loan/Sec. Agr. Only	Only a Security Agreement needs to be generated	N/A	N/A	N/A	N/A	Available
D-Loan/Class/LR/YEA Only	Account classification, year-end analysis, limited resource review, and/or graduation review outside of the Credit Presentation	Available	N/A	N/A	Classification/YEA/LR Review	Available
D-Loan/Special Serv. <u>1/</u>	Special loan servicing actions, i.e. primary and preservation loan servicing, DSA	Available	Environmental Checklist	Available	Cred. Pres/Borr. Class.	Available
D-Loan/Regular Serv. <u>1/</u>	Partial releases of real estate, approval of subordinations, transfer, and assumption	Available	Environmental Checklist	N/A	Cred. Pres/Borr. Class.	Available
D-Loan/Eligibility Only	Eligibility determinations outside of the Credit Presentation	N/A	N/A	N/A	Eligibility Only	Available
Youth Loans	Processing and approving youth loan applications and requests	N/A	Eligibility Only	N/A	Youth Loan	Complete Form Manually
D-Loan/Special Classification	To classify selected flagged accounts and delinquent youth loans	N/A	N/A	N/A	Special Classification	N/A

1/ In cases where a loan is being made in conjunction with a special servicing request (primary and preservation loan servicing, and DSA), use the D-Loan/Special Serv. Credit Action. In cases where a loan is being made in conjunction with a regular servicing request, use the D-Loan/Regular Serv. Credit Action.

FLP Rates

A Interest Rates for FLP's

--The following provides interest rates for FLP's as of July 1, 2011.--

Loan Type	Current Rate (%)	Date Set
Rural Housing - Farm Loan Purposes		
Note: For the current interest rate, contact the National Office.		
Operating	*--2.375	7/1/11--*
Operating – Limited Resource	5.00	12/1/90
Farm Ownership and Conservation Loans	*--4.75	7/1/11--*
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	*--4.75	7/1/11--*
Soil and Water – Limited Resource	5.00	7/1/92
Recreation – Individual	*--4.75	7/1/11
Farmer Program – Homestead Protection	4.75	7/1/11
Shared Appreciation Amortization	3.75	7/1/11
Softwood Timber Loans	4.75	7/1/11
Economic Emergency – Operating	2.375	7/1/11
Economic Emergency – Real Estate	4.75	7/1/11--*
Emergency – Amount of Actual Loss	3.75	1/25/94
Emergency – Major Adjustment: Subtitle A Purpose (Excess of Loss)	6.875	6/1/11
Emergency – Major Adjustment: Subtitle B Purpose (Excess of Loss)	*--4.875	7/1/11
Emergency – Annual Production	4.875	7/1/11
Nonprogram - Chattel Property	4.875	7/1/11--*
Nonprogram - Real Property	6.875	6/1/11
Apple Loans	*--1.00	7/1/11
Association – Grazing	4.75	7/1/11
Association – Irrigation and Drainage	4.75	7/1/11--*
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 816-823-4740 or 816-823-4741
- 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)	*--0.18	7/1/11--*

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 June 3, 2011. 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