



NEWSLETTER



Kansas FSA State Office
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Guaranteed Lender News – Kansas 27th Edition – Summer 2016

FSA Loan Funding Update for Fiscal Year 2016:



Kansas had a temporary waiting list for approved Direct Operating Loans (OL) until National Office pooled funds today from other states. All Direct OLs (for a total of \$5M) have now been funded. There are reserve funds being held in the National Office; however, we do NOT expect the remaining FY 2016 funds to carry us through to the end of the fiscal year which ends on September 30, 2016.

With regard to Guaranteed OLs, which includes Lines of Credits (LOCs), we anticipate funding to be exhausted very soon.

What happens if FSA cannot obligate loan funds for a guaranteed loan application the lender submitted? The lender will be advised the loan has been approved subject to funding; however, the Agency will not be able to issue the Conditional Commitment.

Under certain circumstances the lender may find it necessary to close a loan that has been approved and waiting to be funded. If the lender decides to close the loan prior the issuance of the Conditional Commitment, it will be at their own risk. Although rare, circumstances could result in FSA not issuing the guarantee once funding becomes available if any changes have occurred in eligibility or feasibility since the submission of the application. Please work with the FSA Loan Approval Official should this situation occur. It should be noted that any interest accrued on the lender's loan before the Conditional Commitment and executed allonge of the loan, will not be covered by the guarantee.

Fiscal Year 2016 National Funding Levels – Click [HERE](#).

Where to Look for FSA's Guaranteed Loan Program Online:

The USDA FSA National Office website has tidbits of information relating to the guaranteed loan program, including a link to the 2-FLP Guaranteed Loan Making and Servicing Handbook, follow this link: <http://www.fsa.usda.gov/programs-and-services/farm-loan-programs/guaranteed-farm-loans/index>

Guidance in Loan Making and Servicing Actions:

Many of the following topics were addressed during the February guaranteed Lender training. Recently, an [FSA Notice FLP-738](#) was provide to FSA field staff and we would like to highlight items for guaranteed loan making and servicing.

Even though all of Kansas is off the [drought monitor](#) at the moment (first time in six years), other natural disasters and low commodity prices are creating stress for many farmers and ranchers nationwide. Without assistance, many FSA guaranteed and direct loan borrowers may find it difficult to survive these adverse effects in their operations. FSA is committed to using all available authorities, consistent with prudent lending practices, to assist borrowers in surviving this period of uncertainty.



Loan Making (Par 4 of referenced Notice)

We would like to remind you that the Paragraph 137 in FSA's 2-FLP Handbook allows lenders to schedule repayment of LOCs for up to 7 years when recovering from an economic reversal. FSA may also accommodate the lender to schedule unequal installments on term loans (OL) if needed to recover from the same adversities. These measures are authorized to assist producers who are viable long-term in obtaining operating capital during difficult times.

Additionally, we want to remind lenders that they are responsible for ensuring adequate security for the guaranteed loan is obtained at loan closing and also accounted for throughout the life of the loan. When repayment of a LOC is scheduled over multiple years, the lender must ensure that adequate collateral is available to protect the interests of the lender and the Government. If the borrower's expected normal income security will not be sufficient security, then prudent lending practices will be used and basic security should be taken as collateral for the LOC. Additional security may be required if the cash flow margin is excessively tight. Adequate security requirements are found at Paragraph 166 B in FSA's 2-FLP Handbook.

Loan Servicing (Par 5 of referenced Notice)

Any releases of normal income security beyond what is necessary to make the annual payments will require the lender to prepare a cash flow budget. The cash flow will need to show repayment in the year of the release or a typical year cash flow reflecting loan restructuring. Loan restructuring can also include deferral consideration that could be necessary to keep the operation viable. Loan servicing options may require FSA approval, depending on lender type.



Lenders may consider all options of servicing a loan that is distressed or delinquent. Those options can include LOC emergency advances, rescheduling debt, capitalizing interest, deferrals and write downs to assist farmers and/or ranchers. When working with delinquent borrowers, as directed in 2-FLP Handbook at Paragraph 300, during the borrower-lender meeting please include discussions where possible losses might occur in the final liquidation of collateral. The borrower should be advised that a loss to the government establishes Federal Debt if a loss is paid to the lender and is subject to offset. Additionally, the lender is responsible for submitting a liquidation plan within 150-days of a missed payment. It is important to contact the FSA County Office loan official once a borrower is in default.

FSA 2-FLP Handbook Amendments:

On May 18, 2016, FSA updated the 2-FLP Guaranteed Loan Making and Servicing Handbook (link referenced on Page 1), to include **FSA Appraisal Guidelines**. For lenders not familiar with FSA's appraisal requirements, Exhibit 14 was added to the Handbook, as a detailed guide. Any questions regarding appraisal requirements should be directed to the FSA Loan Approval Official the lender is working with.

As a reminder, lenders making loans greater than \$250,000 must document the value of the real estate using a current appraisal (not more than 12 months old) completed by a State Certified General Appraiser. In some instances, the Agency may allow an appraisal more than 12 months old to be used only if documentation provided by the lender reflects certain conditions. ie: market conditions have remained stable or improved, the property is in same or better condition, and the value has remained the same or increased. The FSA loan approval official should be consulted when using an appraisal exceeding 12 months old.

To receive handbook amendments and other FSA guaranteed loan news, sign up for eGov Delivery at www.fsa.usda.gov/ks under the stay connected area of the page.

Thank you!

As Kansas moves into wheat harvest, we hope that your customers have a bountiful harvest and decent prices! Please do not hesitate to contact us here in the Kansas FSA State Office OR your local FSA County FLP Office with questions.



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