Amendment Transmittal

A Reasons for Amendment

Subparagraph 46 F has been amended to correct a reference to FSA-2236.

The following subparagraphs have been amended to clarify language regarding environmental reviews:

- 70 A
- 83 B
- 95 D
- 96 C
- 97 A
- 195 B
- 208 A
- 208 B
- 209 A
- 244 C
- 245 A.

<table>
<thead>
<tr>
<th>TC</th>
<th>Text</th>
<th>Exhibit</th>
</tr>
</thead>
<tbody>
<tr>
<td>4-3, 4-4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-15, 5-16</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-1, 6-2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7-1 through 7-6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8-165, 8-166</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8-189, 8-190</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8-195, 8-196</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-3, 10-4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-5, 10-6</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Eligibility Requirements for SEL (7 CFR 762.105(b)) (Continued)

F Other Eligibility Requirements for Corporations

Federal law restricts FSA from entering into loan guarantees with corporations that have been convicted of criminal violation under Federal law or have outstanding Federal tax delinquencies. Therefore, Lenders that are corporations must read and certify to the statements on Part C of FSA-2236 before FSA issues FSA-2235. See Pub. L. 113-235, Sections 744 and 745.

*--For the purposes of completing FSA-2236, a corporation includes, but is not limited to,*--*
any entity that has filed articles of incorporation in 1 of the 50 States, the District of Columbia, or the various territories of the United States, including American Samoa, Federated States of Micronesia, Guam, Midway Islands, Northern Mariana Islands, Puerto Rico, Republic of Palau, Republic of the Marshall Islands, or the U.S. Virgin Islands. Corporations include both profit and nonprofit entities.

Approval Process for SEL

A FSA Application for Guarantee Review

The authorized agency official shall review the Application for Guarantee in conjunction with the eligibility criteria in paragraph 46 to determine whether the lender is eligible to process the requested guarantee. This review will be done with the review of the proposed guaranteed loan.

For nontraditional lenders, whose financial statements are not available online or from any other source, the following may be obtained from the lender.

- Copy of the year-end reviewed or audited financial statements for the last 2 years.

  Note: Financial statements must be prepared according to Generally Accepted Accounting Principles.

- Schedule of current sources of funding and funds available for agricultural lending.

- Agricultural loan performance history for the last 2 years; including current delinquency, default, and loss rates.

- Current loan loss reserve and methodology for allowance for loan losses.

Note: For certain nontraditional lenders, DAFLP may be able to determine the lender’s financial capacity from other sources, such as financial strength rating from an accredited private or State rating agency. In these cases, some or all of the information to be obtained from the lender may not be required.
47 Approval Process for SEL (Continued)

A FSA Application for Guarantee Review (Continued)

For nontraditional lenders, DAFLP will be the SEL status approval official and issue the Lenders Agreement.

To develop expertise in guaranteed lending, SEL’s are encouraged to designate 1 or more staff members to:

- process and service FSA guaranteed loans
- attend FSA-sponsored training.

B Approval

SEL approval is granted for the purpose of originating and servicing a guaranteed loan. SEL eligibility is evaluated with each guarantee application. If the lender continues to meet the requirements of paragraph 46, guarantee requests may continue to be processed. A new Lenders Agreement is not required unless the most recent version of Lenders Agreement has not been executed.

Traditional lenders are subject to a comprehensive financial examination and their financial statements are readily available online. Nontraditional lenders may not be subject to the level of financial examination of traditional lenders and their financial statements may not be easily obtained.

48 Monitoring SEL

A Review of Lender Eligibility Performance

Annually, SED or designee shall:

- review each SEL lender’s compliance with subparagraphs 46 C and 46 E and document this review in the lender’s operational file

*--ensure that monitoring reviews are conducted on each SEL lender. This review shall be conducted according to Part 11. The designated reviewer shall review the lender’s files according to the priorities of subparagraph 267 B.*

***

To the extent that deficiencies are discovered during the FSA monitoring review, the authorized agency official shall inform the lender in writing and, if necessary, propose a timeframe for a reinspection of the deficiencies. Copies of any reviews and monitoring correspondence must be sent to DD and SED for major deficiencies.
A Application Requirements

The following is a summary of OL and FO application requirements.

<table>
<thead>
<tr>
<th>Items to submit to FSA:</th>
<th>EZ Guarantee</th>
<th>PLP</th>
<th>CLP</th>
<th>SEL Up to $125K</th>
<th>SEL Over $125K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount:</td>
<td>MLP to $50,000, SEL, CLP, PLP to $100,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Application Form</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Narrative</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Location of farmed land</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Balance Sheet</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Repayment Capacity (Cash)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Credit Report</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Proposed Loan Agreements</td>
<td></td>
<td></td>
<td></td>
<td>CLP Y</td>
<td>Y</td>
</tr>
<tr>
<td>Verification of debts over</td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Verification of non-farm income</td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>3 year financial history</td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>3 year production history</td>
<td></td>
<td></td>
<td></td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>Entity Information (personal balance sheet from each member)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>

Items Needed Infrequently

<table>
<thead>
<tr>
<th></th>
<th>EZ Guarantee</th>
<th>PLP</th>
<th>CLP</th>
<th>SEL Up to $125K</th>
<th>SEL Over $125K</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental – additional information (see note below)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Construction, development plans</td>
<td>N</td>
<td>Per CMS</td>
<td>In file</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>CL: Conservation plan</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>CL: Transition plan for organic, sustainable agriculture</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>

*--*

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A Application Requirements (Continued)

Note: The EZ Guarantee limits are based on the borrower’s total outstanding guaranteed principal balance. The SEL limits are based on the total amount per loan request package. SEL, CLP, and PLP may use the regular application method if they do not wish to submit the application using the EZ Guarantee method.

The application will be considered complete once FSA has received all necessary information to conduct the environmental review. A guaranteed loan application cannot be approved before the appropriate environmental review is completed and approved. In the case of a PLP lender, if an approval/rejection decision is not made within 14 days of a complete application, FSA will consider feasibility requirements met and will conduct no further financial analysis after that point. However, the application will not be approved, funds will not be obligated, and the conditional commitment will not be issued until after the appropriate environmental review is completed and approved.
Part 6  Application Processing Timeframes (7 CFR 762.130)

83  Application Processing Timeframes by Lender Type (7 CFR 62.130)

A  Processing Timeframes for SEL’s

[7 CFR 762.130(a)(1)]  Complete applications from Standard Eligible Lenders will be approved or rejected, and the lender notified in writing, no later than 30 calendar days after receipt.

The counting of the 30 calendar days begins when FSA determines that the application is complete.

B  Processing Timeframes for CLP and PLP Lenders

[7 CFR 762.130(a)(2)]  Complete applications from CLP or PLP lenders will be approved or rejected not later than 14 calendar days after receipt. For PLP lenders, if this time frame is not met, the application will automatically be approved, subject to funding, and receive an 80 or 95 percent guarantee for FO or OL loans, and 80 or 90 percent guarantee for CL, as appropriate.

*--A guaranteed loan application cannot be approved before the appropriate environmental--* 
review is completed and approved. In the case of a PLP lender, if an approval/rejection decision is not made within 14 days of a complete application, FSA will consider feasibility requirements met and will conduct no further financial analysis after that point. However, the application will not be approved, funds will not be obligated, and the conditional
*--commitment will not be issued until after the appropriate environmental review is--*
completed and approved.

The counting of the 14 calendar days begins when FSA determines that the application is complete.

If PLP lenders are not notified of FSA’s decision within 14 calendar days of submitting a complete application, the submitted application will be approved at 80, 90, or 95 percent guarantee, as applicable.

If a PLP application is automatically approved, the lender must not close the loan or disburse funds until funds are obligated by FSA and Conditional Commitment is issued.

C  Processing Timeframes for EZ Guarantee Loans

Complete applications for EZ Guarantee loan requests will be approved or rejected within 14 days.
D Summary of Processing Timeframes

This table summarizes processing timeframes for EZ Guarantee loans, SEL’s and CLP and PLP lenders.

<table>
<thead>
<tr>
<th>Lender Type</th>
<th>Processing Timeframe in Calendar Days From the Date the Application Is Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEL (regular loan)</td>
<td>30 calendar days</td>
</tr>
<tr>
<td>EZ Guarantee</td>
<td>14 calendar days</td>
</tr>
<tr>
<td>CLP</td>
<td>14 calendar days</td>
</tr>
<tr>
<td>PLP</td>
<td>14 calendar days</td>
</tr>
</tbody>
</table>

84 Monitoring FSA Approvals (7 CFR 762.130)

A Authorized Agency Official Responsibilities

The authorized agency official is responsible for:

- processing applications within the allotted timeframes
- maintaining a tracking system to ensure that all loans are processed within the 14 or 30 day timeframe
- entering a reason code and, if necessary, an explanation in GLS when a decision has not been made within 45 calendar days of receiving a complete application according to Part 5.

Note: GLS is the official loan application date record.

B DD Responsibilities

DD is responsible for:

- overseeing the approval process
- monitoring unprocessed applications.

DD shall take all steps necessary to ensure that applications are processed as quickly as possible. Some steps DD can take include the following:

- prioritizing workloads
- providing additional training
- providing clerical help
- temporarily shifting staff assignments.
Part 7    Loan Application Completeness Review (7 CFR 762.110)

95  Initial Review

A  Adding Applications to GLS

New applications will be entered into GLS as they are received.

B  Application Completeness Review

Each application shall be reviewed within 5 calendar days of receipt to determine whether the application is complete. Use Part 5 or FSA-2291 to determine whether an application is complete.

Use the following letter to notify the lender, with a copy to the applicant, when an application is complete.

Date: _____________

Dear _________________:

This letter is to certify that your application on behalf of (insert name of borrower/applicant) for Farm Service Agency loan guarantee assistance was received complete on (insert date all information necessary to complete application was received). Your request will be processed as quickly as possible.

If changes occur in you applicant’s operation or financial situation before final action is taken, or if we need clarification of items on the application, we may ask you to provide additional information.

If you have any questions about the application, please contact this office.

Sincerely,

__________________

(Title)
95 Initial Review (Continued)

C Obvious Eligibility Issues

Each application shall be reviewed to determine whether there are any obvious reasons the loan cannot be guaranteed, such as an ineligible applicant or loan purpose. If it is clear that the loan cannot be guaranteed, the request should be rejected at that time.

D Requesting Environmental Information From Other Organizations

Some applications will require additional information from other USDA agencies or organizations to fulfill environmental or other special law requirements. To determine whether information is required from other organizations or Federal or State agencies, the authorized agency official should review applications for the type of loan, loan purposes, and the type of security.

Typically, loan applications that involve HEL, wetlands, historical, or archaeological issues or major construction require information from other organizations. In these cases, the authorized agency official must notify the lender about the additional information required and request the needed information from the organization or agency. A copy of the request should be maintained in the loan file.

The need for this information will indicate an incomplete application and will stop the loan processing timeframes, including PLP automatic approval. See subparagraph 97 A for more information about complete application timeframes when additional environmental information is needed.

The application will be considered complete once FSA has received all necessary information to conduct the environmental review. A guaranteed loan application cannot be approved before the appropriate environmental review is completed and approved. In the case of a PLP lender, if an approval/rejection decision is not made within 14 days of a complete application, FSA will consider feasibility requirements met and will conduct no further financial analysis after that point. However, the application will not be approved, funds will not be obligated, and the conditional commitment will not be issued until after the appropriate environmental review is completed and approved.
A When Application Is Complete

[7 CFR 762.130(a)(3)] For purposes of determining application processing timeframes, an application will not be considered complete until all information required to make an approval decision, including the information for an environmental review, is received by the Agency.

FSA can conduct its environmental review in most cases without additional information from the lender. However, occasionally additional information is needed, and until this information is received, the application is not complete, and the timeframes do not start. Situations needing additional information often involve wetland determinations, potential historical or archaeological sites, or construction of major confinement livestock facilities. The review is FSA’s responsibility to conduct. However, the information to complete this review is part of a complete application.

B Documenting Completeness

The date the application is complete:

- will be documented on the Application for Guarantee * * * and entered into GLS
- sets the start date for the 14- or 30-calendar-day period within which applications must be approved or rejected by FSA. The automatic approval for PLP applications is initiated 14 calendar days after an application is complete.
C Lender Notification

[7 CFR 762.130(a)(4)] The Agency will confirm the date an application is received with a written notification to the lender.

The authorized agency official should evaluate the complete application according to subparagraph D. If an approval or rejection decision cannot be made within 5 calendar days, the authorized agency official must notify the lender, in writing with a copy to the applicant, that the application is complete and the date on which that occurred. This requirement applies to all 3 types of lenders.

Note: If a PLP lender is not notified in writing, upon receipt of the application, of any additional information needed, the 14-calendar-day timeframe for automatic approval will begin on the day the application is received.

*--A guaranteed loan application cannot be approved before the appropriate environmental review is completed and approved. In the case of a PLP lender, if an approval/rejection decision is not made within 14 days of a complete application, FSA will consider feasibility requirements met and will conduct no further financial analysis after that point. However, the application will not be approved, funds will not be obligated, and the conditional commitment will not be issued until after the appropriate environmental review is completed and approved.

D Application Evaluation

Complete applications should be evaluated according to Parts 8 and 9. These parts describe in detail the steps to take when evaluating an application. The loan evaluation process does not have to be completed sequentially.

For applicants that do not meet loan requirements, such as cash flow, the authorized agency official should work with the lender and suggest ways to assist the applicant to become eligible. To ensure good service, the authorized agency official shall make a good faith effort to discuss with the lender, in person or by telephone, the application’s shortcomings and possible alternatives. These discussions will be documented in the application file.

The decision to accept or reject an application will be made when the application has been completely reviewed and all reasonable options for making the applicant eligible for a guaranteed loan have been considered.
Incomplete Application (7 CFR 762.110(h))

A Initial Notification of Lender

If the application is incomplete, the authorized agency official must notify the lender in writing, with a copy to the applicant, within 5 calendar days after receipt of the application. The letter (subparagraph B) must:

- identify the additional information required from the lender
- state that the application cannot be processed until the additional information is received
- establish a deadline for the lender to submit the materials 20 calendar days from the date of the letter
- provide the lender the opportunity to establish a new deadline if the missing items are *environmental in nature (for more complicated environmental reviews) and cannot* be provided within 20 calendar days.

Note: In these cases, the agency official should work with the lender to determine an appropriate deadline to establish the deadline in writing with the lender.

Additional information should not be requested if it is clear that the application will be rejected for obvious eligibility issues.

B Example of First Notification Letter

The following is an example of a first notification letter.

Dear ________________:

Your application on behalf of (insert name of borrower/applicant) for Farm Service Agency loan guarantee assistance was received on (insert date Application for Guarantee was received). However, certain details are missing from the application. We must receive the following information before we can continue processing the request:

(Insert list of items necessary to complete application.)

Please provide these items (or request an extension) by (insert date 20 calendar days after date of letter). If you have any questions about the application, please contact this office.

Sincerely,

__________________
(Title)

Note: The phrase in bold in the last paragraph is optional and should only be used if environmental items are needed that will take longer than 20 days to obtain. If no additional environmental information is needed, the language in bold should be removed before sending the letter.
C Second Notification

If the lender does not respond or does not supply all of the information requested within the 20-calendar-day period specified in the initial notification, or other timeframe specified in writing, the authorized agency official shall immediately send another letter (subparagraph D), with a copy to the applicant. The second notification shall address the same items specified in the initial letter, except that the deadline for submitting additional information will be 10 calendar days from the date of the letter.

The second notification letter must also state that if the lender does not contact the authorized agency official or submit the additional materials within the 10-calendar-day period, the application will be considered withdrawn. If necessary, the lender may receive an extension to submit the additional materials. If an extension is granted, a new deadline will be established and communicated to the lender in writing. The extension letter should restate that the application will be considered withdrawn if the lender does not contact the authorized agency official or submit the additional materials by the extension deadline.
Subsection 4 Maximum Loss for Percent of Loan Guarantee

195 Percent of Guarantee (7 CFR 762.129 and 762.130)

A Standard Guarantee

[7 CFR 762.129(a)] The percent of guarantee will not exceed 90 percent based on the credit risk to the lender and the Agency both before and after the transaction. The Agency will determine the percentage of guarantee.

[7 CFR 762.129(c)] All guarantees issued to CLP and PLP lenders will not be less than 80 percent.

[7 CFR 762.129(b)(2)] For CLs, the guarantee will be issued at 80 percent regardless of the lender’s status or timeframes.

Exceptions to the standard guarantee limits are described in paragraph 196.

B PLP Lenders

Most loans will be guaranteed at 90 percent of the loan amount and cannot exceed 90 percent except as described in paragraph 196. The proposed percent of guarantee will be included on the Conditional Commitment.

[7 CFR 762.130(a)(2)] Complete applications from PLP lenders will be approved or rejected not later than 14 calendar days after receipt. If the 14 day timeframe is not met, the application will automatically be approved, subject to funding, and receive an 80 or 95 percent guarantee for FO or OL and 80 or 90 percent guarantee for CL, as appropriate.

*--A guaranteed loan application cannot be approved before the appropriate environmental--* review is completed and approved. In the case of a PLP lender, if an approval/rejection decision is not made within 14 days of a complete application, FSA will consider feasibility requirements met and will conduct no further financial analysis after that point. However, the application will not be approved, funds will not be obligated, and the conditional commitment will not be issued until after the appropriate environmental review is--* completed and approved.

After the automatic approval, a PLP lender that had requested a higher percent of guarantee may request that FSA continue to process the request. This would be noted by the lender when returning the Conditional Commitment or by letter.
*--C Maximum Loss

[7 CFR 762.129(d)] The maximum amount the Agency will pay the lender under the--
* loan guarantee will be any loss sustained by such lender on the guaranteed portion
including:

- the pro rata share of principal and interest indebtedness as evidenced by the note
  or by assumption agreement

- any loan subsidy due and owing

- the pro rata share of principal and interest indebtedness on secured protective and
  emergency advances

- principal and interest indebtedness on recapture debt pursuant to a shared
  appreciation agreement. Provided that the lender has paid the Agency its pro rata
  share of the recapture amount due.

* * *
A Overview

Lenders must consider environmental issues when making guaranteed loans. Authorized agency officials should consult 7 CFR part 12 and 799, for guidance on what FSA must do to comply with the various environmental statues and Executive Orders on issues such as HEL, wetlands, floodplains, and hazardous waste.

All lenders will assist in the environmental review process by providing information requested by the authorized agency official. In all cases, the lender must keep documentation of their investigation in the applicant’s case file. Lenders must certify that documentation is in their files and that all applicable laws have been considered before FSA will issue a guarantee.

B Environmental Requirements

The requirements found in 7 CFR parts 12 and 799, must be met for guaranteed OL, FO, and CL. CLP, PLP, and MLP lenders may certify that they have documentation in their file to demonstrate compliance with this section. Standard eligible lenders must submit evidence supporting compliance with this section.

The Agency determination of whether an environmental problem exists will be based on:

- the information supplied with the application
- the Agency official’s personal knowledge of the operation
- environmental resources available to the Agency including, but not limited to, documents, third parties, and governmental agencies
B Environmental Requirements (Continued)

- a visit to the farm operation when the available information is insufficient to make a determination

- other information supplied by the lender or applicant upon Agency request. If necessary, information not supplied with the application will be requested by the Agency.

Lenders will assist in the environmental review process by providing environmental information. In all cases, the lender must retain documentation of their investigation in the applicant’s case file.

It is the responsibility of the authorized agency official to complete the proper level of *environmental review for each loan application as required in 7 CFR Part 799 and 1-EQ.*

The certification by the lender on Application for Guarantee does not certify that the loan request is in full compliance with the environmental requirements. The certification only demonstrates that reasonable investigations have been completed for certain items.

C Hazardous Substances

All lenders are required to ensure that due diligence is performed in conjunction with a request for guarantee of a loan involving real estate. The Agency will accept as evidence of due diligence the most current version of the American Society of Testing Materials (ASTM) transaction screen questionnaire available from 100 Barr Harbor Drive, West Conshohocken, Pennsylvania 19428-2959, or similar documentation, supplemented as necessary by the ASTM Phase I environmental site assessments form.
A Requirements

The lender will examine the security property to determine if there are any structures or archeological sites which are listed or may be eligible for listing in the National Register of Historic Places. The lender may consult with the Agency for guidance on which situations will need further review in accordance with the National Historical Preservation Act and 7 CFR Part 799.

FSA is required to take into account the effects of its actions on historic property that is listed or may be eligible for listing on the National Register of Historic Places. FSA delegates this responsibility to the lender, but FSA is responsible for the final decision.

Exception: FSA may not delegate the responsibility of consulting with the Tribal Historic Preservation Officer and any other interested Tribe.

FSA expects the lender to:

- consult with the authorized agency official for guidance on what situations will need historic property review and consultation

<table>
<thead>
<tr>
<th>IF the proposed loan is for an activity that is…</th>
<th>THEN…</th>
</tr>
</thead>
<tbody>
<tr>
<td>not an undertaking of National Historic Preservation Act, Section 106, or it is an undertaking but has no potential to impact historic properties if these properties may be present</td>
<td>no further Section 106 review is required; FSA personnel may see the EQ series for further information and guidance on undertakings.</td>
</tr>
<tr>
<td>for an activity that is an undertaking of the National Historic Preservation Act, Section 106 and has the potential to impact historic properties if these properties may be present</td>
<td>further Section 106 review is required.</td>
</tr>
</tbody>
</table>

Examples: Historic properties include structures over 50 years old, sites of any age with significant historic or archaeological value, and burial grounds.
A Requirements (Continued)

- examine the farm property and question the owner, if available
- consult with the State Historic Preservation Officer
- check other sources of information, such as local historical societies or universities
- indicate on the Application for Guarantee and describe, include a picture if available, if property has structures or archaeological sites that may be eligible for listing in the National Register of Historic Places
- indicate on the Application for Guarantee if the property has no structures or archaeological sites that may be eligible
- document in the applicant's case file the site visit and consultation about the presence or absence of historic property
- provide information, as necessary, to the authorized agency official for use in completing the environmental review.---
If FSA did not approve or reject an application from a PLP lender within 14 days of a complete application, the application is supposed to be automatically approved. However, the application cannot be approved unless the environmental review is complete and approved. In these cases, the lender will be notified by letter ( subparagraph F) that the financial analysis will stop, but the application will not be approved unless the environmental review is approved. The lender should also be notified that they can request FSA to continue the financial analysis if they would like to receive the percent of guarantee for which they originally applied.

If it appears the application cannot be approved, the authorized agency official shall contact the lender to discuss the reasons for rejection. To ensure good service, the authorized agency official shall make a good faith effort to discuss with the lender, in person or by telephone, the reasons the application cannot be approved and possible alternatives. If necessary, the applicant should also be involved in these discussions. Any discussions will be documented in the application file.

If the application is rejected, the authorized agency official shall prepare a letter to the applicant with a copy to the lender informing them the loan is rejected, the reasons for rejection, and their right to appeal the decision as outlined in 1-APP. The letter should:

- clearly and concisely describe the reason or reasons the application cannot be approved
- include only the most relevant CFR citations and handbook paragraphs
- not contain acronyms and accusatory wording.

Notes: See 1-EQ, Exhibit 26 for information to be included when notifying the applicant that wetland indicators were determined to be present, as provided in 1-EQ, paragraph 51.

If requested by the lender, FSA may participate in mediation to provide guidance on FSA regulations and guidelines.

*--If the environmental review determines that there will be a significant impact to the environment, the application **cannot** be approved, and a rejection letter will be prepared according to this subparagraph.
D Example of Approval Letter When Funds Are Available

The following is an example of an approval letter when funds are available.

Date: _______________

Dear _______________,

This letter is to certify that your application on behalf of (insert name of borrower/applicant) for Farm Service Agency loan guarantee assistance has been approved and funds have been obligated.

Enclosed is for FSA-2232 (Conditional Commitment) specifying the conditions you must meet to secure the guarantee. Please review these conditions, complete Part D of the form (Acceptance or Rejection of Conditions), and return it to this office by (insert date).

If you have any questions, please contact this office.

Sincerely,

_______________________
(Title)

E Example of Approval Letter When Funds Are Not Available

The following is an example of an approval letter when funds are **not** available.

Date: _______________

Dear _______________,

This letter is to certify that your application on behalf of (insert name of borrower/applicant) for Farm Service Agency (FSA) loan guarantee assistance has been approved. However, funds are not available at this time to obligate the loan.

The loan will be placed on a waiting list based on the date the application was complete. If a substantial amount of time elapses before the loan is obligated, we may ask you to provide updated information. You should not close the loan until you receive an FSA-2232 (Conditional Commitment) indicating that the loan has been funded.

We appreciate your patience and understanding. If you have any questions, please contact this office.

Sincerely,

_______________________
(Title)
A Loan Obligation

[7 CFR 762.130 (b)] Loans are approved subject to the availability of funding. When it appears that there are not adequate funds to meet the needs of all approved applicants, applications that have been approved will be placed on a preference list according to the date of receipt of a complete application.

After the loan approval official executes FSA-2231, the authorized agency official should follow State Office guidance when submitting loan requests for obligation and ensuring that funds have been obligated through GLS.

<table>
<thead>
<tr>
<th>IF GLS indicates that…</th>
<th>THEN the authorized agency official…</th>
</tr>
</thead>
<tbody>
<tr>
<td>funds have been obligated for the loan</td>
<td>may proceed under subparagraph C and issue the Conditional Commitment.</td>
</tr>
<tr>
<td>sufficient funds are not available</td>
<td>must proceed under subparagraph B and place the loan on the waiting list until sufficient funds are available for obligation.</td>
</tr>
</tbody>
</table>

The Conditional Commitment must never be executed until verification is received that funds have been obligated.

Note: If a PLP lender receives an automatic approval of a loan because of FSA’s failure to meet the 14-calendar-day response deadline, the lender may not close the loan until funds are obligated and the lender receives the Conditional Commitment.

*--A guaranteed loan application cannot be approved before the appropriate environmental--* review is completed and approved. In the case of a PLP lender, if an approval/rejection decision is not made within 14 days of a complete application, FSA will consider feasibility requirements met and will conduct no further financial analysis after that point. However, the application will not be approved, funds will not be obligated, and the conditional *--commitment will not be issued until after the appropriate environmental review is--* completed and approved.

B Funding Priorities

If GLS indicates that funds are not available to obligate a loan, the authorized agency official shall:

- not execute the Conditional Commitment
- inform the lender and applicant that funds are not currently available
- place the loan on a waiting list based on the date the application was considered complete.
B Funding Priorities (Continued)

If approved applications have been received on the same day, the following will be given priority:

- an application from a veteran
- an application from an Agency direct loan borrower
- an application from an applicant who is described by 1 of the following:
  - has a dependent family
  - is an owner of livestock and farm implements necessary to successfully carry out farming operations
  - is able to make down payments
- any other approved application.

The priority list will be maintained at the level where the funds have been allocated or suballocated.

When funds become available, applications will be funded in priority list order. If a substantial amount of time has elapsed between loan approval and obligation, the authorized agency official may request updated information on the applicant.