

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

<b>Guaranteed Loan Making and Servicing 2-FLP (Revision 1)</b>	<b>Amendment 52</b>
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**Approved by:** Deputy Administrator, Farm Loan Programs



**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 52 D has been amended to correct a hyperlink to the sample CMS summary.

Subparagraph 245 C has been amended to clarify completing the security section on the Conditional Commitment.

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
	4-17, 4-18 10-7, 10-8	



52 Eligibility Requirements for PLP (7 CFR 762.106) (Continued)

**D PLP CMS Guidelines**

The following is an example of a CMS summary. It was developed by USDA, FSA to assist lenders who wish to prepare and submit a request for PLP status for the FSA Guaranteed Farm Loan Program. The application for PLP status is to be prepared according to 7 CFR 762.106 and this subparagraph.

This document is based on a review of numerous lender policies and is intended solely as an example CMS summary. This example may serve as a starting point for a lender developing a CMS summary; language can be drawn from it for use in areas where a lender does not have a policy. Each area must be amended based on the institution’s commercial lending policy, organizational structure, and loan management practices.

**Note:** The CMS summary is available on FSA’s web site at  
 \*--[https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/Farm-Loan-Programs/docs/Example\\_CMS\\_FINAL\\_September\\_2020.doc](https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdfiles/Farm-Loan-Programs/docs/Example_CMS_FINAL_September_2020.doc) .--\*

<p><b>PREFERRED LENDER PROGRAM                  CREDIT MANAGEMENT SYSTEM SUMMARY                  ATTACHMENT TO Form FSA-2201, “LENDER’S AGREEMENT”</b></p> <p><b>Bank Name                  Anywhere, USA</b></p> <p>This document contains the credit management system (CMS) requirements agreed to by SAMPLE BANK, City, State, USA, and the Farm Service Agency (FSA) for the Lender’s participation in the FSA Guaranteed Loan Program. Requirements for loan administration, servicing, and reporting activities not specifically addressed in this attachment or in conflict with 7 CFR 762 are governed by 7 CFR 762, 2-FLP “Guaranteed Loan Making and Servicing”, and the attached Form FSA-2201, “Lender’s Agreement.”</p> <p><b>I. GENERAL OPERATIONS</b></p> <p><b>A. Normal Trade Area</b></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p><i>Describe the specific geographic area (States and counties) in which you make loans. If you are requesting PLP status for only a portion of your trade area, please indicate this.</i></p> </div> <p>The normal trade area for the Lender is Eastern Colorado and portions of Western Nebraska and Kansas. Colorado counties include Yuma, Cheyenne, Lincoln, Washington, Morgan, Kit Carson, and Kiowa. Nebraska counties include Sioux, Banner, and Kimball. Kansas counties include Wallace, Greeley, Hamilton, Wichita, and Kearney. PLP status covers the Lender’s normal trade area.</p> <p>Loans would be considered outside the normal trade area if loan servicing were limited. For example, integrated broiler or pork contractors where the production check is sent to the Lender could be considered. Livestock and chattel loans that are not cross-pledged with real estate are not desirable outside the trade area due to extensive servicing demands. The Lender will contact the appropriate FSA State Office for guidance when submitting requests for guarantee outside of the normal trade area.</p>
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52 Eligibility Requirements for PLP (7 CFR 762.106) (Continued)

D PLP CMS Guidelines (Continued)

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**B. Internal Credit Review System**

*Describe your credit review system. Include who performs the reviews, the frequency and scope of the reviews, and the method to follow up and resolve deficiencies.*

The Lender’s Quality Control Group operates its internal review program. This group provides an independent, objective, and active means for monitoring adherence to Lender policies and procedures. The group also evaluates the accuracy of the credit and performance classifications and identifies credit administration weaknesses. The Quality Control Group reviews a significant number of loan and servicing actions each year. Reviews are based upon a sampling of those areas that present the greatest risk to the Lender and include a monthly review of credit administration on all loans greater than \$300,000. A minimum of 50 percent of outstanding guaranteed loans are reviewed annually. The Quality Control Group provides the Lender’s Board of Directors and senior management a monthly report, which addresses important review results including deficiencies in credit quality and credit administration and adherence to policies and procedures. The group also discusses the results of each loan review with the responsible loan officers to resolve any deficiencies in their portfolio. Loan officers report monthly to the Loan Officer’s Committee on the status of corrective actions to address identified deficiencies.

**C. Use of Agents, Consultants, and Packagers**

*Comment on whether and under what circumstances outside packagers are used, the services they perform, and how the work is monitored.*

The Lender has not previously used agents or packagers and does not plan to use this type of assistance in the future. Loan requests are originated and packaged by the Lender. Unsolicited loan proposals presented by private consultants may be considered; however, the application will be prepared, analyzed, and presented by a bank loan officer.

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## 245 Agency Obligation of the Loan (7 CFR 762.130) (Continued)

**C Issuing the Conditional Commitment**

After receiving confirmation from GLS that funds have been obligated for the loan, the authorized agency official may execute the Conditional Commitment. Since the Conditional Commitment will be used by FSA in the event of a loss claim to determine the responsibilities of the lender, the authorized agency official should give careful attention to the Conditional Commitment's completion.

- **Loan Purposes.** The authorized agency official should ensure that the specific purposes for which the loan funds will be used are detailed on the Conditional Commitment. These purposes must be consistent with the purposes shown on Application for Guarantee and any agreed modifications.
- **\*--Security for the Loan.** The authorized agency official should ensure that all security items and expected lien positions are included on the Conditional Commitment.--\*
- **Electronic Applications.** If the lender submitted Application for Guarantee electronically and all of the required electronic signatures are not obtained, then Conditional Commitment, item 17 should specify that the signed copy of the application be submitted with the loan closing documents. FAXed or scanned signatures are acceptable.
- **Lender's Agreement.** The lender will be required to execute FSA's Lender's Agreement if the lender does **not** have one in effect.
- **Corporate Restriction.** Lenders that are corporations must read and certify to the statements on Part C of FSA-2236 before FSA issues FSA-2235. FSA officials will add this as a condition to FSA-2232.

In developing the Conditional Commitment, the authorized agency official shall tailor the Conditional Commitment to the specific borrower. Long lists of standard conditions developed for all borrowers should not be used. Each condition placed on the loan must be appropriate to the specific lending situation and produce a higher quality loan.

Issuing the Conditional Commitment with conditions is preferred to rejection of the request.

**Example:** If the security proposed by the lender will result in an inadequately secured loan, rather than deny the guarantee request, the Conditional Commitment may be executed, subject to the lender obtaining a lien on specified additional collateral.

Once the Conditional Commitment has been developed using the guidelines in this paragraph, the authorized agency official shall submit the Conditional Commitment to the lender for execution according to paragraph 246.

## 246 Lender's Response to the Conditional Commitment (7 CFR 762.130(c))

**A Accepting or Rejecting Conditions**

**\*--[7 CFR 762.130 (c)] The lender must meet all of the conditions specified in the--\* Conditional Commitment to secure final Agency approval of the guarantee. The lender, after reviewing the conditions listed on the Conditional Commitment, will complete, execute, and return the form to the Agency. If the conditions are not acceptable to the lender, the Agency may agree to alternatives or inform the lender and the applicant of their appeal rights.**

When the lender receives the Conditional Commitment, the lender should carefully review all the conditions. If the lender accepts all of the conditions, the lender should complete, sign, and return the Conditional Commitment to the authorized agency official.

If the lender rejects the conditions, the lender may propose new conditions, along with justification for them. The authorized agency official should review the new conditions and the lender's justification to determine whether they are acceptable to FSA. If the conditions cannot be accepted, the authorized agency official should contact the lender to see if an agreement can be reached that is acceptable to both parties. If the new conditions are accepted or an agreement is reached, the conditions must then be reviewed and approved by the loan approval official before their incorporation in the Conditional Commitment.

If, after all reasonable efforts have been made, an agreement cannot be reached, the authorized agency official shall issue a rejection letter and inform the applicant, with a copy to the lender, of the appeal rights according to 1-APP. Only after completion of the appeal may the authorized agency official proceed with deobligation of funding in paragraph 249.

If a PLP lender rejects an 80 percent guarantee, received as a result of FSA not acting on a **\*--request within 14 calendar days of receiving a complete application, the authorized agency--\* official shall continue to process the request and issue a revised Conditional Commitment. If warranted, the revised Conditional Commitment may contain conditions. The lender will have the option of accepting the 80 percent guarantee without conditions or come to an agreement with FSA on any conditions in the revised Conditional Commitment, and receive the requested level of guarantee.**