

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

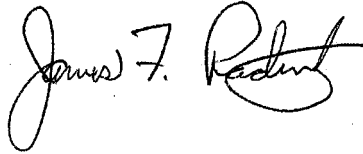
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**Direct Loanmaking  
3-FLP (Revision 2)**

**Amendment 11**

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**Approved by:** Acting Deputy Administrator, Farm Loan Programs



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 3 E has been amended to correct the Web reference.

Subparagraph 41 A has been amended to clarify using Exhibit 5.

Subparagraph 41 B has been amended to add instructions on the applicants in FP and to clarify married couples.

Subparagraph 42 A has been amended to clarify managerial ability.

Subparagraph 42 B has been amended to clarify what current information is and using information in the file.

Paragraph 43 has been amended to update the title and add a subparagraph title.

Subparagraph 45 B has been amended to clarify the DD's responsibilities for withdrawn applications.

Subparagraph 42 B has been amended to clarify using current information.

Subparagraph 64 A has been amended to clarify using I-551.

Subparagraph 70 A has been amended to clarify using FSA-2370.

Subparagraph 134 A has been amended to clarify the changes to the joint financing interest rate.

Subparagraph 152 B and Exhibit 4 have been amended to change references to "median" size farm to "average" size according to the 2014 Farm Bill.

Subparagraph 153 C has been amended to update the maximum downpayment loan amount.

## **Amendment Transmittal (Continued)**

### **A Reasons for Amendment (Continued)**

Subparagraph 202 B and Exhibit 2 have been amended to clarify youth loan debt forgiveness.

Subparagraph 202 D has been amended to add veteran farmers or ranchers.

Subparagraph 204 A has been amended to add the special interest rate provisions for microloans.

Subparagraph 217 A has been amended to update the references.

Subparagraph 288 D has been amended to clarify YL eligibility requirements.

Subparagraph 472 B has been amended to clarify using FSA-2370 and the process of assessing an applicant's need for borrower training.

**Note:** FSA-2370's title has been changed to reflect usage.

Subparagraph 472 C has been amended to add guidance on providing written notice of the training decision.

Subparagraph 474 B has been amended to provide clarification on borrower training requirements and loan eligibility.

Subparagraph 474 C has been amended to provide clarification on paid-in-full loans and borrower training requirements.

Subparagraph 491 A has been amended to encourage using State beginning farmer programs as vendors in the borrower training program.

Subparagraph 492 B and paragraph 493 have been amended to provide guidance for when a Borrower Training vendor wants to be approved for more than 1 State.

Subparagraph 493 E has been amended to require SED's to annually provide the National Office their approved vendor list.

Exhibit 2 has been amended to:

- update the beginning farmer definition
- add the definition of veteran farmer
- add a note to the definition of youth loan.

Exhibit 5 has been amended to remove reference to AD-3030 because OGC determined that it is no longer needed.

Exhibit 24 has been amended to change the EEO statement to the minimum required by regulations.

**Amendment Transmittal (Continued)**

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### 3 FLP Forms (Continued)

#### C Notary Acknowledgement

Forms do not include preprinted text for the Notary Acknowledgement because numerous States have State-specific laws establishing required text. Therefore, a fillable text area is provided under the “Acknowledgement” heading. SED’s shall issue State supplements providing the appropriate Notary Acknowledgement text to be inserted.

#### D Applicant Signatures

Forms completed by applicants include a signature box to accommodate multiple signatures. Separate signature lines are not provided because the number of signatures required for an entity applicant cannot be determined in advance. Instructions for completing forms will provide guidance to applicants on signature requirements.

Forms prepared by FSA for the applicant’s signature include a fillable area instead of preprinted signature lines. County Offices shall insert a signature line and the name of each applicant, entity member, or other individual required to sign the form.

SED’s shall issue a State supplement addressing State-specific signature requirements.

#### E State Office Modified National Forms

State and County Offices shall use national forms unless their use is prohibited by State law. If modification to a national form is required to comply with State law, the State Office shall submit a copy of the national form showing the necessary modifications, through SDMS.

**Note:** State-specific forms based on national forms will be made available on the FFAS Employee Forms/Publications Online Website at  
\*--<http://fsaintranet.sc.egov.usda.gov/dam/ffasforms/forms.html> with the same--\*  
form number as the national form, followed by the State acronym.

**3 FLP Forms (Continued)**

**F State-Created Forms**

State Offices may create forms, as necessary, when a national form is not available. State-created forms shall be assigned a 5-digit number establishing linkage to the appropriate FLP handbook, followed by the State acronym, according to the following.

<b>IF the form pertains to...</b>	<b>THEN the form number shall be...</b>
more than one FLP handbook	FSA-2000-1 ST, FSA-2000-2 ST, FSA-2000-3 ST, etc.
1-FLP	FSA-2100-1 ST, FSA-2100-2 ST, FSA-2100-3 ST, etc.
2-FLP	FSA-2200-1 ST, FSA-2200-2 ST, FSA-2200-3 ST, etc.
3-FLP	FSA-2300-1 ST, FSA-2300-2 ST, FSA-2300-3 ST, etc.
4-FLP	FSA-2400-1 ST, FSA-2400-2 ST, FSA-2400-3 ST, etc.
5-FLP	FSA-2500-1 ST, FSA-2500-2 ST, FSA-2500-3 ST, etc.
6-FLP	FSA-2600-1 ST, FSA-2600-2 ST, FSA-2600-3 ST, etc.

**Notes:** “ST” represents the appropriate State acronym.

Before using State forms imposing information collections on 10 or more persons per year, State Offices shall work with the National Office to obtain OMB approval.

SED shall issue State supplements, as applicable, to address the use of all State-specific and State-created forms.

**Exception:** State-specific FSA-2029’s do not require State supplement issuance

**G Other Sources of Forms**

FSA does not provide forms that establish an agreement or contract between applicants/borrowers and third parties only, such as leases. Advise applicants/borrowers to obtain such forms from other sources, such as Extension Service, on-line services, attorney, etc.



## Part 3 Loan Application

### 41 Obtaining and Filing a Loan Application

#### A Obtaining a Loan Application

A loan application may be obtained from:

- any FSA office
- FSA's web site at [www.fsa.usda.gov](http://www.fsa.usda.gov)
- eGov's web site at [www.sc.egov.usda.gov](http://www.sc.egov.usda.gov).

An agency official will:

- not refuse to provide a requested application to any person
- not discourage the prospective applicant to apply for a direct loan even when loan funds are limited or unavailable

**Note:** On Friday, May 13, 2011, FR notice was published to inform the public that, because of a lack of funding for the CL program, direct CL applications will not be accepted until further notice. Agency officials should advise prospective applicants of the availability of other FSA loan programs.

- not make oral or written statements that would discourage any individual from applying for assistance based on any ECOA prohibited basis (race, color, religion, national origin, sex, marital status, age, applicant's income deriving from public assistance, or because the applicant has in good faith exercised any right under the Consumer Protection Act)
- provide Exhibit 5 to all persons requesting an application

**\*--Notes:** Exhibit 5 is customized for each individual applicant, as needed.--\*

Additional information, as necessary, may be requested; however, information that would create unapproved paperwork burden will not be requested. Specifically, anything that asks the applicant to provide information to FSA is not allowed by the State without approval from the National Office.

Exhibit 5 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK "**FFAS Employee Forms/Publications Site**" and CLICK "**Find Current Forms Using Our Form Number Search**". For "Form Number", ENTER "**3-FLP Exhibit 5**".

- provide assistance as necessary to help applicants complete the application.

**Note:** Information about race, national origin, sex, and marital status is collected on a voluntarily basis on FSA-2001, FSA-2301, FSA-2314, and FSA-2330.

## 41 Obtaining and Filing a Loan Application (Continued)

**B Filing a Loan Application**

**[7 CFR 764.51(a)] A loan application must be submitted in the name of the actual operator of the farm. Two or more applicants applying jointly will be considered an entity applicant. The Agency will consider tax filing status and other business dealings as indicators of the operator of the farm.**

\*--Upon receiving an application for direct loan assistance the authorized agency official and DD shall follow 1-PL to ensure that the type of operation reflected on FSA-2001 is--\* consistent with any representations previously made by the applicant for FP benefits.

If any difference in representations of the farming operation is identified, notify the applicant using FSA-2304 and insert the following for why the application is incomplete.

“A review of your FSA records revealed inconsistent representations in how your farming operation is conducted. (Provide details of different representations identified by FSA records.) Documentation must be provided to resolve the inconsistencies identified prior to your application for assistance to be considered complete.”

**Note:** See subparagraph 45 B for notification of incomplete application guidance.

**Exception:** An application will not be considered incomplete if the difference in representation is the result of either of the following:

- husband and wife representing themselves as a joint operation for FLP assistance but combined as a single person for FP
- producer participating in 2 separate and distinct operations.

\*--**Note:** Until CFR is amended, FSA will consider the term, “husband and wife” to be interchangeable with married persons, couples, or spouses.--\*

When receiving an application from married persons, FSA cannot treat a married couple applying together the same way as 1 person applying individually. A married person may apply according to 1 of the following, depending on how the farm is operated.

- “As an individual” – A married person should apply as an individual when they are the operator of the farm, and the spouse has minimal involvement in the farm operation, particularly the day-to-day management and operations. In such cases, the nonfarming spouse will not be required to sign the application, except when required by State law to perfect a lien on marital or jointly owned property.

## 42 Complete Loan Application (Continued)

## A Requirements (Continued)

**[7 CFR 764.51(b)(4)] The last 3 years of farm financial records, including tax returns, unless the applicant has been farming less than 3 years;**

Financial information will be primarily provided by the applicant on FSA-2002. Additional financial records, such as balance sheets, may be requested if necessary, for the last 3 years.

The authorized agency official may request up to 2 additional years of farm financial records in extenuating circumstances, such as natural disasters or adverse economic conditions.

**Notes:** The applicant may submit alternate documents if they contain all information collected on FSA-2002.

If tax returns are not available or do not exist, the application will not be considered incomplete for that reason. The authorized agency official must make a notation in the running record of the reason tax returns are not available. A lack of tax returns may be consideration when making credit history determinations as it relates to the applicant fulfilling obligations to other parties (subparagraph 65 A), managerial ability determination (paragraph 69), or feasibility (paragraph 351).

**[7 CFR 764.51(b)(5)] The last 3 years of farm production records, unless the applicant has been farming less than 3 years;**

Production information will be provided by the applicant on FSA-2003.

The authorized agency official may request up to 2 additional years of farm production records in extenuating circumstances, such as natural disasters or adverse economic conditions.

**Notes:** The applicant may submit alternate documents, if they contain all information collected on FSA-2003.

For cash basis operations, such as farmers who sell produce at farmer markets, it may not be possible or useful to determine yield. In those cases, income and expenses may be substituted for yields to determine production.

**[7 CFR 764.51(b)(6)] Except for CL, documentation that the applicant and each member of an entity applicant cannot obtain sufficient credit elsewhere on reasonable rates and terms, including a loan guaranteed by the Agency;**

Applicants provide documentation that they are unable to obtain credit elsewhere by signing FSA-2001, FSA-2314, or FSA-2330. However, after reviewing the financial information and type of loan requested (EM's have a different credit elsewhere requirements), FSA may require written evidence to support the applicant's inability to obtain credit elsewhere. FSA will use the Market Placement Program to assist qualified applicants in obtaining a guaranteed farm loan from a commercial lender, where applicable.

## 42 Complete Loan Application (Continued)

## A Requirements (Continued)

**[7 CFR 764.51(b)(7)] Documentation of compliance with the Agency's environmental regulations contained in subpart G of 7 CFR 1940;**

An applicant must have AD-1026 on file for all real estate owned or rented.

**Note:** A new AD-1026 is not required for each subsequent loan if there has been no change to the applicant's farming operation.

See RD Instruction 1940-G and 1-EQ for additional information on environmental regulations and requirements.

**[7 CFR 764.51(b)(8)] Verification of all non-farm income;**

A self-employed applicant's income may be verified by 3 years of income tax returns.

An applicant employed outside of the farm will submit either of the following:

- FSA-2004 authorizing FSA to send FSA-2014 to the applicant's employer
- 2 most recent earning statements.

**Notes:** The amount and dependability of income from a cosigner, including a nonapplicant spouse, will be verified using the listed format. See subparagraph 371 C for information about cosigner signature and eligibility requirements.

If a nonapplicant will be providing information and will sign FSA-2026, the nonapplicant will complete FSA-2001, Part C. If a nonapplicant's income will only be used to cover family living/owner withdrawal, the nonapplicant must sign FSA-2004 and FSA-2007 but will not be required to sign FSA-2026.

If needed for an operation to cash flow, then the income of individual entity members can be verified as needed.

**[7 CFR 764.51(b)(9)] A current financial statement and the operation's farm operating plan, including the projected cash flow budget reflecting production, income, expenses, and loan repayment plan;**

The applicant will supply most of this information on FSA-2037 and FSA-2038.

**[7 CFR 764.51(b)(10)] A legal description of the farm property owned or to be acquired and, if applicable, any leases, contracts, options, and other agreements with regard to the property;**

**Note:** FSA-2006 will be provided by the applicant as part of the complete application.

**42 Complete Loan Application (Continued)****A Requirements (Continued)**

This information will be used to determine:

- FSA security
- value of security
- eligibility
- potential income affecting cash flow.

**[7 CFR 764.51(b)(11)] Payment to the Agency for ordering a credit report on the applicant;**

The agency official will record the date the credit report fee is received in DLS.

**[7 CFR 764.51(b)(12)] Verification of all debts;**

Applicants complete FSA-2005, or similar acceptable documentation to provide a list of creditors, if not already in the applicant's file, and FSA-2004 to authorize those creditors to release information to FSA.

The authorized agency official:

- must verify the status of debts over \$1,000
- must confirm the balance of the debt, the applicant's payment history on the debt including any delinquency and the payment schedule including the amount and date of the next scheduled installment
- may obtain this information with any of the following as long as the required information is provided:
  - credit report
  - FSA-2310 (EM's)
  - CAIVRS
  - completed FSA-2015
  - most recent billing statement for the debt (e.g., credit card debt)
  - any other form of verification, including phone calls, that provides the required information.

## 42 Complete Loan Application (Continued)

## A Requirements (Continued)

**[7 CFR 764.51(b)(13)] Any additional information deemed necessary by the Agency to effectively evaluate the applicant's eligibility and farm operating plan;**

Examples of additional information include:

- divorce or separation decree
- child support or alimony payments
- 2 additional years for farm production or financial records (in extenuating circumstances).

**[7 CFR 764.51(b)(14)] For EM loans, a statement of loss or damage on the appropriate Agency form (FSA-2309).**

**[7 CFR 764.51(b)(15)] For CL only, a conservation plan or Forest Stewardship Management Plan as defined in 761.2 of this chapter; (see Exhibit 2 for definition of conservation plan and Forest Stewardship Management Plan) and**

**Note:** NRCS CPA-1155 or Tool Kit is considered sufficient documentation.

**[7 CFR 764.51(b)(16)] For CL only, and if the applicant wishes to request consideration for priority funding, plans to transition to organic or sustainable agriculture when the funds requested will be used to facilitate the transition.**

**Note:** For all FLP loans involving construction, according to 1-FLP, Part 5.

## B Existing Information in Applicant's File

**[7 CFR 764.51(f)] The applicant need not submit any information under this section (subparagraph A) that already exists in the applicant's Agency file and is still current.**

Information less than 90 calendar days old, unless noted otherwise, is considered current.

**\*--Note:** Information that does not change, such as college transcripts, will be considered current and should be used as part of any future application.--\*

**\*--43 Streamlined OL, ML, and Streamlined CL Requests--\*****A Complete Streamlined OL Application**

A complete streamlined OL application includes:

- completed FSA-2314
- environmental information
- farm operating plan (updated to current production year)
- payment of credit report fee
- balance sheet
- prior year or years financial and production records.

**Notes:** An applicant is qualified for loan processing under streamlined OL provisions when all the streamlined OL requirements in subparagraph 217 A are met.

The Farm Business Plan information, (cash flow, balance sheet, financial records, production records, and Credit Presentation) shall be updated only as necessary to complete information added to the records.

**B Complete ML Applications**

**[7 CFR 764.51(c)(2)] The applicant must submit the following:**

**[7 CFR 764.51(c)(2)(i)] items (1), (2), (3), (6), (7), (9), and (11) of paragraph (b) of this section (paragraph 42)**

**[7 CFR 764.51(c)(2)(ii)] Financial and Production records for the most recent production cycle if available, and practicable to project the cash flow of the operating cycle;**

**[7 CFR 764.51(c)(2)(iv)] Verification of all non-farm income relied upon for repayment; and**

**[7 CFR 764.51(c)(3)] The Agency may require an ML applicant to submit any other information listed in paragraph (b) of this section upon request when specifically needed to make a determination on the loan application.**

A complete ML application includes:

- completed FSA-2330
- entity information, if applicable
- written description of applicant's farm training and experience, included on FSA-2330

**\*--43 Streamlined OL, ML, and Streamlined CL Requests (Continued)--\*****B Complete ML Applications (Continued)**

- environmental information
- credit elsewhere requirements
- farm operating plan, included on FSA-2330
- payment of credit report fee
- balance sheet, included on FSA-2330.

**Note:** An applicant is qualified for loan processing under ML provisions, when all of the ML requirements in subparagraph 216 B are met.

**\*--C Complete Streamlined CL Applications--\***

[7 CFR 764.51(d)(6)] **Submit the following items:**

**(i) Items identified in paragraphs (b)(1), (b)(2), (b)(3), (b)(7), (b)(11), (b)(15), and (b)(16) of this section** (paragraph 42),

**(ii) A current financial statement less than 90 calendar days old, and,**

**(iii) Upon Agency request, other information specified in paragraph (b) of this section necessary to make a determination on the loan application.**

A complete Streamlined CL application includes the following:

- completed FSA-2001
- entity information
- written description of farm training and experience
- environmental information
- payment of credit report fee
- approved conservation plan

**Note:** FSA considers either NRCS CPA-1155 or the Tool Kit proof the applicant has an NRCS-approved conservation plan.

- if desired, request for priority funding with plan to transition to organic or sustainable agriculture
- current financial statement.

**Note:** An applicant is qualified for loan processing under Streamlined CL provisions when all Streamlined CL requirements in subparagraph 191 B are met.



## 45 Processing Loan Applications (Continued)

**B Notification of Incomplete Application (Continued)**

**[7 CFR 764.52(a)] Within 10 calendar days of receipt of an incomplete application, the Agency will provide the applicant written notice of any additional information which must be provided. The applicant must provide the additional information within 20 calendar days of the date of this notice.**

The authorized agency official must notify the applicant in writing within 10 calendar days, after receiving the incomplete application, by using FSA-2304. FSA-2304 will:

- list the additional information needed
- state that the application cannot be processed until all required information is received
- offer assistance to the applicant if they do not understand what is required or are having difficulty obtaining the required information
- establish a due date for receiving the information of 20 calendar days from the date of FSA-2304.

**Exception:** An EM application will not be withdrawn if the information required under 7 CFR 764.51(b)(14) (see subparagraph 42 A) is the only information that has not been received. Specifically, if accurate disaster year production information is not available, because of the producer having not completed harvest, the application will be held for a reasonable time to allow for the information to become available.

**Note:** FSA has determined that a reasonable time period is 3 months after the normal conclusion of harvest.

For EM's, insert the following on FSA-2304 for disaster year production information only.

“We must receive the following information by (add 20 calendar days to the date the authorized agency official determines to be 3 months after the normal conclusion of harvest) so that we can continue processing your request for assistance.”

If information is needed from other USDA agencies, the agency official will inform those agencies and the applicant of the information needed, and note the date of the request in the running record. For OL applications, the agency official will request that the information be returned within 15 calendar days of receiving the request.

**Note:** If it is clear that the application will be rejected for obvious eligibility reasons, the authorized agency official shall provide an application rejection letter with appropriate appeal or review rights

## 45 Processing Loan Applications (Continued)

**B Notification of Incomplete Application (Continued)**

**[7 CFR 764.52(b)] If the additional information is not received, the Agency will provide written notice that the application will be withdrawn if the information is not received within 10 calendar days of the date of this second notice.**

If the applicant does not respond or does not supply all of the information requested within the 20 calendar day period specified on FSA-2304, the authorized agency official must immediately provide FSA-2305 by regular mail or hand delivery. FSA-2305 will:

- list the additional information needed
- state that the application cannot be processed until all required information is received and unless the applicant supplies the required information, the application will be withdrawn
- establish a due date for receiving the information of 10 calendar days from the date of FSA-2305
- contain the ECOA statement according to 1-FLP, paragraph 41.

\*--The authorized agency official must notify DD weekly, by e-mail, the names, dates, and reasons FSA-2305 was sent to applicants.--\*

FSA will withdraw the application if the additional material is not provided.

Applicants will be sent FSA-2306 to inform them that their application has been withdrawn. FSA-2306 will be provided by regular mail or hand delivery.

The withdrawn application will be maintained according to 25-AS.

## 45 Processing Loan Applications (Continued)

**C Processing of Complete Application**

**[7 CFR 764.53] Upon receiving a complete loan application, the Agency will:**

**[7 CFR 764.53(a)] Consider the loan application in the order received, based on the date the application was determined to be complete; and**

**[7 CFR 764.53(b)] Provide written notice to the applicant that the application is complete.**

The authorized agency official must notify the applicant in writing within 10 calendar days after receiving the complete application using FSA-2307.

**Note:** Use DLS to record the date the application was determined to be complete.

**[7 CFR 764.53(d)] Except for CL requests, if based on the Agency's review of the application, it appears the applicant's credit needs could be met through the guaranteed loan program, the Agency will assist the applicant in securing guaranteed loan assistance under the market placement program as specified in 762.110(h) of this chapter (2-FLP, paragraph 72).**

**D Applicant Withdraws Application**

The applicant may request that a loan application be withdrawn at any time during the loanmaking process.

If the applicant makes the request:

- in writing, the authorized agency official will send FSA-2306 and withdraw the application
- by phone, the authorized agency official will send FSA-2306 to the applicant that, per their request, the loan application will be withdrawn unless the applicant contacts the County Office within 10 calendar days of the date of FSA-2306.

**Note:** The authorized agency official shall maintain withdrawn applications according to 25-AS.

**E Reactivating Withdrawn Application**

A withdrawn application may not be reactivated. The applicant must file a new application.

**Notes:** Any information in the withdrawn file that is still current may be included with the new application. Information less than 90 calendar days old, unless noted otherwise, is considered current.

\*--Information that does not change, such as college transcripts, will be considered current and should be used as part of any future application.--\*

**45 Processing Loan Applications (Continued)**

**F Loan Processing When Civil Rights Complaint Has Been Filed**

The filing of a civil rights complaint does not stop loan processing activity. If an application for assistance has been filed, that request must be processed according to FSA instructions.

Because failure to advise an applicant of their ineligibility may be considered an adverse action in itself, the authorized agency official should timely process all applications, in those instances where a discrimination complaint is filed, and notify the applicant of the decision. The authorized agency official must fully explain to the applicant the basis for the unfavorable eligibility or feasibility decision according to paragraph 356.

**G Priority Consideration for Prevailing Claimants**

See current FLP notice for guidance on priority consideration.

**46-60 (Reserved)**

**63 Legal Capacity****A General Requirements**

**[7 CFR 764.101(b)] The applicant, and anyone who will sign the promissory note, must \*--possess the legal capacity to incur the obligation of the loan.**

**Note:** By Statute, CONACT Section 311(b)(2), A person receiving a loan under this section who executes a promissory note; therefore, shall incur full personal liability for the indebtedness evidence by such note in accordance with its terms free of any disability of minority.--\*

The applicant must be of legal age, mental capacity, and have authority to enter into a legally binding agreement. If the applicant is an entity, all members must meet this requirement.

The authorized agency official must review documentation provided by entity applicants to ensure that the entity members meet legal capacity requirements.

**Note:** An entity that has members who have not reached the age of majority is ineligible for assistance because of the requirement that all entity members must sign FSA-2026 as an individual.

## 64 Citizenship

## A General Requirement

**[7 CFR 764.101(c)] The applicant and anyone who will sign the promissory note must be a citizen of the United States, United States non-citizen national, or a qualified alien under applicable Federal immigration laws.**

See:

- Exhibit 2 for the definition of U.S. noncitizen national and qualified alien
- Exhibits 8 and 9 for guidance about documentary evidence of U.S. noncitizen national citizenship and qualified alien status.

**Notes:** The loan term to a qualified alien may not exceed the number of years of residency which they have been formally granted by the documents described in Exhibit 8.

**\*--If an applicant presents a valid I-551, showing the applicant has permanent resident status, the expiration date on I-551 has no bearing on the loan term. Therefore, the maximum loan terms may be extended beyond the I-551's expiration date.--\***

69 **Managerial Ability (Continued)****A General Requirement (Continued)**

To meet the managerial ability requirement through farming experience alone, the applicant may have:

- been an owner of a farm business with management and operator responsibilities for at least 1 entire production and marketing cycle
- been employed as a migrant farm worker and has been elevated to a leadership or foreperson position for at least 1 entire production and marketing cycle and whose responsibilities include crop and field management, livestock health, breeding supervision, labor management or hiring, or general farm management
- been employed as a farm manager or farm management consultant for at least 1 entire production and marketing cycle
- raised on a farm and held significant responsibility for day-to-day management decisions for at least 1 entire production and marketing cycle
- obtained and successfully repaid one FSA Youth-OL.

The applicant may document this experience through FSA farm records or similar documentation.

Applicants should be able to demonstrate that they have carried out their operation according to standard farming practices in the area including keeping accurate records of income and expenses, income tax records, and breeding statistics, as applicable.

**\*--[7 CFR 764.101(i)(4)] Alternative for ML. ML applicants also may demonstrate management ability by one of the following:**

**[7 CFR 764.101(i)(4)(i)] Certification of a past participation with an agriculture-related organization, such as, but not limited to, 4-H Club, FFA, Beginning Farmers and Rancher Development Programs, or Community Based Organizations, that demonstrates experience in a related enterprise, or**

**[7 CFR 764.101(i)(4)(ii)] A self-directed apprenticeship combined with either prior sufficient experience working on a farm or significant small business management experience. As a condition of receiving the loan, the self-directed apprenticeship requires that the applicant seek, receive, and apply guidance from a qualified person during the first cycle of production and marketing typical for the applicant's operation, and agree to form development partnership with the applicant to share knowledge, skills, information, and perspective of agriculture to foster the applicant's development of technical skills and management ability.--\***

## 69 Managerial Ability (Continued)

### A General Requirement (Continued)

**Example:** An application seeking ML financing to produce tomatoes to sell at a farmers market knows a local farmer that produces salad green and this farmer is willing to mentor the applicant during the first production cycle. The farmer's mentorship of the applicant can include advice and applied knowledge on crop planning, supply sources, pest and disease management, and outlets for marketing and sales. The applicant is the responsible party throughout the mentorship for obtaining guidance from the mentor.

**Note:** The mentor does not have to have the exact same type of operation as the applicant, but should be related, i.e. the applicant for a tomato ML should not have a dairy farmer as his mentor unless he also has produce experience.

## 70 Borrower Training

### A General Requirement

**[7 CFR 764.101(j)]** The applicant must agree to meet the training requirements in **subpart K of this part** (Part 18, Section 1). Borrower training requirements for Streamlined \*--CL applicants will be automatically waived without further documentation. All other applicants are required to complete FSA-2370 according to subparagraph 472 B, only if they are requesting a borrower training waiver.--\*

## 71 Owner/Operator of a Family Farm

### A General Requirement

**[7 CFR 764.101(k)(1)]** Except for CL, the applicant must be the operator of a family farm after the loan is closed.

**[7 CFR 764.101(k)(2)]** For an entity applicant, if the entity members holding a majority interest are:

- (i) Related by blood or marriage, at least one member must be the operator of a family farm;
- (ii) Not related by blood or marriage, the entity members holding a majority interest must be the operators of a family farm.

**[7 CFR 764.101(k)(3)]** Except for EM loans, the collective interests of the members may be larger than a family farm only if:

- (i) Each member's ownership interest is not larger than a family farm;
- (ii) All of the members of the entity are related by blood or marriage; and
- (iii) All of the members are or will become operators of the family farm; and



## 134 Joint Financing Arrangements

### A General

**[7 CFR 764.154(a)(3)] If the FO loan is part of a joint financing arrangement and the amount of the Agency's loan does not exceed 50 percent of the total amount financed, the Agency will use the Farm Ownership participation rate, available in each Agency office.**

**\*--Note:** The 2014 Farm Bill changed the joint financing interest rate as follows:

“If FO is part of a joint financing arrangement and the amount of FSA's loan does not exceed 50% of the total amount financed, the interest rate charged by FSA will be the greater of the following:

- current direct FO interest rate minus 2 percent
- 2.5 percent.”

This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.--\*

FSA encourages using joint financing arrangements. In such arrangements, an applicant obtains financing from another lender, which can be a commercial lender, a State program, or the seller of a farm. The applicant will use this financing along with FSA financing for any authorized FO purpose.

See 1-FLP, Exhibit 17 for interest rates.

**Note:** If the regular FO interest rate is lower than the participation rate, the loan will be made as a regular FO.

Other lender's loans may be guaranteed by FSA. See 2-FLP.

### B FSA Loan Made at Same Time as Other Lenders

When an FO is made at the same time as a loan from another lender, that lender's lien will have priority over the FSA lien unless otherwise agreed. The lender's lien priority can cover payment of taxes, property insurance, reasonable maintenance to protect the security, and reasonable foreclosure costs including attorney's fees in addition to principal and interest.

**135 Rates, Terms, Payments, and Security****A Rates**

**[7 CFR 764.154(a)(1)] The interest rate is the Agency's Direct Farm Ownership rate, available in each Agency office.**

See 1-FLP, Exhibit 17 for interest rates.

**[7 CFR 764.154(a)(2)] The limited resource Farm Ownership interest rate is available to applicants who are unable to develop a feasible plan at regular interest rates.**

See subparagraph 351 C for more information on limited resource loans when the farm operating plan shows that installments at the higher rate, along with other debts, cannot be paid during the period of the plan.

**[7 CFR 764.154(a)(4)] The interest rate charged will be the lower of the rate in effect at the time of loan approval or loan closing.**

**B Terms**

**[7 CFR 764.154(b)] The Agency schedules repayment of an FO loan based on the applicant's ability to repay and the useful life of the security. In no event will the term be more than 40 years from the date of the note.**

The FO term may not exceed the useful life of the security or 40 years, whichever is less.

When setting the term, the authorized agency official must review:

- FBP or other similar plans of operation to establish repayment ability
- the appraisal to establish the useful life of the security.

The specific term of a loan is determined by the applicant's projected ability to repay the loan as shown by FBP or other farm plan developed according to 1-FLP, Part 8.

**Section 2 Downpayment Program**

**151 Uses**

**A General**

**[7 CFR 764.201] Downpayment loan funds may be used to partially finance the purchase of a family farm by an eligible beginning farmer or socially disadvantaged farmer.**

**\*--Note:** For Downpayment loan purposes, the applicant must meet the definition of a beginning farmer, according to Exhibit 2, at the time the application is received by FSA.--\*

## 152 Eligibility

### A Requirements

[7 CFR 764.202] **The applicant must:**

- (a) **Comply with the general eligibility requirements established at § 764.101 (paragraphs 62 through 72) and the FO eligibility requirements of § 764.152 (paragraph 132); and**
- (b) **Be a beginning farmer or socially disadvantaged farmer.**

See Exhibit 2 for the definition of a beginning farmer and SDA farmer.

### B Farm Size for Beginning Farmers

\*--The applicant must not own more than 30 percent of the average size farm as established under the beginning farmer definition at the time of the application. The applicant may exceed the 30 percent after the loan is closed.

The average farm acreage and 30 percent of the average acreage shall be published in a State supplement. The 30 percent of the average acreage will be rounded to the closest tenth of a percent.

**Example:** The average size farm for the county is 94 acres. 30 percent of the average, rounded to the nearest tenth, is 28.2 acres. Therefore to meet the beginning farmer requirements, the applicant must own no more than 28.2 acres.

If the farm is located in more than 1 county, FSA uses the average farm acreage of the county where the applicant's residence is located.

If the applicant's residence is not located on the farm or if the applicant is an entity, FSA uses the average farm acreage of the county where the largest portion of the farm is located.

**Note:** Average farm size does **not** apply to SDA applicants. However, the family farm--\* requirement under § 764.101(k) (paragraph 71) does apply.

**153 Limitations****A General**

**[7 CFR 764.203(a)] The applicant must:**

- (1) Comply with the general limitations established at § 764.102 (paragraph 73).**

**B Minimum Downpayment**

The applicant must:

**[7 CFR 764.203(a)(2)] Provide a minimum downpayment of 5 percent of the purchase price of the farm.**

The applicant must provide the minimum down payment in cash.

**C Maximum FSA Loan Amount**

**[7 CFR 764.203(b)] Downpayment loans will not exceed 45 percent of the lesser of:**

- (1) The purchase price,  
 (2) The appraised value of the farm to be acquired, or  
 (3) \$500,000.**

**\*--Note:** According to a nondiscretionary change in the 2014 Farm Bill, (3) will be increased to \$667,000, limited to the maximum loan amount of \$300,000. This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.--\*

**Note:** The balance of the purchase price not covered by the downpayment loan and applicant downpayment may be financed by a commercial, cooperative, or private lender, including the seller.

**D Maximum Combined Loans**

**[7 CFR 764.203(c)] Financing provided by the Agency and all other creditors must not exceed 95 percent of the purchase price. Financing provided by eligible lenders may be guaranteed by the Agency under part 762 of this chapter (2-FLP).**

**154 Rates, Terms, and Security****A Rates**

**[7 CFR 764.204(a)] The interest rate for Downpayment loans will be the regular direct FO rate minus 4 percent, but in no case less than 1.5 percent.** See 1-FLP, Exhibit 17 for current rates.

**B FSA Terms**

**[7 CFR 764.204(b)(1)] The Agency schedules repayment of Downpayment loans in equal, annual installments over a term not to exceed 20 years.**

The authorized agency official may schedule repayment over a period of less than 20 years if requested by the applicant and the farm operating plan (see 1-FLP, Part 8, Section 3) indicates that the loan can be repaid within the period requested.

**C Other Lender Terms**

**[7 CFR 764.204(b)(2)] The non-Agency financing must have an amortization period of at least 30 years and cannot have a balloon payment due within the first 20 years of the loan.**

**D Minimum Security Requirements**

**[7 CFR 764.205] A Downpayment loan must:**

**(a) Be secured in accordance with §§ 764.103 through 764.106 (paragraphs 91 through 93);**

**(b) Be secured by a lien on the property being acquired with the loan funds and junior only to the party financing the balance of the purchase price.**

FSA:

- requires adequate security on a downpayment loan as it does for an FO
- does not require additional security
- does not require a lien on nonessential assets.

See Part 5 for detailed information on security requirements.

**155-170 (Reserved)**

**201 Uses (Continued)****K Refinancing Farm Related Debts (Continued)**

A direct OL may be made to refinance a guaranteed OL when the following conditions are met.

- The circumstances resulting in the need to refinance were beyond the applicant's control.
- Refinancing is in the best interest of the Government and the applicant.
- The guaranteed OL must be paid in full at the time the direct OL is closed.

**L Minor Real Estate Repairs or Improvements**

OL funds may only be used for:

**[7 CFR 764.251(a)(11)] Costs for minor real estate repairs or improvements, provided the loan can be repaid within 7 years.**

OL funds may be used for limited real estate improvements, provided the loan can be repaid within 7 years, according to the following guidelines.

- Repairs and improvements to existing structures that are treated as expenses, rather than capital improvements, shall be considered an annual operating expense.
- Fixtures to a farm building may be considered farm equipment and thus financed with OL funds.
- Loans may be approved for building construction.

**Note:** Construction or improvements amortized over periods longer than 7 years are assumed to be real estate rather than operating purposes and will not be financed with OL funds.

**Example:** An \$8,000 loan for a pole barn to be repaid over 7 years could be authorized. However, a \$100,000 building financed with a 21-year amortization and a 7-year balloon payment is not permitted. The 21-year amortization period indicates this loan is for real estate rather than operating purposes.

- Any purchase of real estate is not authorized.

**\*--M ML Fund Usage**

**[7 CFR 764.251(b)] ML funds may be used for any OL purpose.--\***

**202 Eligibility****A General**

The applicant:

**[7 CFR 764.252(a)] Must comply with the general eligibility requirements established at § 764.101 (paragraphs 62 through 72).**

See subparagraphs B through G for OL program specific eligibility. If different from the general eligibility according to paragraphs 62 through 72, the information in this paragraph is to be substituted for those portions.

**B Prior FSA Losses**

The applicant:

**[7 CFR 764.252(b)] And anyone who will sign the promissory note, except as provided in paragraph (c) of this section, must not have received debt forgiveness from the Agency on any direct or guaranteed loan.**

**[7 CFR 764.252(c)] And anyone who will sign the promissory note may receive direct OL loans to pay annual farm operating and family living expenses, provided that the applicant meets all other eligibility requirements under this part, if the applicant:**

- (1) Received a writedown under section 353 of the Act;**
- (2) Is current on payments under a confirmed reorganization plan under Chapter 11, 12, or 13 of Title 11 of the United States Code; or**
- (3) Received debt forgiveness on not more than one occasion after April 4, 1996, resulting directly and primarily from a Presidentially-designated emergency for the county or contiguous county in which the applicant operates. Only applicants who were current on all existing direct and guaranteed FLP loans prior to the beginning date of the incidence period of a Presidentially-designated emergency and received debt forgiveness on that debt within three years after the designation of such emergency meet this exception.**

**\*--Note:** The 2014 Farm Bill added debt forgiveness on a youth loan, if determined to be beyond the applicant's control, will not exclude the applicant from obtaining direct or guaranteed assistance. This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.--\*



## 202 Eligibility (Continued)

**D OL Term Limits (Continued)**

**[7 CFR 764.252(e)(1)] This limitation does not apply if the applicant and anyone who \*--will sign the promissory note is a beginning farmer or veteran farmer or rancher.**

**Note:** The 2014 Farm Bill expanded the exclusion from term limits to include ML's to beginning and veteran farmers and ranchers. These ML's shall not be included in any term limit calculation. This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.

See Exhibit 2 for the definition of a beginning farmer or veteran farmer or rancher.--\*

The maximum number of years a beginning farmer may receive OL assistance is 10 years.

**Example 1:** If a beginning farmer receives a direct OL in their 1st year of farming, this applicant has 9 additional years in which they may receive direct OL assistance as a beginning farmer applicant. This applicant is not eligible for the 2-year waiver or any future direct OL assistance if loans were received in all 10 years as a beginning farmer.

**Example 2:** If a beginning farmer receives a direct OL in their 5<sup>th</sup> year of farming, this applicant has 5 additional years in which they may receive direct OL assistance as a beginning farmer applicant, but only 1 year remaining as a nonbeginning farmer applicant. This applicant may be considered to receive the 2-year waiver to extend eligibility as a nonbeginning farmer.

**E Indian Tribe Jurisdiction**

**[7 CFR 764.252(e)(2)] This limitation does not apply if the applicant's land is subject to the jurisdiction of an Indian tribe, the loan is secured by one or more security instruments subject to the jurisdiction of an Indian tribe, and commercial credit is generally not available to such farm operations.**

On an annual basis the authorized agency official should contact lenders in the area to determine if commercial credit would be available on land subject to the jurisdiction of an Indian tribe. Results of these contacts will be documented in the Service Center operational files.

The authorized agency official will verify with BIA if the land or security instrument is subject to the jurisdiction of an Indian tribe.

**202 Eligibility (Continued)****F OL Transition Rule**

**[7 CFR 764.252(e)(3)] If the applicant and anyone who will sign the promissory note, has closed direct OL loans in four or more previous calendar years as of April 4, 1996, the applicant is eligible to close direct OL loans in any three additional years after that date.**

The 3 additional years will begin with the 1<sup>st</sup> loan closed after April 4, 1996. The 3 additional years of eligibility are independent of each other and do not have to be consecutive.

If the applicant or any cosigner had closed direct OL's in fewer than 4 calendar years before April 4, 1996, the 7-year eligibility requirement applies.

**G Waivers**

The applicant:

- does not need to request the waiver
- will be considered automatically for the 2-calendar year waiver.

**[7 CFR 764.252(e)(4)] On a case-by-case basis, the applicant may be granted a one-time waiver of OL term limits for a period of 2 years, not subject to administrative appeal, if the applicant:**

**(i) Has a financially viable operation;** see Exhibit 2 for the definition of a financially viable operation

**(ii) And in the case of an entity, the members holding the majority interest, applied for commercial credit from at least two lenders and were unable to obtain a commercial loan, including an Agency-guaranteed loan; and**

**(iii) Has successfully completed, or will complete within one year, borrower training. Previous waivers to the borrower training requirements are not applicable under this paragraph.**

## 204 Rates, Terms, and Repayment

### A Rates

**[7 CFR 764.254(a)(1)] The interest rate is the Agency's Direct Operating Loan rate, available in each Agency office.**

See 1-FLP, Exhibit 17 for interest rates.

**[7 CFR 764.254(a)(2)] The limited resource Operating Loan interest rate is available to applicants who are unable to develop a feasible plan at regular interest rates.**

See subparagraph 351 C for more information on limited resource loans when the farm operating plan shows that installments at the higher rate, along with other debts, cannot be paid during the period of the plan.

**Note:** When the regular OL interest rate is equal to or less than the limited resource rate, the limited resource rate will not be used.

**[7 CFR 764.254(a)(3)] The interest rate charged will be the lower rate in effect at the time of loan approval or loan closing.**

**\*--Note:** The 2014 Farm Bill included a special interest rate for beginning and veteran farmer who receive ML's. This special interest rate is half the rate on 5-year treasuries plus 1 percent, but never less than 5 percent. Currently, there is no advantage over the regular rate that applicants are allowed to choose. This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.--\*

### B Annual OL Term

**[7 CFR 764.254(b)(1)] The Agency schedules repayment of annual OL loans made for family living and farm operating expenses when planned income is projected to be available.**

**(i) The term of the loan may not exceed 18 months from the date of the note.**

**(ii) The term of the loan may exceed 18 months in unusual situations such as establishing a new enterprise, developing a farm, purchasing feed while crops are being established, marketing plans, or recovery from a disaster or economic reverse. In no event will the term of the loan exceed 7 years from the date of the note. Crops and livestock produced for sale will not be considered adequate security for such loans.**

The applicant repays an annual OL when income becomes available. The repayment period will normally be within 12 months, or no more than 18 months after the date of loan closing, if necessary, when marketing plans extend beyond 12 months; for example, when crops or livestock take longer than 12 months to mature. The authorized agency official, by using FSA-2027, may approve a supplemental payment agreement for applicants who receive substantial income from which payments are to be made before their installment due date.

## 204 Rates, Terms, and Repayment (Continued)

**C Other OL Terms**

**[7 CFR 764.254(b)(2)] The Agency schedules the repayment of all other OL loans based on the applicant's ability to repay and the useful life of the security. In no event will the term of the loan exceed 7 years from the date of the note. Repayment schedules may include equal, unequal, or balloon installments if needed to establish a new enterprise, develop a farm, or recover from a disaster or economic reversal. Loans with balloon installments:**

**(i) Must have adequate security, at the time the balloon installment comes due. Crops, livestock other than breeding stock, or livestock products produced are not adequate collateral for such loans.**

**(ii) Are only authorized when the applicant can project the ability to refinance the remaining debt at the time the balloon payment comes due based on the expected financial condition of the operation, the depreciated value of the collateral, and the principal balance on the loan.**

When the applicant's projected repayment ability will not allow normal repayment within 7 years, a 7-year loan with a 21-year balloon amortized installment schedule may be offered.

There must be adequate collateral for the loan at the time the balloon payment is due. Circumstances that warrant balloon installments include establishing a new enterprise, developing a farm, purchasing feed while feed crops are being established or during recovery from a disaster, or economic reverses. In no case will annual crops be used as the sole collateral securing balloon installment. A loan with a balloon installment must be adequately secured by basic security, which may include foundation stock, farm equipment, and/or real estate. The amount of the balloon installment should not exceed that amount which the applicant could reasonably expect to pay during a maximum additional 15-year period.

**Note:** The 21-year balloon amortized installment factor represents the minimum amount the payments would be based upon restructuring the remaining balloon payment over the maximum 15-year period.

**(iii) Are not authorized when loan funds are used for real estate repairs or improvements.**

**\*--Section 2 Microloans and Streamlined OL's**

**216 ML Process**

**A Overview**

\*--Applicants meeting the requirements established in subparagraph 43 B may apply for--\*  
ML's.

**B Requirements**

**[7 CFR 764.51(c)] For ML request, all of the following criteria must be met:**

**[7 CFR 764.51(c)(1)] The loan request is:**

**[7 CFR 764.51(c)(1)(i)] To pay annual or term operating expenses,**

**[7 CFR 764.51(c)(1)(ii)] \$35,000 or less and the applicant's total outstanding Agency OL debt at the time of loan closing will be \$35,000 or less.**

**\*--Note:** For ML purposes, FSA has determined that an operation with gross sales of agricultural products of at least \$1,000 annually will be recognized as a farm.--\*

## 217 Streamlined OL Process

**A Requirements**

\* \* \* For a streamlined OL request:

- the applicant must be current on all payments to all creditors including FSA
- the loan requested is to pay annual operation expenses
- the applicant received and repaid 1 annual OL loan or has sufficient inventory to pay the loan in-full
- there have been no significant changes to the operation since the prior year's application

**Note:** If the operation consist of the same type of commodities and/or livestock and will not require additional labor or equipment resources, the change will not be considered significant. However, if the operation changes or adds commodities or practices, or makes a change that requires additional labor or equipment resources, the change will be considered significant. Whenever there are significant changes to the operation, a streamlined application is not appropriate.

- the updated cash flow for the new loan is positive for repayment to FSA and all creditors
- the loan amount for the new loan may be increased as long as it is supported by the cash flow and the applicant continue to meet the streamlined OL requirements
- \*--the applicant must not have received primary loan servicing in the previous year--\*
- all other requirements remain the same as any standard OL.

**Notes:** If there have been no significant changes, the previous FBP will be copied and brought forward as the streamlined OL plan. The FBP date will be changed to reflect \*--it is the streamlined OL plan. The authorized agency official must input a new credit presentation that documents OL is being processed as a streamlined application--\* request. All pertinent information on the previous credit presentation may be copied and brought forward. All other documents will be updated or prepared, as necessary, and required by streamlined application procedures.

See subparagraph 43 A for what constitutes a complete streamlined OL application.

218-225 (Reserved)

227 Uses and Limitations (Continued)

**C Maximum Loan Limit**

**[7 CFR 764.303(b)] The total principal balance owed by the applicant to the Agency on all Youth loans at any one time cannot exceed \$5,000.**

The authorized agency official should not loan more than is necessary to successfully carry out the project or more than the projections show can be repaid.

## 228 Eligibility

**A General**

**[7 CFR 764.302] The applicant:**

**(a) Must comply with the general eligibility requirements established at §764.101(a) through (g) (paragraphs 62 through 72);**

See subparagraphs B through F for OL Youth Loan program specific information. If different from the general eligibility in paragraphs 62 through 72, the information in this paragraph to be substituted for those portions.

A youth loan applicant:

- does not need to demonstrate managerial ability
- is not subject to borrower training requirements
- does not need to operate a farm
- is not limited in the number of years in which loans may be closed.

**B Debt Forgiveness**

The applicant:

**[7 CFR 764.302(b)] And anyone who will sign the promissory note, must not have received debt forgiveness from the Agency on any direct or guaranteed loan.**

**C Age**

The applicant:

**[7 CFR 764.302(c)] Must be at least 10 but not yet 21 years of age at the time the loan is closed.**

**D Population**

The applicant:

**[7 CFR 764.302(d)] Must reside in a rural area, city, or town with a population of 50,000 or fewer people;**

**\*--Note:** The 2014 Farm Bill removes the population requirement for youth loan eligibility. Therefore, this section is no longer applicable and will be removed when CFR is amended.--\*



**Part 18 Borrower Training**

**Section 1 Borrower Training Requirements**

**471 Overview**

**A Scope**

\*--FSA requires initial direct loan applicants to complete training in production, financial--\* management, or both unless FSA waives the training requirement.

**Note:** Streamlined CL's will initially have borrower training requirements waived. The waiver remains in effect as long as the loan is performing as planned.

**B Purpose**

**[7 CFR 764.451] The purpose of production and financial management training is to help an applicant develop and improve skills necessary to:**

**(a) Successfully operate a farm;**

**(b) Build equity in the operation; and**

**(c) Become financially successful and prepared to graduate from Agency financing to commercial sources of credit.** CL's are exempt from graduation requirements, but are subject to training requirements.

**472 Assessing an Individual's Need for Training****A Individuals Required to Complete Training**

**[7 CFR 764.452(a)] The applicant must agree to complete production and financial management training, unless the Agency provides a waiver in accordance with § 764.453 (subparagraph B), or the applicant has previously satisfied the training requirements. In the case of an entity:**

**(1) Any individual member holding a majority interest in the entity or who is operating the farm must complete training on behalf of the entity, except as provided in paragraph (a)(2) of this section;**

**(2) If one entity member is solely responsible for production or financial management, then only that member will be required to complete training.**

**[7 CFR 764.452(d)] An applicant who applies for a loan to finance a new enterprise, such as a new crop or a new type of livestock, must agree to complete production training with regard to that enterprise, even if production training requirements were waived or satisfied under a previous loan request, unless the Agency provides a waiver in accordance with § 764.453 (subparagraph B).**

**\*--Note:** Applicants who have previously satisfied training requirements will have their need for additional training assessed by using FSA-2370 on each new loan application.

FSA-2370's title has been changed to reflect usage.--\*

## 472 Assessing an Individual's Need for Training (Continued)

**B Determining Whether to Waive Training Requirements**

**[7 CFR 764.453(a)] The applicant must request the waiver in writing.**

\*--Use one FSA-2370 to request a waiver for all loans in an initial loan package. Approving official will make a determination on training requirements for each loan in the package.--\*

**[7 CFR 764.453(b)] The Agency will grant a waiver for training in production, financial management, or both, under the following conditions:**

**(1) The applicant submits evidence of successful completion of a course similar to a course approved under section § 764.457 (paragraph 492) and the Agency determines that additional training is not needed; or**

**(2) The applicant submits evidence, which demonstrates to the Agency's satisfaction the applicant's experience and training necessary for a successful and efficient operation.**

After the applicant has been determined eligible, and before loan closing, the authorized agency official will determine whether to waive training.

If an applicant is applying for additional FSA assistance or benefits, such as a subsequent loan, the authorized agency official must reassess whether to waive a borrower's training \*--requirements even if FSA waived training for the applicant's initial loan. Borrower training is determined on a per loan basis.--\*

The authorized agency official will:

- determine whether to waive financial management training based on the applicant's:
  - FSA-2002 and FSA-2302
  - practical experience
  - demonstrated ability to keep records
  - education and training
- consider the complexity of the applicant's operation and amount of loan requested
- determine whether to waive the production training requirement based on a review of FSA-2003 and FSA-2302.

If the applicant does not have a 3-year production history, the authorized agency official will consider any similar practical experience the applicant might have.

## 472 Assessing an Individual's Need for Training (Continued)

**B Determining Whether to Waive Training Requirements (Continued)**

**[7 CFR 764.453(c)] If the production and financial functions of the operation are shared among individual entity members, the Agency will consider the collective knowledge and skills of the individuals when determining whether to waive training requirements.**

**[7 CFR 764.452(f)] The Agency cannot reject a request for a direct loan based solely on an applicant's need for training.**

However, as described in paragraph 69, an applicant must demonstrate managerial ability through education, training, or experience to be eligible to receive a direct loan.

**C Notifying Applicant of the Training Decision**

**[7 CFR 764.452(g)] The Agency will provide written notification of required training or waiver of training.**

\*--In the FSA-2313, "Requirements and Comments" section, indicate whether training is waived or required for each loan approved. If training is required, include the names of approved vendors in the "Requirements and Comments" section.

A decision to not waive borrower training requirements is a nonappealable adverse determination; however, the applicant does have review rights. Include the rights for review language in 1-APP, subparagraph 15 B for these determinations.--\*

**[7 CFR 764.452(e)] Even if a waiver is granted, the borrower must complete borrower training as a condition for future loans if and when Agency supervision provided in 7 CFR 761 subpart C (1-FLP, Part 8) reflects that such training is needed.**

**D Production Training Requirements**

**[7 CFR 764.452(b)] When the Agency determines that production training is required, the applicant must agree to complete course work covering production management in each crop or livestock enterprise the Agency determines necessary.**

FSA will require an applicant to complete production management training only in crop or livestock enterprises that are relevant to the applicant's operation.

Items to be included in the training are those production management requirements found in subparagraph 492 C.

474 Training Progress

**A Monitoring Training Progress**

During farm visits and analysis, FSA will monitor applicant progress in understanding and applying the knowledge to be gained from the training. FSA will contact the applicant to follow up on unsatisfactory training progress reports from the training vendor.

The applicant must include the training requirements in FBP as planned improvements.

**B Requests for Additional FSA Assistance**

An applicant that has been required to meet training requirements is eligible for additional FLP assistance or benefits, such as a subsequent loan, according to the following.

<b>IF the applicant...</b>	<b>AND...</b>	<b>THEN, to be eligible for assistance, the applicant...</b>
requests assistance within the 2-year period allowed to complete the borrower training requirement		must be enrolled in and attending an approved training course or be able to complete an approved training course within the 2-year period.
agrees to complete training and has enrolled in approved classes or makes an honest effort to enroll	the applicant was unable to actually attend training because of cancellation, postponement, or other unforeseen circumstances	has met the “enrolled in and attending” rule. However, the applicant must still complete the required training as soon as possible.
is unable to complete the required training courses within the 2-year period because of circumstances beyond the applicant’s control		must receive an approved extension of the time period to complete training.
requests assistance after the 2-year period has expired	FSA has not granted the applicant an extension	must have successfully completed an approved training course.
*--pays off a loan that required training courses be completed	loan pay-off is within the 2-year period allowed to complete the borrower training requirement	no longer needs to complete the training course that was required for the paid-off loan.
pays off a loan that required training courses be completed	loan pay-off is after the 2-year period allowed to complete the borrower training requirement	must have successfully completed an approved training course.
is granted a 1-time waiver of OL term limits for a period of 2 years and is required to complete borrower training within 1 year	does not complete the training within 1 year required completion period	will not be eligible for a loan the second year.--*

474 Training Progress

**C Failure to Complete Training in Specific Time Period**

**[7 CFR 764.454(a)(4)] An applicant who does not complete the required training within the specified time-period will be ineligible for additional direct FLP loans until the training is completed.**

**\*--Note:** Borrower training determinations are made for each loan; each training requirement will have a deadline. The requirement for an applicant to complete borrower training as a condition of receiving a previous loan expires when that loan has been paid-in-full before the deadline that the training was to be completed.

<b>IF...</b>	<b>THEN the...</b>
a new loan is approved in the future and it is determined that the applicant still needs training	borrower training can be made a requirement for the new loan.
the loan is repaid after the training deadline passes and borrower did not complete training	the applicant will be ineligible for future loans until the training is completed.

Training requirement for loans approved with the OL term limit waived will apply regardless of the date these loans are paid off.

**Note:** Applicants required to take training as a result of a 2-year OL term limit waiver must complete the required training within 1 year according to subparagraph 202 G.--\*

475-490 (Reserved)

**Section 2 Vendor Requirements**

**491 Vendor Applications**

**A Identifying Potential Training Vendors**

**[7 CFR 764.455] The Agency will contract for training services with State or private providers of production and financial management training services.**

\*--State Offices are encouraged to work with the Beginning Farmer Programs operating in their States.--\*

These services may include correspondence or Web courses.

\* \* \* A vendor may be approved in more than 1 State. \* \* \*

**B Submitting Vendor's Applications**

**[7 CFR 764.456(a)] A vendor for borrower training services must apply to the Agency for approval.**

\* \* \*

\*--FSA will contract vendors to provide services to specified State or States. A vendor may be approved for more than 1 State by submitting a complete Borrower Training vendor application to their primary State along with a list of additional States for which they would like to be considered. Additional guidance for approving vendors for multiple States is provided in subparagraph 493 A.--\*

**491 Vendor Applications (Continued)****C Vendor Application Requirements**

**[7 CFR 764.456(b)] The vendor application must include:**

- (1) A sample of the course materials and a description of the vendor's training methods;**
- (2) Specific training objectives for each section of the course;**
- (3) A detailed course agenda specifying the topics to be covered, the time devoted to each topic, and the number of sessions to be attended;**
- (4) A list of instructors and their qualifications;**
- (5) The criteria by which additional instructors will be selected;**
- (6) The proposed locations where training will take place;**
- (7) The cost per participant, including cost for additional members of a farm operation;**
- (8) The minimum and maximum class size;**
- (9) The vendor's experience in developing and administering training to farmers;**
- (10) The monitoring and quality control methods the vendor will use;**
- (11) The policy on allowing Agency employees to attend the course for monitoring purposes;**
- (12) A plan of how the needs of applicants with physical, mental or learning disabilities will be met; and**
- (13) A plan of how the needs of applicants who do not speak English as their primary language will be met.**



**493 Vendor Approval****\*--A Approving Vendors for a Single State**

After reviewing a vendor application, SED may approve the vendor. However, SED must submit a recommended vendor application to DAFLP for concurrence before final approval when the vendor is not an accredited college, including community college or university.

**B Approving Vendors for Multiple States**

Vendor shall submit a complete application to the State Office that is considered their primary base of operation. The application shall include, in addition to all required information, a list of additional States for which the vendor wants to be an approved vendor.

SED's may approve vendors for their respective State, if the vendor is an accredited college, including community college or university. However, in cases where the vendor is not an accredited college or university, SED of the State considered the primary base of operations for the vendor must submit the vendor application, along with their recommendation, to DAFLP for concurrence before final approval.

In all cases where the vendor applicant is requesting approval for multiple States, the State Office shall submit a complete copy of the vendor's application to DAFLP. For vendor applicants receiving DAFLP approval, DAFLP will then send a complete copy of the application, to any additional States requested by the applicant, with a recommendation for approval. SED's shall add that vendor to their approved vendor list, unless they provide DAFLP with a reason why they should not be added to their State list, and DAFLP concurs. Each SED will prepare the required vendor approval for their State and maintain the file as outlined in subparagraph 494 C.--\*

**B Cases of Delayed Instructor Selection**

If the vendor has not selected all of the instructors at the time FSA intends to approve the vendor, the vendor may be approved with the condition that the instructors must meet the criteria of subparagraph 492 D.

**C Agreement to Conduct Training**

**[7 CFR 764.458(a)(1)] Upon approval, the vendor must sign an agreement to conduct training for the Agency's borrowers.**

**[7 CFR 764.458(a)(2) The agreement to conduct training is valid for 3 years.**

**[7 CFR 764.458(a)(3)] Any changes in curriculum, instructor, or cost require prior approval by the Agency.**

**[7 CFR 764.458(a)(4)] The vendor may revoke the agreement by giving the Agency a written 30-calendar-day notice.**

**493 Vendor Approval (Continued)****C Agreement to Conduct Training (Continued)**

**[7 CFR 764.458(a)(5)] The Agency may revoke the agreement if the vendor does not comply with the responsibilities listed in the agreement by giving the vendor a written 30-calendar-day notice.**

The vendor and SED must sign FSA-2375.

**D Renewing an Agreement to Conduct Training**

**[7 CFR 764.458(b)(1)] To renew the agreement to conduct training, the vendor must submit in writing to the Agency:**

- (i) A request to renew the agreement,**
- (ii) Any changes in curricula, instructor, or cost; and**
- (iii) Documentation that the vendor is providing effective training.**

Documentation may include:

- course evaluations
- test scores
- statistics on the improvement of applicants who have completed the course.

**[7 CFR 764.458(b)(2)] The Agency will review renewal requests in accordance with § 764.457 (paragraph 492).**

**\*--Vendors submit renewal requests to SED of the primary State where the vendor is approved. For multi-State requests, SED will forward the renewal request to DAFLP for review and distribution to the listed States.--\***

**E Updating Vendor Lists**

SED shall update the approved vendor list annually. The list shall include:

- approved State vendors
- contact person for each vendor
- terms of the vendor agreements
- subject matter in which vendor is approved to conduct training.

State and County Offices must make this list available to applicants, such as by posting it in the office or including a list of recently added vendors in the newsletter.

**\*--A copy of the approved vendor list must be e-mailed to DAFLP, LMD Director as identified in 1-FLP.--\***

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2301	Request for Youth Loan		41, 42, 44, 45, 62, 226
FSA-2302	Description of Farm Training and Experience		42, 472
FSA-2303	Notice of Farm Loan Programs Application Received		45
FSA-2304	Notice of Incomplete Application		41, 42, 45
FSA-2305	Second Notice of Incomplete Application		45
FSA-2306	Notice of Application Withdrawal/Pending Withdrawal		45
FSA-2307	Notice of Complete Application		45
FSA-2308	Notice of Eligibility for FSA Assistance		73
FSA-2309	Certification of Disaster Losses		42, 244
FSA-2310	Request for Lender's Verification of Loan Application		42, 242
FSA-2311	Calculation of Actual Losses Worksheet		244
FSA-2313	Notification of Loan Approval and Borrower Responsibilities		69, 91, 352, 472
FSA-2314	Streamlined Request for Direct OL Assistance		41-43, 62, 66, 68
FSA-2317	Consent and Subordination Agreement		92
FSA-2318	Agreement for the Disposition of Jointly Owned Property		416, 418
FSA-2319	Agreement with Prior Lien Holder		92
FSA-2320	Property Insurance Mortgage Clause (Without Contribution)		114, Ex. 4
FSA-2330	Request for Microloan Assistance		41-43, 62, 66, 68
FSA-2340	Selection of Attorney/Title Agent		372
FSA-2341	Certification of Attorney		372, 397, 451
FSA-2342	Certification of Title Agent		372, 397, 451
FSA-2343	Transmittal of Title Information		397
FSA-2344	Preliminary Title Opinion		397
FSA-2350	Loan Closing Instructions		398
FSA-2351	Certification of Improvement of Property		398
FSA-2352	Final Title Opinion		398, 433
FSA-2360	Report of Lien Search		417
FSA-2361	Lender Subordination Agreement		417
FSA-2370	Request for Waiver of Borrower Training Requirements / Borrower Training Assessment		70, 472
FSA-2371	Agreement to Complete Training		473

## Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2375	Agreement to Conduct Production or Financial Management Training		493, 494
FSA-2376	Borrower Training Course Evaluation		494
FSA-2510	Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due		3
FSA-2512	Notice of Availability of Loan Servicing to Borrowers Who Are Current, Financially Distressed, or Less than 90 Days past Due		3
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who are in Non-Monetary Default		3
FSA-2535	Conservation Contract		3
G-845	Document Verification Request		Ex. 8
HUD 1	Uniform Settlement Statement		398
I-94	Arrival/Departure Record		Ex. 8
I-179	Certificate of Birth Abroad		Ex. 9
I-197	United States Citizen Identification Card		Ex. 9
I-551	Alien Registration Receipt Card		64, Ex. 8
I-571	Refugee Travel Document		Ex. 8
I-688B	Employment Authorization Card		Ex. 8
I-766	Employment Authorization Document		Ex. 8
N-550	Certificate of Naturalization		Ex. 9
N-560	Certificate of U.S. Citizenship		Ex. 9
N-561	Certificate of U.S. Citizenship		Ex. 9
N-570	Certificate of Naturalization		Ex. 9
NRCS CPA-1155	Conservation Plan/Schedule of Operations		42, 43, 171, Ex. 2
NRCS CPA-1202	Conservation Program Contract		173
RD 1940-22	Environmental Checklist for Categorical Exclusions		45
Schedule F (Form 1040)	Profit or Loss from Farming		246
SF-3881	ACH Vendor/Miscellaneous Payment Enrollment Form		73
UCC-1	National Financing Statement		92, 93, 373, 398, 417, 419, 433

## Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

**Beginning Farmer**

Beginning farmer means **an individual or entity who:**

- (1) Meets the loan eligibility requirements for a direct or guaranteed OL or FO loan, as applicable;**
- (2) Has not operated a farm for more than 10 years. This requirement applies to all members of an entity;**
- (3) Will materially and substantially participate in the operation of the farm:**
  - (i) In the case of a loan made to an individual, individually or with the family members, material and substantial participation requires that the individual provide substantial day-to-day labor and management of the farm, consistent with the practices in the county or State where the farm is located.**
  - (ii) In the case of a loan made to an entity, all members must materially and substantially participate in the operation of the farm. Material and substantial participation requires that the member provide some amount of the management, or labor and management necessary for day-to-day activities, such that if the individual did not provide these inputs, operation of the farm would be seriously impaired;**
- (4) Agrees to participate in any loan assessment and borrower training required by Agency regulations;**
- (5) Except for an OL applicant, does not own real farm property or who, directly or through interests in family farm entities owns real farm property, the aggregate acreage of which does not exceed 30 percent of the median acreage of the farms in the county where the property is located. If the farm is located in more than one county, the median farm acreage of the county where the applicant's residence is located will be used in the calculation. If the applicant's residence is not located on the farm or if the applicant is an entity, the median farm acreage of the county where the major portion of the farm is located will be used. The median county farm acreage will be determined from the most recent Census of Agriculture;**
- (6) Demonstrates that the available resources of the applicant and spouse (if any) are not sufficient to enable the applicant to enter or continue farming on a viable scale; and**
- (7) In the case of an entity:**
  - (i) All the members are related by blood or marriage; and**
  - (ii) All the members are beginning farmers.**

**\*--Note:** The beginning farmer definition was modified by the 2014 Farm Bill; whereby, the word "median" size farm was replaced by "average". As this is a nondiscretionary change, offices should immediately use "average" size farm. This change will be made in the actual definition by a forthcoming CFR change.--\*

**Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)****Cash Flow Budget**

Cash flow budget means a projection listing of all anticipated cash inflows (including all farm income, nonfarm income and all loan advances) and all cash outflows (including all farm and nonfarm debt service and other expenses) to be incurred during the period of the budget. Advances and principal repayments of lines of credit may be excluded from a cash flow budget. Cash flow budgets for guaranteed loans under \$125,000 do not require income and expenses itemized by categories. A cash flow budget may be completed either for a 12-month period, a typical production cycle, or the life of the loan, as appropriate. It may also be prepared with a breakdown of cash inflows and outflows for each month of the review period and include the expected outstanding operating credit balance for the end of each month. The latter type is referred to as a “monthly cash flow budget”.

**Chattel or Real Estate Essential to the Farming Operation**

Chattel or real estate essential to the farming operation means chattel or real estate that would be necessary for the applicant to continue operating the farm after the disaster in a manner similar to the manner in which the farm was operated immediately prior to the disaster, as determined by the Agency.

**Chattel Security**

Chattel security means property that may consist of, but is not limited to: crops; livestock; aquacultural species; farm business and recreational equipment; inventory; accounts; contract rights; general intangibles; and supplies that are covered by financing statements and security agreements, chattel mortgages, and other security instruments.

**Closing Agent**

Closing agent means the attorney or title insurance company selected by the applicant and approved by the Agency to provide closing services for the proposed loan or servicing action. Unless a title insurance company provides loan closing services, the term “title company” does not include “title insurance company”.

## Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

### Debt Forgiveness

Debt forgiveness means a reduction or termination of a debt under the Act in a manner that results in a loss to the Agency, through:

- (1) Writing down or writing off a debt pursuant to 7 U.S.C. 2001;
  - (2) Compromising, adjusting, reducing, or charging off a debt or claim pursuant to 7 U.S.C. 1981; or
  - (3) Paying a loss pursuant to 7 U.S.C. 2005 on a FLP loan guaranteed by the Agency.
- Debt forgiveness does not include:

- (1) Debt reduction through a conservation contract;
- (2) Any write down provided as part of the resolution of a discrimination complaint against the Agency;
- (3) Prior debt forgiveness that has been repaid in its entirety; and
- (4) Consolidation, rescheduling, reamortization, or deferral of a loan.

\*--Note: The 2014 Farm Bill added debt forgiveness on a youth loan, that was beyond the applicant's control, to the excepted list. This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.--\*

### Debt Service Margin

Debt service margin means the difference between all of the borrower's expected expenditures in a planning period (including farm operating expenses, capital expenses, essential family living expenses, and debt payments) and the borrower's projected funds available to pay all expenses and payments.

### Direct Loan

Direct loan means a loan funded and serviced by the Agency as the lender.

### Disaster

Disaster means an event of unusual and adverse weather conditions or other natural phenomena or quarantine, that has substantially affected the production of agricultural commodities by causing physical property or production losses in a county, or similar political subdivision, that triggered the inclusion of such county or political subdivision in the disaster area declared, by the President or designated by the Secretary of Agriculture, for physical losses only, the FSA Administrator may authorize emergency loan assistance.

### Disaster Area

Disaster area means the county or counties declared or designated as a disaster area for EM loan assistance as a result of disaster related losses. This area includes counties contiguous to those counties declared or designated as disaster areas.

### Disaster Yield

Disaster yield means the per-acre yield of an agricultural commodity for the farming operation during the production period when the disaster occurred.

**Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)****Downpayment Loan**

Downpayment loan means a type of FO loan made to beginning farmers and socially disadvantaged farmers to finance a portion of a real estate purchase under Part 764, Subpart E of this chapter (Part 7, Section 2).

**EM**

EM means a loan made to eligible applicants who have incurred substantial financial losses from a disaster.

**Entity**

Entity is a corporation, partnership, joint operation, cooperative, limited liability company, or trust.

**Essential Family Living and Farm Operating Expenses**

Essential family living and farm operating expenses:

- (1) Are those that are basic, crucial, or indispensable.
- (2) Are determined by the Agency based on the following considerations:
  - (i) The specific borrower's operation;
  - (ii) What is typical for that type of operation in the area; and
  - (iii) What is an efficient method of production considering the borrower's resources.
- (3) Include, but are not limited to essential: household operating expenses; food, including lunches; clothing and personal care; health and medical expenses, including medical insurance; house repair and sanitation; school and religious expenses; transportation; hired labor; machinery repair; farm building and fence repair; interest on loans and credit or purchase agreement; rent on equipment, land, and buildings; feed for animals; seed, fertilizer, pesticides, herbicides, spray materials and other necessary farm supplies; livestock expenses, including medical supplies, artificial insemination, and veterinarian bills; machinery hire; fuel and oil; taxes; water charges; personal, property and crop insurance; auto and truck expenses; and utility payments.



**Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)****SDA Applicant or Farmer**

SDA applicant or farmer is an individual or entity who is a member of a socially disadvantaged group. For entity applicants, the majority interest must be held by socially disadvantaged individuals. For married couples, the socially disadvantaged individual must have at least 50 percent ownership in the farm business and make most of the management decisions, contribute a significant amount of labor, and generally be recognized as the operator of the farm.

**SDA Group**

SDA group is a group whose members have been subject to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of: American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women.

**Softwood Timber (ST) Loans**

ST loan means a loan that was available to eligible financially distressed borrowers who would take marginal land, including highly erodible land, out of production of agricultural commodities other than the production of softwood timber. ST loans are no longer available, however, such outstanding loans are serviced by the Agency.

**Streamlined Conservation Loan (CL)**

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

**Supervised Bank Account**

Supervised bank account means an account with a financial institution established through a deposit agreement entered into between the borrower, the Agency, and the financial institution.

**United States (U.S.)**

U.S. means any of the 50 States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, Republic of Palau, Federated States of Micronesia, and the Republic of the Marshall Islands.

## Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)

### U.S. Noncitizen National

A U.S. noncitizen national means a person born in American Samoa or Swains Island on or after the date the U.S. acquired American Samoa or Swains Island, or a person whose parents are U.S. noncitizen nationals. Typical evidence of the relatively uncommon status as a noncitizen national includes a birth certificate or passport with a document bearing a photograph of the person.

**Note:** See Exhibit 9 for further documentary requirements to meet this definition.

### Veteran

Veteran means **any person who served in the military, naval, or air service during any war as defined in section 101(12) of title 38, United States Code.**

### \*--Veteran Farmer or Rancher

Veteran farmer or rancher means a farmer or rancher who served in the Armed Forces as defined in U.S.C. Title 38, Section 101(10) means served in the U.S. Army, Navy, Marine Corps, Air Force, and Coast Guard, including the reserve components, thereof.

**Note:** This definition is being added by the 2014 Farm Bill and is effective immediately. This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.--\*

### Working Capital

Working capital means **cash available to conduct normal daily farming operations including but not limited to feed, seed, fertilizer, pesticides, farm supplies, cooperative stock, and cash rent.**

### Youth Loan

Youth loan means **an operating type loan made to an eligible rural youth applicant to finance a modest income-producing agricultural project.**

\*--**Note:** This definition is being amended to remove “rural” by the 2014 Farm Bill and is effective immediately. This change will be incorporated in a Farm Bill CFR, but is effective, as provided here, immediately.--\*

## Information Needed to Submit an FSA Direct Loan Application

**Note:** Exhibit 5 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK “FFAS Employee Forms/Publications Site” and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “3-FLP Exhibit 5”.

\*--

<b>3-FLP, Exhibit 5</b>	
(Use Agency Letterhead format with local return address.)	
[Name and Address]	
<b>INFORMATION NEEDED TO SUBMIT AN FSA DIRECT LOAN APPLICATION</b>	
Dear [Name]:	Date [MM-DD-YYYY]
Please provide the items marked with an “X” in the box so that your request for loan assistance can be considered. Any required forms are enclosed. Additional copies of forms, if needed, can be obtained at <a href="http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home">http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home</a> .	
<input type="checkbox"/> 1) FSA-2001, “Request for Direct Loan Assistance”.	
<input type="checkbox"/> 2) FSA-2301, “Request for Youth Loan”.	
<input type="checkbox"/> 3) FSA-2314, “Streamlined Request for Direct OL Assistance”.	
<input type="checkbox"/> 4) FSA-2330 “Request for Microloan Assistance.”	
<input type="checkbox"/> 5) For entity applicants only:	
<input type="checkbox"/> a. Copies of any Organizational and Operation Documents (e.g., Charter, Articles of Incorporation, Bylaws, Partnership or Joint Operation Agreement, etc.).	
<input type="checkbox"/> b. Any evidence of current registration with relevant state regulatory agencies (good standing).	
<input type="checkbox"/> c. A duly adopted resolution to apply for and obtain financing.	
<input type="checkbox"/> d. A balance sheet not more than 90 days old for the entity.	
<input type="checkbox"/> e. A balance sheet not more than 90 days old for each individual entity member.	
<b>Note:</b> If there are no individually owned assets then husband and wife joint operations may submit a consolidated balance sheet.	
<input type="checkbox"/> 6) Notification of Exercise of Priority Consideration under Consent Decree (FSA-2010), or similar written request, if you are exercising your right to priority consideration. If FSA does not receive your written notice, your application will be processed in the normal manner.	

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Information Needed to Submit an FSA Direct Loan Application (Continued)

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- 7) FSA-2002, "Three-Year Financial History", or similar form acceptable to the Agency. Also provide tax returns, including Schedule F, for the past three years, or each year you have been in business, whichever is less. You may be asked to provide supporting documentation if you provide financial summaries. If the financial history has been previously provided, complete only for those years not previously provided.

**Note:** Provide 3 years balance sheets, if available.

- 8) FSA-2003, "Three-Year Production History", or similar form acceptable to the Agency, for the past three years, or each year you have been in business, whichever is less. If production history has been previously provided, complete only for those years not previously provided.

- 9) FSA-2004, "Authorization to Release Information".

**Note:** If you are relying on non-farm income or other assets of a non-applicant spouse to generate positive cashflow or pay family living expenses he/she must execute an FSA-2004 or provide their 2 most recent earning statements.

- 10) FSA-2005, "Creditor List".

- 11) FSA-2006, "Property Owned and Leased". Attach a copy of the legal descriptions of any farm property owned, or to be acquired, and if applicable, any lease, contracts, options and other agreements with regard to the property.

- 12) FSA-2007, "Statement Required by the Privacy Act", required from anyone who will sign loan or security documents, but is not the applicant or an entity member.

- 13) Projected farm operating plan which includes a balance sheet and cash flow for the next 12 months. You may use the Farm Business Plan Worksheets: the FSA-2037, "Balance Sheet" and FSA-2038, "Income and Expenses", or similar forms acceptable to the Agency. *(Not more than 90 days old)*

- 14) Most recent account statement for credit cards, loans, and all other bank accounts. Any original documents you submit will be returned to you.

- 15) Credit Report Fee made payable to the Farm Service Agency for the type of applicant:

Individual \$ \_\_\_\_\_ Joint \$ \_\_\_\_\_ or Commercial \$ \_\_\_\_\_

- 16) FSA-2302, "Description of Farm Training and Experience," For entity applicants, provide for each individual member involved in managing or operating the farm.

- 17) FSA-2370, "Request for Waiver of Borrower Training Requirements".

- 18) Verification of any other non-farm income (i.e., social security, rental income, pension).

- 19) RD-1940-20, "Request for Environmental Information".

Page 2

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## Notice of Funding Availability

**Note:** Exhibit 24 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK “FFAS Employee Forms/Publications Site”, “Find Current Forms Using Our Form Number Search”, in “Form Number” field, ENTER “3-FLP Exhibit 24”, and CLICK “Submit”.

\*--

<b>3-FLP, Exhibit 24</b>
(Use Agency Letterhead format with local return address.)
<b>NOTICE OF FUNDING AVAILABILITY</b>
[Borrower Name/Address] [Borrower Address] [City, State, Zip Code]
<Applicant's Name>
This notice is to inform you that funds may now be available for the Farm Service Agency (FSA) to resume processing your approved loan(s). As stated on FSA-2313, “Notification of Loan Approval and Borrower Responsibilities”, dated ____, FSA may request updated financial and eligibility information.
Please contact this office to schedule an appointment, so that the processing of your approved loan may continue. If you do not contact this office within 15 business days from the date of this notice your application and loan approval will be withdrawn. No review, mediation, or appeal rights will be provided.
The U.S. Department of Agriculture (USDA) prohibits discrimination against its customers, employees, and applicants for employment on the basis of race, color, national origin, age, disability, sex, gender identity, religion, reprisal, and where applicable, political beliefs, marital status, familial or parental status, sexual orientation, or all or part of an individual’s income is derived from any public assistance program, or protected genetic information in employment or in any program or activity conducted or funded by the Department. (Not all prohibited bases will apply to all programs and/or employment activities.) Persons with disabilities, who wish to file a program complaint, write to the address below or if you require alternative means of communication for program information (e.g., Braille, large print, audiotape, etc.) please contact USDA’s TARGET Center at (202) 720-2600 (voice and TDD). Individuals who are deaf, hard of hearing, or have speech disabilities and wish to file either an EEO or program complaint, please contact USDA through the Federal Relay Service at (800) 877-8339 or (800) 845-6136 (in Spanish).
If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form, found online at <a href="http://www.ascr.usda.gov/complaint_filing_cust.html">http://www.ascr.usda.gov/complaint_filing_cust.html</a> , or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter by mail to U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at <a href="mailto:program.intake@usda.gov">program.intake@usda.gov</a> . USDA is an equal opportunity provider and employer.
For more information or if you have any questions, please contact [this office or the specific office name]at [County Office Address] or telephone [phone number].
Sincerely,

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