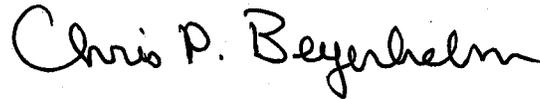


**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

<b>Direct Loanmaking 3-FLP (Revision 2)</b>	<b>Amendment 13</b>
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**Approved by:** Deputy Administrator, Farm Loan Programs



**Amendment Transmittal**

**A Reasons for Amendment**

Paragraphs 2 and 3 have been amended to clarify requirements for State supplements.

Subparagraph 354 B has been amended to clarify FSA-2425 filing instructions.

Paragraph 493 has been amended to update subparagraph references.

Exhibit 5 has been amended to update FSA-2370 title.

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
1, 2	1-3 through 1-6 1-7 1-8 (add) 15-9, 15-10 18-43, 18-44	5, pages 1, 2 page 3



## Table of Contents

Page No.

### Part 1 Introduction and Purpose

1	Purpose and Sources of Authority .....	1-1
2	Related References.....	1-2
3	FLP Forms.....	1-4
4	Introduction to Direct FLP's .....	1-8
5-20	(Reserved)	

### Part 2 (Reserved)

21-40 (Reserved)

### Part 3 Loan Application

41	Obtaining and Filing a Loan Application.....	3-1
42	Complete Loan Applications .....	3-5
43	Streamlined OL, ML, and Streamlined CL Requests .....	3-11
44	Youth Loan Requests .....	3-13
45	Processing Loan Applications.....	3-14
46-60	(Reserved)	

### Part 4 General Eligibility and Loan Limitations

#### Section 1 Eligibility Requirements

61	Overview .....	4-1
62	Controlled Substances.....	4-2
63	Legal Capacity .....	4-3
64	Citizenship .....	4-4
65	Credit History.....	4-5
66	Credit Elsewhere .....	4-9
67	Delinquent Federal Debt and Unpaid Federal Judgments.....	4-10
68	Federal Crop Insurance Violations.....	4-11
69	Managerial Ability .....	4-11
70	Borrower Training.....	4-14
71	Owner/Operator of a Family Farm.....	4-14
72	Entity Composition .....	4-16
73	Final Eligibility Determination .....	4-18
74	Limitations .....	4-20
75-90	(Reserved)	

**Table of Contents (Continued)**

**Page No.**

**Part 5      Loan Security**

91	Security Requirements .....	5-1
92	Real Estate Security .....	5-4
93	Other Security Requirements .....	5-10
94	Exceptions to Security Requirements .....	5-11
95	Appraisals and Values.....	5-14
96-110 (Reserved)		

**Part 6      Insurance**

111	Overview .....	6-1
112	Type of Insurance Required .....	6-2
113	Documentation .....	6-4
114	Indemnity .....	6-6
115-130 (Reserved)		

**Part 7      Farm Ownership Loan (FO) Programs**

**Section 1      FO's**

131	Uses .....	7-1
132	Eligibility .....	7-4
133	Limitations .....	7-7
134	Joint Financing Arrangements .....	7-9
135	Rates, Terms, Payments, and Security .....	7-10
136	Subsequent Loans .....	7-12
137	Program Outreach .....	7-13
138-150 (Reserved)		

**Section 2      Downpayment Program**

151	Uses .....	7-41
152	Eligibility .....	7-42
153	Limitations .....	7-43
154	Rates, Terms, and Security .....	7-44
155-170 (Reserved)		

## 2 Related References (Continued)

### C State Supplements

See Exhibit 4 for State supplements required by this handbook. SED's are authorized to issue State supplements to this handbook in addition to State supplements listed in Exhibit 4.

**Note:** Additional State supplements may:

- **not** be issued to simply state verbatim, policies already established in the national handbook
- be issued:
  - when the national handbook does not provide complete guidance
  - to provide additional guidance for employees with limited experience
  - when State law requirements are not specifically addressed in the national handbook.

SED's shall:

- issue required supplements, and any additional supplements, according to 1-AS, paragraph 231
- obtain approval of State supplements according to 1-AS, paragraph 220
- ~~submit for prior approval, State supplements that require using State-modified national forms and State-created forms~~

**Exception:** State-specific FSA-2029's do not require issuing a State supplement.

- follow guidance in subparagraph 3 H for clearing State-modified national forms and State-created forms. ~~submit for prior approval~~

3 FLP Forms

A Form References

\*--Except as provided in this paragraph, this handbook references forms according to the forms numbering system that became effective December 31, 2007. Forms executed before December 31, 2007, may have a number different from than referenced. See 1-FLP,--\* Exhibit 5 for a comparison of form numbers before and after December 31, 2007.

**Note:** See Exhibit 1 for titles of forms referenced in this handbook.

With the exception of FSA-2510, FSA-2512, and FSA-2514, form numbers are not referenced in CFR (**bold**) text. CFR refers to forms by either:

- the common name of the form

**Example:** CFR may state, “a promissory note”, instead of stating, “FSA-2026”.

- purpose or the information collected.

**Example:** CFR may state, “a conservation contract”, instead of stating, “FSA-2535”.

This handbook may reference forms by title and/or form number, as follows.

Form Number	Form Title
FSA-2026	Promissory Note
FSA-2543	Shared Appreciation Agreement

B FSA-2029

All references to FSA-2029 within this handbook are intended as a reference to the applicable State-specific Mortgage or Deed of Trust. State-specific Mortgages or Deeds of Trust are available on the FFAS Employee Forms/Publications Online Website at \*--<http://intranet.fsa.usda.gov/dam/ffasforms/forms.html> and are numbered--\* FSA 2029 “ST”.

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

SED is not required to issue a State supplement for the State-specific version of FSA-2029.

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

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

#### E State-Modified National Forms

State and County Offices shall use national forms unless their use is prohibited by State law. If prohibited by State law, the State Office may modify the national form. Follow guidance in subparagraph H for obtaining clearance for State-modified national forms.

**Note:** State-modified national forms based on national forms will be made available on the FFAS Employee Forms/Publications Online Website at <http://intranet.fsa.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-created forms imposing information collections on 10 or more--\* persons per year, State Offices shall work with the National Office to obtain OMB approval.

\*--State-created forms will be made available on the FFAS Employee Forms/Publications Online Website at <http://intranet.fsa.usda.gov/dam/ffasforms/forms.html>--\*

\* \* \*

**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.

3 FLP Forms (Continued)

\*--H Clearance of State-Modified National Forms and State-Created Forms

The following provides guidance on obtaining approval of State-modified and State-created forms.

Instrument	State Office Action	National Office Action
New State-modified and State-created forms.	<p>In SDMS, submit the following for prior approval:</p> <ul style="list-style-type: none"> <li>• State supplement that requires using the form</li> </ul> <p><b>Note:</b> Submit separately all the State supplements for forms in the 2000 series.</p> <ul style="list-style-type: none"> <li>• electronic or scanned copy of National or State-created form, providing modifications needed</li> <li>• revised instructions for completion for National form, if applicable; or instructions for completion for State-created form.</li> </ul> <p><b>Notes:</b> Include margins, font size, and any other specific requirements for forms that will be filed.</p> <p>State-obtained OGC approval of form may be requested during National Office review.</p>	<ul style="list-style-type: none"> <li>• Coordinate the development of the form with the appropriate National Office area.</li> <li>• Review and ensure nondiscrimination, privacy act, and public burden statements are included, as needed.</li> <li>• Send proposal to State for approval.</li> <li>• Coordinate uploading form and instructions for completion to <a href="http://intranet.fsa.usda.gov/dam/ffasforms/forms.html">http://intranet.fsa.usda.gov/dam/ffasforms/forms.html</a> when state supplement is approved.</li> </ul>
Existing State-modified and State-created forms	<p>In SDMS, submit the following for prior approval:</p> <ul style="list-style-type: none"> <li>• electronic or scanned copy of form indicating needed changes</li> <li>• electronic or scanned copy of instructions for completion, as needed</li> <li>• State supplement that requires using the form, <b>only</b> if changes are needed.</li> </ul>	<ul style="list-style-type: none"> <li>• Review and ensure that current nondiscrimination, privacy act, and public burden statements are included, as needed.</li> <li>• Send proposal to State for approval.</li> <li>• Coordinate uploading form and instructions for completion to <a href="http://intranet.fsa.usda.gov/dam/ffasforms/forms.html">http://intranet.fsa.usda.gov/dam/ffasforms/forms.html</a>.</li> </ul>

--\*

**4 Introduction to Direct FLP's**

**A FSA Loan Programs**

**[7 CFR 764.1(a)] This part describes the Agency's policies for making direct FLP loans.**

**[7 CFR 764.1(b)] The Agency makes the following types of loans:**

- (1) FO, including Down Payment loans (Part 7);**
- (2) OL, including ML and Youth loans (Part 9);**
- (3) EM (Part 10); and**
- (4) CL (Part 8).**

**5-20 (Reserved)**

**Part 2 (Reserved)**

**21-40 (Reserved)**

**353 Funding Approved Loans (Continued)****B Preferences When There is Limited Funding (Continued)**

[7 CFR 764.54(b)(2)] **Second, an applicant who is not a veteran, but:**

- (i) Has a dependent family;**
- (ii) Is able to make a downpayment; or**
- (iii) Owns livestock and farm implements necessary to farm successfully.**

[7 CFR 764.54(b)(3)] **Third, to other eligible applicants.**

FSA uses the secondary priorities only when funding is limited and more than 1 loan application was received on the same date.

**C When Loan Funds Become Available**

[7 CFR 764.53(f)] **If funding becomes available, the Agency will resume processing of approved loans in accordance with this part.**

\*--When funds become available, the applicant will be notified immediately by letter, such as Exhibit 24, sent by regular mail or hand delivered. The letter will:

- advise the applicant to “contact FSA within 15 business days from the date of the letter”
- contain the statement, “if the applicant does not contact the authorized agency official within 15 business days from the date of the letter, the application will be withdrawn”.--\*

## 354 Changes After Loan Approval

### A Changes in Loan Amount

If it becomes necessary to increase or decrease the amount of the loan before loan closing, the authorized agency official requests that all distributed loan forms be returned to FSA and reprocessed. If the change is minor and replacement forms can readily be completed and submitted, a memorandum justifying the change is attached to the revised forms and sent to the State Office.

### B Cancellation of Funds

The authorized agency official cancels obligations, advances, checks, and electronic fund disbursements according to 3-FI, paragraph 90 and other appropriate FI directives.

\*--Before loan closing, but after FO completes de-obligation, file original FSA-2425 in the case file with a screen print of the Customer Profile on the ADPS Unclosed (UN) Screen. After loan closing, see 4-FLP, subparagraph 61 E.--\*

When necessary, the authorized agency official prepares and executes FSA-2026 reflecting the revised total of the loan and the revised repayment schedule.

### C Cancellation of Loan

When a loan is canceled:

- the authorized agency official notifies the State Office and FSC, FLOO of loan cancellation by using FSA-2072
- the authorized agency official notifies the designated closing agent that the loan has been canceled

**Note:** If the loan, based upon updated information after initial approval, is rejected because of problems with eligibility or feasibility, see paragraph 351.

- at the request of the applicant, the application will be withdrawn. See subparagraph 45 D for more information.

**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.

**C 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.

**D 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)****D 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.

**E 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.

**F 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.

### 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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3-FLP, Exhibit 5

- 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/Borrower Training Assessment".
- 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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Information Needed to Submit an FSA Direct Loan Application (Continued)

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3-FLP, Exhibit 5

- 20) AD-1026, "Highly Erodible Land Conservation and Wetland Conservation Certification".  
(Initial Application and Subsequent Application when there have been changes to the real estate farmed.)
- 21) For construction loans only:
  - a. A copy of any plans and specifications for the improvements you intend to make.
  - b. A description of any planned development, the proposed schedule and cost estimate.
- 22) For EM only:
  - FSA-2309, "Certification of Disaster Losses".
  - FSA-2310, "Lender's Verification of Loan Application".
- 23) For CL only:
  - a. NRCS Approved Conservation Plan.
  - b. Financial Statement (Streamlined CL's).
- 24) Other

A DECISION CANNOT BE MADE ON A LOAN REQUEST WITHOUT ALL INFORMATION REQUESTED IN THE LETTER. HOWEVER, AFTER REVIEW OF THE PROVIDED INFORMATION FSA MAY REQUEST ADDITIONAL INFORMATION NECESSARY TO COMPLETE PROCESSING YOUR APPLICATION. THIS WILL IN SOME CASES, INCLUDE WRITTEN EVIDENCE OF YOUR INABILITY TO OBTAIN CREDIT ELSEWHERE.

Please contact this office if you need help. We can help you complete the requested forms, explain what information we need, and answer any questions about the information requested in this letter. If we cannot assist you by phone, we will schedule an appointment to meet with you.

Sincerely,

Enclosures

Page 3

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