

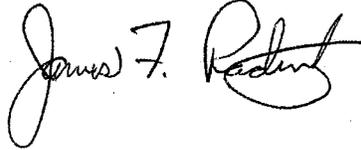
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 16

Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 41 A has been amended to remove the reference to Exhibit 5.

Subparagraph 134 A has been amended to include the changes to joint financing arrangements as provided in the 2014 Farm Bill.

Subparagraph 153 A has been amended to update guidance on limitations for the maximum FSA loan amount as provided in the 2014 Farm Bill.

Subparagraphs 202 A, B, C, D, and F have been amended to update guidance and include changes to eligibility as provided in the 2014 Farm Bill.

Subparagraph 204 A has been amended to add language for the special ML OL, as provided in the 2014 Farm Bill.

Subparagraph 228 D has been removed because youth loans are no longer subject to residency and population requirements.

Subparagraph 354 C has been amended to change the FSC, FLOO reference to the National Financial and Accounting Operations Center, Farm Services Branch because of a name change.

Exhibit 2 has been amended to update the definition of beginning farmer, debt forgiveness, and veteran farmer.

Exhibit 5 has been withdrawn because it has been discontinued because of the DLS checklist.

Note: Page 4-16 is being provided because the date was omitted when Amend. 15 was issued.

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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
- eGov's web site at 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)

* * *

Note: 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.

* * *

- 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.

71 Owner/Operator of a Family Farm (Continued)

B Factors for Consideration

[7 CFR 764.101(k)(4)] If the entity applicant has an operator and ownership interest for farm ownership loans and emergency loans for farm ownership loan purposes, in any other farming operation, that farming operation must not exceed the requirements of a family farm.

See Exhibit 2 for the definition of family farm.

The authorized agency official must consider the following factors when making the family farm determination.

- *--Produces agricultural commodities for sale in sufficient quantities so that it is recognized as a farm. Primarily, is the farm operated in a business-like manner, does the operation have records, and is the operator changing methods to try and make a profit?--*
- Members of the farm family must make all the day-to-day farm management and operational decisions. The use of outside consultants or advisors is acceptable provided that someone in the farm family is the ultimate decision-maker.
- Family or entity members must supply a substantial amount of the full-time labor. This does not preclude using seasonally hired labor, but in most instances, the family should provide most of the day-to-day labor. Exceptions may be made for enterprises that produce high value, labor-intensive crops such as fruit or vegetables.
- Credit needs. Congress established FSA's loan limits to assist family farm operations. The loan limits generally ensure that loans are made to family farm operations.
- Loan participation arrangements are acceptable when FSA farm loans cannot meet the total credit needs of the applicant. However, if the FSA loan only represents a small portion of the total credit requirements, this may be an indication that the applicant's operation is larger than a family farm when all factors are considered. The authorized agency official must also fully consider if credit is available from another source, including a guaranteed loan.

To make a determination about the family farm requirement, the authorized agency official must judge the factors individually and also weigh and consider how the factors relate to each other. If the authorized agency official determines that the applicant's farm does not satisfy the definition of a family farm, the reasoning behind the authorized agency official's decision must be documented in the loan file.

72 Entity Composition**A General Requirement**

--[7 CFR 764.101(l)] If the applicant has 1 or more embedded entities, at least 75 percent of the individual ownership interests of each embedded entity must be owned by members actively involved in managing or operating the family farm.--

B Married Persons

Married persons applying together shall be treated as a joint operation unless they form or have formed a legal entity before application for assistance. If they apply as a joint operation, both parties must meet the general and program specific eligibility requirements for the loan requested.

C Joint Operations

In the case of an informal joint operation, where no formal tax ID number has been assigned by a taxing authority, the persons requesting the assistance will designate which TIN will be used as primary to assign the case number.

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 interest rate charged will be the greater of the following:

(i) The Agency's Direct Farm Ownership rate, available in each agency office, minus 2 percent; or

(ii) 2.5 percent.--*

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.

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) \$667,000; subject to the direct FO dollar limit specified in 7 CFR 761.8(a)(1)(i).--***

*** * ***

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**

***--[7 CFR 764.252(a)] The applicant 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)] The applicant 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)] The applicant 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 the other applicable 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.**

*** * ***

202 Eligibility (Continued)**B Prior FSA Losses (Continued)**

If the applicant for an OL has caused FSA or its predecessor agency, FmHA, a loss on any direct or guaranteed loan, the applicant is ineligible, except in the following 2 scenarios.

- If the applicant caused FSA a loss by receiving a write-down, the applicant may receive an OL to pay annual operating and family living expenses. See 5-FLP, Part 4 for an explanation of the write-down process.
- If the applicant caused FSA a loss, as part of a confirmed bankruptcy plan, and the applicant is now current on payments to all creditors, the applicant may receive an OL to pay annual operating and family living expenses.

The applicant may become eligible for an OL, for uses other than annual farm operating and family living expenses, only after the total amount of debt forgiveness is cured by repayment.

Note: FSA should under no circumstances inform a discharged debtor that they must repay their “loss” to regain full eligibility. If the applicant asks they may be informed that if the debt was repaid in full their eligibility would be reconsidered, however, there is no guarantee that a loan will be approved as all loan approval factors will be reviewed as part of the application process.

The authorized agency official will consider losses to other Federal agencies and the circumstances for such losses under the credit history requirement (paragraph 65).

The authorized agency official will review items obtained according to subparagraph 65 B.

C Operator of Farm

--[7 CFR 764.252(d)] In the case of an entity applicant, the entity must be:--

(1) Controlled by farmers engaged primarily and directly in farming in the United States; and

(2) Authorized to operate the farm in the State in which the farm is located.

202 Eligibility (Continued)

D OL Term Limits

***--[7 CFR 764.252(e)] The applicant and anyone who will sign the promissory note, may close an OL in no more than seven calendar years, either as an individual or as a member of an entity, except as provided in paragraph (e)(1) through (4) of this section. The years may be consecutive or non-consecutive, and there is no limit on the number of OL's closed in a year. Microloans made to a beginning farmer or a veteran farmer are not counted toward this limitation. Youth loans are not counted toward this limitation.**

Note: The following exceptions apply.--*

- The applicant and anyone who signs FSA-2026 is eligible to close direct OL's in 7 calendar years. This does not mean that the applicant or cosigner has necessarily had loans outstanding for 7 years, but that the applicant or cosigner has closed new loans in 7 different years.
- Guaranteed OL's do not count against the direct OL eligibility limitation.
- Rescheduling a loan does not count against the direct OL eligibility limitation.
- Cosigning for a direct OL counts against the direct OL eligibility limitation.
- Assuming a direct OL counts against the direct OL eligibility limitation.
- An entity applicant is eligible for a direct OL only if all of its individual members have not exceeded the term limits.

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 * * *.

* * *

See Exhibit 2 for the definition of a beginning farmer * * *.

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 5th 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 whether 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 4 or more previous calendar years as of April 4, 1996, the applicant is eligible to close OL loans in any 3 additional years after that date.--*

The 3 additional years will begin with the 1st 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, * * * 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.

* * *

--[7 CFR 764.254(a)(4)] The Agency's direct ML OL interest rate on an ML to a beginning farmer or veteran rancher is available in each Agency office. ML borrowers in these groups have the option of choosing the ML OL interest rate or the Direct OL interest rate in effect at the time of loan approval, or if lower, the rate in effect at the time of closing.--

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.

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.

* * *

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 the Finance Office completes de-obligation, file original FSA-2072 in the case file with a screen print of 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 to the National Financial and Accounting Operations Center, Farm Services Branch 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.

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 average acreage of the farms in the county where the property is located. If the farm is located in more than one county, the average 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 average farm acreage of the county where the major portion of the farm is located will be used. The average 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.

* * *

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.**

(1) Debt forgiveness may be through:

- (i) Writing down or writing off debt pursuant to 7 U.S.C. 2001;**
- (ii) Compromising, adjusting, reducing, or charging off a debt or claim pursuant to 7 U.S.C. 1981; or**
- (iii) Paying a loss pursuant to 7 U.S.C. 2005 on a FLP loan guaranteed by the Agency.**

(2) Debt forgiveness does not include:

- (i) Debt reduction through a conservation contract;**
- (ii) Any write down provided as part of the resolution of a discrimination complaint against the Agency;**
- (iii) Prior debt forgiveness that has been repaid in its entirety; and**
- (iv) Consolidation, rescheduling, reamortization, or deferral of a loan, or**
- (v) Forgiveness of YL debt, due to circumstances beyond the borrower's control.**

The Agency will use the criteria in 7 CFR 766.104(a)(1) to determine if the circumstances were beyond the borrower's control.--*

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.**

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

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.**

Embedded Entity

Embedded entity means **an entity that has a direct or indirect interest, as a stockholder, member, beneficiary, or otherwise, in an entity.**

Entity

Entity means **a corporation, partnership, joint operation, cooperative, limited liability company, trust, or other legal business organizations, as determined by the Agency, that is authorized to conduct business in the state in which the organization operates. Organizations operating as non-profit entities under Internal Revenue Code 501 (26 U.S.C. 501) and estates are not considered eligible entities for Farm Loan Program purposes.**

Entity Member

Entity member means **all individuals and all embedded entities, as well as the individual members of the embedded entities, having an ownership interest in the assets of the entity.**

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

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.

Established Farmer

Established farmer means a farmer who operates the farm (in the case of an entity, its members as a group) who meets all the following conditions:

- (1) Actively participated in the operation and the management, including but not limited to, exercising control over, making decisions regarding, and establishing the direction of, the farming operation at the time of the disaster;
- (2) Spends a substantial portion of time in carrying out the farming operation;
- (3) Planted the crop, or purchased or produced the livestock on the farming operation;
- (4) In the case of an entity, is primarily engaged in farming and has over 50 percent of its gross income from all sources from its farming operation based on the operation's projected cash flow for the next crop year or the next 12-month period, as mutually determined;
- (5) Is not an integrated livestock, poultry, or fish processor who operates primarily and directly as a commercial business through contracts or business arrangements with farmers, except a grower under contract with an integrator or processor may be considered an established farmer, provided the farming operation is not managed by an outside full-time manager or management service and Agency loans shall be based on the applicant's share of the agricultural production as set forth in the contract; and
- (6) Does not employ a full time farm manager.

Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)**False Information**

False information means **information provided by an applicant, borrower, or other source to the Agency that the applicant or borrower knows to be incorrect.**

Family Farm

Family Farm means a **business operation farm that:**

- (1) Produces agricultural commodities for sale in sufficient quantities so that it is recognized as a farm rather than a rural residence;**
- (2) Has both physical labor and management provided as follows:**
 - (i) The majority of day-to-day, operational decisions, and all strategic management decisions are made by:**
 - (A) The borrower and persons who are either related to the borrower by blood or marriage, or are a relative, for an individual borrower; or**
 - (B) The members responsible for operating the farm, in the case of an entity.**
 - (ii) A substantial amount of labor to operate the farm is provided by:**
 - (A) The borrower and persons who are either related to the borrower by blood or marriage, or are a relative, for an individual borrower; or**
 - (B) The members responsible for operating the farm, in the case of an entity.**
- (3) May use full-time hired labor in amounts only to supplement family labor.**
- (4) May use reasonable amounts of temporary labor for seasonal peak workload periods or intermittently for labor intensive activities.**

Family Living Expenses

Family living expenses means **the costs of providing for the needs of family members and those for whom the borrower has a financial obligation, such as alimony, child support, and care expenses of an elderly parent.**

Family Members

Family members mean **the immediate members of the family residing in the same household with the individual borrower.**

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

Farm means a tract or tracts of land, improvements, and other appurtenances that are used or will be used in the production of crops, livestock, or aquaculture products for sale in sufficient quantities so that the property is recognized as a farm rather than a rural residence. The term “farm” also includes the term “ranch”. It may also include land and improvements and facilities used in a non-eligible enterprise or the residence which, although physically separate from the farm acreage, is ordinarily treated as part of the farm in the local community.

Farm Income

Farm income means the proceeds from the sale of agricultural commodities that are normally sold annually during the regular course of business, such as crops, feeder livestock, and other farm products.

Farm Loan Programs (FLP's)

FLP's means Agency programs to make, guarantee, and service loans to family farmers authorized under the Act or Agency regulations.

Farm Program (FP) Payments

FP payments are benefits received from FSA for any commodity, disaster, or cost share programs.

FO

FO means a loan made to eligible applicants to purchase, enlarge, or make capital improvements to family farms, or to promote soil and water conservation and protection. It also includes Downpayment loans.

Farmer

Farmer means an individual, corporation, partnership, joint operation, cooperative, trust, or limited liability company that is the operator of a farm.

Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)**Feasible Plan**

Feasible plan means when an applicant or borrower's cash flow budget or farm operation plan indicates that there is sufficient cash inflow to pay all cash outflow. If a loan approval or servicing action exceeds one production cycle and the planned cash flow budget or farm operation plan is atypical due to cash or inventory on hand, new enterprises, carryover debt, atypical planned purchases, important operating changes, or other reasons, a cash flow budget or farm operation plan must be prepared that reflects a typical cycle. If the request is for only one cycle, a feasible plan for only one cycle is required for approval.

Streamlined CL's are considered feasible when all requirements in subparagraph 191 B are met.

Situations may arise in which an applicant/borrower cannot develop a feasible plan because of open accounts or judgment debts that are considered fully due and payable.

In such cases, when the applicant/borrower indicates that a creditor is willing to extend terms which would enable a feasible plan to be developed, the approval official must obtain written documentation that an agreement has been reached.

Acceptable documentation will be any of the following:

- promissory note reflecting the rates and terms of the agreement
- dated and signed allonge or attachment to existing promissory note or judgment, which states the new rate and terms

Note: Any revision of terms in a court-ordered judgment must be approved by the court with guidance from OGC.

- written agreement between the creditor and the applicant/borrower clearly stating the rates and terms and signed by the borrower and the creditor.

Financially Viable Operation

Financially viable operation, for the purposes of considering a waiver of OL term limits under §764.252 of this chapter, means a farming operation that, with Agency assistance, is projected to improve its financial condition over a period of time to the point that the operator can obtain commercial credit without further Agency assistance. Such an operation must generate sufficient income to:

- (1) Meet annual operating expenses and debt payments as they become due;**
- (2) Meet essential family living expenses to the extent they are not met by dependable non-farm income;**
- (3) Provide for replacement of capital items; and**
- (4) Provide for long-term financial growth.**

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

Fixture

Fixture means an item of personal property attached to real estate in such a way that it cannot be removed without defacing or dismantling the structure, or damaging the item itself.

Floodplains

Floodplains means lowland and relatively flat areas adjoining inland and coastal waters, including flood-prone areas of offshore islands, including at a minimum, that area subject to a one percent or greater chance of flooding in any given year. The base floodplain shall be used to designate the 100-year floodplain (one percent chance floodplain). The critical floodplain is defined as the 500-year floodplain (0.2 percent chance floodplain).

Forest Stewardship Management Plan

Forest Stewardship Management Plan means a property-specific, long-term, multi-resource plan that addresses private landowner objectives while recommending a set and schedule of management practices designed to achieve a desired future forest condition developed and approved through the USDA Forest Service or its agent.

Good Faith

Good faith means when an applicant or borrower provides current, complete, and truthful information when applying for assistance and in all past dealings with the Agency, and adheres to all written agreements with the Agency including, but not limited to, loan agreement, security instruments, farm operating plans, and agreements for use of proceeds. The Agency considers a borrower to act in good faith, however, if the borrower's inability to adhere to all agreements is due to circumstances beyond the borrower's control. In addition, the Agency will consider fraud, waste, or conversion actions, when substantiated by a legal opinion from OGC, when determining if an applicant or borrower has acted in good faith.

Graduation

Graduation means the payment-in-full of all direct FLP loans, **except** CL's, made for operating and/or real estate, by refinancing with other credit sources with or without an Agency guarantee.

Hazard Insurance

Hazard insurance means insurance covering fire, windstorm, lightning, hail, explosion, riot, civil commotion, aircraft, vehicles, smoke, builders risk, public liability, property damage, flood or mudslide, workers' compensation, or any similar insurance that is available and needed to protect the security, or that is required by law.

Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)**Household Contents**

Household contents means essential household items necessary to maintain viable living quarters. Household contents exclude all luxury items such as jewelry, furs, antiques, paintings, etc.

Inaccurate Information

Inaccurate information means incorrect information provided by an applicant, borrower, lender, or other source without the intent of fraudulently obtaining benefits.

Indian Reservation

Indian reservation means all land located within the limits of any Indian reservation under the jurisdiction of the United States, notwithstanding the issuance of any patent, and including rights-of-way running through the reservation; trust or restricted land located within the boundaries of a former reservation of a Federally recognized Indian Tribe in the State of Oklahoma; or all Indian allotments the Indian titles to which have not been extinguished if such allotments are subject to the jurisdiction of a Federally recognized Indian Tribe.

Joint Operation

Joint operation means an operation run by individuals who have agreed to operate a farm or farms together as an entity, sharing equally or unequally land, labor, equipment, expenses, or income, or some combination of these items. The real and personal property is owned separately or jointly by the individuals.

Leasehold

Leasehold means a right to use farm property for a specific period of time under conditions provided for in a lease agreement.

Lien

Lien means a legally enforceable hold or claim on the property of another obtained as security for the repayment of indebtedness or an encumbrance on property to enforce payment of an obligation.

Limited Resource Interest Rate

Limited resource interest rate means an interest rate below the Agency's regular interest rate available to farmers who are unable to develop a feasible plan at regular rates and are requesting:

- (1) FO or OL loan assistance under part 764 of this title; or
- (2) Primary loan servicing on an FO, OL, or SW loan under part 766 of this title.

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

Livestock means a member of the animal kingdom, or product thereof, as determined by the Agency.

Majority Interest

Majority interest means more than a 50 percent interest in an entity held by an individual or group of individuals.

Market Value

Market value means the amount that an informed and willing buyer would pay an informed and willing, but not forced, seller in a completely voluntary sale.

Microloan (ML)

ML means a type of OL of \$35,000 or less made under reduced application, eligibility, and security requirements.

Mortgage

Mortgage means a legal instrument giving the lender a security interest or lien on real or personal property of any kind. The term “mortgage” also includes the terms “deed of trust” and “security agreement”.

Natural Disaster

Natural disaster means unusual and adverse weather conditions or a natural phenomenon that has substantially affected farmers by causing severe physical or production, or both, losses.

Non-Eligible Enterprise

Non-eligible enterprise means a business that meets the criteria in any one of the following categories:

- (1) Produces exotic animals, birds, or aquatic organisms or their products which may be agricultural in nature, but are not normally associated with agricultural production, e.g. there is no established or stable market for them or production is speculative in nature.
- (2) Produces non-farm animals, birds, or aquatic organisms ordinarily used for pets, companionship, or pleasure and not typically associated with human consumption, fiber, or draft use.
- (3) Markets non-farm goods or provides services which might be agriculturally related, but are not produced by the farming operation.
- (4) Processes or markets farm products when the majority of the commodities processed or marketed are not produced by the farming operation.

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

Non-Essential Asset

Non-essential asset means assets in which the borrower has an ownership interest, that:

(1) Do not contribute to:

(i) Income to pay essential family living expenses, or

(ii) The farming operation; and

(2) Are not exempt from judgment creditors or in a bankruptcy action.

Normal Income Security

Normal income security means all security not considered basic security, including crops, livestock, poultry products, other property covered by Agency liens that is sold in conjunction with the operation of a farm or other business, and FSA Farm Program payments.

Normal Production Yield

Normal production yield means used in 7 CFR Part 764 for EM's, means:

(1) The per-acre actual production history of the crops produced by the farming operation used to determine Federal Crop Insurance payments or payment under the Noninsured Crop Disaster Assistance Program for the production year during which the disaster occurred;

(2) The applicant's own production records or the records of production on which FSA farm program payments are made contained in the applicant's farm program file for the previous three years, when the actual production history is not available;

(3) The county average production yield, when the production records outlined in (1) and (2) above are not available.

OL

OL means a loan made to an eligible applicant to assist with the financial costs of operating a farm. The term also includes a Youth loan.

Operator

Operator means the individual or entity that provides the labor, management, and capital to operate the farm. The operator can be either an owner-operator or tenant-operator.

Under applicable State law, an entity may have to receive authorization from the State in which the farm is located to be the owner and/or operator of the farm. Operating-only entities may be considered owner-operators when the individuals who own the farm real estate own at least 50 percent of the family farm operation.

Owner-Operator

Owner-operator means the individual or entity that owns the land on which a farm is located and provides the labor, management, and capital to operate the farm. An entity may have to receive authorization from the State in which the farm is located to be the owner-operator of the farm.

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

Participated in the Business Operations of a Farm

Participated in the business operations of a farm requires that an applicant has:

- (1) Been the owner, manager or operator of a farming operation for the year's complete production cycle as evidenced by tax returns, FSA farm records or similar documentation;
- (2) Been employed as a farm manager or farm management consultant for the year's complete production cycle; or
- (3) Participated in the operation of a farm by virtue of being raised on a farm or having worked on a farm (which can include a farm-related apprenticeship, internship, or similar educational program with applied work experience) with significant responsibility for the day-to-day decisions for the year's complete production cycle, which may include selection of seed varieties, weed control programs, input suppliers, or livestock feeding programs or decisions to replace or repair equipment.

Partnership

Partnership means any entity consisting of two or more individuals who have agreed to operate a farm as one business unit. The entity must be recognized as a partnership by the laws of the State in which the partnership will operate a farm. It also must be authorized to own both real and personal property and to incur debt in its own name.

Physical Loss

Physical loss means verifiable damage or destruction with respect to real estate or chattel, excluding annual growing crops.

Presidentially-Designated Emergency

Presidentially-designated emergency means a major disaster or emergency designated by the President under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5121 et seq.).

Primary Loan Servicing

Primary loan servicing programs include: (1) loan consolidation and rescheduling, or reamortization; (2) interest rate reduction, including use of the limited resource rate program; (3) deferral; (4) write-down of the principle or accumulated interest; or (5) any combination of the above.

Production Cycle

Production cycle means the time it takes to produce an agricultural commodity from the beginning of the production process until it is normally disposed of or sold.

Definition of Terms Used in This Handbook (7 CFR 761.2(b)) (Continued)**Production Loss**

Production loss means **verifiable damage or destruction with respect to annual growing crops.**

Program Loans

Program loans **include FO, OL, and EM. In addition, for loan servicing purposes the term includes existing loans for the following programs no longer funded: SW, RL, EE, ST, and RHF.**

Promissory Note

Promissory note means **a written agreement to pay a specified sum on demand or at a specified time to the party designated. The terms “promissory note” and “note” are interchangeable.**

Qualified Alien

Qualified Alien, as defined under PRWORA (8 U.S.C. 1641), means:

- An alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act.
- An alien who is granted asylum under section 208 of PRWORA.
- A refugee who is admitted to the United States under section 207 of PRWORA.
- An alien who is paroled into the United States under section 212(d)(5) of PROWRA for a period of at least 1 year.
- An alien whose deportation is being withheld under section 243(h) of PROWRA.
- An alien who is granted conditional entry according to section 203(a)(7) of PROWRA as in effect before April 1, 1980.
- An alien who is a Cuban/Haitian Entrant as defined by section 501(e) of the Refugee Education and Assistance Act of 1980.
- An alien who has been battered or subjected to extreme cruelty under section 431 of the Immigration and Nationality Act.

Note: See Exhibit 8 for documentary evidence necessary to satisfy this definition.

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

Quarantine

Quarantine means a quarantine imposed by the Secretary under the Plant Protection Act or animal quarantine laws (as defined in Section 2509 of the Food Agriculture, Conservation, and Trade Act of 1990).

Reasonable Rates and Terms

Reasonable rates and terms means those commercial rates and terms that other farmers are expected to meet when borrowing from a commercial lender or private source for a similar purpose and similar period of time. The “similar period of time” of available commercial loans will be measured against, but need not be the same as, the remaining or original term of the loan.

Related by Blood or Marriage

Related by blood or marriage means being connected to one another as husband, wife, parent, child, brother, sister, uncle, aunt, or grandparent.

Relative

Relative means the spouse and anyone having one of the following relationships to an applicant or borrower: parent, son, daughter, sibling, stepparent, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, uncle, aunt, nephew, niece, cousin, grandparent, grandson, granddaughter, or the spouses of the foregoing.

Rural Youth

Rural youth means a person who has reached the age of 10 but has not reached the age of 21 and resides in a rural area or any city or town with a population of 50,000 or fewer people.

Security

Security means property or right of any kind that is subject to a real or personal property lien. Any reference to “collateral” or “security property” will be considered a reference to the term “security”.

Security Instrument

Security instrument means any document giving the Agency a security interest on real or personal property.

Security Value

Security value means the value of real estate or chattel property (less the value of any prior liens) used as security for an Agency loan.

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**

Veteran farmer is a farmer who has served in the Armed Forces (as defined in **38 U.S.C. 101(10)**) and, the term “Armed Forces” means the U.S. Army, Navy, Marine Corps, Air Force, and Coast Guard, including the reserve components, who has either:

- not operated a farm
- operated a farm but for not more than 10 years.--*

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.

