UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Direct Loanmaking 3-FLP (Revision 2)	Amendment 24

Approved by: Deputy Administrator, Farm Loan Programs

Amendment Transmittal

A Reasons for Amendment

Subparagraphs 4 A, 69 A, 95 A, 95 B, 131 A, 132 D, 133 A, 133.5 B, 201 A, 205 A, 216 B, 227 A, 228 D, and 228 E have been amended to make minor edits.

Subparagraph 95A has been amended to clarify and provide guidance for DFOML evaluations, and other real estate appraisals.

Subparagraph 132 E has been amended to clarify term limit language for FO's and provide examples.

Subparagraph 133.5 B has been amended to clarify and provide guidance for DFOML requirements.

Subparagraph 134 A has been amended to provide an example of a joint financing arrangement using DFOML.

Subparagraph 153 C has been amended to provide an example of a downpayment loan using DFOML.

Subparagraph 216 B has been amended to clarify and provide guidance for DOLML requirements.

Subparagraph 242 I has been amended to clarify EM qualifying losses when there are multiple crop losses.

Subparagraph 244 F has been amended to provide an example of EM production loss calculation for multiple crop losses.

Exhibit 2 has been amended to provide guidance and remove population requirement from the rural youth definition.

Exhibit 12 has been added to provide guidelines and examples for evaluating collateral.

Amendment Transmittal (Continued)

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*--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.	In SDMS, submit the following for prior approval: • State supplement that requires using the form **Note:** Submit separately all the State supplements for forms in the 2000 series. • electronic or scanned copy of National or State-created form, providing modifications needed • revised instructions for completion for National form, if applicable; or instructions for completion for State-created form. **Notes:** Include margins, font size, and any other specific requirements for forms that will be filed. State-obtained OGC approval of form may be requested during National Office review.	• Coordinate the development of the form with the appropriate National Office area. • Review and ensure nondiscrimination, privacy act, and public burden statements are included, as needed. • Send proposal to State for approval. • Coordinate uploading form and instructions for completion to **http://intranet.fsa.usda.gov/dam/ffasforms/forms.html** when state supplement is approved.
Existing State-modified and State-created forms	In SDMS, submit the following for prior approval: • electronic or scanned copy of form indicating needed changes • electronic or scanned copy of instructions for completion, as needed • State supplement that requires using the form, **only** if changes are needed.	• Review and ensure that current nondiscrimination, privacy act, and public burden statements are included, as needed. • Send proposal to State for approval. • Coordinate uploading form and instructions for completion to **http://intranet.fsa.usda.gov/dam/ffasforms/forms.html**.

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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 ML and 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)

69 Managerial Ability (Continued)

A General Requirement (Continued)

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

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

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

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

***--[7 CFR 764.101(i)(4)] Alternatives for ML's made for OL purposes. Applicants for ML's made for OL purposes, also may demonstrate managerial ability by one of the--* following:**

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

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

69 Managerial Ability (Continued)

A General Requirement (Continued)

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

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

70 Borrower Training

A General Requirement

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

71 Owner/Operator of a Family Farm

A General Requirement

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

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

(i) Related by blood or marriage, at least one member must be the operator of a family farm;

(ii) Not related by blood or marriage, the entity members holding a majority interest must be the operators of a family farm.

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

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

94 Exceptions to Security Requirements (Continued)

G ST Loans

[7 CFR 764.106(f)] On marginal land and timber that secures an outstanding ST loan.

FSA is statutorily prohibited from taking additional liens on property securing an ST loan.

H Documenting Exceptions

When security is not taken for any of the mentioned reasons, the authorized agency official ***--**must document the decision in FBP.**--***

95 Appraisals and Values

A Adequate Security

[7 CFR 764.107(a)] The value of real estate will be established by an appraisal *--completed in accordance with §761.7 (1-FLP) **of this chapter, except that for ML's for FO purposes, the appraisal requirement may be satisfied by an evaluation by an authorized agency official that establishes the value of the real estate.**

A real estate appraisal, or an evaluation when ML is made for FO purposes, is required in all cases when real estate is taken as basic security.**--***

A new real estate appraisal is not required if the latest appraisal report available is not over 1 year old, unless significant changes in the market value of real estate have occurred in the area within the 1 year period.

Note: An acceptable evaluation for FO ML must:

- ***--**be included in the Farm Assessment of the FBP**--***
- identify the location of the property
- provide a description of the property, including any improvements and its current and projected use
- provide confirmation that the property was physically inspected and the date of the inspection
- describe the analysis performed and supporting information used to determine the property's market value, including where information was obtained i.e. court house records, comparable sales, property tax assessments, etc,
- include an effective date of the evaluation and a signature of the preparer.

--Note:** See Exhibit 12 for additional guidance on how to complete an evaluation. The evaluation will be documented in FBP Farm Assessment's Type of Farming Operation.**--

If a DFO-ML is made in conjunction with a real estate loan from another lender, that lender's evaluation or appraisal may be used as a determination of the property's market value. A copy of the evaluation information or appraisal must be included in the loan file as documentation of the determination.

Note: See 1-FLP, subparagraph 141 G for additional information about using third party appraisals.

95 Appraisals and Values (Continued)

A Adequate Security (Continued)

[7 CFR 764.107(b)] The value of chattels will be established as follows:

An appraisal will be completed to determine market value and applicant equity when:

- an initial loan is made on chattel property owned by the applicant
- properties to be acquired when the item can be specifically identified
- a subsequent loan is made to refinance debt.

***--[7 CFR 764.107(b)(1)] The security value of annual livestock and crop production is--* presumed to be 100 percent of the amount loaned for annual operating and family living expenses, as outlined in the approved farm operating plan.**

***--[7 CFR 764.107(b)(2)] The value of livestock and equipment will be established by--* an appraisal completed in accordance with §761.7** (1-FLP) **of this chapter.**

B Situation When Appraisals Are Not Required

An appraisal is not required for:

- real estate or chattels taken as additional security
- nonessential assets
- loans for annual operating and family living expenses when crops are the primary security.

--**The authorized agency official, to whom SED delegated loan approval authority under**-- 1-FLP, will estimate the market value. The authorized agency official must document the value in FBP, with the basis for the estimate. If the applicant disagrees with the estimated values, FSA may accept an appraisal from the applicant, obtained at the applicant's expense, if the appraisal meets all FSA requirements.

96–110 (Reserved)

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Part 7 Farm Ownership Loan (FO) Programs

Section 1 FO (Regular and Microloan)

131 Uses

A General

[7 CFR 764.151] FO loan funds * * * may only be used to:

See subparagraphs B through F for FO uses.

B Farm Purchases

FO funds may only be used to:

[7 CFR 764.151(a)] Acquire or enlarge a farm or make a down payment on a farm.

Examples include, but are not limited to, the purchase of easements, the applicant's portion of land being subdivided, purchase of cooperative stock, appraisal and survey fees, and participation in special FO programs. Downpayments are authorized as a loan purpose subject to the following.

- A deed is obtained and the transaction is properly documented by debt and security instruments.
- Any prior liens meet the FO security requirements for FSA's junior lien position.
- For contract purchases, purchase contracts must properly obligate the buyer and seller to fulfill the terms of the contract, provide the buyer with possession, control, and beneficial use of the property, and entitle the buyer to marketable title upon fulfillment of the contract terms. The deed must be held in trust by a bonded agent until transferred to the buyer. Upon a buyer's default, the seller must give FSA written notice of the default and a reasonable opportunity to cure the default. The applicant must repay any sums advanced by FSA.

Note: The gross farm income generated by the operation (the applicant's entire proposed operation, including the property to be purchased) associated with the purchase must be proportionate to the purchase price. An operation generating a few thousand dollars in annual gross sales is not considered proportionate for the purchase of real estate requiring debt service of multiples of the operation's gross sales. A typical year plan must reflect that the operation will produce a significant amount of the income necessary to repay the loan.

131 Uses (Continued)

B Farm Purchases (Continued)

The authorized agency official should advise the applicant to have an understanding with the seller on such items as:

- land description and number of acres
- buildings and fixtures included in the transaction

  Note: The applicant should determine the condition of property attached to the land and the working condition of any fixtures with movable parts.

- minerals and the effect any mineral reservation has on the land value and operating it as a farm
- access to the land or any part of it
- the party responsible for taxes and insurance
- the party who will receive the income from the land during the crop year of the transaction.

C Capital Improvements

FO funds may only be used to:

[7 CFR 764.151(b)] Make capital improvements to a farm owned by the applicant, for construction, purchase or improvement of farm dwellings, service buildings or other facilities and improvements essential to the farming operation. In the case of leased property, the applicant must have a lease to ensure use of the improvement over its useful life or to ensure that the applicant receives compensation for any remaining economic life upon termination of the lease;

FO funds can be used to purchase, improve, or build any type of structure, including a ***--**dwelling that either adequately meets family needs and is modest in size, cost, and design, provided the structure is related to the farming enterprise. The dwelling shall be located on the farm when FO funds are used to purchase the dwelling. However, if the applicant**--***
already owns a dwelling located close to the farm, FO funds may be used to repair or improve the dwelling.

An applicant must be the owner of the property, or hold a lease interest for the property, which has a term at least equal to the term of the proposed loan on the property, which the improvement is to be made. In the case of Indian tribal lands, trust properties, and Hawaiian homelands, the applicant's leasehold must show an ownership interest as specified by a State supplement.

132 Eligibility (Continued)

D Farm Experience

The applicant:

[7 CFR 764.152(d)] and in the case of an entity, one or more members constituting a majority interest, must have participated in the business operations of a farm for at least 3 years out of the 10 years prior to the date the application is submitted. One of these years can be substituted with the following experience;

(1) Postsecondary education in agriculture business, horticulture, animal science, agronomy, or other agriculture related fields,

(2) Significant business management experience, or

(3) Leadership or management experience while serving in any branch of the military.

Note: To meet the substitution requirements for 1 year out of the 3 years the applicant can use any 1 of the following:

- postsecondary education, that is at least 16 semester hours in agriculture business, horticulture, animal science, agronomy, or other agriculture related fields
- significant business management, that is at least 1 year of management experience in a non-agriculture-related field where the applicant's day-to-day responsibilities included direct management experience, such as personnel decisions, payroll, and inventory ordering; however, not an individual who is a manager in title only
- military leadership or management that is, as a general rule, any officer or E5 or above will have completed an acceptable military leadership course.

Factors to determine participation in the business operations of a farm (see definition in Exhibit 2) are similar to those for determining adequate farming experience necessary to ensure a reasonable prospect of success in the operation. The level of farm experience or managerial ability will depend on the complexity of the operation and the amount of the loan request. The authorized agency official will consider each application on a case-by-case basis.

Note: The applicant need not have been the primary operator.

***--[764.152(f)] For an ML made for FO purposes, if an ML applicant has successfully--* repaid an FSA financed youth loan, the term of that loan may be used towards the 3 years of management experience required for an FO direct loan.**

132 Eligibility (Continued)

D Farm Experience (Continued)

Applicants shall document that their participation in the business operation of a farm was not solely as a laborer. Documentation may include, but is not limited to:

- written statements from other parties with knowledge of applicant's role and responsibilities in the business operation of a farm
- documents from the applicant that indicate their responsibilities in the business operation of a farm.

For an individual applicant to be an operator, the applicant must have participated and provided labor and management of the farm for at least 3 years.

For an entity applicant to be an operator, 1 or more members constituting a majority interest must have participated in the operation of the farm for at least 3 years and provided labor and management.

Example 1: Jane Smith applies for FO to purchase a hog farm adjacent to the hog farm currently owned by her mother. She recently graduated from law school. Her father died 4 years ago and she assumed responsibility for the farm, and continued to oversee the day-to-day operation of the farm while she attended school.

Jane Smith is eligible for FO since she has had significant responsibility for the day-to-day business operations of a farm for more than 3 years within the last 10 years.

Example 2: John Doe applies for FO to purchase a grain farm. He indicates on his application that he was born and raised on a farm and worked for his father until about 5 years ago. His father then turned over 40 acres of the family farm to him. For 2 years, John made all management decisions for the 40 acres. In addition, John helped make management decisions when working with his father before operating his 40 acres. For the last 3 years, John has worked in town and has not been involved with the farm.

John Doe is eligible for FO as he had management responsibility, and made day-to-day decisions on the 40 acres for 2 years, and before that, participated in the operation of a farm for more than 1 year as he made management decisions while working for his father. This combination of experience enables John to meet the requirement that he has participated in the operation of a farm for 3 out of the last 10 years.

132 Eligibility (Continued)

D Farm Experience (Continued)

Example 3: John Smith applies for an FO to purchase a farm. He indicates on his application that he has worked as a migrant laborer for the last 10 years. 5 years ago he was placed in a managerial position where in addition to supervising the work crew, he decides what fields are to be worked, planting rates, and the majority of daily management decisions related to the operation.

John Smith is eligible for an FO as his work as the crew leader and daily manager of the operation is sufficient to qualify for FSA assistance.

Example 4: Fred Farmer applies for an FO to purchase a farm. His application indicates that he has been operating a rented farm for the last 2 years, making all management decisions and provided the majority of the labor. Before that he attended college for 2 years, and even though he did not graduate, he does have 16 hours of agriculture courses.

Fred Farmer is eligible for an FO to purchase a farm because his agriculture course work can be substituted for 1 year of the 3 year requirement to purchase a farm.

E Term Limits

The applicant:

***--[7 CFR 764.152(f)] And anyone who will sign the promissory note, must satisfy at--* least one of the following conditions:**

(1) Meet the definition of a beginning farmer;

(2) Have not had a direct FO loan outstanding for more than a total of 10 years prior to the date the new FO loan is closed.

--**The applicant and anyone who will sign the promissory note, may close an FO in no more than 10 calendar years, either as an individual or as a member of an entity. The years may be consecutive or non-consecutive, and there is no limit on the number of FO's closed in a year.**--

Note: OGC has interpreted the CONACT to allow the use of "outstanding" in the CFR, and therefore is consistent with the statute.

--Example 1:** If an applicant receives their first FO in the year 2016, this applicant has 9 additional calendar years in which they may receive FO loans. If nothing else changes the applicant could get an FO in 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, and 2025 (9 more total calendar years). This applicant would have until the last day of 2025 to close a new FO.**--

132 Eligibility (Continued)

E Term Limits (Continued)

***--Example 2:** An applicant receives their first FO in the year 2016 and pays this loan off in the year 2021. In determining outstanding years, the exact date is not significant, no matter if it is paid off on 1/1, 6/23, or 12/31 it still counts as 1 calendar year and the applicant would have 4 additional total years to get an FO. If the applicant comes back for another FO in the year 2027, this applicant would still have 4 additional total years in which they may receive an FO.

Note: The following exceptions apply:

- rescheduling a loan does not count against the direct FO eligibility limitation
- ML's made for FO purposes are not exempt and count towards the FO eligibility limitation
- cosigning for a direct FO counts against the direct FO eligibility limitation
- assuming a direct FO counts against the direct FO eligibility limitation
- an entity applicant is eligible for a direct FO only if all of its individual members have not exceeded the term limits
- guaranteed FO's do not count against the direct FO eligibility limitation.**--***

(3) Have never received a direct FO loan.

133 Limitations

A General

[7 CFR 764.153] The applicant must:

(a) Comply with the general limitations established at § 764.102 (paragraph 74)**;**

(b) Have dwellings and other buildings necessary for the planned operation of the farm available for use after the loan is made.

The necessary buildings must be located on the applicant's farm, except when the:

- ***--**applicant already has an adequate, decent, safe, and sanitary dwelling suitable for the**--*** family's needs that is located close enough to the farm so the farm may be operated successfully

- applicant has a long-term lease on acceptable rented buildings that are adjacent to or near the farm

- applicant occupies suitable buildings that the applicant will eventually inherit or be permitted to purchase from a relative

- farm does not have an adequate dwelling and the applicant owns a suitable mobile home that will be used as the applicant's home.

  Note: FSA can finance a manufactured home, placed on a permanent foundation; however, mobile homes, remaining on wheels, may not be financed. In both cases, FO funds can cover the cost of necessary improvements, such as anchoring the home and water and sanitary requirements.

B Loan Limits

See 1-FLP, paragraph 29 for FO limits.

C Refinancing

Refinancing of real estate debt is prohibited except for bridge loans according to subparagraph 131 F.

133 Limitations (Continued)

D Compliance with Special Laws and Regulations

Applicants will be required to comply with applicable Federal, State, and local laws and regulations governing building construction; diverting, appropriating, and using water including use for domestic purposes; installing facilities for draining land; and making changes in the use of the land affected by zoning regulations.

SED and FLP staff will consult with NRCS, U.S. Geological Survey, Army Corp of Engineers, State Geologist or Engineer, or any board having official functions relating to water use or farm drainage requirements and restrictions for water and drainage development. SED shall issue State supplements to provide guidelines which:

- state all requirements to be met, including the acquisition of water rights
- define areas where development of ground water for irrigation is not recommended
- define areas where land drainage is restricted.

133.5 Direct Farm Ownership - Microloan (DFO-ML)

A Overview

Applicants meeting the requirements established in subparagraph 43 C may apply for DFO-ML's.

B Requirements

***--[7 CFR 764.51(d)] For an ML request for FO purposes, all of the following criteria must be met:**

[7 CFR 764.51(d)(1)] The loan requested is:

(i) To pay for any authorized purpose under the FO program

(ii) $50,000 or less and the applicant's total outstanding principal **Agency FO debt at the time of loan closing will be $50,000 or less.**

Note: The total principal debt outstanding at any one time for microloans made for FO purposes and microloans made for OL purposes cannot exceed $50,000. FOML + OLML must be less than or equal to $50,000.**--***

134 Joint Financing Arrangements

A General

The following regulations and requirements will apply to both the regular FO and DFO-ML.

[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.

***--**The following is an example of a DFOML joint financing arrangement.

Example:	Purchase Price	$325,000
	DFOML	$ 50,000
	Other Financing	$275,000**--***

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)] Except for ML's made for FO purposes, 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.

--[7 CFR 764.154(b)(1)] For ML's made for FO purposes, the Agency schedules repayment of an FO based on the applicant's ability to repay and the useful life of the security. In no event will the term be more than 25 years from the date of the note.--

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).

***--[7 CFR 764.203(c)] Downpayment loans made as ML for FO purposes may not exceed $50,000.**

The following is an example of a DFOML downpayment loan.

Example:	Purchase Price	$325,000
	Cash down payment	$ 16,250
	Downpayment DFOML	$ 50,000
	Other Financing	$258,750**--***

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(d)] 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)

Part 9 Operating Loan (OL) Program

Section 1 OL's

201 Uses

A General

***--[7 CFR 764.251(a)] Except as provided in paragraph (b), OL and ML used for OL purposes loan funds may only be used for:** See subparagraphs B through L for OL uses.--*

Note: To conserve FSA funding, applicants will be strongly encouraged to obtain a portion of their credit needs from other sources if possible. Such arrangements may include splitting annual operating from term loan purposes, vendor credit, FSA guarantees, and subordinations. Maximizing the use of other available credit sources, especially for shorter term operating credit, will allow FSA to better meet program demand.

B Reorganizing a Farm

OL funds may only be **used** for:

[7 CFR 764.251(a)(1)] Costs associated with reorganizing a farm to improve its profitability;

The following requirements apply when reorganizing a farm.

- Reorganizing the farm means changing enterprises, production practices, marketing methods, or other parts of the farm business to enhance the viability of the farm.

- Examples of acceptable use of loan funds under this provision include but are not limited to:

  - purchase of equipment to convert from conventional to no-till production
  - change from stocker to cow/calf production
  - shifting from row crop to vegetable production
  - purchasing grain drying and storage equipment to facilitate better marketing
  - purchase shares in value-added processing and marketing cooperatives.

Note: These situations are for illustrative purposes only. Any similar operational changes are acceptable as long as a realistic farm plan indicates the changes will improve the financial viability of the farm.

201 Uses (Continued)

C Chattel and Other Purchases

OL funds may only be used for:

[7 CFR 764.251(a)(2)] Purchase of livestock, including poultry, farm equipment, quotas and bases, and cooperative stock for credit, production, processing or marketing purposes;

Funds may be used only for purchases essential to the success of the farming operation.

Farm vehicles used for farm operating purposes may be purchased, repaired, or refinanced only when the following conditions apply.

- The applicant provides verification that the vehicle will be used exclusively for farm operating purposes. Examples of vehicles used for farm operating purposes include, but are not limited to, grain or livestock hauling trucks, vehicles needed to pull wagons or livestock trailers, and pick-up trucks.
    - A pick-up truck used primarily as a personal vehicle shall not be financed.
    - The income tax treatment of a vehicle is a good indication of its use. If the farm vehicle is or will be depreciated as a farm asset, FSA financing may be authorized.
- The applicant documents need for purchasing, repairing, or refinancing.
- Other credit is not available from usual sources, including dealers and banks. When a farm vehicle is being purchased, dealer and bank financing is usually readily available, often at low rates.
- The vehicle being purchased, repaired, or refinanced is modest in size, utility, and cost and meets the needs of the operation.

204 Rates, Terms, and Repayment (Continued)

D Repayment

The farm operating plan used to project repayment ability must be completed according to 1-FLP, Part 8.

The OL repayment schedule may include equal, unequal, or balloon payments.

- The first payment is due when income is received or within 18 months.
- After the initial payment, payments are scheduled annually unless the loan is repaid in a single payment.
- The repayment term for OL is 1 to 7 years, as determined by the applicant's projected repayment ability.
- Annual installments must cover, at a minimum, the accrued interest.
- Annual installments may be collected by assignments and supplemental payments.
- If unequal or interest only installments are scheduled, the applicant must be able to show that there will sufficient resources available to pay the loan in full by the final maturity date.

205 Security

A General

[7 CFR 764.255] An OL loan must be secured:

(a) In accordance with §§ 764.103 through 764.106 (paragraphs 91 through 94)**.**
(b) Except for ML's, by a:

(1) First lien on all property or products acquired or produced with loan funds;

(2) Lien of equal or higher position of that held by the creditor being refinanced with loan funds.

--[7 CFR 764.255(c)] For ML's used for OL purposes:--

[7 CFR 764.255(c)(1)] For annual operating purpose loans must be secured by a first lien on farm property or products having a security value of at least 100 percent of the loan amount, and up to 150 percent, when available. A lien is not required on crops or livestock financed with annual operating ML's. However, the loan must be secured at least 100 percent and up to 150 percent if available, without taking a lien on personal residences or nonessential assets.

[7 CFR 764.255(c)(2)] For loans made for purposes other than annual operating *--purposes, loans must be secured by a first lien on farm property or products--* purchased with loan funds and having a security value of at least 100 percent of the loan amount.

Notes: Loans made for refinancing purposes will be secured by a lien on any farm property valued at least 100 percent of the loan amount.

In cases where livestock is the only security that will be pledged, FSA will take no more than 100 percent of the loan amount when separate and identifiable security can clearly be established.

[7 CFR 764.255(c)(3)] A lien on real estate is not required unless the value of the farm products, farm property, and other assets available to secure the loan is not at least equal to 100 percent of the loan amount.

[7 CFR 764.255(c)(4)] Notwithstanding the provisions of paragraphs (c)(1), (c)(2), and (c)(3) of this section, FSA will not require a lien on a personal residence.

206-215 (Reserved)

Section 2 Microloan OL's and Streamlined OL's

216 DOL-ML Process

A Overview

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

B Requirements

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

[7 CFR 764.51(c)(1)] The loan requested for OL purposes is:

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

[7 CFR 764.51(c)(1)(ii)] $50,000 or less and the applicant's total outstanding principal **Agency OL debt at the time of loan closing will be $50,000 or less.**

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

The total principal debt outstanding at any one time for microloans made for FO purposes and microloans made for OL purposes cannot exceed $50,000. OLML + FOML must be less than or equal to $50,000.**--***

217 Streamlined OL Process

A Requirements

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

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

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

- the updated cash flow for the new loan is positive for repayment to FSA and all creditors
- the loan amount for the new loan may be increased as long as it is supported by the cash flow and the applicant continue to meet the streamlined OL requirements

•***--**the applicant must not have received primary loan servicing in the previous year**--***

- all other requirements remain the same as any standard OL.

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

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

218-225 (Reserved)

Section 3 Youth Loans

226 Youth Loan Application Process

A Application Requirements

See paragraph 44 for complete youth loan application requirements.

B Youth Loan Exceptions to Operating Loan Requirements

The following requirements from 1-FLP, Part 8 do not apply to the Youth Loan program.

- Farm assessments are not required for youth loans.
- All new youth loans are automatically classified as a “3”.

  Note: If a youth loan borrower reaches the age of majority and subsequently gets a direct OL and/or FO, all loans including any outstanding youth loans will be entered into FBP and classified based upon data collected.

- FSA-2037 and FSA-2038 will not be required except in complex cases where information provided on FSA-2301 is inadequate.

C Initial Meeting with Youth Loan Applicant

The authorized agency official should offer a preliminary meeting with the youth to discuss:

- the Youth Loan program, including authorized use of funds and eligibility requirements
- whether the youth has appropriate supervision
- the proposed plan.

227 Uses and Limitations

A Uses

[7 CFR 764.301] Youth loan funds may only be used to finance a modest, income-producing, agriculture-related, educational project while participating in 4-H, *--FFA, Tribal youth organizations**, or a similar organization.--***

A youth loan provides an opportunity for a rural youth to acquire experience and education in agriculture-related skills. The approved project must be related to the business of agriculture and must not be a noneligible enterprise. See Exhibit 2. Each project must be part of an organized and supervised program of work and must produce sufficient income to repay the loan.

The applicant must use youth loan funds only to pay the expenses associated with the approved project.

Note: The youth must be participating in an established organization that supports ***--**agricultural projects, such as 4-H, FFA, Tribal youth organizations, or a similar**--*** organization. The organization provides the structure, the adult supervision, and the expertise to help the youth plan and complete the project.

B Limitations

[7 CFR 764.303(a)] The applicant must comply with the general limitations established at § 764.102 (paragraph 74)**.**

Loan funds may not be used to:

- purchase real estate or make real estate improvements
- refinance debts
- pay family living expenses, except as they relate directly to the approved educational project
- finance a personal vehicle.

Note: The applicant may use loan funds to make only very minor repairs to real estate, for example to fix a window or repair a shed, when the repair is directly related to the approved project.

228 Eligibility (Continued)

D Project Advisor

The applicant:

--[7 CFR 764.302(d)] Must be recommended and continuously supervised by a project advisor, such as a 4-H Club advisor, a vocational teacher, a county extension agent,** Tribal youth advisor**, or other agriculture-related organizational sponsor; and--

The application for a youth loan must contain a recommendation from the project advisor and verify that:

- the project advisor:
  - will sponsor the youth
  - has training and/or experience to supervise youth
  - is available to help the youth plan the project, to review the youth's books and records, and to answer questions
- the youth is a member of an organization.

While the project advisor should supervise the youth applicant to an extent acceptable to the authorized agency official, the authorized agency official still has the primary responsibility for supervising the loan.

E Parental Consent

The applicant:

***--[7 CFR 764.302(e)] Must obtain a written recommendation and consent from a--* parent or guardian if the applicant has not reached the age of majority under state law.**

F Requiring Cosigners

A cosigner will be required only if it is determined that the applicant cannot possibly meet the repayment or security requirements for the loan request.

Note: When a plan is feasible using realistic figures, a cosigner will not be required.

229 Rates, Terms, and Repayment

A Rates

[7 CFR 764.304(a)(1)] The interest rate is the Agency's Direct Operating Loan rate, available in each Agency office.

[7 CFR 764.304(a)(2)] The limited resource Operating Loan interest rate is not available for Youth loans.

[7 CFR 764.304(a)(3)] The interest rate charged will be the lower rate in effect at the time of loan approval or loan closing.

See 1-FLP, Exhibit 17 for interest rates.

B Terms

[7 CFR 764.304(b)] Youth loan terms are the same as for an OL established at § 764.254(b) (paragraph 204)**.**

Payments will be tailored to the type of project for which the loan is made.

Exception: Balloon payments are prohibited.

C Repayment Frequency

Youth loan repayment schedules may include equal or unequal payments:

- the first payment is due when income is received or within 18 months
- after the initial payment, payments are scheduled annually unless the loan is repaid in a single payment
- annual installments must cover, at a minimum, the accrued interest.

242 Eligibility (Continued)

I Qualifying Losses

For production or physical loss loans, the loss and/or damage must be directly attributable to the stated reason for the disaster designation.

The applicant:

[7 CFR 764.352(h)] For production loss loans, must have a disaster yield that is at least 30 percent below the normal production yield of the crop, as determined by the Agency, that comprises a basic part of an applicant's total farming operation.

See Exhibit 2 for the definition of basic part of an applicant's total farming operation.

Production losses are calculated according to subparagraph 244 C.

Notes: If an applicant cannot plant the usual crop or plants the crop and it is destroyed as a result of the disaster and the applicant plants a substitute crop in its place, then the applicant is not eligible for a production loss on the original crop. However, if the substitute crop suffers a qualifying loss, a loan may be made for the loss on that crop.

--**If an applicant's operation consists of multiple crops, and there is a qualifying loss on any single crop (that is a basic part of the applicant's operation), they can receive a loan for the total of all losses on all crops raised in the designated or contiguous county, as long as they are essential to the operation.**--

The applicant:

[7 CFR 764.352(i)] For physical loss loans, must have suffered disaster-related damage to chattel or real estate essential to the farming operation, or to household contents that must be repaired or replaced, to harvested or stored crops, or to perennial crops.

242 Eligibility (Continued)

J Changes in Ownership Structure

The applicant:

[7 CFR 764.352(j)] Must meet all of the following requirements if the ownership structure of the family farm changes between the time of a qualifying loss and the time an EM loan is closed:

(1) The applicant, including all owners must meet all of the eligibility requirements;

(2) The individual applicant, or all owners of an entity applicant, must have had an ownership interest in the farming operation at the time of the disaster; and

(3) The amount of the loan will be based on the percentage of the former farming operation transferred to the applicant and in no event will the individual portions aggregated equal more than would have been authorized for the former farming operation.

K Duplicative Federal Assistance

The applicant:

[7 CFR 764.352(k)] Must agree to repay any duplicative Federal assistance to the agency providing such assistance. An applicant receiving Federal assistance for a major disaster or emergency is liable to the United States to the extent that the assistance duplicates benefits available to the applicant for the same purpose from another source.

If additional disaster benefits are expected from existing programs, but the amount is not known at loan approval, the applicant must assign the benefits to FSA.

Programs enacted after loan approval will not affect EM calculations and are not considered duplicative benefits. In such cases, however, FSA may require an assignment to ensure loan repayment according to subparagraphs 93 B and C on any subsequent payment made to the applicant after the time of loan approval.

The authorized agency official, before closing EM, must verify (through CED and Comprehensive Information Management System), if available, all disaster related compensation or insurance indemnities received or to be received for the designated loss.

244 Calculating Losses (Continued)

C Calculating Production Losses (Continued)

(4) Subtract any other disaster related compensation or insurance indemnities received or to be received by the applicant for the production loss.

Disaster related compensation includes, but is not limited to:

- crop insurance payments
- CAT
- NAP
- other FSA disaster program payments, such as Emergency Feed Assistance Program, emergency conservation programs, and any other special disaster program payments
- any other disaster assistance provided through agencies such as FEMA.

The authorized agency official will verify, through CED and the Comprehensive Information Management System, where available, producer's "other disaster-related compensation or insurance indemnities received or to be received" for the loss.

Note: Only compensation received specifically for the production loss for which the applicant is requesting assistance is deducted from the loss amount.

D Quality Loss Adjustments

Quality losses are determined by comparing the average market price for the commodity at the grade the applicant would have normally sold the product, with the average price of the grade at actual sale.

E Losses to Native Pasture and Rangeland

Production losses to native pastures, rangeland, and grazing permit lands are calculated by determining the average per head cost of feed purchased for 3 years before the disaster, then comparing it to the average per head cost of feed in the disaster year. If the disaster year cost per head exceeds the average cost per head in the nondisaster year by 30 percent or more, the applicant's loss is calculated by multiplying the number of head of livestock in the disaster year by the difference between the cost per head in the disaster year and the 3-year average cost.

244 Calculating Losses (Continued)

F Examples of Production Loss Calculations

The following are examples of loss calculations.

Example 1: The applicant provides reliable records to show that the cost per head for feed purchased in the previous 3 years was $230. In the disaster year, the average cost per head was $300.

- $300 ÷ $230 = 1.30 or 30 percent higher feed costs.
- $300 - $230 = $70 is the production loss per head.
- The applicant had 100 head of cattle during the disaster year. Therefore, $70 x 100 = $7,000 feed loss is the amount of the production loss.

Example 2: The applicant normally produces fresh market apples, but because of the disaster, the apples were sold for processor, peeler, or juice apples.

The average price offered for fresh market apples is $258/ton. The price the applicant received for processor apples is $60/ton. The quality loss is calculated as follows.

- $60 ÷ $258 = 23 percent of the normal price.
- To make the adjustment, the applicant's quality adjusted disaster year yield would be reduced by 77 percent of the actual disaster year yield.
- To determine this adjustment, the actual disaster year yield is multiplied by .23 to get the quality adjusted disaster year yield.

***--Example 3:** The applicant produces multiple crops in a designated county with all being essential to the farming operation except blueberries. In the disaster year the crop losses were:

- Cotton = 70 percent loss
- Peanuts = 26 percent loss
- Blueberries = 100 percent loss
- Soybeans = 15 percent loss.

Since cotton, which is a basic part of the operation, suffered a qualifying loss, an EM loan can include all losses on crops in a designated or contiguous county which are essential to the operation (Cotton, Peanuts, and Soybeans).--*****

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 *--at the time the loan is closed.--***

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.**

Evaluation of Collateral Guidelines

The following can be used when an evaluation is appropriate appraisal.

	Information Element	Content Description
1	Location for the Evaluation	The evaluation will be entered in the FBP Farm Assessment's Type of Farming Operation.
2	Location of the Property	Identify the location of the property. There are a number of methods to identify location including the following: • legal street mailing address • assessor's map and parcel • deed book and page • nearest intersection • distance from nearest town • latitude/longitude. Use any or all that are available.
3	Description of the Property	Provide a description of the property including any improvements and its current and projected use. Show land mix including estimated acres of cropland, pasture, woodland, etc. as well as total acreage. For improvements show type of improvement (barn, shed, silo, etc.), size (dimensions including length, width, height), construction (frame, masonry, pole, steel), exterior wall type, and amenities (electricity, water hookup/plumbing, heating ventilation and cooling, etc.) Describe age and condition of improvements and overall condition of the property.
4	Inspection Date	Provide confirmation that the property was physically inspected and the date the property was inspected.
5	Analysis Performed and Supporting Information Used	Describe the analysis performed and supporting information used to determine the property's market value including where information was obtained that is court house records, comparable sales, property tax assessments, etc. Show the steps taken to reach a conclusion of value (could be a combination of sources and methods). The following are additional potential sources: • property assessment data for subject • recent similar sales in the same community/neighborhood • information from local realtor (MLS sold data/ current similar listings, etc.) • annual NASS agricultural property value information • FSA COC members and/or other FSA employees familiar with local market. Once data is collected, briefly summarize the data and reconcile how you reached your opinion of value. Refer to examples on the following page.
6	Effective Date of Evaluation	Include an effective date of the evaluation. This will typically be the date of inspection.
7	Signature of Evaluator and Date Signed	Include a signature of the preparer of the evaluation. Include the name and title along with the date signed. The date signed could be different from the effective date.
8	Maps and Photos (Optional)	A location map and/or aerial photo or tax map showing the property location as well as photographs of the property can be very helpful in adequately describing the property. These are very useful but are not required.

Evaluation of Collateral Guidelines (Continued)

Examples for Evaluation of Collateral

Example 1: Farm Business Plan – Farm Assessment

Borrower and Owner of the Property: Joe Farmer

3/1/2016 – On Monday, February 29, 2016, I visited the subject property located at the NE intersection of US Highway 301 and Rhames Road, Manning, SC. The purpose of the visit was an inspection to complete an evaluation of collateral.

The subject property contains 20 acres of pasture and is improved with a 20'x 40' metal building (800 sf) built ten years ago. It's 12' tall with a concrete floor, electric power and water hookup. It has been well maintained. The current use is agricultural. The proposed use is the same.

I established a value opinion considering three vacant pasture tracts in the surrounding neighborhood considered similar to the subject property. They ranged in acreage from 19 to 22 acres and sold from $1,985 to $2,100 per acre. I talked with Bill Land, a local realtor and he confirmed vacant pasture sells from $1,800 to $2,300 depending on location, frontage and fencing. The subject has average location and frontage, but no fencing. I have concluded a value of $2,000 per acre for the subject land.

The county property assessor values the building at $4,000. I have spoken to John Smith, local contactor who builds utility buildings. He said a new building would cost $8,000.

The tax assessor's market value for taxation purposes of the land and buildings is $41,000 as of 2015. The current sales contract is for $44,000. The agreed price was negotiated from the listing price of $45,000.

I have concluded a market value of $44,000 as of the effective date of 02/29/2016.

Example 2: Farm Business Plan – Farm Assessment

Borrower: Jane Doe Owner of the Property: John and Jane Doe

3/1/2016 – I inspected the subject property on Monday, February 29, 2016. The borrower accompanied me on the inspection. The property is located at 111 Furse Rd, Manning, SC, and it lies 5.6 miles SW of town just W of SC 261. The county tax map number is 123-00-00-001. The purpose of the inspection was to complete an evaluation of collateral.

The subject property contains 5 acres of vacant land that is roughly half open and half wooded. The current use is rural residential. The proposed use is the same.

The county property assessor's market value for taxation purposes of the land is $15,000 (see attached tax card and tax map printed from the assessor's website). Based on my knowledge of the Clarendon County Tax Assessors Office, the assessed value for vacant land in the county is typically representative of market value. I have concluded a market value of $3,000 per acre or $15,000 as of the effective date of 02/29/2016.