

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Direct Loan Making 3-FLP (Revision 2)	Amendment 51
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Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 351 D has been amended to reference new appraisal sharing and notification requirements regarding real estate appraisals.

Page Control Chart		
TC	Text	Exhibit
	15-1, 15-2 15-2.5, 15-2.6 15-3, 15-4	

Part 15 Loan Decision**351 Reviewing and Evaluating Applications****A Timeframe**

[7 CFR 764.53(c)] Within 60 calendar days after receiving a complete loan application, the Agency will complete the processing of the loan request and notify the applicant of the decision reached, and the reason for any disapproval.

The authorized agency official must make the decision to approve or deny the loan so that the applicant can be notified in writing within 60 calendar days after the loan application is determined complete.

To ensure that a loan application is expeditiously reviewed, the State or County Office must enter a reason and, if necessary, an explanation into DLS when the loan decision has not been made within 45 calendar days after receiving a complete loan application.

SED, FLC, and DD will monitor the processing of all loan applications to ensure that loan applications are processed in a timely manner.

B Eligibility

To evaluate the applicant's eligibility, the following should be considered during preparation of the FBP's Credit Presentation.

- Does the applicant meet the general eligibility and specific eligibility requirements for the type of loan requested?
- Does the applicant meet the definition of beginning farmer or SDA to qualify for targeted funds?
- Are funds requested for authorized purposes?
- Will the requested loan, plus the principal balance on other FLP loans, be within the loan limits contained in 1-FLP?
- Is a plan in place or has a waiver been granted to meet applicant training needs?
- Is the applicant unable to obtain sufficient credit elsewhere? (Does not apply to CL's.)
- If the request is for EM, did the applicant have a qualifying loss?

351 Reviewing and Evaluating Applications (Continued)**C Feasibility**

To evaluate the applicant's operating plan feasibility, the following should be considered during the preparation of the FBP Credit Presentation.

Note: Farm operating plans for poultry or hog contract growers must be developed according to 1-FLP, Part 8, Section 3.

- Does the farm operating plan show that the new loan, farm operating and family living expenses, and all other obligations will be repaid? The plan should first be prepared using regular rates and terms. If the plan shows repayment at regular rates, the regular rates will be used for the loan. However, if the plan does not show repayment at regular rates, limited resource rates should be substituted and the plan recalculated to see if repayment is possible.
- Are the operating and family living expenses, nonfarm income, and farm and other income included in the farm operating plan realistic?
- Is projected production realistic based on the applicant's or operation's history and the planned improvement practices?
- If non-FSA credit is planned, has documentation been obtained that the loan has been approved?
- Is the farm suitable for any planned specialized operations?
- Are the land, buildings and facilities, and water supply adequate for the planned operation?
- Is there reasonable assurance that any rented land which the applicant depends on will continue to be available?
- Is any off farm employment the applicant depends on likely to continue?

351 Reviewing and Evaluating Applications (Continued)**D Security**

The authorized agency official must ensure that the security requirements have been met and the total debt including loans being made against the security will not exceed the market value of the security.

A loan requiring real estate or chattels for adequate security may be approved subject to obtaining an appraisal in those cases where the following conditions are met.

- The available information demonstrates that the security requirements can be met when the appraisal is completed.
- FSA will obtain an acceptable appraisal before loan closing.
- *--FSA must promptly provide a copy of the real estate appraisal or written real estate valuation to the applicant upon FSA completion or receipt. See handbook 1-FLP paragraph 148 for applicable notification requirements.

The real estate appraisal or written real estate valuation must be provided to the applicant at least three business days prior to loan closing or other such consummation of the transaction. The applicant may waive the three-day waiting period upon written request to the Agency, but any such waiver must be provided three business days prior to loan closing or other such consummation of the transaction. The real estate appraisal or written real estate valuation completed on a withdrawn or denied application must also be provided promptly to the applicant, but in no case later than 30 days after the denial or withdrawal.--*

E Environmental

The applicant has complied with or has plans in place for the proposed operation, which cover all the environmental requirements of 1-EQ and 2-EQ, and will not violate CONACT, Section 363; the Food, Security Act of 1985 (Sodbuster, Swampbuster); Executive Order 11990; or the Clean Water Acts.

See 1-EQ, paragraph 51 for guidance to identify potential wetlands that may be impacted by the proposed action.

The authorized loan official must ensure the applicant has certified that he or she will not violate HEL or WC provisions and that loan funds will not be used for a purpose that will contribute to a violation of HEL or WC provisions.

351 Reviewing and Evaluating Applications (Continued)**E Environmental (Continued)**

According to 6-CP, applicants must certify that they will not violate HEL and WC provisions by completing and executing AD-1026 for each farming interest. If, on AD-1026, question 6, 7A, 7B, or 7C is answered “yes” by the applicant, then AD-1026 will be referred to NRCS for a HEL or wetland determination, as appropriate.

A conservation plan may be required if the property contains HEL. If a conservation plan is required, NRCS should be contacted to:

- determine what the conservation plan will contain
- evaluate if the applicant has the resources to carry out the plan.

The authorized agency official should consider the proposed use of loan funds; the contents of the conservation plan, if a conservation plan exists; and changes in land use when determining whether an applicant is likely to violate HEL and WC provisions.

F Loan Narrative

The authorized agency official shall document each item considered under subparagraphs B through E to support the final loan decision. The documentation shall be added to the FBP’s Credit Presentation to document the decision making process.

Note: If repayment ability is used as security according to subparagraph 246 B, documentation of the requirements of that section shall be included in the narrative.

352 Loan Approval

A Assessment

The authorized agency official must confirm and document in FBP that the loan assessment is complete or updated, when required, and necessary supervision is planned.

B Establishing Loan Approval Conditions

[7 CFR 764.401(a)(2)] The Agency will place conditions upon loan approval it determines necessary to protect its interest and maximize the applicant's potential for success.

Authorized agency officials shall not make any written or oral commitments or in any way imply that a loan will be made to any individual or entity before the closing of a loan.

The authorized agency official must specify on FSA-2313, or an attachment if necessary, any conditions that must be met including, but not limited to, the following:

- borrower training requirements as established in subparagraph 472 C
- all security requirements, including required lien position
- any agreements needed with prior lienholders
- supervised bank account according to 1-FLP, Part 4
- obtaining an appraisal that demonstrates that the security requirements can be met if the loan was approved subject to obtaining an appraisal
- any actions required of the applicant before loan closing, such as:
 - insurance and indemnity requirements
 - assignments from sale proceeds or income
 - reduction of outstanding indebtedness to meet maximum loan limits.

When a loan is approved for which funds are available and a title search is necessary, check (✓) the following statement on FSA-2313:

“Loan funds will be made available to you within 15 business days of loan approval. However, you agree that in certain circumstances the 15 business days may be exceeded when additional information, such as a lien and/or title search, an appraisal, subordination, etc. is needed prior to loan closing.”

***--Note:** FSA-2313 will be sent by regular mail or hand delivered to the primary applicant.--*