

151 Determining Financial Feasibility of Loans

A**Purpose**

Form FSA 1980-2 will be used by the Farm Loan Manager to review and document the feasibility of all guaranteed loan requests. MT Exhibit 19 will be substituted for Part D of Form FSA 1980-02. This exhibit will be attached to Form FSA 1980-02.

B***--Feasible Plan**

The proposed plan (i.e. cash flow budget) for the operation must include a realistic margin or consideration for capital replacement and/or growth. Cash flows that do not consider capital replacement for the current operating year must be adjusted, or a typical year plan submitted, to include an amount before making a feasibility determination.

In addition, loan requests will be reviewed to determine if the amount used for capital replacement/growth is realistic. As a minimum, a realistic figure for capital replacement should be based on past history, size and type of operation, current needs and future goals of the proposed operation. This figure should not be optimistically increased to qualify for interest assistance or artificially decreased to qualify for the loan request. If a typical year plan does not indicate repayment ability after considering a realistic figure for capital replacement, even with the use of interest assistance, then the guaranteed loan request will be denied.--*

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