

For: County Offices

**Standard Eligible Lender (SEL) and Certified Lender Program (CLP)  
Guaranteed Loan Requirements**

Approved by: State Executive Director



**1 Overview**

**A Background**

This notice replaces MO Notice FLP-237, dated 4-18-05, which expires 05-01-2006. All loan approval decisions must be supported by a well documented case file that defends credit quality and meets statutory/regulatory compliance with Handbook 2-FLP. Loan closing instructions also must be well written and in sufficient detail/clarity for all parties to fully understand all of the guaranteed loan requirements.

**B Purpose**

The purpose of this Notice is to provide an SEL/CLP lender:

- standardized attachment to the conditional commitment
- guaranteed loan evaluation/eligibility checklist form

**C Contact**

Any questions concerning this Notice should be directed to the Farm Loan Programs Section in the State Office.

**D Filing Instructions**

A copy of this Notice should be filed preceding 2-FLP Handbook.

<b>Disposal Date</b> May 1, 2007	<b>Distribution</b> Farm Loan Teams, County Offices, AFLSs, DDs, CORs
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## 2 Implementation

### A Conditional Commitment

The conditional commitment is one of the most important documents in the guaranteed loan file. A well-written conditional commitment will help to eliminate misunderstandings between the lender and FSA. Servicing actions and loss claims will be based upon the terms and conditions of the conditional commitment that the lender agreed to.

The loan approval official is required to use Exhibit A of this notice as an attachment to the FSA-1980-15. Exhibit A of this Notice has been developed as a Microsoft Word document and is available on the Missouri State Intranet website under Farm Loan, Guaranteed Guides Word. The attachment to be downloaded is:

**mo 2-flp09 SEL-CLP CC Attach 02-01-06.doc**

**MO 2-FLP Guide 9 – Attachment A to FSA-1980-15, “Conditional Commitment,” is not optional, but a loan making requirement.**

MO 2-FLP Guide 9 was developed as a result of experience received from guaranteed loss claims and file reviews. Some of the information may seem redundant, but has been proven to be necessary in complying with Missouri laws and protecting the government’s interests.

The standardized conditional commitment contains requirements and statements that are typically needed. Each guaranteed loan request will have special circumstances. Therefore, the County Office must review the standardized conditional commitment for the loan type being considered and make deletions and/or additions as needed depending on the situation/circumstance.

Located in the left-hand column of the 2-FLP Guide 9 is a number (1., 2., etc) or the letter [v]. In most instances, those paragraphs with a number 1., 2., etc) should not be deleted. Those paragraphs with the letter [v] can be deleted or modified as needed. Additional paragraphs or items can also be added as needed. Always check the Missouri State Intranet website to see if you have the most current version:  
[http://intra4.fsa.usda.gov/mo/moi/FarmLoan/farm\\_loan.htm](http://intra4.fsa.usda.gov/mo/moi/FarmLoan/farm_loan.htm)

It is imperative that the loan approval official be specific and explain in sufficient detail on 2-FLP Guide 9 to remove any reasonable doubt in explaining to the lender what is actually required.

When preparing the Form FSA-1980-15, the phrase “**See Attachment A**” must be added just below the paragraph in item 16 "security" and in item 17 "other."

**B FSA SEL-CLP Guaranteed Loan Evaluation/Eligibility Checklist**

It is recommended that Exhibit B of this notice, MO 2-FLP Guide 22 SEL-CLP, "FSA SEL-CLP Guaranteed Loan Evaluation/Eligibility Checklist," be used on SEL and CLP loan applications.

MO 2-FLP Guide 22 SEL-CLP replaces the running record file documentation entry. Other file documentation is acceptable as long as it contains at least the same information.

File in Position 3 of the case file.

The form is available on the Missouri State Intranet Website under Farm Loan. Go under Guaranteed Guides Word and look for:

**mo 2-flp22 SEL-CLP Loan Eval & Elig Chklist 04-13-2005.doc**

**C Environmental Information**

An application will not be considered 'complete' until FSA has all of the required information to complete the environmental review. Follow MO Notice FLP-261, "Environmental Assessments and Other Environmental Concerns Farm Loan Programs," in the environmental review process. Complete the appropriate FLP "Guaranteed" Loan Making and Servicing Environmental Checklist using either Exhibit 5 for a Categorical Exclusion, Exhibit 6 for an EA Class I or Exhibit 7 for an EA Class II.

All lenders are required to perform 'Environmental Due Diligence.' The Form FSA-851, an American Society of Testing Materials transaction screen questionnaire (TSQ), or similar form approved by the State Environmental Coordinator must be completed by the lender when real estate is primary security.

In most instances, the environmental review by FSA will be based on the answers to the questions in part F of the Form FSA-1980-25 and other environmental concerns addressed in the loan narrative.

ATTACHMENT A  
FSA-1980-15, "CONDITIONAL COMMITMENT," dated [v]

Lender Name: [v]

Loan Applicant's Name: [v]

**GENERAL TOPICS**

The County Office hereby notifies you that funds have been obligated for this loan and you may proceed with closing the loan, if all of the conditions set forth in the FSA-1980-15, "Conditional Commitment," and this attachment are acceptable.

This attachment supplements the form FSA-1980-15, "Conditional Commitment." The lender must carefully read and follow both the FSA-1980-15 and this attachment. **[Return both signed with loan closing documents.]**

**REAL ESTATE APPRAISAL REQUIREMENTS**

Before a real estate appraisal can be accepted by FSA, both the lender and FSA must be listed as intended users of the appraisal report under the section AUTHORIZATION AND INTENDED USER.

[v] **[ Insert if loan was approved subject to the lender obtaining a real estate appraisal ]** This loan was approved subject to the lender obtaining an acceptable real estate appraisal prior to the guaranteed loan being closed. Appraisals must be done as per Handbook 2-FLP (7 CFR 762.127).

[v] **[ Insert for SEL lenders ]** Standard eligible lenders must submit an appraisal, acceptable to FSA, prior to receiving the Form FSA-1980-27, "Loan Guarantee."

[v] **[ Insert for CLP lenders ]** If the guaranteed loan collateral present market value (PMV) as determined by the appraisal is less than the \$\$\$ value stated in the loan application, the loan cannot be closed until after FSA is notified and written concurrence with the appraisal PMV is deemed acceptable.

**RATES AND TERMS**

1. This guarantee will be at the [v] (*percent of guarantee*) level.
2. The interest rate cannot exceed the rate the lender charges its average farm customer. The initial interest rate is [v] *percent*. The interest rate is [v] *fixed or variable*. (If rate is variable, indicate basis and whether it can change daily, monthly, quarterly, or annually.)
3. The loan amount shall not exceed \$ [v] (*insert the principal amount of Loan/Line of Credit*).
4. The term of the loan was approved for a term not to exceed [v] years. The maturity date for this loan can be less than, but cannot exceed the date of [v] [ *xx/xx/xxx* ].

[v] **[ Insert for all OL/LOC loans ]** As per 2-FLP Par.137C, OL/LOC loan advances must be made within 5 years from the initial guaranteed loan closing date.

## SECURITY REQUIREMENTS

The lender must comply with the following security requirements:

[v] *[Repeat, as a minimum, the collateral listed on Form FSA-1980-25, Application for Guarantee. The loan approval official is allowed to add further explanations and/or other items to meet the requirements of 2-FLP Par.166, Amount and Quality of Security (7 CFR 762.126).]*

[v] **[ Insert when the loan will be secured by a junior lien and the total (prior & junior and/or nonguaranteed & guaranteed combined) debt is greater than 85% of the value of the security ]** In accordance with 2-FLP, Par. 166 D, junior liens are acceptable only if the total debts securing the same collateral is less than or equal to 85 percent of the total value of the shared collateral. Liens that are junior to the guaranteed loan(s) will not be considered in this limitation.

In instances of this occurring, the lender and FSA shall agree that the guaranteed and non-guaranteed loans share equally a 1<sup>st</sup> lien position on the collateral. Neither loan is considered junior to the other. The lender agrees that if any shared security is liquidated, the net proceeds shall be divided pro-rata based on the total amounts loaned.

**Example:** Lender provides \$1,000,000 in loan assistance of which \$700,000 is a guaranteed loan and \$300,000 is a nonguaranteed loan. The security is subsequently liquidated resulting in \$800,000 net proceeds. \$560,000 would be applied to the guaranteed loan and \$240,000 to the nonguaranteed loan. Payments are based on the initial pro-rata percentage of guaranteed loan  $\$700,000 / \$1,000,000 = 70\%$  & nonguaranteed loan  $\$300,000 / \$1,000,000 = 30\%$ .

Due to this loan request having a greater than 85% loan to collateral value, it is being approved based on the above shared lien position requirements. Different interest rates and/or amortization schedules can subsequently cause the unpaid principal balance to be reduced at different amounts on each loan. Therefore, the \$ \_\_\_\_\_ nonguaranteed loan percentage is set at \_\_\_\_ % and the \$ \_\_\_\_\_ guaranteed loan percentage is set at \_\_\_\_ % regardless of the unpaid debt owed on either loan at the time of settlement.

[v] **[ Insert for all chattel secured loans ]** Any chattel-secured guaranteed loan must have a higher lien priority (including purchase money interest) than an unguaranteed loan secured by the same chattels and held by the same lender.

[v] **[ Insert for all chattel secured loans ]** The guaranteed loan must be secured by identifiable collateral. To be identifiable, the lender must be able to distinguish the collateral item and adequately describe it in the security instrument. For guaranteed loan purposes:

For livestock operations, the purchase or refinancing will be limited to either a guaranteed loan or a non-guaranteed loan, but not both. It is not permissible for a lender to co-mingle guaranteed and nonguaranteed livestock loan security. Without a written percentage (50%, 75%, 2/3<sup>rd</sup>, etc) ownership agreement agreeable to all creditors, more than one owner's livestock on the same FSA farm # is not acceptable.

In most instances, individual items of machinery/equipment are NOT considered to be "Separate and Identifiable Security". On a case-by-case basis, exceptions may be allowed for an individual item such as a tractor, combine, cotton picker, or licensed vehicle/trailer, etc described by its make, model, year, and serial number.

[v] **[ Insert for all chattel secured loans ]** The lender is expected to perfect a first lien position on all items

listed on the chattel appraisal used in this loan approval.

[v] [ **Insert for all real estate secured loans when there will be a prior lien** ] When real estate is taken as basic and/or additional security, it is the lender's responsibility to determine whether or not the prior lienholder's security documents have detrimental clauses (future advance, prepayment penalties, default features, etc.)

As per 2-FLP Par.166 D, when taking a junior lien, prior lien instruments will not contain future advance clauses (except for taxes, insurance, or other reasonable costs to protect security), or cancellation, summary forfeiture, or other clauses that jeopardize the Government's or the lender's interest or the borrower's ability to pay the guaranteed loan, unless any such undesirable provisions are limited, modified, waived or subordinated by the lienholder for the benefit of the Agency and the lender. Provisions on prior lien instruments, such as prepayment penalties, will be considered when evaluating the collateral value of the lender's security on the guaranteed loan.

[v] [ **Insert when the guaranteed loan will be secured with real estate in a junior lien position to the same lender** ] When the FSA guaranteed loan is in a junior lien position on real estate to the same creditor on a nonguaranteed loan, interest accrual on the nonguaranteed loan shall be limited as to what can be paid on a guaranteed loan loss claim in 2-FLP.

[v] A 1<sup>st</sup> lien will be perfected on all "basic" collateral (breeding livestock, machinery, and licensed farm vehicles). A junior lien will be perfected on all "normal" collateral (non-breeding livestock, crops, other farm products, supplies, inventory, account and contract rights, and general intangibles.) An assignment will be perfected on all FSA program benefits and crop insurance payments. All collateral pertains to that now owned and hereafter acquired.

[v] A 1<sup>st</sup> lien will be perfected on all "basic" collateral (breeding livestock, machinery, and licensed farm vehicles). A 1<sup>st</sup> lien will be perfected on all "normal" collateral (non-breeding livestock, crops, other farm products, supplies, inventory, account and contract rights, and general intangibles.) An assignment will be perfected on all FSA program benefits and crop insurance payments. All collateral pertains to that now owned and hereafter acquired.

[v] A 1<sup>st</sup> lien will be perfected on all "normal" collateral (non-breeding livestock, crops, other farm products, supplies, inventory, account and contract rights, and general intangibles.) An assignment will be perfected on all FSA program benefits and crop insurance payments. A junior lien will be perfected on all "basic" collateral (breeding livestock, machinery, and licensed farm vehicles.) All collateral pertains to that now owned and hereafter acquired.

[v] This lien position will be subject only to debt owed by the loan applicant to [v] (*creditor name*) on the following security property [v] *type of collateral*. The unpaid principal balance of this prior lien must not exceed [v] (\$\$\$) *and* must not be in default at the time of loan closing.

[v] The lender will obtain best lien obtainable on all the real estate owned by the loan applicant.

[v] A [v] (1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup>, etc) lien will be perfected by the lender on all of the real estate owned by the loan applicant.

[v] The borrower must maintain a minimum number of breeding livestock as follows:

<u>Type of Livestock</u>	<u>Minimum number</u>
[v] (cows + breed heifers)	[v]
[v] (bulls)	[v]

## USE OF LOAN FUNDS

1. Loan funds will be used for the following purposes:

[v] *Annual operating expenses for the operating year 2006, 2007, 2008, 2009 and 2010*

[v]

[v]

2. The lender will maintain a complete record of the disbursement of all loan funds. (Use MO 2-FLP Guide 14, Guaranteed Loan Ledger or a similar accounting sheet.)

[v] [ **Insert for all OL/LOC loans** ] The Agency's Instructions DO NOT ALLOW OLD CARRYOVER DEBT/BILLS that wasn't paid from the previous year to be carried over and advanced on this years OL/LOC loan. However, OL/LOC funds can be used to refinance current annual operating debts already advanced by the lender or other creditors for the current operating cycle. Under no circumstances can carry-over-operating debt from a previous operating cycle be refinanced. This means that only the current years cash flow operating plan expenses (operating and family living) can be advanced on the current years OL/LOC annual production loan. If a loss claim is requested, file documentation will be required to support that any OL/LOC funds used to refinance debts were for authorized OL/LOC loan purposes and for annual operating expenses in the current years operating cycle.

[v] [ **Insert for all OL/LOC loans** ] OL/LOC loan funds will not be used for purchase of real estate, refinancing any debt incurred for real estate purposes, refinancing of carryover debt from the previous crop year, or non-routine capital purchases that can't be paid in full within the current operating cycle/year.

[v] This is not a revolving line of credit, but a total single advance loan.

## INSURANCE REQUIREMENTS

1. By loan closing, loan applicants must either obtain Catastrophic (CAT) risk protection insurance coverage on all economically significant crops for this year and all subsequent years or will waive eligibility for emergency crop loss assistance in connection with the uninsured crop. Economically significant crops are those that contribute at least 10 percent of the value of the producer's share of the crop in the past year or are expected to contribute at least 10 percent in the coming year.

[v] Adequate property/hazard and liability insurance must be obtained on the security and a mortgage clause added to the insurance policy requiring all benefits to be paid jointly to the borrower and the lender.

[v] [ **Insert for real estate loans with buildings of economic value** ] Each building will be insured to a minimum of the depreciated insurance value shown on the real estate appraisal.

[v] [ **Insert for specialized buildings/integrated livestock facilities** ] Collapse insurance policy must be obtained for the term of the loan unless waived, in writing, by FSA. A waiver can be granted when the unpaid principal balance of the loan is less than the present market value of the real estate excluding the buildings depreciated insurance value.

[v] [ **Insert when crop insurance is required** ] Crop Insurance is required and an assignment of indemnity obtained in favor of the lender in the following minimum levels:

[v] Example – CRC insurance will be obtained at 65% yield,

100% price on corn and soybeans.

## **PROMISSORY NOTES, SECURITY INSTRUMENTS, and LOAN AGREEMENTS**

1. The lender will provide FSA with a copy of the signed and properly executed promissory note/loan agreement used in conjunction with this loan. **[ Return with loan closing documents ]**
  2. The lender will refer to page 2 of FSA-1980-15, "Conditional Commitment," for the required language to be used in the Financing Statement, Security Agreement, Promissory Note, and Real Estate Mortgage/Deed of Trust.
  3. Capital expenditures are not authorized unless approved/agreed upon by the lender in the annual cash flow. Any machinery/equipment lease of longer than 1 year is considered a "Capital Lease" and must be treated as a capital expenditure.
  4. Family living expenses, partner withdrawals, partner salaries, and/or other partner compensation is limited to the amount as shown in the cash flow that the bank must approve annually.
- [v]** **[ Insert for all loans made to an individual borrower ]** The lender will provide a current signed Financial Statement/Balance Sheet of the borrower's operation (farm and non-farm) as of **[v]** (*date*) each year. Please submit it to the County Office within 30 days of this date.
- [v]** **[ Insert for most loans made to an individual borrower ]** The borrower will be required to maintain two separate checking accounts at the bank (farm and a separate family living account). The borrower will deposit ALL farm income and pay all expenses from the farm account. Family living withdrawals will be limited and monitored by the bank as to what is actually authorized in the agreed upon cash flow.
- [v]** **[ Insert for all loans made to an entity borrower ]**
- The promissory note/loan agreement will be executed so as to evidence liability of the entity, all of the individual members of the entity individually, and the spouse of each individual member of the entity individually.
  - The borrower will provide the bank annually by (insert date) a copy of the signed and dated partnership financial statement and complete tax return.
  - The borrower will provide annually by (insert date) a copy of a signed and dated financial statement and tax return on each individual.
  - All of the partnership farm accounts must be maintained at the bank. All farm income and farm expenses must be run through this account.
- [v]** **[ Insert for all chattel secured loans ]** All chattel security that is jointly owned will have an agreement for disposition of jointly owned property signed by all owners including spouses. (Note that this does not apply to husband and wife jointly owned items.)
- [v]** **[ Insert for all chattel secured loans ]** For operations where machinery/equipment and/or livestock is given to, borrowed from, and/or shared with a relative, neighbor, or friend, but not owned jointly and where ownership could become an issue, a written ownership statement and/or certification must be obtained from the other party regarding all of the items listed on the borrower's security agreement. (Example: If dad gives son certain items of machinery, then a bill of sale should be obtained.) (Example: All livestock co-located must be clearly identifiable.)
- [v]** The promissory note will require amortized annual installments with a due date of **[v]** each year.

[v] The promissory note will require equal monthly installments in the amount of \$ [v] .

[v] Prior FSA written approval must be obtained prior to the borrower entering into and/or executing any machinery/equipment lease agreement not already approved/agreed upon in the annual cash flow.

[v] **[ Insert Depreciation Requirements when integrated livestock facilities are financed on terms longer than the depreciative life ]** For integrated livestock facilities, the lender is required to address and document discussions with the loan applicant/borrower concerning the potential cash flow vulnerability associated with the increased income tax liabilities resulting from reduced depreciation and interest tax based deductions. Alternatives to reduce the impact of potential cash flow shortfalls include but are not limited to the following:

1. Depreciating the equipment and/or buildings over the term of the loan
2. Shorten the term of the loan or a portion of the loan to match the MACRS GDS/ADS depreciation
3. Escrowing this operation's cash flow margin in a funds held account to be used solely for cash flow shortfalls caused by the increased tax liabilities.

The lender is required to analyze the loan applicant/borrower's decision and make a final determination if it complies with normal industry standards of loan management.

Failure to address and document discussions, and/or comply with integrated livestock facilities normal industry standards of loan management concerning the future income tax liability and potential cash flow vulnerability associated with the reduction in depreciation and other deductible tax expenses before the loan is closed may affect this loan applicant/borrower's eligibility for loan servicing and/or result in a reduction and/or denial of a guaranteed loss payment.

[v] **[ Insert for Animal Waste Management Requirements ]** A lien must be taken on all land owned by the borrower where the discharge, effluent, and solid waste is being spread.  
**(Insert the following if non-owned land is being utilized to dispose of discharge, effluent and solid waste as per the Animal Waste Management Plan.)**

A legally binding spreading EASEMENT AGREEMENT must be obtained that:

1. matches the minimum requirements of the Animal Waste Management Plan
2. "Filed of Record," for the term of the Loan Guarantee
3. transferable to another Grantee without having to obtain Grantor's consent including transfer via a foreclosure trustee and/or, if property acquired, resale by lender.

Note: A Spreading Agreement is acceptable when the unpaid principal balance of the loan is less than the present market value of the real estate excluding the buildings depreciated insurance value.

[v] **[ Insert for Concentrated Animal Feeding Operation (CAFO) loans. ]** The lender must obtain an environmental approval for all concentrated animal feeding operations (CAFO). Prior to FSA issuing the FSA-1980-27, "Loan Guarantee," FSA must be provided with a copy of

[v] **[ For a FSA Environmental Categorical Exclusion or Class I Assessment ]** the lender must provide a copy of a Professional Engineer Certification, NRCS Certification, or DNR Operating Permit.

"Professional Engineer Certification" shall mean a certification made by a Professional Engineer registered in the state of Missouri that an installed component would meet conservation practice standards and specifications contained in the NRCS Field Office Technical Guide.

"NRCS Certification" shall mean a certification issued by the United States Department of Agriculture, Natural Resources Conservation Service (NRCS), for the installation of a conservation practice that meets NRCS conservation practice standards contained in the Field

Office Technical Guide.

Note: It is our understanding that NRCS will only prepare a "NRCS Certification" for agricultural producers who receive the NRCS technical assistance on their conservation practice.

**[v]** [ For a FSA Environmental Class II Assessment ] the lender must provide a copy of a DNR Operating Permit.

**[v]** [ Insert for loans involving County/Local Government Health Ordinances/Restrictions Imposed on a Concentrated Animal Feeding Operation (CAFO). ] The lender must obtain documentation that the loan applicant/borrower is in compliance with any county/local government zoning and/or health ordinances/restrictions for all concentrated animal feeding operations (CAFO). Therefore, the lender is required to:

1. submit a copy of the county/local government zoning and/or health ordinance/restriction operating permit to FSA prior to the issuance of the FSA1980-27, Loan Guarantee.
2. obtain a copy, for lender file documentation purposes, of the local government health ordinance operating renewal permit(s) as a loan servicing requirement.

**[v]** [ Insert for all OL/LOC loans ] As per 2-FLP Par.124B, the total dollar amount of line of credit advances and income releases cannot exceed the total estimated expenses, less interest expense, as indicated on the borrower's cash flow budget, unless the cash flow budget is revised and continues to reflect a feasible plan.

**[v]** [ Insert for all OL/LOC loans ] The renewal date/end of the operating year for the OL/LOC loan will be **[v]** (*insert date*) of each year. The promissory note must contain language that limits advances for subsequent years:

- The outstanding OL/LOC unpaid principal and interest shall be due and payable annually on **[v]** (*insert date*).
- Failure to reduce the OL/LOC loan down to (\$0.00 - \$100.00) annually on the required due date shall constitute an event of default by the borrower. If not reduced, there must be enough current assets on hand that: WILL BE SOLD; ALL of the PROCEEDS APPLIED on the OL/LOC loan; and will pay last year carryover debt, in full. Note: If a loss claim is requested, file documentation is required to support the beginning carryover OL/LOC principal loan balance and that the assets were actually sold and applied as payment on the note.
- If it is not tax-deductible expense on the borrower's income tax records (1040 Schedule F), then we do not allow the farm expense to be considered as a carryover asset.
- If the borrower operates under a January 1st to December 31st cash flow, Lender shall not be obligated to advance any funds after the end of the borrower's current operating year cash flow which ends December 31st if:
  1. The borrower fails to reduce the OL/LOC loan down to (\$0.00 - \$100.00).
  2. The bank does not obtain FSA concurrence, in writing, that the next production year's cash flow projects a feasible plan as per 2-FLP. (Note: For CLP lenders - FSA written concurrence is not required, thus allowing the lender the option whether to advance under the term and conditions of the Guarantee.)

**[v]** [ Insert for all OL/LOC loans ] – The bank shall not release any normal income sale proceeds and/or advance on the OL/LOC loan to make other scheduled intermediate and/or term payments that become due at the end of the operating cycle (minimum 3 months) until the lender has determined and documented that there is adequate collateral/inventory on hand that is being held for sale to pay the OL/LOC loan in full. The lender must take into consideration:

1. the current unpaid principal and interest balance on the OL/LOC loan
2. any other planned operating expenses OL/LOC advances to the end of the operating year

3. the projected term debt payment advances to be advanced on the OL/LOC loan

## **OTHER REQUIREMENTS**

1. The lender must certify that the requirements in Par.247 of 2-FLP Handbook have been met by signing the FSA-1980-22, "Lender Certification." [ **Return with loan closing documents** ] The lender must provide the following documents to support the certifications made on the FSA-1980-22:
  - The lender will provide a new signed POST-CLOSING Financial Statement/ Balance Sheet (farm and non-farm) reflective of the financial position after the loan(s) have been closed to protect against borrower fraud and misrepresentation. [ **Return with loan closing documents** ]
  - The lender must provide a detailed post loan closing settlement statement as of the day of closing. MO 2-FLP Guide 17, Settlement Statement, may be used as an example. [ **Return with loan closing documents** ]
2. The lender will provide RD-1980-19, "Guaranteed Loan Closing Report." [ **Return with loan closing documents** ]
  - [v] Please remit a check in the amount of \$[v] for the one (1%) percent guarantee fee. [ **Return with loan closing documents** ]
  - [v] Provide FSA with a copy of signed and dated Loan Agreement.
  - [v] [ **Insert if refinancing an existing guaranteed loan** ] The original Loan Note/Contract of Guaranteed in the amount of \$[v] must be returned to this office marked paid in full which is to be signed and dated by an authorized official. [ **Return with loan closing documents** ]
  - [v] [ **Insert for Interest Assistance Loans** ] Provide FSA with a completed FSA-1980-64, "Interest Assistance Agreement." [ **Return with loan closing documents** ]
  - [v] Provide FSA with a copy of the cash flow signed and dated by the lender and borrower.
  - [v] [ **If not previously completed** ] Provide FSA with a copy of FSA-1980-38, "Lender's Agreement."
  - [v] [ **Insert when construction is involved** ] FSA-1980-27, Loan Guarantee, cannot be issued until:
    1. All planned construction has been 100% completed, as per the plans and specifications, and the facility is fully functional/operational.
    2. Lien Waivers and/or title insurance coverage has been obtained for all obligations.
    3. Lender to ascertain that the borrower has not incurred any additional debt that will have an adverse affect on the repayment of the guaranteed loan(s).
    4. Provide FSA with a copy of the environmental approval for the completed waste management system.
  - [v] (List any other additional requirements here.)

## **SERVICING RESPONSIBILITIES**

1. FSA-1980-41, "Guaranteed Loan Status Report," will be sent to you semi-annually from the Finance Office. The instructions are located on the back of the form. This form is to be completed as of March 31st and September 30th of each year. Please submit this report back to FSA within 30 days of the effective date of the report.

2. If the lender is involved in both guaranteed and nonguaranteed loans to the same borrower, payments are to be paid in the order of lien priority.
3. If liquidation becomes necessary and the collateral for this guaranteed loan does not have sufficient value to pay the guaranteed loan in full, the lender agrees to aggressively pursue other assets the borrower or any co-signer may own for collection, if it is economically feasible to do so.
4. If the lender is paid a guaranteed loss, the lender shall apply any recovery made proportionally as to the unpaid principal balances of the unsecured (guaranteed and non-guaranteed) loan(s).
5. The lender must complete an annual analysis of the borrowers' farming operation each year. The year-end analysis at a minimum should address items such as positive and negative trends of the operation and problems that may hamper the success of the operation with proposed solutions. The lender must provide some type of documentation such as MO 2-FLP Guide 21, LENDER'S LOAN ANALYSIS DOCUMENTATION as of /v] (last day of the borrower's cash flow operating cycle) each year. This report should be submitted to the County Office within 30 days of this date. This report is needed annually to document that an analysis of the borrower's operation was completed by the lender.
6. The lender will maintain a complete record of all sales/disposition of proceeds of guaranteed loan collateral. This will include a description of the security sold, proceeds received and a record of the use of the proceeds. Recommend using MO 2-FLP Guide 13 - Security Deposition or a similar accounting sheet.

**/v]** [ **Insert For Interest Assistance Loans** ] The following information will be required on Interest Assistance loans. Within 60 days after the annual payment/review date, the lender will submit a claim for payment and provide information to continue the Interest Assistance into the next year. The lender will provide the following to the FSA County Office:

Information to be submitted to the County Office for payment of the claim.

1. FSA-1980-24, "Request for Interest Assistance Payment".
2. Detailed statement of activity that includes loan disbursements and payments (principal and interest). (Recommend using MO 2-FLP Guide 14 - Guaranteed Loan Ledger or a similar accounting sheet.)

For interest assistance loans that exceed one year, the interest assistance subsidy rate (either 0 or 4%) for the next review/claim period must be determined before the lender's FSA-1980-24 subsidy claim can be processed. If a claim is submitted without an interest assistance review, when it is required, the IA claim will not be processed until the IA review for the next claim period is submitted by the lender. The lender must provide the FSA county office with the following information in order to renew interest assistance for the borrower(s) for an additional subsidy period:

1. A summary of the operation's previous year's actual financial and production performance, including a detailed income and expense statement (Updated MO 2-FLP Guide 20 - SUMMARY OF PAST YEARS HISTORY).
2. The lender will perform an analysis of the borrower's farming operation and provide a narrative description of the causes of any major differences between the previous year's cash flow budget and actual performance.
3. A current signed and dated balance sheet.
4. A cash flow budget for the period being planned which is to be signed and dated by both the lender and borrower. A monthly cash flow is required for all OL lines of credit and operating loans made for annual operating purposes.

[v] **[ Insert for CLP lenders with an OL/LOC ]** For the Operating Line of Credit (OL/LOC) loan, the lender will submit to the FSA County Office:

1. Current Financial Statement/Balance Sheet (farm and non-farm) dated and signed by the borrower.
2. The lender must provide a **written certification** stating that a feasible projected cash flow was developed in accordance with 2-FLP Handbook (7 CFR 762.125), which is signed by both borrower and lender, that the borrower is in compliance with the provisions of the Loan/Line of Credit Agreement, and that the previous year income and expenses (farm and non-farm) have been accounted for.

Obtaining written approval from the FSA County Office is not necessary as long as the above is provided. Although not required, we request the lender also provide FSA with a copy of the signed cash flow.

If the lender loses the CLP status for whatever the reason, then the lender will be required to obtain FSA's approval prior to advances for subsequent years on the OL/LOC loan.

[v] **[ Insert for SEL lenders with an OL/LOC ]** For an Operating Line of Credit (OL/LOC) loan, prior to any advances for the 2nd or 3rd crop year, the lender must submit to the FSA County Office:

1. Verification that the OL/LOC has been paid down to (\$0.00 - \$100.00) or verification that there is enough current assets on hand that: **WILL BE SOLD; ALL of the PROCEEDS APPLIED** on the OL/LOC loan; and will pay last year's carryover debt, in full. Note: If a loss claim is requested, file documentation is required to support the beginning OL/LOC principal loan balance.
2. If it is not tax-deductible expense on the borrower's income tax records (1040 Schedule F), then we do not allow the farm expense to be considered as a carryover asset.
3. Actual expenses and income from the previous year with documentation of any major difference from the previous planned cash flow. (Updated MO 2-FLP Guide 20 - SUMMARY OF PAST YEARS HISTORY.)
4. Current Financial Statement/Balance Sheet (farm and non-farm) dated and signed by the borrower(s).
5. Cash Flow signed by lender and borrower which has been prepared in accordance with 2-FLP Handbook (7 CFR 762.125).
6. The lender must provide a written certification stating that the borrower is in compliance with the provisions of the Loan/Line of Credit Agreement, and that the previous year income and expenses (farm and non-farm) have been accounted for.

FSA written concurrence is required, prior to any advances being covered under the guarantee. The FLM will respond in writing within 14 calendar days to requests to make advances for future year's expenses on OL lines of credit.

A signed copy of this Attachment A must be returned with the FSA-1980-15, Conditional Commitment.

Name of Lender \_\_\_\_\_

Date \_\_\_\_\_

By: \_\_\_\_\_  
Authorized Signature

**FSA SEL-CLP GUARANTEED LOAN EVALUATION / ELIGIBILITY CHECKLIST**

Loan Applicant's Name \_\_\_\_\_

Name of Lender \_\_\_\_\_

Lender Type <input type="checkbox"/> SEL <input type="checkbox"/> CLP	LOAN # 1	LOAN # 2	LOAN # 3	LOAN # 4
Loan Type	<input type="checkbox"/> FO/LN <input type="checkbox"/> OL/LN <input type="checkbox"/> OL/LOC			
Loan Amount	\$ _____	\$ _____	\$ _____	\$ _____
Interest Rate	<input type="checkbox"/> Fixed % <input type="checkbox"/> Variable			
Interest Assistance (IA) Last date eligible for IA ____ / ____ / ____ or # ____ years	<input type="checkbox"/> Yes <input type="checkbox"/> No			
Loan Terms (# of Years)				
Payment Amount/Schedule Per month, quarter, year, etc.	\$ _____ / _____	\$ _____ / _____	\$ _____ / _____	\$ _____ / _____
<u>Loan Purpose</u>				
Living	\$ _____	\$ _____	\$ _____	\$ _____
Annual Operating	\$ _____	\$ _____	\$ _____	\$ _____
Equipment Purchase	\$ _____	\$ _____	\$ _____	\$ _____
Livestock Purchase	\$ _____	\$ _____	\$ _____	\$ _____
RE Purchase	\$ _____	\$ _____	\$ _____	\$ _____
Capital Improvements	\$ _____	\$ _____	\$ _____	\$ _____
Refinance FSA Direct Loan	\$ _____	\$ _____	\$ _____	\$ _____
Refinance Debt w/Lender	\$ _____	\$ _____	\$ _____	\$ _____
Refin Debt w/ Different Lndr	\$ _____	\$ _____	\$ _____	\$ _____
Loan Closing Costs	\$ _____	\$ _____	\$ _____	\$ _____
<b>TOTAL</b>	\$ _____	\$ _____	\$ _____	\$ _____
Loan secured by (Mark all that apply)	<input type="checkbox"/> real estate <input type="checkbox"/> basic chattels <input type="checkbox"/> normal chattels	<input type="checkbox"/> real estate <input type="checkbox"/> basic chattels <input type="checkbox"/> normal chattels	<input type="checkbox"/> real estate <input type="checkbox"/> basic chattels <input type="checkbox"/> normal chattels	<input type="checkbox"/> real estate <input type="checkbox"/> basic chattels <input type="checkbox"/> normal chattels
PMV of Security Offered <u>Minus (-) ALL Prior Liens *</u> =Amount of Collateral Value	\$ _____ - \$ _____ = \$ _____			
*Include all guaranteed and unguaranteed principal debt that will not be refinanced. All loan(s) must be current on or before loan closing.				
Is loan adequately secured?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
Is loan considered in a strong security position? Chattels and/or R/E > 75%	<input type="checkbox"/> Yes <input type="checkbox"/> No			
Include all debts ( prior liens not being refinanced plus new guaranteed loan) ÷ by collateral value.				
If a loan DOES NOT have a strong security position, is there any additional collateral/security that the lender can take a lien on?	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, add to 1980-15 as a loan requirement.	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, add to 1980-15 as a loan requirement.	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, add to 1980-15 as a loan requirement.	<input type="checkbox"/> Yes <input type="checkbox"/> No If yes, add to 1980-15 as a loan requirement.

\_\_\_/\_\_\_/\_\_\_ Date FSA-1980-25 Received

\_\_\_/\_\_\_/\_\_\_ Date of Complete Application

**LOAN APPROVAL AUTHORITY DETERMINATION  
(2-FLP Par. 244 A refers to 1-FLP Par. 29 D)**

Loan Type	\$ Amount of Loan(s)	Existing FSA Principal Debt	Total Loan(s) & Existing Debt	Approval Official?
OL's	\$ _____	+ \$ _____	= \$ _____	
FO's	\$ _____	+ \$ _____	= \$ _____	
<b>TOTAL</b>	<b>\$ _____</b>	<b>+ \$ _____</b>	<b>= \$ _____</b>	

2-FLP Feasible Plan Definition	FEASIBLE PLAN DETERMINATION (Par. 154)		
	Without IA		With IA
A plan is feasible when a borrower or applicant's cash flow budget indicates that there is sufficient cash inflow to pay all cash outflow each year during the term of the loan. If a loan approval or restructuring action exceeds one production cycle and the planned cash flow budget 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 must be prepared that reflects a typical cycle.	\$ _____	Balance Available	\$ _____
	\$ _____	Total Debt Installments	\$ _____
	% _____	% Repayment Margin	% _____
	----- OR -----		
	\$ _____	FBP MADS	\$ _____
	\$ _____	FBP Ending Cash	\$ _____
<b>Farm Business Plan (FBP) – Web Equity Manager</b>			
Loan	Margin After Debt Service (MADS)*	Ending Cash	
OL or FO Term Loan and/or Typical Year	Must be positive	Must be positive	
1-year OL Annual Operating Loan	May be positive or negative	Must be positive	
* A positive (zero or greater) MADS is equivalent to a Term Debt and Capital Lease Coverage Ratio (TDCLCR) of 1.00 or greater.			

A ⊗ mark in a circle below means that the applicant may not qualify for the loan(s) or additional file documentation is required.

<input type="checkbox"/> Yes <input type="checkbox"/> No	1. Did the lender provide a good loan narrative that covered? <ul style="list-style-type: none"> <li>the information similar to those items in 2-FLP Par.69.5C</li> <li>if refinancing own lender's debt, that the terms of the proposed loan will improve the cash flow and likelihood of success. Reference 2-FLP Par. 122 E and Par.152 H.</li> </ul>
<input type="checkbox"/> Yes <input type="checkbox"/> No	2. Are projected farm income and operating expenses realistic and supported by history? Reference 2-FLP Par. 152 B (SEL) or 153 (CLP).
<input type="checkbox"/> Yes <input type="checkbox"/> No	3. Were realistic entries made for non-farm income, family living expenses, and income and social security taxes? Reference 2-FLP Par. 152 – 153.
<input type="checkbox"/> Yes <input type="checkbox"/> No	4. Are realistic commodity prices used and documented? Reference 2-FLP Par. 152 – 153.
<input type="checkbox"/> Yes <input type="checkbox"/> No	5. (SEL only) – Are commodity yields/production realistic and supported by history? Reference 2-FLP Par. 152 D.
<input type="checkbox"/> Yes <input type="checkbox"/> No	6. Are all debts/payments owed reflected in the cash flow?
<input type="checkbox"/> Yes <input type="checkbox"/> No	7. Are loan terms consistent with the useful life of the security being offered and 2-FLP?
<input type="checkbox"/> Yes <input type="checkbox"/> No	8. Are loan funds being used for authorized purposes as per 2-FLP? Reference 2-FLP Par.122 - 124.
<input type="checkbox"/> Yes <input type="checkbox"/> No	9. If interest assistance is involved, does the file demonstrate adequate need? Reference 2-FLP Par. 223 – 232.
<input type="checkbox"/> Yes <input type="checkbox"/> No	10. Is the farming operation in compliance with FSA programs? (obtain a copy of the AD 1026 and AD-1026A for the county office file)

**General Eligibility Requirements**      **OR**       **see the attached MO 2-FLP Guide 1**

A credit official with loan approval authority must determine whether or not the applicant meets the loan eligibility criteria. A  mark in a circle means the loan applicant does not qualify for the loan.

- Yes     No    1.    **Debt Forgiveness** – Has loan applicant caused FSA a loss by receiving debt forgiveness on more than three occasions prior to April 4, 1996 or none after April 4, 1996? Reference 2-FLP Par.108 C.
- Yes     No    2.    **Delinquency on Federal Debt** - Is loan applicant delinquent on any Federal debt? Reference 2-FLP Par.108 D.
- Yes     No    3.    **Outstanding Recorded Judgments** - Does the loan applicant have any outstanding recorded judgments? Reference 2-FLP Par.108 E.
- Yes     No    4.    **Citizenship** - Is the loan applicant a citizen of the United States of America? Reference 2-FLP Par.108 F.
- Yes     No    5.    **Legal Capacity to Incur the Debt** - Does the loan applicant have the legal capacity to incur the obligations of the loan? Reference 2-FLP Par.108 G.
- Yes     No    6.    **Past Dealings** - Has the loan applicant, in past dealings with the Agency, provided false or misleading documents/statements? Reference 2-FLP Par.108 H.
- Yes     No    7.    **Credit History** - Does the loan applicant have an acceptable credit history? Reference 2-FLP Par.108 I.
- Yes     No    8.    **Test for Credit** - Does the loan applicant meet the test for credit requirement? Reference 2-FLP Par.108 J.
- Yes     No    9.    **Controlled Substance** - Has the loan applicant been convicted of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last five crop years? Reference 2-FLP Par.108 K.
10.    **Family Size Farm** - Does the loan applicant meet the family farm definition? Reference 2-FLP Par.109 - 110.
- Yes     No    Is the loan applicant recognized in the community as a farm and compares to similar farm operations in the community?
- Yes     No    Is the loan applicant in charge of the day-to-day management and operational decisions of the farm family?
- Yes     No    Is a substantial amount of full time labor provided by the loan applicant and family members?
- Yes     No    Is FSA credit able to provide a major portion of the total credit needs?

N/A

**Entity Borrower Requirements** Reference 2-FLP Par.109 – 111.

Yes  No Does the entity or a member of the entity operate the farm for an OL loan and does the entity or a member of the entity own/operate the farm for a FO loan? The only exception is that the real estate could be owned by the individuals and rented to the entity.)

Yes  No Is a majority interest holder of the entity in charge of the day-to-day management and operational decisions of the farm family?

Yes  No Is the entity comprised of any other entities? A "Yes" answer makes the entity ineligible for guaranteed loan assistance.

Yes  No Does the entity member's ownership interest exceed the family farm definition limits? The collective ownership interest of all entity members may exceed the family farm definition limits only if the following conditions are met:  
a) All of the entity members are related by blood or marriage.  
b) All of the members are or will be operators of the entity.  
c) The majority interest holders of the entity must meet the requirements of Par.108 F (Citizenship), Par.108 H (Past Dealings), Par.108 I (Credit History), and Par.109 (operator and entity requirements for OL's) and Par.110 (operator and entity requirements for FO's).

Comments: Include any loan approval and loan closing requirements. \_\_\_\_\_

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I recommend the  approval  rejection of this/these loan(s).

\_\_\_\_\_  
Prepared by

Date: \_\_\_ / \_\_\_ / \_\_\_

\_\_\_\_\_  
Approval Official

Date: \_\_\_ / \_\_\_ / \_\_\_

- Required for all guaranteed loans.
- Original to be placed in the Guaranteed Loan Docket in Position 3.
- If Approval Official prepares, only sign as the Approval Official and not Prepared By.