



Farm Service Agency

American Recovery and Reinvestment Act



ARRA-related Farm Direct Operating Loans CFDA: 10.406 – Farm Operating Loans

American Recovery and Reinvestment Act Funding Table		
Farm Direct Operating Loans Treasury Symbol: 12-4284	ARRA Appropriation \$20,440,000	Loan Level Value: \$173,367,000

Purpose

The American Recovery and Reinvestment Act (ARRA) provides an additional \$173 million for FSA's Direct Operating Loan (OL) program. The Direct OL program, as with all FSA farm loan programs, is designed to assist eligible family farmers and ranchers in building and sustaining successful farm operations. Direct OL proceeds are used to purchase items necessary for family farmers to continue operations. As such, they may be used to purchase livestock, farm equipment, feed, seed, fuel, farm chemicals, insurance, and other operating expenses. Operating Loans may also be used to pay for minor improvements to buildings, costs associated with land and water development, family subsistence, and to refinance debts under certain conditions.

Given the timing of the additional loan funds made available through the Recovery Act, much of the funding will be used to cover spring planting expenses. These funds will have an immediate impact on main street businesses in rural communities.

Recovery Act Objective: To provide operating capital for family farmers and ranchers.

The Recovery Act objective is linked to the following Departmental and Agency Goals and Objectives:

- Related USDA Strategic Goal: Goal 2 - Enhance the Competitiveness and Sustainability of Rural and Farm Economies
- Related USDA Strategic Objective: Objective 2.3 - Provide Risk Management and Financial Tools to Farmers and Ranchers
- Related FSA Strategic Goal: Goal 1 - Supporting Productive Farms and Ranches
- Related FSA Strategic Objective: Objective 1.1 - Improving Access to Capital

Activities

The Direct OL program is only available to small family farmers and ranchers that meet all existing eligibility requirements. As discussed in the objective section above, borrowers will primarily use the operating loan (OL) proceeds to purchase livestock, farm equipment, and pay operating expenses.

Characteristics

Recovery Act funds are specifically for the Direct OL program. FSA anticipates that approximately 3,000 low-income family farmers and ranchers will receive financial assistance as a result of the additional Direct OL funding made available through the Recovery Act.

- Estimated Amount of Funding (per award type): \$173,367,000
- Estimated \$ Total - Non-Federal Recipients: \$173,367,000
- Estimated \$ Total - In House Activity: \$0
- Targeted Type of Recipient/Beneficiaries: Recovery Act funds will be targeted to both beginning and socially disadvantaged farmers and ranchers according to the existing program requirements established in the CONACT.
- Methodology for Award Selection: Loans will be issued to eligible borrowers on a first come, first served basis. The maximum loan amount is \$300,000.

Milestones

- Procurement: N/A
- Planning: N/A
- Execution:
 1. FSA will initially use Recovery Act funds to address the existing OL backlog, which was 1,783 loans valued at \$130 million on March 4.
 2. Once the OL backlog is eliminated, FSA will continue to use stimulus money to fund applications received on a daily basis until the annual appropriation is available.
 3. After all FY 2009 appropriated funds are used, FSA will fund OL loan requests with the remainder of stimulus funds if any funds remain.
 4. FSA will not allocate Recovery Act funds to States. FSA will maintain all stimulus funds at its Washington, DC, headquarters. Maintaining the funds in one location will result in greater transparency, improved funds control, and allow for the most efficient and expedient means of distribution.
 5. Funds will be targeted to minority and beginning farmers as required by the CONACT.

Based upon the size of the Direct OL backlog at the time Recovery Act funds became available and the current volume of loan activity, FSA anticipates that all Direct OL funds received in the Recovery Act will be obligated by March 31, 2009.

- Other Delivery Dates: N/A

Environmental Review Compliance:

FSA has reported to the Council on Environmental Quality that the Farm Direct Operating Loans appropriation of ARRA funds can be considered categorically excluded based on the fact that the program provides funding for costs associated with operating the direct farm operating program and falls under [7 CFR 1940.310(e)(1)]. Therefore this program and its activities are excluded from the preparation of environmental assessments or environmental impact statements.

Please contact Matthew T. Ponish, FSA National Environmental Compliance Manager, at 202-720-6853 or matthew.ponish@wdc.usda.gov if you have additional questions.

Savings/Costs:

- Expected Increase in Future Operational Costs: N/A
- Expected Reductions in Future Operational Costs: N/A

Measures:

- Expected Quantifiable Outcomes: Loan recipients' are able to operate and generate economic activity through another farm production cycle.
- Corresponding Quantifiable Outputs:
 - Lending to beginning and socially disadvantaged farmers and ranchers (%)
 - Average loan processing time (# days)
 - First year delinquency rate (%)
 - Delinquency rate (%)
 - Loss rate (%)
- Time Between Measurements:

Performance will be measured quarterly and annually, and is available for each State as well as at the national level.
- Measurement Methodology:
 - Lending to beginning and socially disadvantaged farmers and ranchers (%)
 - Dollars obligated to beginning and socially disadvantaged farmers and ranchers divided by total obligations.
 - Reported quarterly
 - Average loan processing time (# days)
 - This measure is calculated from the date a loan application is received until the date of first decision.
 - Reported quarterly
 - First year delinquency rate (% of loans delinquent)
 - The 1st year delinquency rate is calculated based on the number of loans issued in the previous calendar year. For example, the rate for FY 2009 is based on the number of new loans issued from January 1, 2008 through December 31, 2008. Therefore, 1st year delinquency data for Direct OLs funded with Recovery Act funds will not be available until January 2010. The formula is the total number of delinquent first year loans plus any first year loans restructured divided by the total number of loans issued in the previous calendar year.
 - Reported quarterly
 - Delinquency rate (% of loan dollars delinquent)
 - The direct delinquency rate is calculated by dividing the dollar amount delinquent by the unpaid principal plus unpaid interest. This data will not be available until 2010.
 - Reported annually
 - Loss rate (%)
 - Loss rate is calculated by dividing the amount of losses processed during the fiscal year by the amount unpaid principal at the beginning of the fiscal year. Depending on specific loan terms, this data will not be available until 2010 at the earliest.
 - Reported annually
- Correlation of New Measures to Existing Measures: Existing program performance metrics will be used for Direct OLs funded through the Recovery Act.

Monitoring/Evaluation:

- Areas of High Risk: See statement below
- Areas of High Performance: See statement below
- Areas of Low Performance: See statement below
- Plans for Longer Term Impact Evaluation: See statement below

Each of the above elements will be evaluated through existing evaluation/review processes as loans funded through the Recovery Act will be subject to the same stringent monitoring and oversight requirements as all FSA farm loan programs. FSA has a robust internal control program for its farm loan programs, which consists of:

- OMB Circular A-123 reviews
- Farm Loan Program Risk Assessment (FLPRA)
- County Operations Review (COR) program
- National Office Loan Origination File Reviews

Performance metrics are monitored on an ongoing basis, with formal reporting performed quarterly, and annually.

Transparency:

Dennis Taitano serves as the Farm Service Agency's executive accountable for ensuring proper implementation of ARRA. FSA has established its own public-facing website which will report additional information on the Agency's success in ARRA-related matters. <http://www.fsa.usda.gov/recovery>

- Plan to Organize Program Cost:
Accounting System Actions
 - Short-term Strategy:
 - FSA will utilize existing Treasury symbols and coding until the long-term solution can be implemented.
 - Loans made from Stimulus funding will be identified by the timeframe of obligations and by a flag that will be placed on each loan.
 - Some servicing actions on direct operating loans will be restricted in order to maintain the integrity of the Stimulus funding identification system until the long-term solution is implemented.
 - Long-term Strategy:
 - The current accounting system will be modified for the new Treasury symbol and unique coding of the Stimulus funding.
 - All activity processed under the short-term strategy will be reprocessed to move it to the correct Treasury symbol.
 - Revisions to servicing reports will be identified and prioritized in order to schedule them into production.
 - This process is projected to be completed within 60 days of receipt of the coding.

The Agency will report the distribution of funds by State and report use of funds on an aggregate basis (uses are primarily operating expenses, machinery, and livestock). All funds will be used for the purchase of inputs needed to operate a family sized farm.

FSA's existing loan policies require borrowers to prepare a business plan, which provides a detailed description of how loan funds will be used. Borrowers must advise FSA if they plan to use the loan proceeds for purposes other than those documented on the loan application. To ensure funds are used as intended, FSA conducts mid-year and end of year compliance reviews.

Accountability:

Agency managers are responsible for implementing, improving, and monitoring program activities.

Individual performance plans of all managers and employees are tied to the Agency mission and goals contained in the FSA Strategic Plan. FSA Notice PM-2606, "FSA Performance Management Program," contains detailed guidance on development of employee performance plans, including the requirement that performance be linked to the Agency's strategic goals and objectives. Direct Loan Program performance targets are established at the national level, within each State Office, and for individual offices. The ability to meet or not meet goals is reflected in individual performance evaluations. To assist in monitoring program performance, status reports and a comprehensive Monthly Management Summary Report are sent to managers in the field for review and action on a monthly basis.

Barriers to Effective Implementation:

- Statutory and Regulatory Requirements, or other which may impede effective implementation of Recovery Act. None identified.
- Proposed solutions to resolve by a certain date. N/A

Federal Infrastructure Investments:

- Plan to comply with energy efficiency and green building requirement. N/A
- Plan to demonstrate sustainability, energy efficiency, and reducing the Agency's environmental impact. N/A