USDA, Farm Service Agency
Washington, DC

# GUARANTEED NEWS

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## Funding at a Glance*

*This table shows loans made and funds available for various loan programs nationwide as of May 1, 2007. Availability of funds for a particular loan will depend on allocations and targeting.

| Program | FY 2007 Available Funds | Funds Used as of 5/01/07 | No. of Loans Made |
|---|---|---|---|
| Direct Operating | $645,078,000 | $435,495,000 | 9,811 |
| Guaranteed Operating - Unsubsidized | $1,210,300,000 | $652,363,000 | 3,471 |
| Guaranteed Operating- Interest Assistance | $271,890,000 | $235,271,000 | 1,073 |
| Direct Farm Ownership | $207,643,000 | $144,951,000 | 1,135 |
| Guaranteed Farm Ownership | $1,405,847,000 | $567,392,000 | 1,805 |
| Emergency | $115,449,000 | $54,537,000 | 758 |
| Boll Weevil | $100,000,000 | $0 | 0 |
| Indian Land Acquisition | $2,000,000 | $0 | 0 |
| National Totals | $3,958,207,000 | $2,090,009,000 | 18,053 |

## FSA's Guaranteed Portfolio:

In September 1996, FSA's guaranteed loan portfolio was $6.4 billion. Ten years later, by the end of September 2006, the portfolio had grown to just over $8.8 billion. During this time, the delinquency rates have remained very low, and the 2006 guaranteed loss rate was the lowest ever. The guaranteed loan program is very important to our rural communities and FSA commends our Guaranteed Lenders for their partnership and dedication to the program.

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# Revisions to the Interest Assistance Program

The Interest Assistance (IA) Program, which is a valuable tool and can be extremely beneficial to producers with tight cash flows, is being revised to improve its overall effectiveness. Program changes will take effect on June 8, 2007. Below is a summary of the major changes:

- **Maximum Assistance Period** – Each borrower is limited to a total of 5 consecutive years of IA eligibility. (See exception for Beginning Farmers and transition borrowers)

- **Removal of Annual Needs Test Requirements** – IA will be authorized for 5 years from the date of the first IA agreement. Lenders must submit an annual claim but will not have to document continued need for the subsidy.

- **Maximum Loan Size** – Borrowers are restricted to a lifetime limit of $400,000 in IA loans. Borrower may still receive up to $899,000 in guaranteed loans; however, the amount of the debt to be subsidized is limited to $400,000.

- **Debt to Asset Ratio** – IA is limited to applicants who possess a debt to asset ratio in excess of 50 percent, prior to receiving the new loan. (See exception for Beginning Farmers)

- **Beginning Farmers and Ranchers** - Beginning farmers and ranchers may be eligible for a second 5 year period of IA eligibility if their cash flow requires the subsidy, and they are still beginning farmers at the end of the first 5 year period. They are also excluded from the 50% debt to asset restriction.

- **Reduced Application Requirements** – Lenders will not be required to complete a monthly cash flow budget on subsidized lines of credit.

# Revisions to the Interest Assistance Program (continued…)

- **Guarantee Fees** – The guaranteed loan origination fee will continue to be waived for IA loans.

- **Fees Charged by Lenders for IA Claims Submissions** – Lenders will be prohibited from charging a fee to the borrower for the preparation of documentation and claims for payment of IA.

If you would like more detailed information regarding the program changes, please see the final rule, which was posted in the Federal Register on April 9, 2007: http://www.fsa.usda.gov/Internet/FSA_File/interest_assist_final_040907.pdf.

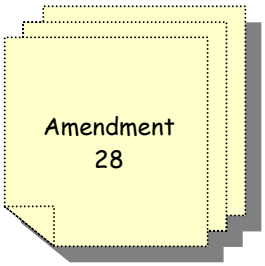
FSA is currently revising Handbook 2-FLP, "Guaranteed Loan Making and Servicing", to reflect the IA program changes. Once complete, 2-FLP will be posted to the FSA website. Additionally, a comprehensive training package is being developed. These training materials will be available on FSA's Guaranteed Loan Program web page (http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=gfl) once they are complete.

# 2-FLP Handbook Amendment Revisions

Handbook 2-FLP "Guaranteed Loan Making and Servicing" was recently amended on March 20, 2007. Amendment 28 major changes include the following:

- provides guidance on terminating FSA-1980-27 Loan Guarantee.
- reflects that PLP lenders shall not submit annual analysis to FSA.
- clarifies FSA's responsibilities regarding lenders' servicing collateral.
- clarifies the number of days interest is to be paid and the date of the decision to liquidate.
- provides guidance on bankruptcy claims and offset.
- provides guidance and instructions for handling cases where a borrower has received unauthorized assistance.

The latest amendment is available to view or download at:
http://www.fsa.usda.gov/dafl/guaranteed.htm
Click on the **Guaranteed Farm Loans** hyperlink under the '**Related Topics**' section. The Amendment information can be found in the '**I Want To**...' section of the Guaranteed Farm Loans online web screen.



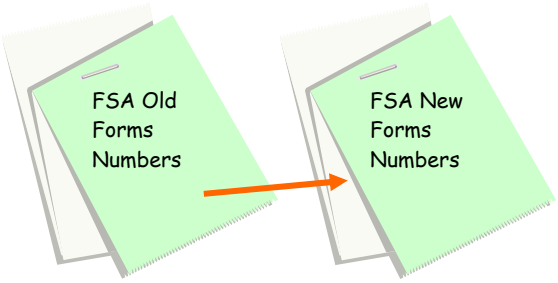

# New Guaranteed Loan Program Form Numbers

All forms used by the Guaranteed Loan Program will be renumbered effective June 8, 2007. The forms will have a "FSA" prefix, followed by four numbers. The first number will be "2", which has been designated for all Farm Loan Programs (FLP) forms. The second number is based on the specific program handbook. Since handbook 2-FLP covers the Guaranteed Loan Program, all forms used solely by the Guaranteed Loan Program will have "2" as the second number. Forms used by multiple FLP programs will have "0" for the second digit. The last two digits will be determined by when the form is used in the loan process. For example, form titled "Lender's Agreement", currently form FSA -1980-38, is the first form used in the Guaranteed Loan Making process and will be renumbered to FSA -2201.

The form numbering methodology described above is being used for all FLP forms, providing a consistent Agency-wide system. With a few exceptions, FLP forms will no longer be shared with Rural Development or reference Farmers Home Administration CFR Parts or instructions.

Handbook 2-FLP is currently being updated to reflect the new form numbers. Once the changes have been completed, the handbook will be available at http://www.fsa.usda.gov/Internet/FSA_File/2-flp.pdf

## Coming SOON:



# Update: New Guaranteed Loan System Automation

FSA is currently completing work on three automation projects that will assist lenders in completing Guaranteed Web-based Status Reporting, Guaranteed Web-based Loan Closing and Guaranteed Web-based Loss Claim Processing. Lenders will be notified by FSA when the new automation programs are available and details with regard to using the programs.

**Guaranteed Web-based Status Reporting:**
FSA is incorporating status and default status reports for electronic data submission by lenders through the USDA Lender Interface Network Connection (LINC) system within the Guaranteed Loan Servicing (GLS) system. The data is submitted in real time, which saves mailing time, eliminates the possibility of lost documents, and reduces paper generation. Lenders will have the capability of updating borrowers' accounts and web access to status and default status reports that have been received by FSA or past due.

By automating the status reporting process, the new online system automatically creates status report records for the semi-annual reporting periods and these loans are displayed on the status reports mailed to the lenders. **Lenders will be required to update loan information on loans that are displayed on the status reports mailed to them or if using the online status reporting system, has a status report record created.** Loans that do not have a status report record created and do not show up on the status reports mailed to lenders, will not be required to be reported until the next reporting period...except for special cases, such as terminating a loan. **FSA is proposing a 2-FLP handbook revision to reflect this change.**

FSA expects lenders to have the capabilities of electronic submissions through the USDA LINC system by the September 2007 status reporting period. Lenders have been notified by letter, with their semi-annual March 2007 status reports, that in the future electronic status reporting will be available. The letter advises lenders to contact their local FSA Service Center for more information.

# Update: New Guaranteed Loan System Automation (continued...)

Lenders are encouraged to sign up for access for electronic reporting in GLS before the September 2007 reporting period.

**Guaranteed Loan Closing Web Process:**
The new guaranteed loan closing web process will give the lenders the capability to electronically submit loan closing information to FSA Offices via the USDA LINC system. Lenders will have the ability to view loan closing data and perform loan maintenance processes.

FSA expects lenders to have access to the new guaranteed loan closing web screens by September 2007.

**Guaranteed Web-based Loss Claim Processing:**
The new guaranteed loss claim process will give guaranteed lenders the capability to electronically submit new loss claim forms to FSA Offices.

- The new web-based loss process will navigate the user through the system by displaying applicable data fields based on the type of claim to be submitted. Several data fields will be pre-filled for the user; greatly reducing the amount of time for data entry.
- All calculations will be computed by the system and data entered and calculated will populate the new guaranteed loss claim form.
- Lenders will also have the opportunity to check their guaranteed loss claim statuses ( i.e. submitted, pending, completed, and approved)

The new process will be delivered in two phases and is currently in the testing stage. Phase I of the new process will be launched to the FSA field staff late summer 2007. Phase II of the new process will be launched to FSA guaranteed lenders.

# Update: New Guaranteed Loan System Automation (continued)

Prior to having access to Guaranteed Web-based Status Reporting, Guaranteed Web-based Loan Closing and Guaranteed Web-based Loss Claim Processing, lenders must have the following requirements completed:

- Lenders will need to designate an employee as their Security Administrator. The Security Administrator will be responsible for granting access to all other lender employees who will use FSA's GLS automated programs. The Security Administrator will be the contact person for FSA regarding maintaining lender employees' Level 2 eAuthentication IDs. Additional Security Administrators can be designated as a backup. This requirement can be completed at the present time.

- The Security Administrator(s) and all other employees who will participate in electronic submissions must go to the following web address: **www.eauth.egov.usda.gov** to create an eAuthentication ID with Level 2 security access. Level 2 security access is required because it provides the ability to conduct official electronic business transactions with the USDA via the Internet. If lender employees already have a level 2 eAuth account with USDA a second account is **not** needed. This requirement can be completed at the present time.

- Lenders must sign a new Lender's Agreement form that contains the new electronic data submission clause. The revised Lender's Agreement will be available shortly. Lenders will be notified by FSA when the new form is available.

# Update: New Guaranteed Loan System Automation (continued)

**After the new Lender's Agreement is signed by the lender, the lender can have their designated Security Administrator(s) notify the FSA State Office Farm Loan Program Department for details regarding obtaining authorization to the available new automation programs.** For details concerning the previous requirements for electronic submissions, lenders should contact their local FSA Service Center.

# Protection of Privacy Act Information

On April 13, USDA was notified that a recipient of USDA funding was able to ascertain private identifying information while viewing a government-wide website. All of the private identifying information was embedded in a larger number and therefore not immediately identifiable. The same day, all identification numbers associated with USDA funding were removed from the website. It has been determined that borrowers receiving guaranteed farm ownership loans since 1996 were affected. Borrowers receiving guaranteed operating were not affected.

USDA has notified each of the borrowers affected. The Farm Service Agency has also advised the affected lenders. Affected borrowers are being offered free credit monitoring for 12 months.

In addition to these actions, FSA is implementing the elimination of customer's social security numbers from a certain number of our reports and forms that do not impact our financial operations and suppression of the first five digits of our customer's social security numbers (if applicable) where there is impact. USDA is committed to protecting and safeguarding Privacy Act Protected Information.

# Feedback

FSA encourages lenders to provide suggestions, comments or ideas for future newsletter articles. Please contact the Farm Service Agency, Guaranteed Loan Branch, Washington DC.
Phone: 202-720-1360.

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To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, DC 20250-9410 or call 202-720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.