

KANSAS FSA GUARANTEED NEWS

Spring ~ Summer 2010

21st Edition

Funding at a Glance

Program	FY 2010 Funds Allocated Nationally	Kansas Funds Used*	No. of Loans Made*
Guaranteed Operating - Unsubsidized	\$1,500,061,000	\$25,066,804	118
Guaranteed Operating- Interest Assistance	\$170,000,000	\$3,532,300	19
Guaranteed Farm Ownership	\$1,500,364,000	\$17,826,485	56

*This table shows loans made and funds used for Kansas guaranteed loan programs as of May 19, 2010. Availability of funds for a particular loan will depend on allocations and targeting.

Each year, Congress appropriates money for FSA Farm Loan Programs as part of the USDA budget.

The funds are appropriated for the Government's fiscal year, which runs from October 1 until September 30 of the following year.

Guaranteed Loan Limits are currently \$1,112,000.

Funds remaining from total allocations for guaranteed loans nationwide this fiscal year are:

- Unsubsidized Operating 28%
- Operating Interest Assistance 26%
- Farm Ownership 39%

Funding at a Glance updates are posted at: <http://www.fsa.usda.gov> (click on "Farm Loan Programs," then, click on "Funding")

High Demand for FSA Farm Loans

Nationally, with a 36 percent increase in loan commitments over fiscal year 2008, FSA provided almost 34,000 loans and loan guarantees, approaching \$4.5 billion, in fiscal year 2009. This has been our largest commitment since the agricultural economic crisis of the mid 1980's.

Farm loans continue to be in high demand. We realize commercial credit is tight and many lenders are seeking FSA guaranteed loan assistance. Kansas lenders and FSA are working hard to help farmers and ranchers

through the loan making process. Both FSA direct and guaranteed loans are vital to Kansas' agricultural economy.



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2-FLP Handbook Revisions

The current Handbook 2-FLP Guaranteed Loan Making and Loan Servicing (Revision 1) is available online for lender's reference which include the latest amendment. Amendments are issued to clarify Agency's policy; the following are some highlights from Amendments 2 thru 8:

- Subparagraph 73 C has been added to include lenders' requirements for electronic reporting.
- Subparagraph 263 B has been amended to include lender's supervision of borrowers according to the provisions of the Service Members Civil Relief Act of 2003.
- Subparagraph 283 A has been amended to clarify that an emergency advance cannot be used if the advance will cause the total amount of the borrower's debt to exceed the statutory limit.
- Subparagraph 374 C has been amended to clarify closing secondary market transactions.

- Paragraph 355 has been amended to:
 - clarify that lenders are required to prepare a liquidation plan and submit an estimated loss claim no later than 150 calendar days past the payment due date unless the account has been completely liquidated and then a final loss claim must be filed.
 - clarify that FSA will not pay interest beyond 210 calendar days from the payment due date for loans made on or after July 7, 2008. For all loans made prior to July 7, 2008, interest accrual will not be paid beyond 90 calendar days from the date of the decision to liquidate; excluding cases involved in reorganization bankruptcy.

The 2 FLP handbook and latest amendments are available to view or download at:

http://www.fsa.usda.gov/Internet/FSA_File/2-flp.pdf

Form Updates

The Lender's Agreement, Form FSA-2201 was revised 1/29/09 to include new language pertaining to loss claims. Part E, 9 (f) reads: "Loss Claims. An estimated loss claim must be submitted by the lender no later than 150 days after the payment due date unless the account has been completely liquidated and then a final loss claim must be filed. Interest accrual will cease upon approval of the estimated loss and never later than 210 days from the payment due date. Estimated and final loss claims will be processed in accordance with the terms described in Agency regulations."

All standard eligible lenders must have the current revision date of the Lender's Agreement on file before a Loan Guarantee can be issued on new applications submitted.

The new Interest Assistance Agreement (IA), Form FSA 2221 (previously 1980-64), and the Request for Interest Assistance Payment, Form FSA-2222 (previously 1980-24), were revised on 08/18/08.

Agreements entered into after 6/8/07 are not subject to annual reviews for continued IA subsidy.

e – Corner

FSA's LINC Reporting Reminder

Currently, **22** Kansas FSA guaranteed lenders (over 1,700 nationwide) have signed-up for electronic access through the USDA Lender Interface Network Connection (LINC) web portal. Lenders are able to electronically enter the following reports:

- **Status Reports** – submitted as of March 31 and September 30 of each year.
- **Default Status Reports** – submitted when the guaranteed loan becomes 30 days past due and resubmitted every 60 days until the default is cured either through restructuring or liquidation.
- **Loan Closing Reports** – submitted for each loan at the time the guarantee is issued.

Electronic access also provides lenders the ability to update their FSA's borrowers account information in real time, through the ease of internet access, and the mailing of zero paperwork! *For additional information regarding online status reporting, please drop an email to Shelly Wolf, Guaranteed Farm Loan Specialist at shelly.wolf@ks.usda.gov.*

Lenders who have questions or need assistance with submitting the reports mentioned above, should contact your local FSA Service Center, Farm Loan Program Staff.

In addition to status reporting, eAuth Level 2 users may also prepare, save and submit online guaranteed loan forms to the County Office when requesting a new loan. Other documents in the loan package may also be submitted through eForms or traditional email/fax. For more information regarding eForms, please go to:

<http://forms.sc.egov.usda.gov/eForms/welcomeAction.do?Home>

New USDA LINC Feature - PAY.GOV

FSA recently implemented a new feature called **PAY.GOV** to the USDA LINC system that will allow electronic submission of the FSA guaranteed fee via a pre-authorized debit (PAD) process. There are three easy steps to use this new feature:

1. Click the *Lender PAD Account Maintenance* hyperlink via the USDA LINC website - portal that allows lenders to add their pre-authorized debit account information.
2. Add Account Information – the account that will be accessed to withdraw funds for the guarantee fees for FSA loans. There is also the ability for lenders to choose the Global option, which will make the account information entered available to all lender branches for use to transmit guarantee fees electronically to FSA.
3. Select the option to electronically submit the guarantee fee when adding the guaranteed loan closing information.

The Federal Reserve Bank of Cleveland is the payment processor for the ACH payments processed through PAY.GOV. When a pre-authorized debit is submitted or if the submitted attempt failed, the lender will be notified via an email. The lender's email address will be retrieved from the USDA LINC system. Lenders are encouraged to contact their local FSA Office to get details on how to access the PAY.GOV feature.



Want to Stay Current on FSA's Guaranteed Issues?

To sign-up for updated guaranteed information visit www.fsa.usda.gov, click on the "Newsroom" button, then click on "Subscriptions" on the "Related Topics" section.

e – Corner continued

Do you remember your eAuthentication ID and Password for your USDA LINC Account?

All guaranteed lenders accessing FSA's online reporting services via USDA LINC must have a valid eAuthentication ID and Password to enter the system. To retrieve a forgotten User ID or reset your password, please see the following quick and easy steps below:

Retrieve a forgotten User ID

- Go to <http://www.eauth.egov.usda.gov/>
- Click **update your account**
- Click **continue**
- Click **retrieve my forgotten User ID**
- Enter your first name, last name, and email address
- Click **continue**
- If there is a match, the User ID will be mailed to the email address you provided.

Reset your Password online

- Go to <http://www.eauth.egov.usda.gov/>
- Click **update your account**
- Click **continue**
- Click **reset my forgotten password**
- Enter your **User ID**
- Click **continue** (you may be prompted to answer security questions)
- If successful, Level 2 users will see a prompt to enter a new password followed by a prompt to review/update security questions
- Wait 10 minutes for the permanent password to propagate through the system.
- If there is a match, the User ID will be sent to the email address you provided.

If further assistance is necessary, send an email to eauthhelpdesk@usda.gov or call 1- 800-457-3642.

Transition Incentive Program (TIP)

Retired or retiring owner and operator?

TIP provides assistance for retired or retiring landowners or operators to transition land enrolled in CRP to a beginning or socially disadvantaged (SDA) farmer/rancher for sustainable grazing or crop production.

You may have customers who qualify under TIP to be eligible to receive annual rental payments for up to two additional years after the CRP-1 expiration date provided the transition is not to a family member, as defined by FSA regulations.

Since the retired or retiring landowner must **sell** (or lease) the expiring CRP land – this may be an excellent time to expand your loan portfolio with a **guaranteed farm ownership loan!**

To be considered eligible, these individuals / participants must enroll in TIP during the period beginning one year before the CRP contract expiration date and September 30 of the year when the CRP contract is scheduled to expire. Note: Additional provisions apply to contracts that expired in 2008 and 2009.

Sign-up began in local FSA County Offices on May 17 for eligible retired or retiring owners and operators and beginning or SDA farmers/ranchers to enroll in TIP on a continuous basis.

As you discuss financial options with your retired or retiring owner/operator borrowers who have expiring CRP contracts, encourage them to contact their local FSA Service Centers, Farm Program staff to inquire about TIP.



Providing Flexibility to FSA Guaranteed Loans ~ Contributor: Patrick Kerrigan, Farmer Mac

One of the ways a FSA guaranteed loan provides extra benefits to the originating lender is the ability to sell the guaranteed portion of the loan on an active secondary market. These benefits include:

- Immediate Liquidity- When the lender sells the loan, the lender's funds are replenished to relend or invest
- Increased earnings- Servicing fee income can be collected during the life of the loan on the sold guaranteed portion, plus the lender retains the unguaranteed portion and earns interest at the borrower's note rate
- Reduced rate risk- Minimize interest rate risk while still offering borrowers intermediate~ and long-term fixed rate loans

The guaranteed portions of new farm ownership (FO) and term operating loans (OL), as well as seasoned loans, are eligible for sale. Loan can be either a fixed or a variable rate. The promissory note is negotiated between the originating lender and the borrower. After the loan is made Farmer Mac through its subsidiary, Farm Mac II LLC, is prepared to purchase the guaranteed portion from the lender.

On a daily basis Farmer Mac II LLC posts indicative net yields (buy rates) for FSA guaranteed loans on its website (www.farmermac2.com).

Lenders interested in the FSA guaranteed loan secondary market may contact Patrick Kerrigan or Mary Maloney at Farmer Mac 800-879-3276.



Feedback

FSA encourages lenders to provide suggestions, comments or ideas for future newsletter articles.

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Photos courtesy of USDA FSA

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