

# USDA



## Farm Service Agency

June 2007

### Kentucky FSA Guaranteed Lender News

#### LOANS FOR SOCIALLY DISADVANTAGED APPLICANTS

The Farm Service Agency can make direct and guaranteed loans to socially disadvantaged applicants to buy and operate family-size farms and ranches. Funds for these loans are reserved each year.

A socially disadvantaged applicant is one of a group whose members have been subjected to racial, ethnic or gender prejudice because of his or her identity as a member of this group without regard to his or her individual qualities. For purposes of this program, socially disadvantaged groups are women, African Americans, Alaskan Natives, Hispanics, Asian Americans and Pacific Islanders.

Direct loans may be made to applicants by FSA for both farm operating and farm ownership loans. Guaranteed farm loans also may be made for ownership or operating purposes, and may be made by any lending institution subject to federal or state supervision (e.g., banks and units of the Farm Credit System) and guaranteed by FSA. FSA typically guarantees 90 or 95 percent of a loan against any loss that might be incurred if the loan fails. Persons who are primarily and directly engaged in farming and ranching on family-sized operations may apply.

Socially disadvantaged loan applicants do not receive automatic approval. Individual applicants under this program must meet all requirements for FSA's regular farm loan program assistance.

**"FARM LOANS ARE GOOD BUSINESS -- WE GUARANTEE IT!!"**

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## 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 Claim Processing. Lenders will be notified by FSA when the new automation programs are available and given 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 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.

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**Jeffery S. Hall**  
**State Executive Director**

### ***State Executive Director Comments***

I have always felt fortunate to get to serve as the State Director for Kentucky's Farm Service Agency (FSA). One of the single, biggest benefits is working with a great group of people who work for FSA.

One of the best, Butch Dunsmore, retired on April 2, 2007, with over 38 years of Federal service. He was the chief of the Farm Loan Program Division in Kentucky for almost 23 years.

I have known and worked with Butch for nearly 20 years, more closely in the last six years since I became the State Director. Butch is a quality guy who has earned the respect and admiration of people he worked with in the U.S. Department of Agriculture.

His leadership was directly responsible for building the Kentucky Farm Loan program into one of the best in the nation, by stressing hard work and teamwork as our core responsibilities. He always gave the credit to the people in the State and county offices for whatever recognition came our way.

If we are known by the company we keep, then I am glad that I had the opportunity to work with Butch. He is a personal friend and has been an invaluable resource during my time with the Agency. We thank him for his service to the Agency and to agriculture. We wish him a long and happy life in retirement!

## 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 took effect on June 8, 2007. These changes did not impact existing IA agreements. Below is a summary of the major changes.

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

◆ **Removal of Annual Needs Test Requirements** - IA will be authorized for five 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 five-year period of IA eligibility, if their cash flow requires the subsidy and they are still beginning farmers at the end of the first five-year period. They are also excluded from the 50% debt to asset restriction.

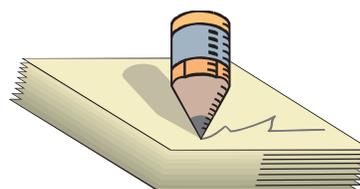
◆ **Reduced Application Requirements** - Lenders will not be required to complete a monthly cash flow budget on subsidized lines of credit.

◆ **Guaranteed 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.

FSA Handbook 2-FLP, Amendment 29 reflects the IA program changes and is posted to the FSA website.



## 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 lender's 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 offsets.
- provides guidance and instructions for handling cases where a borrower has received unauthorized assistance.

The 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.

## 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.

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](http://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.

#### Kentucky Guaranteed Lender News

is published by:

Kentucky FSA State Office  
Farm Loan Program Division  
771 Corporate Drive, Ste. 100  
Lexington KY 40503-5478  
Telephone: (859) 224-7333  
Fax: (859) 224-7432

#### STATE OFFICE CONTACTS:

- Jeffery S. Hall, State Executive Director  
[Jeff.Hall@ky.usda.gov](mailto:Jeff.Hall@ky.usda.gov)
- Mitchell W. Whittle, Farm Loan Chief  
[Mitch.Whittle@ky.usda.gov](mailto:Mitch.Whittle@ky.usda.gov)
- John C. Hoskins, Farm Loan Specialist  
[John.Hoskins@ky.usda.gov](mailto:John.Hoskins@ky.usda.gov)

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