

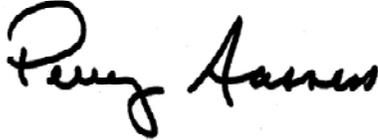
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
375 Jackson St., Suite 400
St. Paul, MN 55101

2-FLP (Revision 1)

MN Amendment 1

Approved by: Perry Aasness, State Executive Director



AMENDMENT TRANSMITTAL

A Reasons for Amendment

This handbook has been revised because of FLP Streamlining and to make minor edits throughout. More significant edits were done to Paragraphs 247A, 267A, 279A, Exhibit 2 and Exhibit 9.

B Obsolete Material

MN 2-FLP Amendments 1-8 are obsolete.

C Page Control Chart

MN Amendment 1 is being posted to the Minnesota Intranet and Internet as a stand-alone document for printing purposes. Shortly it will also be posted as part of the complete 2-FLP (Revision 1) Handbook, with pages appropriately interspersed among the National Handbook pages. In the near future links, fillable forms (some MN Exhibits) and some hyperlinks will be connected to improve the usefulness of the electronic copies.

The following table provides instruction to replace or add pages within this handbook.

Page Control Chart		
Add MN TC	Add MN Text	Add MN Exhibits
(Behind last National TC page) Page 1	2-7, 3-4, 5-4, 5-6, 5-16, 8-1, 8-62, 8-141, 8-166, 8-189, 10-14, 11-15, 11-39, 11-46, 14-9, 15-5	(Behind last National Exhibit) 1-15

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Minnesota 2-FLP Table of Contents

Minnesota Exhibits

1. Specialized Farm Service Structure Review Guidelines
2. Median Minnesota Farm Size Data
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8. Eligibility Determinations Regarding Status as Individuals Vs. Joint Operations
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11. Verification of Farm Service Agency (FSA) Benefits
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14. Real Estate Appraisal Letter of Engagement
15. Summary of Farm Service Agency Appraisal Assignment Requirements

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20 Responsibilities

A Authorized Agency Official Responsibilities

When new releases or revisions to Agency notices, memos, numbered letters, 2-FLP, etc are received, Farm Loan Managers are responsible to ensure that interested lenders are provided copies of these revisions. However, documents that are readily available through the internet should not be copied and mailed to a lender unless requested by the lender.

In cases where lenders work with more than one Credit Team, Farm Loan Managers are to coordinate with each other to avoid duplication of efforts in providing copies to lenders. The Farm Loan Manager whose service territory includes the physical location of the lender's office is to assume responsibility for providing copies to the lender.

An operational file, FLP 2-2, Lender Contacts, shall be established and maintained by each Farm Loan Manager to document the above coordination and outreach activities. The file shall include a listing of which lenders were sent to, the date sent and one copy of the cover letter used.

34 Lender List and Classification (7CFR 762.101(b))

A Lender List

Farm Loan Managers are to establish and maintain a list of area lenders in operational file, FLP 2-2, Lender Contacts. Denote those lenders who have expressed a desire to participate in the Guaranteed Program with an asterisk.

B Classification

A list of Preferred Lender Program (PLP) and Certified Lender Program (CLP) lenders for Minnesota is available through the Minnesota FSA Internet and Minnesota FSA Intranet sites.

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66 Requirements for Loans of \$125,000 or Less (7 CFR 762.110)(Continued)

C Loan Narrative

When an applicant is proposing to utilize a contract with an integrated livestock producer and is relying on the contract for repayment ability, the lender is responsible for reviewing the contract to ensure that all normal Agency regulatory requirements are met. This includes eligibility, feasibility and environmental requirements. The lender is to review and document that the contract adequately protects the interests of the borrower, the lender and the Farm Service Agency. Minnesota Exhibit 1 may be used as the basis for this review.

Lenders should identify any applicant who meets the requirements of being a Beginning Farmer. Minnesota Exhibit 2 identifies the median farm size and 30% of each county's median farm size for all Minnesota counties. Minnesota Exhibit 2 is to be used by the authorized agency official in determining whether or not the applicant meets the maximum acreage limitations contained in the definition of Beginning Farmer. The data was obtained from the 2002 Census of Agriculture.

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67 Requirements for Loans Over \$125,000 (7 CFR 762.110)

B Verification of Income

And

C Verification of Debts over \$1,000

Minnesota 2-FLP, Exhibit 11, “Verification of Farm Service Agency (FSA) Benefits” may be used by lenders to fully verify an applicant or borrower’s FSA Farm Program status and benefits.

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70 Application Requirements for PLP Lenders (762.110)(Continued)

B Loan Narrative

When an applicant is proposing to utilize a contract with an integrated livestock producer and is relying on the contract for repayment ability, the lender is responsible for reviewing the contract to ensure that all normal Agency regulatory requirements are met. This includes eligibility, feasibility and environmental requirements.

The lender is to review and document that the contract adequately protects the interests of the borrower, the lender and the Farm Service Agency. The lender may use Minnesota Exhibit 1 as the basis for this review.

Lenders should identify any applicant who meets the requirements of being a Beginning Farmer. Minnesota Exhibit 2 identifies the median farm size and 30% of each county's median farm size for all Minnesota counties. Minnesota Exhibit 2 is to be used by the authorized approval official in determining whether or not the applicant meets the maximum acreage limitations contained in the definition of Beginning Farmer. The data was obtained from the 2002 Census of Agriculture.

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108 General Eligibility Requirements for OL and FO (7 CFR 762.120)

A Summary of Eligibility Requirements

Minnesota Exhibit 3 may be used by lenders to assist in documenting the eligibility of the applicant(s). The lender should use their loan narrative to explain any answer that may benefit from further explanation.

B Clarification of Applicant

Due to sharing of resources, it is not always obvious if an applicant is a sole proprietor or part of a joint operation. Minnesota Exhibit 8 identifies some characteristics to consider when determining if an applicant is a sole proprietor or part of a joint operation.

C Guarantee Fee

Minnesota FSA and the [Minnesota Rural Finance Authority](#) have executed a Memorandum of Understanding (MOU) dated October 16, 2007. Beginning Farmer loans made under this MOU are not to be charged a fee. MN Exhibit 9 is a copy of the MOU.

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181 General Requirements (7 CFR 762.127)**B General Requirements**

When joint financing between FSA and a Lender is a possibility, Lenders are encouraged to coordinate their appraisal activities with the local FSA office staff.

Minnesota 2-FLP, Exhibit 12 is an optional chattel appraisal Letter of Engagement template for lenders use when contracting for a chattel appraisal. It is available in fillable format at: <http://www.fsa.usda.gov/mn>.

Minnesota 2-FLP, Exhibit 13 is a Chattel Appraisal Administrative Review worksheet. Lenders should use this Exhibit or other substantially similar documentation when determining the acceptability of a contracted chattel appraisal. It is available in fillable format at: <http://www.fsa.usda.gov/mn>.

Minnesota 2-FLP, Exhibit 14 is an optional real estate appraisal Letter of Engagement template for lenders use when contracting for a real estate appraisal. It is available in fillable format at: <http://www.fsa.usda.gov/mn>.

Minnesota 2-FLP, Exhibit 15 is an optional Real Estate Summary of Farm Service Agency Appraisal Assignment Requirements provided for lenders and appraisers to more easily organize and/or complete appraisals to meet certain aspects of USPAP. Lenders are encouraged to provide a copy or link to this Exhibit to their appraiser when an appraisal is ordered. It is available in fillable format at: <http://www.fsa.usda.gov/mn>. Lenders are also encouraged to use Form FSA 1922-16 or other substantially similar documentation to complete their review of contracted real estate appraisals.

196 Exception to Standard Guarantee Limits (7 CFR 762.129)

A Exceptions (Continued)

Minnesota FSA and the [Minnesota Rural Finance Authority](#) executed a Memorandum of Understanding (MOU) on October 16, 2007. MN Exhibit 9 is a copy of the MOU. The applicant must meet the FSA definition of a Beginning Farmer to qualify for the “automatic” 95% guarantee.

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208 Environmental Requirements (7CFR 762.128)

A Overview

Minnesota 2-FLP, Exhibit 10 is a guide for lenders use when completing the environmental certification questions found on the guaranteed application forms, FSA-2211 and FSA-2212. Topics include: Floodplains, State Water Quality Standards, Historical Preservation, Wetlands & Highly Erodible Land and Hazardous Wastes.

247 Actions Before Issuing the Loan Guarantee (7 CFR 762.130)(Continued)**A Lender's Actions (Continued)**

In some cases an applicant's cash flow is feasible only with the inclusion of non-farm income from another party. To ensure repayment, the party providing such non-farm income needs to cosign the promissory note. If a cosigner is needed, it can be any eligible third party whose dependable income has been included in the cash flow. Although a spouse may be a cosigner, FSA does not automatically require that the spouse be a cosigner. However, if a spouse will not cosign a promissory note that spouse's non-farm income may not be included as reliable income in the cash flow.

The lender's loan narrative should clearly identify whose non-farm income is included in the cash flow.

When a cosigner is needed to assure repayment of the loan, the FSA approval official should if possible, identify that person by name on the FSA 2232, "Conditional Commitment".

In some cases an applicant may not have adequate security and/or reliable enough income for Agency and/or lender loan requirements. A pledge of security from a guarantor may be used to provide more security for the loan. A personal (or corporate) guarantee may increase the likelihood of repayment in the event of borrower default. When a guarantor pledges security or pledges repayment, the Conditional Commitment should clearly identify the property and/or limits of financial responsibility for the guarantor.

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267 FSA Loan Servicing Responsibilities**A Overview**

Neighboring Farm Loan Managers should coordinate lender file review activities when possible. Effective management of a Credit Team includes balancing the need for file reviews with appropriate outreach to lenders while efficiently managing travel time and costs.

For monitoring purposes as required for SEL and CLP lenders, (see Paragraphs 48A and 51B) copies of reviews that identify a serious problem(s) are to be sent to the DD and SED (State Office Farm Loan Program Section). If the problem is later mitigated the approval official is to notify the DD and State Office by means of a brief memo.

B Lender Loan Files Review Priorities

The State Office will coordinate lender reviews for PLP lenders. Annually the frequency and number of files to be reviewed will be determined by the Farm Loan Programs Chief. If appropriate the National Office or other State Offices will be contacted. Then as appropriate, the Farm Loan Programs Chief will waive the review, assign reviews to Credit Teams or coordinate a multi-office review.

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279 Subordination of Direct Loan Security (7 CFR 762.142(c))**A Direct Loan Subordination When a Guaranteed Loan is Being Made**

When a Guaranteed Line of Credit is being made FSA will issue a subordination that covers advances for all years of the line of credit. Form FSA-2455, "SUBORDINATION BY THE GOVERNMENT" will be completed in accordance with the FMI and the following instructions.

In Part 1, for loan purposes, state: "**Annual operating credit needs as shown for the FSA Loan Guarantee application dated _____ including:**

_____". For Part 3, Subordination limit, state: "**\$ _____ each year for the years 20__ through 20__.**" The dollar figure to be inserted is the G-LOC peak.

The original Subordination is to be sent to the lender with the Conditional Commitment. Copies are to be attached to the FSA copy of the FSA-2235, "Loan Guarantee" and another placed in the Direct Loan file on top of Position #1.

Note: To properly document the borrower's Direct Loan case file a Form FSA-2001, "Request for Direct Loan Assistance" is also needed.

282 Additional Loans or Advances (7CFR 762.146(a))**A Additional Loans or Advances**

To simplify the process for SEL and CLP lenders with only existing Guaranteed Farm Ownership and/or term Loan Note Guarantees to obtain a one-time FSA concurrence for future non-guaranteed annual operating loans, FSA may approve Loan Agreement language substantially similar to the following:

In association with the \$_____ Farm Service Agency G-FO and/or term OL, _____ (*lender*) may provide non-guaranteed annual operating loans to finance operating expenses during the term of the subject guaranteed loan(s). Any such annual operating loan is subject to the borrower having a lender-satisfactory positive cash flow based on historical performance.

For new loans, FSA's approval will be documented on the Conditional Commitment. For existing term-debt only guaranteed customers, prior written FSA approval is needed to amend the borrower's Loan Agreement.

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358 Lender Liquidation Plan (7 CFR 762.149)(b)

B General

Minnesota Exhibit 4 is an optional checklist for lenders and FSA staff for use in preparing Liquidation Plans.

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374 Agency Requirements (7 CFR 762.160)**C Transfer to the Secondary Market**

Holders and/or purchasers of guaranteed loans may request certification of signature on various documents relating to a guaranteed loan.

MN Exhibit 5 is to be used by county offices when a holder requests such a certification. This exhibit can be completed by any FSA employee who can certify that the employee who signed the Loan Guarantee (Form FSA-2235 or earlier versions of guarantees) and the Assignment Guarantee Agreement (Form FSA-2242 or earlier versions) is, or was, an FSA employee with the authority to sign these documents.

If different employees signed the Loan Note Guarantee and the Assignment Guarantee Agreement, then a Certificate of Incumbency will need to be completed for both employees.

If a situation is encountered where a lender requests a Certificate of Incumbency format other than Exhibit 5, the different version of the Certificate of Incumbency is to be sent to the appropriate State Office FLP Specialist for advice from the Office of General Counsel.

Exhibit 6 can be used when the employee who signed the Loan Guarantee no longer is employed by the agency. A FSA employee needs to certify via letter that the employee who signed the Loan Guarantee no longer works for the agency. The letter also states that as of the date the Loan Guarantee was signed, the signing employee did have the authority to sign the document and the signature is genuine.

Exhibit 7 can be used when the employee who signed the Loan Guarantee has been transferred to a new location.

Specialized Farm Service Structure Review Guidelines

1. The contract should provide for adequate revenue to allow the applicant to pay loan installments and cash expenses related to the enterprise.
2. The contract length must provide reasonable assurance that the applicant will be able to repay the loan. The contract should be at least long enough so that the applicant has reasonable prospects of long term viability after the contract ends.
3. The contract cannot contain any provisions that would give the integrator long-term control or possession of the facility. This would violate statutory program requirements. The integrator may be allowed reasonable possession, but this should be limited to time to protect the livestock in their system and to make alternative facility arrangements.
4. Actions constituting default and grounds for cancellation by either party must be clearly specified.
5. Any incentive or penalty clauses must be clear as to what standards will be used to determine the incentive or penalty. The impact of these provisions on the cash flow must be analyzed.
6. The contract must provide for mediation as a means of resolving disputes in accordance with Minnesota Statutes.
7. Any provisions regarding modernization of equipment must be reviewed for impact on the cash flow. Vague future mandatory modernization clauses are usually not acceptable.
8. The site and facility must conform to all federal, state and local laws and ordinances. Manure storage and disposal plans must be acceptable. Copies of necessary [state permits](#), [water permits](#), easements and/or leases may need to be obtained to verify these requirements are being met.

Note: The above list is intended as a guide only, and conformance with the guidelines does not guarantee approval of any given loan application. All applications will be evaluated individually and must meet eligibility, feasibility, and all other Agency requirements before approval, or as appropriate, loan closing or issuance of the Guarantee.

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MINNESOTA FARM SIZE FROM
2002 CENSUS OF AGRICULTURE

County	Median Farm Size	30% of Median Farm Size	County	Median Farm Size	30% of Median Farm Size
Aitkin	180	54	Marshall	322	97
Anoka	52	16	Martin	310	93
Becker	181	54	Meeker	146	44
Beltrami	220	66	Mille Lacs	120	36
Benton	132	40	Morrison	180	54
Big Stone	400	120	Mower	186	56
Blue Earth	220	66	Murray	320	96
Brown	240	72	Nicollet	240	72
Carlton	160	48	Nobles	280	84
Carver	110	33	Norman	399	120
Cass	220	66	Olmsted	111	33
Chippewa	279	84	Otter Tail	167	50
Chisago	76	23	Pennington	299	90
Clay	300	90	Pine	160	48
Clearwater	240	72	Pipestone	245	74
Cook	160	48	Polk	320	96
Cottonwood	320	96	Pope	212	64
Crow Wing	157	47	Ramsey	5	1.5
Dakota	85	26	Red Lake	320	96
Dodge	152	46	Redwood	360	108
Douglas	158	47	Renville	321	96
Faribault	360	108	Rice	100	30
Fillmore	160	48	Rock	275	83
Freeborn	163	49	Roseau	280	84
Goodhue	140	42	St. Louis	127	38
Grant	200	60	Scott	57	17
Hennepin	44	13	Sherburne	70	21
Houston	191	57	Sibley	200	60
Hubbard	160	48	Stearns	217	65
Isanti	79	24	Steele	125	38
Itasca	160	48	Stevens	314	94
Jackson	292	88	Swift	280	84
Kanabec	135	41	Todd	160	48
Kandiyohi	150	45	Traverse	460	138
Kittson	383	115	Wabasha	200	60
Koochiching	200	60	Wadena	181	54
Lac Qui Parle	320	96	Waseca	181	54
Lake	80	24	Washington	50	15
Lake of the Woods	299	90	Watonwan	272	82
LeSueur	114	34	Wilkin	610	183
Lincoln	210	63	Winona	180	54
Lyon	320	96	Wright	85	26
McLeod	155	47	Yellow Medicine	284	85
Mahnomen	357	107			

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**OPTIONAL NARRATIVE SUPPLEMENT
FSA GENERAL ELIGIBILITY REQUIREMENTS**

APPLICANT(S) NAME: _____

Use of this checklist is optional. Any non-standard answer(s) must be further addressed in the lender's narrative.

YES NO

- Has the applicant(s) caused FSA a loss by receiving debt forgiveness? If Yes, Explain:
- Is the applicant(s) delinquent on any Federal debt? If Yes, Explain:
- Does the applicant(s) have any unpaid judgments obtained by the United States? If Yes, Explain:
- Is the applicant(s) a citizen of the U.S. or an alien lawfully admitted to the U.S. for permanent residence? If No, Explain:
- Does the applicant(s) have the legal capacity to incur the obligation of the loan? If No, Explain:
- Are there any concerns or problems with the applicant's credit history that need to be addressed at this time? If Yes, Explain:
- Is the applicant(s) able to obtain sufficient credit elsewhere without a guarantee? If Yes, Explain:
- Has the applicant(s) been convicted of planting, cultivating, growing, producing, harvesting, or storing a controlled substance within the last 5 crop years? If Yes, Explain:
- Is the applicant(s) a FSA Beginning Farmer? If Yes, Explain:
- Is the applicant(s) a FSA Socially Disadvantaged farmer? If Yes, Explain:
- In the past, has the applicant(s) provided false or misleading documents or statements to FSA? If Yes, Explain:

Determine if the applicant's operation is not larger than a family sized farm after the loan is made:

- Is it recognized as a farm in the community? If No, Explain:
- Do they manage and control the farm business? If No, Explain:
- Do they supply a substantial amount of the labor required in the operation? If No, Explain:
- Does the guaranteed credit meet a substantial portion of the operation's credit needs? If No, Explain:

Is the applicant an entity? See MN Exhibit 8 for guidance regarding possible joint operations. If YES, answer the following questions to determine if the applicant is an acceptable entity:

- Is it a legal entity under state law? If No, Explain:
- If the members are related, does at least one of them operate the farm? If No, Explain:
- If they are not all related, do members holding a majority interest operate the farm? If No, Explain:
- Are any entity members themselves an entity? If Yes, Explain:

LENDER'S SIGNATURE

DATE

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OPTIONAL LENDER LIQUIDATION PLAN CHECKLIST

BORROWER: _____ DATE: _____

Liquidation Decision Date: _____ (Normally the earliest of the following dates: the date borrower agreed to liquidate, the date mediation ended or the borrower's timeframe to request mediation expired, the date of filing bankruptcy, or 90 days after default, unless modified by FSA).

- Current balance sheet or best available similar information and/or bankruptcy schedules (Par. 358B).
- Proposed method for maximizing collection from remaining security (Par. 358B).
- Proposed method for maximizing collection on the debt from non-security items and judgment possibilities (Par. 358B).
- If the borrower converted security, will litigation be cost effective? Will civil or criminal action be pursued? If no action is being taken, why? (Par 358B).
- Recommendation regarding release of liability for the borrower (Par 358B).
- Current independent appraisal(s) of all remaining security (Par 358B). If not needed, has the local FSA office concurred?
- Net recovery of security value calculations, detailing liquidation expenses (Par. 358B, Par. 359B & Par. 359C).
- A time estimate for completion of all security liquidation (Par 358B).
- A Guaranteed Farm Loan Default Status Report, Form FSA-2248, if not submitted within the previous 60 days (Par. 300D and Par. 358C).
- An estimate of any protective advances (Par. 359E & 360D).
- A copy of the acceleration letter (Par. 357C).

LOSS CLAIMS

- An Estimated Loss Claim if the liquidation is projected to last more than 90 days (Par. 359A).
- Attach a current net recovery calculations worksheet (see above).
- Attach a ledger documenting all loan and protective advance amounts & purposes, interest accrual (separate for any protective advance), payments and interest rate changes including current rate (Form FSA-2254 Instructions & Par. 360C).
- If the note has Interest Assistance (IA), a final IA claim, Form FSA-2222 (Par. 228C).
- A list of security disposed of by the borrower with documentation as to what happened to the proceeds (Par. 264A & 360C). Include all mortgaged land and all chattels on hand at or acquired since the last complete security reconciliation occurred.
- Electronic Funds Transfer account information (Par. 360C).
- The name, address and Social Security Number of any co-borrower, guarantor, or co-signer if the loan was made using an application form with a revision date July 20, 2001 or later

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UNITED STATES OF AMERICA
UNITED STATES DEPARTMENT OF AGRICULTURE
FARM SERVICE AGENCY, ITS SUCCESSORS AND ASSIGNS

CERTIFICATE OF INCUMBENCY AND SIGNATURE

I, _____, _____ of the Farm Service
Agency (FSA),
(name of witness) (title)
its successors and assigns, an agency of the United States Department of Agriculture, do hereby
certify that

the following person holds the office of _____ of

(title) (county name)
County, Minnesota, for FSA and that the signature appearing below is the genuine signature of such
person:

(signature of executor)

(typed name)

(title)

In witness whereof, I have hereunto signed my name this _____ day of _____,
20____.

By: _____
(signature of witness)

(typed name)

(title)

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(FORMER EMPLOYEE CERTIFICATION AND SIGNATURE)

(Inside Address)

(Date)

RE: (Borrower Name)
(FSA Case Number)

Dear Lender:

Please be advised that _____(name)_____, who signed the Loan Guarantee on the above subject, is no longer an employee with the Farm Service Agency (FSA), its successors and assigns. As of _____(date)_____, the date s/he signed the Loan Guarantee, _____(name)_____ did hold the office of _____(title)_____, and I certify that the signature on the document was the genuine signature of _____(name)_____.

Sincerely,

(Name)
(Title)

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TRANSFERRED EMPLOYEE CERTIFICATION OF SIGNATURE)

(Inside Address)

(Date)

RE: (Borrower Name)
(FSA Case Number)

Dear Lender:

Please be advised that _____(name)_____, who signed the Loan Note Guarantee on the above subject, has been transferred to a different location with the Farm Service Agency (FSA), its successors and assigns. As of _____(date)_____, the date s/he signed the Loan Guarantee, _____(name)_____ did hold the office of _____(title)_____, and I certify that the signature on the document was the genuine signature of _____(name)_____.

Sincerely,

(Name)
(Title)

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ELIGIBILITY DETERMINATIONS REGARDING STATUS AS INDIVIDUALS vs. JOINT OPERATIONS

In cases where there may be the appearance of a possible joint operation, clear and detailed documentation is necessary to justify the eligibility determination, either way, whether the applicant is operating as an individual or as part of a joint operation. Most importantly, to be an individual for FSA Farm Loan Programs, the operator must control the farm operation substantially independent of others. The approval official and the lender should consider the following characteristics when making determinations of whether or not an applicant is part of a joint operation. FSA defined Beginning Farmers, may be more dependent on others in the use of physical assets and other resources than non-Beginning Farmers. The Agency should assist individual applicants with their goal of becoming independent of others.

Characteristics

1. **Management:** An *individual applicant* controls most significant and many minor decisions that affect the operation. A *joint operator*, because of dependence on another's resources including management, does not exercise independent control of the operation. Beginning Farmers, whose goal is an independent operation, may share management responsibilities with a mentor or close relative and rely substantially on the mentor or close relative's resources.
2. **Taxes:** Tax records may indicate a formal partnership.
3. **Other Business Records:** Insurance and/or financial records kept jointly with another party and pro-rated at the end of the year may indicate a joint operation.
4. **Inputs:** Physical operation of the farm evidenced by input deliveries, supplier billings and payment of expenses should be consistent with the business structure of the applicant. If most inputs are delivered, invoiced and paid jointly, the existence of a joint operation may be indicated.
5. **Production:** Review the physical operation of the farm regarding ownership, storage, delivery and payment instructions to buyers of the farm's product. Commingling or jointly owned grain or milk results in no separate identifiable product with all products being subject to the liens of creditor with an interest in the product. The commingling of farm products may mean a joint operation exists, especially in the absence of written agreements between the producers and their respective lenders identifying ownership and lien interests. Note: the Guaranteed Lender usually must have a properly perfected first lien on chattel security of the borrower, so subordinations or lien releases from the other producer's creditor(s) may be needed.
6. **Other FSA Farm Programs:** The Form CCC 502 may indicate a joint operation exists. Note: FSA FP and FLP programs usually but not necessarily match due to differences in various program FSA regulations.
7. **Leases:** Joint leases of equipment, land or other facilities may indicate the existence of a joint operation.
8. **Asset Ownership:** While some joint ownership of assets can be a prudent management tool for individuals, extensive joint ownership of assets may indicate a joint operation.
9. **Commingling Livestock:** It may be possible for individual operators to have commingled livestock, though the commingling of livestock frequently indicates a joint operation exists. Note: The Guaranteed Lender usually must have a properly perfected first lien on chattel security of the borrower, so subordinations or lien releases from the other producer's creditor(s) may be needed.
10. **Buildings:** The applicant should normally have control of an operating headquarters. Ideally this would include a dwelling, equipment repair and storage buildings, and as appropriate, some crop storage and livestock production facilities.

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**Memorandum of Understanding
Between the
Farm Service Agency (FSA)
and the
Minnesota Rural Finance Authority**

I. SUBJECT:

Implementation of Section 309(i) of the Consolidated Farm and Rural Development Act (CONACT), as added by Section 5 of the Agricultural Credit Improvement Act of 1992 (Pub. L. 102-554, October 28, 1992).

II. PURPOSE:

The purpose of this Memorandum of Understanding (MOU) is to provide cooperation and participation in joint funding between FSA and Minnesota Rural Finance Authority.

III. BACKGROUND:

Section 309 (i) of the CONACT requires that an MOU between FSA and any State Beginning Farmer Program be entered into when the State expresses interest, in writing, to coordinate financial assistance to beginning farmers and ranchers. The Act describes a State Beginning Farmer Program as any program that is "(A) carried out by, or under contract with, a State; and (B) designed to assist persons in obtaining the financial assistance necessary to enter agriculture and establish viable farming or ranching operations."

IV. AGREEMENT:

It is mutually agreed by the parties to this MOU that they will cooperate and participate in joint funding as specified below:

A. If Minnesota Rural Finance Authority makes a commitment to provide a qualified Beginning Farmer or Rancher with financing to establish or maintain a viable farming operation, FSA will provide financial assistance through the use of the Down Payment Loan Program and/or the Guaranteed Loan programs subject to all of the following:

1. applicable law and regulations,
2. normal loan approval criteria,
3. availability of funds and

B. FSA will not provide Guaranteed Loan assistance when the funds have been derived from tax exempt bonds.

C. FSA will not charge a fee to obtain or retain a guarantee in connection with any joint funding under this MOU.

D. FSA will issue the Guarantee Loan at 95 percent for loans to Beginning Farmers and Ranchers made under this MOU.

V. IMPLEMENTATION:

This MOU is effective immediately upon the last signature dated below and will continue in effect until modified or revoked by agreement of both parties, or revoked by either party alone upon 30 days written notice. Modifications to this document may be made by mutual agreement and such modification will be in effect upon the signing of the modified document.

FARM SERVICE AGENCY

By 
PERRY AASNESS
State Executive Director
USDA Farm Service Agency
St. Paul, Minnesota, 55101

Date October 24, 2007

MINNESOTA RURAL
FINANCE AUTHORITY

By 
JAMES A. BOERBOOM
Executive Director
Minnesota Rural Finance Authority
St. Paul, Minnesota 55155

Date Oct 16, 2007

**Lender's Environmental Certification Guide to Questions found on Forms
FSA -2211/FSA-2212, "Application for Guarantee/Preferred Lender Application"**

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How to use this guide:

The numbers found in front of the individual sections in the Table of Contents correspond to the questions on either the [FSA-2211](#) or [FSA-2212](#). Please contact the FSA State Environmental Coordinator, Jeff Johnson @ (320) 235-3540 if a hyperlink does not work properly on the digital version.

This guide is intended **for lender use** to clarify the extent of assistance that the Farm Service Agency (FSA) expects of lenders to support FSA's compliance with the National Environmental Policy Act (NEPA), the National Historic Preservation Act, the Endangered Species Act, and other environmental and cultural resource laws, regulations, and executive orders. This guide is also intended to assist lenders in understanding the level of investigation that is required for determining the amount of hazardous waste or other environmental contamination that may be present on real property being offered as security for loans. This list is not totally inclusive. Unique environmental aspects of the proposal or its location may require additional documentation to be provided by the lender. FSA recognizes that most lenders are not environmental experts and professional environmental review services are not typically expected.

FSA is responsible to complete an environmental review for each loan application or action proposed in order to comply with NEPA. FSA will continue to be responsible for final determinations concerning compliance with NEPA and with loan applicant and proposal compliance under the highly erodible land and wetland conservation provisions of the Food Security Act.

For SEL and CLP lenders, form [Lenders Processing Checklist, 2291](#) also contains review actions pertaining to environmental requirements. Lenders are encouraged to use the checklist as well as this guide. Review the FSA Environmental and Cultural Resource Compliance website at: <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=ecrc&topic=landing> for links to many other helpful links and datasheets.

Depending on the purpose for the guaranteed loan application and the intended loan collateral, it may be necessary that the lender complete portions of the preliminary environmental investigation, including the following:

- Conducting a site visit and advising FSA of any potential problems observed as in:
 - Leaking pesticide, herbicide, petroleum or other chemical containers, runoff from a feedlot entering a creek, wetland or tile intake and/or
 - Impacts to potentially historical properties, buildings or sites.

Until the entire environmental review process is completed, the loan cannot be approved and no construction or activity to disturb structures or ground can be started.

37 or 47. Floodplains

If the loan will be secured by real estate, does the property contain existing structures (i.e., farm dwellings and or service buildings) or does the proposal involve development (i.e., construction, channeling, or other alterations) located within the 100-year floodplain as defined by FEMA floodplain maps, NRCS soil surveys or other documentation? 2-FLP 208 E

Background¹:

FSA must avoid impacting floodplains where practicable and mitigate potential adverse impacts to the floodplain when avoidance is not possible.

Process/Action:

1. Obtain FEMA floodplain map and determine location of farm on map.
2. If not in floodplain, check NO on the application.
3. If the property contains structures lender must provide a copy of the completed [FEMA 81-93](#) to FSA with the application (SEL lenders only).
4. If the property contains structures and a floodplain, conduct and document a site visit.
5. If the structure/development is or will be located in a 100-year floodplain area, check YES on the application and provide a map identifying and marking property boundaries, existing and/or proposed structures or other development with application. Producers will be required to obtain Floodplain Development and/or Corps of Engineers permits. Preliminary and final Public Notification may be necessary as part of the environmental review that FSA will need to conduct. FSA will examine carefully any reasonable alternatives to constructing or financing the project within a floodplain.

Documentation

Retain in lender file the copy of marked-up Floodplain Map(s) if structures / development are found or are planned within the floodplain. This map should be attached to the completed and signed FEMA 81-93. If area is not mapped, use best available information from soil surveys or NRCS (In such cases consult County FSA Office for advice and assistance).

Floodplain maps are available through:

- o Some local and/or county governments
- o FEMA Distribution Center at 1-800-358-9616. In addition, you can access floodplain maps directly from FEMA at: <http://store.msc.fema.gov/>.
- o Producer could also contact FEMA if they thought that the area being impacted was not within the mapped floodplain.
- o Additional floodplain management information is found at <http://www.fema.gov/plan/prevent/floodplain/index.shtm>.
http://www.dnr.state.mn.us/waters/watermgmt_section/floodplain/index.html

¹ Pertinent Statute / Executive Order (EO): Executive Order 11988, Floodplain Management, Departmental Regulation 9500

38 or 48. State Water Quality Standards

Did the investigation indicate the operation may violate State Water Quality Standards? 2-FLP-208F

Background²:

The Federal Clean Water Act requires states to adopt water quality standards to protect the nation's waters. You can find information on many topics at the following MPCA site: <http://www.pca.state.mn.us/programs/> or you can go directly to the waters information at <http://www.pca.state.mn.us/water/index.html>. The basic intent of the water quality standards is to maintain and improve the quality of the state's surface and drinking water. Most livestock operations will require some form of special permits or waste management plans. Individual sewer systems have the potential to contribute to the problems of coliform contamination and high Total Maximum Daily Load (TMDL) levels in local streams and lakes. Runoff from improperly applied manure or silage piles impacts drinking water quality and oxygen levels in streams and creeks, contributing quickly to fish kills as well as algae blooms in area lakes and hypoxia in the Gulf of Mexico.

Process/Action: This process is a multi step consideration with several different facets. In order to answer the question 'NO' on the application form it will be necessary to answer each of the following questions appropriately as well. You should also make sure to consider all 3 questions even if the first is answered no.

A. Are livestock part of the proposed or existing operation?

If answered, 'No', then go on to question B. If answered 'Yes', then go to Step 1 below.

1. Discuss with the FSA County Office, MPCA and/or the local County Feedlot Officer for guidance on those activities which require state agency consultation, special permitting and/or waste management plans.
 - Feedlot permit determination tool:
<http://www.mda.state.mn.us/animals/feedlots/dmt/default.htm>
 - Fact Sheet identifying who needs a waste management plan under Minnesota state law: <http://www.pca.state.mn.us/publications/wq-f8-07.pdf>
 - FSA may also require a modified **waste management plan** for producers with smaller operations as documentation to support a finding of no reasonable potential for violation of water quality standards.
2. Conduct site visit to determine if the applicant is applying **Best Management Practices**, following required permit requirements such as maintaining appropriate manure application records and evaluate if it appears that feedlot runoff or milk house wastewater may be entering waters of the state such as wetlands, creeks, road ditches and tile intakes. (Continued on next page.)

² Pertinent Statute / Executive Order (EO): Section 303 of the Clean Water Act., Safe Drinking Water Act Section 1424(e), 42 U.S.C. 300h, [Chapter 7001: Permits and Certifications](#) [WEB](#), [Chapter 7020: Animal Feedlots](#) [WEB](#), [Chapter 7050: Waters of the State](#) [WEB](#), [Chapter 7052: Lake Superior Basin Water Standards](#) [WEB](#), [Chapter 7056: Mississippi River and Tributaries](#) [WEB](#), [Chapter 7060: Underground Waters](#) [WEB](#), [Chapter 7080: Individual Sewage Treatment System Program](#), [WEB](#), [Chapter 7150: Underground Storage Tanks; Program](#) [WEB](#) <http://www.revisor.leg.state.mn.us/arule/4720>

3. Are all feedlots and lagoons correctly permitted, registered and operated? Is there an [Open Lot Agreement](#) in place for operations under 300 animal units?

If a potential problem exists and/or if special permits/plans will be needed, check 'YES' on the application and include the appropriate information and explanation with the application, including status of permit/plan, as appropriate. **Please contact FSA as soon as it becomes apparent that FSA assistance will be needed to finance an operation or an expansion so any necessary Environmental Evaluations are carried out concurrently with any state or county permitting processes.**

B. Are individual sewage treatment systems which are utilized or proposed to be utilized by the applicant/borrower out of compliance with state and county ordinances?

If 'NO', then go to question C.

See the state website at <http://www.pca.state.mn.us/programs/ists/index.html> for more information on what is required for a compliant septic system. Specifically, systems that are discharging above ground, discharging to a ditch or tile system or backing up into a dwelling are considered an imminent threat under *state statute* and must be repaired or replaced. <http://www.pca.state.mn.us/publications/wq-wwists4-30.pdf> provides a fact sheet on inspecting sewer systems. Failing systems contribute to surface and ground water contamination. Many counties or watershed districts have low interest money available to replace failing systems. If a septic system is considered an "imminent threat" it is expected that the producer will take the necessary steps to bring the system into compliance.

C. Is there construction planned by this producer that will impact greater than 1 acre of land or result in an additional 1 acre of impervious surface (includes driveways and parking areas)?

If 'No', then proceed to documentation section below.

If 'Yes', then the producer must be sure to complete a Storm Water Pollution Prevention Plan (SWPPP) to prevent impacts to water quality and to reduce liability in the case of extreme rain events. This plan is usually required as a part of the state feedlot or local building permitting process and will include certain Best Management Practices (BMP's).

Documentation:

If the lender answers each of the questions A, B, C above 'NO', the lender would indicate **NO** on the application and provide necessary comments in the narrative. Record visit in lender file and retain copies of waste management plan, permits, etc., as appropriate. Note that as part of the Agency's Environmental Review the Agency may request copies of all or a portion of the documentation.

If any of the questions in section were answered 'YES' then indicate a YES answer to the question on the application and provide adequate information for FSA to determine the level of environmental assessment that will be required.

39 or 49. Historical and Archaeological Sites

Does the property contain structures over 50 years old, structures with significant architectural features, or does the property have any historical significance which may make it eligible for the National Register of Historic Places? 2-FLP 209 A

Background³:

FSA is required to consider adverse effects on property which is listed or may be eligible for listing on the National Register of Historic Places. FSA can access the current listing, but needs the lender to indicate if part or all of the property may be eligible for listing. This also includes any types of cultural artifacts such as burial mounds, pottery, and prehistoric findings. Any consultation with the State Historical Preservation Officer (SHPO) or Tribal Historic Preservation Officer (THPO) which must be conducted is the responsibility of FSA but the lender and/or applicant will be expected to supply supporting information and documentation to FSA.

A reminder that no construction or activity to disturb structures or ground can be commenced until the entire environmental review process is completed.

Process/Action:

If property does not contain any potentially eligible structures or sites then check “NO”.

If the action will include one of the following activities then the lender shall check “YES” on the application and describe in the loan narrative including digital pictures if available.

- Actions impacting structures over 50 years old. This includes structures to be remodeled or demolished as part of the application requested or with personal funds.
- Actions to structures of any age with significant historical/architectural features.
- Actions to impact (potential) archaeological site(s).
- Earth moving activity or construction below the depth of previously disturbed soils.

Documentation:

Record site visit in lender file and document results of discussions with local historical society, archeologists, etc regarding presence or absence of historical/archaeological property potentially eligible for listing.

³ Pertinent Statute / Executive Order (EO): National Historic Preservation Act (NHPA) of 1966 as amended., American Indian Religious Freedom Act, 42 U.S.C. 1996, Archeological and Historic Preservation Act 16 U.S.C. 469-469c, Archeological Resources Protection act, 16 U.S.C. 470aa-470mm, Native American Graves Protection and Repatriation Act, 25 U.S.C. 3001-3-13, Protection and Enhancement of the Cultural Environment Executive Order 11593.

40 or 50. Wetlands and Highly Erodible Land.

Will loan funds be used for any purpose that may contribute to the erosion of Highly Erodible Land or the Conversion of Wetland; OR will loan funds be used to drain dredge, fill, or otherwise manipulate any land or reduce the flow, circulation, or reach of water. 2-FLP-208 D

Background⁴:

Applicants for loans and other servicing actions must certify that he/she has not and will not violate the FSA Highly Erodible Land and Wetland Conservation (HEL/C/WC) provisions and Section 363 of CONACT. This includes using loan funds for another purpose on the same operation such that non-loan funds could be used to manipulate or impact the wetland. Loan funds and servicing actions cannot be used in a manner that will drain, dredge, manipulate or otherwise affect a wetland.

Process/Action:

Will the Plan of Operation impact or have the potential to contribute to the erosion of highly erodible land or the conversion of wetlands?

If this question is answered ‘NO’ then check ‘NO’ on the application. Lenders should consider the following factors prior to making this determination:

Will loan funds be used for any of the following purposes?

- Operating HEL land that is not subject to an NRCS approved conservation plan
- Cropping any Converted Wetlands
- Actions such as tiling, wetland drainage, wetland mitigation or changing land use.
- Construction activity, land clearing or logging
- Irrigation (new or upgrades)

If ‘YES’ to any of these questions then answer ‘YES’ on the application and explain in the narrative. The lender should ensure that the borrower has a correctly completed AD-1026 on file at the local FSA office.

Certified Wetland Determinations. If the land to be impacted does not have a Natural Resources Conservation Service wetland determination (SCS-CPA-O26) *and* there is to be construction activity the borrower will be required to obtain a “certified wetland determination” from NRCS or other FSA-acceptable party on all areas impacted directly or indirectly by the construction.

If the proposed use of loan funds may impact one or more tracts of land, the lender should review Form AD-1026A to determine whether any wetlands on any of the tracts will be impacted. It makes no difference if the land impacted is cropland or non cropland.

Documentation: Evidence of the lender’s actions to determine whether or not the applicant is in compliance with the wetland and highly erodible provisions. This could include copies of the current AD 1026 and 1026A as well as records of phone calls to FSA.

⁴ Pertinent Statute / Executive Order (EO): Food Security Act (FSA of 1985 as amended), Executive Order (E.O.) 11990, Protection of Wetlands , Section 363 of Consolidated Farm and Rural Development Act (CONACT), Minnesota Wetland Conservation Act

41 or 51. Hazardous Substances.

If the loan will be secured by real estate did the due diligence investigation with respect to underground storage tanks, or contamination from hazardous waste substances (such as ag chemicals, batteries, solvents, etc) indicate any contamination? 2-FLP 208 C

Note that this may include lead based paint and asbestos in or on dwellings.

Background⁵:

Due Diligence is the process of inquiring into the environmental conditions of real estate in the context of a real estate transaction. Of concern is the presence of contamination from hazardous substances or petroleum products and their impact on the market value of the property. Lenders should recognize the importance of sound documentation of their environmental investigation to avoid potential reduction of a loss claim.

Process/Action:

American Society of Testing and Materials (ASTM) Standards E-1528 Transaction Screen Questionnaire or comparable questionnaire approved by FSA State Environmental Coordinator. Lenders could use the Form [FSA-851](#) if they desire and can obtain one from the local FSA service center.

1. Lender conducts site visit with loan applicant.
2. Lender completes an approved questionnaire.
3. If questionnaire indicates no problem was discovered, check NO. It is not necessary to forward a copy of the review with the loan application.
4. If questionnaire indicates a problem may exist, contact the Farm Loan Manager or State Environmental Coordinator to determine if a higher level of hazardous substances review will be necessary.

Documentation

Lender should retain in the file a copy of the properly completed Risk Assessment for Hazardous Substances questionnaire.

⁵ Pertinent Statute / Executive Order (EO): Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), Resource Conservation and Recovery Act (RCRA), http://www.pca.state.mn.us/waste/hw_mnrules.html, [Minnesota Rules Chapter 7150](#) Rules on underground storage tanks.

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**OPTIONAL VERIFICATION OF
FARM SERVICE AGENCY BENEFITS**

For: _____ (applicant). See the accompanying Form FSA 2015, "Verification of Debts and Assets". The applicant requests FSA to provide the following information in order to expedite the processing of a Guaranteed Loan or servicing application.

To: Farm Service Agency	Return form to:	Attn:	_____
_____		Lender:	_____
_____		Address:	_____
_____		Address:	_____

From: _____ Fax No.: _____
Sender's Name

Phone Number: _____

Please provide a copy of the completed form to the _____ County Farm Loan Program Credit Team.

To be completed by FSA

1. Based on the current CCC-502A(s) does the applicant(s) operate as a:
 () Individual () Joint Operation () Partnership () Corporation
2. If the CCC-502 lists any other financial farming interests return a copy of the 502 with this form.
3. Does the applicant(s) hold an eligible status with respect to the HELC and WC provisions of the Food Security Act? () yes () no
4. Debt verification for CCC loans.

Commodity	# of Bushels	Interest Rate	Loan Amount	Due Date
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

5. Is the applicant out of compliance or delinquent on any Farm Program? () yes () no
 If yes, please provide a brief factual explanation:

6. Provide any Farm Program payment information – Applicant’s share.

Farm Number	Owner of Record	Dollar Amount	Date Paid or to be Paid (if known)
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

7. The applicant reports operating the following farms:

Farm Number	Owner of Record	Crop Acres	Share
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

8. Provide information as to any other program(s) the applicant(s) has received or applied for in the last 12 months. Examples: SHOP, CRP, MILC, LDP, etc.

Program	Amount	Payment Dates
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

The information provided on this form is believed to be correct as of this date _____.
If you have any questions regarding the information provided on this form please contact:

_____ at _____
Contact Person Phone Number

Sincerely,

Farm Service Agency

Chattel Appraisal Letter of Engagement

Dear _____ (Appraiser's name):

Date _____

We are requesting a chattel appraisal and report to be completed by you/your firm. You have agreed to provide this report to our office in _____ no later than _____. which you have agreed to in the placing of this order. You have agreed to complete and deliver this report for the sum of \$____. It shall be completed in an original and 1 (one) copy.

Your Point of Contact shall be _____ at (____) ____-____. He/She will coordinate access to the property. Discussions with the property owner shall be limited to only those necessary to assure a Farm Service Agency compliant appraisal report.

This appraisal and report shall provide the "As Is" market value of the property.

This appraisal is to be completed in accordance with the written appraisal requirements of the Farm Service Agency. These requirements are found in paragraph 142 A of FSA 1-FLP and in paragraph 182 of 2-FLP. You can utilize any reporting format desired however the report must contain, at a minimum, an identification of all chattel items appraised. As set forth in the above referenced handbooks the appraisal shall also include the following details on the various items:

The quantity, kind, sex, breed, color, weight or average weight, brands or other identification, and value of livestock.

The quantity, kind, manufacturer, size and type, condition, year of manufacture, serial or motor number (major items), and value of machinery and other equipment. On major items identify the key components contributing to value such as duals, cabs, MFWD, etc.

Do not include the aggregated value of items not readily or separately identified, i.e. Misc. Hand Tools @ \$5,000.

The appraisal must identify the source of values for the items appraised. The appraised value should always be based upon local auction results of same or similar property. In the absence of local information it may be based upon trade publications such as the F.A.C.T.S report. In no cases shall they represent retail value.

Prior to issuing payment for this report it will be reviewed administratively by the Bank and may also be reviewed by the Farm Service Agency as guarantor of the loan.

If you have any questions on this assignment, please contact me at ____-____ ext. ____ or email at _____@_____.

Sincerely,

XXX

Lender name and title

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CHATTEL APPRAISAL ADMINISTRATIVE REVIEW

Appraisal Purpose: _____ Name of Lender: _____
 Loan Making (LM) Name of Appraiser: _____
 Loan Servicing (LS) Name of Owner/Applicant: _____
 Date Reviewed: _____ Effective Date of Appraisal: _____

- | | <u>YES</u> | <u>NO</u> | <u>NA</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|------------|------------|---------------------|---------------------|------------|-----------|-----------|-----|-----|--------------|-----|-----|--------------------------------|-----|-----|--------|-----|-----|----------------------------|-----|-----|----------|-----|-----|------|-----|-----|--|--|--|--|--|--|
| 1. Was the appraisal less than 12 months old on date of loan approval? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. Is there evidence that the appraisal was based upon public sales data? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Is there evidence of how the values were determined? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Is there evidence in the case file that the appraiser viewed the property appraised? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. Has the appraiser been approved by the Agency to complete chattel appraisals (Guaranteed loans only, see 2-FLP, Paragraph 182C)? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. Was the machinery adequately identified : | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table border="0" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 30%;"></td> <td style="width: 10%; text-align: center;"><u>Yes</u></td> <td style="width: 10%; text-align: center;"><u>No</u></td> <td style="width: 30%; text-align: center;">Factors considered:</td> <td style="width: 10%; text-align: center;"><u>Yes</u></td> <td style="width: 10%; text-align: center;"><u>No</u></td> </tr> <tr> <td>Condition</td> <td style="text-align: center;">___</td> <td style="text-align: center;">___</td> <td>Manufacturer</td> <td style="text-align: center;">___</td> <td style="text-align: center;">___</td> </tr> <tr> <td>Size and type</td> <td style="text-align: center;">___</td> <td style="text-align: center;">___</td> <td>Year</td> <td style="text-align: center;">___</td> <td style="text-align: center;">___</td> </tr> <tr> <td>Serial and/or motor number</td> <td style="text-align: center;">___</td> <td style="text-align: center;">___</td> <td>Quantity</td> <td style="text-align: center;">___</td> <td style="text-align: center;">___</td> </tr> <tr> <td>Kind</td> <td style="text-align: center;">___</td> <td style="text-align: center;">___</td> <td></td> <td></td> <td></td> </tr> </table> | | <u>Yes</u> | <u>No</u> | Factors considered: | <u>Yes</u> | <u>No</u> | Condition | ___ | ___ | Manufacturer | ___ | ___ | Size and type | ___ | ___ | Year | ___ | ___ | Serial and/or motor number | ___ | ___ | Quantity | ___ | ___ | Kind | ___ | ___ | | | | | | |
| | <u>Yes</u> | <u>No</u> | Factors considered: | <u>Yes</u> | <u>No</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Condition | ___ | ___ | Manufacturer | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Size and type | ___ | ___ | Year | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Serial and/or motor number | ___ | ___ | Quantity | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Kind | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. Was the livestock adequately described by: | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| | ___ | ___ | Weight | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Color | ___ | ___ | Condition | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Brands or other identification | ___ | ___ | Number | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Sex | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. Did the appraisal exclude non-farm items, hand tools, and junk machinery? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. Did the values suggested appear reasonable and/or were any unusually high or low values supported by narrative comments? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. Were the mathematical calculations correct? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 11. In your opinion is the appraisal of acceptable quality? | ___ | ___ | ___ | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Any items answered **NO** should be discussed in the comment section below. If Question 11 is answered "NO" a copy of this report and the appraisal shall be forwarded to the FSA State Chattel Appraisal Coordinator.

Comments:

Reviewer's name and title _____ Date _____

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Real Estate Appraisal Letter of Engagement

Dear _____ :

This letter engages you to complete a Market Value real estate appraisal of the subject property located at _____ at the Highest and Best Use for the property. This property is _____.

The purpose of the report is to provide an “opinion of **market** value” based on a cash only sale, of the fee simple interest in the subject property. The definition of market value to be used in the appraisal report is provided. The intended use is:

Loan Making Loan Servicing Foreclosure _____

Definition of Market Value: The definition of market value is a current economic definition agreed upon by agencies that regulate federal financial institutions in the United States including the Resolution Trust Corporation.

“Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”⁶

The “Client” is _____. The intended users of the report are the Client and the Farm Service Agency (FSA) and its successors and assigns. The property owner IS NOT an intended user of the report and will not be listed as an intended user of the report. The Client will be responsible for providing a copy of the report to the owner when required.

Your Point of Contact to coordinate access to the property shall be _____ at phone: _____. Discussions with this or other parties shall be limited to only those necessary to provide a Uniform Standards of Professional Appraisal Practice (USPAP) compliant appraisal report.

⁶ USPAP 2008 Edition, AO-22, pg A-76 provides extensive source information on the definition

This appraisal report shall provide either:

- The "As Is" market value of the property
- An "As Improved" appraisal report. The main change to the property will be _____. *The plans and cost estimates for the improvements are attached for your use.*

The effective date of the appraisal will be either:

- The property inspection date
- _____

Any use of "Extraordinary Assumptions" or "Hypothetical Conditions" shall be clearly disclosed at the front of the report. This appraisal is to be completed in accordance with the USPAP as well as Minnesota Exhibit 15, "Summary of FSA Appraisal Assignment Requirements". Please:

- Include a completed copy of the attached Exhibit 15 with the appraisal.
- Do not include a completed copy of the Exhibit 15 with the appraisal

The delivery date we have agreed upon is _____. You have agreed to complete and deliver this report for the sum of \$_____.

An original and 1 (one) copy shall be delivered to the client. This report shall be in "Summary" Report format. The scope of work shall follow FSA Appraisal Assignment Requirements and shall not impact the ability of FSA to conduct a technical review.

Enclosed for your use are:

- The legal description of the property to be appraised
- Minnesota FSA Exhibit 15, "Summary of FSA Appraisal Assignment Requirements"
- FSA Exhibit 15 is available for your use in fillable format at: <http://www.fsa.usda.gov/mn>
- The purchase agreement and seller disclosures
- The plans and cost estimates for the improvements
- _____

If you have any questions about this assignment, please contact _____.

Sincerely,

Enclosures

**SUMMARY OF FARM SERVICE AGENCY
APPRAISAL ASSIGNMENT REQUIREMENTS
USPAP Effective 1 January 2008**

Farm, Specialized Agricultural Facility, Small Improved Acreage Property, Land

[Appraiser is to enter page references or "N/A" in the left column and other data, as applicable, under Information Description]

Report ID. _____

Page Number	Information Requirement	Information Description
	1. Client	_____, _____, or FSA. Use the labels of "Client" for clarity.
	2. Intended User(s)	_____, _____, and/or FSA. Use the labels of "Intended User" for clarity.
	3. Intended Use	Farm Service Agency Loan Origination / Servicing Action / Etc.
	4. Report Label	Summary. <u>Prominently</u> display the Report Label. Ensure report meets the requirements of a "Summary" report. Use guidance for report content from USPAP Std 2, Advisory Opinion 11, and these Agency Requirements.
	5. Purpose of Appraisal, Condition, & Effective Date(s) of Value:	To determine <input type="checkbox"/> Market Value <input type="checkbox"/> <i><Other></i> . Condition <input type="checkbox"/> As Is <input type="checkbox"/> As Improved <input type="checkbox"/> Subject To: _____ _____ <i><Effective Date></i> .
	6. Market Value Definition	Definition and source of Market Value shall be stated in the report.
	7. Hypothetical Condition / Extraordinary Assumptions	Hypothetical Conditions and / or Extraordinary Assumptions shall be labeled as such and addressed <u>prominently</u> within the report. For proposed new construction a "hypothetical condition" would apply.
	8. Interest Appraised	<input type="checkbox"/> Fee <input type="checkbox"/> Leased Fee <input type="checkbox"/> Leasehold. <input type="checkbox"/> _____ <i><Identify other interests></i> .
	9. Scope of Work	Provide a narrative description of actions taken for Scope of Work consistent with fulfilling USPAP Scope of Work Rule and Client Letter of Engagement. Clearly identify the appraisal problem and disclose research conducted to solve it. See suggested FSA Scope / Statement of work. Fulfilling these Appraisal Requirements will substantially fulfill the USPAP Scope of Work Rule.
	10. Subject Property	Adequately identify the subject property. Provide a legal description, street address, and / or tax PID / PIN #. Use applicable maps. Appraiser should review listing sheets and seller disclosures when applicable.

		Legal Characteristics. Any impacts of legal characteristics (zoning, easements, contracts, entitlements, encumbrances, water rights, partial interests, etc.) shall be discussed and should be supported from the market if value adjustments are required. Adequately “describe” (not state) zoning to include building eligibility, minimum lot size, and other pertinent factors when they are applicable for the market area.
		Physical Characteristics. Any impacts of physical characteristics (access, soil characteristics, water features, view, topography, drainage, climate, configuration, site and structure improvements, and permanent plantings, etc.) shall be discussed and should be supported from the market if value adjustments are required. Land classification should be based on the market of the subject and sales. Address fixtures and personal property (ensure you have adequate justification for classification and valuation of personal property and fixtures).
		Economic Characteristics. Any impacts of economic characteristics (productivity, production and ownership costs, Gross and Net Income, etc. shall be discussed and should be supported from the market if value adjustments are required. Review production contract(s) for specialized agricultural facilities,
		Location: Describe the demographics, community services and market influences of the area. Discuss economic and market trends. Identify the similar market area (neighborhood) or applicable facility market types.
	11. Sales History	Analyze current sale agreements, options, or listings of the subject. Research, analyze and report any prior sales of the subject or comparable sales within three years for all property types.
	12. Highest and Best Use	Consider each; legally permissible, physically possible, financially feasible and maximally productive (highest value) factors. Describe (not state) reasoning for H&BU based on subject characteristics and market influences. If URAR is used for improved small acreage properties attach addendum with supporting land sales.
		Comparable Sales Data Card and Analysis. Adequately describe the sale so the reader has a clear understanding of what is being appraised and how it supports the “opinion of value” of the Appraiser. Appraiser shall disclose how the sale was verified with a party to the transaction. The reader must be able to easily and independently verify units of comparison in sale analysis. Major attributes of the sale (date of sale, price, terms, legal description, street address, PID #, land classes, improvement description, pictures, plat maps, aerial photos, etc.) should be provided. H&BU of comparable sales should be consistent with H&BU of subject. You may Include legible copies of the CRV, MLS sheet, and contracts or carry back mortgages, or other similar supporting documentation as applicable. Retain applicable documents in your work file.

13. Analysis Methods		<p>Market / Sales Comparison Approach. Units of comparison should be derived from the market. Sales must be analyzed within the report so the reader can understand how the Appraiser has applied those units to the Subject. Provide a sales base within the report to adequately support the analysis. <u>Income based units of comparison do not qualify for this approach.</u> Explain reasoning for adjustments in the Market / Sales Comparison Approach and reconcile strengths and weaknesses of Market Approach for solving this appraisal problem. Provide solid justification for exclusion of this approach if it is not applicable and necessary to solve the appraisal problem.</p>
		<p>Cost Approach. Provide support for land value and RCN within the appraisal report. Extract depreciation from the sales analysis within the report so the reader can understand the reasoning for applying depreciation rates to the subject. Explain reasoning for depreciation selection and reconcile strengths and weaknesses of Cost Approach for solving this appraisal problem. Provide solid justification for exclusion of this approach if it is not applicable and necessary to solve the appraisal problem.</p>
		<p>Income Approach. Provide support for rents, expenses, and capitalization rates within the appraisal report. Analyze sales within the Appraisal report. Explain reasoning for rent, expense and capitalization rate selection. Reconcile strengths and weaknesses of the Income Approach for solving this appraisal problem. Provide solid justification for exclusion of this approach if it is not applicable and necessary to solve the appraisal problem.</p>
14. Reconciliation		<p>Reconciliation, descriptive analysis to support “opinion of value” reviewing strengths and weaknesses of each approach to value. Is value based on a <input type="checkbox"/> cash only, or <input type="checkbox"/> <i><other></i> sale with <i><exposure time></i> (required) and <input type="checkbox"/> <i><marketing time></i> (optional). “Consider value of whole versus sum of the parts”.</p>
15. Dates		<p><input type="checkbox"/> <i><Report prepared></i> <input type="checkbox"/> <i><Property inspection></i></p>
16. Signature, License		<p>Signature(s), Include license class(es) and license number(s).</p>
17. Property Inspection		<p>All structural improvements on the subject shall be inspected. Interiors of major buildings shall be inspected. Scope of work will detail extent of inspection for both subject and sales.</p>
18. Certification		<p>Signed Certification compliant with current USPAP. Clearly disclose who inspected property and who was responsible for what elements of the report if more than one Appraiser signs the report.</p>

	19. No. of Originals/Copies:	_____ Original _____ Copies (8 ½ by 11 size only)

REPORT EXHIBITS, CONTENT, ADDENDA CHECKLIST

[Appraiser is to enter page references or "N/A" in the left column, and sign in Appraiser Confirmation Section]

Report ID. _____

Page Number	Information Requirement / Description
	Exhibits / Addenda / Information Elements: Data, analysis, and information in support of No. 1 - 18 above, consistent with the USPAP and the Farm Service Agency's requirements for a "Summary" Appraisal report.
	21. Shall have a Table of Contents page. All pages shall be sequentially numbered.
	22. Shall have subject and sales color Aerial photo(s). Subject and sales should have Plat Maps, Parcel Maps, Permanent Planting maps, and / or other applicable maps as necessary to adequately describe.
	23. Flood Zone Map (if applicable) with determination report (FEMA 81-93) if within a flood plain, and if improved with structures.
	24. Shall include a legible sketch of subject dwelling with room layout. Sketch should provide basis for determining structure size. May be hand drawn. Include a site sketch for numerous buildings.
	25. New Construction documentation in the appraisal report shall include a copy of a blueprint, draft, and / or sketch, provided to the Appraiser along with a summary of cost estimates for the project. Blueprints, development plans, layouts, bids, plans, etc. should be part of the work file or may be included in the appraisal. Scope of work and appraisal report should clearly explain extent of the data and its adequacy. Client shall provide adequate documentation for the Appraiser to develop a credible appraisal that is not misleading.
	26. One Subject and Comparable Sales Location Map shall easily locate Subject and Comparable Sales.
	27. Subject photos shall show dwelling and significant improvements that contribute to value. Provide bare land photos for significant topographical features and permanent plantings.
	28. Comparable sale photos shall show dwelling and significant improvements that contribute to value. Provide bare land photos for significant topographical features and permanent plantings.
	29. Summarize Purchase Agreements, Options, Marketing plans, or other similar documents.
	30. Environmental Inspection Report (addendum to FSA 1922-1 or equivalent) form is required to address issues that may have an effect on value. Note that this does meet due diligence requirements of the FSA. The Environmental Inspection Report is required for improvements and is optional for bare land only appraisals. Briefly summarize any environmental concerns in the Appraisal report for bare land only.
	31. Discuss irrigation, drainage and related permit issues when applicable within the appraisal report. You may use the optional Irrigation Supplement (FSA 1922-2 or equivalent). The form is not required.

	32. When Minerals are present that have market value, mineral rights and their value shall be addressed within the appraisal report. The Appraisal for Mineral Rights (FSA 1922-11) form may be used or other applicable method or technique that meets USPAP requirements.
	33. Signed Certification compliant with current USPAP.
	34. Appraiser Resume listing applicable appraisal education and experience.
	35. Letter of Engagement with any scope of work modifications.

Appraiser Confirmation Section:

The foregoing represents my confirmation that the information required has been provided within the report, as indicated.

	Signature	Signature Date
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Certification Section: If Lender engaged the appraiser, only the Lender signs below. If Originator engaged the appraiser, both Originator and Lender sign.
The undersigned certifies:

1. I am aware of the requirements stated in Farm Service Agency handbooks, as they applied to the appraisal assignment and report.
2. The appraisal report was read, with its content compared to those requirements and the appraiser’s entries on this form, and
3. I have concluded and represent that the appraisal and the appraisal report are acceptable for use in a Farm Service Agency loan or servicing action.

	Signature	Signature Date
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	Signature	Signature Date
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