

GUARANTEED NEWS

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Farm Business Plan Replaces 1940's Farm and Home Plan

Farm Service Agency has launched a new farm business planning system that will revolutionize the way the agency makes direct and guaranteed farm loans. Yes, the Farm Business Plan (FBP) has replaced the Farm and Home Plan.

The Farm Business Plan is operated by ECI's Web Equity Manager (WEM), an online database and software system. ECI's WEM software is one of the most widely used financial software planning tools in the lending industry today.

According to FSA State Executive Director Tim Kelley, the new web-based Farm Business Plan will increase the quality and timeliness of decisions on farm loans, and provide farmers with access to their financial plans. "This is a huge leap towards a convenient, paperless system," said Kelley.

Beginning in late-2005, direct and guaranteed borrowers will be able to complete and submit

FSA's new Farm Business Plan online to FSA offices 24-hours-a-day 7 days a week via the internet from their home or office.

Borrowers will be allowed to document cash flow, expenses, assets, debts, and other important financial information by utilizing the new Farm Business Plan. The plan provides FSA with an electronic format for loan officers to quickly organize a farmer's financial information and approve loans. Data can be easily shared with lenders.

The system meets Federal and USDA requirements as well as industry standards for electronic commerce and lending services. Privacy is a top priority with the new system. All users will acquire identification names and passwords to access the system so personal account information remains secure. Only designated FSA loan personnel will have access to the financial information. Secure access to personal account information is protected by technology deployed by many commercial banks.

Guaranteed lenders **do not** have to purchase or use the ECI Web Equity Manager to participate in the FSA guaranteed loan program. Lenders have a choice. They can continue to submit applications and use their own financial forms as they have in the past. "It's business as usual."

We used to spend days generating and mailing around paper documents to get loans approved, not any more. "We had to rethink how we did business because some things we were doing haven't changed since the 1940s. It's a big transformation for our employees and customers."

Promissory Note Signature Requirements

Lenders are reminded that proper signature(s) must be obtained as guaranteed loans are closed.

- For married individuals: the promissory note(s) will be executed by both the loan applicant and the spouse obligating both parties individually for the debt.
- For entities: the promissory note(s) will be executed by the member who is authorized to sign for the entity, **and** by ALL members including spouses of the entity as individuals. Yes, we must obtain the individual spouse signature of a member of an entity even if the spouse is not listed as an official member of the entity.

Failure to obtain required signatures represents a violation of Lenders Agreement requirements and results in FSA reducing loss claims based upon the amount associated with the lender's failure to comply.

Guaranteed Lender Training Schedule

October 19, 2004	St. Joseph
October 20, 2004	Chillicothe
October 21, 2004	Kirksville
October 25, 2004	Cape Girardeau
October 26, 2004	Portageville
October 27, 2004	Springfield
October 28, 2004	Carthage
November 9, 2004	Clinton
November 10, 2004	Columbia

Mark your calendar for the guaranteed lender training meeting in your area. Lenders need to attend annual training to keep abreast of the FSA rules and regulations. Contact your local Farm Loan Manager for more information.

Environmental Assessments

FSA's Environmental Assessment "Category Exclusion" rules do not apply to guaranteed loan applications where the loan purpose is to refinance an existing integrated livestock facility loan that has been in production less than one (1) year. Depending on numbers of animals/birds, a Class I or II Environmental Assessment may be required.

Targeted Funds for Outreach

FSA attempts to reach groups in need of special attention by targeting loan funds for their use. Two of these areas are beginning farmers and socially disadvantaged applicants (SDA).

Beginning farmer is defined as: A beginning farmer is an individual or entity who:

- meets OL or FO loan eligibility requirements
- has not operated a farm, or who has operated a farm for not more than 10 years; this requirement applies to all members of an entity
- will materially and substantially participate in the operation of the farm
- does not own farm property exceeding 30% of the average farm in the county

SDA is defined as: A socially disadvantaged applicant is a loan applicant who is a member of a group whose members have been subjected to racial, ethnic, or gender prejudice because of their identity as a member of a group, without regard to their individual qualities. For entity applicants, the majority interest has to be held by socially disadvantaged individuals. FSA has identified socially disadvantaged groups to consist only of Women, Blacks, American Indians, Alaskan Natives, Hispanics, Asians, and Pacific Islanders.

For additional information on what funds may be available to targeted groups, contact your local Farm Loan Manager.

Beginning Farmer 50/40/10 Downpayment Program

This FSA loan program is designed to allow beginning farmers to purchase farm real estate which does not exceed \$250,000.

The program, commonly referred to as the 50/40/10 loan program, has the following requirements:

- Borrower making a 10% downpayment
- FSA providing a 40% direct junior lien loan at 4% for 15 years
- Commercial lender financing the 50% balance amortized over 30 years with a guaranteed or non-guaranteed loan in a first lien position



e-Filing FSA Guaranteed Loan Applications

Interested in electronic filing of guaranteed loan applications? Training materials have been added to the Missouri FSA Guaranteed Lender Website to assist lenders in the e-File process.

- **Lender's Guide to e-Filing of FSA Guaranteed Loans & Packages**
- **On-line e-Filing Demonstration**

Both the lender's guide and on-line e-Filing demonstration video show lenders the step by step process how to:

- sign-up for an eAuthentication account
- use e-Forms
- file an e-Filed guaranteed loan application.

Missouri FSA Guaranteed Farm Loan Lenders Website is located at:

<http://www.fsa.usda.gov/mo/lenders.htm>

Forms Revised

Minor changes were made 3/22/04 to the FSA 1980-25 "Application for Guarantee" and FSA-1980-28 "Preferred Lender Application for Guarantee."

Obtain the 3/22/04 revision of the forms at:

<http://forms.sc.egov.usda.gov/eforms/mainservlet>

UCC – Recent Court Decisions

#1 **In re: Kinderknecht (Kansas)** – For a financing statement to be effective, the secured creditor must list the debtor by his or her full legal name, not a nickname. Legal name of the debtor was "Terrance Joseph Kinderknecht" and the financing statement listed "Terry J. Kinderknecht". The bankruptcy trustee challenged and the court determined that the debtor's nickname was "seriously misleading" under Kansas law and, thus did not perfect its security interests, which could be avoided by the trustee.

Creditor was out of luck!

Therefore, in order to properly perfect a lien the borrower(s) full legal name must be used on the UCC Financing Statement.

#2 **In re: Renaud (Arkansas)** – Real estate mortgage (deed of trust) on real property upon which a mobile home had affixed was ineffective in perfecting a security interest in the mobile home. The bankruptcy trustee challenged the lender's real estate only lien. The court determined that the mobile home was always a mobile home subject to the certificate of title law.

Creditor was out of luck!

Therefore, in order to properly perfect a lien on a mobile home affixed to real estate, a creditor must file a deed of trust **and** comply with the Missouri certificate of title law.

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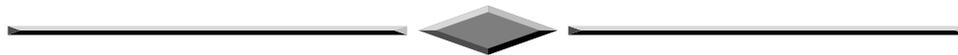
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The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, or age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, DC 20580.

If you believe that you have been discriminated against for any of the reasons stated above, you may file a complaint with the Director, Office of Civil Rights, United States Department of Agriculture, Room 326-W, Whitten Building, 1400 Independence Avenue S.W., Washington, DC 20250-9410.