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# GUARANTEED LENDER NEWS

20<sup>th</sup> EDITION NEWSLETTER

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## Funding at a Glance:

The following table shows loans made and funds used for various loan programs in Kansas as of September 30, 2009. Kansas FSA hit a record number of loans and dollars that were distributed to farmers and ranchers between October 1, 2008 and September 30, 2009. Several of these loans were participation loans made in connection with private lenders either guaranteed or non-guaranteed.

Program	Funds used as of 9/30/09	Number of Loans made Fiscal Year (FY) 2009	No Loans FY 2008
Direct Operating	\$49,419,577	722	447
Guaranteed Operating	\$29,984,759	162	130
Guaranteed Operating-Interest Assistance	\$9,179,578	47	39
Direct Farm Ownership	\$38,352,698	271	194
Guaranteed Farm Ownership	\$20,132,223	78	63
Emergency	\$614,930	2	32
<b>State Totals</b>	<b>\$147,683,765</b>	<b>1282</b>	<b>905</b>

As the numbers show, loan activity for Kansas FSA was up 41% in the number of loans made and 60% in dollars loaned over fiscal year (FY) 2008, which ended September 30, 2008. From October 1,

2008 to September 30, 2009 Kansas FSA approved **1,282 loans** for direct and guaranteed loans for a total of \$147.6 million. **This is the highest dollar volume loaned since 1985.** We haven't received final numbers yet but it appears that FSA will have a substantial increase, over FY 2009, in funding for this new FY 2010 which began October 1<sup>st</sup>.

## FSA Distributes Stimulus Funds:

On February 13, 2009, Congress passed the American Recovery and Reinvestment Act (ARRA) of 2009. Some of the goals to accomplish in the ARRA were to create and save jobs, spur economic activity and invest in long-term economic growth. A national website was developed to keep the public informed: [www.recovery.gov](http://www.recovery.gov) of how the government is spending the money.

Funding FSA direct loans was in part possible through the Recovery Act in that Kansas received stimulus funding for a total dollar amount of \$5,368,820 (included in the table) which allowed FSA to close 81 direct farm loans where it may not have otherwise been possible. More information about USDA's Recovery Act efforts is available at [www.usda.gov/recovery](http://www.usda.gov/recovery).

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## Annual Lender Training Webinar Rescheduled:

Many were advised in September that we were thinking of presenting annual lender training via a Webinar. Both the FSA field staff and lenders were surveyed with mixed reviews. Overall, the Webinar received a “yes” to give it a try this year. Like all new technology – challenges were encountered. We tried to meet typical October-November dates when we have the training meetings but due to small set-backs we have found a need to push the Webinar into December.

Dates are scheduled for:

Tuesday – December 15 at 9:00 a.m.  
and

Thursday – December 17 at 1:30 a.m.

To register for the Webinar, please send an email to [ks.fsa.flp@gmail.com](mailto:ks.fsa.flp@gmail.com) with the date you plan to attend, bank/association name, attendee names and how many connections you will need. Please note that each date will only accommodate 150 connections so it is preferable that each lending location consolidate the best they can with one computer connection.

If one day fills up before another, those registered later will be moved to the other date available and will be notified.

Prior to the Webinar, individuals will receive a confirmation email with instructions on how to test the live meeting along with the URL you will access to attend the actual Webinar meeting.

## Guaranteed Loan Limits:



Guaranteed loan limits are adjusted every year to be based on the percentage change in the Prices Paid by Farmers Index as

compiled by USDA. **Effective 10/1/09**, Guaranteed Loan Limits were increased to **\$1,112,000**. Total combined outstanding direct and guaranteed FO, OL & SW balances cannot exceed \$1,412,000 and if there is an EM involved, combined balances cannot exceed \$1,912,000

FYI - 2-FLP Handbook, Guaranteed Loan Making and Servicing is available at:

<http://www.fsa.usda.gov/dafl/guaranteed.htm>

Complete copies may be obtained by requesting the Handbook from your local FSA-FLP office. Please maintain your 2-FLP Handbook by accessing amendments, including Amendment 9, releasing the increased loan limits.

## Guaranteed Loan Facts and Trivia:

In 1974, FSA (formerly known as FmHA) launched the guaranteed loan program with economic emergency and emergency livestock loans. In 1981, the Agency made efforts to branch out and make loan guarantees for Farm Ownership and Operating type loans. FSA no longer makes emergency type guaranteed loans. The interest rate buydown program (now known as interest assistance) was added in the late 1980's. Today, Kansas' portfolio consists of \$256,439,548 to 1,139 borrowers with a total of 1,882 loans. Nationwide, FSA has been instrumental in working with lenders in providing credit with a FSA guarantee to U.S. farmers and ranchers and as of September 30, 2009 there are 33,327 borrowers for a total outstanding principal amount of \$9,386,834,381.



To date, Kansas has paid out 808 losses totaling \$36,936,114 to lenders. Of this amount a total of \$763,850 has been collected in debtor recovery efforts. The guaranteed loan program is very important to our rural communities and FSA commends our Guaranteed Lenders for their partnership and dedication to the program.

## Forms Required to Request a FSA Guaranteed Loan > \$125,000:

Standard Eligible Lenders (SEL's) and Certified Loan Program (CLP) lenders - submitting requests for an FSA Guarantee is as "basic" and simple as A. B. C. (& D):

A – *FSA Application, FSA Form 2211*

B – Loan Narrative

C – Balance Sheet and Cash Flow

D – Credit Report (SEL only)

Other information may be required depending upon the request, type of operation and whether or not the operator is an entity.

In addition to the "basics" listed above – SEL's are required to submit – Verification of nonfarm income, verification of debts over \$1,000, financial and production history for the past three (3) years and the proposed loan agreement. If construction is involved – a development plan will be needed.

Preferred Lenders (PLP) will submit the *FSA Application, FSA Form 2212* and other documentation according to their individual Credit Management System with the Agency.

Please note no other Agency Forms are to be used or are required other than the FSA Application Form itself. The lender is responsible for providing information in the format best available to them and to meet the requirements in 2-FLP Paragraph 66 – 68.



## Supplemental Review Assistance (SURE) Payments:

SURE provides benefits for farm revenue losses due to natural disaster and replaces the Crop Disaster Program. Unlike the prior USDA Disaster Programs, SURE is legislated through 2011. For SURE program purposes, a "farm" refers to all

acreage in all counties that is planted or intended to be planted to crops that are for sale by the producer, and all hay crops. SURE payments are available to producers on farms that are located in a county receiving USDA Secretarial Declarations, or the actual production is less than 50% of the normal production.

Sign-up has not been announced. Lenders should ensure that once the program is announced, if required within their loan agreements with their customers, an assignment of SURE payments be given via CCC-36 or CCC-37.

A SURE calculator tool and instructions are available on the [www.fsa.usda.gov](http://www.fsa.usda.gov) website within the 2008 Farm Bill Information Page.

## Information via the Web:

For Farm Programs and Farm Loan Programs information – check out the Kansas FSA Internet for news and program sign-up at [www.fsa.usda.gov/KS](http://www.fsa.usda.gov/KS). If Lenders would like to receive Kansas FSA news releases immediately, when issued, a request to be added to the FSA Outreach Coordinator's email group list can be sent to [trish.halstead@ks.usda.gov](mailto:trish.halstead@ks.usda.gov).



## Women Managing the Farm (WMF) Conference:

The WMF Conference is a comprehensive program developed for farm owners, managers and rookies and put together in part through Kansas State University Extension and Research. Many partners participate in the annual conference, now in its 7<sup>th</sup> year. Another year of fantastic keynote speakers, informative breakout sessions and great networking is planned for the 2010 Women Managing the Farm Conference on Feb. 5-6, 2010 at Hyatt Regency, Wichita, Kansas. Please print off a flyer at [www.womenmanagingthefarm.info](http://www.womenmanagingthefarm.info) and encourage your customers to consider attending!

## Guaranteed Loan Servicing:

Last Spring lenders received a letter from Secretary Thomas Vilsack regarding the tough economic times that farmers and rural businesses may be encountering.

We want to again remind lenders that servicing options are available and are outlined in FSA's Handbook 2-FLP "Guaranteed Loan Making and Servicing", beginning at Paragraph 280.

The lender may partially release guaranteed loan security without FSA concurrence in some instances, such as:

- The security item is being sold for market value and the proceeds will be applied to the loan in accordance with lien priorities;
- The security item will be used as a trade-in or source of down payment funds for a like item that will be taken as security;
- The security item has no present or prospective value.

In all of these cases, the lender will adequately document the borrower's case file.

A partial release of guaranteed loan security with FSA concurrence will be in these instances:

- Proceeds will be used to make improvements to RE that increases the value of the security by an amount equal to or greater than the value of the security being released.
- Other than significant income generating property, security may be release outright, but the total unpaid balance of the guaranteed loan must be less than or equal to 75% of the value of the security for the loan after the release.
- Significant income generating property will not be released unless it is being replaced. Assets will not be released for use as a gift or any similar purpose.

Contact your loan Farm Loan Manager if you need concurrence to release guaranteed loan security.

Servicing a distressed account or a delinquent loan will be found in 2-FLP – Part 12 of the Handbook. Servicing options include rescheduling, deferral and debt write-down. Note: A borrower is in default

when they are 30 days past due on a payment or in violation of provisions of the loan documents.

## Feedback

FSA encourages lenders to provide suggestions, comments or ideas for future newsletter articles or training during annual meetings. Please contact:

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Or

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