

**For:** State and County Offices

**Acceptable Scores for Credit and Financial Analysis (CFAT)  
and Farm Loan Program (FLP) Training**

**Approved by:** Acting Deputy Administrator, Farm Loan Programs



**1 Overview**

**A**

**Background**

Section 361 of the Consolidated Farm and Rural Development Act requires the Secretary to ensure proper supervision of FLP loans and adequate training of FSA credit employees in credit and financial analysis and farm management.

The testing requirements in this notice were established to assist in identifying the employee's strengths and weaknesses. In addition to the testing process, actual knowledge shall be demonstrated through hands-on performance in analyzing and processing loan making and servicing actions.

State Offices need further guidance to uniformly handle individual situations if the minimum acceptable score of 80 percent is not achieved on any exam by employees who have FLP loan making and loan servicing in their specific position descriptions or who are training to obtain those responsibilities and duties.

The hands-on files for completing the FLP Training Program:

- typically will not be the same files used to loan approval and/or servicing authority
- are about the following areas of training and would typically be limited to a specific area:
  - completing a chattel check
  - reconciling FSA 1962-1 with the security agreement

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<b>Disposal Date</b>  February 1, 2002	<b>Distribution</b>  State Offices; State Offices relay to County Offices
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## Notice FLP-177

### 1 Overview (Continued)

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#### A

##### Background

- processing a partial release
- developing a farm and home plan for a subsequent loan
- analyzing subsequent years' advances made by a guaranteed lender for a line of credit
- note repayment scheduling.

When specific hands-on work is assigned, it should be work associated with the area needing improvement by the employee. The employee typically would not work up the entire docket but focus on the areas of weakness that have been identified. The intent of assigning hands-on work during the course of the FLP Training Program is to provide the employee with a wide variety of actions and situations that experience can be gained from.

After completing the training program, the employee may then focus on independently developing the complete dockets that will be used to obtain FLP loan approval authority.

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#### B

##### Purpose

This notice:

- establishes:
    - minimum acceptable exam scores
    - procedures for employees who do not achieve the minimum acceptable score
    - procedures for employees who have not fulfilled the requirements of the FLP Training Program
  - requires:
    - completing the quarterly Farm Loan Programs Training Report
    - exit conferences with all employees completing the comprehensive, Test 2 or Test 3 by the Farm Loan Chief (FLC) or designee proctoring the testing about topics the employee had problems with and/or topics the employee still needs clarification on
  - obsoletes Notice FLP-132.
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## 2 Action

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### A Minimum Acceptable Exam Scores

To ensure that an acceptable level of understanding of credit and financial analysis and program regulations and implementation is met, and that the required dockets meet the established level of compliance, a minimum acceptable score of 80 percent is required on:

- CFAT exam
- each of the 4 program area exams
- each of the 5 program areas covered on the comprehensive exam
- each completed Test 2 or Test 3.

The comprehensive exam is divided into a part A and part B that will provide the employee the opportunity to take this test over a 2 day period by completing either part on day 1 and the remaining part on day 2. Once either part has been completed it will not be returned to the employee and must be turned in the day the test is taken.

The results of any comprehensive test, Test 2, or Test 3 returned to the SED by the National Office will contain scores by program area. Test results of 80 percent or better in a program area will provide specific program topics for questions not correctly answered for discussion with the employee to assist in further training, however, specific questions will not be released.

Test results of less than 80 percent in any program area will not contain any specific program topics not correctly answered and the employee will be expected to restudy the entire program area.

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### B Implementing the Performance Rating System

The letter from EDSO to SED's, dated January 14, 1999, sets forth required elements in the pass/fail rating system. In States with recognized unions, appropriate bargaining must take place before implementing the new pass/fail performance management system. If the new performance management system cannot be implemented until bargaining has been completed, then the **current** performance management system will remain.

Administrative Officer (AO) shall review the elements and standards to determine whether the employee's responsibilities for loan making and servicing are adequately addressed.

All other actions, including timeframes, monitoring, additional training, and the completion of Test 2 and Test 3, if necessary, shall apply whether or not a State is operating under the 5-level system or the pass/fail rating system.

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## Notice FLP-177

### 2 Action (Continued)

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#### C

##### Developing Individual Development Plans (IDP's)

Develop IDP's that clearly establish the training required to:

- obtain a working knowledge and understanding in credit and financial analysis, as well as program regulations and implementation
- achieve delegation of loan approval authority according to subparagraph H.

IDP's shall be established for:

- employees who received loan approval and servicing authority between October 1, 1995, and September 23, 1997, that was suspended and has not been reinstated
  - all employees, including DD's, **without** loan approval authority, but whose position description includes loan approval and servicing responsibilities, who have not met the requirements established to obtain such authorities or demonstrated a working knowledge and understanding of credit principles and loan program instructions by achieving the minimum acceptable score on required exams.
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#### D

##### Quarterly Reviews

Exhibit 1 will be completed and submitted as required for any employee who is required to complete the FLP Training Program including Farm Loan Officers (FLO's) and Farm Loan Officer Trainees (FLOT's). This report is required to be submitted quarterly to the National Office and must contain all required signatures. As a reminder, the training coordinator and FLC will be notified by e-mail 2 weeks before the end of each quarter for any employee in the State for which a report is required. Reports will be due to the National Office no later than 10 calendar days after the quarter ends. All quarterly timelines will be established as of the date the employee attended the FLO orientation session.

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#### E

##### Failure to Achieve Minimum Acceptable Score

When the minimum acceptable score of 80 percent on the required exams is **not** achieved, the:

- AO shall review performance elements for accuracy, ensuring that requirements for delegating and maintaining loan approval authority are reflected
  - trainer will review and modify the existing IDP to address the areas of weakness while consulting with AO
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## Notice FLP-177

### 2 Action (Continued)

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#### E

#### Failure to Achieve Minimum Acceptable Score (Continued)

- trainer will assign specific hands-on work in the areas of weakness from actual dockets
- trainee will acquire additional training by reviewing training modules in the areas of weakness or CFAT training manual and/or acquire additional understanding by a review of handbooks and instruction manuals in the program area
- trainee will complete the identified hands-on work in the area of weakness
- trainee will take either Test 2 CFAT exam or the Test 2 program area exam for the program area on the comprehensive exam that the trainee did not receive an acceptable score.

**Note:** The results of the exam may be used only as a basis for determining training needs or the need for a supervisory review and discussion of performance with the employee.

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#### F

#### Developing Opportunity to Improve (OTI) or Performance Improvement Plan (PIP)

For any employee who currently has or is required to have loan making and servicing authority, who is failing in 1 or more critical performance elements, and whose performance elements are determined adequate by the supervisor, an OTI or PIP shall be developed by the supervisor with the guidance of the trainer and AO.

OTI or PIP will:

- address the employee's specific weaknesses demonstrated through failure to achieve acceptable work performance
  - require new training, retraining, or a thorough review of training already accomplished to identify and overcome impediments to acceptable work performance
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**Notice FLP-177**

**2 Action (Continued)**

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**F  
Developing  
Opportunity to  
Improve (OTI)  
or Performance  
Improvement  
Plan (PIP)  
(Continued)**

- require a review of work processes to demonstrate knowledge, skills, and abilities essential for acceptable work performance
- Note:** Written tests may be used to determine the extent that employees need additional training or coaching to achieve acceptable work performance.
- include assigned hands-on casework in areas of weakness with established specific timeframes for completing these assignments on a weekly basis
  - include a review and further study of the specific training modules, handbooks, and instruction manuals as they relate to the areas of weakness to reinforce the specific hands-on casework.

The trainer and supervisor shall meet with the employee as needed until acceptable work performance is demonstrated.

OTI or PIP can extend from 60 to 120 calendar days.

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**G  
Personnel Action**

At the end of OTI or PIP, if the supervisor determines that the employee is still failing a critical performance element, the supervisor, in conjunction with AO and KCAO, Personnel Division, will propose appropriate personnel action.

<b>IF...</b>	<b>BUT...</b>	<b>THEN...</b>
an employee who is required to have loan approval authority does not obtain an acceptable score after completing Test 3 in the program area	has demonstrated knowledge, skills, and abilities to interpret, analyze, and apply Agency procedures through docket reviews based upon the National Internal Review guidelines	<p>SED will do either of the following:</p> <ul style="list-style-type: none"> <li>• decide if loan approval authority should be delegated to the employee</li> <li>• take any other action as deemed appropriate on a case-by-case-basis.</li> </ul>

If loan approval authority is delegated to this employee as a minimum, all loans and servicing actions approved by this employee will be required to be post-reviewed by the State Office for a period of 1 calendar year.

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## Notice FLP-177

### 2 Action (Continued)

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#### H

#### Timeframe for Completing Training and Receiving FLP Authorities

Employees who were in the position of DD or Farm Loan Manager (FLM) **before** June 25, 1998, were required to successfully complete the established training and receive delegated loan making and/or servicing authority by June 25, 1999, according to 16-AO, Part 6. If employees did not complete those requirements by that date, employees should have been placed on OTI or PIP because of inability to perform a critical performance element. However, specific assignments will be identified for completion, giving the employee ample hands-on experience in the areas where weaknesses are identified by the employee's inability to pass all categories of the exam.

**Note:** No critical performance element may be established requiring an employee to pass a test.

Employees who became DD's or FLM's **after:**

- June 25, 1998 and before January 1, 2000, have 1 calendar year from assuming the position of DD or FLM to complete the required training and testing and receive delegated loan making and servicing authority
- January 1, 2000, have 1 calendar year from assuming the position of DD or FLM to complete the required training and all testing and an additional 6 months to obtain and receive delegated loan making and servicing authority.

Employees unable to successfully complete the actions identified in subparagraph E will be permitted to complete Test 3 provided it is done within the 1-year anniversary of assuming the position.

FLO's and employees in FLOT positions have 1 year from attending the FLO orientation session to complete the required FLP Training Program and complete the comprehensive test. FLOT's may be permitted additional time to complete Test 2 and/or Test 3, if needed, provided actions identified in subparagraph F are taken.

FLOT's may or may not receive delegated loan approval authorities during the training period. FLO's and FLOT's will not be considered performing at the fully successful level, for the grade level of GS-11, until they can independently complete loan approval and servicing within their delegated authority. Normally FLO's and FLOT's would not receive loan approval authority for 1 to 2 years after completing the FLP Training Program to enable the employee to gain valuable experience.

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**Notice FLP-177**

**2 Action (Continued)**

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**I**

**Contact**

State Office employees shall use the following table to obtain the appropriate contact.

<b>IF questions about...</b>	<b>THEN contact either...</b>
testing	<ul style="list-style-type: none"><li>• Chris Greenwalt at 202-690-0431</li><li>• Gail Wargo at 202-690-4003.</li></ul>
personnel actions	<ul style="list-style-type: none"><li>• Chuck Berge at 202-720-6942</li><li>• Star Bryant at 202-720-0183.</li></ul>

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FARM LOAN PROGRAMS TRAINING RECORD

State \_\_\_\_\_ Reports Due: December 31, March 31, June 30, and September 30

Trainee Name \_\_\_\_\_ Report Date \_\_\_\_\_

Position Title \_\_\_\_\_ Training Start Date \_\_\_\_\_

Date Modules Completed (enter all dates that apply)

MOD 1 \_\_\_\_\_ MOD 10 \_\_\_\_\_ MOD 19 \_\_\_\_\_ MOD 28 \_\_\_\_\_
MOD 2 \_\_\_\_\_ MOD 11 \_\_\_\_\_ MOD 20 \_\_\_\_\_ MOD 29 \_\_\_\_\_
MOD 3 \_\_\_\_\_ MOD 12 \_\_\_\_\_ MOD 21 \_\_\_\_\_ MOD 30 \_\_\_\_\_
MOD 4 \_\_\_\_\_ MOD 13 \_\_\_\_\_ MOD 22 \_\_\_\_\_ MOD 31 \_\_\_\_\_
MOD 5 \_\_\_\_\_ MOD 14 \_\_\_\_\_ MOD 23 \_\_\_\_\_ MOD 32 \_\_\_\_\_
MOD 6 \_\_\_\_\_ MOD 15 \_\_\_\_\_ MOD 24 \_\_\_\_\_ MOD 33 \_\_\_\_\_
MOD 7 \_\_\_\_\_ MOD 16 \_\_\_\_\_ MOD 25 \_\_\_\_\_ MOD 34 \_\_\_\_\_
MOD 8 \_\_\_\_\_ MOD 17 \_\_\_\_\_ MOD 26 \_\_\_\_\_
MOD 9 \_\_\_\_\_ MOD 18 \_\_\_\_\_ MOD 27 \_\_\_\_\_

Comments by the trainee \_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_

Comments by the trainer \_\_\_\_\_
\_\_\_\_\_
\_\_\_\_\_

Program Area Test Date and Results

Direct Loan Making Date \_\_\_\_\_ Score \_\_\_\_\_
Direct Loan Servicing Date \_\_\_\_\_ Score \_\_\_\_\_
Guaranteed Loan Making Date \_\_\_\_\_ Score \_\_\_\_\_
Guaranteed Loan Servicing Date \_\_\_\_\_ Score \_\_\_\_\_

Financial Analysis Course Date Completed \_\_\_\_\_ Score \_\_\_\_\_

Comprehensive Exam Date Completed \_\_\_\_\_ Score \_\_\_\_\_

Date \_\_\_\_\_ Trainer \_\_\_\_\_

Date \_\_\_\_\_ Trainee \_\_\_\_\_

Date \_\_\_\_\_ District Director \_\_\_\_\_

Date \_\_\_\_\_ Farm Loan Chief \_\_\_\_\_

FAX Reports to the National Office, PDEED, ATTN: Chris Greenwalt at 202-720-8474.