

For: State and County Offices

**Farm Loan Programs (FLP) Requirements for
Making and Servicing Loans by County Executive Directors (CED's)**

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

Section 5320 of the Farm Security and Rural Investment Act of 2002 amended Subtitle D of the Consolidated Farm and Rural Development Act (7 U.S.C. 1981-2008j) by adding the following:

“The Secretary shall use personnel of a State, county, or area committee established under section 8(b)(5) of the Soil Conservation and Domestic Allotment Act (16 U.S.C 590h (b)(5)) to make and service loans under this title to the extent the personnel have been trained to do so.”

Authority to approve loans and or servicing actions must be delegated by the State Executive Director (SED) to CED's who meet the eligibility, experience, and training requirements of this notice. This is an important activity and employees who make and service loans must have adequate training and experience.

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Disposal Date	Distribution
January 1, 2004	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

B

Purpose

This notice:

- provides:
 - eligibility guidelines for CED's to obtain loan approval authority
 - training requirements
 - information about obtaining and maintaining loan approval authority for CED's
 - does **not**:
 - alter existing delegations available to CED's outlined in 1-FLP, paragraph 26
 - change standard position descriptions found in 27-PM, Exhibit 4

Note: 27-PM, Exhibit 4.4 will be attached to the CED's position description when loan approval authority has been delegated.

 - pertain to Farm Loan Managers (FLM) who accepted CED positions as outlined in 1-FLP, subparagraph 27 B.
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C

Contact

Direct questions about this notice to Almeda (Dee) Cole, Assistant Deputy Administrator for Farm Loan Programs at 202-720-4671.

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2 Requirements

A

CED Eligibility

SED's have the authority, after consulting with the Farm Loan Chief (FLC) and the appropriate District Director (DD), to designate CED's to obtain loan approval authority if:

- CED:
 - agrees to maintain competency with ongoing FLP activity
 - is able to perform the duties outlined in 27-PM, Exhibit 4.4
- all the requirements of this notice are met.

Note: Program Technicians (PT) interested in receiving loan making and servicing approval authority may do so by applying for a Farm Loan Officer Trainee (FLOT) position and are therefore not eligible to receive loan approval authority under the conditions provided in this notice.

B

Circumstances for Designating CED's

SED in conjunction with FLC should identify areas of their State that could justify and benefit from CED having loan approval and servicing authority.

The office or area where CED would be designated by SED to obtain loan making and servicing approval authority must meet both of the following conditions.

- Direct and/or guaranteed caseload in the office or area is high, complex, or geographically challenging and FLM, Farm Loan Officer, or credit team serving the office or area needs additional help.
 - CED has the time to take on the additional responsibilities required to obtain and maintain loan making and servicing authority and responsibilities without negatively impacting his or her current farm program obligations.
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2 Requirements (Continued)

C

Supervision While Training

FLM must be available in the office or area to provide farm loan training and to supervise CED during that training.

D

Training Commitment and Cost

Each State will be required to cover the training costs out of the State's non-Federal County Office administrative budget. Once CED completes the training, the State may request, through BUD, reimbursement for the associated training costs. If CED voluntarily does not complete the program, the program will not be offered to CED in the future and the National Office will not reimburse the State for the associated training costs.

E

County Committee (COC) Involvement

This notice does not change COC involvement in FLP already established in other FSA directives, except that COC will be required to concur in writing with the additional FLP responsibilities that CED will be incurring.

3 Training

A FLP Training Program

The FLP training program:

- is required for CED's to obtain loan approval authority
- is an individually-paced training program conducted onsite
- is comprised of:
 - orientation
 - Credit and Financial Analysis Training (CFAT)
 - training modules which include hands-on training
 - testing to provide demonstration of skills acquired
- requires that CED's submit a minimum of 5 independently prepared loan dockets that meet a credit quality equal to the quality required by FLM's, FLO's, and DD's seeking loan approval authority.

Note: The dockets submitted for review must be of sufficient complexity to reflect the ability to make good credit decisions and analyze an applicant's or borrower's operation. In addition, 3 of the dockets must be for term loans and none may be youth loans.

B Orientation

Orientation is a requirement for CED obtaining loan approval authority.

- The orientation training provides participants with the following:
 - overview and history of FLP's
 - types of loans and servicing activities available
 - terms and acronyms commonly used
 - COC's role in FLP
 - employee responsibilities
 - communication skills
 - organization of credit delivery.
- Orientation sessions are:
 - scheduled on an as-needed basis
 - conducted by the National Office.

Note: Space and participation per orientation session is limited.

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3 Training (Continued)

C

CFAT

CFAT:

- is statutorily required and must be successfully completed
 - acquaints participants with financial data analysis on which to base a direct or guaranteed loan decision
 - is a pre-requisite for CED to obtain loan approval authority
 - has limited space per session
 - is conducted by a contracted trainer
 - sessions may require the participants to complete work in the evening.
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D

Module Training

Module training:

- consists of 34 modules
 - includes classroom type training with hands-on work
 - will be conducted by FLM
 - will be completed within 12 months.
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3 Training (Continued)

E Testing

Testing will consist of:

- a CFAT exam

Note: CFAT exam is:

- provided after each CFAT session
 - graded by contractor
 - proctored by contractor.
- each of the 4 program area exams

Notes: The program area exams:

- include:
 - Direct Loan Making
 - Direct Loan Servicing
 - Guaranteed Loan Making
 - Guaranteed Loan Servicing
 - are completed after appropriate modules are studied
 - may be taken using applicable handbooks and instructions and any notes taken.
- each of the 5 program areas covered on the comprehensive exam

Notes: The comprehensive exam is proctored by FLC or designee.

CED may use applicable handbooks and instructions.

The 5 areas covered, by category, are:

- Category 1 - General and Inventory
 - Category 2 - Direct Loan Making
 - Category 3 - Direct Loan Servicing
 - Category 4 - (No longer applicable)
 - Category 5 - Guaranteed Loan Making
 - Category 6 - Guaranteed Loan Servicing.
- each completed Test 2 or Test 3.

Note: Test 2 or Test 3 will be used only if acceptable scores are not achieved on the comprehensive exam.

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3 Training (Continued)

F

**Minimum
Acceptable Exam
Scores**

To ensure that an acceptable level of understanding of credit and financial analysis, and implementation of program regulations is met, and that the required completion of 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.

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

- DD, after consulting with FLM, will review and modify the existing Individual Development Plan (IDP) to address the areas of weakness in consultation with the Administrative Officer (AO)
- FLM/trainer will assign specific hands-on work in the areas of weakness from actual dockets

Note: The trainee typically would not work up the entire docket but focus on the identified areas of weakness. Assigning hands-on work during training provides the trainee with a wide variety of actions and situations from which experience and knowledge can be gained.

- trainee will acquire additional training by reviewing FLP training modules in the areas of weakness or CFAT training manual and/or 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 or 3 program area exam for the program area on the comprehensive exam that the trainee did not receive an acceptable score.

Note: The results of these exams may be used as a basis for determining:

- additional training needs
- need for a supervisory review and discussion of performance with the employee
- that the employee cannot achieve the level of expertise and knowledge required to obtain loan approval authority.

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3 Training (Continued)

**G
Comprehensive
Exam**

The comprehensive exam:

- is divided into part A and part B, thereby providing the trainee the opportunity to take this exam over a 2-day period by completing either part on day 1 and the remaining part on day 2

Note: Once either part has been completed the trainee must turn it in the day the exam is taken.

- is proctored by FLC or designee
- may be taken using applicable instructions and handbooks.

The National Office will return the results of the comprehensive exam, Test 2, or Test 3 to SED.

Test results:

- will contain scores for each program area
 - 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
 - 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 study the entire program area.
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4 Performance

A Performance Rating System

AO shall review the elements and standards established for employees to determine whether each individual 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-tier system or the pass/fail rating system.

B Developing IDP's

AO in consultation with FLC and trainer will 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
- loan approval authority according to 1-FLP.

IDP's shall be established for employees whose position descriptions will include loan approval and servicing responsibilities, who have not met the requirements established to obtain these 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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4 Performance (Continued)

C

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

For any employee who currently has or is trying to obtain 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, OTI or PIP shall be developed by DD with the guidance of FLC 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 received to identify and overcome impediments to acceptable work performance
- require a review of work processes to demonstrate knowledge, skills, and abilities essential for acceptable work performance
- include specific hands-on work in areas of weakness with 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 relating to the areas of weakness to reinforce the specific hands-on work.

FLM/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.

D

Action

CED will not be eligible to continue pursuing loan approval authority if any of the following apply:

- at the end of OTI or PIP, CED is still not performing at an acceptable level
 - upon completing Test 3 in the program area an acceptable score was not obtained
 - upon completing Test 2 CFAT an acceptable score was not obtained
 - the required loan docket have not been completed at the accepted level of credit quality established by SED and FLC.
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4 Performance (Continued)

E Reporting

FSA-2130 shall be completed and submitted quarterly for any employee in the FLP Training Program. The training coordinator and FLC will be notified by e-mail 2 weeks before the end of each quarter about any employee in the State for whom a report is required. FSA-2130 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 completes orientation.

FAX completed FSA-2130 to the National Office, PDEED, Attn: Gail Wargo at 202-720-8474.

5 Timeframe for Completing Training and Approval Authority

A Timeframe

CED's must:

- complete the required training and all testing within 1 calendar year from the date SED determined loan approval authority was warranted
 - obtain delegated loan approval and servicing authority within 6 months after completing the required training and testing.
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6 Delegations

A

Loan Approval and Servicing Authority

Follow 1-FLP, Part 2 for loan approval and servicing authority.

B

Maintaining Loan Approval and Servicing Authority

CED's will be required at a minimum to make and or service 10 case files in accordance with their loan approval and servicing authorities each year.

To reach the minimum amount of files required each year, CED may be required to handle cases outside of their immediate County Office area.

Note: CED actions performed under the delegations in 1-FLP, paragraph 26, would not meet or be counted toward meeting the minimum 10 loan or servicing actions required by this notice. Actions that may be counted include, but are not limited to the following:

- loan making
- 1951-S servicing
- 1951-T servicing
- subordinations
- partial releases.

DD will be responsible for tracking the number of completed case files per CED.

C

Oversight

CED's loan making and servicing activities will be monitored by DD and FLC according to 1-FLP, paragraphs 28 and 441.
