

**For:** State and County Offices

1910-A, 1924-B, 1941-A, 1943-A,  
1951-A, 1951-S, 3-FLP

**Farm Business Plan (FBP) System**

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

*Carolyn B. Cooksey*

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**1 Overview**

**A Background**

The web-based FBP has replaced the Farm and Home Plan (FHP) and is used when processing loan making and loan servicing requests, as well as for routine servicing of existing borrower accounts. Existing regulations and directives establish numerous loan making and loan servicing procedures that use information obtained from FHP. In some situations, existing procedures cannot be completed as currently described because of differences between the FHP and FBP systems.

**B Purpose**

This notice provides guidance on:

- using FBP to complete limited resource reviews
- using FBP information when completing 8N transactions on classified accounts
- printing running case records and electronic footnotes.

**C Contact**

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact:
  - Mike Hinton or Orlando Kilcrease concerning loan making issues at 202-720-1472
  - Jeff King concerning loan servicing issues at 202-720-4572.

<b>Disposal Date</b>	<b>Distribution</b>
October 1, 2005	State Offices; State Offices relay to County Offices

## 2 FBP Impact on Existing FLP Regulations

### A Completing Limited Resource Reviews

Section 1951.25(b)(3) of RD Instruction 1951-A provides the Farm and Home Plan projections for the coming year must show that the “balance available to pay debts” exceeds the amount needed to pay debts by at least 10 percent before an increase in interest rate is put into effect. Since FBP does not use these figures to determine feasibility, the information that will be used is the Term Debt and Capital Lease Coverage Ratio. This ratio is located in the Repayment Capacity/Sensitivity and the Ratios/Indicators Reports within FBP. If the ratio is greater than 110 percent, the interest rate may be increased. All other policies established in RD Instruction 1951-A, such as incremental increases, and the form of borrower notification remain in effect.

### B Classification of FLP Accounts

As part of the FBP implementation, the process of classifying FLP accounts has been modified. The classification selection under Routine Servicing in Management of Agriculture Credit will no longer be used to classify borrower accounts. The **only** automated system that will be used to classify borrower accounts will be FBP. Security margin was removed and collateral is no longer considered during the account classification process. The new classification process generates the following ratios:

- Liquidity Ratio
- Debt to Assets Ratio
- Return on Assets Ratio
- Term Debt and Capital Lease Coverage Ratio.

**Note:** Click the blue detail hyperlink of the borrower classification within FBP for an explanation of how the system calculates scores for each of these ratios.

The FBP system generates the following account classification codes.

- Category 1: Commercial. Commercial classified accounts are FSA’s highest rated direct loan accounts. The debt/asset ratio, cash flow, and general financial health of a commercial-grade farming operation allow it to withstand adverse farming conditions while maintaining loan payments.
- Category 2: Standard. Standard classified accounts are financially sound, cash flow is adequate, and on-time loan repayment is probable.
- Category 3: Acceptable. Acceptable classified accounts are those that present some degree of financial risk. These loans have adequate to marginal security and are generally experiencing some financial stress.

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### 2 FBP Impact on Existing FLP Regulations (Continued)

#### B Classification of FLP Accounts (Continued)

- Category 4: Marginal. A marginal borrower account is one that poses a high degree of financial risk. These loans may or may not be secured and repayment ability is marginal.

**Note:** If the results of the classification is 4 and the loan is not secured, enter the under-secured amount in the “Loss Amount” field when completing the 8N transaction. If the result of the classification is 4 and the loan is secured, enter \$1 in the “Loss Amount” field when completing the 8N transaction. A review of the FBP Collateral Analysis Report will indicate if a loan is secure or under-secured. Collateral will be analyzed under the Collateral Analysis section of the FBP system.

New loans will be classified based on a post-closing balance sheet and the projected cashflow for the proposed loan. Loans should be reclassified whenever there has been a change in the borrower’s financial condition or a new credit action is generated.

#### C Running Case Records

Running case records and electronic footnotes will be printed and placed in the County Office file under the following circumstances:

- preparation for NAD appeals
- preparation for civil and criminal inquiries, investigations, audits, and litigations in conjunction with OIG, OGC, OCR, GAO, and the Consent Decree Action Team.

Generally, running case records and electronic footnotes may be reviewed online by FSA personnel during the course of normal business operations.

**Note:** The running case record may be accessed by clicking on “Notes” from the locator screen. Electronic footnotes may be entered throughout the FBP system when FBP or a particular credit action is being completed. Information in the running case record and the electronic footnotes may not always be the same. Running case record entries and footnote entries can be printed from the reports menu within the FBP system.

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### 3 Future FBP Implementation

#### A Other FLP Areas Impacted by FBP Implementation

The following will be addressed in an upcoming amendment to the FSA FBP Users Guide as part of Phase 2 Implementation:

- preparing loan narratives and loan assessments
- preparing RD 402-1 when SBA will be used to disburse loan funds
- preparing FSA 440-4A for third parties who have pledged security
- changing the name, case number, and ID from a deceased or withdrawing party to those of a remaining co-borrower
- using FBP when processing requests for youth loans
- refinancing existing debts.

**Note:** The FSA FBP Users Guide will continue to be used by employees when completing FBP or a particular credit action within FBP. The revised copy of the FSA FBP Users Guide, once completed, will be included as an exhibit to 1-FLP.

#### B Farm Family Record Book

The Farm Family Record Book will be revised to incorporate FSA-2037 and FSA-2038 as part of Phase 2 Implementation. The current Family Farm Record Book collects all of the information necessary to complete FBP. Only FHP in the Farm Family Record Book is obsolete. The Farm Family Record Book may still be used as a record keeping tool for borrowers. Applicants and borrowers requesting a Farm Family Record Book will be provided a copy of the existing version until the revised version is released.

#### C Updates to Forms, Exhibits, and Form and Guide Letters

Other Agency forms, exhibits, and form and guide letters impacted by FBP are being revised.