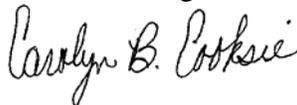


For: State and County Offices

**Implementing FLP Streamlining for Direct Loan Making and Servicing**

Approved by: Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

The FLP streamlining initiative began in 1997. Since that time, the following actions have been completed.

- The Guaranteed Loan Program was streamlined in February 1999 with the publication of 7 CFR 762 and issuance of 2-FLP.
- Policies and procedures about real estate and chattel appraisals were moved to 7 CFR 761 in December 1999 and 1-FLP was issued in March 2000. Guidance for the Automated Discrepancy Processing System (ADPS) and Program Loan Cost Expense (PLCE) was moved to 1-FLP at the same time. 1-FLP has been further amended to address the Equal Credit Opportunity Act (ECOA) and non-discrimination policies, FLP interest rates, FLP Risk Assessment (FLPRA), and DD oversight.
- 6-FLP was issued in December 2000 implementing 7 CFR 773, the Special Apple Loan Program, and 7 CFR 774, the Emergency Loan for Seed Producers Program. The handbook was amended in:
  - April 2001 after publication of 7 CFR 771 to address the Indian Tribal Land Acquisition Loan Program
  - September 2002 to implement the Horse Breeder Loan Program
  - November 2003 to implement the Beginning Farmer and Rancher Land Contract Guarantee Pilot Program
  - April 2004 after publication of 7 CFR 772 to address servicing of Minor Loan Programs.

<b>Disposal Date</b>	<b>Distribution</b>
February 1, 2008	State Offices; State Offices relay to County Offices

## Notice FLP-481

### 1 Overview (Continued)

#### A Background (Continued)

- The Emergency Loan Program was streamlined in February 2002 with the publication of 7 CFR 764 and issuance of 3-FLP, Parts 1 and 9.

A proposed rule, announcing FSA's intent to streamline direct loan making and servicing policies and requirements, was published on February 9, 2004. The proposed rule allowed for public comments to be submitted through April 9, 2004. Based on the extensive number of comments received, FSA published a notice in the Federal Register (FR) on April 19, 2004, reopening and extending the comment period until May 4, 2004. FSA must publish a final rule, addressing the comments received, in FR for any regulatory revisions to become effective.

#### B Purpose

This notice:

- announces that the final rule streamlining the direct loan making and servicing policies and requirements will be published on November 8, 2007
- announces a proposed schedule for releasing new, revised, and amended FLP handbooks
- provides information and guidance on:
  - revising forms because of the FLP streamlining initiative
  - implementing the final rule and associated handbooks
  - training that will be made available in AgLearn.

#### C Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact:
  - LMD at 202-720-1632 for loan making issues
  - LSPMD at 202-720-4572 for loan servicing issues
  - Bill Cobb at 202-720-1059 for general streamlining implementation issues
  - the AgLearn Help Desk for problems with AgLearn by either of the following:
    - e-mail at [aglearnhelp@genphysics.com](mailto:aglearnhelp@genphysics.com)
    - telephone at 866-633-9394.

## Notice FLP-481

### 2 Publishing FR Documents

#### A General Information

FSA will be publishing 2 final rules for direct loan making and servicing. The first rule, to be published November 8, 2007, revises 7 CFR Chapter VII assigned to FSA. The second rule, to be published at a later date, revises 7 CFR Chapter XVIII previously assigned to the Farmers Home Administration. Chapter XVIII is currently shared by FSA and the Rural Development (RD) mission area agencies. Both final rules become effective on December 31, 2007.

**Important:** The policies and requirements contained in the final rules **cannot** be applied to any loan making or servicing request or decision **before the effective date**.

A copy of the final rules will be available at [http://www.access.gpo.gov/su\\_docs/fedreg/frcont07.html](http://www.access.gpo.gov/su_docs/fedreg/frcont07.html) on the date of publication.

**Note:** 7 CFR 1940, subpart G; 7 CFR 1945, subpart A; 7 CFR 1951, subpart C; and 7 CFR 1956, subpart B (along with associated RD Instructions 1940-G, 1951-C, and 1956-B, and FmHA Instruction 1945-A) are being addressed under separate initiatives, and are not included in FLP streamlining. See paragraph 6 for additional information.

#### B Final Rule for 7 CFR Chapter VII

The final rule titled “Regulatory Streamlining of the Farm Service Agency’s Direct Farm Loan Programs,” amends CFR by:

- adding policies and requirements for supervised bank accounts, construction and development, and supervised credit to 7 CFR 761
- making minor changes to 7 CFR 762 for the guaranteed loan program, such as removing references to obsolete CFR parts
- adding policies and requirements for application processing, operating loans, farm ownership loans, loan closing, and borrower training to 7 CFR 764

## Notice FLP-481

### 2 Publishing FR Documents (Continued)

#### B Final Rule for Chapter VII of 7 CFR (Continued)

- establishing:
  - routine loan servicing policies and requirements, such as application of payments, partial releases, and subordinations in 7 CFR 765
  - policies and requirements for servicing financially distressed and delinquent borrowers, as well as unauthorized assistance and liquidation in 7 CFR 766
  - policies and requirements for the management and disposition of inventory property in 7 CFR 767.

**Note:** Policies and requirements may have been modified as part of moving FLP to 7 CFR Chapter VII.

#### C Final Rule for 7 CFR Chapter XVIII

The final rule titled “Regulatory Streamlining of the Farm Service Agency’s Direct Farm Loan Programs; Conforming Changes,” amends CFR by:

- removing CFR subparts applicable only to FLP, such as 7 CFR 1951, subpart S (FmHA Instruction 1951-S)
- revising CFR subparts applicable to FSA and 1 or more of the RD agencies, such as 7 CFR 1951, subpart A (RD Instruction 1951-A) to apply to RD only.

### 3 FLP Handbooks

#### A General Information

To implement the FLP streamlining initiative, FSA will issue the following:

- 1-FLP (Revision 1)
- an amendment to 2-FLP
- 3-FLP (Revision 1)
- 4-FLP
- 5-FLP
- an amendment to 6-FLP.

## Notice FLP-481

### 3 FLP Handbooks (Continued)

#### B Effective Date and Availability of New, Revised, and Amended Handbooks

The new, revised, and amended handbooks issued for the FLP streamlining initiative will become effective on December 31, 2007.

**Important:** The policies and requirements in the new and revised handbooks **cannot** be applied to any loan making or servicing request or decision **before the effective date**.

New and revised handbooks will be made available to State and County Offices in advance of the December 31, 2007, effective date. The release of 1-FLP (Revision 1) and 3-FLP (Revision 1), and issuance of 4-FLP and 5-FLP, will be coordinated with the release of the associated AgLearn training courses addressed in subparagraph 5 E. Amendments to 2-FLP and 6-FLP will be coordinated with the December 31, 2007, effective date.

**Notes:** The AgLearn training does not address amendments to 2-FLP or 6-FLP since only minor changes are being made.

After December 31, 2007, Procedure Notices (PN) will only be issued to announce changes to RD Instructions 1940-G, 1951-C, and 1956-B, or the forms shared with RD associated with these Instructions.

### 4 Direct Loan Making and Servicing Forms

#### A Renumbering of Forms

Forms used to make and service loans have been renumbered to link forms to the associated handbooks. Additional information about renumbering forms is provided in the AgLearn training courses “Introduction to the FLP Streamlining Initiative” and “Introduction to FSA Directives and Forms” addressed in subparagraph 5 E.

**Notes:** Guaranteed forms are being renumbered under a separate initiative.

Real estate appraisal forms are not being renumbered at this time.

Environmental, offset, and debt settlement forms shared with RD are being addressed under separate initiatives.

## Notice FLP-481

### 4 Direct Loan Making and Servicing Forms (Continued)

#### B New and Obsolete Forms

As part of the FLP streamlining initiative, a review was conducted of forms created by State and County Offices. As a result of this review, several new national forms have been created to provide uniform collection of information currently obtained on a variety of State- and county-created forms. Numerous national forms that are no longer needed have been made obsolete.

**Notes:** After December 31, 2007, using County Office developed forms to collect information from the public is not authorized. Using State Office developed forms for the collection of information is authorized, provided the information collection has been approved by OMB. State Offices shall work with DAFLP to obtain OMB approval.

1-FLP, Exhibit 5 lists all forms that were used to deliver FLP at the time of the USDA reorganization on October 1, 1995, as well as forms issued since that time. Forms are listed numerically by the form number assigned before FLP streamlining along with either the new form number, or the date and number of the PN making the form obsolete.

#### C Effective Date and Availability of New and Renumbered Forms

New and renumbered direct loan making and servicing forms become effective on December 31, 2007.

**Important:** The new and renumbered forms **cannot** be used to make or service a loan before the December 31, 2007, effective date.

The new and renumbered forms, along with instructions for completion, will be made available to State and County Offices in advance of the December 31, 2007, effective date. Forms and instructions will be posted on the FFAS Employee Forms/Publication Online Website at <http://165.221.16.90/dam/ffasforms/forms.html>.

**Note:** Guidance about the impact of new and renumbered forms on loan making or servicing applications pending on December 31, 2007, will be provided in a subsequent FLP notice.

## Notice FLP-481

### 4 Direct Loan Making and Servicing Forms (Continued)

#### D Eliminating Forms Manual Inserts (FMI's)

FMI's are being eliminated. State and County Offices are not required to maintain an FMI Manual after December 31, 2007. Electronic instructions for completing forms will be made available to employees on the FFAS Employee Forms/Publications Online Website at <http://intra3.fsa.usda.gov/dam/ffasforms/forms.html>.

Instructions for completing forms will be made available to the public on the eGov website at <http://www.sc.egov.usda.gov/>.

**Exception:** FMI's for environmental and debt settlement forms shared with RD will be made available to employees on the FFAS Employee Forms/Publications Online Website.

### 5 Training Information

#### A Overview

The effective date for the final rules; new, revised, and amended handbooks; and new and renumbered forms, was scheduled for December 31, 2007, to provide State and County Offices time to review the documents in advance of their official use. **Documents are being made available in advance for training purposes only and cannot be used for loan making or servicing actions or decisions before the effective date.**

#### B Training Requirements

Five training courses will be made available through AgLearn. Completing the first course requires approximately 1 hour. All other courses require approximately 30 minutes to complete.

Completing the AgLearn courses before December 31, 2007, is required for FLP employees in:

- the National Office
- State Office, including DD's
- County Offices.

**Note:** Training is voluntary for all other employees. Employees completing the training voluntarily may choose to complete all, or selected, courses.

Notice FLP-481

5 Training Information (Continued)

C Accessing Training

Access the AgLearn training according to the following table.

Step	Action
1	Access the AgLearn home page at <a href="http://www.aglearn.usda.gov">http://www.aglearn.usda.gov</a> .
2	CLICK “ <b>Student Login</b> ”.
3	CLICK “ <b>Continue</b> ” on the Warning Screen to access the eAuthentication Login Screen. Enter your eAuthentication user ID and password and CLICK “ <b>Login</b> ”.
4	CLICK “ <b>Catalog</b> ”.
5	Click on the  next to “ <b>AgLearn Original Courseware Structure</b> ”.
6	Locate and CLICK “ <b>Farm Service Agency</b> ”.
7	Locate the <b>title of the desired course</b> described in subparagraph E.
8	Click on either of the following <ul style="list-style-type: none"> <li>• “<b>Launch</b>” to begin course</li> <li>• “<b>Add to Learning Plan</b>” to take later.</li> </ul>
9	After completing the course, click on “ <b>Learning History</b> ” to ensure you have received credit for completing this training. If the courses are not listed as completed contact your AgLearn Administrator.

D Supervisor’s Responsibilities

Supervisors shall ensure required employees:

- are provided adequate time to complete training
- have completed the training according to the following.

Step	Action
1	Access the AgLearn home page at <a href="http://www.aglearn.usda.gov">http://www.aglearn.usda.gov</a> .
2	CLICK “ <b>Student Login</b> ”.
3	CLICK “ <b>Continue</b> ” on the Warning Screen to access the eAuthentication Login Screen. Enter your eAuthentication user ID and password and CLICK “ <b>Login</b> ”.
4	CLICK the “ <b>My Employee</b> ” tab.
5	Select the employee user needs to verify and CLICK “ <b>change to Select Learner</b> ”.
6	CLICK the “ <b>Learning</b> ” tab.
7	CLICK on “ <b>Learning History</b> ”.
8	Locate the FLP Streamlining courses and verify that the courses have been completed.
9	CLICK “ <b>Return to your records</b> ” or log off.

**Notice FLP-481**

**5 Training Information (Continued)**

**E AgLearn Training Courses**

The training courses will be made available on AgLearn according to the following table.

<b>Course Title</b>	<b>Description</b>	<b>Projected Date of Availability</b>
Introduction to the FLP Streamlining Initiative	<p>This course provides a general overview of the FLP streamlining initiative and covers the following:</p> <ul style="list-style-type: none"> <li>• handbook structure</li> <li>• CFR reorganization</li> <li>• new numbering system and standards for forms</li> <li>• resources available to ease transition.</li> </ul>	November 5, 2007
Introduction to FSA Directives and Forms	<p>This course provides general information about FSA directives and forms and covers:</p> <ul style="list-style-type: none"> <li>• issuing, amending, or revising permanent directives (handbooks)</li> <li>• issuing State supplements to national handbooks</li> <li>• temporary directives (Notices)</li> <li>• State notices</li> <li>• employee access to forms</li> <li>• announcing new, revised, or obsolete forms</li> <li>• public access to forms.</li> </ul>	November 5, 2007
1-FLP, General Program Administration	<p>This course provides an overview of 1-FLP (Revision 1) and covers:</p> <ul style="list-style-type: none"> <li>• terms used to refer to employees, definitions, and forms used in multiple handbooks</li> <li>• supervised bank accounts</li> <li>• construction and development policies</li> <li>• supervised credit.</li> </ul> <p><b>Note:</b> State Offices shall distribute 1-FLP (Revision 1) to all County Offices with FLP staff upon receipt of the electronic file because the handbook is needed to complete this training.</p>	November 16, 2007
3-FLP, Direct Loan Making	<p>This course provides an overview of 3-FLP (Revision 1) and covers:</p> <ul style="list-style-type: none"> <li>• application processing</li> <li>• policies applicable to farm ownership (FO), operating loans (OL), and emergency loans (EM)</li> <li>• loan decision</li> <li>• borrower training.</li> </ul> <p><b>Note:</b> State Offices shall distribute 3-FLP (Revision 1) to all County Offices with FLP staff upon receipt of the electronic file because the handbook is needed to complete this training.</p>	November 16, 2007

**Notice FLP-481**

**5 Training Information (Continued)**

**E AgLearn Training Courses (Continued)**

<b>Course Title</b>	<b>Description</b>	<b>Projected Date of Availability</b>
4-FLP, Direct Loan Servicing – Regular and 5-FLP, Direct Loan Servicing – Special	This course provides an overview of the new 4-FLP and 5-FLP handbooks and policy changes in direct loan servicing. <ul style="list-style-type: none"> <li>• 4-FLP covers the routine servicing of FLP loans, including:                             <ul style="list-style-type: none"> <li>• application of payments</li> <li>• subordinations</li> <li>• partial releases</li> <li>• transfer and assumptions.</li> </ul> </li> <li>• 5-FLP covers:                             <ul style="list-style-type: none"> <li>• disaster set-aside</li> <li>• servicing of borrowers who are delinquent, financially distressed, or otherwise in default on the loan</li> <li>• unauthorized assistance</li> <li>• liquidation</li> <li>• management and disposition of inventory property.</li> </ul> </li> </ul> <p><b>Note:</b> State Offices shall distribute 4-FLP and 5-FLP to all County Offices with FLP staff upon receipt of the electronic files because the handbooks are needed to complete this training.</p>	November 30, 2007

**F Frequently Asked Questions (FAQ's)**

Employees may review the FSA centralized knowledge database to review FAQ's about the FLP streamlining initiative available on the FSA Intranet at <https://askfsainternal.custhelp.com>.

Click on the “AskFSA Internal – Find Answers” link to search by category, keywords, or phrases. FAQ's will be posted under the category “FLP Streamlining.” Additional subcategories will be added in the future.

If a response to a specific question is not found, click on “Ask a Question” to submit a question. A response will be provided from the National Office by email, and may be posted under the “AskFSA Internal – Find Answers” link.

## Notice FLP-481

### **6 Related Initiatives**

#### **A Guidance for Offset and Debt Settlement**

FLP will continue to use RD Instructions 1951-C and 1956-B, along with the applicable RD forms, form letters, and guide letters after FLP streamlining. A joint initiative between FLP and FMD is underway to add offset and debt settlement policies and requirements applicable to FLP to 7 CFR 792 and 58-FI.

#### **B Guidance for Environmental Issues**

FLP will continue to use RD Instruction 1940-G, in conjunction with 1-EQ, for guidance on environmental policies and requirements. CEPD has initiated action to move environmental policies and requirements for all FSA programs to 7 CFR 799 and 1-EQ.

#### **C Guidance for Disaster Determinations**

FSA will continue to use FmHA Instruction 1945-A for disaster determinations. The Instruction will be incorporated into an FSA handbook at a later date.

#### **D DD Oversight**

DD oversight policies and requirements are being updated under a separate initiative.

#### **E Approving and Issuing State Supplements**

Upon receipt of the new and revised FLP handbooks, State Offices may:

- submit State directives for prior or post approval, through the State Directives Management System, according to 1-AS, paragraph 220
- release State directives submitted for post approval to County Offices.