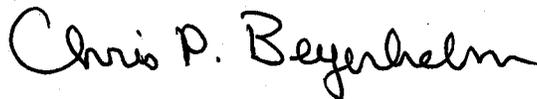


For: State and County Offices

Conservation Loan (CL) Program Frequently Asked Questions

Approved by: Deputy Administrator, Farm Loan Programs



1 Providing Frequently Asked Questions

A Background

FSA published an interim rule (75 FR 54005) on September 3, 2010, implementing the CL Program. The effective date of the CL Program was September 3, 2010. 3-FLP has been amended; however, because the CL Program is a departure from FSA’s more traditional loan programs in key areas, many questions remain.

B Purpose

This notice provides frequently asked questions (Exhibit 1) to:

- answer the most commonly asked questions
- assist offices in understanding and implementing the CL Program.

C Contact

If there are questions about this notice, State Offices shall contact Connie Holman, LMD, at 202-690-0756.

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CL Program Frequently Asked Questions**A Applicant Eligibility**

- Q1:** Is an applicant who is a landlord only, and has no other farming interest, eligible for a CL?
- A1:** No. 7 CFR 762.120 and 2-FLP, subparagraph 112 B require individual guaranteed loan applicants “be farmers or ranchers...” and entity guaranteed loan applicants be controlled by farmers engaged primarily and directly in farming or ranching...” 7 CFR 764.232(a)(3) and 3-FLP, subparagraph 172 C require the applicant “be the owner-operator or tenant-operator of a farm and be engaged in agricultural production after the time the loan is closed.”
- Q2:** What determines if an applicant should be guided to or should be required to request a guaranteed loan over a direct loan since there is no test for credit?
- A2:** It is the applicant’s choice.
- Q3:** Can an applicant who has an outstanding \$300,000 FO receive a direct CL?
- A3:** No. As provided in 1-FLP, paragraph 29, the direct FO, SW and CL combined limit is \$300,000.
- Q4:** 3-FLP, subparagraph 172 A provides the applicant must comply with general eligibility requirements specified in §764.101, except (e) and (k). 7 CFR 764.101(j) requires borrower training. Since there is no test for credit and the loans are not limited to beginning or limited resource farmers, why are we requiring borrower training?
- A4:** Borrower training, the unavailability of other credit (7 CFR 764.101(e)), and owner/operator of a family farm (7 CFR 764.101(k)) are statutory requirements. While the Farm Bill exempted the test for credit and family farm requirements for CL’s, it did not exempt the borrower training requirement. However, 3-FLP, Amendment 2 included a revision to subparagraph 471 A that provides that if an applicant qualifies for a streamlined loan, borrower training will automatically be waived. FSA-2370 must still be completed and in the file.
- Q5:** Do term limits apply to a CL applicant?
- A5:** Term limits do not apply to CL’s.

CL Program Frequently Asked Questions (Continued)**A Applicant Eligibility (Continued)**

- Q6:** For guaranteed streamlined loans, 2-FLP, subparagraph 70.5 B provides the loan applicant must “Have a FICO credit score from the Agency obtained credit report of at least 700...” Does this mean FSA will obtain a credit report for a streamlined guaranteed CL application? If FSA obtains a credit report, do we order it through FBP and charge the applicant?
- A6:** The bullet is incorrect. The requirement published in the interim rule provides the “FICO score is at least 700. For entity applicants, the FICO credit score of the majority of the individual members of the entity must be at least 700.” Therefore, FSA should not order the credit report. The lender should order the credit report just like any other guarantee application. An amendment to correct 2-FLP is forthcoming.
- Q7:** 2-FLP, subparagraph 112 B requires individual guaranteed loan applicants “be farmers or ranchers...” and entity guaranteed loan applicants “be controlled by farmers engaged primarily and directly in farming or ranching...” 3-FLP, subparagraph 172 C requires direct CL applicants “be the owner-operator or tenant-operator of a farm and be engaged in agricultural production...” In some cases, the conservation project involves planting grape vines and fruit trees that will not be producing crops for 3 to 4 years. Assuming there is no other farming going on, is this applicant considered to be a “farmer or rancher” or “engaged in agricultural production”?
- A7:** Yes, provided they are maintaining (pruning, fertilizing, pest management) the trees or grape vines as a farm operation.
- Q8:** Is an applicant, who has 150 horses and produces hay on 300 acres, most of which is fed to their own horses, eligible for a CL to build a manure pit for the horses?
- A8:** Yes. The applicant is raising hay; therefore, they would meet the “agricultural production” requirement. Since there is no restriction that the conservation practice has to be directly related to agricultural production, it is an acceptable proposal provided it is addressed on the applicant’s conservation plan.
- Q9:** If an applicant has been assigned a credit score of “0” because they have no credit history, but meets all other requirements, can FSA process a streamlined direct or guaranteed CL application?
- A9:** No. The reason for establishing a minimum credit score is so that FSA is reasonably sure that the applicant is, and has been, able to manage their credit in the past. With a “0” credit score, FSA has no indication of the applicant’s training and ability to manage their credit.

CL Program Frequently Asked Questions (Continued)**A Applicant Eligibility (Continued)**

- Q10:** The owner of the real estate is ABC Irrevocable Trust. Sam Jones is the Grantor/Trustee of the Trust and has the conservation plan in the name of ABC Irrevocable Trust. ABC Irrevocable Trust leases the real estate to Shady River Farms. Since the conservation plan is in the name of ABC Irrevocable Trust and the Trust is not the operator, so it appears that the Trust is not eligible. On the other hand, if Shady River Farms applies for the loan they would be a tenant-operator, but since the conservation plan is to ABC Irrevocable Trust, would not that make Shady River Farms ineligible?
- A10:** The operator, in this case Shady River Farms, is eligible. Of course, feasibility and security issues must be considered. The CL Program is designed primarily to benefit the environment by conserving and protecting natural resources. Tenant/operators are eligible even if the conservation practice is on the conservation plan for the owner.

B Loan Uses and Purposes

- Q1:** An applicant wants to purchase a tractor, mower, and small disc so that they can do the mid-contract maintenance provisions of their CRP contract instead of hiring someone else. They have no other farming enterprises, just CRP. Are they “engaged in agricultural production after the time the loan is closed” as required by 3-FLP, subparagraph 172 C?
- A1:** No, they are not eligible if their only farming interest is CRP. Basically, CL applicants must meet the same requirements as applicants requesting an OL or FO, except for the test for credit or family-size farm requirements for those programs.
- Q2:** Are activities through the Conservation Stewardship Program (CSP) an authorized CL use or purpose? CSP activities and enhancements would be identified on an NRCS-approved conservation plan developed in the Toolkit, but activities and enhancements through CSP are not technically conservation practices.
- A2:** If the practice/measure is on the NRCS-approved Toolkit plan document, it is an authorized loan use or purpose.
- Q3:** What type of equipment can be financed using CL funds?
- A3:** The primary use of any equipment purchased with CL funds must be associated with implementing a conservation practice, and the applicant should not have other equipment that would adequately perform the necessary task required by the conservation plan. The main use of the equipment should be associated with the conservation plan.

CL Program Frequently Asked Questions (Continued)**B Loan Uses and Purposes (Continued)**

- Q4:** There have been questions about financing conservation projects approved by NRCS that are already in progress, or may be part of a multi-year plan. Are these projects an authorized CL use or purpose?
- A4:** Any project that is on the plan is an authorized loan use or purpose. Keep in mind that FSA direct loan funds cannot be used for refinancing, but FSA can make a loan for elements or parts of the project that have not been constructed and financed. Payment of open accounts associated with project implementation or construction, including cost overruns, is not considered refinancing. A debt with an established repayment schedule may not be refinanced with direct loan funds. Guaranteed loan funds may be used to refinance debts.
- Q5:** Drainage tile can be put on a Toolkit plan, but many people argue that drainage tile is detrimental to the environment and exacerbates flooding. Others argue that it is a good way to improve yields, and still others argue that it reduces soil compaction and may well be necessary component to no-till. The practice is not approved for EQIP. Can FSA finance tile drainage systems with CL funds?
- A5:** If NRCS has approved the project as part of the conservation plan, it may be financed with CL funds, regardless of individual views about a particular practice or project.
- Q6:** If an applicant's conservation plan for a hog operation indicates that the manure should be spread over an additional 100 acres, can CL funds be used to purchase 100 acres?
- A6:** A land purchase would not be an eligible use for CL funds unless it is absolutely required by the conservation plan. For example, if the applicant needs to relocate a livestock barn from a flood plan to higher ground and no other site is available, then CL funds could be used to purchase enough real estate to relocate the barn to higher ground.
- Q7:** Must a full conservation plan be implemented for FSA to finance the project?
- A7:** The full conservation plan does not have to be implemented. FSA may finance 1 or more conservation practices that are part of the approved plan.

CL Program Frequently Asked Questions (Continued)**B Loan Uses and Purposes (Continued)**

- Q8:** 2-FLP, subparagraphs 17 D and 123.5 B allow for refinancing of any authorized CL purpose. In the case where the lender financed a manure storage structure with NRCS C/S in December 2009 and there was a qualifying NRCS conservation plan in place, could a guaranteed CL for refinancing be considered if all other requirements are met? How far back can we go when refinancing debt for CL purposes? Does the debt to be refinanced have to be incurred after the effective date of the handbook changes and interim rule?
- A8:** There are no established timeframes about when the debt was incurred, only that the debt must have been incurred while implementing a NRCS-approved conservation plan.
- Q9:** The interim rule and FLP handbooks refer to an “NRCS conservation plan,” but there are other avenues for conservation plans (i.e. conservation districts). Along those lines, do we want NRCS to approve organic-transition plans?
- A9:** The project must be part of an NRCS-approved conservation plan. NRCS does not have to approve the organic-transition plan, but any practice/project related to the planned transition that FSA is going to fund must appear on the conservation plan. Also, if the applicant is requesting priority funding, they must submit their plan to transition to organic or sustainable agriculture as a part of their application. As provided in 1-FLP, subparagraph 45 M, “a conservation plan that states the applicant is moving toward a sustainable or organic production system” is 1 form of documentation acceptable to substantiate the planned transition.
- Q10:** Can CL funds be used to pay the applicant/borrower for their own labor?
- A10:** No.
- Q11:** Would paying cost overruns and open accounts be considered refinancing?
- A11:** No.
- Q12:** In some cases, not all conservation projects are successful the first time around; for example, replanting trees that died because of drought conditions for an EQIP project or the cost of overruns for a conservation project. Can FSA make a subsequent CL to cover these expenses provided the applicant is eligible, and there is adequate security and a feasible plan?
- A12:** Yes, a subsequent loan can be made, if necessary.

CL Program Frequently Asked Questions (Continued)**B Loan Uses and Purposes (Continued)**

- Q13:** CL funds may be used for any conservation activities included in a conservation plan or anything necessary to carry out the provisions of the plan. If an applicant is taking land out of CRP and the plan calls for “establishing pasture,” can funds be used to put up perimeter fencing, even if it is not specifically listed on the plan?
- A13:** No. CL funds can only be used to finance the expenses of establishing the pasture, which is what is required by the plan.
- Q14:** 3-FLP, subparagraph 431 A provides multiple disbursements will be made if the project will take multiple years to complete. Is there a maximum period for disbursing the loan?
- A14:** Yes, FSA’s systems are not set up to provide for disbursements over a period of more than 3 years.
- Q15:** Can we use CL funds to finance a center pivot irrigation system?
- A15:** Yes, provided it is included on the conservation plan.
- Q16:** Can CL funds be used to pay closing costs if real estate is taken as security?
- A16:** Yes, closing costs would be considered an upfront cost for securing the funds to implement the conservation project on the plan.

C Rates and Terms

- Q1:** Is the interest rate for all direct CL’s the regular FO interest rate?
- A1:** Yes.
- Q2:** CL funds can be disbursed over a period of up to 3 years. For a \$70,000 loan for 7 years, the installments would be \$10,000 plus interest. If no funds are advanced on the loan during the first year, would the borrower be required to pay the first installment on money he or she had not even drawn on the loan? How would we handle this situation?
- A2:** Follow the same procedure for CL that is used for OL disbursed over a 3-year period. Additional handbook guidance is forthcoming.

CL Program Frequently Asked Questions (Continued)**C Rates and Terms (Continued)**

- Q3:** Are there any provisions to allow FSA to factor in potential C/S payments into the payment schedule?
- A3:** Use existing authorities when setting up the payment schedule. Interest-only, unequal, and balloon payments may be used, as appropriate. For example, a payment schedule could be set up with interest-only installments during a construction or development period, followed by a large payment to be paid by the C/S payment, followed by equal payments for the projected remaining loan balance over the remaining term. C/S payments cannot be considered as a source of repayment unless the applicant has a signed contract with NRCS.
- Q4:** Is there any exception to the requirement to take a lien on real estate as security if it is available? For example, the original loan is for \$20,000, but C/S once received would lower the loan amount to \$8,000. Is FSA required to take a lien on 400 acres worth \$1.5 million for an \$8,000 loan if other security is available to provide more than 150 percent security?
- A4:** There is no exception authority and real estate is required as primary security, if available.

D Security

- Q1:** If we are making a loan to purchase equipment according to the conservation plan, can we take only the equipment as security? Do we have to take real estate if 150 percent security value can be obtained from the chattels?
- A1:** If real estate is available, then FSA must take the real estate as security. The applicant's refusal to give FSA a lien does not constitute "not available." 3-FLP, paragraph 175 provides the order of priority for security is "real estate, if available" and then "chattels, if determined acceptable by the Agency." There is no requirement that a lien be taken on the specific tract on which the conservation practice will be implemented or the specific chattel property to be financed. For example, if CL funds will be used for terraces on a piece of HEL and the applicant also has a tract of prime farm ground, FSA can take a lien on the prime farm ground and not the tract where the practice is being implemented. Additionally, if the applicant owns no land and loan funds will be used to finance a grain drill and the applicant also has a new combine, FSA can take a lien on the combine and not the drill if the combine provides better security.

CL Program Frequently Asked Questions (Continued)**D Security (Continued)**

- Q2:** Real estate secured loans may be made up to 20 years and chattel secured loans up to 7 years. If the applicant requests, can the loan terms be less than 20 years for real estate and 7 years for chattels?
- A2:** Yes, the repayment schedule will be based on the useful life of the security and may not exceed 7 years for chattel secured loans and 20 years for real estate secured loans. A loan can also be amortized for a shorter term if the applicant requests a shorter repayment; however, we will not use repayment ability as a determining factor for the term of the loan.
- Q3:** Will a title search be required and will the loan be closed the same as other real estate secured loans?
- A3:** Yes, loan closing and title clearance will be handled exactly like all other FLP programs that are secured by real estate.
- Q4:** There is a loan request for a \$20,000 loan for 3 years and the applicant has equipment valued at \$200,000 and real estate valued at \$400,000, with no liens. What do we take as security?
- A4:** Real estate is always first priority. However, if a lien on real estate will interfere with the borrower's normal course of business, chattel security is acceptable.
- Q5:** Do we follow the 150 percent security value rule for CL's?
- A5:** Yes, just like FO and OL.
- Q6:** If there is 150 percent available collateral in chattels, do we need to take a lien on real estate with title insurance and appraisals?
- A6:** FSA must take real estate as security if it is available, unless a lien will interfere with the borrower's normal course of business. For example, if the borrower uses real estate to secure OL or line of credit from the bank, and an FSA lien on the property would prevent the bank from lending operating funds, chattel security would be acceptable.
- Q7:** If CL funds will be used for a real estate improvement, can FSA use chattel as primary security and further secure the loan with real estate if timelines for the improvements will not allow for a real estate appraisal and closing with title insurance?
- A7:** If real estate security is available, it will be required as primary security.

CL Program Frequently Asked Questions (Continued)**D Security (Continued)**

- Q8:** If a landowner does not want to give us a mortgage on the property, can the tenant offer other collateral as security?
- A8:** Yes. In this case, chattel security is acceptable if the tenant does not have real estate to offer as security.
- Q9:** During the teleconference on September 21, 2010, it was stated that a lien is not required on nonessential assets unless these assets are needed for the 150 percent requirement; however, 3-FLP, subparagraph 91 E provides the value of nonessential assets will not be included as part of the 150 percent requirement. Do we take nonessential assets to meet above the 100 percent security requirement?
- A9:** All CL's must be secured up to 150 percent of the loan amount, if additional security is available. If this can be accomplished without taking nonessential assets, then a lien on nonessential assets is not required. However, if the 150 percent security margin cannot be reached without taking a lien on nonessential assets, then a lien on nonessential assets will be required to reach the 150 percent requirement.
- Q10:** Is FSA-2040 required on streamlined CL's if livestock and equipment are taken as security?
- A10:** Yes, FSA-2040 is required. Most of this information, such as number of animals, etc., should be on the balance sheet and on the security agreement.
- Q11:** Should Field Offices notify potential purchasers according to 4-FLP, paragraph 102 if the loan was processed as a streamlined CL application?
- A11:** Yes, potential purchasers must be notified when FSA has a lien on crops and/or livestock.

E Servicing

- Q1:** Are CL's eligible for disaster set-aside?
- A1:** Yes.
- Q2:** What if the CL borrower quits farming before all installments have been paid. Is he or she considered to be in nonmonetary default?
- A2:** Yes, he or she would be in nonmonetary default. CL is considered a program loan with some differences from other program loans (test for credit, graduation, streamlined application, etc.), but the requirement to operate the farm (within the criteria of 4-FLP) is not 1 of the differences.

CL Program Frequently Asked Questions (Continued)**E Servicing (Continued)**

Q3: With no graduation requirement for CL's, what changes are to be made to FSA-2026 (Promissory Note), FSA-2028 (Security Agreement), and FSA-2029 (Real Estate Mortgage/Real Estate Deed of Trust) used for a CL to remove the graduation language?

A3: FSA-2026 and FSA-2028 have been revised to reflect that the graduation clause does not apply to CL. OGC has advised that revision of FSA-2029 is not necessary, FSA will simply **not** enforce the graduation requirement included on FSA-2029. Additional guidance obtained from your Regional Attorney should be addressed in a State supplement to the appropriate national directives.

Note: See subparagraph F, question 7 for additional guidance about using FSA-2028 in FBP.

F Miscellaneous

Q1: If the loan is for conservation practices related to continuous CRP, will we take an assignment on the signing incentive payment and practice incentive payment?

A1: Yes.

Q2: If non-NRCS funds are being used as C/S for an NRCS project, should FSA reduce loan funds by the amount of the expected C/S?

A2: As provided in 3-FLP, subparagraph 173 B, the borrower must agree to repay duplicative conservation benefits. Therefore, FSA should either reduce the loan amount or file an assignment to obtain the C/S payments. It is not necessary to reduce the loan amount or file an assignment for proceeds that are not "duplicative financial benefits or assistance." For example, if a relative gives the applicant money, the proceeds are not duplicative benefits and duplicative benefits repayment would not apply.

Q3: In trying to close CL, discrepancy code of 77,77,77,77 was received. What generated this discrepancy code?

A3: Presently, PLAS is unable to accept TC 1F for CL's. Field Office users should be able to process the TC 1F in PLAS soon. In the meantime, complete the DLS Loan Making Closing Screen and CLICK "Save". The closing date will show on the Application Processing Report the next day. When notified that PLAS can accept the TC 1F, submit the transaction (1F) to PLAS through DLS. Check the application report for all closed CL's to know which ones to send to PLAS. Detailed guidance will be provided when TC 1F is available for CL.

CL Program Frequently Asked Questions (Continued)**F Miscellaneous (Continued)**

Q4: Can CL be obligated subject to the completion of the conservation plan?

A4: No, the conservation plan is part of the complete application.

Q5: Can direct CL funds be used to refinance bridge loans from other lenders if CL funds were depleted at the time of loan approval?

A5: No.

Q6: How will we be able to identify the “CL streamlined” loans on FBP Data Manager Reports since they use the same credit presentation as all other direct loans?

A6: Clearly identify “CL” and “CL streamlined” in the “Description” field of the credit presentation and all other forms used in FBP. The “Description” field can be added if necessary to the Data Manager Reports.

Q7: The latest version of FSA-2028 (Security Agreement), which excludes CL’s from the graduation requirement, is not in FBP. Can we continue to use the current FBP version of FSA-2028?

A7: Yes. The National Office is working to update FSA-2028 in FBP.

Q8: Should FSA-2150 (Development Plan) be prepared for all CL’s that involve earthwork, structures being built, or even tree plantings?

A8: Handle CL construction like any other construction project financed by FLP. If NRCS has approved a project on NRCS-CPA-1155, there should be specifications that go along with the project that may be used instead of FSA-2150. However, if NRCS is not going to provide C/S funding for the project, then the information on the Toolkit plan document may not be sufficient to fulfill FSA’s information needs. In that case, FSA-2150 should be used. If the applicant has had professional design or engineering work done, those documents can be attached to FSA-2150 as documentation. FSA-2150 needs to only include information not provided in the project design documents.

Q9: Do CL’s count toward State performance goal calculations?

A9: We incorrectly stated CL’s would not count toward performance goal calculations during the September 21, 2010, teleconference. CL’s will be included in the calculations.

CL Program Frequently Asked Questions (Continued)**F Miscellaneous (Continued)**

- Q10:** Is NRCS-CPA-1156 acceptable documentation instead of NRCS-CPA-1155? Based upon conversations with NRCS, NRCS-CPA-1156 is a “revised” contract and updates the original NRCS-CPA-1155.
- A10:** Yes, NRCS has advised that NRCS-CPA-1156 is also acceptable.
- Q11:** Do we complete a “D-Loan Making” credit action in addition to the “D-Loan Special Classification” credit action for streamlined CL’s?
- A11:** Yes. The “D-Loan Making” credit action is used for analysis documentation, collateral analysis, eligibility determination, and approval decision. The “D-Loan Special Classification” credit action is only used to classify the streamlined CL by assigning a classification score of 2.
- Q12:** Which credit score in FBP do we use as the Fair Isaac Corporation (FICO) score?
- A12:** The Experian score is the FICO score.
- Q13:** Are there any training materials to use in meetings and outreach presentations?
- A13:** The PowerPoint presentation that was sent to each FLC in an earlier e-mail can be used or modified for use with any audience.
- Q14:** Which classification do you use if a borrower with existing FSA loans was classified as a “3” during their year-end analysis, but qualifies for a streamlined CL that should be classified as a “2”?
- A14:** If the borrower has other FSA loans, the account should be classified according to 1-FLP, paragraph 252 (the above borrower would be classified as a “3”). Use the special classification of “2” addressed in 1-FLP, subparagraph 251 E only when a streamlined CL applicant has no other outstanding direct loans.

CL Program Frequently Asked Questions (Continued)

F Miscellaneous (Continued)

Q15: What is sustainable agriculture?

A15: Sustainable agriculture has many definitions within USDA and its individual agencies. The CL regulations identify acceptable forms for documenting an applicant who is transitioning to “sustainable or organic”.

Specifically, 1-FLP, subparagraph 45 M provides:

[7 CFR 761.210(a)] The following applicants and conservation projects will receive priority for CL funding:

- (1) Beginning farmer or socially disadvantaged farmer;**
- (2) An applicant who will use the loan funds to convert to sustainable or organic agriculture production system as evidenced by one of the following:**
 - (i) A conservation plan that states the applicant is moving toward a sustainable or organic production system, or**
 - (ii) An organic plan, approved by a certified agent and the State organic certification program, or**
 - (iii) A grant awarded by the Sustainable Agriculture Research and Education (SARE) program of the National Institute of Food and Agriculture, USDA.**
- (3) An applicant who will use the loan funds to build conservation structures or establish conservation practices to comply with 16 U.S.C. 3812 (section 1212 of the Food Security Act of 1985) for highly erodible land.**

Q16: Various pieces of equipment may be financed with CL funds, such as a poultry house windrower, precision agriculture applications of pesticides, no till planters, etc. Many of these items will not be listed on the NRCS cost list. Is FSA expecting NRCS to come up with the amount of money the applicant will need to borrow to purchase this equipment and is NRCS responsible for doing the research to come up with these costs?

A16: No, NRCS responsibilities do not increase when dealing with FSA CL applicants over any other conservation plan client.

CL Program Frequently Asked Questions (Continued)**G Questions Asked by NRCS Field Staff and Answered by NRCS National Office**

- Q1** It is possible that FSA would make loans on practices that a client may later want to participate in an NRCS C/S program for funding? Would there need to be a waiver in place for starting a practice early for a participant to receive payment for the practice?
- A1:** Clients can participate in the CL Program for any project that is part of an NRCS conservation plan. If the project is not currently part of an NRCS program contract, this would be a good time to discuss program options with the applicant to see if they are interested in any NRCS programs. Since FSA may approve a loan on the project before an NRCS program contract being obligated, applicants should be informed that starting a practice before the program contract is approved by NRCS renders an applicant ineligible for NRCS payment unless a waiver has been granted by the State Conservationist. Applying for, and receiving, approval for a loan does not make a participant ineligible for NRCS program payments.
- Q2:** Training material for the CL Program provides that customers must have an NRCS conservation plan to participate, and if an applicant does not currently have a plan, then FSA will send them to NRCS to get the plan. Does this mean FSA could send these customers to NRCS and we (NRCS) will drop what we are doing and write a conservation plan?
- A2:** National Bulletin 180-10-2 states, “development of the plan will be scheduled based on NRCS workload and will be scheduled along with other conservation planning considerations.” Planning for the CL Program is no higher priority than other planning being done at the Field Office level. The plans will be worked into the normal workload for the office.
- Q3:** Are HEL compliance plans acceptable for the CL Program?
- A3:** Yes, as long as the practice being applied for is included in the plan. One of the things targeted by FSA for this program is to “build conservation structures or establish conservation practices to comply with highly erodible land regulations.”

CL Program Frequently Asked Questions (Continued)**G Questions Asked by NRCS Field Staff and Answered by NRCS National Office (Continued)**

- Q4:** How far does NRCS go into the planning process when developing plans for the CL Program?
- A4:** Conservation planning should follow NRCS policy and guidelines and meet Field Office Technical Guide quality criteria. Planning for the CL Program should, at a minimum, address the land unit where the practice being proposed by the client will be applied and address the resource concerns leading to the client's need for the conservation practice. For the practice of no-till, the resource concern could be soil erosion and the plan should address this concern. As with all NRCS conservation planning, the plan is a documentation of the client's decisions and they can implement as much or as little of the plan as they want.
- Q5:** Will the "abbreviated" NRCS conservation plans developed in connection with the 39th CRP signup suffice as an NRCS conservation plan under the new CL Program?
- A5:** If the abbreviated conservation plan is approved by the producer and NRCS, and contains the practices being applied for in the loan application, it will suffice for documentation.
- Q6:** If a producer is not participating in a Farm Bill conservation program and is requesting a loan to fund practices identified in their Toolkit conservation plan, do the practices have to be designed by NRCS and/or meet NRCS standards and specifications upon completion? Obviously they would have to if the practices are cost-shared.
- A6:** As with any planned practice, the producer does not have to use NRCS services for practice design, layout, and checkout. Practices must be planned and applied according to NRCS standards and specifications.
- Q7:** Are all planned practices in active conservation contracts eligible for the CL Program? A contract that is 5 years old with uncompleted practices will not be very representative of what the practice will cost to install today.
- A7:** Yes. Any practice that is part of an approved NRCS conservation plan will be eligible.
- Q8:** It says in the training that "NRCS-CPA-1155 and/or Toolkit Plan" will be required for the applicant. A Toolkit plan alone is not going to have any reference to cost figures and would not give a good basis by itself for a loan amount.
- A8:** The loan amount should be determined by FSA and the participant.

CL Program Frequently Asked Questions (Continued)**G Questions Asked by NRCS Field Staff and Answered by NRCS National Office (Continued)**

- Q9:** Will NRCS be expected to provide information from producer EQIP/whip contracts directly to FSA?
- A9:** Documents can be provided to the participant or directly to FSA.
- Q10:** Will NRCS provide NRCS-CPA-1155 to FSA without participants' permission?
- A10:** If the participant has submitted an application for the CL Program, NRCS can provide documents to FSA.
- Q11:** Is FSA aware that costs for planned practices are estimates and the applied amounts could be different? In many cases, NRCS does not have the luxury of a design survey when writing the plan.
- A11:** FSA has been notified that designs may not be completed for the practices included in conservation plans.
- Q12:** How soon in the application process will FSA let NRCS know they need loan information from NRCS?
- A12:** Participants must submit NRCS-CPA-1155 or the Toolkit plan document at the time of application.
- Q13:** Is there a required response time from NRCS to an FSA request?
- A13:** No. There should not be much delay for documents that already exist. Any new conservation planning should be worked into the planning workload and delivered when completed.