



*Building Rural America*  
**National Association of Credit Specialists**  
of the  
**USDA – Farm Service Agency**  
Farm Loan Program Committee

**THE FARM LOAN PROGRAM COMMITTEE MET AT THE PATRIOT PLAZA III IN WASHINGTON, D.C., ON JULY 11-13, 2016, TO REVIEW RESOLUTIONS SUBMITTED BY THE MEMBERSHIP.**

**THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR ADOPTION:**

**Resolution 1**

**CONCERN:**

When processing restructures using eDALR, a writedown option is given at 110% debt service margin. However new loans are approved with 100% debt service margin. Additional approval conditions times take longer and appraisals add cost and result in restructure delays to the borrower.

**PROPOSED SOLUTION:**

Amend 5-FLP to require a 100% debt service margin for approval of loan servicing. Allow writedown to be an option only for plans needing to achieve 100% service margin. If eDALR determines a writedown scenario, let the borrower CHOOSE THAT OPTION before appraisals are ordered.

**Resolution 2**

**CONCERN:**

Most FLP forms lack clear instructions for completion or the information needed to be entered into each fillable field. For example, the instructions for form FSA-2232 available at the following link:

<http://fsaintranet.sc.egov.usda.gov/dam/ffasforms/forms.html>

The lack of instructions causes confusion for employees and users of the forms. The confusion can result in significant losses to the government because the forms were not completed with correct or accurate information.

**PROPOSED SOLUTION:**

All new, revised, re-issued, or modified forms must have detailed instructions on what is to be entered into each field of the form. All existing forms should have revised instructions completed and issued to users within 24 months of the acceptance of the resolution by the DAFLP. Recommend a task force be established for each FL program area to review and develop instructions for each existing form. The task force shall be made up of NACS members well versed in the program area from differing geographical regions (zones) and encompass states with diversified agriculture and judicial requirements.

### **Resolution 3**

#### **CONCERN**

FSA-2301, Request for Youth Loan, and FSA-2330, Request for Microloan Assistance, forms allow for minimal amounts of input information regarding the cash flow details and the balance sheet. The information provided by the applicant does not always provide adequate detail so a proper balance sheet and cash flow can be developed in Farm Business Plan.

#### **PROPOSED SOLUTION:**

Amend FSA-2301 and FSA-2330 to provide the following:

- More room to include all sources of planned farm income
- More room to include all planned farm operating expenses
- Provide great description regarding the information that is to be provided by the applicant
- Provide a block to indicate the name and address for non-farm income
- Add a block to each form to indicate the number of years of farming experience since the answer to this question is not always provided by the applicant

### **Resolution 4**

#### **CONCERN**

FSA-2313 includes a section pertaining to microloan interest rate. This is confusing to the borrowers who do not have a microloan as I have seen people check the box for the regular loans. The newly revised FSA-2313 includes borrower training requirements. The letter gives an option of checking the box for training required or waived. After the waiver box, the information regarding appealing borrower training requirement and a place to provide SED and NAD addresses is provided. It is more beneficial to keep important, pertinent information about the loan in front of the borrower and not bog them down with a lot of non-applicable extras. There is also a new block for Documents Required for Loan Closing. The forms instruction gives not guidance on what goes in this block. Are these documents we are requiring the borrower to bring to closing or are we supposed to list promissory note, real estate mortgage, budget, balance sheet, assessment, security agreement, assignment of insurance indemnity, etc.? The door is wide open for each loan official to include different information - some generic and some very specific - which will lack consistency.

#### **PROPOSED SOLUTION:**

Create options within the FSA-2313 so that optional language could be selected for inclusion or deletion as necessary for each specific loan.

### **Resolution 5**

#### **CONCERN:**

There is no method in DLS to determine if an EFT has been properly set up for a loan account. This can cause a paper check to be issued, creating a longer delay in getting loan funds and increased program costs for the issuance of the Treasury check.

**PROPOSED SOLUTION:**

Create an immediate validation in DLS that stops you from processing a 1C check request. This would give a "warning" to stop and verify the EFT to be certain that the loan is properly linked to the bank account.

**Resolution 6****CONCERN:**

When an entity applies for a loan, the individual members are required to fill out their individual information under part C of the FSA-2001. This section does not ask for the marital status of the individual. When you go to put the individual into MIDAS, marital status is a required field.

**PROPOSED SOLUTION:**

Modify the FSA-2001 to include a marital status field.

**Resolution 7****CONCERN:**

All Direct loan applications require the year the applicant started farming to be entered into the General Information section of DLS. However, FSA-2330, does not include a block for submission of this information.

**PROPOSED SOLUTION:**

Modify FSA-2330, Item 5, on page 4 of 7, and FSA-2001, Item 9, page 5 of 8, to include a should have small box asking for number of years farming and year started farming. Adequate space is available in position for Item 5 for small box. This will save time and effort for FLP staff and provide information placed by the applicant to be utilized.

**Resolution 8****CONCERN:**

FSA approves a consolidation of a guaranteed loan by executing a modification of the guarantee. There is no specific form reference to use for a modification of the guarantee.

**PROPOSED SOLUTION:**

Amend Paragraph 286C to read:

"The Agency approves the consolidation by executing FSA-2245. The modification....."

**Resolution 9****CONCERN:**

FSA Handbook 3-FLP was recently revised with the issuance of Amendment 24 (5-23-16) which changed paragraph 95-A by removing the following.

A real estate appraisal is required when real estate is taken as basic security and the amount of the loan to be secured by the real estate exceeds \$50,000.

For example, an applicant applies for an OL loan for refinancing. However, due to depressed market values for cattle and machinery, there is a collateral shortage of lets say \$30,000 or they do a smaller loan for a well and septic system for \$20,000. Is it a prudent use of limited PLCE funds to pay up to \$2,500 for a real estate appraisal to support a relatively small amount?

The requirement for the need of title clearance for loans over \$10,000 will still assure our required lien position

In addition this will cause additional delays in providing funds.

**PROPOSED SOLUTION:**

Reinstating the language before Amendment 24.

FSA Handbook 4-FLP Paragraph 119-A Appraisal Requirements for Subordinations should also revised to include similar language.

**Resolution 10**

**CONCERN:**

The Microloan and Streamline applications have the "Release of Information" built into the application. However, the section authorizing the release is on a different page than the applicant's signature.

Additionally, the FSA-2001 does not contain this type of release information language.

**PROPOSED SOLUTION:**

Format the Microloan and Streamline application to have the signature and the section authorize the release of information be on the same page. Insert the required legal language from FSA-2004 onto page 7 of FSA-2001. This will allow negate the necessity to obtain FSA-2004.

**Resolution 11**

**CONCERN:**

If a producer's loan payment date falls differently than the closing date of the loan. There is not a reference in the DLS customer profile that states the payment date

**SOLUTION:**

List the customer payment date in the DLS customer profile.

## **Resolution 12**

### **CONCERN:**

An increase in the number of FO loans being completed has created a need to complete more flood searches as per 1-EQ Par. 44 D. This subparagraph instructs FSA to consult FEMA's current flood insurance rate maps to determine if there is a floodplain.

### **PROPOSED SOLUTION:**

The FEMA website appears to provide all of the necessary information for FSA to make the flood plain determination. Additional training or a training guide be developed to assist FSA loan officials with completing the research on the FEMA site.

## **Resolution 13**

### **CONCERN:**

Currently we have no way of changing the borrower's payment due dates in the system without completing a full loan restructure using eDALR. For example, the borrower has a due date of October 1st annually; however, he markets grain in January due to better market pricing. This is an annually recurring event. We have no way of moving his payment from October 1st to January 1st to better suit the needs of his operation.

### **PROPOSED SOLUTION:**

Amend the regulations to add a servicing option to change payment due dates without a complete loan restructure. (i.e. revised note, allonge/modification, supplemental payment agreement, etc.).

## **THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR NON-ADOPTION:**

## **Resolution 14**

### **CONCERN:**

FSA loan applicants and borrowers are charged fees for loan making activities (credit report fees, lien search fees, lien filing, etc.) and loan servicing activities (continuation filing fees, lien search fees, etc.). The calculation of the exact cost of the fees and the collection of subsequent fees can be time consuming and administratively costly.

### **PROPOSED SOLUTION:**

Charge loan applicants a non-refundable application fee of \$100. This fee will generally be sufficient to cover all fees for the life of the loan. This will allow for timely filing and loan servicing and loan making. The applicant/borrower would remain personally responsible for the payment of fees for goods or services that are provided or performed by an outside vendor, such as real estate appraisals, title work, etc.

### **REASON FOR NON-ADOPT:**

The market we traditionally serve would not benefit from this \$100 fee. This puts an undue stress on an already underserved or stressed market.

## **Resolution 15**

### **CONCERN:**

FSA is lagging behind the commercial lending system in its treatment of delinquent accounts. Many customers need some additional financial incentive to make their payments.

### **PROPOSED SOLUTION:**

Impose a \$25 late fee when loan payments are received past the due date.

### **REASON FOR NON-ADOPT:**

While this fee could provide incentive to make the payment, it could be detrimental to accounts who are late for a variety of reasons.

## **Resolution 16**

### **CONCERN:**

The FMI for Form FSA-2313 states "If a loan applicant's loan package contains multiple loan requests, OMB and OGC requires a separate FSA-2313 for each loan request in a package."

As most loans are contingent upon one another, contain the same borrower responsibilities, closing conditions, and forms to be signed, the need to send multiple 5 page letters seems to be duplicative. This adds excess paperwork to the file and increases postage costs by sending 4-6 letters (2-3 originals and 2-3 borrower copies).

3-FLP does not include the requirement to send a letter for each loan.

### **PROPOSED SOLUTION:**

Revise Form FSA-2313 to allow multiple loan requests to be included in Part B (as a variable paragraph so it can be deleted if there is only one loan).

### **REASON FOR NON-ADOPT:**

A unique FSA-2313 is necessary for each loan as each one could have separate requirements for approval.

## **Resolution 17**

### **CONCERN:**

When growing crops are the primary collateral for an annual operating loan, there is no reference to required crop insurance coverage level in the handbook. A producer can obtain for example an annual operating loan in the amount of \$100,000 and have that loan completely secured by crops only with FSA listed as loss payee. If the producer then elects the lowest possible coverage level and they end up having a poor crop FSA is under-secured and the producer is left having to come up with the difference.

**PROPOSED SOLUTION:**

If FSA requires an assignment of indemnity on crop insurance as primary collateral, FSA should determine the coverage level of the insurance and then determine the amount of true security that will be able to be used.

**REASON FOR NON-ADOPT:**

FSA should be providing supervised credit to our customers and not managing their operations. Additionally, circumstances could dictate the level of crop insurance coverage available for each operation.

**Resolution 18****CONCERN:**

An increase in the number of FO loans being completed has created a need to complete more flood searches as per 1-EQ Par. 44 D. This subparagraph instructs FSA to consult FEMA's current flood insurance rate maps to determine if there is a floodplain. With newer technology, FEMA has placed the flood maps on its website. Unfortunately, the website is not user friendly, hard to read, difficult to locate subject property on, and make an accurate determination. The process of determining if there is a flood plain is a time consuming process for Farm Loan Program personnel. The banking industry also uses these services.

**PROPOSED SOLUTION:**

Utilize a service or company to complete flood searches for the Agency, similar to the service used by Rural Development. The cost is around \$18.00 and can be passed onto the borrower similar to the way credit report fees are passed on.

**REASON FOR NON-ADOPT:**

The FEMA website appears to provide all of the necessary information for FSA to make the flood plain determination. In lieu of expending customers funds for payment of the service or Type 60 money to pay for the service, additional training or a training guide be developed to assist FSA loan officials with completing the research on the FEMA site.

**Resolution 19****CONCERN:**

The customer profile is not showing previous debt forgiveness- guaranteed on GL borrowers who have had a loss to the government. Per 2-FLP Par 108(C). This information must be verified in order to determine eligibility. If there is question of a loss claim, the loan staff has to go into GLS and research this information. This requires looking at each loan and seeing if an amount is in the Total loss amount box because the loan list does not show an accurate description. This is time consuming.

**PROPOSED SOLUTION:**

Modify the customer profile in DLS to include all information regarding losses to the government from all Agencies.

**REASON FOR NON-ADOPT:**

GLS is intended to be the primary source for information related to guaranteed loans. Guaranteed losses, depending upon the loss type, were not intended to flow directly to the customer profile in DLS since the loss amount shown might not be a final amount.

**Resolution 20****CONCERN:**

More and more customers are requesting loan withdrawals via e-mail. As employees we are not allowed to manipulate FSA forms or letters.

**PROPOSED SOLUTION:**

Modify FSA-2306 to include e-mail with the telephone call portion or a make the response for request by electronic notification.

**REASON FOR NON-ADOPT:**

Email is written correspondence and can be used as a basis for the selection on the FSA-2306.

**Resolution 21****CONCERN:**

Although a definition for non-eligible enterprises is listed in 3-FLP, many applicants will use its vagueness to their advantage and argue/appeal when told about it.

**PROPOSED SOLUTION:**

Provide a list of common non-eligible enterprises such as alpacas, llamas, miniature cows, pot belly pigs, etc. to provide to borrowers as a definitive "no".

**REASON FOR NON-ADOPT:**

It is intended for the list to not be fully inclusive as eligible and non-eligible enterprises can vary from state to state and this will allow FSA the flexibility to make determinations specific to their area.

**Resolution 22****CONCERN:**

Handbook states we cannot consolidate loans secured by real estate. While this makes sense for FOs due to maturity/inability to reschedule, this should be an option for OLs as long as the consolidated loan is mortgaged by that real estate.

**PROPOSED SOLUTION:**

Allow consolidation of real estate secured OLs by adding language to the instruction that differentiates between FOs and OLs.

**REASON FOR NON-ADOPT:**

OGC has determined that this is not possible based upon the ability to foreclose with mortgages or deeds of trust.



## **Resolution 23**

### **CONCERN:**

The existing farm assessment is very good, but does not adequately address risk management.

### **PROPOSED SOLUTION:**

Update 1-FLP to encourage and promote risk management tools such as:

Buy/Sell agreements for entities;

Insurance for life/health/liability/business interruption (for livestock);

Crop insurance specifics (which most include somewhere);

Fixed rate financing vs. variable;

Lease terms (crop & livestock) written vs. verbal, length etc. (again many document this somewhere)

The list is not intended to all inclusive.

### **REASON FOR NON-ADOPT:**

These items can be addressed with the customers through other, possibly more effective, means of supervised credit or in another section of the farm assessment without adding another box in the form.

## **Resolution 24**

### **CONCERN:**

County offices continue to struggle with proper staffing and having the time as well as travel funds to research and obtain information held at the Register of Deeds. In many counties, this information is available online however access/membership fees apply.

### **PROPOSED SOLUTION:**

State offices negotiate and arrange a contract with Register of Deeds for statewide access to the online services. This will aid the workforce to be more efficient and effective with the information already available via the internet.

### **REASON FOR NON-ADOPT:**

This appears to be a state specific concern as these services or similar services are available in some states already.

## **Resolution 25**

### **CONCERN:**

On Form FSA-2242, Assignment of Guarantee, Item 11B does not have enough space for lenders to adequately describe the servicing fee as a percentage when there is a variable rate involved. An example of this is 1.31% until 1/1/2031 then reset to 1.14%. The lender is only able to insert 1.31% until and the box will not expand. This either forces the lender to have to type the form on a typewriter or will force FSA to spend valuable time preparing a letter, per the buyer of the note's request, stating what the correct servicing fees are at each point in time.

**PROPOSED SOLUTION:**

Expanding the length of field for item 11b would solve this problem and conserve valuable time on behalf of Lenders and FSA staff by not having to issue corrective letters in reference to these variable note servicing fee percentages.

**REASON FOR NON-ADOPT:**

This concern has already been resolved by National Office staff via the USDA Connect Technical Review Forum.

**Resolution 26****CONCERN:**

Often loans that mature with a balloon payment that producers cannot pay in a lump sum. Many of these balloon payments in Wisconsin are due to setting up a D-OL on an amortization that's longer than 7 years.

- A. Amortizations longer than 7 years are commonly used in Wisconsin on direct operating loans (D-OL) to help the cash flow of SDA and beginning farmers. Starting their cash crop or dairy ventures often requires large capital purchases in the first few years of business.
- B. Many dairy producers pay faithfully via dairy assignment each month and would continue to pay the same amount on the loan that matures with a balloon, but they go through a lengthy servicing application process.
- C. Many hours are spent to get a complete servicing application, run eDALR, and type a new credit presentation.

**PROPOSED SOLUTION:**

Add streamlined servicing requests as another Primary Loan Servicing Program under Part 4 of 5-FLP.

- A. Requirements
  1. Would need to meet all requirements outlined in 5-FLP paragraph 102 excluding item 102D
  2. Borrower must be current on all payments to all creditors, including the Farm Service Agency
  3. Has not experienced any significant changes to their operation since the closing of the original note
  4. Presents an updated, positive cash flow plan reflecting the ability for repayment to FSA and all creditors
  5. Did not receive primary loan servicing in the previous year
  6. Meets all other requirements and eligibility criteria for loan rescheduling as outlined in 5-FLP Part 4
  7. There have been no major changes to the original loan security, nor are there any pending security issues
  8. A note addendum will be completed that will continue the loan at the existing rate and payment schedule until paid in full according to the original amortization. Addendum will be attached to the original note.
- B. Application
  1. Completed application form
  2. Environmental information
  3. Farm Operating Plan for the next 12 months
  4. Current balance sheet

5. Prior 3 years of financial and production records
- C. Underwritten similar to streamlined OL's with pertinent information from the original note's credit presentation being carried forward, changes to cash flow and farm assessment will be updated, and the loan official will note that it is a streamlined servicing request.
- D. Benefits
  1. Save on personnel time with a simplified process
    - a) Not necessary to do all of the verifications
    - b) Not necessary to run eDALR
    - c) Expedited underwriting
  2. Reward customers for timely making payments with an easier application process (because we know how much farmers love paperwork)
  3. FSA's debt will be paid off at an accelerated rate because the debt will not be extended past the original amortization. This reduces losses to the government and opens up more opportunity for graduation.
- E. Negatives to this proposition: NONE

Note: If mortgages were taken as additional security and the maturity date was noted on the mortgage, states will have to work with their local attorneys on how to handle the mortgage.

**REASON FOR NON-ADOPT:**

It is a statutory requirement that primary loan servicing must be performed through the procedures of 5-FLP and using eDALR.

**Resolution 27**

**CONCERN:**

In accordance with Paragraph 352B of 3-FLP, it states that a loan can be approved subject to an acceptable appraisal to be received by the agency prior to loan closing showing adequate security is available for the loan to be issued. These conditions should be listed on the FSA-2313. Paragraph 352E goes on to say that if the conditions cannot be met that are listed on the FSA-2313 then the application is withdrawn and the applicant is sent the non-appealable letter in accordance with 1-APP.

If however, the appraisal is obtained before the loan decision is made and the appraisal shows that there is inadequate security for the proposed loan the loan will be denied and the applicant is given review rights in accordance with Paragraph 144B, 144C & 144E of 1-FLP which states that the applicant has the right to request an independent technical review to ensure the appraisal is USPAP compliant. This is also further clarified in Paragraph 42D of 1-FLP stating specific language that should be included in your denial letter if you deny the loan based off of inadequate security. In addition to that, this is addressed in 1-APP Paragraph 9A stating that a decision made based on appraised security has appeal rights.

**PROPOSED SOLUTION:**

Amend Paragraph 352E stating that if the applicant is unable to obtain an acceptable appraisal after the loan is approved subject to an acceptable appraisal the loan is denied and the applicant is provided its review rights as discussed in Paragraph 144B, 144C &

144E of 1-FLP. Along with the further clarification in Paragraph 42D of 1-FLP and Paragraph 9A of 1-APP.

**REASON FOR NON-ADOPT:**

The applicant still has the right to submit a new application and address the reasons why the loan could not be closed as approved.

Respectfully submitted by the 2015/2016 Farm Loan Program Committee.

Chantal Haun, Zone A

Denise Lickteig, Zone B Chairperson

Kimberly A. Eilerman, Zone C

Matthew Christian, Zone D