



Building Rural America
National Association of Credit Specialists
of the
USDA – Farm Service Agency

Farm Loan Program Committee

2015-2016 Adopted Resolutions

Resolution 1

CONCERN:

When processing restructures using eDALR, a write-down 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 write-down to be an option only for plans needing to achieve 100% service margin. If eDALR determines a write-down scenario, let the borrower **CHOOSE THAT OPTION** before appraisals are ordered.

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented.

The debt service margin and the method in which it is applied is specified in statute. All servicing options must be available up to a 110% debt service margin.

The requirement to give the borrower two restructuring options is not required by statute; however, the policy was put in place in response to the statutory limitation on one debt forgiveness. Presenting the borrower with two options allows the borrower to make an informed decision on the whether or not taking the debt forgiveness is in their best interest. Without a complete and accurate offer showing the amount of debt forgiveness (which requires an appraisal and SED approval) the borrower does not have the information needed and the offer cannot be made.

COMMITTEE RESPONSE:

After a discussion among the committee members, the committee accepts the National Office response.

If this resolution is resubmitted, it is recommended that it be separated into two resolutions; one for the debt service margin and one for the appraisal requirement.

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/Idam/ffasform1s/farms.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.

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented. FLP has and will continue to extensively utilize USDA Connect to involve field staff in the process of revising forms and their instructions. FLP believes that this is the best format to discuss forms, their instructions and edits with any Association member, and provides the most input from all stakeholders

COMMITTEE RESPONSE:

After discussion with personnel from National Office, it was requested that a public forum be created in USDA Connect specifically for forms and instructions. And that USDA Connect be better publicized to the field staff if that is to be the main channel through which these items will be discussed. Additionally, the committee requested an improvement of the instructions on forms that already exist. The National Office would like for us to follow up with some examples of forms that lack clear instructions. The committee will be compiling some examples and forwarding them to Connie in the N.O.

The committee accepts this response.

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

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented. The Youth Loan and the Microloan Program are both specifically designed to require less documentation. FSA-2301 and FSA-2330 are abbreviated applications consistent with these reduced documentation requirements. We understand that there are instances when additional information may be necessary to make decisions, but those should be the exception rather than the rule. An application form is never intended to substitute for the applicant interview, during which additional information may be obtained, and documented in the Farm Business Plan.

COMMITTEE RESPONSE:

The committee requested that National Office revisit this issue and look toward a compromise. It was proposed that the Farm Business Plan Credit Presentation be updated to reflect the lesser amount of information collected in a FSA-2330 – make it mirror that of the Credit Presentation for a Youth Loan, where a separate balance sheet and cash flow doesn't have to be completed. National Office staff indicated that it would require a change to FBP, which requires money and approval. Connie indicated she would run it past Pixie Greer and follow up with us.

The committee accepted this response.

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-231 3 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.

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented. Specifically the form, or for that matter any form with OM-B approval may not be modified or changed in any form, including the use of inclusion or deletion sections. We are responsible for creating forms that may be utilized in all 50 states, Puerto Rico and Western Pacific territories. We understand that the form includes information which may not be applicable in all situations; check boxes are provided to allow flexibility. As for the information regarding loan closing documents, our policy is that this section should include the statement; forms as required to properly close and secure the loan, not a laundry list of forms.

COMMITTEE RESPONSE:

After a discussion was held with N.O. in regards to this resolution, it was decided that what was really needed was more clear instructions on how to properly complete this form. (See Resolution #2) It was indicated that further instructions would be forthcoming and that this could possibly be included in a future "Hot Topics" training.

The committee accepts this response.

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.

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented for the following reasons:

1. EFT is not set up in DLS, therefore no validation can be created per the proposed solution.
2. There is no way to do this through automation due to our systems (EFT and DLS or PLAS) not being connected. E.g., in order to validate a loan number through use of a web service there must be a connection made. Treasury and DLS do not have that capability.
3. Furthermore, part of the setup of an EFT account is to ensure that all data entered be verified as correct.

We are open to revisiting this issue in the future as system modernization occurs.

COMMITTEE RESPONSE:

The committee accepts this response.

After a discussion among the committee members, it was recommended that this be moved to the NACS IT Committee for further review and/or action.

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.

NATIONAL OFFICE RESPONSE:

We recognize that MIDAS requires FLP obtain personal information not required for an entity applicant, and understand that MIDAS will not accept inputs without fields being filled. With that said, however, FLP does not believe we should be increasing information obtained from applicants just to meet MIDAS requirements. Therefore, FLP will continue to work with FP to determine if changes can be made in the system as to how information is collected and entered.

COMMITTEE RESPONSE:

After a discussion with the National Office staff, it was decided that the best course of action would be to open this for discussion in a USDA Connect forum (See Committee Response in Resolution #2).

The committee accepts this response.

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.

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented. We believe the FSA-2001 and FSA 2330 both provide a place for these answers as part of the narrative. Furthermore the FSA-2330 was created to meet those needs for the majority of applicants while being a reduced application format, which remains an important part of the programs requirements. FLP will however reconsider this response based on input from the field by use of USDA Connect forms forum in the future.

COMMITTEE RESPONSE:

After a discussion with the National Office staff, it was decided that the best course of action would be to open this for discussion in a USDA Connect forum (See Committee Response in Resolution #2).

The committee accepts this response.

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....."

NATIONAL OFFICE RESPONSE:

We agree with this resolution and will revise 2-FLP.

COMMITTEE RESPONSE:

The committee accepts this response

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 let's 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.

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented.

The appraisal requirements were changed with Amendment 25, to allow all appraisals under \$50,000 to be done by evaluations, including those for subordinations and loans where the real estate security will be FSA's primary security. Therefore, this resolution has already been implemented for Loan Making.

Evaluations are sufficient for subordinations as the subordination reduces FSA equity and substantially increase the risk to the Government. We believe the current guidance in 4- FLP is appropriate and required to mitigate this risk.

COMMITTEE RESPONSE:

The committee accepts this response.

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.

NATIONAL OFFICE RESPONSE:

This resolution will not be implemented. The 2330 and 2314 were designed as stand- alone forms and for that reason the language was incorporated into them. That is not the case for the FSA-2001 and the use of the FSA-2004 is still required. The signature pages simply can't contain all the information, requirements and certifications the borrower is agreeing to upon

signing. This is why the applications all contain places for the applicants to initial on each page, indicating their agreement with and certification of those sections.

COMMITTEE RESPONSE:

After a discussion was held with National Office staff, the committee accepts their response.

The N.O. indicated that they do not wish for these forms to be disseminated on a regular basis and that we should be looking for other ways to verify debts/income. The use of these forms for such things should be the “exception and not the rule.” As such, they saw no value in reconfiguring the forms for this purpose.

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

PROPOSED SOLUTION:

List the customer payment date in the DLS customer profile.

NATIONAL OFFICE RESPONSE:

Payment due date information for a loan may be found under the Customer Status screen by clicking on the specific loan for more detailed information about each loan. On the Customer Profile screen, adding a column to display the payment due date for each loan is a change that will be added to future DLS enhancement requests to be implemented as funds allow.

COMMITTEE RESPONSE:

The committee accepts this response.

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.

NATIONAL OFFICE RESPONSE:

Additional training on how to use the FEMA flood rate maps is something that we can explore. We will look into whether this is best accomplished through a dedicated training session or if it would be more appropriate to include it as one part of a larger "Hot Topics" training session.

COMMITTEE RESPONSE:

The committee accepts this response.

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.).

NATIONAL OFFICE RESPONSE:

When making or servicing loans, agency officials are encouraged to discuss a borrower's operation with them in order to determine when a borrower will typically receive income and plan payments accordingly. Additionally, when considering changes to the terms of a loan, these changes and their overall impact on the operation are generally handled better through eDALR\$ as it can then more thoroughly review any issues with years remaining on a loan, changes in payments and that impact on any cashflow, etc.

COMMITTEE RESPONSE:

After discussion with the National Office staff, they agreed that this was something that should be on the "wish list" for revision in the next Farm Bill, as there are cases where this would prove extremely beneficial to both the FSA staff and the loan borrower. Mr. Radintz indicated that this is on their list and that they would do what they could to support the revision of statute in support of this concern.

The committee accepted this response.