



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

THE LOAN MAKING COMMITTEE MET AT THE ASTOR CROWNE PLAZA HOTEL IN NEW ORLEANS, LA, ON JUNE 24-26, 2019 TO REVIEW RESOLUTIONS SUBMITTED BY THE MEMBERSHIP.

THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR ADOPTION:

Resolution 1

CONCERN: Loan officials are unable to determine ineligible loans that exceed their approval authority.

In our area we have a much higher FO rate than other loans and they tend to be above the FLM limits. This means that when we need to deny applications (usually for eligibility issues) we have to send the file to the State Office and can only "recommend denial" in the field office. This adds on a minimum of 4 days (but up to 2 weeks in one instance) on to timelines which negatively impact the office's goals as well as add on unnecessary work for both field and state office staff. There should be no need for the State Office to review a denial because field staff are more than qualified to assess the eligibility on all files.

PROPOSED SOLUTION: Allow field staff to deny applications at any dollar amount based on eligibility for any type of loan.

Resolution 2

CONCERN: Having to enter the dollar amount and year for every single program on form CCC-36 (Assignment of Payment) & CCC-37 (Joint Payment Authorization) is inefficient and could lead to borrowers who are less than 90 days past due getting program payments.

PROPOSED SOLUTION: Improve the assignment/joint authorization form to be able to take a blanket assignment on all programs.

Resolution 3

CONCERN: The instructions for completing the FSA-2313 form are not complete which leads to the form being completed differently and incorrectly.

PROPOSED SOLUTION: Revise Form FSA-2313 (Notification of Loan Approval and Borrower Responsibilities) to be easier to understand and provide more detailed instructions regarding the completion of the form.

Resolution 4

CONCERN: When entering a new GL into GLS, it requires separate input of interest and principal repayment frequency. On the FSA-2211 and 2212 it only has one place for "Repayment Frequency" and does not split it out. Without prompting, most lenders will just put the principal repayment frequency even when it differs from interest.

PROPOSED SOLUTION: On the FSA-2211 (Application for Guarantee) and FSA-2212 (Preferred Lender Application for Guarantee), split the "Repayment Frequency" box into interest and principal to match GLS data entry requirements. This will prompt lenders to give us the required information to eliminate follow-up calls.

Resolution 5

CONCERN: Requirements for a complete DOL-ML application include verification of all non-farm income relied upon for repayment, but the application doesn't ask for the employer's name and contact information.

PROPOSED SOLUTION: Add the line items to the form.

Resolution 6

CONCERN: 11c of FSA-2026 form instructions states "For Farm Ownership loans and loan restructures, no more than 12 months may be used between the restructure closing and the instalment due date." This instruction actually does not appear in the handbook.

PROPOSED SOLUTION: Incorporate the form instruction language into 3 FLP paragraph 135c for clarity.

Resolution 7

CONCERN: Maximum Loan Authorities as outlined in 1-FLP, paragraph 29 (D) were recently revised in Amendment 181. Execution of the table outlined in paragraph 29 as written and following the example is resulting in an excessive number of loan requests being forwarded to our State Offices, overloading our State Farm Loan Specialists and Farm Loan Chiefs. The main concern lies in the interpretation of Limitation I, which requires both new and existing loans be counted in this limitation. The example given immediately above the chart (Paragraph 29D) requires that a \$100,000 direct OL loan request be sent to the State Office because the borrower has an existing \$600,000 direct FO loan. Even if the direct loan request is a small \$10,000 microloan, this example would require that the loan request be sent to the State Office for approval.

PROPOSED SOLUTION: Revise the paragraph and example to state that Limitation I refer only to the loan request or combination of requests. Then Limitations II, III and IV would include existing loans plus the new loan request or requests.

Resolution 8

CONCERN: The loan approval timeframe goals for both DL and GL are calculated from date received instead of date of complete application. Getting the information to make an application complete is many times outside of the FSA loan official's control. We can request the

information from the applicant and/or lender but we cannot force them to provide it in a timely manner. We should not be held accountable for things outside of our control.

PROPOSED SOLUTION: Calculate loan approval timeframes from the date the application is complete, for both DL and GL.

Resolution 9

CONCERN: The use of risk-based pricing varies a lot from lender to lender, and even from loan to loan within the same lender. Therefore, to meet the documentation requirements, we have to request this information every time. The lender has no good way to know to provide this information ahead of time, unless they are an experienced GL lender and have just learned over time.

PROPOSED SOLUTION: Include a section on the FSA-2211 (Guaranteed Loan Application) and FSA-2212 (Preferred Lender Guaranteed Loan Application) for the lender to state whether or not they used risk-based pricing on that loan and if so, to certify that they are offering the borrower one tier lower than they would have gotten without the GL.

Resolution 10

CONCERN: The job of completing Environmental Assessments has fallen largely on FLP loan officials. This burden falls upon loan officials, who are already over-burdened. This process has loan officials who are primarily financial experts, preparing Environmental Assessments. Environmental Assessments being completed by individuals with minimal training and no specific expertise in the field, exposes the Agency to unnecessary litigation risk.

PROPOSED SOLUTION: Work with our FPAC sister agency, NRCS, to complete Environmental Assessments. They are experts in the field and have personnel in almost every USDA office who are better trained and could complete the work.

Resolution 11

CONCERN: The FSA-2302 (Description of Farm Training and Experience) and the FSA-2370 (Request for Waiver of Borrower Training Requirements/Borrowers Training Assessment) are somewhat repetitive. Our DL application is already several pages long, and streamlining it in any way would be beneficial to both FSA and the applicants.

PROPOSED SOLUTION: Combine the FSA-2302 (Description of Farm Training and Experience) and the FSA-2370 (Request for Waiver of Borrower Training Requirements/Borrowers Training Assessment) into one form that gives the applicant the opportunity to list education/training/experience and to request a waiver of borrower training requirements. Include a section for the loan official to approve/decline the request.

THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR NON-ADOPTION:

Resolution 12

CONCERN: When we need to gather information from a non-applicant to put into MIDAS so they can carry over to the security agreement (such as a non-applicant spouse in community property state), cosign on a youth loan when required by 3-FLP Par 228, or similar situations. The AD-2047 has some but not all the information we need to put the non-applicant into MIDAS, it does not have marital status, race, veteran status, date of birth, and Hispanic or not Hispanic or Latino. This is a common problem we encounter in our office in northeast Arkansas.

PROPOSED SOLUTION: Develop a form or amend AD-2047 to capture the information farm loan programs needs to properly complete the addition of a non-applicant into MIDAS when the need arises.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: A link is available in FBP to add an individual who is not in MIDAS.

Resolution 13

CONCERN: Using the GLS system to create EFTs is cumbersome and not user friendly.

PROPOSED SOLUTION: Develop an FSA-owned system or add on to an existing system for the creation of EFTs.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Move to IT.

Resolution 14

CONCERN: Borrower training, especially financial training, can be really beneficial to farmers who don't have an ag degree. However, the vendors available are severely lacking. In GA there are two in-person vendors but both are focused in the southern part of the state and it would require the farmers to travel and incur extra expenses to be able to attend. Another of the vendors has a phone number that is out of service. The other two are expensive and do not have great reviews.

PROPOSED SOLUTION: #1. FSA should partner with extension and develop it's own borrower training to be provided on the new Farmers.gov site. They could charge a nominal fee (\$50?) and provide it for anyone to take, but especially for our farmers to take to meet the requirements.

#2. Train FSA staff to be able to hold their own trainings in their offices once a year to meet the requirement.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: National vendors are available and this is a state issue as each state could seek out their own training programs.

Resolution 15

CONCERN: Currently the FLP loan Making Division Goal Setting Methodology for Direct Loan Processing Timeliness states that direct loan processing will be measured from receipt of application to first disposition. The goal as everyone knows is roughly 30 days. 3 FLP Par. 41 A states that no Agency Official will discourage an applicant to apply for a loan. The handbook also gives the applicant knows 20 days to submit a complete application for the first incomplete letter and 10 days for the second letter. So essentially the 30-day goal could easily be surpassed by no fault of FSA's before we even have a complete application. The enforcement of goals encourages loan officials to work the system and get an application completed before the applicant turns the application which works in some areas but not in others. Operating in this manner opens the government up for an applicant to say that FSA discouraged them to apply until they had an application complete which would be in direct violation of 3FLP Par. 41A. We are seeing more and more applications simply mailed in, so offices that have applicants mail in applications are at a distinct disadvantage in the timeliness of their application processing timeframes as they are told to accept the applications when submitted.

PROPOSED SOLUTION: Direct loan processing timeliness should be figured from the date of complete application to first disposition.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Captured in Resolution 9.

Resolution 16

CONCERN: The fiscal year farm loan programs goals for guaranteed loans are determined unfairly. The application processing is from the date of receipt of the loan application to the date of disposition. This is unfair to the FSA loan staff as we have no control over how long it will take a guaranteed lender to return items needed for a complete application. For instance, Sharp County guaranteed loan making is 17.45 days from receipt to disposition. If this were to be based off when the application is received complete, Sharp County would have a processing time frame of 3.94 days. This is a substantial difference and I feel like this is what we should be judged on, as this is what is under our control for the most part.

PROPOSED SOLUTION: Base the farm loan programs goals for guaranteed application processing on complete application date to date of disposition. This will most accurately reflect office processing times.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Captured in Resolution 9.

Resolution 17

CONCERN: Operations are getting more and more complex especially with guaranteed loans. When we do direct FO's or OL's we need a balance sheet on all members of the entity and all entities. The checklist on the back of the FSA-2211 for guarantees just tells the lender to provide a balance sheet for the entity and all individual members of the entity. But it does not tell them to provide a balance sheet for all entities owned it only tells you to provide one for the entity that applied for a guarantee. So, in some cases we are missing a huge part of the story.

PROPOSED SOLUTION: The checklist on the back of the FSA-2211 should state that the lender shall provide a balance sheet for the business, a balance sheet for all individual

members of that business and then a balance sheet for all businesses owned by the individual members of the business.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Information is reflected on an individual's balance sheet and additional information can be requested as needed.

Resolution 18

CONCERN: Amendment 181 to 1-FLP added an example to paragraph 29D (page 2-19) that is contradictory to the language preceding it. The example asks the loan approval official to combine loan types when using Limitation I. The preceding paragraph instructs to review if each loan in the given row is within your authority. Combinations of loans for multiple loan types is not addressed in the chart until Limitations II, III, and IV. Using the example to determine loan approval authority is not an accurate interpretation of the chart. This example creates an undue hardship on loan approval officials with SED approval authority.

PROPOSED SOLUTION: Remove the example and follow the chart as directed in the initial text paragraph of paragraph 29D.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Captured in Resolution 8.

Resolution 19

CONCERN: Amendment 181 issued 05/17/19 created an example for the newly established approval authorities in 1-FLP Paragraph 29D. The example is not consistent with the interpretation Kentucky has been using as the chart itself seems to differentiate OL from FO and vice versa.

PROPOSED SOLUTION: Change "Direct FO+SW+CL" under Limitation I to "Direct FO+OL+SW+CL" to be more consistent with the example provided.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Captured in Resolution 8.

Resolution 20

CONCERN: Form FSA-2001, "Request for Direct Loan Assistance" can be confusing for our customers. No matter if the applicant is an individual, a married couple or an entity, there will be at least 2 blank pages with each application. Many applicants fill out the first page and later realize that they need to fill out page 2 or pages 3 & 4. Unless the applicant is an individual, the first page of the form should be blank, which is not ideal.

PROPOSED SOLUTION: Revise the form to have 3 separate versions of the form. There could be a 2001-I for Individual applicant, a 2001-M for Married applicants and a 2001-E for Entity applicants. By making this simple change, there would be no confusion for FSA applicants on what pages to be completed for the application.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Solution is not reasonable by creating three new forms. National office will not support this idea.

Resolution 21

CONCERN: Direct Loan Making produces an error when processing a check request that causes total indebtedness to exceed the statutory limit for microloans. The error reads "Microloans has a maximum limit of \$50,000. Our records show that the loan amount requested plus applicable outstanding principal balance \$xxx, will exceed the combined maximum loan limits. Remaining amount is \$xxx." This creates issues and unnecessary delays. The borrower is impacted as they have to wait 10 days for an account correction by finance office before funds can be disbursed. Less impactful but also an issue is TOA codes on the promissory note then have to be corrected because often the error isn't realized until the check is ordered after closing.

PROPOSED SOLUTION: The "hard stop" should be at obligation which would greatly increase efficiency and decrease wait times and resources for TOA corrections. With the error occurring at the obligation step, agency personnel can simply change the TOA and resubmit to PLAS. Borrowers no longer have to wait 10 days for finance office to correct TOA codes and would not be aware of the original mistake. This action would be similar to obligating "regular" loans exceeding statutory limits. State office personnel could override it if for instance the microloan principal would be paid down at or before closing.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Second party review by referring to 1-FLP Exhibit 16.

Resolution 22

CONCERN: FSA-2026 form instruction doesn't allow the first payment on an FO beyond 12 months. If the borrower is on a certain "payment cycle," the FO closing date may be inconvenient relative to when his or her other payments are due.

PROPOSED SOLUTION: Allow additional accrued interest on the first instalment. While the first payment may occur outside the first 12 months, the additional interest on the principal balance is accounted for per the handbook. This also keeps the long amortization period on schedule.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: It is possible to do an interest only payment the first 12 months and have equal payments on the desired date.

Resolution 23

CONCERN: Form FSA-2370 does not currently have a place for a name or signature or initials and date for the reaffirmation of the continued waiver of borrower training.

PROPOSED SOLUTION: Revise Form FSA-2370 to add a signature and date block for the continued waiver of borrower training.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: Form Instructions provide guidance to enter a checkmark to indicate the outcome of loan official's assessment of borrower's current training needs and status.

Resolution 24

CONCERN: The change in the loan approval limits prohibits loan officials from denying loan applications when feasibility is an issue. As a result, this has increased the workload of our state Farm Loan Specialists and Farm Loan Chiefs at a time when bankruptcies, foreclosures, debt settlements, guaranteed loan losses and inventory property management cases are also at an increase

PROPOSED SOLUTION: Provide loan approval officials unlimited disapproval authority for loan applications.

MOVED TO NON-ADOPT ON THE CONVENTION FLOOR

Resolution 25

CONCERN: The required items listed on the 3-FLP Ex7 "INFORMATION NEEDED FOR A COMPLETE LOAN APPLICATION DETERMINATION" item #15 provides that for a complete application an "AD-1026, 'Highly Erodible Land Conservation and Wetland Conservation Certification'" is required. However, the AD-1026 according to the CP handbooks which requires the 1026 to meet the requirements for which it is intended to be filed with the applicable recording county (FSA County Office) with the farms associated to which the producer will conduct their farm operation. This notification indicates that one is needed. It has no value to FSA to be in the FLP file.

PROPOSED SOLUTION: Ensure that Exhibit 7 and future guides provide instructions to the applicant that the AD-1026 must be filed with their applicable recording county with all farms associated with the operation being listed. For example: Visit your local FSA office in which your headquarters is located and ensure that you have an AD-1026 [Highly Erodible Land Conservation and Wetland Conservation Certification] on file with all lands you intend to conduct your farm operation as applicable.

MOVED TO NON-ADOPT ON THE CONVENTION FLOOR

Respectfully submitted by the 2018/2019, Loan Making Committee:

Zone A - Amanda Robertson

Zone B - Jason McMillin- Chairperson

Zone C - Tiffany Grody

Zone D - Nicole Cleggs-Burns