



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

THE FARM LOAN PROGRAM LOAN MAKING COMMITTEE MET AT THE MENGER HOTEL IN SAN ANTONIO, TX, ON JUNE 25-27, 2018 TO REVIEW RESOLUTIONS SUBMITTED BY THE MEMBERSHIP.

THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR ADOPTION:

Resolution 1

CONCERN: If a loan is in conjunction with EQIP, the EQIP contract will be considered the additional security needed to meet the 150 percent requirement. The instruction omits Conservation Reserve Program (CRP) and Emergency Conservation Program (ECP). CRP or ECP can cost-share similar projects to EQIP (IE: fencing). However, a loan made for these projects cannot consider the contract payment as security

SOLUTION: Expand the note in 3 FLP PAR 91 C to include all USDA program payments.

Resolution 2

CONCERN: The FSA 2003 3 Year Production history is a little confusing to beef operators to fill out. The most common question is where do I put heifers held for replacements.

SOLUTION: Format the form to include a line for replacements as follows:

- A. Units Raised
- B. Units Purchased
- C. Total Units
- D. Death loss
- E. Replacements
- F. Units Sold
- G. Purchase weight
- H. Sales weight

In this format, it allows the borrower to put a number in order. Total calves-death loss-replacements=units sold.

Resolution 3

CONCERN: 3-FLP para 135C and instructions for FSA-2026 don't allow for the 1st payment on an FO to be in the 1st 18 months as is allowed for OL, youth and CL.

SOLUTION: Amend the handbook to allow FO repayment schedule to include equal or unequal payments.

- The first payment is due when income is received or within 18 months.
- After the initial payment, payments are scheduled annually
- Annual installments must cover, at a minimum, the accrued interest.
- Annual installments may be collected by assignments and supplemental payments.
- If unequal or interest only installments are scheduled, the applicant must be able to show that there will be sufficient resources available to pay the loan in full by the final maturity date.

Resolution 4

CONCERN: Item 7B on the CCC-185 asks for the "Legal Owner of the Real Estate". Item 8 asks for the "Name of Owner of Real Estate". This seems to be a redundancy.

SOLUTION: Remove Item 8 from the CCC-185.

Resolution 5

CONCERN: The CCC-185, Loan Application for Farm Storage Facility Loan Program, does not capture all of the information needed to complete the loan processing

SOLUTION: Modify CCC-185 to include blocks for the following information:

- Year started farming
- Existing storage capacity, in bushels or square feet, etc.

Resolution 6

CONCERN: The Current Version of the FSFL application form does not collect all of the required information necessary to update/input into MIDAS.

SOLUTION: Update the form to collect all of the required information for input into the automated processing I.E. Spouses information as applicable, Social Security Number, Birth date, Veteran Status, race, gender, email address, etc.

Resolution 7

CONCERN: Item S of form FSA 2103 is misleading as written and when compared to the instructions and intent of the question.

SOLUTION: Revise the wording on Item S of Form 2103 to read: Was collateral for the loan taken in accordance with the provisions set forth in 3 FLP?

Resolution 8

CONCERN: On the FSA 2001, item 8 of part C, asks the customer to provide the number of years of farming experience. FBP asks the year the customer began farming. Form FSA-2330 does not ask for years the customer began farming.

SOLUTION: Change the wording on the FSA-2001 and add the wording on the FSA-2330 to read as follows: Please provide the year you began farming along with a brief description of your experience in additional comments.

Resolution 9

CONCERN: An applicant can receive an FSFL if they have received debt forgiveness from FSA (FLP or FP).

SOLUTION: Change the handbook so that anyone who has received debt forgiveness from FSA (FLP or FP) is not eligible for an FSFL.

Resolution 10

CONCERN: With the FPAC goal of providing online application capability, there is a concern that the applicant may never meet with a loan official face-to-face.

SOLUTION: Require a face-to-face meeting with the loan official as part of accepting the application and prior to loan approval keeping in mind we are supervised credit.

THE FOLLOWING RESOLUTIONS ARE RECOMMENDED FOR NON-ADOPTION:

Resolution 11

CONCERN: The FSA 2330 does not ask the customer to provide any information to determine when they began farming. However, you are still required to enter a year in FBP.

SOLUTION: Add an additional question in Part G of FSA 2330 to ask: Are you currently farming or have in the past? If yes provide the year you began farming and a brief explanation of your experience in Item 9.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: This concern is addressed in a separate adopted resolution.

Resolution 12

CONCERN: FSA completes the FSA 2360, "Report of Lien Search", prior to closing loans secured by chattels. In the past FSA (in our state) has checked records for 10 years, however, the handbook does not state that FSA checks records for 10 years. It is my understanding that

years ago there were state amendments that addressed the timeframes for judgments most likely based upon state law.

PROPOSED SOLUTION: Each state should issue a green sheet for 3 FLP Paragraph 417 A addressing the timeframe that the lien search covers.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: The committee feels that this is a state issue and each state has their own ability to issue state supplements if they feel it is necessary.

Resolution 13

CONCERN: Loan closings involving title companies. When closing a loan and sending loan funds as an ACH transaction they are being sent back by the title company. The title company considering the transaction as non-secured. Most title companies want a wire transfer and will not accept the ACH. This is causing a delay in loan closing and making it difficult to set a closing date for all parties involved.

PROPOSED SOLUTION: Propose to change the way funds are transferred to title companies and have reliable options of sending funds to closing agents. Being able to send a wire transaction further reduce this problem.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: The handbook states that “the electronic funds transfer process, followed by Treasury checks is the Agency’s preferred method of loan funds disbursement.” Additionally, the office has the ability to select a different title company that will accept ACH.

Resolution 14

CONCERN: As of July 1, 2017, credit bureaus are no longer reporting/listing tax liens or civil judgments. This causes a concern for creditors as the removal of these items falsely inflate borrower's credit reports while also eliminating information needed for an effective analysis of applicant's creditworthiness and may impact feasibility of applications.

With the removal of these items from the credit report, it will necessitate physical searches of courthouse records or ability to subscribe to a central reporting system used by some county courts.

SOLUTION: 1) Where in use, allow for government subscriptions to the on-line systems of county records. Would need to allocate additional funds and resources to accomplish.

2) If physical searches are to be completed, will need additional staffing and resources (travel/staff/training) in order to complete. For example, our office covers 17 counties, with an average travel time of 60-90 minutes one way to the various different county courthouses. If expected to complete physical searches to investigate civil judgments, will need to allocate additional time/staff/resources in order to complete properly.

3) Have ability to contract with 3rd party to complete lien searches of county courthouses. Once again will need to allocate additional funding and resources to properly complete and monitor.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: County offices are already supposed to be completing county lien searches as part of loan processing. There are some counties that provide free access to county records online. In the event a county cannot obtain a reliable search online, the county office has the ability to either have the customer go and obtain a certified search from the county clerk, have a title company complete the search, or work with their state office to obtain a subscription to the online record search. Given the current budgetary conditions, the ability to obtain additional personnel is limited.

Resolution 15

CONCERN: In this instance I approved a \$15,000 loan for a borrower to purchase a \$25,000 grain trailer (He was using cash for the remaining balance). I clearly defined in the loan conditions that the trailer purchased shall provide at least 100% security for our loan. I did not perform a chattel appraisal and was told during underwriting that I was required to do a "To Be Purchased" chattel appraisal. I feel this is unnecessary as the piece of equipment is not yet clearly defined, FSA is secured, and the piece of equipment was not able to be physically seen in order to do a chattel appraisal. 3-FLP Par. 95A eludes to when an appraisal is necessary and 95B eludes to when it is not. The sections reference to 1-FLP 761.7 which instructs the loan official how to do a chattel appraisal and it clearly states that physical inspection of the chattel property is required unless a written exception is provided. To Be Purchased items which are not clearly defined and cannot be viewed however is not a situation in 3-FLP Par. 95B where it states the situations where appraisals are not required.

SOLUTION: In order to avoid confusion and provide further clarification I feel that we should add a situation to 3-FLP Par. 95B that states that "chattels to be purchased which are not yet clearly defined and cannot be physically viewed"

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: 3 FLP Para 95 A identifies that an appraisal is to be completed when the item can be specifically identified; therefore, when the item cannot be specifically identified, an appraisal would not be required.

Resolution 16

CONCERN: Borrower training in financial management is required for new producers who have not had formal training. An agreement to complete training is signed at loan closing giving 2 years to complete. However, often the borrower will find a suitable course that meets all requirements of Par. 492 C of 3-FLP from someone who is not an approved vendor. Because they are required to take training from an Agency approved vendor per Par. 473 B, they may be spending money on a course that is far less beneficial than one taken elsewhere.

SOLUTION: Allow the loan official to consider the borrower training course completed if evidence can be provided that a course covering all aspects of an approved vendor course has been completed. Completion of valuable training should be the end goal, not just merely completing one of the Agency approved courses because that is what we require. Credit for the training should be given for finding a similar, comparable course.

Par. 473 allows the agency official to waive previously required training if the applicant has received multiple extensions for unusual circumstances if comparable training has been

received. This should be expanded to allow the agency official to waive previously required training if comparable training has been received regardless of number of extensions or circumstances for the extensions.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: A vendor for borrower training services must apply to the Agency for approval. If we were to allow an agency official to mark completion of borrower training by virtue of a customer taking a non-approved vendor course, that would then circumvent the approved vendor list. Additionally, the new vendor has the option to apply to become an approved vendor.

Resolution 17

CONCERN: FSA-2103 item S reads "Was security adequate for the loan?" The definition per exhibit 2 of 3 FLP states "adequate security means property which is required to provide a security value at least equal to the loan amount." Kentucky state office claims the item does not refer to "adequate security" but rather "appropriate security" based on the form instructions. This creates confusion for what is considered adequate security and additional security as they relate to this item. The item is confusing as written but also very important as it is a critical item.

SOLUTION: Change the word "adequate" to eliminate contradiction to the term "adequate" as defined in exhibit 2 of 3 FLP.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: The instructions on FSA 2103 clearly states "Security requirements for OL, FO, and EM loans are set forth in 3-FLP. The reviewer should ensure that adequate security for the loan has been obtained considering the loan type, and the purposes for which the loan funds are being used." Appropriate security is not discussed.

Resolution 18

CONCERN: The current statutory process for projected yields to be used in cash flow planning.

SOLUTION: Ask for a technical correction to allow for the use of RMA APH yields where available. This would streamline the process to provide and provide for consistency and equitable treatment between agencies that are part of FPAC.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: The concern is vague and without additional information the committee is unable to recommend appropriate action.

Resolution 19

CONCERN: National office has three people with obligation authority for 50 states. If two of them are out and systems go down or something, funding is delayed for field office use.

SOLUTION: Maybe National Office could delegate more FLP Personnel to have the capability to assist the funding group especially during the heavier part of loan season and/or limited funding.

EXPLANATION FOR NON-ADOPTION BY THE COMMITTEE: This is a national office departmental management issue.

Respectfully submitted by the 2017/2018, Farm Loan Program Loan Making Committee:

Rebecca Padilla, Zone A

Heather Cox, Zone B - Chairperson

Jeffery Jones, Zone C

James Jackson, Zone D