



Farm Service Agency

Guaranteed Lender Eligibility and Status

FACT SHEET
August 2019

Overview

A guaranteed loan allows a USDA-approved commercial lender to issue and service a loan, while the Farm Service Agency (FSA) guarantees the loan against losses, typically up to a maximum of 90 percent. In some circumstances, including loans to beginning farmers and socially disadvantaged farmers, a 95 percent guarantee is available. FSA reviews all loan guarantees for approval and provides oversight of lenders' activities.

Lenders who are subject to credit examination and supervision by an acceptable State or Federal regulatory agency and have experience in agricultural lending are eligible to participate in all FSA Guaranteed Farm Loan Programs. Lenders not subject to traditional credit examination and supervision, or who have little or no experience with agricultural loans, may qualify as Micro Lenders (MLP) and make loans under the EZ Guarantee Program. Lenders who have a positive track record of participation in the program may participate in one of FSA's status lender programs, the Certified Lender Program (CLP) and Preferred Lender Program (PLP). Once lenders are approved by FSA as a CLP or PLP lender,

they may process loans under the reduced paperwork and supervision requirements afforded to the respective status lender program.

Standard Eligible Lenders

The basic level of participation in the FSA Guaranteed Farm Loan Program is Standard Eligible Lender (SEL). SELs must be State or Federally regulated, have agricultural lending experience and the capability to make and service requested loans. SELs are also expected to have a business office or representative located in the area where loans will be made to allow for adequate loan servicing. The lender or its officers also must not be debarred from participating in government programs or be delinquent on federal debt.

Certified Lender Program

The Certified Lender Program (CLP) permits lenders with a proven track record in making and servicing guaranteed agricultural loans to operate under a streamlined origination and servicing process. Information submitted to FSA for approval is reduced under the CLP program.

To be eligible for CLP status, the lender must meet the eligibility requirements of a SEL. Additionally, the lender must also have a loss rate that does not exceed seven percent on loans closed in the past seven years and have made a minimum of 10 FSA guaranteed loans in their history, five of which need to have been completed in the past two years. Lenders must have proven their ability to process and service guaranteed loans by submitting complete and correct applications as well as servicing all guaranteed loans in accordance with FSA regulations.

CLP status is granted by a Lender's Agreement on a statewide basis by State Executive Directors and is active for five years from the date the Lender's Agreement is signed.

Preferred Lender Program

Participation in the Preferred Lender Program (PLP) is the highest status that a lender can hold in the FSA Guaranteed Farm Loan Program. The PLP status was developed to recognize experienced lenders that have demonstrated significant expertise and understanding of agricultural lending and the FSA Guaranteed Farm Loan Program.



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PLP lenders benefit from:

- streamlined submission requirements
- decreased turnaround time on FSA actions
- authorization to originate and service guaranteed loans as they would other loans in their portfolio.

To qualify for the PLP program, the lender must:

- Meet the CLP eligibility criteria,
- Have originated at least 20 guaranteed loans in the past five years; and
- Not have losses more than three percent on loans closed in the past seven years.

Unlike SEL and CLP lenders who originate and service guaranteed loans under FSA standards and guidance, PLP lenders use their own Credit Management System (CMS) for originating and servicing FLP guaranteed loans. Once a CMS is approved by FSA, it becomes the operational plan and a part of the Lender's Agreement between the lender and FSA for originating and servicing guaranteed loans.

PLP status is granted by the Deputy Administrator for Farm Loan Programs in Washington, DC, and covers all states for which the lender chooses to participate in the program. PLP status is active for five years from the date of the approved Lender's Agreement.

Micro Lender Program

The Micro Lender Program (MLP) allows nontraditional lenders and commercial lenders not eligible for other lender statuses to participate in the EZ Guarantee program. MLP status allows FSA to increase collaboration with nontraditional lenders and assist smaller farmers typically in underserved areas. Establishing a stronger working relationship with nontraditional lenders is beneficial as they share a common goal with FSA to assist producers in underserved areas, including credit deserts. MLP lenders are limited to originating and servicing EZ Guarantee loans only. Additionally, MLP lenders must be subject to oversight as established by FSA.



To meet the requirement of acceptable oversight, MLP lenders must be one of the following:

- Community Development Financial Institution (CDFI)
- Rural Rehabilitation Corporation (RRC)
- A traditional lender subject to credit examination and supervision that does not have experience with agricultural loans.

An MLP lender also must:

- Have experience in making and servicing business loans
- Have the staff and resources to properly and efficiently handle its loan making and loan servicing responsibilities
- Have a loss rate on business loans of \$50,000 or less of no more than three percent over the past seven years
- Have made a minimum of 20 business loans of \$50,000 or less
- Are not debarred or suspended from participation in Government contracts or programs and are not delinquent on a Government debt.
- MLP status may be approved on a statewide basis and the Lender's Agreement is active for five years from the date of the approval.

More Information

For more information, visit fsa.usda.gov/farmloans or farmers.gov. Find your local USDA Service Center at farmers.gov.