



2/17/2021

Kentucky Guaranteed Lender News

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Message from the Farm Loan Chief, Mike R. Hoyt

Kentucky's Farm Service Agency Loan Program posted another great year in 2020. The number of loans made, and dollars obligated, was remarkable considering the issues of dealing with the COVID-19 pandemic. In 2020, Kentucky FSA loaned almost \$101 million in guaranteed loans, the 2nd highest ever. We also loaned over \$121 million in direct loans, which is the highest ever. In 2020, FSA obligated 833 beginning farmer loans which was over \$99 million dollars. Kentucky continues to rank in the top ten nationally in the number of loans made to beginning farmers, SDA applicants, direct farm ownership and guaranteed farm ownership loans. Additionally, Kentucky ranks in the top 5 for direct operating loans, youth loans and microloans.

We want to credit the men and

women in our 16 service centers across the state as well as our participating lenders for these accomplishments. Without this participation from our lending partners, FSA would be limited in our ability to get the much-needed credit out to our producers.

At Farm Service Agency we strive to continue to be the Lender of First Opportunity, whether it be assisting a young farmer trying to get started in agricultural production, an established farmer's first farm purchase, or the expansion of a farming operation. We stand ready to serve our customers with our 16 credit teams across the state.

Due to the ongoing pandemic, FSA will not be holding our annual Guaranteed Lender Training meetings for 2021. We plan to get back to our normal schedule

with annual meetings in the next calendar year. If you have any questions about loan making or loan servicing options, please do not hesitate to contact your local FSA office by email or telephone. During the ongoing crisis, physical access to the local FSA offices will be limited. We encourage you to submit requests and documentation electronically via email.

With the current pandemic and agricultural economy, the next 12 months will certainly bring some challenges to everyone involved in agriculture. As a lender we all look for ways to mitigate our risk when making loans. Let's not forget that the FSA guarantee is one of the better tools available to assist you in achieving your risk management goals.

Guaranteed Loan Limit

The Farm Service Agency will not guarantee any loan that would result in the applicant's total indebtedness exceeding the limits established in Handbook 1-FLP, paragraph 29. The maximum, FO, CL, OL and LOC levels include the guaranteed loan being made plus any outstanding direct or guaranteed principal balances owed by anyone who will sign the promissory note. The dollar limit of guaranteed loans is adjusted annually based on the percentage change in the Prices Paid by

Farmers Index, as compiled by USDA. The total outstanding combined guaranteed FO, CL, SW, OL, and LOC principal balance cannot exceed \$1,776,000 for fiscal year 2021. 2-FLP paragraph 244 (A).





“FSA makes and guarantees loans to beginning farmers and ranchers who are unable to obtain financing from commercial lenders”



Guaranteed Loan Servicing Issues

With FSA not having our annual Guaranteed Lender Training Meetings this calendar year, we want to point out some of the more common deficiencies we are finding.

- Annual advances continued to be made on a LOC type loan after it has been determined that there is stale money on the line. Once this has been determined, the loan must be properly serviced to be brought in compliance with guaranteed regulations.
- Acceptable accounting system not in place to properly account for collateral. This deficiency is more

commonly found in LOC loans dealing with crops and livestock.

- Immediate action not taken when it has been determined borrower has converted loan security. Borrower is in default at this point and must be serviced accordingly.
- FSA not being properly notified when an account is in default. This needs to be done no later than 45 days of the default with a Default Status Report.
- Annual analysis not being completed in accordance with Par. 265 of 2-FLP handbook.
- FSA not being properly notified

when a loan is restructured. This includes interest rate modification.

- Failure to receive prior FSA written approval with proposed liquidation plan by SEL and CLP type lenders before liquidation is initiated.

Remember, anytime you have questions about proper servicing an FSA guaranteed account, please contact your local FSA office. Also, if you have an account that is in default, we ask that you keep the local FSA office current with the detailed information of the continued servicing of the loan.

Beginning Farmer and Rancher Loans

Each fiscal year, FSA targets a portion of its direct and guaranteed farm ownership and operating loan funds to beginning farmers and ranchers. FSA makes and guarantees loans to beginning farmers and ranchers who are unable to obtain financing from commercial lenders. A beginning farmer or rancher is an individual or entity who (1) has not operated a farm or ranch for more than 10 years, (2) meets the loan eligibility requirement of the program to

which he/she is applying, (3) substantially participates in the operation and (4) for farm ownership loan purposes, does not own a farm greater than 30 percent of the average size farm in the county and meet training and experience requirements.

Down Payment Farm Ownership Loans

Down payment farm ownership loans were developed to help targeted underserved and beginning farmers and ranchers purchase a farm or ranch. These loans provide a way for retiring farmers to transfer their land to a future generation of farmers and ranchers. The applicant provides a 5 percent down payment; FSA provides 45 percent of the needed loan funds at a reduced interest

rate and other financing provides the remaining 50 percent. Current interest rate for this program is 1.5%, with the maximum loan amount of \$300,150 on FSA's part.



Lender Servicing Reminders

Annual requirements for lines of credit (LOC): SEL lenders are required to submit a cash flow showing a feasible plan for the upcoming operating cycle. CLP lenders are required to provide an annual certification stating a feasible plan has been developed and the previous year's income, loan funds, and security proceeds have been accounted for. PLP lenders will service LOC's in accordance with their PLP Agreement and CMS. 2-FLP, Subparagraph 265C and E.

Servicing Options: Loan does not have to be in default to be considered for servicing. Servicing options available for guaranteed loan customers include, restructuring, subordination, interest rate adjustments, deferrals, or consolidation of debt. 2-FLP, Part 11.

FSA Form 2248, Default Status Report: Submit within 45 days of default and every 60 days until the delinquency has been resolved. Include comments to document

progress of account servicing. If liquidation becomes imminent, all lenders must prepare a plan of liquidation and submit and Estimated Loss Claim no later than 150 days of the default date. 2-FLP Paragraphs 300, 358 and 359.



Loan Servicing Guidance Due to the COVID-19 Pandemic

Ordinarily, documents are submitted according to the lender status requirements of FSA Handbook 2-FLP. However, due to the ongoing pandemic, special consideration is being given in the following servicing actions:

- **Annual Analysis of Line of Credit** – If you are a Standard Eligible Lender (SEL) you may certify in writing that the borrower has a cash flow projecting a feasible plan, is in compliance with the provisions of the line of credit agreement, and that the previous year's income, loan funds and security proceeds have been accounted for. Written concurrence from FSA will not be required, however, supporting documentation must be in your files.
- **Emergency Advances of Lines of Credit** – If you are a Certified Lender (CLP or SEL), you may make emergency advances without prior approval after certifying to FSA in writing that all other requirements of FSA Handbook 2-FLP, Subparagraph 283 have been met.

- **Additional Loans and Advances** – If you are a CLP or SEL, you may make non-guaranteed loans to guaranteed borrowers without prior approval after certifying to FSA in writing that a cash flow projecting a feasible plan has been developed.
- **Liquidation and Loss Claims** – All lenders are encouraged to adhere to the existing timeframes established for liquidation and the submission of loss claims. When you, regardless of your lender status, anticipate that delays may occur due to the ongoing pandemic, you should, as much as reasonably possible, remain in contact with your local FSA office to provide detailed up-to-date information. FSA will not reduce or deny a loss claim request when you can demonstrate that delays in liquidation and filing a loss claim was caused by the pandemic.

During the ongoing crisis, access to local FSA offices will be limited. You should submit request and documentation electronically via

email. If you have any questions about a specific FSA guaranteed account and potential servicing options, please contact your local FSA office by email or telephone.

“...due to the ongoing pandemic, special consideration is being given to servicing actions”



2-FLP Handbook Revisions

Highlights of Amendment 48 dated 06/02/2020

- Par. 70 A has been amended to update the application requirements table.
- Par. 181 B and 247 A have been amended to remove the requirement for SEL lenders to submit an appraisal before receiving a guarantee.
- Par. 247 B has been amended to remove the requirement for FSA to review appraisal before issuing the guarantee.

Highlights of Amendment 49 dated 09/10/2020

- Par. 278 A has been amended to provide clarification on requirement for Agency written approval for subordinations.
- Par. 280 B has been amended to include an allowance for a security item to be exchanged with a like item.
- Par. 281 B has been amended to provide the correct reference for release of liability after transfer and assumption.
- Par. 287 B has been amended to include applicable forms references.
- Par. 376 A has been amended to provide clarification on requesting lender repayment of loans repurchased by the agency.

Highlights of Amendment 50 dated 09/22/2020

- Par. 31 A has been amended to make a grammatical correction.
- Par. 46 F has been amended to replace AD 3030 language with language regarding the FSA-2236 for lender certification.
- Par. 52 A has been amended to reflect an updated application name and a grammatical change.
- Par. 52 D has been amended to reflect an updated application number.
- Par. 66.5 B has been amended to change an application name and number.
- Par. 69 A has been amended to reflect an updated application number.
- Par. 73 B has been amended to remove a reference to the Preferred Lender Application.
- Par. 96 B has been amended to remove a reference to the Preferred Lender Application.
- Par. 181 D has been amended to remove a reference to the Preferred Lender Application.

- Par. 208 B and 208 C have been amended to remove a reference to the Preferred Lender Application.
- Par. 208 F has been amended to remove a reference to the Preferred Lender Application.
- Par. 209 A has been amended to remove reference to the Preferred Lender Application.
- Par. 210 A has been amended to make a grammatical correction.
- Par. 244 A has been amended to reflect the FY 2021 guaranteed loan limit.
- Par. 244 B has been amended to reflect updated application wording.
- Par. 245 C has been amended to remove a reference to the Preferred Lender Application and update corporate restriction language.
- Par. 247 A has been amended to remove a reference to the Preferred Lender Application, update language regarding the closing report and lender certification, and to make a grammatical correction.
- Par. 247 B has been amended to reflect added FSA-2236 language.
- Par. 248 A has been amended to remove a reference to FSA-2233.
- Par. 281 C has been amended to make a grammatical correction.
- Par. 364 F has been amended to reflect FSA-2236 replacing FSA-2233.
- Exhibit 1 has been amended to remove AD 3030, FSA-2210, FSA-2233, and FSA-2212, and to revise the name and references for FSA-2236.

Highlights of Amendment 51 dated 09/30/2020

- Par. 46 F has been amended to correct a reference to FSA-2236.

Highlights of Amendment 52 dated 10/29/2020

- Par. 52 D has been amended to correct a hyper link to the sample CMS summary.
- Par. 245 C has been amended to clarify completing the security section on the Conditional Commitment.





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USDA also offers other funding opportunities to help farmers, ranchers, and forest landowners finance their business. Visit farmers.gov/fund for more information.

Kentucky Farm Loan Program National Standings as of September 30, 2020

FY 2020

Microloans – 1st 441 loans with \$9,254,820 dollars obligated

Direct OL loans – 4th 1,011 loans with \$41,585,000 dollars obligated

Youth loans – 3rd 149 loans with \$599,520 dollars obligated

Total loans – 5th 1,606 loans with \$221.9 mil obligated

Beginning Farmer loans – 8th 833 loans with \$99,506,001 dollars obligated

SDA loans – 7th 221 loans with \$15,662,725 dollars obligated

Guaranteed loans obligated is 268 loans for \$100,903,521 or 45.5% of the dollars obligated

Direct loans obligated is 1,338 loans for \$121,004,163, or 54.5% of the dollars obligated

Existing Borrower caseload

Direct loan borrowers – 5th 4,492 borrowers and 4th 8,327 loans for an outstanding loan balance of \$521,975,696

Youth loan borrowers – 2nd 765 borrowers & 2nd 820 loans for an outstanding loan balance of \$2,136,228

Guaranteed loan borrowers – 13th 1,113 borrowers and 13th 1,790 loans with the outstanding loan balance of \$435,780,302

Waiver of the Guaranteed Fee

Did you know there are three exceptions that allow the guaranteed fee to be waived? This can provide substantial savings to the borrower. These are the three exceptions to the 1.5% fee:

- ◇ Guaranteed loans used to refinance FSA direct loans. Majority of loan funds must be used to refinance direct loan debt.
- ◇ Beginning or SDA farmers participating in the Direct FO Down Payment Program,
- ◇ Beginning farmers participating in KAFC (Kentucky Agricultural Finance Corporation). The key here is the applicant must meet FSA's definition of a beginning farmer.



USDA is an equal opportunity provider, employer, and lender.