

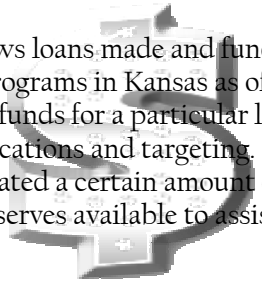
GUARANTEED LENDER NEWS

18TH EDITION NEWSLETTER

JUNE 2008

Funding at a Glance:

This table shows loans made and funds available for various loan programs in Kansas as of June 1, 2008. Availability of funds for a particular loan will depend on allocations and targeting. Even though Kansas is allocated a certain amount of funds, there are national reserves available to assist in funding loans.



Program	Funds Used as of 6/1/08	No. of Loans Made since 10.1.07 (6 months)	Loans Made FY 2007 10.1.06-9.30.07
Direct Operating	\$18,875,578	371	467
Guaranteed Operating - Unsubsidized	\$16,898,876	105	146
Guaranteed Operating-Interest Assistance	\$5,727,680	33	71
Direct Farm Ownership	\$10,063,870	82	151
Guaranteed Farm Ownership	\$13,745,459	51	69
Emergency	\$2,073,700	32	83
State Totals	\$67,385,163	674	987

Interest Assistance Program – Increased Efficiency & Access to Funding:

On June 7, 2007, USDA revised the Interest Assistance (IA) Program to create a more efficient and equitable financial tool for lenders nationwide. IA assists operators of family farms who lack financial resources to meet standard repayment terms, as compared to other operators of similar operations. In an agreement with lenders on Guaranteed Operating Loans, FSA reimburses the lender 4 percentage points in exchange for reducing the interest rate charged to the borrower by the same amount. With the latest reduced application, renewal and claims requirements, lenders now have fewer administrative duties to complete. Lenders will also find that access to funding is more stable throughout the year, which gives each loan request a better opportunity for timely funding and approval.

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Noteworthy Farm Bill Changes:

Title V of the Farm Bill changed, added or amended several items to Farm Loan Programs. Many changes were effective immediately while others will wait for final regulation implementation. If you haven't already read the Farm Bill, you are welcome to visit either the House or Senate Ag Committee websites. Following are summaries of the noteworthy changes that will be of interest to you and your FSA relationship:

- **Suspension of Period for which Borrowers are Eligible for Guaranteed Assistance** – The 15 year limit for FSA borrowers to receive guaranteed operating loans is waived through December 31, 2010.

- **Loan Dollar Limitations on the Amount of Farm Ownership and Operating Direct Loans** - The maximum direct loan amount authorized has been increased from \$200,000 to \$300,000 for both direct loan programs. This increase of the direct loan limits does not affect guarantee limits. They generally increase annually, in September. Currently they are \$949,000.

- **Direct FO Down Payment Loan Program (50-45-5)** – Modifies the existing program in several respects:
 - expanded to include social disadvantaged farmers in addition to beginning farmers.
 - The fixed interest rate is specified at the direct FO rate less 4% with a floor of 1.5%.
 - The loan term is extended from 15 to 20 years.
 - The required down payment is reduced from 10% to 5%.
 - FSA may provide a maximum loan amount not to exceed 45% of the least of
 - (a) the purchase price of the farm or ranch acquired;
 - (b) the appraised value of the farm or ranch acquired; or
 - (c) \$500,000

(Note: This results in a maximum FSA loan of \$225,000). The participating lender or private

party will provide 50% (or more) to equal the purchase price. FSA can provide up to a 95 percent guarantee if financing is obtained from a commercial lender. Participating lenders will not pay a guarantee fee.



2-FLP Handbook Revisions

Handbook 2-FLP, Guaranteed Loan Making and Servicing, was revised on December 31, 2007.

Throughout Revision 1, Amendment 1, FSA guaranteed forms have been renumbered. 2-FLP, Exhibit 1, contains the new form numbers and form titles. Additional minor changes include:

- The joint appeal requirement was removed. Applicants and borrowers may appeal adverse decision without the lender joining in the appeal.
- If the lender's proposal for servicing (loan restructuring is not agreed to by FSA, the Agency approval official shall notify the applicant in writing, with a copy to the lender, within 14 calendar days of the lender request. This letter will inform the lender and borrower of their informal review, mediation and appeal rights.
- Several of the definitions in Exhibit 2 were revised for clarity and uniformity with the direct loan program.

To download a current version of Handbook 2-FLP, you access the following URL:

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=gfl> and click on the "Access the 2-FLP Handbook" link to the right.

Since the file is large and over 400 pages, if you would like FSA to mail you a copy of the revised Handbook, please drop us an email with your street address. A suggestion is that you download the version to your hard drive and access it for ease of locating regulations by using the hyperlinks in the table of contents or save the following URL to your favorites:

http://www.fsa.usda.gov/Internet/FSA_File/2-flp-rl.pdf

Please stay updated with the latest amendments, they are available to view or download at: <http://www.fsa.usda.gov/dafl/guaranteed.htm> Click on the Guaranteed Farm Loans hyperlink under the 'Related Topics' section. The Amendment information can be found in the 'I Want To...' section of the Guaranteed Farm Loans online web screen.



FSA's New Measures for Protected Privacy Act Information

FSA is implementing a new 9-digit borrower/applicant account number, in order to increase the level of security in protecting USDA's customer Privacy Act information. The new account number will reduce the exposure of the participant's

Social Security number, which could be compromised and used for identity theft purposes.

The first phase of implementation will include revising FSA's guaranteed loan forms by replacing the borrower's/applicant's tax identification number with the new FSA Account Number.

FSA is anticipating implementation of the new customer account numbers by August 2008. All guaranteed lenders will be notified with details of any impact on their FSA business operations.



Update: Guaranteed Loan Web-based Status Reporting

FSA launched two automation projects that assist lenders in completing Guaranteed Web-based Status Reporting and Guaranteed Web-based Loan Closing last summer.

FSA incorporated status and default status reports for electronic data submission by lenders through the USDA Lender Interface Network Connection (LINC) system within the Guaranteed Loan Servicing (GLS) system. Lenders now have the capability of updating borrowers' accounts and web access to status and default status reports that have been received by FSA or past due. The data is submitted in real time, which saves mailing time, eliminates the possibility of lost documents, and reduces paper generation.

By automating the status reporting process, the new online system automatically creates status report records for the semi-annual reporting periods and these loans are displayed on the status reports mailed to the lenders.

The guaranteed loan closing web process gives lenders the capability to electronically submit loan closing information to FSA Offices via the USDA LINC system. Lenders have the ability to view loan

closing data and perform loan maintenance processes.

Lenders are encouraged to sign up for access to participate in electronic reporting in GLS. The first step in inputting status reports will be to acquire a Level 2 e-Authentication ID. This can be done at the following website: www.eauth.egov.usda.gov. Be sure that when you “create an account” you choose “Level 2” access. A SSN is not needed and we request that you use home mailing address and office email. Once in the system you will need to go into a local FSA office and have your ID validated. Once that is completed, you will:

- Sign a new Lender’s Agreement, FSA 2201, (Rev. 12-31-07). If you haven’t done so already, it is required due to the form numbering change (SEL only) and addition of the new electronic data submission clause. This revised Agreement will be submitted to your local FSA – Farm Loan Manager for signature and return to you with a copy to the Kansas FSA State Office.
- Contact FSA-FLP, via email to initiate your request to become a Security Administrator. They will forward the request to the FSA State Office.

Additional information may be obtained at www.fsa.usda.gov/ks by accessing Farm Loan Programs and viewing PowerPoint presentations.

Coming Soon:

The FSA Guaranteed Loss System has been developed and launched to FSA employees. Guaranteed Lenders will be notified when access to electronic submissions of loss claims through LINC becomes available. Please note: FSA-2254, “Guaranteed Loan Report of Loss” has replaced RD-449-30. Instructions are streamlined and more detailed for ease in providing documentation related to loss claims.

The final rule for simplifying liquidation and loss claim regulations has been published and will be effective July 10, 2008.

Sneak peeks at some of the changes ahead of the 2-FLP Handbook amendment are:

- All lenders within 150 days of the payment due date must prepare a liquidation plan. The reference to 150 days will replace the current language “within 30 days of the decision to liquidate.”
- Lenders must file estimated and final loss claims within a timely manner.
- The agency will not pay interest beyond 210 days from the payment due date.
- If the loan account has been past due prior to a Chapter 7 bankruptcy filing those days will count towards the liquidation timeframes.
- As long as the loan is accruing interest, the sale proceeds from the liquidation of assets will be applied to principal first.

Additional training on the new loss claim process will be provided at our annual fall training.

e-Filing of Guaranteed Loans and Packages

Do you want to submit your loan package online? The first step is to obtain a Level 2 eAuthentication account as described above. Once you have accomplished that you will submit your packages by accessing the eForms website at www.usda.gov and click the “Find a Form” selection. You will now be at URL:

<http://forms.sc.egov.usda.gov/eforms/mainservlet> and then you will sign-in using your Level 2 e-Auth name and password. Proceed from there completing and submitting forms/packages to your local FSA County Office.

Note: Anyone can obtain, complete and print forms from the link above without an eAuth account.

e-forms Tip:

To access all functions available at your eAuth ID Level 2, use the 8.1 version of Adobe Acrobat.

Feedback

FSA encourages lenders to provide suggestions, comments or ideas for future newsletter articles. Please contact:

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