

USDA



Farm Service Agency

February 2008

Kentucky FSA Guaranteed Lender News

Socially Disadvantaged Farmers and Ranchers

The U.S. Department of Agriculture's Farm Service Agency makes and guarantees loans to approved socially disadvantaged applicants to buy and operate family-sized farms and ranches.

A socially disadvantaged (SDA) farmer, rancher, or agricultural producer is one of a group whose members have been subjected to racial, ethnic, or gender prejudice because of his or her identity as a member of the group without regard to his or her individual qualities. SDA groups are women, African Americans, American Indians, Alaskan Natives, Hispanics, Asian Americans and Pacific Islanders.

The Farm Service Agency:

- Reserves direct and guaranteed loan funds for SDA persons. Non-reserved funds also can be used by SDA persons;
- Discovers and removes barriers that prevent full participation of those persons in FSA's farm loan programs; and
- Provides information and assistance to applicants to help them develop sound farm management practices, analyze problems, and plan the best use of available resources essential for success in farming, ranching, or other agricultural production.

"FARM LOANS ARE GOOD BUSINESS -- WE GUARANTEE IT!!"

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Jeffery S. Hall
State Executive Director

State Executive Director Comments

Calendar year 2007 will go down as a year filled with some major challenges. Farmers nationwide had to deal with one of the driest years on record.

As we look at 2007 within FSA, farm program payments were the lowest during the current farm bill cycle. This is an indication that crop prices were higher than in the past, with fewer counter-cyclical payments and loan deficiency payments.

Our farm loan programs led the nation in the number of new direct operating loans, while we kept payment delinquency at a low level.

We began implementing crop and livestock disaster programs as a result of legislation approved by Congress early in the year. On December 26, 2007, President George W. Bush signed legislation to extend the Crop Disaster Program (CDP), Livestock Compensation Program (LCP), and Livestock Indemnity Program (LIP) through December 31, 2007. The change allows crops planted prior to December 31, 2007, intended for harvest in the 2007 crop year, to be included for loss purposes under CDP. Similarly, under LCP and LIP, the date livestock and livestock feed losses could have occurred was extended to December 31, 2007. This change does not make 2008 crops planted in 2007 eligible for CDP.

Now we are waiting on a new farm bill. There will obviously be some changes in FSA programs, but we must wait for Congressional action and the signature of the President before we can begin the process of implementing this new bill.



FARM LOAN PROGRAMS STREAMLINING

The long-awaited Farm Loan Program Streamlining is here, delivering many positive changes for Farm Service Agency farm loan employees, customers and others. The FLP streamlining is one of the largest initiatives to improve the usability of regulations and documents in the 70-year history of the Farm Service Agency (FSA) Farm Loan Program. Implementation of the streamlining became effective December 31, 2007, and has enhanced operations by simplifying and reorganizing regulations and handbooks, and updating forms associated with farm loan programs.

With FLP streamlining, FSA is more efficiently servicing America's farmers and ranchers through improvements including:

- Simplified FLP loan making and servicing policies and requirements.
- Modified requirements to more closely conform to those used by other lenders.
- Relocated FLP regulations in the CFR so they are now with those for other FSA programs.
- Removed information previously published in the CFR which does not apply to the public.
- Ensured forms are accessible on the internet.
- Removed the collection of Privacy Act-protected information, where possible.
- Made guidance more manageable-replaced nearly 40 instruction manuals with six handbooks.
- Eliminated duplicative information from FLP handbooks.

LENDERS REPORTING TO CREDIT REPORTING BUREAUS

The Debt Collection Improvement Act of 1996 and OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables," require information on guaranteed loans to be reported to commercial Credit Reporting Bureaus. In June 2005, Farm Loan Programs began referring Guaranteed Loan information received from lenders on FSA-2241, "Guaranteed Farm Loan Status Report", to commercial credit bureaus.

Questions and Answers:

Q1: How often is the information reported?

A1: The information is reported on the first of each month.

Q2: What information is reported?

A2: On active loans, the unpaid principal plus accrued interest is reported as of the effective date of the last monetary update on the loan. On the majority of loans, that would be the unpaid balances, as reported by the lender, on the most recent FSA-2241, as of March 31st and September 30th. For active loans that have a bankruptcy reorganization loss and/or annual loss payment because of an interest rate reduction ordered by the bankruptcy court, the total loss amount is reported for three years from the most recent loss payment date, in addition to the unpaid principal and accrued interest on the loan.

Loans in default could report different balances every 60 calendar days, assuming the lender is submitting FSA-2248's as required.

Terminated (paid-in-full) loans are reported with a zero balance on the report for the month following the termination. Paid-in-full loans are reported only once.

Exception: If the paid-in-full loan had a bankruptcy reorganization loss and/or annual loss payment because of an interest rate reduction ordered by the bankruptcy court, the total loss amount will be reported for three years from the most recent loss payment date even though the loan has been paid in full.



Loans with final loss claims not subject to offset, according to 2-FLP, subparagraph 363-B, are reported for three years from the effective date of the loss. The amount of the final loss claim (less any recoveries) is reported.

Loans subject to offset are reported as long as the offset exists. The amount reported is the outstanding offset balance plus interest accrued through the date of the credit bureau report. Once the debtor becomes ineligible for offset, loans with a terminated debt offset are reported three years from the effective date of the write-off.

Q3: Who reports this information to the Credit Bureaus?

A3: Two credit bureaus (Experian and Dunn & Bradstreet) receive the Guaranteed Loan System (GLS) data. An internal file transfer protocol (FTP) of FSA data from the mainframe to Rural Development's web farm is completed. The web farm encrypts the data using PGP encryption software and uses secure FTP to transmit to the credit bureaus. The entire process is fully automated.

Q4: How does FSA know the data was successfully transmitted?

A4: After each monthly execution, the Farm Credit Applications Office receives an email confirming that FSA data was successfully transmitted.

Q5: Is the transmission of data secure?

A5: The processes are in full compliance with current USDA Cyber Security policies and regulations issued by OCIO Cyber Security.

Q6: What is the responsibility of the FSA Field Office in the monthly credit bureau reporting?

A6: Currently, the Financial Services Center, Farm Loan Operations Office does not require any FSA Field Office action about the monthly credit bureau reporting. However, State Offices should continue to emphasize the importance of Field Offices monitoring the lenders accurate and timely submission of FSA-2241 and/or FSA-2248.

Lenders Reporting to Credit Reporting Bureaus, *cont'd. from page 3*

FSA Field Offices should continue to review and update the lender's name, address, and telephone information on the "Lender Maintenance" page in GLS to ensure that the lender information is accurate.

Q7: If the borrower is an entity, are the individual members of the entity reported or just the entity?

A7: Any member of an entity who is displayed as a co-borrower on the primary borrower's loan (FSA Loan View Screen) is reported to the credit bureaus.

Q8: On individual guaranteed borrowers, are co-borrowers reported?

A8: Any individual who is displayed as a co-borrower on the primary borrower's loan (FSA Loan View Screen) is reported to the credit bureaus.

2-FLP HANDBOOK REVISIONS EFFECTIVE DECEMBER 31, 2007

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. (See Paragraph 33 of 2-FLP)
- Several definitions in Exhibit 2 were revised for clarity and uniformity.

LENDER MEETINGS

We will hold our annual lender meetings in April per the following schedule:

April 22nd - Winchester

Clark County Extension Office
1400 Fortune Drive. Take exit 96 off I-64, Go North on 627. You will turn left onto Fortune Drive, within sight of the exit.

April 23rd - Russell Springs

Lake Cumberland Area Development District
Hwy. 80, 2384 Lakeway Drive

April 29th - Bowling Green

Warren County Extension Office
3132 Nashville Road

April 30th - Gilbertsville

Kentucky Dam Village State Park
113 Administrative Drive
We will meet in the meeting room off the lobby of the main lodge.

May 1st - Elizabethtown

Nolin Rural Electric Cooperative Corporation (RECC) Building
411 Ring Road (map attached)

Guaranteed processing and servicing issues will be discussed at the meetings. Preferred and Certified lenders are required to attend, and all agricultural lenders are encouraged to participate in the meetings. The meetings will run from 9:30 a.m. to 12:00 p.m., local time. Prior to the meetings, a reminder will be sent to all lenders who participate in our program.

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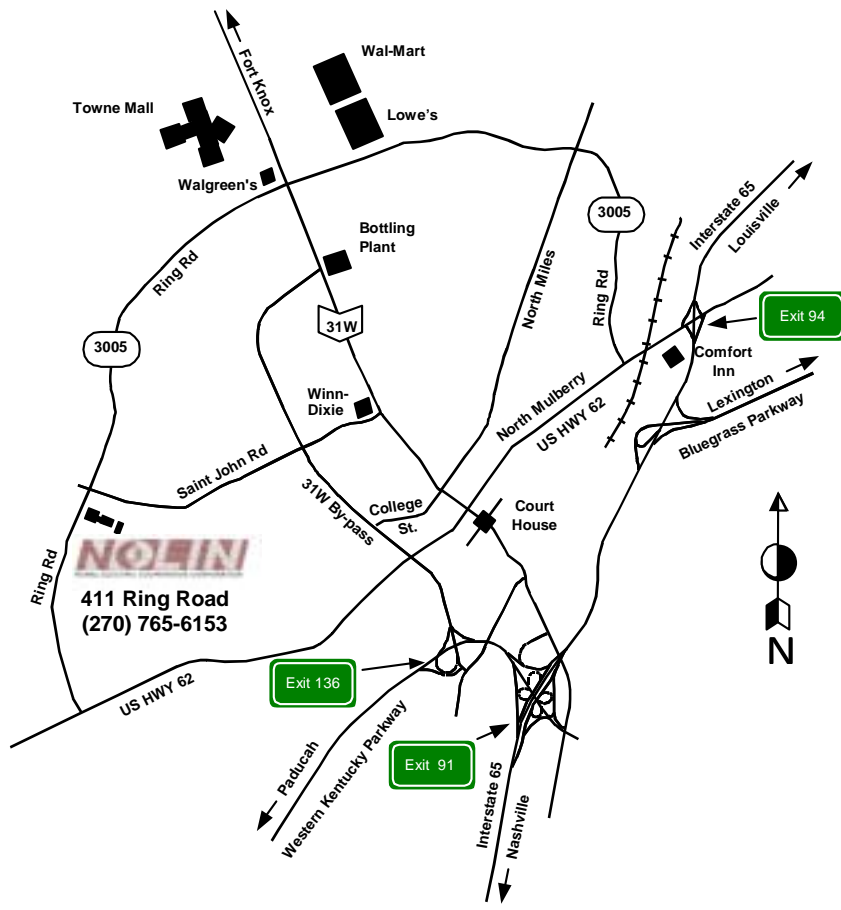
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FROM LOUISVILLE, KY

Take I-65 South to Exit 94 (this is the first Elizabethtown exit)
 Turn right onto Hwy. 62
 Go one-half mile to the 3rd light and turn right onto Ring Road (HWY 3005). Ring Road runs between PNC Bank and Walgreen's.
 Continue on Ring Road until you go through the 9th light and Nolin RECC is the first building on the left.

FROM BOWLING GREEN, KY

Take I-65 North to Exit 91 to Fort Knox / Western Kentucky Parkway
 Get onto Wendell H. Ford Highway (previously Western Kentucky Parkway) and take Exit 136 to Fort Knox / 31-W by-pass
 Go to second light & take a left onto St. John Road (HWY 1357)
 Go to first light and take a left onto Ring Road (HWY 3005)
 Nolin RECC is the first building on the left

FROM LEXINGTON, KY

Take Bluegrass Parkway West (will end at I-65)
 Take I-65 North to Exit 94
 Turn left onto Hwy. 62
 Go one-half mile to the 3rd light and turn right onto Ring Road (HWY 3005). Ring Road runs between PNC Bank and Walgreen's.
 Continue on Ring Road until you go through the 9th light and Nolin RECC is the first building on the left.

FROM WESTERN PART OF KY

Take Wendell H. Ford Highway (previously Western Kentucky Parkway) East to Elizabethtown
 Take Exit 136 and turn left onto 31-W by-pass
 Go to second light & take a left onto St. John Road (HWY 1357)
 Go to first light and take a left on to Ring Road (HWY 3005)
 Nolin RECC is the first building on the left