

GUARANTEED LENDER NEWS

16TH EDITION NEWSLETTER

JUNE 2007

Funding at a Glance:

This table shows loans made and funds available for various loan programs in Kansas as of June 1, 2007. 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. Currently, direct farm ownership and the guaranteed operating interest assistance program funds have been depleted.

Program	FY 2007 Kansas Allocation	Funds Used as of 6/1/07	No. of Loans Made
Direct Operating	\$18,371,987	\$17,926,665	374
Guaranteed Operating - Unsubsidized	\$24,203,000	\$17,627,873	111
Guaranteed Operating-Interest Assistance	\$17,989,789	\$17,989,789	68
Direct Farm Ownership	\$9,398,305	\$9,398,305	79
Guaranteed Farm Ownership	\$22,143,000	\$12,484,789	52
Emergency	Unlimited	1,806,280	46
State Totals	\$96,106,081	\$77,233,701	730

Kansas FSA's Guaranteed Portfolio:

In April 1998, Kansas FSA's guaranteed loan portfolio was \$252,767,833 million to 3,115 borrowers. Almost 10 years later, by the end of April 2007, the portfolio was \$268,869,757 million to 1,276 borrowers. As you can see by the number of borrowers, operations have gotten larger over the past 9 years coupled with increased loan limits. During this time, the delinquency rates have remained low, and the 2006 guaranteed loss rate was the lowest ever. The guaranteed loan program is very important to our rural communities and FSA commends our Guaranteed Lenders for their partnership and dedication to the program.



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Revisions to the Interest Assistance Program

The Interest Assistance (IA) Program, which is a valuable tool and can be extremely beneficial to producers with tight cash flows, has been revised to improve its overall effectiveness. Program changes became effective on June 8, 2007. Following are summaries of the major changes:

- ✚ **Maximum Assistance Period** – Each borrower is limited to a total of 5 consecutive years of IA eligibility. (See exception for Beginning Farmers and transition borrowers)
- ✚ **Removal of Annual Needs Test Requirements** – IA will be authorized for 5 years from the date of the first IA agreement. Lenders must submit an annual claim but will not have to document continued need for the subsidy. This does not apply to existing loans with IA.
- ✚ **Maximum Loan Size** – Borrowers are restricted to a lifetime limit of \$400,000 in IA loans. Borrower may still receive up to \$899,000 in guaranteed loans; however, the amount of the debt to be subsidized is limited to \$400,000.
- ✚ **Debt to Asset Ratio** – IA is limited to applicants who possess a debt to asset ratio in excess of 50 percent, prior to receiving the new loan. (See exception for Beginning Farmers)
- ✚ **Beginning Farmers and Ranchers** - Beginning farmers and ranchers may be eligible for a second 5 year period of IA eligibility if their cash flow requires the subsidy, and they are still beginning farmers at the end of the first 5 year period. They are also excluded from the 50% debt to asset restriction.
- ✚ **Reduced Application Requirements** – Even though a feasible cash flow budget will be submitted reflecting the need for IA, Lenders will not be required to complete a

monthly cash flow budget on subsidized lines of credit.

- ✚ **Guarantee Fees** – The guaranteed loan origination fee will continue to be waived for IA loans.
- ✚ **Fees Charged by Lenders for IA Claims Submissions** – Lenders will be prohibited from charging a fee to the borrower for the preparation of documentation and claims for payment of IA.

Please download the current 2-FLP Amendment 29 that reflects these IA program changes and update your 2-FLP handbook. Please access:

http://www.fsa.usda.gov/Internet/FSA_File/2flp-a29.pdf

Additionally, a comprehensive training package is being developed. These training materials will be available on FSA's Guaranteed Loan Program web page

(<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=fmlp&topic=gfl>) once they are complete.



2-FLP Handbook Amendment Revisions

Prior to Amendment 29 as stated previously, 2-FLP Handbook was also amended on March 20, 2007. Amendment 28 included the following major changes:

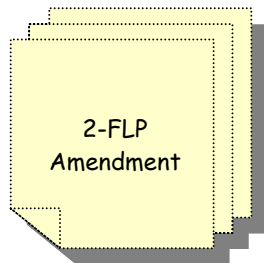
- provides guidance on terminating FSA-1980-27 Loan Guarantee.

- reflects that PLP lenders shall not submit annual analysis to FSA.
- clarifies FSA's responsibilities regarding lenders' servicing collateral.
- clarifies the number of days interest is to be paid and the date of the decision to liquidate.
- provides guidance on bankruptcy claims and offset.
- provides guidance and instructions for handling cases where a borrower has received unauthorized assistance.

The latest amendments 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.



New Guaranteed Loan Program Form Numbers

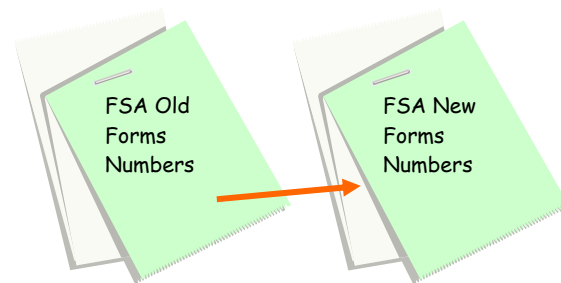
All forms used by the Guaranteed Loan Program are in the process of being renumbered. The forms will have a "FSA" prefix, followed by four numbers. The first number will be "2", which has been designated for all Farm Loan Programs (FLP) forms. The second number is based on the specific program handbook. Since handbook 2-FLP covers the Guaranteed Loan Program, all forms used solely by the Guaranteed Loan Program will have "2" as the

second number. Forms used by multiple FLP programs will have "0" for the second digit. The last two digits will be determined by when the form is used in the loan process. For example, form titled "Lender's Agreement", currently form FSA -1980-38, is the first form used in the Guaranteed Loan Making process and will be renumbered to FSA - 2201.

The form numbering methodology described above is being used for all FLP forms, providing a consistent Agency-wide system. With a few exceptions, FLP forms will no longer be shared with Rural Development or reference Farmers Home Administration CFR Parts or instructions.

Handbook 2-FLP is currently being updated to reflect the new form numbers. Once the changes have been completed, the handbook will be available at http://www.fsa.usda.gov/Internet/FSA_File/2-flp.pdf

If you cannot locate your 2-FLP handbook and would like FSA to forward you one via email, please contact Kim Schmidt at kim.schmidt@ks.usda.gov, and we will take care of the printing!



Coming Soon:

Update: New Guaranteed Loan System Automation

FSA is currently completing work on three automation projects that will assist lenders in completing Guaranteed Web-based Status

Update: New Guaranteed

Loan System Automation (continued...)

Reporting, Guaranteed Web-based Loan Closing and Guaranteed Web-based Loss Claim Processing. Lenders will be notified by FSA when the new automation programs are available and details with regard to using the programs.

Guaranteed Web-based Status Reporting:

FSA is incorporating 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. The data is submitted in real time, which saves mailing time, eliminates the possibility of lost documents, and reduces paper generation. Lenders will 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.

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. **Lenders will be required to update loan information on loans that are displayed on the status reports mailed to them or if using the online status reporting system, has a status report record created.** Loans that do not have a status report record created and do not show up on the status reports mailed to lenders, will not be required to be reported until the next reporting period...except for special cases, such as terminating a loan. **FSA is proposing a 2-FLP handbook revision to reflect this change.**

FSA expects lenders to have the capabilities of electronic submissions through the USDA LINC system by the September 2007 status reporting period. Lenders were notified by letter, with their semi-annual March 2007 status reports, that in the future electronic status reporting will be available. The letter advised lenders to contact their local FSA Service Center for more information.

Lenders are encouraged to sign up for access for electronic reporting in GLS before the September

2007 reporting period. 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. You must use your personal social security number on behalf of the bank. USDA LINC will only allow Security Administrator's access or those who they have designated clearance.

Guaranteed Loan Closing Web Process:

The new guaranteed loan closing web process will give the lenders the capability to electronically submit loan closing information to FSA Offices via the USDA LINC system. Lenders will have the ability to view loan closing data and perform loan maintenance processes.

FSA expects lenders to have access to the new guaranteed loan closing web screens by September 2007.

The new process will be delivered in two phases and is currently in the testing stage. Phase I of the new process will be launched to the FSA field staff late summer 2007. Phase II of the new process will be launched to FSA guaranteed lenders.

Prior to having access to Guaranteed Web-based Status Reporting, Guaranteed Web-based Loan Closing and Guaranteed Web-based Loss Claim Processing, lenders must have the following requirements completed:

- Lenders will need to designate an employee as their Security Administrator. The Security Administrator will be responsible for granting access to all other lender employees who will use FSA's GLS automated programs. The Security Administrator will be the contact person for FSA regarding maintaining lender employees' Level 2 eAuthentication IDs. Additional Security Administrators can be designated as a backup. This requirement can be completed at the present time.

Update: New Guaranteed Loan System Automation (continued...)

- The Security Administrator(s) and all other employees who will participate in electronic submissions must go to the following web address: www.eauth.egov.usda.gov to create an eAuthentication ID with Level 2 security access. Level 2 security access is required because it provides the ability to conduct official electronic business transactions with the USDA via the Internet. If lender employees already have a level 2 eAuth account with USDA a second account is **not** needed. This requirement can be completed at the present time.
- Lenders must sign a new Lender's Agreement form that contains the new electronic data submission clause. The revised Lender's Agreement will be available soon. Lenders will be notified by FSA when the new form is available.

After the new Lender's Agreement is signed by the lender, the lender can have their designated Security Administrator(s) notify the FSA State Office Farm Loan Program Department for details regarding obtaining authorization to the available new automation programs. This can be done by email to Shelly Wolf, Guaranteed Loan Specialist at: shelly.wolf@ks.usda.gov

More later!

For details concerning the previous requirements for electronic submissions, lenders should contact their local FSA Service Center.

Protection of Privacy Act Information

On April 13, USDA was notified that a recipient of USDA funding was able to ascertain private identifying information while viewing a government-wide website. All of the private

identifying information was embedded in a larger number and therefore not immediately identifiable. The same day, all identification numbers associated with USDA funding were removed from the website. It has been determined that borrowers receiving guaranteed farm ownership loans since 1996 were affected. Borrowers receiving guaranteed operating loans were not affected.

USDA has notified each of the borrowers affected. The Farm Service Agency has also advised the affected lenders. Affected borrowers are being offered free credit monitoring for 12 months. Additional information: 1-800-FED-INFO.

In addition to these actions, FSA is implementing the elimination of customer's social security numbers from a certain number of our reports and forms that do not impact our financial operations and suppression of the first five digits of our customer's social security numbers (if applicable) where there is impact. USDA is committed to protecting and safeguarding Privacy Act Protected Information.

Feedback

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

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