

GUARANTEED NEWS

Fall 2012

Volume 12



2012 in Review

Below are the Guaranteed Operating and Farm Ownership loan funds allocated and obligated in Fiscal Year 2012.

Guaranteed Operating Loans	Allocations	Obligations	No. Loans
Non-Beginning Farmer	\$ 607,203,191	\$ 598,449,176	2,564
Non-Beginning Farmer - SDA	\$ 56,947,674	\$ 51,739,958	198
Beginning Farmer	\$ 264,890,420	\$ 255,891,766	1,354
Beginning Farmer-SDA	\$ 32,453,462	\$ 27,799,503	138
TOTAL	\$ 961,494,747	\$ 933,880,405	4,254
Farm Ownership Loans	Allocations	Obligations	No. Loans
Non-Beginning Farmer	\$ 1,061,698,937	\$ 1,061,696,840	2,500
Non-Beginning Farmer - SDA	\$ 82,749,454	\$ 82,749,454	186
Beginning Farmer	\$ 299,787,477	\$ 299,755,477	1,011
Beginning Farmer-SDA	\$ 55,764,130	\$ 55,764,130	160
TOTAL	\$ 1,500,000,000	\$ 1,499,965,903	3,857

USDA Makes Funds Available to Meet Credit Needs of Producers

Demand for FSA Guaranteed loans returned to historical levels in fiscal year 2012, which ended September 30th.

Farm Ownership obligations were down from 2011 (our highest year ever) and more in line with 2008 - 2010 levels. With a lower amount of allocations, we exhausted our available funds before the end of the fiscal year. Loans approved but not funded are being held until funds are available. Once available, approved loans will be funded in order of the completed application date.

Demand for Guaranteed Operating funds fell from record high demand in 2010 and is returning to historical levels around \$1 billion. FSA obligated slightly over \$933 million in fiscal year 2012. This decline is not unexpected given the extremely high levels guaranteed from 2009 through 2011, and the record farm income for many regions last year.

For fiscal year 2013, which begins October 1, 2012, FSA expects Congress to appropriate funding at a level consistent with previous years for both the Direct and Guaranteed Loan Programs. In the absence of a full year's appropriation, the agency will be operating under a six-month continuing resolution. Due to the nature of a continuing resolution, available funding will be at reduced level until expiration of the resolution or an appropriations bill is passed.

FSA does not expect any funding to be authorized for Interest Assistance loans in 2013. This will not impact existing Interest Assistance agreements. Existing agreements will be honored, claims will be paid and servicing options will be available.

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Farm Service Agency
Farm Loan Programs
1400 Independence Ave., SW
Stop 0522
Washington, DC 20250

Telephone Numbers:
Loan Making: 202-720-3889
Loan Servicing: 202-720-1984

www.fsa.usda.gov/dafl

Highlights

Guarantee Loan Origination Fee

On October 1, 2011, FSA increased its origination fee from 1 percent to 1.50 percent. This increase reduced the ultimate budgetary cost of FSA's Guaranteed Loan Programs and as a result, Guaranteed loan funds are expected to remain stable. FSA's guarantee fees remain lower than most other government guarantee programs.

We understand this creates additional cost for you and your customer, and appreciate your help in keeping our program costs down.

Offer Customers Fixed Rate Financing with FSA

Secondary market fixed rate loan sales are extremely active. For 2012, the most popular product option for secondary market participants is the **20-year fixed rate** followed by the 15-year variable rate (fixed for an initial 15-year period). Promissory note rates for 20-year fixed rate FSA farm ownership loans are now in the **mid 4 percent range**, which includes a healthy servicing fee retained by the originator.

Protecting Your Guarantee

Giving extra attention to the following servicing actions are just a few ways to help ensure the guarantee pays in the event of a loss:

1. Make certain liens and assignments are properly filed and maintained.
2. Inspect collateral and track any sales or trades.
3. Apply proceeds from collateral according to lien priority.

Land Contract Guarantees

FSA's Land Contract (LC) Guarantee Program provides a valuable tool to transfer farm real estate to the next generation of farmers. Guarantees are offered to the owner of a farm who wants to sell real estate through a land contract to a beginning farmer/rancher or a farmer/rancher who is a member of a socially disadvantaged group. The guarantee provides an incentive to sell to individuals in these groups as it reduces the financial risk to the seller if the buyer defaults on the contract payments. Key program features include:

- Purchase price up to \$500,000.
- 5 percent down payment.
- Seller can choose either a prompt payment or standard guarantee.
- The LC Guarantee will be serviced by either an escrow agent for a prompt payment guarantee or a servicing agent for a standard guarantee.

Agricultural lenders are a valuable partner with FSA to assist the nation's farmers and ranchers. If you are interested in participating in the LC Guarantee Program as an escrow and/or servicing agent, please contact Bradley Johnson at bradley.a.johnson@wdc.usda.gov.

For more information on FSA's LC Guarantee program, visit www.fsa.usda.gov/Internet/FSA_File/lc_guarantee_program.pdf

FSA Direct Loan Rates	(Oct. 2012)
Operating Loans (1 & 7 yr)	1.125%
Farm Ownership	3.000%
Beg. Farmer Down Payment	1.500%
Emergency Loans	2.125%



Did You Know.....

The most recent 2-FLP Handbook can be viewed and downloaded at:

www.fsa.usda.gov/FSA/webapp?area=home&subject=lare&topic=hbk

Maximum Guaranteed Loan Limits:

Fiscal Yr.	
2012:	\$1,214,000
2013:	\$1,302,000

FSA's **Down Payment Program** for Beginning Farmers continues to be one of our most popular programs. Check it out at:

www.fsa.usda.gov/Internet/FSA_File/begin_loans12_ind.pdf

Highlights Continued...

Expand Your Farm Loan Portfolio with FSA Conservation Loans

Looking for new ways to serve your farm customers? With FSA's Conservation Loans you can help your farm customers promote conservation practices on farms and ranches to protect natural resources.

Program features:

- Loans are permitted to larger than family-size operations there is NO test for credit.
- Guarantees are 75 percent and can have up to a 30-year repayment term.
- Loan purposes include:
 - Transitioning to organic production
 - Manure management practices
 - Installing conservation structures
 - Establishing forest cover
 - Water conservation measures
 - Establishing or improving permanent pasture.

As an added benefit, financially strong applicants may qualify for a streamlined application process. Call your local FSA office for more details. As with other guarantees, lenders can reduce risk, increase liquidity and offer lower rates by selling the guaranteed portion in the secondary market.

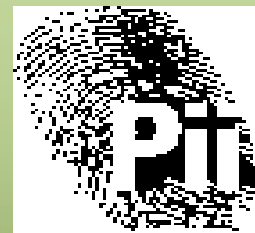
Tools Available to Help Farmers, Ranchers Survive Drought's Impact

The historic drought conditions and record feed costs have dramatically increased financial stress for many farmers and ranchers. FSA is committed to using all available authorities, consistent with prudent lending practices, to assist borrowers in surviving this period of unprofitability. Among the tools available are:

- Extending repayment terms for annual operating loans
- Extending unequal repayment schedules for term loans
- Releasing normal income security
- Refinancing debt.

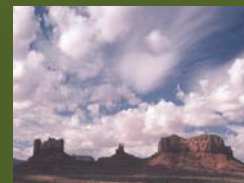
With the use of these tools, FSA's goal is to assist farmers and ranchers in increasing their likelihood of success; **not** to simply postpone problems or transfer risk. Be sure to discuss these options and the conditions that apply with your local FSA Service Center.

For a copy of FSA Notice FLP 623 describing Direct and Guaranteed Loan Making and Servicing actions, visit www.fsa.usda.gov/Internet/FSA_Notice/flp_623.pdf.



Personally
Identifiable
Information

Protect it like your
own



Consumer Protection
Act (Dodd-Frank Act)

Does not apply to
Guaranteed Loans
because they are
considered business
loans.

Reminders

Electronic Convenience with USDA's LINC System

For your convenience, FSA offers the ability to send Guaranteed Loan reports over the Internet. You no longer need to route paper through people for signatures or wait to update principal and interest balances. With the Lender Interface Network Connection (LINC), you can submit:

- **Status Reports**
March 31 and September 30 of each year
- **Default Status Reports**
30 days past due and every 60 days until the default is cured
- **Loan Closing Reports**
Once for each loan after loan closing and;
- **Pay Guarantee Fees**
Using a pre-authorized debit account, information can be submitted via the LINC website or provided to the local FSA office. Once the account is set up, lenders authorize FSA to withdraw funds with each loan closing submission. For more information visit www.fsa.usda.gov/Internet/FSA_File/electrocolllect_guarfees0812.pdf.

Problems With LINC System? Try this:

- 1) Make sure pop-up blockers are turned off
- 2) Verify that the browser is compatible by checking compatibility tools
- 3) Clear browser history and cookies.

LINC User Guide:

www.fsa.usda.gov/Internet/FSA_File/gls_lender_linc_user_guide.pdf.

Get Faster Service with Less Paperwork Through CLP or PLP Programs

What is the difference between FSA's Certified (CLP) or Preferred (PLP) lender status?

- CLP lenders submit less application material and certify the material not submitted is in their file.
- PLP lenders may originate and service guaranteed loans in a similar way as they do their other loans.

Both lender types enjoy **faster processing** times and more **flexibility** with servicing and reporting. To qualify, lenders must meet certain experience and loss rate standards.

Lenders are encouraged to contact their local FSA Service Center to inquire about upgrading their status.

Feedback

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

Farm Service Agency
USDA/FSA/DAFLP/LMD
Attention: Steve Ford
Stop 0522
1400 Independence Avenue, SW
Washington, D.C. 20250
Phone: 202-720-3889

Email: steven.ford@wdc.usda.gov

View an example
CMS at FSA
website:
www.fsa.usda.gov.

FSA provides credit to **socially disadvantaged farmers (SDA)** to buy and operate family-size farms and ranches. For more information visit:

www.fsa.usda.gov/Internet/FSA_File/sdaloans11.pdf.



Photographs
courtesy of NRCS.

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To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410, or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.