

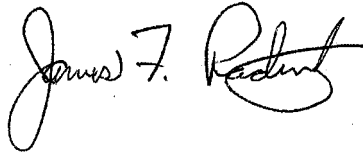
UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Special Programs
6-FLP**

Amendment 16

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reason for Amendment

Subparagraphs 1 A and B have been amended to remove references to the Beginning Farmer and Rancher Land Contract Guarantee Pilot Program and include references to the Land Contract Guarantee Program.

Subparagraph 1 C has been amended to remove reference to Part 8.

Paragraph 2 has been amended to:

- remove the list of FmHA and RD Instructions
- update related handbooks
- provide helpful links
- update the requirements for issuing State Supplements.

Subparagraphs 97 C and 118 C have been amended to remove references to MAC.

Part 8 has been amended to incorporate Land Contract Guarantee Program provisions.

Exhibit 2 has been amended to include new definitions applicable to the Land Contract Guarantee Program.

Exhibit 4 has been amended to add required State Supplements.

Exhibit 35 has been added to provide guidance for documentation needed for qualified alien status as related to Part 8.

Exhibit 36 has been added to provide guidance for documentation needed for qualified non-citizen national status as it relates to Part 8.

Exhibit 37 has been added to provide guidance on information needed to request a Land Contract Guarantee.

Amendment Transmittal (Continued)

Page Control Chart		
TC	Text	Exhibit
3, 4	1-1 through 1-4 5-21, 5-22 6-15, 6-16 8-1 through 8-22 8-23 through 8-50 (add) 8-51 (add)	1, pages 1, 2 page 3 2, pages 1-8 page 9 page 10 (add) pages 11-20 (add) page 21 (add) 4, page 1 35, pages 1-4 (add) page 5 (add) 36, pages 1-6 (add) page 7 (add) 37, pages 1, 2 (add) 38, page 1 (add)

Table of Contents

Page No.

Part 6 Emergency Loan for Seed Producers Program

110	Overview	6-1
111	General Eligibility Requirements	6-1
112	Eligible Loan Purposes	6-5
113	Loan Limitations	6-5
114	Other Requirements	6-7
115	Applying for Loan Funds	6-8
116	Interest Rates and Loan Terms	6-10
117	Security Requirements	6-14
118	Loan Processing/Approval or Denial Decisions	6-15
119	Loan Servicing	6-23
120	Exceptions to Program Requirements	6-23
121-135	(Reserved)	

Part 7 HBL Program

136	Overview	7-1
137	General Eligibility Requirements	7-2
138	Loan Purposes	7-11
139	Loan Limitations	7-12
140	Environmental Requirements	7-13
141	Other Requirements	7-14
142	Complete Applications	7-15
143	Incomplete Applications	7-19
144	Loss Calculations	7-20
145	Rates and Terms	7-24
146	Security	7-25
147	Appraisals and Valuation Requirements	7-27
148	Insurance for Loan Security	7-27
149	Loan Processing/Approval or Denial Decisions	7-29
150	Loan Closing	7-36
151	Loan Servicing	7-38
152-170	(Reserved)	

Table of Contents

Page No.

Part 8 Land Contract Guarantee Program

171	Introduction	8-1
172	Purpose.....	8-2
173	Seller Eligibility Requirements.....	8-2
174	Buyer Eligibility Requirements	8-3
175	Application Requirements	8-12
176	Processing Applications.....	8-18
177	Appraisals	8-20
178	Limitations	8-21
179	Downpayment, Rates, Terms, and Installments.....	8-21
180	Reviewing and Evaluating Applications.....	8-22
181	Other Requirements	8-25
182	Approval	8-26
183	Denial.....	8-28
184	Seller, Escrow Agent, and Servicing Agent’s Responsibilities	8-29
185-190	(Reserved)	
191	Land Contract Modification.....	8-43
192	Delinquent Servicing	8-44
193	Federal Debt and Recovery of Loss Claims	8-48
194	Negligent Servicing	8-50
195	Terminating the Guarantee	8-51

Exhibits

1	Reports, Forms, Abbreviations, and Redelegations of Authority
2	Definitions of Terms Used in This Handbook
3	(Reserved)
4	State Supplements
5-15	(Reserved)
16	Sample Veterinary Certificate
17-19	(Reserved)
20	Indian Tribal Land Acquisition Loan Program (ITLAP) Restructuring Options Letter
21-34	(Reserved)
35	Interim Guidance: Documentary Evidence of Status as a Qualified Alien Qualified Alien
36	Interim Guidance for Documentary Evidence of Status of a U.S. Non-Citizen National
37	Information Needed to Request a Land Contract Guarantee
38	Notification of Application for Land Contract Guarantee Approval and Obligation of Funds

Part 1 Introduction and Purpose

1 Purpose and Sources of Authority

A Handbook Purpose

This handbook is designed to assist FSA in understanding:

- regulations governing special loan programs implemented under DAFLP
- roles and responsibilities for processing loans under these programs.

The loan programs addressed in this handbook include the:

- ITLAP
- SALP
- Emergency Loan for Seed Producers Program
- HBL Program
- * * * Land Contract Guarantee * * * Program
- Minor Program loans.

B Sources of Authority

The sources of authority for this handbook include:

- *--7 CFR Part 763 for Land Contract Guarantee Program--*
- 7 CFR Part 770 for Indian Tribal Land Acquisition Loans
- 7 CFR Part 772 for servicing Minor Programs
- 7 CFR Part 773 for SALP
- 7 CFR Part 774 for Emergency Loans to Seed Producers Program
- NOFA for HBL Program * * *
- other Agency regulations that may be referenced throughout this handbook
- *--various laws and statutes passed by Congress including CONTACT.--*

1 Purpose and Sources of Authority (Continued)

C Regulation References

Text in this handbook that is published in CFR is printed in **bold** text. The CFR citation is *--printed in brackets in front of the text. The references and text:

- are intended to highlight the requirement spelled out in CFR
- may be used to support adverse FSA decisions.

Notes: NOFA is not incorporated into CFR. Therefore, the **bold** text in Part 7 is from NOFA published in the Federal Register on July 5, 2002.

Cross-references printed in **bold** are citing a CFR section. The handbook paragraph or subparagraph where the cross-referenced CFR text can be found is printed in nonbold text in parenthesis within the bold text.

Example: Subparagraph 12 C provides “[7 CFR 770.3 (b)] **Except for refinancing activities authorized in 770.4 (c) (subparagraph 21 A), obtain an option or other acceptable purchase agreement for land to be purchased with loan funds;**”.

The nonbold reference indicates that 7 CFR 770.4(c) is included in subparagraph 21 A.--*

2 Related References

*--A Related FSA Handbooks

The following FSA handbooks concern FLP.

IF the area of concern is about...	THEN see...
State and county organization and administration policies, procedures, principles, and standards, such as work organization	16-AO.
civil rights compliance and administration for FSA programs	18-AO.
appeals and mediation	1-APP.
State and county records management	25-AS.
policies and procedures for the acquisition of supplies, equipment, and services	27-AS.
common management and operating provisions for program management activities, functions, and automated applications, such as forms that cannot be accepted by FAX	1-CM.
environmental requirements	1-EQ.
processing collections and canceling loan checks and payments	3-FI.
general and administrative regulations governing FLP	1-FLP.
guaranteed loan making and servicing	2-FLP.
direct loan regular or routine servicing	4-FLP.
direct loan special servicing and inventory property management	5-FLP.
the Emergency Loan Seed Producers Program, Horse Breeder Loan Program, Indian Tribal Land Acquisition Program, Special Apple Loan Program, and servicing of minor loan programs	6-FLP.
procedures for making records available to the public, other Federal agencies, and Congress	2-INFO.
procedures for collecting, maintaining, or disclosing data or information about an individual	3-INFO.
personnel management, such as employee conflict of interest	3-PM.
employee development and training	6-PM.

Notes: See RD Instruction 1951-C for information on administrative offset.

RD Instruction 1940-G must be used along with 1-EQ.

B Helpful Links

The Helpful Links web site at

<https://arcticocean.sc.egov.usda.gov/flp/InformationalLinks?Action=HelpfulLinks&caller=index> provides links to useful web sites.--*

2 Related References (Continued)

*--C State Supplements

See Exhibit 4 for State supplements required by this handbook. SED's are authorized to issue State supplements to this handbook in addition to State supplements listed in Exhibit 4.

Note: Additional State supplements may:

- **not** be issued to simply state verbatim, policies already established in the national handbook
- be issued:
 - when the national handbook does not provide complete guidance
 - to provide additional guidance for employees with limited experience
 - when State law requirements are not specifically addressed in the national handbook.

SED's shall:

- issue required supplements, and any additional supplements, according to 1-AS, paragraph 231--*
- obtain approval of State supplements according to 1-AS, paragraph 220.

3-10 (Reserved)

96 Summary of Documentation and Security Requirements

A Summary Chart

Use the following table to determine security, appraisal, and repayment documentation requirements.

Loan Characteristics	Security	Appraisal Required	Repayment Documentation
<ul style="list-style-type: none"> • less than \$30,000 • net worth greater than 3 times the loan amount 	best lien obtainable on real estate or chattels	No	not required
<ul style="list-style-type: none"> • less than \$30,000 • net worth less than 3 times the loan amount 	best lien obtainable on real estate or chattels	No	projected cash flow budget
<ul style="list-style-type: none"> • greater than \$30,000 • net worth greater than 3 times the loan amount 	must at least equal loan amount	No Use tax assessment/ depreciation schedules.	projected cash flow budget
<ul style="list-style-type: none"> • greater than \$30,000 • net worth less than 3 times the loan amount 	must at least equal loan amount	Yes	projected cash flow budget

97 Loan Processing/Approval or Denial Decisions

A Approval Authorities

Use this table to determine approval authorities.

FLO GS-7	FLO GS-9	FLO GS- 11	FLM/SFLO	SED and Delegated State Office
\$50,000	\$100,000	\$150,000	\$200,000	\$500,000

An Agency employee must have been delegated FLP loan approval authority to exercise the approval authorities in this part.

County Office employees will not be given approval authority without authorization from DAFLP, and may not exceed the loan approval authority equivalent to that of the equivalent grade for FLO, SFLO, or FLM.

SED may delegate approval authority to qualified State Office employees.

B Other FSA Loans

SALP loans may be approved up to \$500,000. Outstanding loan balances from other FLP’s, direct or guaranteed, will not affect the amount an applicant is eligible to receive or the amount an Agency employee with approval authority is able to approve within the appropriate authority. Likewise, outstanding SALP loans will not affect the amount an applicant is eligible to receive under any other FLP.

C Processing Timeframes

The Approval Official must make the decision to approve or deny the loan and notify the applicant within 30 calendar days after the loan application is complete.

* * *

118 Loan Processing/Approval or Denial Decisions

A Approval Authorities

Use this table to determine approval authorities.

FLO GS- 7	FLO GS-9	FLO GS-11	*--FLM/SFLO--*	SED and Delegated State Office
\$50,000	\$100,000	\$150,000	\$200,000	over \$200,000

An Agency employee must have an existing FLP loan approval authority to exercise the approval authorities in this part.

County Office employees will not be given approval authority without authorization from DAFLP, and may not exceed the loan approval authority equivalent to that of the equivalent *--grade for FLO, SFLO, or FLM.--*

SED may delegate approval authority to qualified State Office employees.

118 Loan Processing/Approval or Denial Decisions (Continued)**B Other FSA Loans**

Loans made under the Emergency Loan for Seed Producers Program may be approved for any amount that the applicant is eligible to receive. Outstanding loan balances from other FLP's, direct or guaranteed, will not affect the amount any applicant is eligible to receive or the Agency employee with approval authority for the loan request. Likewise, outstanding Emergency Loans for Seed Producers loans will not affect the amount an applicant is eligible to receive under any other FLP.

C Processing Timeframes

[7 CFR 774.19] Applications will be processed until such time that funds are exhausted, or all claims have been paid and the bankruptcy involving AgriBiotech has been discharged. When all loan funds have been exhausted or the bankruptcy is discharged, no further applications will be accepted and any pending application will be considered withdrawn.

Applicants will be notified by letter if loan funds have been exhausted and that, as a result, their application is being withdrawn.

The Approval Official must make the decision to approve or deny the loan and notify the applicant within 30 calendar days after the loan application is determined complete.

* * *

--Part 8 Land Contract Guarantee Program*171 Introduction****A Purpose**

[7 CFR 763.1 (a)] The Land Contract Guaranteed Program provides certain financial guarantees to the seller of a farm through a land contract sale to beginning farmer or a socially disadvantaged farmer.

Note: Land Contract Guarantees made under the provisions of the Beginning Farmer and Rancher Land Contract Guarantee Pilot Program will be serviced according to FSA-2681 in effect at the time of execution.

B Types of Guarantee

[7 CFR 763.1 (b)] The seller may request either of the following:

- (1) The prompt payment guarantee plan. The Agency will guarantee an amount not to exceed three amortized annual installments plus an amount equal to the total cost of any related real estate taxes and insurance incurred during the period covered by the annual installment; or**
- (2) The standard guarantee plan. The Agency will guarantee an amount equal to 90 percent of the outstanding principal under the land contract.**

C Guarantee Period

[7 CFR 763.1 (c)] The guarantee period is 10 years for either plan regardless of the term of the land contract.

D Full Faith and Credit

[7 CFR 763.3 (a)] The land contract guarantee constitutes an obligation supported by the full faith and credit of the United States. The Agency may contest the guarantee only in cases of fraud or misrepresentation by the seller, in which:

- (1) The seller had actual knowledge of the fraud or misrepresentation at the time it became the seller, or**
- (2) The seller participated in or condoned the fraud or misrepresentation.--***

--171 Introduction (Continued)*D Full Faith and Credit (Continued)**

[7 CFR 763.3 (b)] Loss claims also may be reduced or denied to the extent that any negligence contributed to the loss under § 763.22 (paragraph 194).

For more information on loss claims, see paragraphs 192 through 194.

172 Purpose**A Authorized Purpose**

[7 CFR 763.4] The Agency will only guarantee the Contract installments, real estate taxes, and insurance; or outstanding principal balance for an eligible seller of a family farm, through a land contract sale to an eligible beginning or socially disadvantaged farmer.

173 Seller Eligibility Requirements**A Eligibility Requirements**

[7 CFR 763.5 (a)] The private seller, and each entity member in the case of an entity seller, must:

- (1) Possess the legal capacity to enter into a legally binding agreement;**
- (2) Not have provided false or misleading documents or statements during past or present dealings with the Agency;**
- (3) Not be ineligible due to disqualification resulting from Federal Crop Insurance violation, according to 7 CFR part 718; and**
- (4) Not be suspended or debarred under 2 CFR parts 180 and 417.**

Notes: See 7 CFR 718.11 for information on disqualifications.

Review EPLS at www.epls.gov to verify that seller is not:

- disqualified due to Federal crop insurance violations
- debarred or suspended.

Seller eligibility will be documented in the FBP “Loan Specific Eligibility” section.--*

***--174 Buyer Eligibility Requirements**

A General

[7 CFR 763.5 (b)] The buyer must meet the following requirements to be eligible for the Land Contract Guarantee Program:

See subparagraphs B through O for buyer eligibility requirements.

Buyer eligibility will be documented in the FBP “D-Loan Making” section.

B Beginning or Socially Disadvantaged Farmer

The buyer

[7 CFR 763.5 (b) (1)] Is a beginning farmer or socially disadvantaged farmer engaged primarily in farming in the United States after the guarantee is issued.

See Exhibit 2 for the definitions of “beginning farmer” and “SDA farmer”.--*

--174 Buyer Eligibility Requirements (Continued)*C Owner and Operator Requirement**

The buyer

[7 CFR 763.5 (b) (2)] Is the owner and operator of a family farm after the Contract is completed. In the case of an entity buyer:

- (i) Each entity member's ownership interest may not exceed the amount specified in the family farm definition in § 761.2 of this chapter (Exhibit 2)**
- (ii) The entity members cannot themselves be entities.**
- (iii) The entity must be authorized to own and operate a farm in the State in which the farm is located.**
- (iv) If the entity members holding a majority interest are related by blood or marriage, at least one member of the entity must:**
 - (A) Operate the farm and**
 - (B) Own the farm after the contract is completed;**
- (v) If the entity members holding a majority interest are not related by blood or marriage, the entity members holding a majority interest must:**
 - (A) Operate the farm; and**
 - (B) Own the farm, or the entity itself must own the farm after the contract is completed.**

The authorized agency official must consider the following factors when making the family farm determination.

- Be recognized in the community as a farm. The farm operation must be large enough to be considered a working farm (as opposed to a "hobby farm", garden, or residence) and provide a significant financial return.
- Members of the farm family must make all the day-to-day farm management and operational decisions. The use of outside consultants or advisors is acceptable provided that someone in the farm family is the ultimate decision-maker.--*

--174 Buyer Eligibility Requirements (Continued)*C Owner and Operator Requirement (Continued)**

- Family or entity members must supply a substantial amount of the full-time labor. This does not preclude using seasonally hired labor, but in most instances, the family should provide most of the day-to-day labor. Exceptions may be made for enterprises that produce high value, labor-intensive crops such as fruit or vegetables.
- Credit needs. Congress established FSA's loan limits to assist family farm operations. The loan limits generally ensure that loans are made to family farm operations.
- Loan participation agreements are acceptable when FSA farm loans cannot meet the total credit needs of the applicant. However, if the FSA loan only represents a small portion of the total credit requirements, this may be an indication that the applicant's operation is larger than a family farm when all factors are considered.

Note: See Exhibit 2 for the definition of "family farm".

D Participation Requirements

The buyer

[7 CFR 763.5 (b) (3)] Must have participated in the business operations of a farm or ranch for at least 3 years out of the last 10 years prior to the date the application is submitted.

Factors to determine participation in the business operations of a farm are similar to those for determining adequate farming experience necessary to ensure a reasonable prospect of success in the operation.

Note: The buyer need not have been the primary operator.

Significant responsibilities include, but are not limited to:

- decisions to cull livestock
- selection of seed varieties and weed control programs
- determination of whether equipment should be repaired or replaced
- selection of input suppliers
- selection of feeding programs or strategies.--*

--174 Buyer Eligibility Requirements (Continued)*D Participation Requirements (Continued)**

Buyers must thoroughly document participation in the business operation of a farm and verify that participation was not solely as a laborer. Documentation includes but is not limited to:

- copies of farm business operation related bills or statements with buyer's name
- copies of checks with buyer's signature for payment of farm business operation related goods or services
- written statements from other parties with knowledge of buyer's role and responsibilities in the business operation of a farm.

For an individual buyer to be an operator, the buyer must have materially and substantially participated and provided day-to-day labor and management of the farm for at least 3 years, such that if the individual did not provide these inputs, operation of the farm would have been seriously impaired.

For an entity buyer to be an operator, 1 or more members constituting a majority interest must have materially and substantially participated in the operation of the farm for at least 3 years. Material and substantial participation requires that the members provided a significant amount of management or management and labor necessary for day-to-day activities, such that if the members did not provide these inputs, operation of the farm would have been seriously impaired.--*

--174 Buyer Eligibility Requirements (Continued)*E Agency Loss**

[7 CFR 763.5 (b) (4)] The buyer, and all entity members in the case of an entity, must not have caused the Agency a loss by receiving debt forgiveness on all or a portion of any direct or guaranteed loan made under the authority of the Act by debt write-down or write-off; compromise, adjustment, reduction, or charge off under the provisions of section 331 of the Act; discharge in bankruptcy; or through payment of a guaranteed loss claim on more than three occasions on or prior to April 4, 1996 or any occasion after April 4, 1996. If the debt forgiveness is resolved by repayment of the Agency's loss, the Agency may still consider the debt forgiveness in determining the applicant's (buyer's) creditworthiness.

Debt forgiveness does **not** include any write-down provided as part of a resolution of a discrimination complaint.

The authorized agency official will verify that the buyer and all entity members in the case of an entity have not caused previous loss to the government, or have not received debt forgiveness as follows.

- In DLS Customer Profile enter buyer's name or TIN to verify both current/past debts and any prior debt forgiveness.

Note: A list of paid codes can be found in 3-FLP, Exhibit 10.

- The View Loan Screen in GLS will be used to verify previous debt forgiveness for guaranteed loans. At the Loan List Screen, enter the random ID/account number or name of the buyer and all entity members in the case of an entity. The Loan List Screen will display previous and current loan information for the individuals entered. Detail information for a specific loan can be accessed by selecting the View Loan Screen from the "Action" drop-down box and clicking on the loan number hyperlink.

Note: See the GLS Users Guide for guidance on obtaining random ID/account number using the tax ID number.--*

--174 Buyer Eligibility Requirements (Continued)*F Federal Debt**

[7 CFR 763.5 (b) (5)] The buyer, and all entity members in the case of an entity, must not be delinquent on any Federal debt, other than a debt under the Internal Revenue Code of 1986, when the guarantee is issued.

Non-tax Federal debt not paid within 90 calendar days of the due date is considered delinquent. Federal debts include but are not limited to student loans, CCC loans, FSA direct loans, VA loans, and SBA loans.

FSA guaranteed loans are not Federal debts. FSA guaranteed loans become a delinquent Federal debt upon the payment of a final loss claim if the loans were made using:

- FSA-1980-25 or FSA-1980-28 with the 07-20-01 or later revision date
- FSA-2211 or FSA-2212.

Land Contract Guarantees become a delinquent Federal debt of the buyer upon FSA's notification to the buyer that a loss claim has been paid to the seller under the prompt payment plan or the standard guarantee plan.

Verification through CAIVRS, the credit report, DLS Current/Past Debt, Borrower Cross Reference Inquiry screens, and GLS View Loan Screen is sufficient. However, if it becomes known, and verified, through other means that the buyer is delinquent on a Federal debt, this information must be considered when making an eligibility determination.

Note: Delinquent Federal tax debt only affects eligibility as it relates to credit history.

G Outstanding Unpaid Judgments

[7 CFR 763.5 (b) (6)] The buyer, and all entity members in the case of an entity, may have no outstanding unpaid judgment awarded to the United States in any court. Such judgments do not include those filed as a result of action in the United States Tax Courts.

Buyers must provide evidence that all Federal judgments have been released or paid in full to be eligible for a land contract guarantee. Questions about outstanding judgments should be directed to OGC.--*

--174 Buyer Eligibility Requirements (Continued)*H Citizenship**

[7 CFR 763.5 (b) (7)] The buyer, and all entity members in the case of an entity, must be a citizen of the United States, United States non-citizen national, or a qualified alien under applicable Federal immigration laws. United States non-citizen nationals and qualified aliens must provide the appropriate documentation as to their immigration status as required by the United States Department of Homeland Security, Bureau of Citizenship and Immigration Services.

U.S. non-citizen nationals and qualified aliens must submit appropriate documentation to verify immigration status as provided in Exhibits 35 and 36, as applicable.

I Legal Capacity

[7 CFR 763.5 (b) (8)] The buyer, and all entity members in the case of an entity, must possess the legal capacity to enter into a legally binding agreement.

Legal capacity includes legal age, mental capacity, and authority to enter into a legally binding agreement.

J Past Dealings

[7 CFR 763.5 (b) (9)] The buyer, and all entity members in the case of an entity, must not have provided false or misleading documents or statements during past or present dealings with the Agency.

K Controlled Substances

[7 CFR 763.5 (b) (10)] The buyer, and all entity members in the case of an entity, must not be ineligible as a result of a conviction for controlled substances according to 7 CFR part 718 of this chapter.

Buyers, and all entity members in the case of an entity, certify on FSA-2683 that they are not ineligible for Federal benefits based on a conviction of any Federal or State controlled substance offense.--*

--174 Buyer Eligibility Requirements (Continued)*K Controlled Substances (Continued)**

Notwithstanding any other provision of law, any person convicted under Federal or State law of planting, cultivating, growing, producing, harvesting, or storing a controlled substance in any crop year will be ineligible for any payment made under any Act, with respect to any commodity produced during the crop year of conviction and the 4 succeeding crop years, by such person.

Buyers convicted of any Federal or State offense consisting of the distribution (trafficking) of a controlled substance will, at the discretion of the court, be ineligible for any or all program payments and benefits:

- for up to 5 years after the 1st conviction
- for up to 10 years after the 2nd conviction
- permanently for a 3rd or subsequent conviction.

Buyers convicted of Federal or State offense for the possession of a controlled substance will be ineligible, at the discretion of the court, for any or all program benefits, as follows:

- up to 1 year upon the 1st conviction
- up to 5 years after a 2nd or subsequent conviction.

Note: Consult with the Regional OGC Attorney before initiating any actions on cases involving controlled substance violations.

L Credit History

[7 CFR 763.5 (b) (11)] The buyer, and all entity members in the case of an entity, must have an acceptable credit history demonstrated by satisfactory debt repayment.

(i) A history of failures to repay past debts as they came due when the ability to repay was within their control will demonstrate unacceptable credit history.

(ii) Unacceptable credit history will not include:

(A) Isolated instances of late payments, which do not represent a pattern and were clearly beyond their control; or

(B) Lack of credit history.--*

***--174 Buyer Eligibility Requirements (Continued)**

M Test for Credit

[7 CFR 763.5 (b)] (12) The buyer is unable to enter into a contract unless the seller obtains an Agency guarantee to finance the purchase of the farm at reasonable rates and terms.

The seller certifies unwillingness to sell the farm on a land contract basis without an FSA guarantee by signing FSA-2680.

The buyer certifies inability to obtain other credit by signing FSA-2683.

N Federal Crop Insurance Violation

[7 CFR 763.5 (b) (13)] The buyer, and all entity members in the case of an entity, must not be ineligible due to disqualification resulting from Federal Crop Insurance violation, according to 7 CFR part 718.

The buyer certifies compliance with Federal crop insurance requirements by signing FSA-2683.

Notes: See 7 CFR 718.11 for additional information on disqualifications.

Information on individuals and entities disqualified may be obtained from EPLS at www.epls.gov.

O Debarment or Suspension

[7 CFR 763.5 (b) (14)] The buyer, and all entity members in the case of an entity, must not be suspended or debarred under 2 CFR parts 180 and 417.

Information on individuals and entities suspended or debarred may be obtained from EPLS at www.epls.gov.--*

--175 Application Requirements*A Obtaining Land Contract Guarantee Program Forms**

Forms applicable to the Land Contract Guarantee Program may be obtained from:

- any FSA office
- FSA's web site at www.fsa.usda.gov
- eGov's web site at www.sc.egov.usda.gov.

Agency officials will:

- not refuse to provide Land Contract Guarantee Program forms to any person
- not discourage prospective sellers or buyers to apply for the Land Contract Guarantee Program even when loan funds are limited or unavailable
- not make oral or written statements that would discourage any individual from applying for a Land Contract Guarantee based on any ECOA prohibited basis (race, color, religion, national origin, sex, marital status, age, applicant's income deriving from public assistance, or because the applicant has in good faith exercised any right under the Consumer Protection Act)
- provide Exhibit 37 to buyer and/or seller expressing interest in the Land Contract Guarantee Program

Note: Exhibit 37 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK **"FFAS Employee Forms/Publications Site"** and CLICK **"Find Current Forms Using Our Form Number Search"**. For "Form Number", ENTER **"6-FLP Exhibit 37"**.

- advise potential sellers and buyers that an application is not complete until all information required in subparagraphs B and C is received
- provide assistance as necessary to help sellers and buyers complete the Land Contract Guarantee request.--*

--175 Application Requirements (Continued)*B Seller Application Requirements**

[7 CFR 763.7 (a)] A seller who contacts the Agency with interest in a guarantee under the Land Contract Guarantee Program will be sent the land contract letter of interest (FSA-2680) outlining specific program details. To formally request a guarantee on the proposed land contract, the seller, and each entity member in the case of an entity, must:

- (1) Complete, sign, date, and return the land contract letter of interest to the Agency, and**
- (2) Provide the name, address, and telephone number of the chosen servicing or escrow agent.**

C Buyer Application Requirements

[7 CFR 763.7 (b)] A complete application from the buyer will include:

- (1) The completed Agency application form;**

The buyer must initial, sign, and date FSA-2683. An unsigned FSA-2683 will be considered an incomplete application.

Notes: FSA-2683 with missing initials only will not be considered incomplete; however, initials will be obtained before closing.

- [7 CFR 763.7(b)] (2) A current financial statement (not older than 90 days);**

The buyer will provide the information either by completing FSA-2037 or a similar format containing the same information.

- [7 CFR 763.7(b)] (3) If the buyer is an entity:**

- (i) A complete list of entity members showing the address, citizenship, principal occupation, and the number of shares and percentage of ownership or stock held in the entity by each member, or the percentage of interest in the entity held by each member;--***

--175 Application Requirements (Continued)*C Buyer Application Requirements (Continued)**

- (ii) A current personal financial statement for each member of the entity (not older than 90 days);**
- (iii) A current financial statement for the entity itself (not older than 90 days);**
- (iv) A copy of the entity's charter or any entity agreement, any articles of incorporation and bylaws, any certificate or evidence of current registration (in good standing), and a resolution adopted by the Board of Directors or entity members authorizing specified officers of the entity to apply for and obtain the land contract guarantee and execute required debt, security and other instruments and agreements; and**
- (v) In the form of a married couple applying as a joint operation, items in paragraphs (b)(3)(i) and (b)(3)(iv) of this section will not be required. The Agency may request copies of the marriage license, prenuptial agreement, or similar documents as needed to verify loan eligibility and security. The information specified in paragraphs (b)(3)(ii) and (iii) of this section are only required to the extent needed to show the individual and joint finances of the husband and wife without duplication;**

Each entity member must demonstrate individual ownership in the entity by owning either shares or a percentage of the entity.

If entity documents require more than 1 member to apply, then all identified members must sign FSA-2683.

For a married couple, FSA will accept any of the following to verify existence of a joint operation:

- applicable CCC-902
- jointly filed tax return
- marriage license
- prenuptial agreement
- similar documentation.

Ordinarily, individual financial statements are not required from a married couple applying as a joint operation. However, in States without community property laws and in some other States, individual financial statements may be necessary to obtain a complete picture of the financial situation. SED will issue a State supplement, if applicable, to provide additional guidance and information requirements for a married couple applying as a joint operation.--*

--175 Application Requirements (Continued)*C Buyer Application Requirements (Continued)****[7 CFR 763.7(b) (4)] A brief written description of the buyer's proposed operation;**

The buyer provides this information on FSA-2683.

[7 CFR 763.7(b) (5)] A farm operating plan;

The buyer will supply most of this information on FSA-2038 or similar document containing the same information.

[7 CFR 763.7(b) (6)] A brief written description of the buyer's farm training and experience;

The buyer may provide this information on FSA-2302.

[7 CFR 763.7(b) (7)] Three years of income tax and other financial records acceptable to the Agency, unless the buyer has been farming less than 3 years;

The buyer will provide financial information primarily on FSA-2002. Additional financial records, such as balance sheets, may be requested if necessary, for the last 3 years. The authorized agency official may request up to 2 additional years of farm financial records in extenuating circumstances, such as natural disasters or adverse economic conditions.

Note: The buyer may submit alternate documents if they contain all information collected on FSA-2002. If tax returns are not available, the authorized agency official must make a notation in the running record.

[7 CFR 763.7(b) (8)] Three years of farm production records, unless the buyer has been farming less than 3 years;

The buyer will provide production information on FSA-2003. The authorized agency official may request up to 2 additional years of farm production records in extenuating circumstances, such as natural disasters or adverse economic conditions.

Note: The buyer may submit alternate documents, if they contain all information collected on FSA-2003.--*

--175 Application Requirements (Continued)*C Buyer Application Requirements (Continued)****[7 CFR 763.7(b) (9)] Verification of income and off-farm employment if relied upon for debt repayment;**

A self-employed buyer's income may be verified by 3 years of tax returns.

A buyer employed off the farm will submit either of the following:

- FSA-2004 authorizing FSA to send FSA-2014 to the buyer's employer
- 2 most recent earning statements.

Notes: The amount and dependability of income from other sources, including the buyer's spouse, will be verified as provided above.

If the buyer's spouse will be providing information and will sign FSA-2681 or FSA-2682, the spouse will complete FSA-2683, Part C. If a spouse's income will only be used to cover family living expenses/owner's withdrawal but is not a buyer, the spouse must sign FSA-2004 and FSA-2007; however, the spouse will not be required to sign FSA-2681 or FSA-2682.

If needed for an operation to cash flow, then the income of individual entity members will be verified as needed.

[7 CFR 763.7(b) (10)] Verification of all debts;

Buyers must complete FSA-2005 to provide a list of creditors and FSA-2004 to authorize those creditors to release information to FSA.

The authorized agency official:

- must verify the status of debts over \$1,000
- must confirm the balance of the debt, the buyer's payment history on the debt including any delinquency, the security pledged for the debt, and the payment schedule including the amount and date of the next scheduled installment--*

--175 Application Requirements (Continued)*C Buyer Application Requirements (Continued)**

- may obtain this information with any of the following as long as the required information is provided:
 - credit report
 - CAIVRS
 - completed FSA-2015
 - most recent billing statement for the debt (e.g., credit card debt)
 - DLS Customer Profile verification of both current/past debts and any prior debt forgiveness
 - any other form of verification that provides the required information.

[7 CFR 763.7(b) (11)] Payment of the credit report fee;

The agency official will record the date the credit report fee is received in FBP.

[7 CFR 763.7(b) (12)] Documentation of compliance with the environmental regulations in part 1940, subpart G, of this title;

A buyer must have AD-1026 on file for all real estate operated.

See RD Instruction 1940-G and 1-EQ for additional information on environmental regulations and requirements.

Some applications will require additional information from other USDA agencies or organizations to fulfill NEPA or other special law requirements. Land contract guarantees that involve highly erodible land, wetlands, historical, or archaeological sites require information from other organizations. In these cases, the authorized agency official must notify the buyer, with a copy to the seller, regarding the additional information required and request the information from the organization or agency. A copy of the request will be maintained in the file.

The need for this information will indicate an incomplete application.--*

--175 Application Requirements (Continued)*C Buyer Application Requirements (Continued)**

[7 CFR 763.7(b) (13)] A copy of the proposed land contract; and

[7 CFR 763.7(b) (14)] Any additional information deemed necessary by the Agency to effectively evaluate the applicant's eligibility and farm operating plan.

Examples of additional information include:

- divorce or separation decree
- child support or alimony payments
- 2 additional years for farm production or financial records (in extenuating circumstances).

176 Processing Applications**A Application Tracking**

Applications for the Land Contract Guarantee Program will be entered into GLS as they are received.

In GLS:

- In the place of borrower, enter the buyer's information.
- Enter escrow or servicing agent's information in the place of lender, with lender type of "broker". Escrow or servicing agents must provide TIN. Escrow or servicing agents may obtain a Level 2 eAuthentication to access LINC. See 2-FLP, Exhibit 5 for additional information.

Note: The seller's information will **not** be entered in GLS at this time. Guidance on entering seller's information will be provided in a forthcoming amendment.

B Notification of Complete Application

After determining that the application is complete, the authorized agency official will notify the buyer, with a copy to the seller, using FSA-2688.--*

*--176 Processing Applications (Continued)

C Notification of Incomplete Application

[7 CFR 763.8 (a)] Within 10 calendar days of receipt of an incomplete application, the Agency will provide the seller and buyer written notice of any additional information that must be provided. The seller or buyer, as applicable, must provide the additional information within 20 calendar days of the date of the notice.

The authorized agency official must send FSA-2685 to the buyer, with a copy to the seller, within 10 calendar days after receipt of the incomplete application.

FSA-2685 must:

- identify the additional information required for a complete application
- state that the application cannot be processed until the additional information is received
- establish a deadline 20 calendar days from the date of FSA-2685 to submit the information.

[7 CFR 763.8 (b)] If the additional information is not received, the Agency will provide written notice that the application will be withdrawn if the information is not received within 10 calendar days of the date of the second notice.

If the buyer does not respond or does not supply all of the information requested within the 20-calendar-day period specified in FSA-2685, the authorized agency official will immediately send FSA-2686 to the buyer, with a copy to the seller.

FSA-2686 will:

- list the additional information needed
- state that the application cannot be processed until all required information is received and unless the required information is supplied, the application will be withdrawn
- establish a due date for receiving the information of 10 calendar days from the date of FSA-2686
- contain the ECOA statement according to 1-FLP, paragraph 41.--*

--176 Processing Applications (Continued)*C Notification of Incomplete Application (Continued)**

FSA will withdraw the application if the additional material is not provided within the timeframe established. The authorized agency official will send FSA-2687 to the buyer, with a copy to the seller, to inform them that the application has been withdrawn. FSA-2687 will be provided by regular mail or hand delivery.

Withdrawn applications cannot be reactivated. The buyer and seller will be required to provide a new application. Information considered to be current from the withdrawn application need not be resubmitted.

The withdrawn application will be maintained according to 25-AS.

177 Appraisals**A Standard Guarantee Plan**

[7 CFR 763.14(a)] For the standard guarantee plan, the value of real estate to be purchased will be established by an appraisal obtained at Agency expense and completed as specified in §761.7 (1-FLP, part 6) of this chapter. An appraisal is required prior to, or as a condition of, approval of the guarantee.

B Prompt Payment Guarantee Plan

[7 CFR 763.14(b)] The Agency may, at its option and expense, obtain an appraisal to determine value of real estate to be purchased under the Prompt Payment Guarantee plan.--*

--178 Limitations*A General**

[7 CFR 763.6] (a) To qualify for a guarantee, the purchase price of the farm to be acquired through the land contract sale cannot exceed the lesser of:

- (i) \$500,000 or**
- (ii) The current market value of the property.**

(b) A guarantee will not be issued if the appraised value of the farm is greater than \$500,000.

(c) Existing land contracts are not eligible for the Land Contract Guarantee Program.

(d) Guarantees may not be used to establish or support a non-eligible enterprise.

See Exhibit 2 for the definition of “non-eligible enterprise”.

179 Downpayment, Rates, Terms, and Installments**A Downpayment**

[7 CFR 763.12(a)] The buyer must provide a minimum down payment of five percent of the purchase price of the farm.

A five percent down payment is the minimum required. The down payment can be made with borrowed funds. The buyer cannot:

- use the land contract as collateral
- obtain the down payment through an FSA direct or guaranteed loan.

B Interest Rate

[7 CFR 763.12(b)] The interest rate charged by the seller must be fixed at a rate not to exceed the Agency’s direct FO loan interest rate in effect at the time the guarantee is issued, plus three percentage points. The seller and buyer may renegotiate the interest rate for the remaining term of the contract following expiration of the guarantee.

Note: Direct FO loan interest rate can be found in 1-FLP, Exhibit 17.--*

***--179 Downpayment Rates, Terms, and Installments (Continued)**

C Land Contract Terms

[7 CFR 763.12(c)] The contract payments must be amortized for a minimum of 20 years and payments on the contract must be of equal amounts during the term of the guarantee.

D Balloon Installments

[7 CFR 763.13(d)] Balloon payments are prohibited during the 10-year term of the guarantee.

Balloon installments result when scheduled payments are insufficient to pay the loan without requiring a final installment that exceeds twice the amount of a regularly amortized installment.

180 Reviewing and Evaluating Applications

A Timeframe

[7 CFR 763.9] Applications will be approved or rejected and all parties notified in writing no later than 30 calendar days after application is considered complete.

The authorized agency official will send FSA-2688 to the buyer, with a copy to the seller, when the application is considered complete

B Feasibility

[7 CFR 763.10] (a) The buyer's proposed operation as described in a form acceptable to the Agency must represent the operating cycle for the farm operation and must project a feasible plan as defined in §761.2(b) of this chapter (Exhibit 2).--*

--180 Reviewing and Evaluating Applications (Continued)*B Feasibility (Continued)**

- (b) The projected income, expenses, and production estimates:**
- (1) Must be based on the buyer's last 3 years actual records of production and financial management unless the buyer has been farming less than 3 years;**
 - (2) For those farming less than 3 years, a combination of any actual history and other reliable sources of information may be used. Sources must be documented and acceptable to the Agency; and**
 - (3) May deviate from historical performance if deviations are the direct result of specific changes in the operation, reasonable, justified, documented, and acceptable to the Agency.**
- (c) Price forecasts used in the plan must be reasonable, documented, and acceptable to the Agency.**
- (d) The Agency will analyze the buyer's business ventures other than the farm operation to determine their soundness and contribution to the operation.**
- (e) When a feasible plan depends on income from sources other than from owned land, the income must be dependable and likely to continue.**
- (f) When the buyer's farm operating plan is developed in conjunction with a proposed or existing Agency direct loan, the two farm operating plans must be consistent.**

Feasibility is documented in FBP. An assessment and classification will be completed according to 1-FLP, part 8.--*

***--180 Reviewing and Evaluating Applications (Continued)**

C Environmental Regulation Compliance

[7 CFR 763.16] (a)The environmental requirements contained in parts 799 and 1940, subpart G, of this title must be met prior to approval of the guarantee request.

(b) The Agency determination of whether an environmental problem exists will be based on:

- (1) The information supplied with the application;**
- (2) Environmental resources available to the Agency including, but not limited to, documents, third parties, and government agencies;**
- (3) Other information supplied by the buyer or seller upon Agency request; and**
- (4) A visit to the farm.**

The authorized agency official will complete RD 1940-22 in FBP, RD 1940-21, or a Class II Environmental Assessment. See RD Instruction 1940-G and 1-EQ.--*

--181 Other Requirements*A Maximum Loss Amount**

[7 CFR 763.11 (a)] The maximum loss amount due to nonpayment by the buyer covered by the guarantee is based on the type of guarantee initially selected by the seller as follows:

(1) The prompt payment guarantee will cover:

(i) three amortized annual installments; or

(ii) An amount equal to three annual installments (including an amount equal to the total cost of any tax and insurance incurred during the period covered by the annual installments).

(2) The standard guarantee will cover an amount equal to 90 percent of the outstanding principal balance.

Accrued interest, protective advances, and liquidation costs are not covered by the standard guarantee.

B Guarantee Period

[7 CFR 763.11 (b)] The period of the guarantee will be 10 years from the effective date of the guarantee unless terminated earlier under §763.23 (paragraph 195).

C Conditions

[7 CFR 763.11 (c)] The seller will select an escrow agent to service a Land Contract Agreement if selecting the prompt payment guarantee plan, and a servicing agent to service a Land Contract Agreement if selecting the standard guarantee plan.

(1) An escrow agent must provide the Agency evidence of being a bonded title insurance company, attorney, financial institution or fiscally responsible institution.

(2) A servicing agent must provide the Agency evidence of being a bonded commercial lending institution or similar entity, registered and authorized to provide escrow and collection services in the State in which the real estate is located.--*

--181 Other Requirements (Continued)*D Fees**

[7 CFR 763.13 (a)] The seller and the buyer will be responsible for payment of any expenses or fees necessary to process the Land Contract Agreement required by the State or County to ensure that proper title is vested in the seller including, but not limited to, attorney fees, recording costs, and notary fees.

E Taxes and Insurance

[7 CFR 763.15] (a) The seller will ensure that taxes and insurance on the real estate are paid timely and will provide the evidence of payment to the escrow agent or servicing agent.

(b) The seller will maintain flood insurance, if available, if buildings are located in a special 100-year floodplain as defined by FEMA flood hazard area maps.

(c) The seller will report any insurance claim and use of proceeds to the escrow or servicing agent.

Note: The land contract may require the buyer to make escrow payments toward the real estate taxes and property insurance premiums; however, the seller is responsible to ensure that the real estate taxes are paid current and property insurance is maintained.

182 Approval**A Approval Authority**

See 1-FLP, paragraph 29, for guaranteed loan approval authorities.

B Application Approval

[7 CFR 763.17 (a)] Approval is subject to the availability of funds, meeting the requirements in this part, and the participation of an approved escrow or servicing agent, as applicable.

Approval will be documented in FBP. Funds will be obligated using FSA-2231.--*

--182 Approval (Continued)*C Approval of Escrow or Servicing Agent**

The authorized agency official will verify through EPLS at www.epls.gov that the seller selected escrow or servicing agent has not been debarred or suspended.

D Notification of Approval

The authorized agency official will make a final decision on the application and document it in FBP within 30 calendar days from the date the application is considered complete. The authorized agency official will send Exhibit 38 to advise the seller and buyer of approval.

E Executing the Guarantee

[7 CFR 763.17] (b) Upon approval of the guarantee, all parties (buyer, seller, escrow or servicing agent, and Agency official) will execute the Agency's guarantee agreement (FSA-2681 or FSA-2682).

(c) The "Land Contract Agreement for Prompt Payment Guarantee" (FSA-2681) or the "Land Contract Agreement for Standard Guarantee" (FSA-2682) will describe the conditions of the guarantee, outline the covenants and any agreements of the buyer, seller, escrow or servicing agent, and the Agency, and outline the process for payment of loss claims.

No later than 60 calendar days after the agency official sends Exhibit 38, the authorized agency official will arrange for the execution of FSA-2681 or FSA-2682 with the buyer, seller, and escrow or servicing agent.--*

--183 Denial*A Denial**

The authorized agency official will deny a Land Contract Guarantee request if any of the following conditions exist:

- seller has knowingly provided incomplete, false, or misleading information or does not otherwise meet the eligibility requirements specified in paragraph 173
- buyer has knowingly provided incomplete, false, or misleading information or does not otherwise meet the eligibility requirements specified in subparagraphs 174 B through O
- buyer, the buyer's operation, or other circumstances surrounding the land contract guarantee are inconsistent with the authorizing statutes, other Federal laws, or Federal credit policies
- buyer cannot develop a feasible plan.

The approval official must document the reasons for denying the guarantee request in the application file.

B Notification of Denial

The buyer and seller will be notified of the denial in writing. The notification must provide:

- clear, specific reasons for the denial
- citations of requirements from CFR and handbook sections that are not met
- appeal or review rights according to 1-APP
- non-discrimination and ECOA statements according to 1-FLP, paragraph 41.--*

--184 Seller, Escrow Agent, and Servicing Agent's Responsibilities*A Seller Responsibilities**

[7 CFR 763.18 (a)] For the prompt payment guarantee plan, the seller must use a third party escrow agent approved by the Agency.

Note: Escrow agents must be bonded and may include title insurance companies, attorneys, financial institutions, or any fiscally responsible institution as determined and approved by FSA.

[7 CFR 763.18 (b)] For the standard guarantee plan, the seller must use a third party servicing agent approved by the Agency.

Note: Servicing agents must be bonded commercial lending institutions or similar entities that are registered and authorized to provide escrow and collection services in the State in which the real estate is located.

B Escrow Agent Responsibilities

[7 CFR 763.18 (a)] The escrow agent will:

- (1) Provide the Agency a copy of the recorded Land Contract;**
- (2) Handle transactions relating to the Land Contract between the buyer and seller;**
- (3) Receive Land Contract installment payments from the buyer and send them to the seller;**
- (4) Provide evidence to the Agency that property taxes are paid and insurance is kept current on the security property;**
- (5) Send a notice of payment due to the buyer at least 30 days prior to the installment due date;**
- (6) Notify the Agency and the seller if the buyer defaults;**
- (7) Service delinquent accounts as specified in §763.20(a) (subparagraph 192 A);--***

--184 Seller, Escrow Agent, and Servicing Agent's Responsibilities (Continued)*B Escrow Agent Responsibilities (Continued)**

- (8) Make demand on the Agency to pay missed payments;**
- (9) Send the seller any missed payment amount paid by the Agency under the guarantee;**
- (10) Notify the Agency on March 31 and September 30 of each year of the outstanding balance on the Land Contract and the status of payment; and**
- (11) Perform other duties as required by State law and as agreed to by the buyer and the seller.**

Escrow agents may submit status reports through LINC.

C Servicing Agent Responsibilities

[7 CFR 763.18 (b)] The servicing agent will:

- (1) Provide the Agency a copy of the recorded Land Contract;**
- (2) Handle transactions relating to the Land Contract between the buyer and seller;**
- (3) Receive Land Contract installment payments from the buyer and send them to the seller;**
- (4) Provide evidence to the Agency that property taxes are paid and insurance is kept current on the security property;**
- (5) Perform a physical inspection of the farm each year during the term of the guarantee, and provide an annual inspection report to the Agency;**
- (6) Obtain from the buyer a current balance sheet, income statement, cash flow budget, and any additional information needed, perform, and provide the Agency an analysis of the buyer's financial condition on an annual basis;**
- (7) Notify the Agency on March 31 and September 30 of each year of the outstanding balance on the Land Contract and the status of payment;--***

***--184 Seller, Escrow Agent, and Servicing Agent's Responsibilities (Continued)**

C Servicing Agent Responsibilities (Continued)

- (8) Send a notice of payment due to the buyer at least 30 days prior to the installment due date;**
- (9) Notify the Agency and the seller if the buyer defaults;**
- (10) Service delinquent accounts as specified in §763.20(b) (subparagraph 192 B); and**
- (11) Perform other duties as required by State law and as agreed to by the buyer and the seller.**

The servicing agent may:

- use FSA forms, a narrative, or any other format that provides the required information
- submit status reports through LINC.

The authorized agency official will review the information submitted by the servicing agent and document results in the case file. If the servicing agent fails to submit the required information, the authorized agency official will send a letter to the servicing agent, with a copy to the seller, reminding them of the required information to meet requirements of the guarantee.--*

185-190 (Reserved)

--191 Land Contract Modification*A General**

All land contract modifications must meet FSA regulations pertaining to the Land Contract Guarantee Program, including interest rates, amortization, and equal payments.

The escrow or servicing agent will inform FSA if any modifications are being proposed between the seller and the buyer, and provide documents to FSA in support of the proposal. Authorized agency officials may approve land contract modifications within their loan approval authority.

The authorized agency official will inform the escrow or servicing agent, as well as the seller and buyer, by letter, of the decision.

B Interest Rate Reduction

[7 CFR 763.19 (a)] The seller and buyer may modify the land contract to lower the interest rate and corresponding amortized payment amount without Agency approval.

The escrow or servicing agent will inform the Agency, and provide documents when the seller and buyer modify the land contract to lower the interest rate and corresponding amortized payment amount.

C Modifications

[7 CFR 763.19 (b)] With prior written approval from the Agency, the seller and buyer may modify the land contract provided that, in addition to a feasible plan for the upcoming operating cycle, a feasible plan can be reasonably projected throughout the remaining term of the guarantee. Such modifications may include, but are not limited to:

(1) Deferral of installments,

(2) Leasing or subleasing, and

(3) Partial releases. All proceeds from a partial release or royalties from mineral extraction must be applied to a prior lien, if one exists, and in addition, the same amount must be credited to the principal balance of the land contract.--*

--191 Land Contract Modification (Continued)*D Transfer and Assumption**

[7 CFR 763.19 (b) (4)] Transfer and assumption. If the guarantee is to remain in effect, any transfer of the property and assumption of the guaranteed debt must be made to an eligible buyer for the Land Contract Guarantee Program as specified in §763.5(b) (paragraph 174), and must be approved by the Agency in writing. If an eligible buyer for transfer and assumption cannot be found, the Deputy Administrator for Farm Loan Programs may make an exception to this requirement when in the Government's best financial interest.

E Assignment

[7 CFR 763.19 (b) (5)] Assignment. The seller may not assign the contract to another party without written consent of the Agency.

F Other Modifications

[7 CFR 763.19 (c)] Any contract modifications other than those listed above (subparagraphs B through E) must be approved by the Deputy Administrator for Farm Loan Programs, and will only be approved if such action is determined permissible by law and in the Government's best financial interests.

SED will forward the request to the National Office for DAFLP approval. The authorized agency official will notify the escrow or servicing agent, as appropriate, by letter with a copy to the buyer and seller.

192 Delinquent Servicing**A Prompt Payment Guarantee Plan**

[7 CFR 763.20 (a)] If the buyer fails to pay an annual amortized installment or a portion of an installment on the contract or taxes or insurance when due, the escrow agent:

- (1) Must make a written demand on the buyer for payment of the defaulted amount within 30 days of the missed payment, taxes, or insurance and send a copy of the demand letter to the Agency and to the seller; and--***

--192 Delinquent Servicing (Continued)*A Prompt Payment Guarantee Plan (Continued)**

- (2) Must make demand on the Agency within 90 days from the original payment, taxes, or insurance due date, for the missed payment in the event the buyer has not made the payment.**

Escrow agents must adhere to the above time frames. Failure to do so is considered negligence and is grounds for reduction or denial of a loss claim if it contributes to the loss.

B Standard Guarantee Plan

[7 CFR 763.20(b)] If the buyer fails to pay an annual amortized installment or a portion of an installment on the contract, then the seller has the option of either liquidating the real estate, or having the amount of the loss established by the Agency by an appraisal of the real estate. For either option, the servicing agent:

- (1) Must make a written demand on the buyer for payment of the defaulted amount within 30 days of the missed payment, and send a copy of the demand letter to the Agency and to the seller; and**
- (2) Must immediately inform the Agency which option the seller has chosen for establishing the amount of the loss, in the event the buyer does not make the payment within 60 days of the demand letter.**

Servicing agents must adhere to the above time frames, as failure to comply could put at risk the guarantee of any loss payment due to negligent servicing.

[7 CFR 763.20(b) (2)] (i) If the seller chooses the liquidation method, the servicing agent will:

- (A) Submit a liquidation plan to the Agency within 120 days from the missed payment for approval prior to any liquidation action. The Agency may require and pay for an appraisal prior to approval of the liquidation plan.**
- (B) Complete liquidation within 12 months of the missed installment unless prevented by bankruptcy, redemption rights, or other legal action.--***

--192 Delinquent Servicing (Continued)*B Standard guarantee plan (Continued)**

- (C) Credit an amount equal to the sale price received in a liquidation of the security property, with no deduction for expenses, to the principal balance of the land contract.**
- (D) File a loss claim immediately after liquidation, which must include a complete loan ledger.**
- (E) Base the loss claim amount on the appraisal method if the property is reacquired by the seller, through liquidation.**

The full amount of the sale price received in a liquidation of the security property must be applied to the principal balance of the land contract. Liquidation expenses are **not** authorized. Land Contract Guarantees do not cover interest because the guarantee only covers the principal.

[7 CFR 763.20 (b) (2)] (ii) If the seller chooses to have the loss amount established by appraisal rather than liquidation, the Agency will complete an appraisal on the real estate, and the loss claim amount will be based on the difference between the appraised value at the time the loss is calculated and the unpaid principal balance of the land contract at that time.

Example: At the time the loss claim is paid, the unpaid principal balance of the land contract is \$400,000, and the appraised value is \$ 360,000. The amount of the loss claim will be the difference between the balance of \$400,000, and the appraised amount of \$360,000, or \$40,000 times 90 percent, for a total of \$36,000. If the appraisal is equal to or more than the principal balance, there is no loss to be paid.

[7 CFR 763.20 (b) (2) (ii)] (A) The only administrative appeal allowed under § 761.6 of this chapter related to the resulting appraisal amount will be a determination of whether the appraisal is Uniform Standards of Professional Appraisal Practice (USPAP) compliant.--*

--192 Delinquent Servicing (Continued)*B Standard guarantee plan (Continued)**

(B) The seller will give the Agency a lien on the security property in the amount of the loss claim payment. If the property sells within 5 years from the date of the loss payment for an amount greater than the appraised value used to establish the loss claim amount, the seller must repay the difference, up to the amount of the loss claim. For purposes of determining the amount to be repaid (recapture), the market value of the property may be reduced by the value of certain capital improvements, as specified in §766.202(a)(1)-(3) of this chapter (5-FLP, paragraph 343) , made by the seller to the property in the time period from the loss claim to final disposition. If the property is not sold within 5 years from the date of the loss payment, the Agency will release the lien and the seller will have no further obligation to the Agency.

The seller will be required to execute FSA-2684, and provide FSA a mortgage against the property to secure FSA-2684. If the seller refuses to execute the documents, the loss claim will be denied.

Before FSA obtains the appraisal, the seller will identify any capital improvements that have been made to the real estate security since the execution of FSA-2684. The appraisal must specifically identify the contributory value of those capital improvements to make deductions for that value.

For calculation of recapture, the contributory value of capital improvements made during the term of the recapture agreement will be deducted from the market value of the property. Such capital improvements must also meet at least one of the following criteria:

- It would be considered the seller's primary residence. If the new residence is affixed to the real estate security as a replacement for the residence which existed on the security property when the recapture agreement was originally executed, or, the living area square footage of the original residence was expanded, only the value added to the real property by the new or expanded portion of the original residence (if it added value) will be deducted from the market value.--*

--192 Delinquent Servicing (Continued)*B Standard guarantee plan (Continued)**

- It is an improvement to the real estate with a useful life of over one year and is affixed to the property, and the following conditions must be met:
 - The item must have been capitalized and not taken as an annual operating expense on the seller's Federal income tax returns. The seller must provide copies of appropriate tax returns to verify that capital improvements claimed for shared appreciation recapture reduction are capitalized.
 - If the new item is affixed to the real estate as a replacement for an item that existed on the real estate at the time the recapture agreement was originally executed, only the value added by the new item will be deducted from the market value.

193 Federal Debt and Recovery of Loss Claims**A Establishing Federal Debt**

[7CFR 763.21 (a)] Any amount paid by FSA as a result of an approved loss claim is immediately due and payable by the buyer after FSA notifies the buyer that a loss claim has been paid to the seller. If the debt is not restructured into a repayment plan or the obligation otherwise cured, FSA may use all remedies available, including offset as authorized by the Debt Collection Improvement Act of 1996 (DCIA), to collect the debt.

- (1) Interest on the debt will be at the FLP non-program real property loan rate in effect at the time of the first Agency payment of a loss claim.**
- (2) The debt may be scheduled for repayment consistent with the buyer's repayment ability, not to exceed 7 years. Before any payment plan can be approved, the buyer must provide the Agency with the best lien obtainable on all of the buyer's assets. This includes the buyer's ownership interest in the real estate under contract for guarantees using the prompt payment guarantee plan. When the buyer is an entity, the best lien obtainable will be taken on all of the entity's assets, and all assets owned by individual members of the entity, including their ownership interest in the real estate under contract.**

Under the standard guarantee plan, if a loss claim is paid, either liquidation has been or will be completed, or the seller is receiving a payment using the appraisal method. The buyer no longer has any present or future interest in the land contract property.

The buyer will be notified according to 7 CFR 762.149(m) and 2-FLP, paragraph 363.

If the buyer fails to repay the debt, FSA will offset the buyer's Federal benefits to recover the debt owed by payment of the loss claim.--*

--193 Federal Debt and Recovery of Loss Claims (Continued)*B Repayment Plan**

Immediately after FSA has paid a loss claim, the authorized agency official will notify the buyer, through the escrow or servicing agent, of the paid claim, the requirements of repayment, and the consequences if the buyer fails to repay the claim. The authorized agency official will schedule an office meeting and request the buyer to provide the information needed to determine if an acceptable repayment plan is feasible.

[7 CFR 763.21 (b)] Annually, buyers with an Agency approved repayment plan under this section will supply the Agency a current balance sheet, income statement, cash flow budget, complete copy of Federal income tax returns, and any additional information needed to analyze the buyer's financial condition.

The agency authorized official will contact the buyer annually by letter to request the information needed to analyze the buyer's financial condition.

C Buyer Failure to Make Payments

[7 CFR 763.21 (c)] If a buyer fails to make required payments to the Agency as specified in the approved repayment plan, the debt will be treated as a non-program loan debt, and servicing will proceed as specified in §766.351(c) of this chapter (5-FLP, subparagraph 444 B).--*

***--194 Negligent Servicing**

A Denial of Loss Claim Due to Negligence

[7 CFR 763.22 (a)] The Agency may deny a loss claim in whole or in part due to negligence that contributed to the loss claim. This could include, but is not limited to:

- (1) The escrow or servicing agent failing to seek payment of a missed installment from the buyer within the prescribed timeframe or otherwise does not enforce the terms of the land contract;**
- (2) Losing the collateral to a third party, such as a taxing authority, prior lien holder, etc.;**
- (3) Not performing the duties and responsibilities required of the escrow or servicing agent;**
- (4) The seller's failing to disclose environmental issues; or**
- (5) Any other action in violation of the land contract or guarantee agreement that does not terminate the guarantee.--***

***--195 Terminating the Guarantee**

A Termination of Guarantee

[7 CFR 763.23] (a) The guarantee and the Agency's obligations will terminate at the earliest of the following circumstances:

- (1) Full payment of the land contract;**
 - (2) Agency payment to the seller of 3 annual installments plus property taxes and insurance, if applicable, under the prompt payment guarantee plan, if not repaid in full by the buyer. An Agency approved repayment plan will not constitute payment in full until such time as the entire amount due for the Agency approved repayment plan is paid in full;**
 - (3) Payment of a loss claim through the standard guarantee plan;**
 - (4) Sale of real estate without guarantee being properly assigned;**
 - (5) The seller terminates the land contract for reasons other than monetary default; or**
 - (6) If for any reason the land contract becomes null and void.**
- (b) If none of the events above occur, the guarantee will automatically expire, without notice, 10 years from the effective date of the guarantee.--***

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

This table lists the required report of this handbook.

Reports Control Number	Title	Reporting Period	Submission Date	Negative Reports	Reference
FLP-5R	Summary Report of Civil Rights Compliance Reviews	Annually	By November 30 each year	Not required	67

Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification (Assembled as a component with AD-1026 Appendix)		91, 115
CCC-2651	Request for Special Apple Loan Program Assistance		88, 91, 97
CCC-2652	Special Apple Program Promissory Note and Security Agreement		97
FmHA 1940-1	Request for Obligation of Funds - Direct Loans		24, 97, 118, 149
FmHA 1940-21	Environmental Assessment for Class I Action		140, 175
FmHA 1940-22	Environmental Checklist for Categorical Exclusions		140, 175
FSA-0440-04	Security Agreement (Chattels and Crops)		150
FSA-0440-04A	Security Agreement (Chattels and Crops)		150
FSA-410-1	Request for Direct Loan Assistance		137, 142, 143
FSA 431-2	Farm and Home Plan		142, 145
FSA-440-2 <u>1/</u>	Eligibility Certification or Recommendation		149
FSA-440-32	Verification of Debts and Assets		91, 137, 177
FSA-850	Environmental Evaluation Checklist		89
FSA-1927-1	Real Estate Mortgage for (State)		25, 43, 150
FSA-1927-1M	Mortgage for _____		150

1/ Form is obsolete.

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-1927-ID	Real Estate Deed of Trust for		150
FSA-1940-38	Request for Lender's Verification of Loan Application		137
FSA-1965-13	Assumption Agreement (Farm Loan Programs)		74
FSA-1980-28 1/	Preferred Lender Application for Guarantee		174
FSA-1980-25	Application for Guarantee		172, 178, 179
FSA-2002	Three-Year Financial History		178
FSA-2003	Three-Year Production History		178
FSA-2004	Authorization to Release Information		178
FSA-2005	Creditor List		178
FSA-2007	Statement Required by the Privacy Act for Non-Applicants		178
FSA-2014	Verification of Income		142, 178
FSA-2015	Verification of Debts and Assets		91, 137, 178
FSA-2037	Farm Business Plan Worksheet Balance Sheet		175
FSA-2038	Farm Business Plan Worksheet Projected/Actual Income and Expense		175
FSA-2211	Application For Guarantee		174
FSA-2212	Preferred Lender Application For Guarantee		174
FSA-2231	Request For Obligation of Funds Guaranteed Loans		182
FSA-2620	Indian Tribal Land Acquisition Program Loan Application		12, 24, 25
FSA-2621	Indian Tribal Land Acquisition Program Tribal Council Resolution and Certification		13, 25, 43
FSA-2622	Indian Tribal Land Acquisition Program Assignment of Tribal Income and Funds		13, 25
FSA-2623	Indian Tribal Land Acquisition Program Subordination Agreement		13, 25
FSA-2648	Civil Rights Compliance Review		67
FSA-2661	Request for Emergency Loan for Seed Producers Program		115
FSA-2662	Emergency Loans for Seed Producers Promissory Note and Security Agreement		118
FSA-2663	Subordination Agreement in Favor of the Government Emergency Loans for Seed Producers		117
FSA-2664	Emergency Loans for Seed Producers Program Notice of Claim Assignment		118
FSA-2670	Horse Breeder Loan Program Promissory Note		150

1/ Form is obsolete.

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2680 <u>2/</u>	Letter of Interest		177
FSA-2681 <u>3/</u>	Loan Payment Guarantee Agreement and Contract Modification		172, 173, 174, 177, 182
FSA-2680	Notice of Interest in Land Contract Guarantee		174, 175
FSA-2681	Land Contract Agreement Prompt Payment Guarantee		171, 175, 182
FSA-2682	Land Contract Agreement For Standard Guarantee		175, 182
FSA-2683	Request for Land Contract Guarantee Assistance		174, 175, 178, 179
FSA-2684	Land Contract Recapture Agreement		192
FSA-2685	Notice of Incomplete Land Contract Guarantee Program Application		176
FSA-2686	Second Notice of Incomplete Land Contract Guarantee Program Application		176
FSA-2687	Notice of Land Contract Guarantee Program Application Withdrawal/Pending Withdrawal		176
FSA-2688	Notice of Complete Land Contract Guarantee Program Application		176, 180
G-845	Verification Request		86, 111
I-94	Arrival - Departure Record		137
I-151	Alien Registration Receipt Card		86, 111, 137
I-551	Alien Registration Receipt Card		86, 111, 137
I-571	Refugee Travel Document		137
I-688B	Employment Authorization Card		137
I-765	Employment Authorization Document		137
RD-440-9	Supplementary Payment Agreement		184
RD 440-15	Security Agreement (Insured Loans to Individuals)		150
RD 440-22	Promissory Note (Association or Organization)		25
RD 442-20	Right-of-Way Easement		25
RD-465-1	Application for Partial Release, Subordination, or Consent		70
RD-465-5	Transfer of Real Estate Security		72
RD 1910-5	Request for Verification of Employment		142, 177
UCC-1	Financing Statement		94, 118

2/ FSA-2680 dated “9-26-05” or earlier is no longer used.

3/ FSA-2681 dated “11-6-03” or earlier is no longer used.

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
AMP	Association-type Minor Program	Part 4, Ex. 2
HB	Horse Breeder	136, 137, 144
HBL	Horse Breeder Loan	1, Part 7, Ex. 4
IMP	Individual-type Minor Program	Part 4, Ex. 2
INS	Immigration and Naturalization Service	86, 111, 137
ITLAP	Indian Tribal Land Acquisition Program	11, 41, 42
MRLS	Mare Reproductive Loss Syndrome	136, 138, 144, Ex. 16
NHPA	National Historic Preservation Act	89, 114, 115
NOFA	Notice of Funds Availability	1, Part 7
SALP	Special Apple Loan Program	1, 2, 86-88, 97
SDMS	State Directive Management System	67
WLS	workload scheduling	142, 143, 149

Re delegations of Authority

None

Definition of Terms Used in This Handbook

***--Note:** The programs administered according to this handbook are supported by a number of CFR parts, as well as NOFA that was published in FR. Definitions that cite:

- 7 CFR Part 761 is about Part 8, Land Contract Guarantee Program
- 7 CFR Part 770 is about Part 2, Indian Tribal Land Acquisition Program
- 7 CFR Part 772 is about Part 4, Servicing of Minor Program loans, including Grazing Association, Irrigation and Drainage, Non-Farm Enterprise, and Recreation loans
- 7 CFR Part 773 is about Part 5, Special Apple Loan Program
- 7 CFR Part 774 is about Part 6, Emergency Loan for Seed Producers Program
- NOFA are about Part 7, HBL Program.

Act

[7 CFR 761.2] **Act** is the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 *et seq.*).--*

Additional Security

[NOFA I.] **Additional security** is property that provides security in excess of the amount of security value equal to the loan amount.

Adequate Security

[NOFA I.] **Adequate security** is property that provides a security value at least equal to the amount of the loan.

*--Adjustment

[7 CFR 761.2] **Adjustment** is a form of settlement that reduces the financial obligation to the Agency, conditioned upon the completion of payment of a specified amount at a future time. An adjustment is not a final settlement until all payments have been made under the agreement.--*

Definition of Terms Used in This Handbook (Continued)

***--Administrative Appraisal Review**

[7 CFR 761.2] Administrative appraisal review is a review of an appraisal to determine if the appraisal:

- (1) Meets applicable Agency requirements; and
- (2) Is accurate outside the requirements of standard 3 of USPAP.--*

Administrator

[7 CFR 770.2 (b)] Administrator is the head of the Farm Service Agency.

Agency

[7 CFR 770.2 (b)] Agency is Farm Service Agency (FSA).

[7 CFR 773.2, 7 CFR 774.2, and NOFA I] Agency is the Farm Service Agency, its employees, and any successor agency.

--[7 CFR 761.2] Agency is the FSA.--

AgriBiotech

AgriBiotech is AgriBiotech, Inc., a Nevada Corporation and large forage and cool-season turfgrass seed company that filed for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the District of Nevada on January 25, 2000. (Bankruptcy Case No. BK-S-00-10533, jointly administered with Bankruptcy Case Nos. BK-S-00-10534 through BK-S-00-10537)

***--Agricultural Commodity**

[7 CFR 761.2] Agricultural commodity is livestock, livestock products, grains, cotton, oilseeds, dry beans, tobacco, peanuts, sugar beets, sugar cane, fruit, vegetable, forage, tree farming, nursery crops, nuts, aquaculture species, and other plant and animal production, as determined by the Agency.--*

Annual Installment

Annual installment is the total amortized amount of principal and interest due to the seller on a land contract every 12 months.

Definition of Terms Used in This Handbook (Continued)

Apple Producer

[7 CFR 773.2] Apple producer is a farmer in the U.S. or its territories that produced apples, on not less than 10 acres, for sale in 1999 or 2000.

Applicant (Applies to Part 2)

[7 CFR 770.2 (b)] Applicant is a Native American tribe or tribal corporation established pursuant to the Indian Reorganization Act seeking a loan under this part.

Applicant (Applies to Parts 5, 6, and 7)

[7 CFR 773.2, 7 CFR 774.2, and NOFA I.] Applicant is the individual or business entity applying for the loan.

***--Applicant (Applies to Part 8)**

[7 CFR 761.2] Applicant is the individual or entity applying for a loan or loan servicing under either the direct or guaranteed loan program.--*

Appraisal

[7 CFR 770.2 (b)] Appraisal is an appraisal for the purposes of determining the market value of land (less the value of any existing improvements that pass with the land) that meets the requirements of part 761 of this chapter.

Approval Official

[NOFA I.] Approval official is an Agency official who has been delegated approval authorities within applicable loan programs.

AMP Loans

[7 CFR 772.2(b)] AMP loans are loans to grazing associations and irrigation and drainage associations.

Definition of Terms Used in This Handbook (Continued)

***--Assistance**

[7 CFR 761.2] Assistance is financial assistance in the form of a direct or guaranteed loan or interest subsidy or servicing action.

Assumption

[7 CFR 761.2] Assumption is the act of agreeing to be legally responsible for another party's indebtedness.

Assumption Agreement

[7 CFR 761.2] Assumption agreement is a written agreement on the appropriate Agency form to pay the FLP debt incurred by another.--*

Authorized Agency Official

The authorized agency official is the FSA official that is authorized to perform specific tasks about loan making or servicing. The appropriate official is determined by inherent authorities or delegations applicable to a particular task.

Definition of Terms Used in This Handbook (Continued)

***--Beginning Farmer (Applies to Part 8)**

[7 CFR 761.2] **Beginning farmer** is an individual or entity who:

- (1) Meets the loan eligibility requirements for a direct or guaranteed CL, FO, or OL, as applicable;**
- (2) Has not operated a farm for more than 10 years. This requirement applies to all members of an entity;**
- (3) Will materially and substantially participate in the operation of the farm:**
 - (i) In the case of a loan made to an individual, individually or with the family members, material and substantial participation requires that the individual provide substantial day-to-day labor and management of the farm, consistent with the practices in the county or State where the farm is located.**
 - (ii) In the case of a loan made to an entity, all members must materially and substantially participate in the operation of the farm. Material and substantial participation requires that the member provide some amount of the management, or labor and management necessary for day-to-day activities, such that if the individual did not provide these inputs, operation of the farm would be seriously impaired;**
- (4) Agrees to participate in any loan assessment and borrower training required by Agency regulations;**
- (5) Except for an OL applicant, does not own real farm property or who, directly or through interests in family farm entities owns real farm property, the aggregate acreage of which does not exceed 30 percent of the median farm acreage of the farms in the county where the property is located. If the farm is located in more than one county, the median farm acreage of the county where the applicant's residence is located will be used in the calculation. If the applicant's residence is not located on the farm or if the applicant is an entity, the median farm acreage of the county where the major portion of the farm is located will be used. The median county farm acreage will be determined from the most recent Census of Agriculture;**
- (6) Demonstrates that the available resources of the applicant and spouse (if any) are not sufficient to enable the applicant to enter or continue farming on a viable scale; and**
- (7) In the case of an entity:**
 - (i) All the members are related by blood or marriage; and**
 - (ii) All the members are beginning farmers.--***

Definition of Terms Used in This Handbook (Continued)

***--Borrower**

[7 CFR 761.2] **Borrower** (or debtor) is an individual or entity that has an outstanding obligation to the Agency or to a lender under any direct or guaranteed FLP loan, without regard to whether the loan has been accelerated. The term “borrower” includes all parties liable for such obligation, including collection-only borrowers, except for debtors whose total loans and accounts have been voluntarily or involuntarily foreclosed, sold, or conveyed, or who have been discharged of all such obligations owed to the Agency or guaranteed lender.--*

Bred

[NOFA XII.] **Bred** is the attempt to produce offspring by sexual union or artificial insemination.

Business Entity

[7 CFR 773.2 and NOFA I.] A **business entity** is a corporation, partnership, joint operation, trust, limited liability company, or cooperative.

* * *

--Cash Flow Budget (Applies to Parts 5 and 7)--

[7 CFR 773.2 and NOFA I.] **Cash flow budget** is a projection listing all anticipated cash inflows (including all farm income, nonfarm income and all loan advances) and all cash outflows (including all farm and nonfarm debt service and other expenses) to be incurred by the borrower during the period of the budget. A cash flow budget may be completed either for a 12-month period, a typical production cycle or the life of the loan, as appropriate.

***--Cash Flow Budget (Applies to Part 8)**

[7 CFR 761.2] **Cash flow budget** is a projection listing all anticipated cash inflows (including all farm income, nonfarm income and all loan advances) and all cash outflows (including all farm and nonfarm debt service and other expenses) to be incurred during the period of the budget. Advances and principal repayments of lines of credit may be excluded from a cash flow budget. Cash flow budgets for guaranteed loans under \$125,000 do not require income and expenses itemized by categories. A cash flow budget may be completed either for a 12-month period, a typical production cycle, or the life of the loan, as appropriate. It may also be prepared with a breakdown of cash inflows and outflows for each month of the review period and include the expected outstanding operating credit balance for the end of each month. The latter type is referred to as a “monthly cash flow budget.”--*

Definition of Terms Used in This Handbook (Continued)

***--Compromise**

[7 CFR 761.2] Compromise is the settlement of an FLP debt or claim by a lump-sum payment of less than the total amount owed in satisfaction of the debt or claim.

Controlled Substance

[7 CFR 761.2] Controlled substance is the term as defined in 21 U.S.C. 812.

Cooperative

[7 CFR 761.2] Cooperative is an entity that has farming as its purpose, whose members have agreed to share the profits of the farming enterprise, and is recognized as a farm cooperative by the laws of the state in which the entity will operate a farm.

Corporation

[7 CFR 761.2] Corporation is a private domestic corporation created and organized under the laws of the state in which it will operate a farm.

County

[7 CFR 761.2] County is a local administrative subdivision of a State or similar political subdivision of the United States.--*

Definition of Terms Used in This Handbook (Continued)***--Debt Forgiveness**

[7 CFR 761.2] **Debt forgiveness** is a reduction or termination of a debt under the Act in a manner that results in a loss to the Agency, through:

- (1) Writing down or writing off a debt pursuant to 7 U.S.C. 2001;
- (2) Compromising, adjusting, reducing, or charging off a debt or claim pursuant to 7 U.S.C. 1981; or
- (3) Paying a loss pursuant to 7 U.S.C. 2005 on a FLP loan guaranteed by the Agency.

Debt forgiveness does not include:

- (1) Debt reduction through a conservation contract;
- (2) Any writedown provided as part of the resolution of a discrimination complaint against the Agency;
- (3) Prior debt forgiveness that has been repaid in its entirety; and
- (4) Consolidation, rescheduling, reamortization, or deferral of a loan.

Debt Writedown

[7 CFR 761.2] **Debt writedown** is the reduction of the borrower's debt to that amount the Agency determines to be collectible based on an analysis of the security value and the borrower's ability to pay.

Default

[7 CFR 761.2] **Default** is the failure of a borrower to observe any agreement with the Agency, or the lender in the case of a guaranteed loan, as contained in promissory notes, security instruments, and similar or related instruments.

Deferral

[7 CFR 761.2] **Deferral** is a postponement of the payment of interest or principal, or both.

Direct Loan

[7 CFR 761.2] **Direct loan** is a loan funded and serviced by the Agency as the lender.--*

Definition of Terms Used in This Handbook (Continued)

Disabled

Disabled is mares that have become infertile or difficult to breed, and mares and foals that have become unfit for sale, reproduction, training, and riding as a result of MRLS.

*--Disaster

[7 CFR 761.2] Disaster is an event of unusual and adverse weather conditions or other natural phenomena, or quarantine, that has substantially affected the production of agricultural commodities by causing physical property or production losses in a county, or similar political subdivision, that triggered the inclusion of such county or political subdivision in the disaster area as designated by the Agency.--*

Domestically-Owned Entity

[7 CFR 773.2 and 7 CFR 774.2] Domestically-owned entity is an entity organized in the U.S. under the law of the state or states in which the entity operates and a majority of the entity is owned by members meeting the citizenship test.

*--Downpayment Loan

[7 CFR 761.2] Downpayment loan is a type of FO loan made to beginning farmers and socially disadvantaged farmers to finance a portion of a real estate purchase under part 764, subpart E of this chapter.

Entity (Applies to Part 4)--*

[7 CFR 772.2(b)] Entity is a cooperative, corporation, partnership, joint operation, trust, or limited liability company.

*--Entity (Applies to Part 8)

[7 CFR 761.2] Entity is a corporation, partnership, joint operation, cooperative, limited liability company or trust.--*

* * *

Definition of Terms Used in This Handbook (Continued)

False Information

[7 CFR 773.2 and NOFA I.] **False information** is information provided by an applicant, borrower, or other source to the Agency which information is known by the provider to be incorrect and was provided to the Agency to obtain benefits for which the applicant or borrower would not otherwise have been eligible.

[7 CFR 774.2] **False information** is information provided by an applicant, borrower, or other source to the Agency that the borrower knows to be incorrect, and that the borrower or other source provided in order to obtain benefits for which the borrower would not otherwise have been eligible.

*--Family Farm

[7 CFR 761.2] **Family farm** is a farm that:

- (1) Produces agricultural commodities for sale in sufficient quantities so that it is recognized as a farm rather than a rural residence;
- (2) Has both physical labor and management provided as follows:
 - (i) The majority of day-to-day, operational decisions, and all strategic management decisions are made by:
 - (A) The borrower and persons who are either related to the borrower by blood or marriage, or are a relative, for an individual borrower; or
 - (B) The members responsible for operating the farm, in the case of an entity.
 - (ii) A substantial amount of labor to operate the farm is provided by:
 - (A) The borrower and persons who are either related to the borrower by blood or marriage, or are a relative, for an individual borrower; or
 - (B) The members responsible for operating the farm, in the case of an entity.
- (3) May use full-time hired labor in amounts only to supplement family labor.
- (4) May use reasonable amounts of temporary labor for seasonal peak workload periods or intermittently for labor intensive activities.

Family Members

[7 CFR 761.2] **Family members** are the immediate members of the family residing in the same household with the borrower.--*

Definition of Terms Used in This Handbook (Continued)

*--Farm

[7 CFR 761.2] **Farm** is a tract or tracts of land, improvements, and other appurtenances that are used or will be used in the production of crops, livestock, or aquaculture products for sale in sufficient quantities so that the property is recognized as a farm rather than a rural residence. The term “farm” also includes the term “ranch.” It may also include land and improvements and facilities used in a non-eligible enterprise or the residence which, although physically separate from the farm acreage, is ordinarily treated as part of the farm in the local community.

Farmer

[7 CFR 761.2] **Farmer** is an individual, corporation, partnership, joint operation, cooperative, trust, or limited liability company that is the operator of a farm.

Farm Loan Programs

[7 CFR 761.2] **Farm Loan Programs** are Agency programs to make, guarantee, and service loans to family farmers authorized under the Act or Agency regulations.

Farm Ownership Loan

[7 CFR 761.2] **Farm Ownership loan** is a loan made to eligible applicants to purchase, enlarge, or make capital improvements to family farms, or to promote soil and water conservation and protection. It also includes Downpayment loans.

Feasible Plan

[7 CFR 761.2] **Feasible plan** is when an applicant or borrower's cash flow budget or farm operating plan indicates that there is sufficient cash inflow to pay all cash outflow. If a loan approval or servicing action exceeds one production cycle and the planned cash flow budget or farm operating plan is atypical due to cash or inventory on hand, new enterprises, carryover debt, atypical planned purchases, important operating changes, or other reasons, a cash flow budget or farm operating plan must be prepared that reflects a typical cycle. If the request is for only one cycle, a feasible plan for only one production cycle is required for approval.--*

[7 CFR 773.2] **Feasible plan** is a plan that demonstrates that the loan will be repaid as agreed, as determined by the Agency.

[NOFA I.] **Feasible plan** is a plan that demonstrates that the loan will be repaid as agreed, as determined by the Agency. The plan must demonstrate that the applicant will meet all other credit needs and obligations, including judgments, for which the applicant is legally responsible.

* * *

Definition of Terms Used in This Handbook (Continued)**Financial Needs**

[NOFA I.] **Financial needs** are ordinary and necessary expenses, and financial obligations which are incurred, in connection with the horse breeder business.

Financial Obligations

[NOFA I.] **Financial obligations** are the debts owed by the horse breeder that are directly related to the horse breeder business.

***--Floodplains**

[7 CFR 761.2] **Floodplains** are lowland and relatively flat areas adjoining inland and coastal waters, including flood-prone areas of offshore islands, including at a minimum, that area subject to a one percent or greater chance of flooding in any given year. The base floodplain is used to designate the 100-year floodplain (one percent chance floodplain). The critical floodplain is defined as the 500-year floodplain (0.2 percent chance floodplain).

Good Faith

[7 CFR 761.2] **Good faith** is when an applicant or borrower provides current, complete, and truthful information when applying for assistance and in all past dealings with the Agency, and adheres to all written agreements with the Agency including, but not limited to, loan agreement, security instruments, farm operating plans, and agreements for use of proceeds. The Agency considers a borrower to act in good faith, however, if the borrower's inability to adhere to all agreements is due to circumstances beyond the borrower's control. In addition, the Agency will consider fraud, waste, or conversion actions, when substantiated by a legal opinion from OGC, when determining if an applicant or borrower has acted in good faith.--*

Graduation

[7 CFR 772.2(b)] **Graduation** is the requirement contained in loan documents that borrowers pay their FSA loan in full with funds received from a commercial lending source as a result of improvement in their financial condition.

***--Highly Erodible Land**

[7 CFR 761.2] **Highly erodible land** is land as determined by Natural Resources Conservation Service to meet the requirements provided in section 1201 of the Food Security Act of 1985.--*

Horse

[NOFA I.] **Horse** is any mammal in the genus Equus, to include but not limited to ass, mule, pony and donkey.

Definition of Terms Used in This Handbook (Continued)**Horse Breeder**

[NOFA I.] **Horse breeder** is an individual or business entity who as of November 28, 2001, derives more than 70 percent of their gross income from the horse breeding business during the shorter of:

- the 5-year period ending on January 1, 2001; or
- the period the individual or business entity has been engaged in the horse breeder business.

Horse Breeder Business

[NOFA I.] **Horse breeder business** is the business of breeding, boarding, raising, training, or selling horses.

IMP Loans

[7 CFR 772.2(b)] **IMP loans** are nonfarm enterprise or recreation loans to individuals.

***--Joint Operation**

[7 CFR 761.2] **Joint operation** is an operation run by individuals who have agreed to operate a farm or farms together as an entity, sharing equally or unequally land, labor, equipment, expenses, or income, or some combination of these items. The real and personal property is owned separately or jointly by the individuals.

Land Contract

[7 CFR 761.2] **Land contract** is an installment contract drawn between a buyer and a seller for the sale of real property, in which complete fee title ownership of the property is not transferred until all payments under the contract have been made.

Lien

[7 CFR 761.2] **Lien** is a legally enforceable claim against real or chattel property of another obtained as security for the repayment of indebtedness or an encumbrance on property to enforce payment of an obligation.

Liquidation

[7 CFR 761.2] **Liquidation** is the act of selling security for recovery of amounts owed to the Agency or lender.--*

Definition of Terms Used in This Handbook (Continued)

*--Liquidation Expenses

[7 CFR 761.2] **Liquidation expenses** are the costs of an appraisal, due diligence evaluation, environmental assessment, outside attorney fees, and other costs incurred as a direct result of liquidating the security for a direct or guaranteed loan. Liquidation expenses do not include internal Agency expenses for a direct loan or in-house expenses for a guaranteed loan.

Livestock

[7 CFR 761.2] **Livestock** is a member of the animal kingdom, or product thereof, as determined by the Agency.--*

Loan Funds

[7 CFR 770.2 (b)] **Loan Funds** refers to money loaned under this part. Loan funds include protective advances.

*--Loss Claim

[7 CFR 761.2] **Loss claim** is a request made to the Agency by a lender to receive a reimbursement based on a percentage of the lender's loss on a loan covered by an Agency guarantee.--*

Losses

[NOFA I.] **Losses** are the verifiable damages of the interrupted horse reproductive process resulting from MRLS.

*--Majority Interest

[7 CFR 761.2] **Majority interest** is more than a 50 percent interest in an entity held by an individual or group of individuals.--*

Member

[7 CFR 772.2(b)] A **member** is any individual who has an ownership interest in the entity which has received the Minor Program loan.

Minor Program

[7 CFR 772.2(b)] **Minor Program** is a nonfarm enterprise, individual recreation, grazing association, or irrigation and drainage loan program administered or to be administered by FSA.

Definition of Terms Used in This Handbook (Continued)

*--Mortgage

[7 CFR 761.2] **Mortgage** is a legal instrument giving the lender a security interest or lien on real or personal property of any kind. The term “mortgage” also includes the terms “deed of trust” and “security agreement.”--*

MRLS

[NOFA I.] **MRLS** is, during the period beginning April 24, 2001, and ending June 30, 2001, the occurrence of any of the following equine medical conditions:

- early- and late- term equine fetal losses
- pericarditis
- epicarditis
- unilateral endophthalmitis
- panophthalmitis.

*--Natural Disaster

[7 CFR 761.2] **Natural disaster** is unusual and adverse weather conditions or natural phenomena that have substantially affected farmers by causing severe physical or production, or both, losses.--*

Native American Tribe

[7 CFR 770.2 (b)] **Native American tribe** is:

- (1) An Indian tribe recognized by the Department of the Interior; or
- (2) A community in Alaska incorporated by the Department of the Interior pursuant to the Indian Reorganization Act.

*--Negligent Servicing

[7 CFR 761.2] **Negligent servicing** is servicing that fails to include those actions that are considered normal industry standards of loan management or comply with the lender's agreement or the guarantee. Negligent servicing includes failure to act or failure to act in a timely manner consistent with actions of a reasonable lender in loan making, servicing, and collection.--*

Definition of Terms Used in This Handbook (Continued)***--Non-Eligible Enterprise**

[7 CFR 761.2] **Non-eligible enterprise** is a business that meets the criteria in any one of the following categories:

- (1) Produces exotic animals, birds, or aquatic organisms or their products which may be agricultural in nature, but are not normally associated with agricultural production, e.g., there is no established or stable market for them or production is speculative in nature.**
- (2) Produces non-farm animals, birds, or aquatic organisms ordinarily used for pets, companionship, or pleasure and not typically associated with human consumption, fiber, or draft use.**
- (3) Markets non-farm goods or provides services which might be agriculturally related, but are not produced by the farming operation.**
- (4) Processes or markets farm products when the majority of the commodities processed or marketed are not produced by the farming operation.**

Non-Program Loan

[7 CFR 761.2] **Non-program loan** is a loan on terms more stringent than terms for a program loan that is an extension of credit for the convenience of the Agency, because the applicant does not qualify for program assistance or the property to be financed is not suited for program purposes. Such loans are made or continued only when it is in the best interest of the Agency.

Operator

[7 CFR 761.2] **Operator** is the individual or entity that provides the labor, management, and capital to operate the farm. The operator can be either an owner-operator or tenant-operator. Under applicable State law, an entity may have to receive authorization from the State in which the farm is located to be the owner and/or operator of the farm.--*

Ordinary and Necessary Expenses

[NOFA I.] **Ordinary and necessary expenses** are the operating expenses directly related to the horse breeder business, including, but not limited to taxes, feed, veterinary expenses, fixtures, and farm maintenance.

Definition of Terms Used in This Handbook (Continued)

*--Participated In the Business Operations of a Farm

[7 CFR 761.2] **Participated in the business operations of a farm** requires that an applicant has:

- (1) Been the owner, manager or operator of a farming operation for the year's complete production cycle as evidenced by tax returns, FSA farm records or similar documentation;
- (2) Been employed as a farm manager or farm management consultant for the year's complete production cycle; or
- (3) Participated in the operation of a farm by virtue of being raised on a farm or having worked on a farm with significant responsibility for the day-to-day decisions for the year's complete production cycle, which may include selection of seed varieties, weed control programs, input suppliers, or livestock feeding programs or decisions to replace or repair equipment.

Partnership

[7 CFR 761.2] **Partnership** is any entity consisting of two or more individuals who have agreed to operate a farm as one business unit. The entity must be recognized as a partnership by the laws of the State in which the partnership will operate a farm. It also must be authorized to own both real and personal property and to incur debt in its own name.--*

* * *

*--Production Cycle

[7 CFR 761.2] **Production cycle** is the time it takes to produce an agricultural commodity from the beginning of the production process until it is normally disposed of or sold.

Protective Advance

[7 CFR 761.2] **Protective advance** is an advance made by the Agency or a lender to protect or preserve the collateral from loss or deterioration.--*

Readily Available

[NOFA I.] **Readily available** is when the insurance is sold by insurance agents in the applicant's normal trade area.

Definition of Terms Used in This Handbook (Continued)

***--Redemption Rights**

[7 CFR 761.2] **Redemption right** is a Federal or state right to reclaim property for a period of time established by law, by paying the amount paid at the involuntary sale plus accrued interest and costs.

Related by Blood or Marriage

[7 CFR 761.2] **Related by blood or marriage** is being connected to one another as husband, wife, parent, child, brother, sister, uncle, aunt, or grandparent.

Relative

[7 CFR 761.2] **Relative** is the spouse and anyone having one of the following relationships to an applicant or borrower: parent, son, daughter, sibling, stepparent, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, uncle, aunt, nephew, niece, cousin, grandparent, grandson, granddaughter, or the spouses of the foregoing.--*

Rental Value

[7 CFR 770.2(b)] **Rental value** for the purpose of rental value write-down's, equals the average actual rental proceeds received from the lease of land acquired under ITLAP. If there are no rental proceeds, then rental value will be based on market data according to Sec. 770.10(e)(4).

Reservation

[7 CFR 770.2 (b)] **Reservation** is lands or interest within:

- (1) The Native American tribe's reservation as determined by the Department of the Interior; or
- (2) A community in Alaska incorporated by the Department of the Interior pursuant to the Indian Reorganization Act.

Reserve

[7 CFR 770.2 (b)] **Reserve** is an account established for loans approved in accordance with regulations in effect prior to February 8, 2001, which required that an amount equal to 10 percent of the annual payment be set aside each year until at least one full payment is available.

Note: Regulations in effect before February 8, 2001, were published in 7 CFR 1823, Subpart N. Further guidance was contained in FmHA Instruction 442.11.

Definition of Terms Used in This Handbook (Continued)

Review Official

[7 CFR 772.2(b)] **Review official** is an Agency employee, contractor, or designee who is authorized to conduct a compliance review of a Minor Program borrower under this part.

Security (Applies to Part 7)

[NOFA I.] **Security** is property or right of any kind that is subject to a real or personal property lien. Any reference to “collateral” or “security property” will be considered a reference to the term “security.”

*--Security

[7 CFR 761.2] **Security** is property or right of any kind that is subject to a real or personal property lien. Any reference to “collateral” or “security property” will be considered a reference to the term “security.”--*

[7 CFR 773.2] **Security** is real estate or personal property pledged as collateral to assure repayment of a loan in the event there is a default on the loan.

*--Security Instrument

[7 CFR 761.2] **Security instrument** includes any document giving the Agency a security interest on real or personal property.

Security Value

[7 CFR 761.2] **Security value** is the market value of real estate or chattel property (less the value of any prior liens) used as security for an Agency loan.--*

Seed Producer

[7 CFR 774.2] **Seed producer** is a farmer who has produced a 1999 crop of grass, forage, vegetable or sorghum seed for sale to AgriBioTech under contract.

A contract includes a sales contract with AgriBioTech or its predecessor organizations for the sale of 1999 grass, forage, vegetable, or sorghum seed. In addition, written or oral extension of a previous year’s contract is also acceptable.

* * *

Definition of Terms Used in This Handbook (Continued)

*--Socially Disadvantaged Applicant or Farmer

[7 CFR 761.2] **Socially disadvantaged applicant or farmer** is an individual or entity who is a member of a socially disadvantaged group. For an entity, the majority interest must be held by socially disadvantaged individuals. For married couples, the socially disadvantaged individual must have at least 50 percent ownership in the farm business and make most of the management decisions, contribute a significant amount of labor, and generally be recognized as the operator of the farm.

Socially Disadvantaged Group

[7 CFR 761.2] **Socially disadvantaged group** is a group whose members have been subject to racial, ethnic, or gender prejudice because of their identity as members of a group without regard to their individual qualities. These groups consist of: American Indians or Alaskan Natives, Asians, Blacks or African Americans, Native Hawaiians or other Pacific Islanders, Hispanics, and women.--*

States or U.S.

[NOFA I.] **States or U.S.** is the U.S. itself, any of the 50 States, the Commonwealth of Puerto Rico, the Virgin Islands of the U.S., Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands.

*--Transfer and Assumption

[7 CFR 761.2] **Transfer and assumption** is the conveyance by a debtor to an assuming party of the assets, collateral, and liabilities of a loan in return for the assuming party's binding promise to pay the debt outstanding or the market value of the collateral.--*

Tribal Corporation

7 CFR 770.2 (b)] **Tribal Corporation** is a corporation established pursuant to the Indian Reorganization Act.

*--Trust

[7 CFR 761.2] **Trust** is an entity that under applicable state law meets the criteria of being a trust of any kind but does not meet the criteria of being a farm cooperative, private domestic corporation, partnership, or joint operation.

Uniform Standards of Professional Appraisal Practice

[7 CFR 761.2] **Uniform Standards of Professional Appraisal Practice** are standards governing the preparation, reporting, and reviewing of appraisals established by the Appraisal Foundation pursuant to the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.--*

Definition of Terms Used in This Handbook (Continued)

***--United States**

[7 CFR 761.2] **United States** is any of the 50 States, the Commonwealth of Puerto Rico, the Virgin Islands of the United States, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands, Republic of Palau, Federated States of Micronesia, and the Republic of the Marshall Islands.--*

U.S. Non-Citizen National

[NOFA I.] **U.S. non-citizen national** is a person born in an outlying possession of the U.S. (American Samoa or Swain's Island) on or after the date the U.S. acquired the possession, or a person whose parents are U.S. non-citizen nationals (subject to certain residency requirements).

USPAP

[7 CFR 774.2] **USPAP** is Uniform Standards of Professional Appraisal Practice.

***--Wetlands**

[7 CFR 761.2] **Wetlands** are those lands or areas of land as determined by the Natural Resources Conservation Service to meet the requirements provided in section 1201 of the Food Security Act of 1985.--*

State Supplements

Subparagraph	State Supplement
90 A, 114 A, and 141 A	<p>Additional instructions about laws, rules, and regulations which are presently in existence, or which may be later adopted including, but not limited to, those governing the following:</p> <ul style="list-style-type: none"> • borrowing money • pledging security and raising revenues for repayment of debt • accounting and financial reporting • protection of the environment.
97 I	Advice of OGC on perfecting proper lien position (preparation of mortgage) in preparing to close SALP loans.
115 F	Additional information needed to verify eligibility, maximum loan amount, availability of security, or the applicability of any Federal, State, or local laws.
118 I	Advice of OGC on perfecting proper lien position in preparing to close seed loans.
135 A	Advice on special HBL closing requirements.
--175 C	Additional guidance on information requirements when a married couple applies as a joint operation for a land contract guarantee.--

***--Interim Guidance for Documentary Evidence of Status as a Qualified Alien Qualified Alien**

A qualified alien is, as defined under PRWORA (8 U.S.C. 1641):

1. an alien who is lawfully admitted for permanent residence under the Immigration and Nationality Act (INA);
2. an alien who is granted asylum under INA, Section 208;
3. a refugee who is admitted to the U.S. under section 207 of such Act;
4. an alien who is paroled into the U.S. under INA, Section 212(d)(5) for a period of at least 1 year;
5. an alien whose deportation is being withheld under INA, Section 243(h);
6. an alien who is granted conditional entry pursuant to INA, Section 203(a)(7) as in effect before April 1, 1980;
7. an alien who is a Cuban/Haitian Entrant as defined by Refugee Education Assistance Act of 1980, Section 501(e);
8. an alien who has been battered or subjected to extreme cruelty under Immigration and Nationality Act, Section 431. PRWORA (8 U.S.C. 1641) contains more on aliens battered or subjected to extreme cruelty.

The following documents will, when combined with satisfactory proof of identity that will come from the document itself if it bears a photograph of the person to whom it relates, establish that an applicant falls within 1 of the categories of “qualified alien” for purposes of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Title IV, as amended by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996. Under INA, all aliens over the age of 14 who remain in the U.S. for longer than 30 calendar days are required to register with the U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services (USCIS) and obtain an alien registration documents. All aliens over the age of 18 who receive a registration document are required to carry it with them at all times. With certain exceptions (for example, Canadian visitors), aliens entering the U.S. are normally issued a registration document (for example, USCIS Form I-94) at the time of entry.--*

***--Interim Guidance: Documentary Evidence of Status as a Qualified Alien Qualified Alien
(Continued)**

The following documents that are registration documents are indicated with an asterisk (“*”). Each of the following documents will demonstrate lawful status, and employees should not require presentation of a registration document if the applicant presents 1 of the other legally acceptable documents that reasonably appears on its face to be genuine and to relate to the person presenting it. However, if the document presented is not a registration document and does not on its face reasonably appear to be genuine or to relate to the person presenting it, it is appropriate to ask the applicant to produce his or her registration document as additional evidence of immigration status, so long as the request is not made for a discriminatory reason.

Presentation of any of the following registration documents that reasonably appears on its face to be genuine and to relate to the person presenting it, or to satisfy a higher applicable standard, will often obviate the need to verify the applicant’s immigration status with USCIS. If the applicant presents a registration document that does not meet this standard, sending USCIS a copy of the document will assist it in verifying the applicant’s status quickly and accurately.

Category	Documentary Evidence
Alien Lawfully Admitted for Permanent Residence	Either of the following: <ul style="list-style-type: none"> • *USCIS Form I-551 (Alien Registration Receipt Card, commonly known as a “green card”) • unexpired temporary I-551 stamp in foreign passport or on *USCIS Form I-94.
Asylee	Any of the following: <ul style="list-style-type: none"> • *USCIS Form I-94 annotated with stamp showing grant of asylum under INA, Section 208 • *USCIS Form I-688B (Employment Authorization Card) annotated “274a.12(a)(5)” • *USCIS Form I-766 (Employment Authorization Document) annotated “A5” • grant letter from the Asylum Office of USCIS • order of an immigration judge, granting asylum.

--*

***--Interim Guidance: Documentary Evidence of Status as a Qualified Alien Qualified Alien
(Continued)**

Category	Documentary Evidence
Refugee	<p>Any of the following:</p> <ul style="list-style-type: none"> • *USCIS Form I-94 annotated with stamp showing admission under INA, Section 207 • *USCIS Form I-688B (Employment Authorization Card) annotated “274a.12(a)(3)” • *USCIS Form I-766 (Employment Authorization Document) annotated “A3” • USCIS Form I-571 (Refugee Travel Document).
Alien Paroled Into the U.S. for a Least 1-Year	<p>*USCIS Form I-94 with stamp showing admission for at least 1 year under INA, Section 212(d)(5). (Applicant cannot aggregate periods of admission for less than one year to meet the one-year requirement.)</p>
Alien Whose Deportation or Removal Was Withheld	<p>Any of the following:</p> <ul style="list-style-type: none"> • *USCIS Form I-688B (Employment Authorization Card) annotated “274a.12(a)(10)” • *USCIS Form I-766 (Employment Authorization Document) annotated “A10” • Order from an immigration judge showing deportation withheld under INA, Section 243(h) as in effect before April 1, 1997, or removal withheld under INA, Section 241(b)(3).
Alien Granted Conditional Entry	<p>Any of the following:</p> <ul style="list-style-type: none"> • *USCIS Form I-94 with stamp showing admission under INA, Section 203(a)(7) • *USCIS Form I-688B (Employment Authorization Card) annotated “274a.12(a)(3)” • *USCIS Form I-766 (Employment Authorization Document) annotated “A3”.

--*

***--Interim Guidance: Documentary Evidence of Status as a Qualified Alien Qualified Alien
(Continued)**

Category	Documentary Evidence
Cuban/Haitian Entrant	<p>Any of the following:</p> <ul style="list-style-type: none"> • *USCIS Form I-551 (Alien Registration Receipt Card, commonly known as a “green card”) with the code CU6, CU7, or CH6 • unexpired temporary I-551 stamp in foreign passport or on *USCIS Form I-94 with the code CU6 or CU7 • USCIS Form I-94 with stamp showing parole as “Cuba/Haitian Entrant” under INA, Section 212(d)(5).
Alien Who Has Been Battered or Subjected to Extreme Cruelty	<p>Guidance as to the requirements that must be met for an alien to fall within this category of qualified alien is set forth in DOJ’s Notice of Interim Guidance.</p> <p>Note: Illegal Immigration Reform and Immigrant Responsibility Act of 1996, Title IV, as amended, contains provisions requiring that, on the effective date of the new affidavit of support (required under INA, Section 213A), when determining eligibility for Federal means-tested public benefits and the amount of such benefits to which an alien is entitled, the income and resources of the alien be deemed to include those of any person executing an affidavit of support on behalf of the alien and that person’s spouse. Certain exceptions are made for indigent qualified aliens and for qualified aliens who (or whose children) have been battered or subjected to extreme cruelty in the U.S. by a spouse, parent. or member of the spouse or parent’s family. and for qualified alien children whose parents have been subjected to such abuse.</p>
Expired or Absent Documentation	<p>If an applicant presents expired documents or is unable to present any documentation evidencing his or her immigration status, refer the applicant to the local USCIS office to obtain documentation of status. In unusual cases involving applicants who are hospitalized or medically disabled, or who can otherwise show good cause for their inability to present documentation, and for whom securing such documentation would constitute an undue hardship, if the applicant can provide an alien registration number, employees may file USCIS Form G-845 and Supplement, along with the alien registration number, and a copy of any expired USCIS document presented, with the local USCIS office to verify status. As with any documentation of immigration status, employees should confirm that the status information the employee receives back from USCIS pertains to the applicant whose identity the employee has verified.</p>

--*

***--Interim Guidance: Documentary Evidence of Status as a Qualified Alien Qualified Alien
(Continued)**

Category	Documentary Evidence
Receipt for Replacement Document	If an applicant presents a receipt indicating that he or she has applied to USCIS for a replacement document for 1 of the documents identified in this exhibit, file USCIS Form G-845 and Supplement along with a copy of the receipt with the local USCIS office to verify status. On return receipt of information from USCIS, confirm that it pertains to the applicant whose identity you have verified. Employees should ask to see the replacement document at a later date.
Applicants With Disabilities and Nondiscrimination	If an applicant has a disability that limits the applicant's ability to provide the required evidence of immigration status (for example, mental retardation, amnesia, or other cognitive, mental, or physical impairment), employees should make every effort to assist the individual to obtain the required evidence. In addition, employees should not discriminate against applicants on the basis of race, national origin, gender, religion, age or disability.

--*

Interim Guidance for Documentary Evidence of Status as a U.S. Non-Citizen National

U.S. Non-Citizen National means a person born in America Samoa or Swains Island on or after the date the U.S. acquired America Samoa or Swains Island, or a person whose parents are U.S. non-citizen nationals. Typical evidence of the relatively uncommon status as a non-citizen national includes a birth certificate or passport with a document bearing a photograph of the person.

Copies of the following documents will, when combined with satisfactory proof of identity that will come from the document itself if it bears a photograph of the person to whom it relates, demonstrate that a person is a U.S. citizen or non-citizen national for purposes Personal Responsibility and Work Opportunity Reconciliation Act of 1996, Title IV, as amended by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996.

Note: To the extent citizenship or nationality of a child is relevant to a benefit eligibility determination, the documents should demonstrate the child's status rather than that of the parent.

The following documents for:

- “Primary Evidence” and “Secondary Evidence” are drawn from existing guidance published by the Social Security Administration (“SSA”) and regulations issued by the U.S. Department of Homeland Security, U.S. Citizenship and Immigration Services (USCIS) about determination of U.S. citizenship and nationality
- “Collective Naturalization”, “Derivative Citizenship”, and “All Other Situations...” are drawn solely from SSA guidance.--*

**Interim Guidance for Documentary Evidence of Status as a U.S. Non-Citizen National
(Continued)**

This table is not exhaustive. Employees should see guidance issued by FSA or USDA overseeing FLP to determine if it accepts documents or other evidence of citizenship not listed in this table.

Category	Documentary Evidence
Primary Evidence	<p>Any of the following:</p> <ul style="list-style-type: none"> • a birth certificate showing birth in 1 of the 50 States, the District of Columbia, Puerto Rico (on or after January 13, 1941), Guam, the U.S. Virgin Islands (on or after January 17, 1917), American Samoa, Swain’s Island, or the Northern Mariana Islands, unless the person was born to foreign diplomats residing in the U.S. <p>Note: If the document shows that the individual was born in Puerto Rico, the U.S. Virgin Islands, or the Northern Mariana Islands before these areas became part of the U.S., the individual may be a collectively naturalized citizen, see “Collective Naturalization” in this table.</p> <ul style="list-style-type: none"> • U.S. passport, except limited passports that are issued for periods of less than 5 years) • report of birth abroad of a U.S. citizen (FS-240) (issued by the Department of State to U.S. citizens) • Certificate of Birth (FS-545) (issued by a foreign service post) or Certification of Report of Birth (DS-1350) (issued by the Department of State), copies of which are available from the Department of State • Certificate of Naturalization (N-550 or N-570) (issued by USCIS through a Federal or State court, or through administrative naturalization after December 1990, to individuals who are individually naturalized <p>Note: N-570 is a replacement certificate issued when N- 550 has been lost or mutilated or the individual’s name has been changed.</p> <ul style="list-style-type: none"> • Certificate of Citizenship (N-560 or N-561) (issued by USCIS to individuals who derive U.S. citizenship through a parent <p>Note: N-561 is a replacement certificate issued when N-560 has been lost or mutilated or the individual’s name has been changed.</p>

--*

**Interim Guidance for Documentary Evidence of Status as a U.S. Non-Citizen National
(Continued)**

Category	Documentary Evidence
Primary Evidence (Continued)	<ul style="list-style-type: none"> • U.S. Citizen Identification Card (I-197) (issued by USCIS until April 7, 1983, to U.S. citizens living near the Canadian or Mexican border who needed it for frequent border crossings) (formerly Form I-179, last issued in February 1974) • Northern Mariana Identification Card (issued by USCIS to a collectively naturalized citizen of the U.S. who was born in the Northern Mariana Islands before November 3, 1986) • statement provided by a U.S. consular officer certifying that the individual is a U.S. citizen (this is given to an individual born outside the U.S. who derives citizenship through a parent but does not have an FS-240, FS-545, or DS-1350) • American Indian Card with a classification code “KIC” and a statement on the back (identifying U.S. citizen members of the Texas Band of Kickapoos living near the U.S./Mexican border).
Secondary Evidence	<p>If the applicant cannot present 1 of the documents listed “Primary Evidence” in this table, the following may be relied on to establish U.S. citizenship or nationality:</p> <ul style="list-style-type: none"> • religious record recorded in 1 of the 50 States, the District of Columbia, Puerto Rico (on or after January 13, 1941), Guam, the U.S. Virgin Islands (on or after January 17, 1917), American Samoa, Swain’s Island, or the Northern Mariana Islands (unless the person was born to foreign diplomats residing in such a jurisdiction) within 3 months after birth showing that the birth occurred in such jurisdiction and the date of birth or the individual’s age at the time the record was made • evidence of civil service employment by the U.S. Government before June 1, 1976 • early school records (preferably from the first school) showing the date of admission to the school, the child’s date and place of birth, and the names and places of birth of the parents • census record showing name, U.S. citizenship or a U.S. place of birth, and date of birth or age of applicant

--*

**Interim Guidance for Documentary Evidence of Status as a U.S. Non-Citizen National
(Continued)**

Category	Documentary Evidence
Secondary Evidence (Continued)	<ul style="list-style-type: none"> • adoption finalization papers showing the child’s name and place of birth in 1 of the 50 States, the District of Columbia, Puerto Rico (on or after January 13, 1941), Guam, the U.S. Virgin Islands (on or after January 17, 1917), American Samoa, Swain’s Island, or the Northern Mariana Islands (unless the person was born to foreign diplomats residing in such a jurisdiction), or where or adoption is not finalized and the State or other jurisdiction listed in this bullet in which the child was born will not release a birth certificate before final adoption, a statement from a State-approved adoption agency showing the child’s name and place of birth in 1 of such jurisdictions <p style="margin-left: 40px;">Note: The source of the information must be an original birth certificate and must be indicated in the statement.</p> <ul style="list-style-type: none"> • any other document that establishes a U.S. place of birth or in some way indicates U.S. citizenship (for example, a contemporaneous hospital record of birth in that hospital in 1 of the 50 States, the District of Columbia, Puerto Rico (on or after January 13, 1941), Guam, the U.S. Virgin Islands (on or after January 17, 1917), American Samoa, Swain’s Island, or the Northern Mariana Islands (unless the person was born to foreign diplomats residing in such a jurisdiction)).
Collective Naturalization	<p>If the applicant cannot present 1 of the documents listed in “Primary Evidence” and “Secondary Evidence” in this table, the following will establish U.S. citizenship for collectively naturalized individuals:</p> <ul style="list-style-type: none"> • evidence of birth in Puerto Rico on or after April 11, 1899, and the applicant’s statement that he or she was residing in the U.S., a U.S. possession, or Puerto Rico on January 13, 1941; or evidence that the applicant was a Puerto Rican citizen and the applicant’s statement that he or she was residing in Puerto Rico on March 1, 1917, and that he or she did not take an oath of allegiance to Spain • evidence of birth in the U.S. Virgin Islands, and the applicant’s statement of residence in the U.S., a U.S. possession or the U.S. Virgin Islands on February 25, 1927; the applicant’s statement indicating residence in the U.S. Virgin Islands as a Danish citizen on January 17, 1917, and residence in the U.S., a U.S. possession or the U.S. Virgin Islands on February 25, 1927, and that he or she did not make a declaration to maintain Danish citizenship; or evidence of birth in the U.S. Virgin Islands and the applicant’s statement indicating residence in the U.S., U.S. possession or territory or the Canal Zone on June 28, 1932

--*

**Interim Guidance for Documentary Evidence of Status as a U.S. Non-Citizen National
(Continued)**

Category	Documentary Evidence
<p>Collective Naturalization (Continued)</p>	<ul style="list-style-type: none"> • evidence of birth in the Northern Mariana Islands, formerly part of the Trust Territory of the Pacific Islands, or Trust Territory of the Pacific Islands citizenship and residence in Northern Mariana Islands, the U.S., or a U.S. territory or possession on November 3, 1986 (Northern Mariana Islands local time), and the applicant’s statement that he or she did not owe allegiance to a foreign state on November 4, 1986 (Northern Mariana Islands local time); • evidence of Trust Territory of the Pacific Islands citizenship, continuous residence in Northern Mariana Islands since before November 3, 1981 (Northern Mariana Islands local time), voter registration before January 1, 1975, and the applicant’s statement that he or she did not owe allegiance to a foreign state on November 4, 1986 (Northern Mariana Islands local time) • evidence of continuous domicile in Northern Mariana Islands since before January 1, 1974, and the applicant’s statement that he or she did not owe allegiance to a foreign state on November 4, 1986 (Northern Mariana Islands local time). <p>Note: If a person entered Northern Mariana Islands as a nonimmigrant and lived in Northern Mariana Islands since January 1, 1974, this does not constitute continuous domicile and the individual is not a U.S. citizen.</p>
<p>Derivative Citizenship</p>	<p>If the applicant cannot present 1 of the documents listed in “Primary Evidence” and “Secondary Evidence” in this table, employees should make a determination of derivative U.S. citizenship in the following situations:</p> <ul style="list-style-type: none"> • applicant born abroad to two U.S. citizen parents, evidence of the U.S. citizenship of the parents and the relationship of the applicant to the parents, and evidence that at least 1 parent resided in the U.S. or an outlying possession prior to the applicant’s birth • applicant born abroad to a U.S. citizen parent and a U.S. non-citizen national parent, evidence that 1 parent is a U.S. citizen and that the other is a U.S. non-citizen national, evidence of the relationship of the applicant to the U.S. citizen parent, and evidence that the U.S. citizen parent resided in the U.S., a U.S. possession, American Samoa or Swain’s Island for a period of at least 1 year before the applicant’s birth

--*

Interim Guidance for Documentary Evidence of Status as a U.S. Non-Citizen National
(Continued)

Category	Documentary Evidence
Derivative Citizenship (Continued)	<ul style="list-style-type: none"> • applicant born out of wedlock abroad to a U.S. citizen mother, evidence of the U.S. citizenship of the mother, evidence of the relationship to the applicant, and for births on or before December 24, 1952, evidence that the mother resided in the U.S. before the applicant’s birth or, for births after December 24, 1952, evidence that the mother had resided, before the child’s birth, in the U.S. or a U.S. possession for a period of 1 year • applicant born in the Canal Zone or the Republic of Panama, a birth certificate showing birth in the Canal Zone on or after February 26, 1904, and before October 1, 1979, and evidence that 1 parent was a U.S. citizen at the time of the applicant’s birth; or a birth certificate showing birth in the Republic of Panama on or after February 26, 1904, and before October 1, 1979, and evidence that at least 1 parent was a U.S. citizen and employed by the U.S. Government or the Panama Railroad Company or its successor in title.
All Other Situations	<p>All other situations where an applicant claims to have a U.S. citizen parent and an alien parent, or claims to fall within 1 of the categories in this table, but is unable to present the listed documentation:</p> <ul style="list-style-type: none"> • if the applicant is in the U.S., refer him or her to the local USCIS office for determination of U.S. citizenship • if the applicant is outside the U.S., refer him or her to the State Department for a U.S. citizenship determination • for adoption of a foreign-born child by U.S. citizen, if the birth certificate shows a foreign place of birth and the applicant cannot be determined to be a naturalized citizen under any of the criteria in this table, obtain other evidence of U.S. citizenship <p>Note: Because foreign-born adopted children do not automatically acquire U.S. citizenship by virtue of adoption by U.S. citizens, refer the applicant to the local USCIS district office for a determination of U.S. citizenship, if the applicant provides no evidence of U.S. citizenship.</p>

--*

**Interim Guidance for Documentary Evidence of Status as a U.S. Non-Citizen National
(Continued)**

Category	Documentary Evidence
	<ul style="list-style-type: none"> <li data-bbox="459 331 1409 472">• for U.S. citizenship by marriage, if a woman acquired U.S. citizenship through marriage to a U.S. citizen before September 22, 1922, ask for evidence of U.S. citizenship of the husband, and evidence showing the marriage occurred before September 22, 1922 <p data-bbox="508 510 1466 688">Note: If the husband was an alien at the time of the marriage, and became naturalized before September 22, 1922, the wife also acquired naturalized citizenship. If the marriage terminated, the wife maintained her U.S. citizenship, if she was residing in the U.S. at that time and continued to reside in the U.S.</p> <ul style="list-style-type: none"> <li data-bbox="459 730 1466 909">• for applicants with disabilities and nondiscrimination, if an applicant has a disability that limits the applicant’s ability to provide the required evidence of citizenship or nationality (for example, mental retardation, amnesia, or other cognitive, mental, or physical impairment), employees should make every effort to assist the individual to obtain the required evidence. <p data-bbox="508 951 1450 1056">Note: Employees should not discriminate against applicants on the basis of race, national origin, gender, religion, age or disability. See Nondiscrimination Advisory, Attachment 2 to Interim Guidance.</p>

--*

***--Information Needed to Request a Land Contract Guarantee**

Note: Exhibit 37 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK “FFAS Employee Forms/Publications Site” and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “6-FLP Exhibit 37”.

[Name and Address]

[Date]

Dear _____:

Thank you for your interest in the Farm Service Agency’s (FSA) Land Contract Guarantee Program. This program provides certain financial guarantees to the seller of a farm through a land contract sale to a beginning or socially disadvantaged farmer.

To apply for a Land Contract Guarantee:

A. The Seller must complete and submit the enclosed FSA-2680, “Interest in Land Contract Guarantee.”

B. The Buyer must complete and submit the following enclosed forms:

1. FSA-2683, “Request for Land Contract Guarantee Assistance”

2. If the Buyer is an entity:

a. a copy of the entity’s charter or entity agreement (e.g. Articles of Incorporation, Bylaws, certificate or evidence of registration)

b. a resolution adopted by the Board of Directors or entity members authorizing specified officers to apply for and obtain the land contract and execute required debt, security, and other instruments and agreements

3. FSA-2037, “Balance Sheet”, or similar form that provides a current financial statement.

Notes: If the Buyer is an entity a current financial statement is required for each entity member and the entity itself. If there are no individually owned assets, then a husband and wife joint operation may submit a consolidated financial statement.

A current financial statement is not older than 90 days.

4. FSA-2038, “Income and Expenses”, or similar form that provides a farm operating plan.

5. FSA-2002, “Three-Year Financial History”, or similar form that provides the same information. In addition, tax returns for the past three years or each year the Buyer has been in business. If needed, we may ask for supporting documents or more detailed information. If the financial history has been previously provided, complete only for those years not previously provided.

--*

Information Needed to Request A Land Contract Guarantee (Continued)

6. FSA-2003, "Three-Year Production History", or similar form that provides the same information, for the past three years or each year the Buyer has been in business. If production history has been previously provided, complete only for those years not previously provided.
7. FSA-2004, "Authorization to Release Information".
8. FSA-2005, "Creditor List".
9. FSA-2302, "Description of Farm Training and Experience".
10. Most recent account statement for credit cards, loans, and other bank accounts. Original documents will be returned to the Buyer.
11. Verification of non-farm income.
12. Credit report fee made payable to the Farm Service Agency for the type of Buyer:
Individual \$ _____ Joint \$ _____ or Commercial \$ _____
13. RD-1940-22, "Request for Environmental Information".
14. AD-1026, "Highly Erodible Land Conservation and Wetland Conservation Certification" for all real estate to be operated.
15. A copy of the proposed land contract.
16. Other

It is not necessary for the Buyer and Seller to submit their forms at the same time; however, the request for a Land Contract Guarantee will not be complete until all the needed forms have been received, and we approve the Seller's choice of the escrow or servicing agent.

Thank you for your interest in the Land Contract Guarantee Program. Please contact this office if you need help. We can help you complete the required forms, explain what information is needed, and answer any questions you may have about the Land Contract Guarantee Program. If we cannot assist you by phone, we will schedule an appointment to meet with you.

Sincerely,

Enclosures

--*

***--Notification of Application for Land Contract Guarantee Approval and Obligation of Funds**

Note: Exhibit 38 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK “FFAS Employee Forms/Publications Site” and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “6-FLP Exhibit 38”.

[Buyer's name and address]

[Date]

Dear _____:

This letter notifies you that your application for a Land Contract Guarantee has been approved and funds have been obligated.

Enclosed is a copy of the “Land Contract Agreement for (*insert applicable type of guarantee*) Guarantee” for your review. Please read it carefully as it contains specific conditions and agreements that you will need to abide by.

We will schedule a meeting with you, the seller and the (*escrow/servicing – select as applicable*) agent for (*insert date not to exceed 60 days from the date of approval*) to execute the documents required.

If you have any questions, please contact this office at (*insert address and telephone number*).

Sincerely

Enclosure

cc: Seller
Escrow/servicing agent

--*

