

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

<b>Direct Loan Making 3-FLP (Revision 2)</b>	<b>Amendment 56</b>
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**Approved by:** Deputy Administrator, Farm Loan Programs



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**Amendment Transmittal**

**A Reasons for Amendment**

Paragraph 95 has been amended to address the use of FSA-2132 to document real estate evaluation.

Exhibit 12 has been withdrawn as the primary documentation for evaluations will be recorded on the FSA-2132, instead of in FBP.

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
5, 6	5-13, 5-14	1, pages 1, 2 12, pages 1, 2 (remove)



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## 94 Exceptions to Security Requirements (Continued)

### E Personal Residence of Applicant (Continued)

7 CFR 764.103(b) requires that all loans (except for EM loans meeting certain criteria) must be secured by assets having a security value of at least 100 percent of the loan amount. This may require FSA obtain a security interest in real estate not being purchased or improved with loan funds. In such a case, for the primary personal residence and appurtenances of the applicant or any entity members to be excepted, remaining adequate security must meet the requirement of at least 100 percent of the loan amount.

A security interest in the primary personal residence and appurtenances of the applicant or any entity members will not be required as additional security [7 CFR 764.103(c)] when located on a separate parcel of up to the greater of 10 acres or the minimum size that meets all State and local requirements for a division into a separate legal lot.

7 CFR 764.106(d)(1) includes that to be excepted, the personal residence and appurtenances of the applicant or any entity members must be located on a separate parcel. If the tract to be excepted is not already legally separated at the time of loan application, the applicant will be provided the opportunity to obtain an adequate legal description and meet any additional State or local requirements for separation of the residence before loan closing. The applicant will be responsible for any associated costs. Legal separation of the residence must result in the remaining security property being marketable and accessible.

A farmstead, including farm buildings and other improvements, may lay within the separated parcel of up to the greater of 10 acres or the minimum size able to be parceled into a separate legal lot.

### F Other Assets of Applicant

**[7 CFR 764.106(e)] When the property is subsistence livestock, cash, working capital accounts the applicants uses for the farming operation, retirement accounts, personal vehicles necessary for family living, household contents, or small equipment such as hand tools and lawn mowers; or**

### G ST Loans

**[7 CFR 764.106(f)] On marginal land and timber that secures an outstanding ST loan.**

FSA is statutorily prohibited from taking additional liens on property securing an ST loan.

### H Documenting Exceptions

When security is not taken for any of the mentioned reasons, the authorized agency official must document the decision in FBP.

## 95 Appraisals and Values

## A Adequate Security

**[7 CFR 764.107(a)] The value of real estate will be established by an appraisal completed in accordance with §761.7 (1-FLP) of this chapter, except that for ML's for FO purposes, the appraisal requirement may be satisfied by an evaluation by an authorized agency official that establishes the value of the real estate.**

**Note:** Until CFR is amended, the following instructions will be followed:

When real estate is taken as security, regardless of loan type, the real estate appraisal requirement may be satisfied by an evaluation from a loan approval official when the total amount of the Agency debt to be secured by the real estate does not exceed \*--\$50,000. FSA-2132 will be used to document a real estate evaluation.--\*

A new real estate appraisal is not required if the latest appraisal report available is not over 18 months old, unless significant changes in the market value of real estate have occurred in the area within the 18-month period.

**\*--Note:** To document real estate evaluations completed by FLP staff FSA-2132 will be used. An acceptable evaluation for FO ML must:--\*

- be performed by a loan approval official that the SED has delegated the authority to perform real estate evaluations after sufficient training and experience
- \*--include the real estate evaluation value conclusion in the Farm Assessment of the FBP--\*
- identify the location of the property
- provide a description of the property, including any improvements and its current and projected use
- provide confirmation that the property was physically inspected and the date of the inspection
- describe the analysis performed and supporting information used to determine the property's market value, including where information was obtained i.e. court house records, comparable sales, property tax assessments, etc.
- include an effective date of the evaluation and a signature of the preparer.

\* \* \*

If a DFO-ML is made in conjunction with a real estate loan from another lender, that lender's evaluation or appraisal may be used as a determination of the property's market value. A copy of the evaluation information or appraisal must be included in the loan file as documentation of the determination.

**Note:** See 1-FLP, subparagraph 141 G for additional information about using third party appraisals.

## Reports, Forms, Abbreviations, and Redelegations of Authority

### Reports

This table lists the required reports in this handbook.

Reports Control Number	Title	Reporting Period	Submission Date	Negative Reports	Reference
RPT-1-00-FLP 09-2	SDA Loan Review Summary	Annually	By October 31 each year	Required	355

### Forms

This table lists all forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Appendix to Form for AD-1026 Highly Erodible Land Conservation (HELIC) and Wetland Conservation (WC) Certification		42
AD-3030	Representations Regarding Felony Conviction and Tax Delinquent Status for Corporate Applicants		42
CCC-10	Representations for Commodity Credit Corporation or Farm Service Agency Loans and Authorization to File a Financing Statement and Related Documents		91, 416, Ex. 6
CCC-36	Assignment of Payment		418
CCC-37	Joint Payment Authorization		418
CCC-452	NAP Production and Yield Report		244
CCC-452 Manual	NAP Actual Production History and Approved Yield Record		244
CCC-502A	Farm Operating Plan for Payment Eligibility Review for an Individual		42
CCC-502B	Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership		42
CCC-502C	Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities		42
CCC-502D	Farm Operating Plan for Payment Eligibility Review for an Estate or Trust		42
CCC-502EZ	Farm Operating Plan for Payment Eligibility Review for an Individual		42
CCC-902E	Farm Operating Plan for an Entity 2009 and Subsequent Program Year		42
CCC-902I	Farm Operating Plan for an Individual 2009 and Subsequent Program Years		42
DS-1350	Certification of Report of Birth		Ex. 9

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FS-240	Consular Report of Birth		Ex. 9
FS-545	Certificate of Birth		Ex. 9
FSA-570	Waiver of Eligibility for Emergency Assistance		113
FSA-850	Environmental Screening Worksheet		45
FSA-2001	Request for Direct Loan Assistance		33, 41, 42, 43, 45, 62, 66, 68, 416, Ex. 6
FSA-2003	Three-Year Production History		42
FSA-2006	Property Owned and Leased		42
FSA-2007	Cosigner Application and Agreement		42, 371, Ex. 6
FSA-2008	Recorded Security Instruments (Chattel)		433
FSA-2014	Verification of Income		42
FSA-2015	Verification of Debts and Assets		42, 242
FSA-2026	Promissory Note		Text, Ex. 6
FSA-2028	Security Agreement		91, 416, 419, Ex. 6
FSA-2029	Real Estate Mortgage or Deed of Trust		3, 92, 398, Ex. 4
FSA-2037	Farm Business Plan Worksheet (Balance Sheet)		42, 226
FSA-2038	Farm Business Plan Worksheet (Projected/Actual Income and Expense)		42, 226
FSA-2040	Agreement for the Use of Proceeds/Release of Chattel Security		419, Ex. 6
FSA-2041	Assignment of Proceeds from the Sale of Products		93, 418
FSA-2042	Consent to Payment of Proceeds from the Sale of Products		93, 418
FSA-2043	Assignment of Proceeds from the Sale of Dairy Products and Release of Security Interest		93, 418
FSA-2044	Assignment of Income From Real Estate Security		92
FSA-2072	Cancellation of U.S. Treasury Check and/or Obligation		354
FSA-2132	Real Estate Evaluation		95