

welcome to Montana's 2021 guaranteed lender informational meeting as we did in 2020 this year we have chosen to provide our informational meeting to lenders in electronic pre-recorded media to assist in combating the COVID 19 virus and do what we can to end this pandemic my name is Marilyn McMullin and I am the director of the loan program in Montana I am going to talk just a bit about the state staff are delivery points as well as an overview of the program objectives

the current state office staff is composed of five individuals listed Janet and Casey are true experts in the loan program both direct and guaranteed and are available to answer questions and provide support to our field offices and the loan officers and other loan staff to provide you with the best information available in addition we have enlisted the assistance of the former director Dave Pitts on a part-time basis and while his name and contact is not listed you may be hearing from him occasionally as he helps the field officers work through loan applications Deb and Libby our two analysts are both knowledgeable in the lender's status plp clp and sel working with lenders in obtaining and maintaining those status they are also knowledgeable in our automated system gls and can assist lenders with access and report features of the system Deb updates our lender records and make sure we have accurate email addresses for loan officers as they come and go

lenders can always use our group email address and messages are delivered to all our state staff and your concerns noted and or questions answered while your primary contact will usually be with the local FSA offices please do not hesitate to reach out if you need to

FSA continues to deliver the guaranteed and direct loan program through eight main flp offices with loan officers in 10 locations please send applications to the headquarter locations as listed several of our loan officers cover fairly broad geographic area as you can see from the map sometimes due to the area covered staffing shortages high volume or inexperience we will internally shuffle applications to other loan officers to assist

FSA has a few new buzzwords as the administration is reevaluating our objectives and mission terminology the term supervised credit is being replaced with progression lending as in the past our mission has been to give egg producers some experience training and the opportunity to enhance their skills to make their business a success while agriculture is certainly a way of life we all know that it is also a business and the more our producers understand about their business the more bankable to commercial credit they become our objective is to help them reach their goal by progressing their skills and abilities to your lending standard in this journey we meet our objectives when our customers are able to obtain that credit and return to normal operations from the beginning of our relationship with each of our clients we have assisted them with setting short and long-term goals reviewing and assessing their progress towards meeting those goals and each year encouraging them to review and adjust their goals to progress towards success previously referred

to as our annual assessment review of the operation FSA is changing this terminology to operational reviews the overall objective of our loan programs are not changing just the terms we still provide credit to those that are not able to obtain it from commercial sources in whole or in part with or without a guarantee our loan programs work well when we can participate with you to provide the needed credit for our joint customers

with that I'm going to turn this presentation over to Janet Smith and Casey Toyne to talk about our loan programs

we're going to start with our direct loan program and just give you an idea where we were at on September 30th of 2021. in Montana we had a total of 100 1056 borrowers who had a total of 1800 1818 loans which brings our portfolio balance to 219 million we have 4.2 percent that are delinquent measured in dollars or 13.8 that are delinquent measured in number of borrowers to compare us to the national level in the national level we have 88 784 borrowers with a total of 149 062 loans with an outstanding portfolio balance of almost 15 billion delinquency as a percent of dollars is 4.7 so we are lower than the national average and our delinquent borrower percentage is 19.8 on the nationwide so again Montana looks a little better on the direct program i also wanted to point out graduations as of September 30th for our fiscal year 2021 totaled 41 loans for an outstanding uh amount of 5 million 350 000 and we attribute that straight to you as other lenders who refinanced us in that process which we greatly appreciate

this side compares 2021 to our funding from 2020 so just looking at the number of loans that were made and the type you can see that 2020 was a banner year for us and we are down a little bit in requests um staying pretty solid on the farm ownership side and on the fo guaranteed side but certainly a big drop in the number of guaranteed operating loans as well as direct operating loans

just want to do a brief overview of our direct loan programs that are available we'll start with our direct farm ownership loan very popular loan program maximum loan amount is six hundred thousand that was increased a year ago it's used to purchase land pay for closing costs purchase easements and construct new or improved farm buildings current interest rate is 2.875 percent and that is as of November of 2021. maximum loan term is 40 years we do need to be secured at a minimum of one to one or a hundred percent loan to value we do however try to be secured at 150 percent if there is additional collateral available the second loan program I'd like to talk about is the participation loan program again very similar to the farm ownership loan program in that it is maxed out at six hundred thousand used for the same purposes interest rate is the greater of the farm ownership rate minus two percent or two and a half percent so right now that program is at two and a half percent it involves a lender providing fifty percent or more of the loan at a in a first lien position FSA then provides fifty percent or less of the loan in a second lien position again a

maximum term of 40 years and we have to be secured at a minimum of a hundred percent loan to value and again strive to be at a security position of 150 percent loan to value

the direct farm ownership loan program for beginning farmer down payment must be a beginning farmer in order or or socially disadvantaged applicant to obtain this loan program you need to make sure that as a beginning farmer you don't own more than 30 percent of the average farm size in the county prior to closing and they do need to bring a five percent cash down payment to the table interest rate presently is at one and a half and again that's a fixed interest rate our term on that loan is 20 years the lender that's providing the 50 of the financing their term is 30 years and we again can't exceed the 45 percent of the purchase price this is one program that we have that the loan limits did not go up on so we are limited to that 300 000 150 maximum in the loan program

next we have our operating loan program direct operating maximum loan amount is thousand it can be used to purchase livestock or equipment make minor repairs to your real estate as well as annual operating needs or refinancing channel Debt interest rate on that program is one point seven five percent as of November of 2021 and the loan term runs from one to seven years depending upon the loan purpose as well as the security that we can get for the loan this is a very popular loan program to either buy livestock or to refinance carryover Debt if you've got some carryover operating in your budget also like to add in the youth loan program maximum loan amount there is 500 excuse me five thousand dollars it must be an ag related project it is limited to youth between the ages of 10 and 20. they have to participate in either 4-h ffa or a tribal youth group current interest rate on that loan program is 1.75 percent for November of 2021 and again the term is one to seven years depending on the purpose of the loan

other direct loan program loans we have a micro loan which is either an operating loan or a farm ownership loan they do max out at 5 50 000 they have the same purposes of a regular ol or fo loan same interest rates as the operating loan or farm ownership loan they're a simpler process and they require less paperwork to complete a micro farm ownership loan is limited to 25 years and the security can be different than the loan purpose we also still have our emergency loans loans up to 500 000 at an interest rate of 2.75 for November of 2021 it lap or Indian land acquisition is available conservation loans are part of our procedure but they are not funded for this fiscal year

let's talk a minute about emergency loans in a little more depth because they're kind of unique to farm service agency they start with a disaster declaration when we when we have a scenario that requires a disaster declaration and that's what actually kicks in the funding and the process to start with the emergency loan program

this map tells us what the current disaster events are across the state as you can see the entire map is pink so that means that every county in Montana has been declared a primary county in regards to any disaster declarations please note that this was done as of September 30th of 2021 and this map is updated every time there is a change and so if you looked at a current map it may have a little bit different color on it but anytime there's this pink color that means that there's a disaster declaration pending or that there is a disaster declaration in that county and obviously they would qualify if they were contiguous which would be kind of an orange yellow color but at the present time everybody is eligible for some type of a disaster

the intent of the emergency loan program is basically to return their operation to a pre-disaster state and it actually can come in two sources it can be a physical loss where there was actually a loss to real estate building structures machinery and equipment or harvested grain or actual livestock losses so that might be a wildfire or a flood and then it also comes with production loss options and the production loss is probably a good example of that would be drought where there was a loss to crops and pasture because of a natural cause and in that scenario they do have to show a 30 percent loss to qualify

when we work at a direct work emergency loans again we're tied back to that natural disaster by the president or the secretary it is limited to a hundred percent of the actual loss or 500 000 is the maximum program that is allowed the loans will be one to seven years if it is a non-real estate note and up to 40 years if it is a real estate note and usually that 40 years on real estate is a physical loss to real estate and they're going to need a longer time to recover the loans can be used to restore replace essential property pay all or part of production costs if they came up short and had some operating carryover that might be a good solution from that standpoint they can pay living and they can also reorganize the farm or refinance a limited amount not long-term Debt basically

if people are interested in our direct loan program i would encourage them to utilize farmers.gov fund if you go on the internet to that source or go to the one that's listed with the Montana on it you will find basically a recap of all of the direct loan programs that are available applications are available to be downloaded and just all basic information about the program is right on that website so i would highly encourage people to use that if you're working with people that you want to refer to our direct program or if you have questions or concerns about how the programs work this would be a great tool to utilize for that purpose

also wanted to mention because we do a lot of joint financing we have a agreement that we do require any time we are working with a lender on some joint financing and so most of you that have worked with us are probably familiar with this form but we just wanted to put a couple slides in here as a reminder it is a FSA 2319 the 2319 is used when FSA is making a loan that is also being

financed by another lender and basically it requires that if there is a foreclosure proceedings they will not begin unless we are notified prior to that as with a written notice by certified mail not later than the date the notice to cure is provided to the borrower so we just need to know what's going on basically and the second thing is if you're working with a mortgage that has a future advance clause this would be the bank's mortgage that has a future advance clause then you do have to or please note that there can be no advances for purposes other than taxes insurance or payments on other prior liens without our written consent and and really what we're trying to do here is make sure that that future advance clause doesn't increase um and put us in an unsecured position so best thing to do there if you've got to do something and want to advance on it let us know what's going on and if you can it can obtain the written consent from us

switching gears a little bit now we're going to talk about the guaranteed loan program and this would be basically the loan making side of things Casey's going to work on some slides with you afterwards on COVID and on loan servicing both regular servicing as well as special servicing

this slide recaps what Montana's guaranteed loan obligations look like for the last 10 years as you can see it's kind of bounced along with 2020 being a huge year and then we're kind of back down to what maybe could be considered somewhat normal if you look at the rest of the data on this slide big change from 2020 back down to 2021.

what is a government guarantee well from a lender's perspective basically it's alone with government insurance on it to put it in simpler terms and from a farmer's perspective perspective it's basically uncle sam co-signing on his note to allow you to make a loan that you possibly otherwise would not be able to make

there are four types of lenders that we work with in the guaranteed program it starts with the standard eligible lender those are lenders who have some experience making and servicing ag loans and are a regulated lender the micro lender program again have experience in making and servicing business loans and the micro lender is limited to 50 000 or less certified lender program high volume in minimums have acceptable loss rates and designates qualified people to process those loans and then our preferred lender program which is our highest level of independence those are very streamlined loans very detailed loan narratives at the present time we have about 61 lenders throughout the state of Montana that work with the guaranteed program

let's go through those in a little more detail a standard eligible lender is regulated by a financial financial institution they do have experience in ag lending they have a local presence and they have not been Debarred from doing business with the government if you'd like to be a micro lender you have to be subject to the appropriate oversight so that would be your examination process you

have to have originated at least 20 loans and not had losses of more than 3 percent in the last 7 years and the lenders are authorized to limit the originate originating and servicing guaranteed loans only up to fifty thousand dollars certified lender you have to meet the same requirements of the standard eligible lender as well as it gives you a streamlined submission process it will allow you to use some of your own forms you do have to designate qualified people who can process service loans and again attend this training have to have made at least 10 year 10 loans five in the past two years with less than a seven percent loss that status has to be approved by the state office and it usually is for a five-year period

if you are applying for your um clp status you do want to list the resumes of the people that are going to be processing the loans this person needs to have some experience in ag lending and some experience in originating and servicing guaranteed loans in order to qualify to reach the preferred lender program you need to be able to meet the criteria of both the standard eligible lender as well as the certified loan requirements it's very streamlined you originate in service guarantees largely with or basically largely consistent with your non-guaranteed loans our focus primarily is on your credit management system which basically is the rules that we will use to administer your preferred lender status have to at least made five loans in the past two years and 20 loans in the past five years and have less than a three percent loss those are actually approved by the national office and those run for a five-year term as well

preferred lenders credit management system it kind of outlines the credit policy and underwriting standards that are incorporated into the lender's agreement allows for quick approval on loans if the applicant is eligible if things are not covered in the credit management system then they will fall back to the certified lender program rules again it's approved with the national office but we at the state level do get some input in that process and it requires identifying mitigating strengths in the narrative when the financing is outline the lenders outside the lender's standards so oftentimes what you're going to see from a plp lender on our side is a lot less paperwork and probably a stronger narrative in the process

why as a bank would you use the guaranteed program existing good customers may qualify for ways to expand loan packages new customers may qualify for loans if you can't meet all of your lending criteria outside the guarantee perhaps with the guaranteed program you would be able to make a loan that you otherwise wouldn't be able to make might allow you to keep struggling customers to stay in business you can sell the loans on the secondary market to generate some fee income and provide some bank liquidity and stay competitive on rates and terms and of course it keeps your bank regulators happy and reduces um requirements for loan reserves benefits of the guaranteed program you can increase your ceiling without increasing reserves works very well for a lot of smaller banks that don't have a lot of capital it enables risk based lending expand your

customer base if you use the guaranteed program and helps build and maintain long-term banking relationships

also assist beginning farmers and ranchers as well as retiring generation because they can sell to that beginning farmer it improves community reinvestment at compliance it improves your portfolio quality and it's going to protect you in the bankruptcy world if you have a loan that's guaranteed you're actually able to get a loss claim filed with us and we will pay for some of those out of pocket costs that you may not be able to recover

secondary market advantages you can reduce your risk rate you can increase your liquidity generate some service fee income as well as return on assets and profits

let's review the changes to the guaranteed program that we've had in the last year in September just as every year the guaranteed loan limit is readjusted and for fiscal year 2022 the new amount maximum amount will be one million eight hundred and twenty five thousand other changes that we had is the Debt verification requirement for loans went up to five thousand dollars so you'll need to verify Debts that are over five thousand that's up from one thousand appraisals can be used if they're not more than 18 months old which that was previously 12 months the application form itself changed a couple times this year but a current revision date is 4 14 of 2021 and it's important that you use that particular form because of the changes on it and the closing report also changed as of September 21st of 2020 please don't use previous revisions of those forms the forms are available available on the link at the bottom of this slide and so a good practice would be not to stockpile them on your desk but simply to go to the form site and get them each time you need them and that way you're pretty much guaranteed that you have the correct form

the amount of the guarantee is typically 90 percent but there are some exceptions to this we can actually go up to 95 percent in the following categories if you're refinancing FSA Debt it can go up to 95 percent and we can actually prorate it if you're making a loan for more than one purpose and only part of it was for refinancing it then we just prorate the guarantee amount somewhere between the 90 and 95 based on a weighted average borrowers that are obtaining loans to purchase land under the beginning farmer down payment program can receive a 95 percent guarantee for guaranteed operating loans when a borrower is participating in the FSA down payment program those loans can be at 95 percent or if they're operating within the jurisdiction of an Indian reservation or they're alone being made to a socially disadvantaged applicant or a beginning farmer keep in mind that we can issue a guarantee at 90 percent even if it qualifies for a 95 guarantee as long as we get a request in writing from you as a lender and generally that's to save the borrower the cost of the higher guarantee fee

just a clarification on one of those exceptions for operating loans made to farmers who are farming within the jurisdiction of the Indian tribe also have to have a loan secured by one or more security instruments that are subject to the jurisdiction of the tribe so in Montana that basically means this would apply when there has been a mortgage taken on trust property

let's talk about the types and purposes of loans that we have available in the guaranteed program the first one is the line of credit guarantee which is basically your annual operating loan operating loan note guarantees which would be term operating loans used for the purchase of machinery equipment livestock potentially refinancing channel type Debt or carryover losses for someone farm ownership guarantees are typically used for purchasing real estate but can also be used to refinance carryover Debt conservation loan program one that you might not be real familiar with it is funded this year on a limited basis and it is used for conservation activities so things like forest stewardship management plans to develop resources for addressing soil water and other resources the establishment of forest cover erosion control potentially shelter belts things of that nature and then we also have our ez guaranteed program which basically is an operating loan or a farm ownership loan for a hundred and thousand or less and we use a simplified loan application as well as a streamlined underwriting process for the eligibility on that

interest rate is negotiated between the lender and the customer you can't exceed the maximum that's outlined in in our handbook to flip it can be fixed or variable but what i will caution you on is if there is any time during that loan term that it actually changes then it is variable so as an example we have a little confusion sometimes because someone says it's a fixed note for a five-year period if the loan term is actually 20 years and it's fixed for five years and then you're going to readjust it in our world it's actually available a variable note so any time it changes at any point in the loan than it is a variable note the guaranteed portion may be variable while the non-guaranteed portion is fixed or vice versa and if you're using a variable rate it needs to be tied to an adjustment or a formula agreed to by the borrower so they know where to look it up to know when it changes

there is a maximum interest rate that you can charge on a guaranteed loan either using the risk-based pricing the rate offered would be to our applicants with guarantees would be one tier lower than those without a guarantee or you can use variable rate notes fixed for less than five years which basically is the three-month libor rate plus 650 basis points and if it's a fixed-rate note fixed for five years or longer then it is the five-year treasury note rate plus 550 basis points

when the live bar is below 2 your options are a variable rate cannot exceed 750 basis points above the 3 month live bar and if it's a fixed rate not to exceed 650 basis points above the five-year treasury note rate please note that the live bar is scheduled to end on 12 31 2021 and it will be replaced by another source but we are not aware of what that source is at this time



the guaranteed application process starts with the use of the FSA 2211 and now all guaranteed loans will come in on that particular application there is no longer a separate application for standard eligible lenders and certified lenders and then you could look into flp if you need a refresher on what all needs to be provided as well as what needs to be provided for loans that are less than 125 000. if you are a preferred lender then you would refer to your credit management system or cms regardless of the loan amount for the information that needs to be submitted for a guaranteed application

as you begin to process your guaranteed loan couple reminders in regards to signatures you can submit applications by either fax or email and those faxed or scan signatures will be accepted if you do submit applications electronically without signatures on it we will process the loan but signatures will be required before we can actually issue the guarantee to you if you're working with an entity the application must be signed by the entity members that are authorized and then also the members of the entity as both members and individuals that signing of the entity will be based on how the entity documents determine the proper signature for the entity is please note that they are actually signing for both themselves as well as the entity and you can use the boxes on the application form to make sure that they're signing both ways this is important from an offset standpoint if we end up in a loss claim situation where there is a loss the ability to offset is tied back to who actually signed the application

there seems to be a little confusion in regards to who signs where on an application coming in for a guarantee so just to try to clarify that a little bit um the next couple of slides i will show you an example of the actual spots where they will sign but all loan applicants will fill out part a of the application and then it splits for the application as far as the type of entity or if it's an individual where they will actually sign so a loan applicant that's an entity would complete part b if the loan applicant's an individual then they would complete part c and all loan applicants will complete parts d e and f and then the lender will then complete parts g through m on the application and then co-applicants entity members cosigners will complete in parts o and p please note if there are two spouses involved in an operation and both are applying for a loan then that is considered a joint operation and one spouse will complete part c and the other will complete parts o and p if an application comes from an entity then it must be signed as the entity and who signs will depend on the either the articles of incorporation bylaws or articles of organization for the entity itself so it's who the authorized signers are as well as they're going to sign individually and this is important because of offset we do have to have specific signatures on the application before we're able to do any type of offset should there be a loss to the government from this particular case on the next page i'll just show you an example of the boxes so it will hopefully be much

clearer so this is just a sample of how the signatures would look on the application if the application was coming from an entity such as Smith inc as me being the president so i would sign on page two of the application under the signature of applicant Smith inc by Janet Smith president and check the box that says I am the entity representative and then on page six i would be signing as Janet Smith and check the box that I am representing myself you can combine those but what's really important is at the end of the day we need to make sure we have the authorized signatures for the entity as well as that individual signing on behalf of themselves if you have a different situation or you need more signature lines you can always add an additional page six you can also contact the county office that you're working with if you have questions on who actually should sign

custom farming we get a lot of questions about this if you're looking at a line of credit and it's got custom farming in it it basically needs to be a producer that is an operator of the farm and that they are farming and still being able to do some custom work if they're all custom work that's all they do then they're actually an agribusiness not a production ag producer so we would not be able to make uh or they would not be able to be eligible for the program if they do a hundred percent custom farming if a person has 75 percent custom work and no farming like maybe five acres you know just a small operation but really the focus is on the custom work then they would not be eligible but if it's somebody who farms and just wants to as an example pay for their combine so they go out and farm their stuff take care of their crop and then go help a neighbor and get some custom work from that standpoint those would be acceptable if you have questions on something like that that has um maybe in that gray area i would encourage you to call your local FSA office that you're going to be processing the application through and just discuss that with them so that that determination can be made right up front

you do have some options on your promissory note for a line of credit the concept is that this is a five-year line of credit so you do need to have your promissory notes reflect that in one way or another the first option would be to set up a promissory note that is available to be advanced on for a five-year period because you can only advance for up to five calendar years from the date you close or you could set up a master line of credit agreement and then do five individual notes under that line of credit agreement each one of those notes being coming due at the end of that particular year one thing that we would like to point out is if your final advance date is december 31st of 2025 please make sure you give some time consideration to the fact that while you might be done advancing you might want that final maturity date to be december 31st of 2026 to allow your customer time to market the remaining crops or livestock it we just see some in some cases where you have set it up that it is actually due on the end of that fifth year and and that doesn't have to be the case you can give them some additional time to get it paid

security needs to be adequate as a minimum we need to have it equal to the loan amount a one-to-one loan to value is not adequate if there is additional collateral available additional collateral

would be any collateral that is over the loan amount so you may have a the loan amount at 100 financing and then some additional collateral to bring in to improve the collateral position collateral is going to vary loan by loan depending upon many factors like the quality of the the collateral the availability of additional collateral the lean position and of course the repayment ability typically if someone has a very tight repayment ability as most lenders we're all going to want a little more collateral if possible

real estate junior liens are acceptable if the total Debt with the liens against the property which includes the guaranteed loan doesn't exceed 85 percent of the value of the security any loan that has a loan term longer than seven years must have a lien on real estate in order to be made on chattels if there's junior liens there are they are acceptable again if the 85 percent rule is met and channel guaranteed guaranteed loans um must have a higher lien priority than unguaranteed loans that are made by the same lender so some specific rules with regards to security

security does need to be identifiable so that's pretty easy with real estate because you can describe it on a mortgage and it's a specific legal description but when we get down to things like tractors it should be described with make model serial number so it's identifiable just listing a flat bed truck without listing anything else about it isn't really acceptable because there's no way to know what flatbed truck we're talking about we do have the ability to share liens on security so a lender could propose to share as an example a first lien priority as long as it's the same lender involved the real it's for real estate security only and the conditional commitment spells out how payments and proceeds will be split and the result of that is then we don't have any junior lean considerations that we have to meet on the guarantee

as far as security and from a lender's standpoint what your responsibilities are is you're responsible to obtain and perfect the liens that we agreed to on the conditional commitment so if you represent that you're going to get a first lien on the real estate then we need to be able to show that you actually did obtain that lien position need to account for your secured property throughout the life of the loan and if you're not able to account it then those are the types of things that may run into situations where there's a reduction or denial of a loss claim we'll talk about that in servicing

you are expected to conduct a site visit with the applicant before submitting your request and if real estate is taken as security then you do need to fill out some additional paperwork most people will use the FSA environmental risk form survey of basically what we call an 851 or you can use the american society of testing and materials standard form as well and this basically will be explained in your guaranteed loan narrative in regards to what you saw from an environmental standpoint so

this is basically the information that we need from the agency side to make sure that there's not an environmental problem on the property that you're taking for security

appraisals are required as part of the process so you should obtain an appraisal prior to loan closing and the issuance of a guarantee you can do an in-house chattel appraisal which is acceptable you do need to follow the same policies and procedures that you would for your regular portfolio as far as separation of duties oftentimes that means a different loan officer will do the appraisal than the one that's actually approving the loan request if the loans are 250 000 or less then evaluation can be used rather than at a full-blown appraisal all real estate appraisals need to comply with use pap so if a loan is greater than 250 000 a state license certified general appraiser should be the one completing the appraisal and just a reminder appraisals are not required for additional collateral it's just an estimate of value at the time is all that's required

insurance requirements lenders have to ensure that their borrowers do have the necessary insurance and that should be outlined on the conditional commitment if you're taking crops as part of your collateral you do need to have either a cat policy or a nap policy if they're not going to be able to obtain crop insurance and those would be on crops that crop insurance is not available on and then channels in real property whenever it's necessary to protect the lender in the government's interest as an example if there's real estate and the real estate appraised at a value very close to the value of the or the amount of the loan and there's buildings on it then we would expect to see some insurance on those buildings to protect all of us in the risk if there is uh maybe older machinery there may not be a need for insurance on that older machinery although you may want to require insurance on bigger ticket items such as big tractors big combines just to mitigate the risk if something happens to one of those insurance should be clearly spelled out in the conditional commitment if you have questions in regards to insurance talk to your local FSA office

all guaranteed requests that come in should have a lender's loan narrative this is very important part of the guaranteed application we do have a document that we have included as part of this uh powerpoint that outlines a sample loan narrative for you the amount of detail in the loan narrative will depend on the operation but we certainly learn a lot about the operation from the loan narrative

we get a lot of questions this is a picture of part of the application itself the 2011 where you're listing what your security position is going to be so it might be real estate with a first lien position in number three the estimated value should be the gross value or the appraised amount not a discounted amount that you use for loan purposes in your bank but rather the actual appraised value

some common concerns that we have seen with loans that as we process them and the first one of those is family living projections please provide us with some type of justification for the amounts that you're using family living projections can vary greatly amongst different borrowers and i know that some of you have tried to set up a per person amount that you plan to use as part of your policy which is fine but we would just like to hear the justification for why the numbers that you're using make sense and then secondly the non-farm income i see a lot of times that this is listed as the gross amount coming from the borrower's w-2 or some other verification type which tells us what that gross amount is going to be and that's certainly acceptable but i also think we need to consider what's needed to convert that to a net income because ultimately what we're looking for in a person's cash flow is how much of that non-farm income will actually flow into the operation so there just needs to be the math followed to show how we got from the gross income to the net whether that's adding those taxes etc that are taken out as part of living or the gross amount is adjusted right on the non-farm income line as it comes in to account for just the amount that's going to flow into the cash flow

also wanted to point out if we're working with some joint financing to where you're going to need a subordination from FSA because we perhaps were the operating lender and now you're going to be the operating lender this just outlines the rules in which we have to follow in order to subordinate our direct loan position to you as a guaranteed lender for your line of credit so again it has to be at 75 loan to value or less doesn't include value of growing crops or plan production appraisal is required and the lender is responsible for completing that appraisal and then the applicant we have to certify that the applicant can't receive sufficient credit through conventional guaranteed loans without the subordination and there's an example here to follow what we're talking about from that standpoint

egov just wanted to touch on this for a minute it allows you to have faster access to regulations fillable forms you do need to sign up as a level 2e auth and we at the local offices can get you signed up so that you can get in and report under the guaranteed loan system and you can actually submit your applications online through that system as long as you have that level 2 eoth process completed in order to do that it gives you the website that you need to go to to get to forms this tells you how to get to any of our forms so as an example we talked about the fact that we have a new two thousand um or twenty two eleven application form and we have a new close loan closing report this is where you would actually find those forms so that you can fill those out to submit back to us and a lot of times they're available both as a word document as well as a pdf

the e-authentication process we want to hear from you if you're having trouble with that this is the process where you actually log into our system and from a guaranteed standpoint would provide the status reports or default status reports if you're having trouble with this process either you haven't signed up for it because you can't figure out how or you're using it and you've had some

changes to your branch personnel we may need to do some updates there we would be more than happy to visit with you and work with whoever it is we need to work with to make sure that the appropriate people have permissions to do what they need to do and kind of keep this process cleaned up so that it works effectively for you

there is a guaranteed lender tool box if you hit this link it will take you to the toolbox it has a lot of information in there that will help you if you're working with guaranteed loans copies of the forms etc so again just wanted to provide the link to that particular website to be able to get that information the toolkit has basically the handbook itself so you could be reading the same handbook that we read if you're curious about something or how something should work it does have some examples of credit management systems if you're planning to become a preferred lender you might want to look at some of the examples to see that what's been set up has all the forms that are fillable as well as instructions it has the online electronic transaction options and there's some other resources there about all of our loan topics so a good tool kit to have if you're going to work with the guaranteed program

with that I'm going to stop and we are going to split on this slide and Casey is going to take over and talk about the coven 19 temporary updates that will actually be a separate powerpoint attachment from the one that that you are on now so maybe take a little break before you start into the last of this thanks and have a great day