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DEPARTMENT OF AGRICULTURE

Farm Service Agency

7 CFR Parts 761, 762, 763, 764, 765, 766, 767, 768, 770, 772, 773, 774

[Docket No. FSA–2026–0463]

RIN 0560–AI89

Driving Efficiency in Farm Loan Delivery

AGENCY: Farm Service Agency, USDA.

ACTION: Final rule.

SUMMARY: The Farm Service Agency (FSA) is amending the Farm Loan Program (FLP) regulations to permanently implement the Application Fast Track (AFT) process, which expedites underwriting for certain direct loan applicants by using financial benchmarks and historical repayment data to identify applicants least likely to default. This rule also includes regulatory changes intended to improve program efficiency and support IT modernization efforts consisting of minor policy changes, clarifications, and technical corrections. These changes are part of FSA's ongoing effort to deliver farmer-focused programs in the most efficient and cost-effective manner possible.

DATES: *Effective date:* October 1, 2026.

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I. Background

FSA makes and services direct and guaranteed loans to farmers and ranchers who are unable to obtain sufficient commercial credit at reasonable rates and terms. FSA also provides direct loan borrowers with credit counseling and supervision to help improve their financial management and increase their likelihood of success. FSA loan applicants typically include:

- Beginning farmers who do not yet meet commercial lenders' underwriting requirements; and
- Established farmers who have experienced financial setbacks due to natural disasters or other economic conditions.

FSA loans are tailored to meet the specific needs of farmers and may be used to purchase personal property, acquire farmland, finance agricultural production, or address other operational needs. The Consolidated Farm and Rural Development Act (CONACT, Pub. L. 87–128, as amended; 7 U.S.C. 1921–2009cc–18) provides the authority for most FLP loans, including farm ownership (FO), operating (OL), and emergency (EM) loans.

In August 2023, FSA launched the AFT pilot program to provide expedited loan processing for low-risk direct loan applicants (88 FR 51260–51265). FSA extended the pilot on September 30, 2024 (89 FR 79504), and again on December 31, 2025 (90 FR 61362). AFT offers an alternative underwriting process for applicants who meet specified financial benchmarks and have a favorable repayment history, enabling accelerated application processing. The pilot initially operated in 166 service centers and was subsequently expanded; AFT has been available to all qualifying customers nationwide since January 1, 2024. The AFT pilot has substantially improved processing times for all customers without any notable impact on portfolio performance or loan repayment. During the pilot period from August 2023 through the present time, an average of 23 percent of direct loan customers qualified for AFT, and application processing time for those customers decreased by approximately 8 calendar days. These efficiencies translate into an estimated annual savings of 58,000 staff hours, allowing staff to devote additional time to assisting other applicants.

This rule permanently implements AFT and makes other regulatory changes as part of FSA's ongoing efforts to improve the timeliness and efficiency of program delivery. This action represents a step in FSA's broader initiative to deliver assistance to farmers and ranchers more efficiently.

This rule also facilitates IT modernization efforts for guaranteed loans and makes other regulatory changes to reduce administrative burdens, improve program access, and enhance overall program efficiency. The regulatory changes are organized into two groups: (1) minor policy changes; and (2) clarifications and technical corrections. Each group includes changes that apply only to direct loans, only to guaranteed loans, or to both direct and guaranteed loans.

Most of the regulatory changes in this rule do not substantially alter existing policy and are anticipated to affect a relatively small number of farmers. However, some changes are more substantial and will affect many direct and guaranteed loan customers. These changes include provisions that grant delegated authority to certain guaranteed lenders, clarify direct loan collateral valuation policies, and facilitate improvements to loan servicing processes. The delegated authority provisions streamline the process for preferred lenders—who are the most experienced and highest-performing participants in the guaranteed loan program—to obtain an FSA loan guarantee. The clarifications to collateral valuation for direct loans ensure that FSA loans remain adequately secured while reducing the time required to close loans. The loan servicing updates ensure that flexibilities related to direct loan collateral subordinations (subordination allows another lender to be paid before the Government in the event of liquidation) remain available to producers who fully comply with their loan agreements, while still protecting the Government's security interest.

The CONACT requires that all FLP applicants and loans meet specified eligibility, security, and feasibility requirements. This rule ensures that FLP regulations remain aligned with the CONACT while reflecting producer needs and modernizing underwriting standards. Although many of the changes in this rule are technical corrections or clarifications, this rule also includes minor FLP policy updates that respond to customer needs and incorporate modernized processes that more closely align with commercial agricultural lending practices.

Throughout this rule, any reference to ''farm'' or ''farmer'' also includes ''ranch'' or ''rancher,'' respectively.

II. AFT Implementation

FSA developed and piloted AFT, which uses data analytics to improve loan-making efficiencies. AFT uses a hybrid approach modeled after scoring tools used by commercial lenders and is designed to improve processing times for applicants who demonstrate low expected default risk based on specific financial benchmarking criteria and favorable repayment history.

To develop AFT, FSA analyzed hundreds of financial variables associated with over 100,000 direct loans to identify the common characteristics of borrowers with strong repayment histories. A streamlined approach was developed to determine which financial variables are most consistently associated with borrowers who exhibit strong repayment performance, while remaining consistent with FSA's business process constraints. These financial variables were used to develop a statistical regression model and a scoring tool to identify applicants with the highest probability of successful loan repayment. The model identified 24 percent of all direct loan applicants as eligible for AFT.

The AFT scoring tool does not use projected cash flow data. For applicants who meet or exceed the minimum AFT scoring threshold, the scoring tool provides sufficient assurance of the applicant's ability to repay. All applicants must still submit a cash flow budget. However, for those applicants later approved through the AFT process, FSA staff are not required to conduct the traditional manual verification of projected income and expenses associated with conventional projected cash flow analysis.

The absence of a cash flow analysis by FSA requires loans approved through AFT to have equally amortized installments after the first year, as a detailed cash flow analysis would otherwise be necessary to justify additional unequal installments. Loans approved through AFT are also limited to FSA's standard interest rates for the respective loan program, including the joint financing rates as provided in 7 CFR 764.154(a)(3), and are not eligible for further subsidized, limited resource interest rates. Since AFT is designed for the highest-performing borrowers, these standard rates and terms generally provide sufficient opportunity to build an adequate equity base. However, borrowers who believe they need additional unequal installments or limited resource interest rates may opt out of having their request processed through AFT, which makes those flexible options available to them.

This rule incorporates AFT into FSA's regulations, ensuring that FSA can continue offering this type of alternative underwriting process to applicants who meet established financial benchmarks. The types of loan transactions eligible for AFT are specified in 7 CFR 764.401 and include all loan transactions other than EM, youth loans (YL), and loans made in conjunction with other servicing actions. Formalizing AFT through regulation will not affect application submission requirements, eligibility requirements, authorized loan purposes, or security requirements for direct loan applicants.

III. IT Modernization

USDA is modernizing the IT systems that support FLP to expedite loan delivery. This multi-year effort will begin with the guaranteed loan program and later extend to all FLP loans. The modernized system will enable electronic submission of loan applications and supporting documents, replacing the Agency's largely paper-based process, and will support electronic delivery of lender notifications and other materials that have traditionally required manual processing.

This rule makes several changes to support implementation of the modernized IT system for guaranteed loans, including clarifying that applications may be submitted electronically or by paper. It also specifies that lender notifications issued during application intake may be provided electronically or in paper form, consistent with the method of application submission.

In addition, this rule updates regulatory provisions to allow the electronic delivery and acceptance of loan approval documents, loan guarantee documents, and guaranteed loan servicing documents. It also removes prior requirements that obligated guaranteed lenders to identify specific branches covered by their lender status. Eliminating these requirements will support implementation of the modernized IT system and reduce administrative burden, as lender status will now apply to the institution as a whole.

IV. Other Regulatory Changes

In addition to making AFT permanent and facilitating IT modernization, FSA is making discretionary regulatory changes to clarify and amend existing processes and requirements to support farmer-focused program delivery. FSA has determined that clarifying information in the regulation will make it easier for borrowers to understand program requirements. Certain amendments and technical corrections do not constitute policy changes and are discussed in more detail later in this rule. This rule also updates cross references where necessary throughout the regulations and corrects minor grammatical errors.

As previously outlined, the regulatory changes in this rule are organized into two groups: (1) minor policy changes; and (2) clarifications and technical corrections. Each group includes changes that apply only to direct loans, only to guaranteed loans, or to both direct and guaranteed loans. The following discussion provides additional detail on the amendments identified as minor policy changes. Below that, clarifications and technical corrections are discussed, in that order.

A. Minor Policy Changes Limited to Direct Loans

1. Age of Real Estate Appraisals for Direct Loans

Under current regulations, a real estate appraisal for a direct loan must have been completed within the previous 18 months at the time the Agency makes an approval decision. This requirement was originally intended to ensure that the value of real estate used to secure the loan reflects current market information and up-to-date property information. Appraisals for guaranteed loans, however, have historically allowed greater flexibility regarding the age of the appraisal.

Economic analysis shows that farm real estate values are relatively stable over the long term, with observed fluctuations generally showing increases rather than decreases in value. Therefore, commercial industry practice permits the use of an older real estate appraisal when the lender can document specific conditions related to the subject property. For FSA guaranteed loans, lenders may already rely on a real estate appraisal older than 18 months if: (1) the lender can document that market conditions have remained stable or improved; (2) the property is in the same or better condition; and (3) the property's value has remained the same or increased.

With this rule, FSA will apply a similar policy to direct loans and increase the acceptable age of a real estate appraisal for direct loans in 7 CFR 761.7. Allowing the use of real estate appraisals older than 18 months old will reduce the number of new appraisals that FSA must fund and will shorten loan processing and closing times. Before relying on an older appraisal, the authorized Agency official must document the three criteria listed above to ensure that the use of such appraisal does not increase Agency risk. This rule also establishes a maximum threshold prohibiting the use of any appraisal more than 36 months old for direct loans. This provision is intended to support and strengthen the Agency's risk-mitigation efforts.

2. Repayment Terms for Direct Loans

FSA regulations for most direct loan programs currently specify that the first installment will be an interest-only payment due 12 months after loan closing, unless the loan applicant submits a written request for an alternative repayment arrangement. FSA data indicate that the majority of direct loan applicants request an alternative arrangement that allows them to begin repaying loan principal within the first 12 months after receiving their loan. Since most direct loan applicants elect not to use the interest-only installment, FSA is amending 7 CFR 764.154, 764.254, and 764.354 to remove the requirement that borrowers must submit a written request if they choose not to use an interest-only installment in the first year of a direct loan. Interest-only installments and other flexible repayment terms will continue to be available to borrowers. This change only removes the written-request requirement for borrowers who choose to begin repaying principal with their first installment or who choose to have their first installment due less than 12 months after loan closing.

3. Borrower Training Provisions

FSA regulations generally require recipients of direct loans to complete a financial training course within 2 years of receiving their loan. Borrowers may request a waiver of this requirement if they have previously completed a similar training course or can demonstrate sufficient financial management skills and operational experience. Currently, borrowers must request a training waiver in writing, separate from their loan application, which creates an unnecessary administrative burden because most FSA applicants request a waiver.

This rule removes the requirement that borrowers submit a separate written request for a financial training waiver in 7 CFR 764.453 and 764.454. FSA will continue to evaluate each borrower's eligibility for a waiver using the existing criteria and inform the borrower as to any need for financial training.

4. Conversion of EM Loans to Non-Program Rates and Terms

Congress designed FSA direct loans to be a temporary source of credit to enable farmers to start or maintain their operations until they are able to qualify for commercial credit at reasonable rates and terms. Consistent with this purpose, FSA periodically reviews the financial condition of direct loan borrowers to determine whether they are able to graduate to commercial credit. When FSA determines that a borrower is financially capable of graduation, the borrower is required to actively seek and apply for commercial credit to refinance their FSA debt. Failure to do so constitutes non-monetary default.

When a borrower is in non-monetary default for failure to graduate, FSA has allowed FO and OL borrowers to convert their loans to non-program rates and terms to avoid acceleration and foreclosure. Non-program rates and terms generally match those available from commercial lenders and are not subsidized like typical FSA interest rates. As a result, allowing a capable borrower to convert their FO or OL loans to non-program rates and terms effectively eliminates the Government subsidy and achieves an outcome comparable to graduation.

When this policy was originally implemented for FO and OL loans (89 FR 65020, August 8, 2024), the regulation inadvertently did not include the corresponding amendment for EM loans in 7 CFR 765.102. This rule corrects that omission and clarifies that EM loans may be converted to non-program rates and terms when a borrower fails to graduate.

5. Limited Resource Reviews

FSA may offer a direct loan applicant a ''limited resource rate'' when the applicant is unable to develop a feasible farm operating plan at the regular interest rate but can do so, with a positive cash flow, at a lower, limited resource rate. Once a borrower receives a loan with a limited resource rate, the Agency is required to periodically review the borrower's financial condition to determine whether the reduced rate continues to be needed for the operation to remain viable. A ''limited resource review'' is conducted as part of the broader ''operational review'' process, which is a structured assessment of an existing direct loan borrower's farming operation to evaluate compliance, efficiency, and accuracy, and requires extensive documentation. An operational review identifies risks and corrects operational gaps, which may result in repayment or restructuring actions when necessary.

In 2025, FSA revised its administrative guidance to clarify that operational reviews are required, for most borrowers, every 3 years. To align the regulatory requirements with this updated guidance, this rule amends 7 CFR 761.105 and 765.51 to change the required frequency of limited resource reviews from every 2 years to every 3 years.

6. Direct Loan Subordinations

FSA regulations allow the Agency to subordinate its lien position to a commercial lender to facilitate new financing for a mutual customer in certain circumstances. The new loan may be either an FSA-guaranteed loan or an unguaranteed commercial loan. Although many commercial lenders are willing to provide credit to farmers who have existing FSA direct loans, most lender policies and regulatory standards require the lender to obtain a first lien position on the proposed loan security. As a result, borrowers may request that FSA subordinate its lien position in favor of the commercial lender so the new loan can be repaid first upon sale of the loan security. Subordination allows borrowers to access necessary additional credit while maintaining adequate security for the FSA loan through established safeguards that govern the circumstances in which subordinations may be approved.

Existing regulations require borrowers requesting an FSA subordination to a commercial lender to submit a farm operating plan and cash flow budget and require FSA to analyze that cash flow budget with the same level of scrutiny applied to applications for additional direct loan funds. However, the primary consideration in evaluating such a subordination request involves the adequacy of loan collateral given FSA's new lien position after the subordination is executed. Since FSA is not extending new credit, the borrower's repayment schedule for their FSA loan(s) remains the same. Additionally, commercial lenders extending the new credit are required to independently verify the borrower's repayment capacity to service the new debt. Therefore, any additional cash flow analysis by FSA is redundant and unnecessary.

This rule removes the requirement for direct loan borrowers to submit, and for FSA to conduct, a financial feasibility review of a separate cash flow projection and farm operating plan when a direct loan subordination is requested in 7 CFR 761.105 and 765.205. All other requirements for direct loan subordinations will remain unchanged, including, but not limited to, the stipulations that the borrower is not in default on their FSA loan and that FSA has verified that the FLP loan will remain adequately secured after the subordination.

7. Appraisals for Security Released Without Compensation

When a borrower requests the release of a portion of loan security ''without compensation,'' FSA evaluates whether the loan will remain adequately secured. The term ''without compensation'' refers to situations in which FSA releases its claim on a portion of the collateral *without* requiring the borrower to make a payment to FSA in exchange for that release. FSA typically appraises the property that will remain as security to verify that its market value is sufficient to secure the remaining balance of the FSA loan.

FSA is removing the requirement to appraise the property being released because its value is not relevant to decisions on releases without compensation. The appraisal or evaluation of remaining collateral will continue, as it provides the basis for determining whether the loan remains adequately secured. Valuation of the property being released will still be required when compensation is involved to ensure that the compensation received by the borrower reflects fair market value. FSA is removing this non-essential appraisal requirement for releases without compensation in 7 CFR 765.305 and 765.351 to reduce administrative burden and appraisal costs.

8. Certified Mailing Requirements

Section 331D of the CONACT (7 U.S.C. 1981d) requires FSA to provide loan servicing notifications by certified mail to borrowers who are at least 90 days past due on their installments. However, FSA's implementing regulations at 7 CFR 766.101 require certified mail for primary loan servicing notices for all delinquent borrowers, including those less than 90 days past due.

Because certified mail is more costly and may require additional processing time compared to other delivery methods that also provide confirmation of receipt, FSA is revising 7 CFR 766.101 to require certified mail only when specifically required by statute— that is, for borrowers 90 days or more past due. This change will improve efficiency and reduce costs. Borrowers who are less than 90 days past due will continue to receive timely loan servicing notifications via delivery methods other than certified mail, and no other loan servicing notification requirements are being changed.

9. Request To Extend Balloon Installment

In 7 CFR 766.120, FSA provides direct loan borrowers the opportunity to extend an upcoming balloon installment outside of the primary loan servicing process when certain requirements are met, including that the loan be current. FSA has received requests for balloon installment extensions so close to the due date that the Agency is unable to process the transaction before the installment becomes past due. Therefore, to qualify for this quick restructure option, a borrower must now submit the request no later than 30 days prior to the balloon installment due date. Borrowers who submit a request less than 30 days before the installment due date may still be eligible to have the balloon installment restructured; however, they will not be able to use the quick restructure option and will instead be required to use the traditional primary loan servicing procedure, which is a lengthier process.

10. Real Estate Evaluations and Related Definitions

Establishing the value of proposed real estate security is a key component of the loan approval process. FSA seeks to ensure that the value of the real estate pledged as collateral is at least equal to the loan amount to ensure that adequate proceeds will be available to repay the loan in full if it cannot be repaid through cash flow and the collateral must be liquidated. In many cases, FSA is also required, when additional security is available, to obtain security for direct loans up to 125 percent of the loan amount to account for potential fluctuations in the value of collateral over time. For clarity, collateral refers to the physical asset, such as farmland, pledged for the loan, while security refers to the lender's legal interest or lien on that asset.

Real estate collateral value is typically established through a formal appraisal conducted by a State Certified General Appraiser in accordance with the Uniform Standards of Professional Appraisal Practice (USPAP). Although FSA employs staff appraisers throughout the country, demand for appraisals exceeds internal capacity, and most appraisals are obtained by contracting with private sector appraisers.

The average real estate appraisal contracted by FSA costs between $2,000 and $3,000 and is completed approximately 30 to 45 days after FSA initiates the request. These costs are paid by FSA and require annual appropriations from Congress. Producers frequently express concerns about the length of time required to receive a direct FO loan for the purchase of real estate partially due to the length of the appraisal process. In some cases, the time between the submission of a loan application and closing may exceed 90 days.

OMB Circular A–129 (Revised), *Policies for Federal Credit Programs and Non-Tax Receivables* (Office of Management and Budget, August 2025), provides guidance on the valuation of collateral. For many years, this circular has permitted Federal agencies to use a less formal real estate evaluation for smaller loans instead of a full appraisal. Evaluations are conducted by individuals trained to assess real estate value but who are not licensed appraisers. FSA has used evaluations for microloans of up to $50,000 to expedite loan closing and has not experienced increased losses attributable to the use of evaluations instead of appraisals.

OMB updated circular A–129 in 2025 to increase the dollar thresholds at which agencies must obtain a formal appraisal: to over $500,000 for commercial real estate transactions and over $250,000 for business loans. Previously, the circular established a $250,000 threshold for business loans but did not separately address commercial real estate transactions. This rule updates 7 CFR 761.7 to align with the revised OMB guidance, allowing FSA to use real estate evaluations instead of an appraisal for business loans of $250,000 or less and for commercial real estate transactions of $500,000 or less. Applicants and borrowers will retain the right to appeal the Agency's real estate evaluation if it leads to an adverse decision, consistent with appeals procedures applicable to formal real estate appraisals. These changes will allow FSA to reduce the time to loan closing for many direct FO loans and result in cost savings to taxpayers.

This rule also adds definitions related to real estate evaluations in 7 CFR 761.2. In developing definitions for ''business loan'' and ''commercial real estate transaction'', FSA reviewed definitions used by commercial lending regulators, including the Farm Credit Administration (FCA) and the Federal Deposit Insurance Corporation (FDIC). Generally, OLs correspond to business loans and FOs correspond to commercial real estate transactions. The definition of ''commercial real estate transaction'' clarifies that such transactions include most real estate-secured loans except those secured by property that is primarily residential. As a result, this rule will allow FSA to complete evaluations for new FO loans with a transaction value up to $500,000 for farm real estate containing a residence, as long as the property is not primarily residential. EM loans with shorter terms will generally be processed as business loans, while EM loans with longer terms secured by real estate will generally be processed as commercial real estate transactions. EM loans may either be short-term or long-term depending on the nature of a producer's loss created by a natural disaster. The expanded use of real estate evaluations will not apply to primary loan servicing; appraisals for servicing actions will continue to follow existing policy.

In addition to the definitions discussed above, FSA is also adding related definitions for ''appraisal'', ''non-residential real property'', ''real estate evaluation'', and ''real estate-related financial transaction''. These definitions provide necessary context to implement the changes described above.

B. Minor Policy Changes Limited to Guaranteed Loans

1. Delegated Authority for Certain Guaranteed Lenders

Federal guaranteed loan programs operate differently from direct lending. With a guaranteed loan, the process typically begins when a farmer or rancher applies for credit through a commercial lender. The lender evaluates the application to determine the borrower's likelihood of success and whether the level of risk aligns with the lender's internal lending policies. When the risk exceeds the lender's acceptable range, but the borrower can demonstrate a feasible operating plan and provide adequate security, the lender may request an FSA guarantee to offset a portion of the risk. This approach ensures access to credit for farmers and ranchers while preventing the Government from competing with commercial lenders through its direct loan program.

FSA partners with a wide array of lenders—including credit unions, commercial banks, and Farm Credit organizations—to deliver Guaranteed Farm Loan Programs. These programs assist applicants who cannot obtain credit without a Federal guarantee. FSA guaranteed loans are intended to facilitate the purchase of agricultural real estate, livestock, equipment, and meet operational needs, among other authorized purposes.

Lenders participating in the Guaranteed Farm Loan Program are assigned one of three status levels—Standard Eligible Lender (SEL), Certified Lender Program (CLP) lender, or Preferred Lender Program (PLP) lender—based on their experience and performance with the guaranteed lending program. As lender status increases, FSA oversight decreases, with PLP lenders (the highest lender status) benefitting from the most streamlined processes that reduce documentation and expedite loan making. Despite these efficiencies, PLP lenders have reported inconsistencies and delays in loan processing across FSA offices in certain cases.

Subsection 339(d)(4)(B) of the CONACT (7 U.S.C.1989(d)(4)(B)) authorizes PLP lenders to make decisions regarding borrower creditworthiness, repayment ability, adequacy of collateral, and operational feasibility. FSA first implemented this authority on February 12, 1999, introducing the PLP status and allowing PLP lenders to use their organization's internal underwriting policies subject to FSA concurrence based on a detailed narrative summary, rather than providing specific financial documentation (64 FR 7358–7403).

To align FSA processes with those used by other Federal agencies, this rule relies on the statutory authority described in the preceding paragraph to permit PLP lenders to certify that they have obtained the specific documentation and performed the necessary analysis to determine that an applicant meets FSA requirements for creditworthiness, the test for credit (which examines whether the applicant is unable to obtain sufficient credit elsewhere without a guarantee), financial feasibility, and collateral adequacy, as specified in 7 CFR 762.120(g) and (h), 762.125, and 762.126. FSA will accept a lender's certification in place of the more detailed narrative summary that has been required since 1999.

Prior to approval of a loan guarantee, FSA will continue to review remaining requirements, including, but not limited to, applicant eligibility (excluding creditworthiness and test for credit), authorized loan purposes, and environmental compliance documentation. This streamlined review is intended to reduce processing times. When environmental requirements have been met, FSA will target approval or rejection of complete applications submitted under this delegated authority within 5 calendar days.

Only PLP lenders may receive delegated authority. All PLP lenders that currently meet and maintain PLP status will receive delegated authority for a period not to exceed the expiration date of their PLP Lender's Agreement. Because PLP status is not automatically renewed, delegated authority will also require renewal. To maintain PLP status and delegated authority, lenders must continue to meet all initial eligibility criteria and any additional criteria established by the Agency.

FSA may revoke PLP status and delegated authority at any time for several reasons, including approving loans that do not meet Agency requirements, failure to maintain eligibility, submission of false information, or poor portfolio performance. FSA will monitor these factors through data analytics and a robust oversight and monitoring process, including reviews of lender loan files. Agency administrative guidance will establish review frequency and monitoring metrics.

Expanding delegated authority to PLP lenders at the time of loan origination will further shift feasibility (cash flow) and security analysis responsibilities to PLP lenders, reducing FSA workload at the time of loan making and improving administrative efficiency. In order to maintain program integrity, FSA will continue to thoroughly review loss claims to ensure that guarantee requirements have been met throughout the loan lifecycle, prior to any loss payment.

2. Concurrence Requirements for Unguaranteed Loans and Advances

Under current regulations, SEL and CLP lenders are prohibited from making additional unguaranteed loans or advances to borrowers without prior written approval from the Agency. PLP lenders may make these loans or advances without Agency approval, provided the lender's process for evaluating such requests is sufficiently documented and incorporated into the lender's Credit Management System (CMS). The CMS must include written requirements agreed to by FSA and the PLP lender for originating and servicing FSA loans. If a PLP lender's CMS does not address this subject, the lender must obtain Agency approval before making additional unguaranteed loans or advances.

These requirements have been used to ensure that any new unguaranteed loan or advance does not adversely affect the collateral position supporting FSA's guaranteed loan or impair the borrower's ability to repay the FSA guaranteed loan. However, commercial lenders are already required by their regulators to conduct a comparable analysis, and FSA rarely disagrees with PLP lender requests for approval. As a result, portions of this process are duplicative, provide minimal benefit, and require considerable FSA staff resources.

With this rule, FSA is updating 7 CFR 762.146 to simplify concurrence requirements for guaranteed lenders when they are making additional unguaranteed loans or advances. All lenders will continue to be required to conduct the same analysis they currently perform before making a subsequent unguaranteed loan or advance. However, lenders will no longer be required to obtain prior written Agency approval. Instead, lenders must document in their loan file that the requirements in 7 CFR 762.146 have been met before making the new unguaranteed loan or advance. FSA will retain its authority to reduce or deny a lender's loss claim due to negligent servicing. If a lender makes an unguaranteed loan or advance after originating an FSA-guaranteed loan and fails to perform the due diligence required by 7 CFR 762.146, FSA may reduce or deny the lender's loss claim if the lack of due diligence contributes to a loss on the guaranteed loan.

3. Annual Analyses for Guaranteed Loans

In 7 CFR 762.140, FSA requires all guaranteed lenders to conduct annual analyses of their guaranteed loan borrowers, and 7 CFR 762.141 specifies the documentation that lenders must submit to FSA. The specific loans subject to review and the documentation that must be submitted to FSA as evidence of that analysis vary depending on the lender's status within the Guaranteed Loan Programs. While these reviews are important for higher-risk loans or loans that are not performing as agreed, they provide limited benefit for lower-risk, well-performing loans. Commercial lenders devote substantial time to completing each analysis, and FSA staff likewise spend considerable time reviewing them. FSA is revising these requirements to make more efficient use of commercial lender and Agency resources while maintaining appropriate oversight of portfolio performance.

Historically, FSA has required non-PLP lenders to complete an annual analysis for all term loans with aggregate balances over $100,000 and for all revolving lines of credit. With this rule, FSA is increasing the $100,000 threshold to $500,000. As a result, non-PLP lenders will be required to review only term loans with aggregate balances over $500,000, all revolving lines of credit, and any loans that are not performing as agreed.

FSA is also revising which analyses must be submitted to FSA for further Agency review. Non-PLP lenders will now only be required to submit analyses for revolving lines of credit and non-performing loans. Analysis for performing term loans with aggregate balances over $500,000 must still be completed and retained in the lender's files but will no longer be submitted to FSA for further review. The analysis requirements for PLP lenders will continue to be documented in, and governed by, the lender's CMS.

FSA has historically reviewed every loss claim for compliance with program requirements and has denied claims when lenders were found to be out of compliance. Under the updated policy, FSA will continue to conduct these reviews for loss claims to ensure that guarantee requirements have been met from loan obligation through servicing before a loss is paid. This policy change, which simplifies annual analysis requirements for guaranteed loans in 7 CFR 762.141, does not increase risk to the Agency. If a lender fails to conduct a required annual analysis, and the Agency determines that lack of proper borrower monitoring contributes to a guaranteed loan loss, the result may be a reduction or denial of the loss claim.

4. Real Estate Evaluations for Guaranteed Loans

In 7 CFR 762.127, FSA currently allows all guaranteed lenders to complete a real estate evaluation, in accordance with their internal policies for similar unguaranteed loans, for transactions up to $250,000 instead of obtaining an appraisal. This $250,000 threshold was established prior to the 2025 update to OMB Circular A–129, which permits evaluations for loans up to $500,000, when they are considered commercial real estate transactions, as discussed earlier in this rule.

FSA is increasing the maximum threshold in 7 CFR 762.127 at which a guaranteed lender may rely on a real estate evaluation rather than an appraisal to determine the value of guaranteed loan security. Commercial lending regulators have well-established policies that lenders must follow to determine whether a loan is a business loan or a commercial real estate transaction. Therefore, FSA is not providing additional guidance to guaranteed lenders on this distinction and will continue to require lenders to follow the requirements of their regulator and their own internal policies when completing real estate evaluations, subject to the updated maximum limit of $500,000.

C. Minor Policy Changes Affecting Both Direct and Guaranteed Loans

1. Crop Insurance Requirements

Section 371 of the CONACT (7 U.S.C. 2008f) requires recipients of direct and guaranteed loans to obtain at least catastrophic (CAT) risk protection insurance coverage for all crops, if available. CAT coverage represents the lowest level of crop insurance protection. Crop insurance requirements for guaranteed loan applicants are established in 7 CFR 762.123, and similar requirements for direct loan applicants are outlined in 7 CFR 764.108.

In 1996, Section 508(b)(7) of the Federal Crop Insurance Act (7 U.S.C. 1508(b)(7) (1996)) was amended to permit an FLP borrower to forgo the crop insurance purchase requirement under 7 U.S.C. 2008f by waiving eligibility for FSA emergency crop loss assistance. In 2014, however, 7 U.S.C. 1508 was amended to remove the option of executing such a waiver in lieu of obtaining crop insurance. As a result, FSA is updating the regulations for guaranteed loans in 7 CFR 762.123 and for direct loans in 7 CFR 764.108 to remove the option for borrowers to execute a benefits waiver instead of purchasing crop insurance, aligning with statutory requirements under Section 371 of the CONACT. Moving forward, all direct and guaranteed loan borrowers will be required to obtain crop insurance, if available, as a condition of receiving an FSA direct or guaranteed loan.

D. Clarifications and Technical Corrections Limited to Direct Loans

1. Farm Assessments

For each direct loan application, FSA staff complete a written assessment that documents the applicant's financial condition, the farming operation's organizational structure, management strengths and weaknesses, and the applicant's plan to eventually progress to commercial credit. As FSA has implemented new types of direct loans over the past 10–15 years, the Farm Assessment requirements in 7 CFR 761.103 have become redundant and difficult to navigate. With this rule, FSA is simplifying the regulatory text without changing the Farm Assessment requirements.

For example, 7 CFR 761.103 currently includes a separate subsection addressing microloans; however, the Farm Assessment requirements for microloans are almost identical to all other direct loans. Therefore, this rule removes the duplicative language related to microloans and other repetitive Farm Assessment provisions and updates the section for clarity and simplicity.

2. Additional Security for Direct FO Loans

In 7 CFR 764.103, FSA specifies that an applicant for a direct FO loan who is purchasing a farm is not required to provide additional security if the applicant provides a cash down payment equal to 5 percent or more of the farm's purchase price. Under this provision, the total amount financed, including any FSA debt, does not exceed 95 percent of the purchase price, thereby resulting in slightly less risk to FSA than if the entire purchase was financed. For this reason, the requirement for the applicant to obtain additional security has been waived for applicants providing a cash down payment equal to 5 percent or more of the farm's purchase price.

However, in some cases, the purchase price has exceeded the appraised market value, increasing Agency risk and undermining the intent of the provision. Therefore, FSA is amending § 764.103 to clarify that, to qualify for the waiver of additional security, total financing provided by FSA and all other creditors may not exceed 95 percent of the purchase price or the value of the real estate, whichever is less.

3. Youth Loan Clarification

YLs are limited to $10,000 and support agricultural projects conducted through 4–H, Future Farmers of America (FFA), and other similar organizations. Due to the small loan amounts and limited scope of eligible projects, FSA has determined that YLs are not eligible for any balloon installments or flexible repayment terms made for some of the reasons available under other direct loan programs. Flexible repayment terms are specifically prohibited for YLs if the intent is to increase working capital reserves and savings, including reasonable savings for retirement and education, which do not apply to YL activities. However, flexible repayment terms are available for YLs if they are needed to establish a new enterprise, develop a farm, or recover from a disaster or economic reversal. This rule formalizes that policy for YLs in 7 CFR 764.304.

4. Direct OL Security

Regulations require that FSA direct OL's be secured by assets with a value at least equal to the loan amount, and FSA is required to obtain a lien on additional security, if it is available, to reach a security margin of 125 percent of the loan amount. A security margin greater than 125 percent of the loan amount may be taken when assets cannot be practicably separated or fragmented.

FSA has long determined that individual livestock within a species cannot be practically distinguished for collateral purposes. Branding and other identification methods such as ear tags typically establish ownership but do not reliably differentiate one animal from another. Consistent with industry practice, FSA therefore takes a lien on the entire herd of the same species when livestock serves as collateral for a loan.

Similarly, machinery and equipment used as collateral for direct OL's are treated as inseparable, and a lien is placed on the borrower's full line of machinery and equipment, consistent with commercial lending practices. FSA's existing loan servicing mechanisms—such as partial lien releases after successful repayment cycles and lien subordination to facilitate commercial credit—ensure borrowers can access equity in their equipment while maintaining adequate loan security. With this rule, FSA provides additional clarity regarding longstanding practices for non-separable collateral in 7 CFR 764.103 and 764.254. While FSA is not explicitly making this clarification in 7 CFR parts 765 or 766, FSA continues to interpret those regulations that provide that it may not be practicable to separate the security in conformity with this clarification of longstanding practices.

5. Application of Loan Payment Proceeds

In 7 CFR 765.153, FSA outlines the standard order for applying regular loan payments. Agency practice sometimes allows payments to be applied differently, and this rule clarifies that any alternative written agreement between FSA and the borrower regarding the application of proceeds takes precedence over the standard order.

6. Deferred, Non-Capitalized Interest

In 7 CFR 765.154, FSA identifies the types of costs and interest that must be satisfied before payments are applied to loan principal. This section currently references ''deferred non-capitalized interest,'' a category which is no longer relevant because FSA no longer defers non-capitalized interest when servicing direct loans. No active FSA loans in the portfolio contain deferred, non-capitalized interest; therefore, this rule removes the obsolete reference.

Similarly, 7 CFR 761.403, which establishes the order of application for voluntary and involuntary payments when all security has been liquidated and an adjustment debt settlement is in place, also references deferred, non-capitalized interest. This rule removes that obsolete reference as well.

7. Releases Without Compensation

FSA currently allows direct loan security to be released incrementally without compensation as a loan is paid down, provided the loan is in good standing and certain conditions are met. This rule makes two clarifications:

- Borrowers with a loan in active non-monetary default are not eligible for a release of security without compensation.
- Borrowers must have made, in each of the last 3 calendar years, full installments that include principal reduction no later than 90 days after their due dates. This rule clarifies the timing requirements in §§ 765.305 and 765.351.

8. Updates to Form FSA–2510

FSA is required to publish in regulation the notification sent to direct loan borrowers who become 90 days past due, which outlines available loan servicing options and next steps if the borrower chooses not to apply for loan servicing. This rule makes minor clerical updates to forms FSA–2510 and FSA–2510IA in Appendices A and B of subpart C of 7 CFR 766. These updates are administrative and do not change any loan servicing provisions for delinquent borrowers.

9. Removal of Obsolete Net Recovery Buyout Recapture Agreements

Prior to July 3, 1996, the Agency was authorized to offer delinquent borrowers the option to buy out their loans at the net recovery value (the estimated amount a lender expects to recover from the sale of a borrower's collateral after deducting all liquidation-related costs). In 7 CFR 766.206, FSA outlined the requirements for servicing the recapture agreements that resulted from these recovery value buyouts. Because the Agency has not had authority to enter into such agreements since 1996, these regulatory provisions are, and have been, obsolete. Therefore, FSA is removing 7 CFR 766.206.

10. Unauthorized Assistance Clarification

If a borrower receives unauthorized assistance (a loan, or a portion of a loan, provided to a borrower who was not eligible to receive it) due to submission of inaccurate information or Agency error, the borrower is generally required to repay the amount of unauthorized assistance within 90 days of Agency notification. If the borrower is unable to repay the unauthorized amount and did not provide false information to the Agency, FSA may convert the loan to non-program rates and terms to avoid acceleration and foreclosure. This rule clarifies that when a borrower repays a portion, but not all, of the unauthorized amount, the remaining unauthorized portion of the loan may still be converted to non-program rates and terms if all applicable requirements are met. Accordingly, any portion of unauthorized assistance that the borrower is unable to repay may be converted to non-program rates and terms in 7 CFR 766.253.

11. Equitable Relief

Section 366 of the CONACT (7 U.S.C. 2008a) allows FSA to provide equitable relief to direct loan borrowers who acted in good faith but became out of compliance with their loan agreements through reliance on Agency action, inaction, or advice. This rule makes a minor clarification to 7 CFR 768.1.

12. Removal of Obsolete Provisions

FSA is removing 7 CFR part 773, Special Apple Loan Program, which was established to assist orchardists who produced apples on not less than 10 acres for sale in 1999 and 2000. FSA is also removing 7 CFR part 774, Emergency Loan for Seed Producers Program, which was created to assist seed producers who had contracts with AgriBiotech in 1999 and were adversely affected by the company's bankruptcy. These programs are no longer authorized, and FSA has no remaining outstanding loans under these parts.

E. Clarifications and Technical Corrections Limited to Guaranteed Loans

1. Definition of Adequate Security

This rule amends the definition of ''adequate security'' in § 761.2 to clarify that the term applies to both direct and guaranteed loans.

F. Clarifications and Technical Corrections Affecting Both Direct and Guaranteed Loans

1. Delegation of Authority for FSA Employees

In 7 CFR 761.1, FSA describes how authority for administering the Farm Loan Programs is delegated from the FSA Administrator to the FSA Deputy Administrator for Farm Loan Programs and, in turn, how the Deputy Administrator further delegates authority to employees at the FSA State and County Offices. In 2024, FSA created a new position at the State Office level—the Deputy State Executive Director—which was not included in these existing delegations of authority. Therefore, this rule amends the regulations to incorporate this new position and to account for any additional positions the Agency may establish or to which the FSA Administrator may decide to delegate authority to in the future. These updates apply to the delegations of authority for FSA employees in 7 CFR 761.1.

2. Updates to CFR References

FSA's regulations for documenting compliance with the National Environmental Policy Act (NEPA) were formerly located in 7 CFR 799, which USDA rescinded in the rule ''National Environmental Policy Act'' (90 FR 29632, July 3, 2025). That rule consolidated all USDA NEPA regulations in 7 CFR part 1b. This rule removes obsolete references to 7 CFR 799 and replaces them with references to 7 CFR part 1b accordingly.

3. References to Chattel Property

FSA has historically used the term ''chattel'' to describe non-real estate assets pledged as security. Because most commercial lenders now use the term ''personal property,'' this rule replaces all references to ''chattel'' with ''personal property.''

4. Definitions of Administrative Appraisal Review, Market Value, and Potential Liquidation Value

This rule makes minor revisions to several definitions in 7 CFR 761.2 related to real estate valuation. Specifically, this rule clarifies that an ''Administrative appraisal review'' does not assess compliance with USPAP Standards 3 and 4, updates the definition of ''Market value'' to add context on factors that influence value, and makes a clerical correction to the definition of ''Potential liquidation value''.

V. Regulatory Analyses

A. Notice and Comment and Effective Date

The Administrative Procedure Act (APA, 5 U.S.C. 553(a)(2)) provides that the notice and comment and 30-day delay in the effective date provisions of that Act do not apply when the rule involves specified actions, including matters related to loans, grants, benefits, or contracts. This rule governs a program for loans and therefore falls within that exemption.

This rule is exempt from the regulatory analysis requirements of the Regulatory Flexibility Act (5 U.S.C. 601–612), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA). The requirements for the regulatory flexibility analysis in 5 U.S.C. 603 and 604 are specifically tied to the requirement for a proposed rule by section 553 of the APA or any other law; in addition, the definition of ''rule'' in 5 U.S.C. 601 is tied to the publication of a proposed rule. The exemption under section 553 for matters related to loans extends to the regulatory analysis requirement for this rule.

The Office of Management and Budget (OMB) has determined that this rule does not meet the criteria in 5 U.S.C. 804(2) of the Congressional Review Act (CRA). Under 5 U.S.C. 808(2), an agency may make a rule effective immediately upon publication if it finds good cause. USDA finds good cause because this rule relates to loans and delaying its effective date would postpone benefits to American farmers and ranchers. Therefore, USDA is not required to delay the effective date for 60 days from the date of publication to allow for Congressional review. Accordingly, this rule is effective on October 1, 2026.

B. Executive Orders 12866, 13563, and 14192

Executive Order 12866, ''Regulatory Planning and Review,'' and Executive Order 13563, ''Improving Regulation and Regulatory Review,'' direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). Further, Executive Order 13563 emphasized the importance of quantifying both the costs and benefits of reducing costs, harmonizing rules, and promoting flexibility. Executive Order 14192, ''Unleashing Prosperity Through Deregulation,'' announced the Administration policy to significantly reduce the private expenditures required to comply with Federal regulations to secure America's economic prosperity and national security and the highest possible quality of life for each citizen and to alleviate unnecessary regulatory burdens placed on the American people. In line with these Executive Order requirements, the Agency has chosen this regulatory approach to maximize benefits and minimize burdens on American producers. This rule is not an Executive Order 14192 regulatory action because it does not impose any more than de minimis regulatory costs.

The Office of Management and Budget (OMB) has designated this rule as ''not significant'' under Executive Order 12866. Accordingly, OMB has not reviewed this rule and an analysis of costs and benefits is not required under either Executive Order 12866 or Executive Order 13563.

C. Environmental Review

The environmental impacts have been considered in a manner consistent with the provisions of the National Environmental Policy Act (NEPA, 42 U.S.C. 4321–4347) and the USDA regulation for compliance with NEPA (7 CFR part 1b).

The actions in this rule fall within the Farm Loan Programs categorical exclusion at 7 CFR 1b.4(c)(1)(i). No Extraordinary Circumstances (7 CFR 1b.3(f)) exist because this rule includes only administrative, procedural, and program-delivery updates. As such, these regulatory updates do not constitute a major Federal action that would significantly affect the quality of the human environment, individually or cumulatively. Therefore, FSA will not prepare an environmental assessment or environmental impact statement for this rule and, consistent with 7 CFR 1b.3(g), this document serves as the programmatic finding of applicability and no extraordinary circumstance (FANEC). No further environmental compliance documentation is required for implementation.

D. Executive Order 13175

This rule has been reviewed in accordance with the requirements of Executive Order 13175, ''Consultation and Coordination with Indian Tribal Governments.'' Executive Order 13175 requires Federal agencies to consult and coordinate with Tribes on a Government-to-Government basis on policies that have Tribal implications, including regulations, legislative comments or proposed legislation, and other policy statements or actions that have substantial direct effects on one or more Indian Tribes, on the relationship between the Federal Government and Indian Tribes, or on the distribution of power and responsibilities between the Federal Government and Indian Tribes.

FSA has assessed the impact of this rule on Indian Tribes and determined that this rule does not, to our knowledge, have Tribal implications that required Tribal consultation at this time. If a Tribe requests consultation in the future, FSA's Federal Preservation Officer will work with the Office of Tribal Relations, as needed, to ensure meaningful consultation is provided.

E. Unfunded Mandates Reform Act

Title II of the Unfunded Mandates Reform Act of 1995 (UMRA, Pub. L. 104–4) requires Federal agencies to assess the effects of their regulatory actions on State, local, and Tribal governments or the private sector. Agencies generally must prepare a written statement, including a cost benefit analysis, for proposed and final rules with Federal mandates that may result in expenditures of $100 million or more in any 1 year for State, local, or Tribal governments, in the aggregate, or to the private sector. UMRA generally requires agencies to consider alternatives and adopt the more cost effective or least burdensome alternative that achieves the objectives of the rule. This rule contains no Federal mandates, as defined in Title II of UMRA, for State, local, or Tribal governments or the private sector. Therefore, this rule is not subject to the requirements of sections 202 and 205 of UMRA.

F. Paperwork Reduction Act Requirements

In accordance with the provisions of the Paperwork Reduction Act of 1995 (44 U.S.C. 3501–3520), this rule does not change the information collection approved by OMB under control numbers:

- 0560–0155, Guaranteed Farm Loan Programs, OMB Expiration Date of November 2026;
- 0560–0233, Farm Loan Programs—Direct Loan Servicing, OMB Expiration Date of November 2027;
- 0560–0236, Farm Loan Programs—Direct Loan Servicing, OMB Expiration Date of August 2026 (the 60-day comment period for the information collection request renewal was published on April 2, 2026 at 91 FR 16628 and is pending OMB approval);
- 0560–0237, Farm Loan Programs—Direct Loan Making, OMB Expiration Date of February 2029;
- 0560–0238, Farm Loan Programs—General Program Administration, OMB Expiration Date of October 2026; and
- 0560–0317, Online Loan Application, OMB Expiration Date of November 2026.

No new information will be collected through this rule.

G. E-Government Act Compliance

FSA is committed to complying with the E-Government Act of 2002, to promote the use of the internet and other information technologies to provide increased opportunities for citizen access to Government information and services, and for other purposes.

Federal Assistance Programs

The title and number of the Federal assistance programs, as found in the Assistance Listing, to which this rule applies are:

10.099 Conservation Loans;
10.404 Emergency Loans;
10.406 Farm Operating Loans;
10.407 Farm Ownership Loans; and
10.421 Indian Tribes and Tribal Corporation Loans.

List of Subjects

7 CFR Part 761

Accounting, Administrative practice and procedure, Loan programs—agriculture, Reporting and recordkeeping requirements, Rural areas.

7 CFR Part 762

Agriculture, Banks, Banking, Credit, Grant programs—agriculture, Loan programs—agriculture, Reporting and recordkeeping requirements.

7 CFR Part 763

Agriculture, Banks, Banking, Credit, Loan programs—agriculture.

7 CFR Part 764

Agriculture, Credit, Disaster assistance, Livestock, Loan programs—agriculture, Mortgages.

7 CFR Part 765

Agricultural commodities, Agriculture, Credit, Disaster assistance, Livestock, Loan programs—agriculture.

7 CFR Part 766

Agricultural commodities, Agriculture, Credit, Livestock, Loan programs—agriculture.

7 CFR Part 767

Agriculture, Credit, Government contracts, Indians, Loan programs—agriculture.

7 CFR Part 768

Agriculture, Credit, Loan programs—agriculture.

7 CFR Part 770

Agriculture, Credit, Indians, Loan programs—agriculture, Reporting and recordkeeping requirements.

7 CFR Part 772

Agriculture, Credit, Loan programs—agriculture, Rural areas.

For the reasons discussed above, FSA amends the regulations in 7 CFR parts 761, 762, 763, 764, 765, 766, 767, 768, 770, 772, 773, and 774 as follows:

PART 761—FARM LOAN PROGRAMS; GENERAL PROGRAM ADMINISTRATION

■ 1. The authority citation for part 761 continues to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

Subpart A—General Provisions

■ 2. Amend § 761.1 by revising paragraph (b)(1) to read as follows:

§ 761.1 Introduction.

* * * * *

(b) * * *

(1) Delegates to each State Executive Director within the State Executive Director's jurisdiction the authority, and in the absence of the State Executive Director, the person acting in that position, to act for, on behalf of, and in the name of the United States of America or the Farm Service Agency to do and perform acts necessary in connection with making and guaranteeing loans, such as, but not limited to, making advances, servicing loans and other indebtedness, and obtaining, servicing, and enforcing or releasing security and other instruments related to the loan. For actions that do not result in a loss to the Farm Service Agency, a State Executive Director may redelegate authorities received under this paragraph to a Deputy State Executive Director, Farm Loan Chief, Farm Loan Specialist, District Director, Farm Loan Manager, Senior Farm Loan Officer, Farm Loan Officer, Loan Analyst, Loan Resolution Specialist, Program Technician, or other positions as determined by the FSA Administrator.

* * * * *

■ 3. Amend § 761.2 as follows:
■ a. In paragraph (a), add the abbreviations for ''AFT'' and ''YL'' in alphabetical order;
■ b. In paragraph (b):
■ i. In the definition of ''Adequate security'', remove the word ''direct'';
■ ii. In the definition of ''Administrative appraisal review'', remove the words ''of standard 3'' in paragraph (ii);
■ iii. Add the definitions of ''Application Fast Track'', ''Appraisal'', and ''Business loan'' in alphabetical order;
■ c. Remove the definitions of ''Chattel or real estate essential to the operation'' and ''Chattel security'';
■ d. Add the definition of ''Commercial real estate transaction'' in alphabetical order;
■ e. In the definition of ''Inventory property'', remove the word ''chattel'' and add ''personal'' in its place;
■ f. In the definition of ''Lien'', remove the word ''chattel'' and add ''personal'' in its place;
■ g. Revise the definition of ''Market value'';
■ h. Add the definitions of ''Personal property or real estate essential to the operation'', and ''Personal property security'' in alphabetical order;
■ i. In the definition of ''Physical loss'' remove the word ''chattel'' and add ''personal property'' in its place;
■ j. In the definition of ''Potential liquidation value'' remove the words ''is determined by'' and add ''may be determined by'' in their place;
■ k. Add definitions for ''Real estate evaluation'' and ''Real estate-related financial transaction'' in alphabetical order;
■ l. In the definition of ''Security value'' remove the word ''chattel'' and add ''personal'' in its place; and
■ m. Add the definition for ''Valuation'' in alphabetical order.

The revisions and additions read as follows:

§ 761.2 Abbreviations and definitions.

* * * * *

(a) * * *

AFT Application Fast Track.

* * * * *

YL Youth loan.

(b) * * *

* * * * *

Application Fast Track is an accelerated underwriting process for direct loans, which uses financial and repayment data to benchmark and identify applicants least likely to default. This process serves as documentation of repayment capacity for qualified applicants.

Appraisal means a written statement independently and impartially prepared, setting forth an opinion as to the value of an adequately described property as of a specific date(s), supported by the presentation and analysis of relevant market information. Real estate appraisals must comply with the Uniform Standards of Professional Appraisal Practice (USPAP).

* * * * *

Business loan means a loan or other extension of credit made primarily for agricultural purposes to any corporation, general or limited partnership, business trust, joint venture, sole proprietorship, or other person (including entities and individuals engaged in farming enterprises).

* * * * *

Commercial real estate transaction means a real estate-related financial transaction that is secured by a property whose primary value is not derived from a single 1–4 family residence.

* * * * *

Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

(i) The buyer and seller are typically motivated;

(ii) Both parties are well informed or well advised, and acting in what they consider to be their own best interests;

(iii) A reasonable time is allowed for exposure in the open market;

(iv) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and

(v) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

* * * * *

Personal property or real estate essential to the operation is personal property or real estate that would be necessary for the applicant to continue operating the farm after the disaster in a manner similar to the manner in which the farm was operated immediately prior to the disaster, as determined by the Agency.

Personal property security is property that may consist of, but is not limited to: crops; livestock; aquaculture species; farm equipment; inventory; accounts; contract rights; general intangibles; and supplies that are covered by financing statements and security agreements, personal property mortgages, and other security instruments.

* * * * *

Real estate evaluation is an estimate of value of real estate provided by an individual who is not required to comply with USPAP, using market supported information to analyze the subject property.

Real estate-related financial transaction means any transaction involving:

(i) The sale, lease, purchase, investment in, or exchange of real property, including interests in property or the financing thereof; or

(ii) The refinancing of real property or interests in real property.

* * * * *

Valuation is the estimation or determination of value of personal property or real estate by agency officials, vendors, or third parties, in each case, authorized or approved by the Agency.

* * * * *

■ 4. Revise § 761.7 to read as follows:

§ 761.7 Valuations.

(a) *General.* This section describes Agency requirements for:

(1) Real estate and personal property appraisals made in connection with the making and servicing of direct FLP and Non-program loans;

(2) Appraisal reviews conducted on appraisals made in connection with the making and servicing of direct and guaranteed FLP and Non-program loans;

(3) Real estate evaluations made in connection with the making and servicing of direct FLP loans and Non-program loans; and

(4) Reviews of real estate evaluations made in connection with the making and servicing of direct and guaranteed FLP and Non-program loans.

(b) *Valuation standards.* (1) Real estate appraisals, technical appraisal reviews and their respective forms must comply with the standards contained in USPAP, as well as applicable Agency regulations and procedures for the specific FLP activity involved. Applicable appraisal procedures and regulations are available for review in each Agency State Office.

(2) When a personal property appraisal or real estate evaluation is required, it must be completed on an applicable Agency form (available in each Agency State Office) or other format containing the same information.

(c) *Use of an existing real estate appraisal.* Except as otherwise provided in 7 CFR part 766, when a real estate appraisal is required, the Agency will use the existing real estate appraisal to conduct the loan transaction under either of the following conditions:

(1) The appraisal was completed within the previous 18 months and the Agency determines that:

(i) The appraisal meets the provisions of this section and the applicable Agency loan making or servicing requirements; and

(ii) Market values have remained stable since the appraisal was completed; or

(2) The appraisal was not completed in the previous 18 months, but the Agency determines that the appraisal meets the requirements of this section, and:

(i) The appraisal has been updated by the appraiser or appraisal firm that completed the appraisal and both the update and the original appraisal were completed in accordance with USPAP; or

(ii) The appraisal was completed in the previous 36 months and the Agency has documentation reflecting that:

(A) Market conditions have remained stable or improved based on sales of similar properties;

(B) The property in question remains in the same or better condition; and

(C) The value of the property has remained the same or increased.

(d) *Valuation reviews.* (1) With respect to a real estate appraisal, the Agency may conduct a technical appraisal review or an administrative appraisal review, or both.

(2) With respect to a personal property appraisal or real estate evaluation, the Agency may conduct an administrative review.

(e) *Valuation appeals.* Challenges to a valuation used by the Agency are limited as follows:

(1) When an applicant or borrower challenges a real estate appraisal used by the Agency for any loan making or loan servicing decision, except primary loan servicing decisions as specified in § 766.115 of this chapter, the issue for review is limited to whether the appraisal used by the Agency complies with USPAP. The applicant or borrower must submit a technical appraisal review prepared by a State Certified General Appraiser that will be used to determine whether the Agency's appraisal complies with USPAP. The applicant or borrower is responsible for obtaining and paying for the technical appraisal review.

(2) When an applicant or borrower challenges a personal property appraisal used by the Agency for any loan making or loan servicing decision, except for primary loan servicing decisions as specified in § 766.115 of this chapter, the issue for review is limited to whether the appraisal used by the Agency is consistent with present market values of similar items in the area. The applicant or borrower must submit an independent appraisal review that will be used to determine whether the appraisal is consistent with present market values of similar items in the area. The applicant or borrower is responsible for obtaining and paying for the independent appraisal review.

(3) When an applicant or borrower challenges a real estate evaluation used by the Agency for any loan making or loan servicing decision, except for primary loan servicing decisions as specified in § 766.115 of this chapter,

the issue for review is limited to whether the real estate evaluation used by the Agency is consistent with present market values of similar properties in the area. The applicant or borrower must submit an independent review of the real estate evaluation that will be used to determine whether the evaluation is consistent with present market values of similar properties in the area. The applicant or borrower is responsible for obtaining and paying for the independent real estate evaluation review.

(f) *Real estate evaluations.* (1) Real estate related financial transactions that do not exceed the higher of the current OMB appraisal threshold or the following limits do not require a real estate appraisal:

(i) $500,000 for commercial real estate transactions; or

(ii) $250,000 for business loan transactions.

(2) A real estate evaluation may be completed when a real estate appraisal is not required to determine the security value under this subpart.

(3) The determination to not obtain a real estate appraisal is subject to applicable Agency guidance.

(4) Notwithstanding the provisions of this subpart, the Agency retains the discretion to obtain a real estate appraisal in lieu of completing a real estate evaluation on a case-by-case basis.

§ 761.8 [Amended]

■ 5. Amend § 761.8 in paragraph (a) by removing the words ''farm operating plan must reflect'' and adding ''Agency must document'' in their place.

§ 761.10 [Amended]

■ 6. Amend § 761.10 as follows:

■ a. In paragraph (b)(2), add the word ''and'' after the semicolon;

■ b. In paragraph (c)(3), remove the words ''799 of this chapter'' and add ''1b of this title'' in their place; and

■ c. In paragraph (c)(4), add the word ''and'' after the semicolon.

Subpart C—Progression Lending

■ 7. Revise § 761.103 to read as follows:

§ 761.103 Farm assessment.

(a) The Agency, in collaboration with the applicant, will assess the farming operation to:

(1) Determine the applicant's financial condition, organizational structure, and management strengths and weaknesses;

(2) Identify and prioritize training and progression lending needs; and

(3) Develop a progression lending plan to assist the borrower in achieving financial viability and transitioning to private commercial credit or other sources of credit at reasonable rates and terms, except for CL.

(b) The initial assessment must evaluate, at a minimum, the:

(1) Farm organization and key personnel qualifications;

(2) Type of farming operation;

(3) The short- and long-term goals of the operation, including a marketing plan, goals to reasonably increase working capital reserves and savings, including reasonable savings for retirement and education, to support operational stability and growth, and goals for progression towards graduation to commercial credit or eventual self-financing;

(4) Adequacy of resources to conduct the farming operation including real estate, facilities, and personal property;

(5) Historical performance, except for streamlined CL and loan transactions processed through AFT;

(6) Farm operating plan, except for loan transactions processed through AFT;

(7) Progression lending plan including a plan for graduation, except for streamlined CL; and

(8) Training plan.

(c) An assessment update must be prepared for each subsequent loan. The update must include a farm operating plan, unless the subsequent loan was processed through AFT, and any other items discussed in paragraph (b) of this section that have significantly changed since the initial assessment.

(d) The Agency reviews the assessment to determine a borrower's progress at least annually, combining any required classification and graduation reviews as part of the review. For streamlined CLs, the borrower must provide a current balance sheet and income tax records. Any negative trends noted between the previous years' and the current years' information must be evaluated and addressed in the assessment of the streamlined CL borrower.

(e) If a CL borrower becomes financially distressed, delinquent, or receives any servicing options available under part 766 of this chapter, all elements of the assessment in paragraph (b) of this section must be addressed.

■ 8. Amend § 761.104 by adding paragraph (i) to read as follows:

§ 761.104 Developing the farm operating plan.

* * * * *

(i) For loan transactions processed through AFT, the likelihood of repayment is evaluated by the financial benchmarking process in lieu of a farm operating plan. Therefore, the aspects of paragraphs (c), (d), (e), (f), (g), and (h) of this section which require the Agency to verify income, expense, yield, and price planning to create accurate and verifiable cash flow budgets and for the applicant to sign the final farm operating plan do not apply to applications processed through AFT.

■ 9. Amend § 761.105 as follows:

■ a. In paragraph (a)(1), remove the words ''or subordination'';

■ b. In paragraph (a)(4), remove the words ''2 years'' and add ''3 years'' in their place; and

■ c. Revise paragraph (b).

The revision reads as follows:

§ 761.105 Analysis.

* * * * *

(b) Except when processing a loan transaction under § 765.105(a)(1) through AFT, the analysis must include a review of the previous production cycle's actual income, expense, and production performance, as well as a farm operating plan for the new operating cycle.

Subpart F—Farm Loan Programs Debt Settlement

§ 761.403 [Amended]

■ 10. Amend § 761.403 as follows:

■ a. Remove paragraph (e)(3); and

■ b. Redesignate paragraphs (e)(4) and (e)(5) as paragraphs (e)(3) and (e)(4), respectively.

PART 762—GUARANTEED FARM LOANS

■ 11. The authority citation for part 762 continues to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

§ 762.106 [Amended]

■ 12. Amend § 762.106 as follows:

■ a. Amend paragraph (a)(1)(i) by removing the words ''and their branch offices which they desire to be considered by the Agency for approval'';

■ b. Remove paragraph (d)(2); and

■ c. Redesignate paragraphs (d)(3) and (d)(4) as paragraphs (d)(2) and (d)(3), respectively.

■ 13. Add § 762.108 to read as follows:

§ 762.108 Delegated authority.

(a) *Purpose.* FSA may delegate authority for certain portions of the guaranteed loan process to qualified guaranteed lenders. This allows the lender to certify compliance with those pre-determined aspects of the guaranteed loan process without the need for a more detailed review by the Agency.

(b) *Scope.* Delegated authority is only applicable for those portions of the guaranteed loan process specifically identified within this part.

(c) *Eligibility.* (1) All lenders that hold PLP status will receive and exercise delegated authority as outlined in this section.

(2) Delegated authority will be granted to PLP lenders for a period not to exceed the expiration date of their PLP lender's agreement.

(3) Delegated authority will be conditioned upon the lender carrying out its authority in accordance with their agreement with the Agency and credit management system.

(d) *Renewal of delegated authority.* (1) Delegated authority will expire on the expiration date of the lender's PLP agreement unless delegated authority is otherwise revoked according to paragraph (e) of this section.

(2) Renewal of delegated authority is not automatic and is conditioned upon the renewal of the lender's PLP status.

(e) *Revocation of delegated authority.* FSA may revoke a lender's delegated authority at any time for any of the following reasons:

(1) Approving loans that do not meet the Agency's requirements for eligibility, financial feasibility, and loan security;

(2) Failure to maintain any of the eligibility requirements in this section;

(3) Knowingly submitting false or misleading information to the Agency;

(4) Basing a request on information known to be false;

(5) Failure to maintain PLP lender eligibility requirements in § 762.106(c);

(6) Unacceptable portfolio performance as evidenced by delinquency, losses, material deficiencies, or any other performance metric established by the Agency; or

(7) Revocation of PLP status under § 762.106(g).

(f) *Processing timeframes.* Complete applications from lenders exercising delegated authority will be approved or rejected no later than 5 calendar days after receipt if requisite environmental requirements have been met.

(g) *Oversight.* The Agency will monitor lender performance through the regular use of loan level data and lender monitoring reviews. The frequency of such reviews will be announced by the Agency in the Agency's administrative handbooks.

(h) *Administration of delegated authority.* The Agency may adjust, modify, or cancel the use of delegated authority programmatically based on overall considerations such as budget, portfolio performance, and program integrity.

■ 14. Amend § 762.110 as follows:

■ a. Add new paragraph (a)(4); and

■ b. In paragraph (h), add the following sentence at the end of the paragraph, ''The Agency's request for information may be provided electronically.''.

The addition reads as follows:

§ 762.110 Loan application.

(a) * * *

(4) Lenders may submit applications through any electronic means designated by the Agency and the Agency may provide all notifications and requests for information related to the application to the lender electronically.

* * * * *

■ 15. Amend § 762.120 by adding paragraphs (g)(4) and (h)(4) to read as follows:

§ 762.120 Applicant eligibility.

* * * * *

(g) * * *

(4) *Delegated Authority.* Lenders who have received delegated authority under § 762.108 of this part must certify that all requirements of paragraphs (g)(1) through (3) of this section and the related requirements in the lender's credit management system have been met for each loan application.

(h) * * *

(4) *Delegated Authority.* Lenders who have received delegated authority under § 762.108 of this part must certify that all requirements of paragraphs (h) and (h)(1) through (3) of this section and the related requirements in the lender's credit management system have been met for each loan application.

* * * * *

■ 16. Amend § 762.123 by revising paragraph (a)(2) to read as follows:

§ 762.123 Insurance and farm inspection requirements.

(a) * * *

(2) By loan closing, applicants must obtain at least the catastrophic risk protection (CAT) level of crop insurance coverage, if available, for each crop of economic significance, as defined by § 400.651 of this title.

* * * * *

■ 17. Amend § 762.125 by adding paragraph (e) to read as follows:

§ 762.125 Financial feasibility.

* * * * *

(e) *Delegated Authority.* Lenders who have received delegated authority under § 762.108 of this part must certify that all requirements of this section and the related requirements in the lender's credit management system have been met for each loan application.

■ 18. Amend § 762.126 as follows:

■ a. Amend paragraph (e)(1) by removing the word ''chattel-secured'' and adding ''personal property-secured'' in its place and by removing the word ''chattels'' and adding ''personal property'' in its place; and

■ b. Redesignate paragraph (h) as paragraph (i) and add new paragraph (h).

The revision reads as follows:

§ 762.126 Security requirements.

* * * * *

(h) *Delegated Authority.* Lenders who have received delegated authority under § 762.108 of this part must certify that all requirements of this section and the related requirements in the lender's credit management system have been met for each loan application.

* * * * *

§ 762.127 [Amended]

■ 19. Amend § 762.127 as follows:

■ a. In paragraphs (a)(1), (b) introductory text, and (b)(1), remove the word ''chattel'' wherever it appears and add the words ''personal property'' in its place;

■ b. In paragraphs (b) introductory text and (b)(4), remove the word ''Chattel'' and add the words ''Personal property'' in its place;

■ c. In paragraphs (b)(2) and (3), remove the words ''chattel property'' and add ''personal property'' in their place;

■ d. In paragraph (c)(1), remove the words ''$250,000 or less'' and add ''less than or equal to $500,000 or the current OMB threshold, whichever is higher'' in their place; and

■ e. In paragraph (c)(2), remove the number ''250,000'' and add the words ''$500,000 or the current OMB threshold, whichever is higher'' in its place.

§ 762.128 [Amended]

■ 20. Amend § 762.128 in paragraphs (a) and (c)(3) by removing the words ''799 of this chapter'' and adding ''1b of this title'' in their place.

■ 21. Amend § 762.130 as follows:

■ a. In paragraph (e) remove the word ''chattel'' and add ''personal property'' in its place; and

■ b. Add new paragraph (g).

The addition reads as follows:

§ 762.130 Loan approval and issuing the guarantee.

* * * * *

(g) *Electronic delivery of notification and documents.* Notifications and documents issued by the Agency or provided by the lender under this section may be delivered electronically.

■ 22. Amend § 762.140 as follows:

■ a. Add paragraphs (a)(3) and (4); and

■ b. Revise and republish paragraph (b)(5).

The additions and revisions read as follows:

§ 762.140 General servicing responsibilities

(a) * * *

(3) Lenders may submit loan servicing documentation through any electronic means designated by the Agency.

(4) Notifications and documents issued by the Agency related to loan servicing may be delivered to the lender electronically.

(b) * * *

(5) Performing an annual analysis of the borrower's financial condition to determine the borrower's progress. PLP lenders will conduct and document an analysis in accordance with the requirements in the lender's credit management system (CMS). All other lenders will perform an annual analysis on term loans when the sum of all balances on term loans is greater than $500,000, all line of credit loans, and all loans in monetary or non-monetary default. The annual analysis for non-PLP lenders will be documented in the lender's file and will include:

(i) For loans secured by real estate only, an analysis of the borrower's balance sheet.

(ii) For loans secured by personal property, lenders will also compare the borrower's actual to planned income and expenses for the past year.

(iii) An account of the whereabouts or disposition of all collateral.

* * * * *

■ 23. Amend § 762.141 by revising paragraphs (c) and (d) to read as follows:

§ 762.141 Reporting requirements

* * * * *

(c) CLP lenders also must provide the following:

(1) For all lines of credit and term loans that are in monetary or non-monetary default, a written summary of the lender's annual analysis of the borrower's operation. This summary should describe the borrower's progress and prospects for the upcoming operating cycle.

(2) For lines of credit, the written summary will also include a certification stating that a cash flow projecting at least a feasible plan has been developed, that the borrower is in compliance with the provisions of the line of credit agreement, and that the previous year income and loan funds and security proceeds have been accounted for.

(d) In addition to the requirements of paragraphs (a), (b), and (c) of this section, the standard eligible lender also will provide the following for all lines of credit and for all term loans that are in monetary or non-monetary default:

(1) Borrower's balance sheet, and income and expense statement for the previous year.

(2) For lines of credit only, the cash flow for the borrower's operation that projects a feasible plan or better for the upcoming operating cycle. The standard eligible lender must receive approval from the Agency before advancing future years' funds on a guaranteed line of credit.

(3) An annual farm visit report or collateral inspection.

* * * * *

■ 24. Amend § 762.146 as follows:

■ a. In paragraph (a)(1), add "unguaranteed" after the words "may make additional"; and

■ b. Revise paragraph (a)(2).

The revisions read as follows:

§ 762.146 Other servicing procedures

(a) * * *

(2) SEL and CLP lenders must not make additional unguaranteed loans or advances, except as provided in the borrower's loan or line of credit agreement, without documenting that:

(i) The borrower's account is in good standing;

(ii) The borrower is continuing to operate in accordance with their latest farm operating plan;

(iii) The borrower's projected cash flow budget continues to reflect a feasible plan;

(iv) The guaranteed loan security will continue to remain either separate and identifiable from and will not be intermingled with security for, or have priority over the security for any subsequent loan; and

(v) Proceeds from the sale of loan security will be applied in order of lien priority.

* * * * *

■ 25. Amend § 762.149 as follows:

■ a. In paragraph (d)(2)(i), remove the word "chattel" and add "personal property" in its place;

■ b. Revise paragraph (f);

■ c. In paragraph (i)(6), add "and negligent origination of the account for loans originated using delegated authority" after the words "negligent servicing of the account"; and

■ d. Add paragraph (i)(6)(iii)

The revision and addition read as follows:

§ 762.149 Liquidation

* * * * *

(f) *Unauthorized loans or advances.* The amount of any payments received or credited by the lender on loans or advances outside of the guarantee that do not meet the requirements of § 762.146 will be deducted from any loss claim submitted by the lender on the guaranteed loan, if that loan or advance was paid prior to, and to the detriment of, the guaranteed loan.

* * * * *

(i) * * *

(6) * * *

(iii) Originating loans using delegated authority that do not meet the Agency's requirements for eligibility, financial feasibility, and loan security.

* * * * *

PART 763—LAND CONTRACT GUARANTEE PROGRAM

■ 26. The authority citation for part 763 is revised to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

§ 763.7 [Amended]

■ 27. Amend § 763.7 in paragraph (b)(12) by removing the words "799 of this chapter" and adding "1b of this title" in their place.

§ 763.16 [Amended]

■ 28. Amend § 763.16 in paragraph (a) by removing the words "799 of this chapter" and adding "1b of this title" in their place.

PART 764—DIRECT LOAN MAKING

■ 29. The authority citation for part 764 continues to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

Subpart A—Overview

§ 764.1 [Amended]

■ 30. Amend § 764.1 in paragraph (b)(1) by removing the word "Downpayment" and adding "Down Payment" in its place.

Subpart B—Loan Application Process

§ 764.51 [Amended]

■ 31. Amend § 764.51 in paragraph (b)(7) by removing the words "799 of this chapter" and adding "1b of this title" in their place.

Subpart C—Requirements for All Direct Program Loans

■ 32. Amend § 764.103 as follows:

■ a. Revise paragraph (c);

■ b. In paragraph (e), remove the word "downpayment" and add "down payment" in its place.

The revision reads as follows:

§ 764.103 General security requirements.

* * * * *

(c) An additional amount of security will be required, if available, to reach a 125 percent security margin. Total loan security in excess of what is needed to achieve a security margin of 125 percent will only be taken when it is not practicable to separate the security, including within species of livestock and lines of machinery and equipment, or if necessary to satisfy the requirements of § 764.254(b)(2)(i). Loans that do not require additional security are down payment loans, MLs, youth loans, and FOs for the purchase of a farm where the applicant provides a cash down payment equal to 5 percent or greater of the purchase price and the total financing provided by the Agency and all other creditors does not exceed 95 percent of the purchase price or the value of the real estate, whichever is less. Non-real estate assets will not be taken as additional security for any loan where real estate serves as adequate security.

* * * * *

§ 764.105 [Amended]

■ 33. Amend § 764.105 as follows:
■ a. In the section heading, remove the word ''chattel'' and add in its place ''personal property''; and
■ b. In the introductory text, remove ''chattel'' and add ''personal property'' in its place.

§ 764.106 [Amended]

■ 34. Amend § 764.106 in paragraph (b) by removing the words ''799 of this chapter'' and adding ''1b of this title'' in their place.

■ 35. Revise § 764.107 to read as follows:

§ 764.107 General appraisal requirements.

(a) *Establishing value for real estate.* The value of real estate will be established by a real estate appraisal or real estate evaluation completed in accordance with § 761.7 of this chapter.

(b) *Establishing value for personal property.* The value of personal property will be established as follows:

(1) *Annual production.* Except for loan transactions approved through AFT, the security value of annual livestock and crop production is presumed to be 100 percent of the amount loaned for annual operating and family living expenses, as outlined in the approved farm operating plan.

(2) *Annual production for AFT.* The security value of annual livestock and crop production for loan transactions approved through AFT is not presumed to be 100 percent of the amount loaned for annual operating and family living expenses. The amount of an annual operating loan approved through AFT will not exceed the lesser of:

(i) 75 percent of the Gross Income reported on Schedule F (or equivalent descriptions from farm income in entity tax returns) for the most recent available tax return; or

(ii) The total gross farm income, which for purposes of this paragraph means all production and income excluding non-farm income in the cash flow projection, submitted by the applicant with the loan application.

(3) *Livestock and equipment.* The value of livestock and equipment will be established by an appraisal completed in accordance with § 761.7 of this chapter.

§ 764.108 [Amended]

■ 36. Amend § 764.108 in paragraph (d) by removing the words '', unless the applicant executes a written waiver of any emergency crop loss assistance with respect to such crop''.

Subpart D—Farm Ownership Loan Program

■ 37. Amend § 764.154 as follows:
■ a. In paragraph (a)(2) remove the word ''The'' at the beginning of the sentence and add, in its place, the words ''Except for those applicants whose loans are approved through AFT, the'';
■ b. In paragraph (b)(1) remove the word ''Repayment'' at the beginning of the fourth sentence and add, in its place, the words ''Except for loan transactions approved through AFT, repayment'';
■ c. Remove paragraph (b)(2);
■ d. Redesignate paragraph (b)(3) as (b)(2);
■ e. In the newly redesignated paragraph (b)(2) remove the word ''The'' at the beginning of the first sentence and add, in its place, the words ''Except for loan transactions approved through AFT, the''; and
■ f. Add new paragraph (b)(3).
The addition reads as follows:

§ 764.154 Rates and terms.

* * * * *

(b) * * *

(3) Loans approved through AFT must include equal installments, except that they may include an interest-only installment scheduled up to 12 months from the date of loan closing.

Subpart E—Down Payment Loan Program

■ 38. Revise the heading for Subpart E as set forth above.

§ 764.201 [Amended]

■ 39. Amend § 764.201 in the introductory text by removing the last instance of the word ''farmer''.

Subpart F—Conservation Loan Program

§ 764.234 [Amended]

■ 40. Amend § 764.234 in paragraph (b)(2) by removing the word ''chattels'' and adding ''personal property'' in its place.

§ 764.235 [Amended]

■ 41. Amend § 764.235 in paragraphs (b), (c)(1), and (d)(2) by removing all instances of the word ''chattels'' and adding ''personal property'' in its place.

Subpart G—Operating Loan Program

■ 42. Amend § 764.254 as follows:
■ a. In paragraph (a)(2) remove the word ''The'' at the beginning of the sentence and add, in its place, the words ''Except for those applicants whose loans are approved through AFT, the'';
■ b. In paragraph (b)(2) remove the word ''Repayment'' at the beginning of the fourth sentence and add, in its place, the words ''Except for loan transactions approved through AFT, repayment,'';
■ c. In paragraph (b)(2)(i) add the words ''including within species of livestock and lines of machinery and equipment'' after ''separate the security'';
■ d. Remove paragraph (b)(3);
■ e. Redesignate paragraph (b)(4) as (b)(3)
■ f. In newly redesignated paragraph (b)(3) remove the word ''The'' at the beginning of the first sentence and add, in its place, the words ''Except for loan transactions approved through AFT, the''; and
■ g. Add new paragraph (b)(4).
The addition reads as follows:

§ 764.254 Rates and terms.

* * * * *

(b) * * *

(4) Loans approved through AFT must include equal installments, except they may include an interest-only installment scheduled up to 12 months from the date of loan closing.

Subpart H—Youth Loan Program

■ 43. Amend § 764.304 by revising paragraph (b) to read as follows:

§ 764.304 Rates and terms

* * * * *

(b) *Terms.* Youth loan terms are the same as for an OL established at § 764.254(b) except:

(1) Balloon installments are prohibited for youth loans; and

(2) Unequal installments are prohibited for the purpose of reasonably increasing cash flow margin to increase working capital reserves and savings, including reasonable savings for retirement and education.

Subpart I—Emergency Loan Program

§ 764.351 [Amended]

■ 44. Amend § 764.351 in paragraph (a)(2) by removing the word ''Chattel'' and adding ''Personal property'' in its place and by removing the word ''chattel'' and adding ''personal property'' in its place.

§ 764.352 [Amended]

■ 45. Amend § 764.352 in paragraph (i) by removing the word ''chattel'' and adding ''personal property'' in its place.

§ 764.353 [Amended]

■ 46. Amend § 764.353 as follows:
■ a. In paragraphs (d)(1) and (6), remove all instances of the word ''chattel'' and add ''personal property'' in its place; and
■ b. In paragraph (e)(1), remove the word ''Chattel'' and add ''Personal'' in its place.

§ 764.354 [Amended]

■ 47. Amend § 764.354 as follows:
■ a. In paragraph (b)(4), remove the word ''chattel'' and add ''personal property'' in its place;
■ b. Remove paragraph (b)(6); and
■ c. Redesignate paragraph (b)(7) as (b)(6).

§ 764.355 [Amended]

■ 48. Amend § 764.355 in paragraph (b)(2) by removing the word ''Chattels'' and adding ''Personal property'' in its place.

Subpart J—Loan Decision and Closing

■ 49. Amend § 764.401 as follows:
■ a. Revise paragraph (a)(1)(i);
■ b. Add paragraph (a)(3); and
■ c. Revise paragraph (b)(1).
The revisions read as follows:

§ 764.401 Loan decision

(a) * * *
(1) * * *
(i) The applicant can demonstrate a reasonable likelihood of repayment for the proposed loan and all other credit needs through either the AFT evaluation model or a feasible farm operating plan;

* * * * *

(3) All loan transactions other than EM, YL, and loans made in conjunction with other servicing actions are eligible for approval through AFT.
(b) * * *
(1) The applicant's farm operating plan does not reflect a feasible plan (because the Agency does not review a farm operating plan for an applicant evaluated through AFT, an AFT evaluation alone is not a basis for denial);

* * * * *

§ 764.402 [Amended]

■ 50. Amend § 764.402 as follows:
■ a. In paragraph (a)(2), remove the words ''For entity applicants,'' at the beginning of the sentence and add, in their place, the words ''For all entity applicants including entity applicants approved through AFT,'';
■ b. In paragraph (a)(4), remove the word ''A'' at the beginning of the first sentence and add, in its place, the words ''Except for a loan transaction approved through AFT, a'';
■ c. In paragraph (c), remove the word ''Chattel'' and add ''Personal property'' in its place, and remove the word ''chattel'' and add ''personal property'' in its place;
■ d. In paragraph (c)(1), remove the word ''chattel'' and add ''personal property'' in its place; and
■ e. In paragraphs (c)(2) and (e)(3), remove the word ''chattel'' and add ''personal'' in its place.

Subpart K—Borrower Training and Training Vendor Requirements

■ 51. Revise § 764.453 to read as follows:

§ 764.453 Agency waiver of training requirements

(a) The Agency will grant a waiver for training in financial management, without further action by the applicant, under the following conditions:
(1) The applicant agrees to complete or submits evidence of successful completion of a course similar to a course approved under section § 764.457 and the Agency determines that additional training is not needed;
(2) The applicant submits evidence which demonstrates to the Agency's satisfaction the applicant possesses experience and training necessary for a successful and efficient operation; or
(3) The applicant's loan was approved through AFT.
(b) If the financial functions of the operation are shared among individual entity members, the Agency will consider the collective knowledge and skills of those individuals when determining whether to waive training requirements.
(c) When considering subsequent loan actions, previous training requirements that have not yet been satisfied may be waived by the Agency should the borrower submit satisfactory evidence in accordance with paragraph (a) of this section.

§ 764.454 [Amended]

■ 52. Amend § 764.454 as follows:
■ a. In paragraph (a), remove the words ''at loan closing'' and add ''prior to loan closing'' in their place;
■ b. In paragraph (a)(4), add the words ''unless the Agency subsequently grants a waiver as provided in § 764.453'' after ''training is completed'';
■ c. In paragraph (c)(1), add the word ''any'' after the words ''must include''; and
■ d. In paragraph (d), remove the words ''the required training'' and add ''training provided by a vendor'' in their place.

§ 764.459 [Amended]

■ 53. Amend § 764.459, in paragraph (b), in the table, in the third column and second row, remove the word ''couse'' and add in its place ''course''.

PART 765—DIRECT LOAN SERVICING—REGULAR

■ 54. The authority citation for part 765 continues to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

Subpart B—Borrowers With Limited Resource Interest Rate Loans

§ 765.51 [Amended]

■ 55. Amend § 765.51 in paragraph (a) by removing the words ''2 years'' and adding ''3 years'' in their place.

Subpart C—Borrower Graduation

§ 765.101 [Amended]

■ 56. Amend § 765.101 in paragraphs (b)(1) and (3) by removing all instances of the word ''chattel'' and adding ''personal property'' in their place.
■ 57. Amend § 765.102 by adding paragraphs (b)(4)(iii) and (b)(4)(iv) as follows:

§ 765.102 Borrower non-compliance with graduation requirements.

* * * * *

(b) * * *
(4) * * *
(iii) For EMs secured by real estate, the Agency will schedule repayment in equal installments over the lesser of the remaining number of years on the loan, the useful life of security, or 25 years.
(iv) For EMs secured only by personal property, the Agency will reschedule repayment in equal installments over the lesser of the remaining number of years on the loan, the useful life of security, or 5 years.

Subpart D—Borrower Payments

§ 765.152 [Amended]

■ 58. Amend § 765.152 in paragraph (b)(1) by removing the word ''chattel'' and adding ''personal property'' in its place.
■ 59. Amend § 765.153 by revising paragraph (a) as follows:

§ 765.153 Application of payments.

(a) *Regular payments.* A regular payment is credited to a scheduled installment on program and non-program loans. Regular payments are applied to loans in the following order unless a different order is agreed to in writing by the borrower and Agency:

* * * * *

§ 765.154 [Amended]

■ 60. Amend § 765.154 as follows:
■ a. Remove paragraph (b); and
■ b. Redesignate paragraphs (c), (d), and (e) as (b), (c), and (d), respectively.

Subpart E—Protecting the Agency's Security Interest

§ 765.204 [Amended]

■ 61. Amend § 765.204 in paragraphs (a) and (b) by removing all instances of the word ''chattel'' and ''chattels'' and adding ''personal property'' in their place.

§ 765.205 [Amended]

■ 62. Amend § 765.205 as follows:
■ a. In paragraph (a)(3), remove the words ''799 of this chapter;'' and add ''1b of this title; and'' in their place;
■ b. Remove paragraphs (a)(4) and (a)(5);
■ c. Redesignate paragraph (a)(6) as (a)(4);
■ d. Remove paragraph (c)(3)(ix);
■ e. Redesignate paragraphs (c)(3)(x), (xi), (xii), (xiii), (xiv), (xv), and (xvi) as (c)(3)(ix), (x), (xi), (xii), (xiii), (xiv), and (xv), respectively:
■ f. In the newly redesignated paragraph (c)(3)(xii) remove the words ''799 of this chapter'' and add ''1b of this title'' in their place;
■ g. In paragraph (c)(4), remove the words ''paragraphs (b)(3)(viii) through (xvi)'' and add ''paragraphs (c)(3)(viii) through (xv)'' in their place;
■ h. In paragraph (d), remove the word ''Chattel'' and add ''Personal property'' in its place, and remove the word ''chattel'' and add ''personal property'' in its place;
■ i. In paragraph (d)(1), remove the word ''chattel'' and add ''personal property'' in its place, and remove the words ''paragraphs (b)(3)(i) through (xiii)'' and add ''paragraphs (c)(3)(i) through (xii) and (xv)'' in their place; and
■ j. In paragraph (d)(2)(iii), remove the words ''paragraphs (b)(1) through (12)'' and add ''paragraphs (c)(3)(i) through (xii) and (xv)'' in their place.

§ 765.207 [Amended]

■ 63. Amend § 765.207 in the introductory text by removing the word ''chattel'' and adding ''personal property'' in its place.

Subpart F—Required Use and Operation of Agency Security

§ 765.252 [Amended]

■ 64. Amend § 765.252 as follows:
■ a. In paragraph (b)(3)(ii), remove the words ''799 of this chapter'' and add ''1b of this title'' in their place; and
■ b. In paragraph (c), remove all instances of the word ''chattel'' and add ''personal property'' in their place.

Subpart G—[Amended]

■ 65. Amend the title of Subpart G by removing the word ''Chattel'' and adding ''Personal Property'' in its place.

§ 765.301 [Amended]

■ 66. Amend § 765.301 in paragraphs (a), (b), and (c) by removing all instances of the word ''chattel'' and adding ''personal property'' in their place.

§ 765.303 [Amended]

■ 67. Amend § 765.303 as follows:
■ a. In the section heading, remove the word ''chattel'' and add in its place ''personal property''; and
■ b. In paragraphs (c)(2) and (3), remove all instances of the word ''chattel'' and add ''personal'' in their place.

§ 765.304 [Amended]

■ 68. Amend § 765.304 in paragraph (a) by removing the word ''chattel'' and adding ''personal property'' in its place.
■ 69. Amend § 765.305 as follows:
■ a. In paragraph (c), remove the word ''chattel'' and add ''personal property'' in its place;
■ b. In paragraph (c)(2), add the words ''not later than 90 days after the scheduled installment due date'' after the word ''reduction'';
■ c. In paragraph (c)(3), remove the words ''and released'';
■ d. In paragraph (c)(4), remove the word ''and'' at the end of the paragraph;
■ e. In paragraph (c)(5), remove the period at the end of the paragraph and add '';and'' in its place; and
■ f. Add new paragraph (c)(6).

The addition reads as follows:

§ 765.305 Release of security interest.

* * * * *

(c) * * *

(6) The borrower is not in non-monetary default.

Subpart H—Partial Release of Real Estate Security

■ 70. Amend § 765.351 as follows:
■ a. In paragraph (a)(6), remove the words ''799 of this chapter'' and add ''1b of this title'' in their place;
■ b. In paragraph (f)(2), add the words ''not later than 90 days after the scheduled installment due date'' after the word ''reduction'';
■ c. In paragraph (f)(6), remove the words ''and released'', and remove the word ''appraisals'' each time it appears and add, in its place, ''valuations'';
■ d. In paragraph (f)(7), remove the word ''and'' at the end of the paragraph;
■ e. In paragraph (f)(8), remove the period at the end of the paragraph and add ''; and'' in its place; and
■ f. Add new paragraph (f)(9).

The addition reads as follows:

§ 765.351 Requirements to obtain Agency consent.

* * * * *

(f) * * *

(9) The borrower is not in non-monetary default.

■ 71. Amend § 765.353 as follows:
■ a. Revise paragraph (a)(1);
■ b. In paragraph (a)(2), add the words ''real estate'' after ''waive the'', and remove the number ''$50,000'' and add ''the higher of the current OMB appraisal threshold or $500,000'' in its place;
■ c. In paragraph (b), remove the words ''an appraisal'' and add ''a real estate appraisal or real estate evaluation'' in their place; and
■ d. In paragraph (c), remove the word ''Appraisal'' and add ''Valuation'' in its place, and remove the word ''Appraisals'' and add ''Valuations'' in its place.

The revision reads as follows:

§ 765.353 Determining market value.

(a) * * *

(1) Except when releasing real estate security without compensation under § 765.351(f), the Agency will obtain a valuation of the security proposed for disposition.

* * * * *

Subpart I—Transfer of Security and Assumption of Debt

§ 765.401 [Amended]

■ 72. Amend § 765.401 in the section heading by removing the word ''chattel'' and adding ''personal property'' in its place.

§ 765.403 [Amended]

■ 73. Amend § 765.403 in paragraph (a) by removing the word ''chattel'' and adding ''personal property'' in its place.

§ 765.404 [Amended]

■ 74. Amend § 765.404 as follows:
■ a. In paragraph (a)(1), remove the words ''chattel security property'' and add ''personal property security'' in its place; and

■ b. In paragraph (f)(2), remove the word ‘‘chattel’’ and add ‘‘personal’’ in its place.

PART 766—DIRECT LOAN SERVICING—SPECIAL

■ 75. The authority citation for part 766 continues to read as follows:

Authority: 5 U.S.C. 301, 7 U.S.C. 1989, and 7 U.S.C. 1981d(c).

Subpart C—Loan Servicing Programs

§ 766.101 [Amended]

■ 76. Amend § 766.101 as follows:

■ a. In paragraph (c), remove the words ‘‘delinquent borrowers’’ and add ‘‘borrowers with a payment at least 90 days past due’’ in their place, and remove the words ‘‘first class’’ and ‘‘regular’’ wherever they appear, and add ‘‘first-class’’ in their place; and

■ b. In paragraph (d)(2), add the words ‘‘FSA–2510’’ before ‘‘or FSA–2510–IA’’.

§ 766.102 [Amended]

■ 77. Amend § 766.102 in paragraph (a)(4) by removing the words ‘‘799 of this chapter’’ and adding ‘‘1b of this title’’ in their place.

§ 766.107 [Amended]

■ 78. Amend § 766.107 in paragraph (b) by removing the word ‘‘chattel’’ and adding ‘‘personal property’’ in its place.

§ 766.108 [Amended]

■ 79. Amend § 766.108 in paragraph (b)(2)(ii) by removing the word ‘‘chattels’’ and adding ‘‘personal property’’ in its place.

§ 766.111 [Amended]

■ 80. Amend § 766.111 in paragraph (b)(1) by removing the word ‘‘ombination’’ and adding ‘‘combination’’ in its place.

§ 766.112 [Amended]

■ 81. Amend § 766.112 in paragraph (b)(2) by removing the words ‘‘799 of this chapter’’ and adding ‘‘1b of this title’’ in their place.

§ 766.115 [Amended]

■ 82. Amend § 766.115 in paragraph (a)(2) by removing the word ‘‘§ 761.7’’ and adding the words ‘‘paragraph (e)(1) or (e)(2) of § 761.7 for real estate or personal property, respectively,’’ in its place.

■ 83. Amend § 766.120 as follows:

■ a. In paragraph (a)(12), remove the word ‘‘and’’;

■ b. In paragraph (a)(13), remove the period at the end of the paragraph and add ‘‘;and’’ in its place; and

■ c. Add paragraph (a)(14).

The addition reads as follows:

§ 766.120 Extending maturity date and installment schedule for direct loans with a balloon payment.

(a) * * *

(14) The written request for an extension is received at least 30 days prior to the balloon payment due date.

* * * * *

Subpart D—Homestead Protection Program

§ 766.152 [Amended]

■ 84. Amend § 766.152 in paragraph (a)(1) by removing the word ‘‘chattels’’ and adding ‘‘personal property’’ in its place.

Subpart E—Servicing Shared Appreciation Agreements and Net Recovery Buyout Agreements

§ 766.202 [Amended]

■ 85. Amend § 766.202 in paragraph (a) by removing the word ‘‘§ 761.7’’ and adding ‘‘§ 761.7(b)’’ in its place.

§ 766.206 [Removed and Reserved]

■ 86. Remove and reserve § 766.206.

Subpart F—Unauthorized Assistance

■ 87. Amend § 766.253 as follows:

■ a. Revise paragraph (a)(3); and

■ b. In paragraph (a)(3)(v)(C), remove the word ‘‘chattel’’ and add ‘‘personal property’’ in its place.

The revision reads as follows:

§ 766.253 Unauthorized assistance resulting from submission of inaccurate information by borrower or Agency error.

(a) * * *

(3) If the borrower is unable to repay the entire unauthorized amount, the remaining unauthorized portion of the loan will be converted to a Non-program loan under the following conditions:

* * * * *

Subpart H—Loan Liquidation

§ 766.352 [Amended]

■ 88. Amend § 766.352 as follows:

■ a. In the section heading, remove the word ‘‘chattel’’ and add in its place ‘‘personal property’’; and

■ b. In paragraphs (a), (a)(1), and (b), remove all instances of the word ‘‘chattel’’ and add ‘‘personal property’’ in its place.

§ 766.354 [Amended]

■ 89. Amend § 766.354 as follows:

■ a. In the section heading, remove the word ‘‘chattel’’ and add in its place ‘‘personal property’’; and

■ b. In paragraphs (a), (b), (b)(2) and (4), and (c)(2), remove all instances of the word ‘‘chattel’’ and add ‘‘personal property’’ in its place.

§ 766.357 [Amended]

■ 90. Amend § 766.357 as follows:

■ a. In the section heading, remove the word ‘‘chattel’’ and add in its place ‘‘personal property’’; and

■ b. In paragraph (c), remove the word ‘‘chattel’’ and add ‘‘personal property’’ in its place.

■ 91. Revise appendix A to subpart C as follows:

Appendix A to Subpart C of Part 766—FSA–2510, Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due

This appendix A contains the notification (form letter) that the Farm Service Agency will send to borrowers who are at least 90 days past due on their loan payments. It provides information about the loan servicing that is available to the borrower. As stated below on the notification, the borrower is to respond within 60 days from receiving the notification (see § 766.101(b)(2) and (d)(2) for the requirements). The notification is provided here as required by 7 U.S.C. 1981d.

BILLING CODE 3411–E2–P

FSA-2510
(10-01-26)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 4

NOTICE OF AVAILABILITY OF LOAN SERVICING TO BORROWERS WHO ARE 90 DAYS PAST DUE

Date

Borrower's Name
Borrower Name/Address
Borrower Address
City, State, Zip Code

MAILING INSTRUCTIONS

The Farm Service Agency (FSA) is committed to supporting the success of America's farmers and ranchers. In reviewing your Farm Loan Programs (FLP) loan account, we have determined that you are seriously delinquent on your FLP loan payment. This notice informs you of options that may be available to you. FSA's loan servicing options including, primary loan servicing, conservation contract, current market value buyout, homestead protection, and debt settlement may help you repay your loan or retain your farm property and settle your FLP debt.

How to Apply

To apply, you must complete, and provide all items required in section (f), as applicable, within 60 days of the date you receive this notice.

Help in Responding to This Notice

The servicing options available to you may become complicated. You may need assistance in understanding the options available to you and their impact on your operation. An attorney can help assist you in understanding your options or there may be organizations that offer free or low-cost advice to farmers in your state. Contact your State Department of Agriculture or the U.S. Department of Agriculture (USDA) Extension Service for services in your state. You may contact your local service center with any questions.

Note: Agency employees cannot recommend a particular attorney or organization.

Who Will Decide if You Qualify?

After you submit a complete application, FSA will determine if you meet all eligibility requirements and can develop a farm operating plan that shows that you can pay all debts and expenses.

What Happens if You Do Not Bring the Account Current or Apply Within 60 Days?

FSA will accelerate your loans if you do not bring your account current or timely apply for loan servicing. This means FSA will take legal action to collect all the money you owe to FSA under FLP. After acceleration of your loan accounts, FSA will start foreclosure proceedings. FSA will be required to repossess or take legal action to sell your real estate, personal property, crops, livestock, equipment, or any other assets in which FSA has a security interest. FSA will also be required to obtain and file judgments against you and your property or refer your account to the Department of the Treasury for collection.

Included With This Notice You Will Find Information on:

Servicing Options
(a) Primary loan servicing;
(b) Conservation contract;
(c) Current market value buyout;
(d) Homestead protection;
(e) Debt settlement;

Application Details
(f) Application forms, documentation, and information needed to apply;
(g) How to get copies of Agency handbooks and forms;

Appeal Options
(h) Reconsideration, mediation, and appeal to The National Appeals Division (NAD);
(i) Challenging FSA appraisal; and
(j) Acceleration and foreclosure.

(a) Primary Loan Servicing

Eligibility

You must meet the following eligibility requirements to obtain primary loan servicing:

(1) You must resolve all non-monetary defaults prior to closing the servicing action.

(2) If you are also financially distressed or delinquent, it must be due to at least one of the following circumstances beyond your control:

(i) Illness, injury, or death of a borrower or other individual who operates the farm;
(ii) Natural disaster, adverse weather, disease, or insect damage which caused severe loss of agricultural production;
(iii) Widespread economic conditions such as low commodity prices;
(iv) Damage or destruction of property essential to the farming operation;
(v) Loss of, or reduction in, your or your spouse's essential non-farm income; or
(vi) Catastrophic medical expenses for the care of a family member of a borrower or entity member, in the case of an entity borrower.

(3) You do not have non-essential assets for which the net recovery value is sufficient to pay the delinquent portion of the loan. FSA cannot write-down or write off debt that you could pay with the value of your equity in these assets.

(4) You must have acted in accordance with your loan agreements in all past dealings with FSA.

Time Limits

If FSA determines that you can develop a feasible plan and are eligible for primary loan servicing, you will have 45 days from the date you receive FSA's offer to accept loan servicing.

Lien Requirements

If you are offered loan servicing and accept the offer, you must agree to give FSA a lien on 125% of your other assets, if available, and you must provide this lien at closing.

Youth Loans

If you have a Youth Loan, it is not eligible for debt write-down, current market value buyout, or limited resource interest rates, but can be rescheduled or deferred. This has no effect on any other loans you may have with FSA.

Loan Consolidation, Rescheduling, and Reamortization

In loan consolidation, the unpaid balance of two or more operating loans can be combined into one larger operating loan.

In loan rescheduling, the repayment schedule may be changed to cure the delinquency and give you new terms to repay loans made for equipment, livestock, or annual operating purposes.

In loan reamortization, the repayment schedule may be changed to cure the delinquency and give you a new schedule of repayment on loans made for real estate purposes.

When loans are consolidated, rescheduled or reamortized, the interest rate will be the lesser of:

- The interest rate for that type of loan on the date a complete servicing application was received;
- The interest rate for that type of loan on the date of restructure; or
- The lowest original loan note rate on any of the original notes being restructured.

In addition, FSA will consider the maximum loan terms.

Limited Resource Interest Rate

Limited resource interest rates are available for certain types of loans. If you have existing loans which are not at the limited resource rate, and a limited resource rate is available, FSA will consider reducing the rate of the loans. The limited resource interest rate can be as low as five percent.

For information about current interest rates, or to understand if you qualify for limited resource rates, contact your local FSA Service Center.

Loan Deferral

Partial or full payments of principal and interest may be temporarily delayed for up to 5 years. You will only be considered for loan deferral if the loan servicing programs discussed above will not allow you to pay all essential family living and farm operating expenses, maintain your property, and pay your debts.

You must be able to show through a farm operating plan that you are unable to pay all essential family living and farm operating expenses, maintain your property, and pay your debts. The farm operating plan must also show that you will be able to pay your full installment at the end of the deferral period.

The interest that accrues during the deferral period must be paid in yearly payments for the rest of the loan term after the deferral period ends.

Debt Write-down

Debt write-down can reduce the principal and interest on your loan. FSA offers a write-down only when the loan servicing programs discussed above and the conservation contract program, if requested, will not result in a feasible plan. To receive debt write-down, the value of your restructured loan must be equal to or greater than the recovery value to FSA from foreclosure and repossession of your security property.

The recovery value is the market value of:

(1) The collateral pledged as security for FLP loans minus expenses (such as the sale costs, attorneys' fees, management costs, taxes, and payment of prior liens) on the collateral that FSA would have to pay if it foreclosed, or repossessed, and sold the collateral;
(2) Any collateral that is not in your possession and has not been released for sale by FSA in writing; and
(3) Any other non-essential assets you may own.

A qualified appraiser determines the value of the collateral and any other assets you own. You may receive a write-down only if you have not previously received any form of debt forgiveness on any other FLP direct loan. The maximum amount of debt that can be written down on all direct loans is $300,000.

Any debt the borrower owes that FSA has written off, written-down, or charged off will be reported to the Internal Revenue Service in accordance with reporting requirements at 26 U.S.C. 6050 P and the related implementing regulations.

Shared Appreciation Agreement

If you own real estate and receive a debt write-down, you must sign a Shared Appreciation Agreement. The term of the agreement is 5 years. Under the terms of the agreement you must repay all or a part of the amount written down at the maturity of your Shared Appreciation Agreement if your real estate collateral increased in value.
Payment of shared appreciation will be required prior to the maturity of your Shared Appreciation Agreement if you:

(1) Sell or convey the real estate;
(2) Stop farming;
(3) Pay off your entire FLP debt; or
(4) Have your FLP accounts accelerated by FSA.

If any of these events occur within the first 4 years of the Shared Appreciation you will be required to pay 75 percent of the increase in value of the real estate. If any of these events occur after the fourth anniversary of the agreement, or if the Shared Appreciation Agreement matures without having previously been fully triggered, you will have to pay only 50 percent of the increase in value. You will not have to pay more than the amount of the debt written down.

(b) Conservation Contract

You may request a conservation contract to protect highly erodible land, wetlands, or wildlife habitats located on your real estate property that serves as security for your FLP debt. In exchange for such contract, FSA would reduce your FLP debt. The amount of land left after the contract must be sufficient to continue your farming operation.

(c) Current Market Value Buyout

If the analysis of your debt shows that you cannot achieve a feasible plan even if the present value of your FLP debt is reduced to the value of the security, FSA may offer you buyout of your FLP debt. You would pay the market value of all FLP security and non-essential assets, minus any prior liens. The market value is determined by a current appraisal completed by a qualified appraiser. In exchange, your loans would be satisfied.

Limits

To receive a current market value buyout offer:

(1) You must not have previously received any form of debt forgiveness from FSA on any other direct FLP loan;
(2) The maximum debt to be written off with buyout does not exceed $300,000; and
(3) You must not have non-essential assets with a net recovery value sufficient to pay your account current.

Eligibility

To qualify, you must prove that:

(1) You cannot repay your delinquent FLP debt due to circumstances beyond your control; and
(2) You have acted in all past dealings with FSA in accordance with your loan agreements.

Time Limits

To buy out your FLP debt at the current market value, you must pay FSA within 90 days of the date you receive the offer.

Method of Payment

To buy out your FLP debt at the current market value, you must pay by cashier's check, certified check or U.S. Treasury check. The checks should be made payable to FSA and provided to your local FSA servicing office for processing. FSA will not make or guarantee a loan for this purpose.

Any debt the borrower owes that FSA has written off, written-down, or charged off will be reported to the Internal Revenue Service in accordance with reporting requirements at 26 U.S.C. 6050 P and the related implementing regulations.

(d) Homestead Protection

Under the homestead protection program, you may repurchase your primary residence, certain outbuildings, and up to 10 acres of land. If you cannot pay by cashier's check or U.S. Treasury check or Agency financing is not available, you may lease your primary residence. The lease will include an option for you to purchase the property you lease.

This program may apply when primary loan servicing, the conservation contract program, or current market value buyout is not available or not accepted.

You must agree to give FSA title to your land at the time FSA signs the Homestead Protection Agreement with you. FSA will compute the costs of taking title including the cost of paying other creditors with outstanding liens on the property. FSA will take title only if it can obtain a positive recovery.

Eligibility Requirements

(1) Your gross annual income from the farming operation must have been similar to other comparable operations in your area in at least 2 of the last 6 years.
(2) Sixty percent (60%) of your gross annual income in at least 2 of the last 6 years must have come from the farming operation.
(3) You must have lived in your homestead property for 6 years immediately before your application. If you had to leave for less than 12 months during the 6-year period and you had no control over the circumstances, you may still qualify.
(4) You must be the owner of the property immediately prior to FSA obtaining the title.

Property Restrictions and Easements

FSA may place restrictions or easements on your property which restrict your use if the property is located in a special area or has special characteristics. These restrictions and easements will be placed in leases and in deeds on properties containing wetlands, floodplains, endangered species, wild and scenic rivers, historic and cultural properties, coastal barriers, and highly erodible lands.

Leasing the Homestead Property

(1) You must pay rent to FSA to lease the property determined eligible for homestead protection. The rent FSA charges will be similar to comparable property in your area.
(2) You must maintain the property in good condition during the term of the lease.
(3) You may lease the property for up to 5 years but no less than 3 years.
(4) You cannot sublease the property.
(5) If you do not make the rental payments to FSA, FSA will cancel the lease and take legal action.
(6) Lease payments are not applied toward the final purchase price of the property.

Purchasing the Homestead Protection Property

You can repurchase your homestead property at market value at any time during the lease. The market value of the property will be decided by a qualified appraiser and will reflect the value of the land after any placement of a restriction or easement such as a wetland conservation easement.

(e) Debt Settlement

You can apply for debt settlement at any time; however, these programs are usually only used after it has been determined that primary loan servicing programs and the conservation contract program cannot help you. Under the debt settlement programs, the FLP debt you owe FSA may be settled for less than the amount you owe. These programs are subject to the discretion of FSA and are not a matter of entitlement or right. If you do not have any Agency security, you may apply for debt settlement only. If you do not apply, or do not receive approval of a debt settlement request, your FLP loan accounts will be forwarded to the Department of the Treasury for collection.

Settlement Alternatives

Settlement alternatives include:

(1) Compromise: A lump-sum payment of less than the total FLP debt owed;
(2) Adjustment: Two or more payments of less than the total amount owed to FSA. Payments can be spread out over a maximum of 5 years if FSA determines you will be able to make the payments as they become due; and
(3) Cancellation: Satisfaction of Agency debt without payment.

Processing and Requirements

If you sell loan collateral, you must apply the proceeds from the sale to your FLP loans before you can be considered for debt settlement. In the case of compromise or adjustment you may keep your collateral, if you pay FSA the market value of your collateral along with any additional amount FSA determines you are able to pay.

Debt amounts which are collectible through administrative offset, judgment, or by the Department of the Treasury will not be settled through debt settlement procedures. You must certify that you do not have assets or income in addition to what you stated in your application. If you qualify, your application must also be approved by the State Executive Director or the Administrator, depending on the amount of the debt to be settled.

Any loss to the government will be reported to the Internal Revenue Service in accordance with reporting requirements at 26 U.S.C. 6050 P.

Application Details

(f) Forms, Documentation, and Information Needed to Apply

A complete application for primary loan servicing must include items (1) through (7). Additional information is required as noted if you want to be considered for the conservation contract program or debt settlement programs. If you need help to complete the required forms, you may request an FSA official to assist you. The forms for requirements (1) through (4) and (9) are included with this package.

(1) FSA-2001, "Application for Direct Loan Assistance." This form is required with application submission.
(2) Financial records for the 3 most recent years, including income tax returns. Financial records will be submitted using FSA-2002 or similar format.
(3) Farm production records for the 3 most recent years. Farm production records will be submitted using FSA-2003 or similar format.
(4) Verification of all non-farm income. You may submit any of the following:
    - FSA-2014 sent by FSA to your employer
    - 2 most recent earning statements
    - Tax forms such as 1099 or W-2
    - Bank statements verifying income

Note: Self-employment non-farm income may be verified using 3 years of income tax returns.

(5) Copies of real estate leases are required (if applicable to the farm operation).
(6) AD-1026, "Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification." You will be required to complete this form if the one you have on file does not reflect all the land you own and lease.
(7) NRCS-CPA-026e, "Highly Erodible Land and Wetland Conservation Determination." This form must be obtained from and completed by the Natural Resources Conservation Service office, if not already on file with FSA.
(8) If you are applying for a conservation contract, a map or aerial photo is required of your farm identifying the portion of the land and approximate number of acres to be considered.
(9) FSA-2732, "Debt Settlement Application." Complete this form only if you wish to apply for debt settlement. You must also comply with any FSA request for additional information needed to process a debt settlement request.

Divorced Spouses

If you are an FLP borrower who has left the farming operation due to divorce, you may request release of liability. To be released of liability after a divorce, you must present FSA with the following within 60 days of receiving this notice:

(1) A divorce decree or property settlement document which states the remaining party will be responsible for all repayment to FSA;
(2) Evidence that you have conveyed your ownership interest in FLP security to the remaining party; and
(3) Evidence that you do not have any repayment ability for the FLP loan through cash, income, or other non-essential assets.

FSA will make a determination on your request and will inform you of the decision within 60 days of receiving your request.

If you are not released of liability, you will need to include all of your relevant financial information if applying for primary loan servicing, homestead protection, or debt settlement programs.

(g) How to Get Copies of FSA Handbooks and Forms

Copies of the forms for requirements in Forms, Documentation and Information section, numbers (1) through (4) and (9) have been included in this package. You may obtain copies of FSA handbooks, which include the pertinent regulations, describing available programs or additional copies of forms from your local FSA Service office.

(h) Reconsideration, Mediation, and Appeal to NAD

Reconsideration, mediation, and appeal rights pursuant to 7 CFR parts 780 and 11, respectively, will be provided to you if FSA makes an adverse decision on your request for loan servicing or prior to acceleration of your account.

Reconsideration – according to FSA's appeal procedures in 7 CFR part 780.

Mediation – according to FSA's appeal procedures in 7 CFR part 780.

Appeal to NAD – according to the NAD appeal procedures in 7 CFR part 11.

(i) Challenging FSA Appraisal

If you timely submit a complete application for primary loan servicing, but disagree with the appraisal used by the FSA for processing your request, you may 1) obtain a Uniform Standards of Professional Appraisal Practice compliant technical appraisal review by a State Certified General Appraiser of the FSA appraisal and submit it to FSA prior to reconsideration or an appeal hearing, 2) obtain an independent appraisal, and 3) possibly negotiate the appraised value based on the specifics of the two appraisals.

If this applies to you, FSA will provide additional information in the notification letter advising you of the Agency's decision concerning your loan servicing application.

(j) Acceleration and Foreclosure

If you do not appeal an adverse determination, if you appeal, but are denied relief on appeal, or if you do not otherwise resolve your delinquency, FSA will accelerate your loan accounts and will be required to demand payment of the entire debt. You may prevent Agency foreclosure on the loan collateral if, with prior Agency approval, you:

(1) Sell all loan collateral for not less than its market value and apply all proceeds to your creditors in order of lien priority.
(2) Transfer the collateral to someone else and have that person assume all or part of your FLP debt, or
(3) Transfer the collateral to FSA.

If any of these options result in payment of less than the amount you owe, you may apply for debt settlement, even if you applied before and were denied. However, applications for debt settlement filed after the 60-day time period provided in this notice will not delay acceleration, administrative offset, and foreclosure.

If FSA determines that you cannot qualify for debt settlement, you can:

(1) Pay your FLP loan accounts current;
(2) Pay your FLP loan accounts in full;
(3) Request reconsideration, mediation or appeal.

If your real estate security contains your primary residence and becomes inventory property of FSA, homestead protection rights will be provided.

The servicing programs described by this Notice are subject to applicable Agency regulations published at 7 CFR Part 766.

For more information or if you have any questions, please contact [this office or the specific office name] at [County Office Address] or telephone [Phone Number].

1A. Authorized Agency Official Name	1B. Signature	1C. Title

Federal Equal Credit Opportunity Act Statement: *The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.*

Paperwork Reduction Act (PRA) Statement: *This information collection is exempted from the Paperwork Reduction Act as specified in 5 CFR 1320.4(a)(2) because the form is used when FSA conducts administrative action against individuals or debtors.*

Non-Discrimination Statement: *In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.*

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the State or local Agency that administers the program or contact USDA through the Telecommunications Relay Service at 711 (voice and TTY). Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at https://www.usda.gov/oascr/how-to-file-a-program-discrimination-complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Mail Stop 9410, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

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■ 92. Revise appendix B to subpart C to read as follows:

Appendix B to Subpart C of Part 766—FSA–2510–IA, Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due (for Use in Iowa Only)

This appendix contains the notification (form letter) that the Farm Service Agency will send to borrowers with loans in Iowa who are at least 90 days past due on their loan payments. It provides information about the loan servicing that is available to the borrower. As stated below on the notification, the borrower is to respond within 60 days from receiving the notification (see § 766.101(b)(2) and (d)(2) for the requirements). The notification is provided here as required by 7 U.S.C. 1981d.

FSA-2510 IA
(10-01-26)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

Position 4

NOTICE OF AVAILABILITY OF LOAN SERVICING TO BORROWERS WHO ARE 90 DAYS PAST DUE

Date

Borrower's Name
Borrower Name/Address
Borrower Address
City, State, Zip Code

MAILING INSTRUCTIONS

The Farm Service Agency (FSA) is committed to supporting the success of America's farmers and ranchers. In reviewing your Farm Loan Programs (FLP) loan account, we have determined that you are seriously delinquent on your FLP loan payment. This notice informs you of options that may be available to you. FSA's loan servicing options including, primary loan servicing, conservation contract, current market value buyout, homestead protection, and debt settlement may help you repay your loan or retain your farm property and settle your FLP debt.

How to Apply

To apply, you must complete, and provide all items required in section (f), as applicable, within 60 days of the date you receive this notice.

Help in Responding to This Notice

The servicing options available to you may become complicated. You may need assistance in understanding the options available to you and their impact on your operation. An attorney can help assist you in understanding your options or there may be organizations that offer free or low-cost advice to farmers in your state. Contact your State Department of Agriculture or the U.S. Department of Agriculture (USDA) Extension Service for services in your state. You may contact your local service center with any questions.

Note: Agency employees cannot recommend a particular attorney or organization.

Who Will Decide if You Qualify?

After you submit a complete application, FSA will determine if you meet all eligibility requirements and can develop a farm operating plan that shows that you can pay all debts and expenses.

What Happens if You Do Not Bring the Account Current or Apply Within 60 Days?

FSA will accelerate your loans if you do not bring your account current or timely apply for loan servicing. This means FSA will take legal action to collect all the money you owe to FSA under FLP. After acceleration of your loan accounts, FSA will start foreclosure proceedings. FSA will be required to repossess or take legal action to sell your real estate, personal property, crops, livestock, equipment, or any other assets in which FSA has a security interest. FSA will also be required to obtain and file judgments against you and your property or refer your account to the Department of the Treasury for collection.

Included with This Notice You Will Find Information on:

Servicing Options

(a) Primary loan servicing;
(b) Conservation contract;
(c) Current market value buyout;
(d) Homestead protection;
(e) Debt settlement;

Application Details
(f) Application forms, documentation, and information needed to apply;
(g) How to get copies of Agency handbooks and forms;

Appeal Options

(h) Reconsideration, mediation, and appeal to The National Appeals Division (NAD);
(i) Challenging FSA appraisal; and
(j) Acceleration and foreclosure.

(a) Primary Loan Servicing

Eligibility

You must meet the following eligibility requirements to obtain primary loan servicing:

(1) You must resolve all non-monetary defaults prior to closing the servicing action.

(2) If you are also financially distressed or delinquent, it must be due to at least one of the following circumstances beyond your control:

(i) Illness, injury, or death of a borrower or other individual who operates the farm;
(ii) Natural disaster, adverse weather, disease, or insect damage which caused severe loss of agricultural production;
(iii) Widespread economic conditions such as low commodity prices;
(iv) Damage or destruction of property essential to the farming operation;
(v) Loss of, or reduction in, your or your spouse's essential non-farm income; or
(vi) Catastrophic medical expenses for the care of a family member of a borrower or entity member, in the case of an entity borrower.

(3) You do not have non-essential assets for which the net recovery value is sufficient to pay the delinquent portion of the loan. FSA cannot write-down or write off debt that you could pay with the value of your equity in these assets.

(4) You must have acted in accordance with your loan agreements in all past dealings with FSA.

Time Limits

If FSA determines that you can develop a feasible plan and are eligible for primary loan servicing, you will have 45 days from the date you receive FSA's offer to accept loan servicing.

Lien Requirements

If you are offered loan servicing and accept the offer, you must agree to give FSA a lien on 125% of your other assets, if available, and you must provide this lien at closing.

Youth Loans

If you have a Youth Loan, it is not eligible for debt write-down, current market value buyout, or limited resource interest rates, but can be rescheduled or deferred. This has no effect on any other loans you may have with FSA.

Loan Consolidation, Rescheduling, and Reamortization

In loan consolidation, the unpaid balance of two or more operating loans can be combined into one larger operating loan.

In loan rescheduling, the repayment schedule may be changed to cure the delinquency and give you new terms to repay loans made for equipment, livestock, or annual operating purposes.

In loan reamortization, the repayment schedule may be changed to cure the delinquency and give you a new schedule of repayment on loans made for real estate purposes.

When loans are consolidated, rescheduled or reamortized, the interest rate will be the lesser of:

- The interest rate for that type of loan on the date a complete servicing application was received;
- The interest rate for that type of loan on the date of restructure; or
- The lowest original loan note rate on any of the original notes being restructured.

In addition, FSA will consider the maximum loan terms.

Limited Resource Interest Rate

Limited resource interest rates are available for certain types of loans. If you have existing loans which are not at the limited resource rate, and a limited resource rate is available, FSA will consider reducing the rate of the loans. The limited resource interest rate can be as low as five percent.

For information about current interest rates, or to understand if you qualify for limited resource rates, contact your local FSA Service Center.

Loan Deferral

Partial or full payments of principal and interest may be temporarily delayed for up to 5 years. You will only be considered for loan deferral if the loan servicing programs discussed above will not allow you to pay all essential family living and farm operating expenses, maintain your property, and pay your debts.

You must be able to show through a farm operating plan that you are unable to pay all essential family living and farm operating expenses, maintain your property, and pay your debts. The farm operating plan must also show that you will be able to pay your full installment at the end of the deferral period.

The interest that accrues during the deferral period must be paid in yearly payments for the rest of the loan term after the deferral period ends.

Debt Write-Down

Debt write-down can reduce the principal and interest on your loan. FSA offers a write-down only when the loan servicing programs discussed above and the conservation contract program, if requested, will not result in a feasible plan. To receive debt write-down, the value of your restructured loan must be equal to or greater than the recovery value to FSA from foreclosure and repossession of your security property.

The recovery value is the market value of:

(1) The collateral pledged as security for FLP loans minus expenses (such as the sale costs, attorneys' fees, management costs, taxes, and payment of prior liens) on the collateral that FSA would have to pay if it foreclosed, or repossessed, and sold the collateral;
(2) Any collateral that is not in your possession and has not been released for sale by FSA in writing; and
(3) Any other non-essential assets you may own.

A qualified appraiser determines the value of the collateral and any other assets you own. You may receive a write-down only if you have not previously received any form of debt forgiveness on any other FLP direct loan. The maximum amount of debt that can be written down on all direct loans is $300,000.

Any debt the borrower owes that FSA has written off, written-down, or charged off will be reported to the Internal Revenue Service in accordance with reporting requirements at 26 U.S.C. 6050 P and the related implementing regulations.

Shared Appreciation Agreement

If you own real estate and receive a debt write-down, you must sign a Shared Appreciation Agreement. The term of the agreement is 5 years. Under the terms of the agreement you must repay all or a part of the amount written down at the maturity of your Shared Appreciation Agreement if your real estate collateral increased in value.
Payment of shared appreciation will be required prior to the maturity of your Shared Appreciation Agreement if you:

(1) Sell or convey the real estate;
(2) Stop farming;
(3) Pay off your entire FLP debt; or
(4) Have your FLP accounts accelerated by FSA.

If any of these events occur within the first 4 years of the Shared Appreciation you will be required to pay 75 percent of the increase in value of the real estate. If any of these events occur after the fourth anniversary of the agreement, or if the Shared Appreciation Agreement matures without having previously been fully triggered, you will have to pay only 50 percent of the increase in value. You will not have to pay more than the amount of the debt written down.

(b) Conservation Contract

You may request a conservation contract to protect highly erodible land, wetlands, or wildlife habitats located on your real estate property that serves as security for your FLP debt. In exchange for such contract, FSA would reduce your FLP debt. The amount of land left after the contract must be sufficient to continue your farming operation.

(c) Current Market Value Buyout

If the analysis of your debt shows that you cannot achieve a feasible plan even if the present value of your FLP debt is reduced to the value of the security, FSA may offer you buyout of your FLP debt. You would pay the market value of all FLP security and non-essential assets, minus any prior liens. The market value is determined by a current appraisal completed by a qualified appraiser. In exchange, your loans would be satisfied.

Limits

To receive a current market value buyout offer:

(1) You must not have previously received any form of debt forgiveness from FSA on any other direct FLP loan;
(2) The maximum debt to be written off with buyout does not exceed $300,000; and
(3) You must not have non-essential assets with a net recovery value sufficient to pay your account current.

Eligibility

To qualify, you must prove that:

(1) You cannot repay your delinquent FLP debt due to circumstances beyond your control; and
(2) You have acted in all past dealings with FSA in accordance with your loan agreements.

Time Limits

To buy out your FLP debt at the current market value, you must pay FSA within 90 days of the date you receive the offer.

Method of Payment

To buy out your FLP debt at the current market value, you must pay by cashier's check, certified check or U.S. Treasury check. The checks should be made payable to FSA and provided to your local FSA servicing office for processing. FSA will not make or guarantee a loan for this purpose.

Any debt the borrower owes that FSA has written off, written-down, or charged off will be reported to the Internal Revenue Service in accordance with reporting requirements at 26 U.S.C. 6050 P and the related implementing regulations.

(d) Homestead Protection

Under the homestead protection program, you may repurchase your primary residence, certain outbuildings, and up to 40 acres of land. If you cannot pay by cashier's check or U.S. Treasury check or Agency financing is not available, you may lease your primary residence. The lease will include an option for you to purchase the property you lease.

This program may apply when primary loan servicing, the conservation contract program, or current market value buyout is not available or not accepted.

You must agree to give FSA title to your land at the time FSA signs the Homestead Protection Agreement with you. FSA will compute the costs of taking title including the cost of paying other creditors with outstanding liens on the property. FSA will take title only if it can obtain a positive recovery.

Eligibility Requirements

(1) Your gross annual income from the farming operation must have been similar to other comparable operations in your area in at least 2 of the last 6 years.
(2) Sixty percent (60%) of your gross annual income in at least 2 of the last 6 years must have come from the farming operation.
(3) You must have lived in your homestead property for 6 years immediately before your application. If you had to leave for less than 12 months during the 6-year period and you had no control over the circumstances, you may still qualify.
(4) You must be the owner of the property immediately prior to FSA obtaining the title.

Property Restrictions and Easements

FSA may place restrictions or easements on your property which restrict your use if the property is located in a special area or has special characteristics. These restrictions and easements will be placed in leases and in deeds on properties containing wetlands, floodplains, endangered species, wild and scenic rivers, historic and cultural properties, coastal barriers, and highly erodible lands.

Leasing the Homestead Property

(1) You must pay rent to FSA to lease the property determined eligible for homestead protection. The rent FSA charges will be similar to comparable property in your area.
(2) You must maintain the property in good condition during the term of the lease.
(3) You may lease the property for up to 5 years but no less than 3 years.
(4) You cannot sublease the property.
(5) If you do not make the rental payments to FSA, FSA will cancel the lease and take legal action.
(6) Lease payments are not applied toward the final purchase price of the property.

Purchasing the Homestead Protection Property

You can repurchase your homestead property at market value at any time during the lease. The market value of the property will be decided by a qualified appraiser and will reflect the value of the land after any placement of a restriction or easement such as a wetland conservation easement.

(e) Debt Settlement

You can apply for debt settlement at any time; however, these programs are usually only used after it has been determined that primary loan servicing programs and the conservation contract program cannot help you. Under the debt settlement programs, the FLP debt you owe FSA may be settled for less than the amount you owe. These programs are subject to the discretion of FSA and are not a matter of entitlement or right. If you do not have any Agency security, you may apply for debt settlement only. If you do not apply, or do not receive approval of a debt settlement request, your FLP loan accounts will be forwarded to the Department of the Treasury for collection.

Settlement Alternatives

Settlement alternatives include:

(1) Compromise: A lump-sum payment of less than the total FLP debt owed;
(2) Adjustment: Two or more payments of less than the total amount owed to FSA. Payments can be spread out over a maximum of 5 years if FSA determines you will be able to make the payments as they become due; and
(3) Cancellation: Satisfaction of Agency debt without payment.

Processing and Requirements

If you sell loan collateral, you must apply the proceeds from the sale to your FLP loans before you can be considered for debt settlement. In the case of compromise or adjustment you may keep your collateral, if you pay FSA the market value of your collateral along with any additional amount FSA determines you are able to pay.

Debt amounts which are collectible through administrative offset, judgment, or by the Department of the Treasury will not be settled through debt settlement procedures. You must certify that you do not have assets or income in addition to what you stated in your application. If you qualify, your application must also be approved by the State Executive Director or the Administrator, depending on the amount of the debt to be settled.

Any debt the borrower owes that FSA has written off, written-down, or charged off will be reported to the Internal Revenue Service in accordance with reporting requirements at 26 U.S.C. 6050 P and the related implementing regulations.

Application Details

(f) Forms, documentation, and information needed to apply

A complete application for primary loan servicing must include items (1) through (7). Additional information is required as noted if you want to be considered for the conservation contract program or debt settlement programs. If you need help to complete the required forms, you may request an FSA official to assist you. The forms for requirements (1) through (4) and (9) are included with this package.

(1) FSA-2001, "Application for Direct Loan Assistance." This form is required with application submission.
(2) Financial records for the 3 most recent years, including income tax returns. Financial records will be submitted using FSA-2002 or similar format.
(3) Farm production records for the 3 most recent years. Farm production records will be submitted using FSA-2003 or similar format.
(4) Verification of all non-farm income. You may submit any of the following:
    - FSA-2014 sent by FSA to your employer
    - 2 most recent earning statements
    - Tax forms such as 1099 or W-2
    - Bank statements verifying income

Note: Self-employment non-farm income may be verified using 3 years of income tax returns.

(5) Copies of real estate leases are required (if applicable to the farm operation).
(6) AD-1026, "Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification." You will be required to complete this form if the one you have on file does not reflect all the land you own and lease.
(7) NRCS-CPA-026e, "Highly Erodible Land and Wetland Conservation Determination." This form must be obtained from and completed by the Natural Resources Conservation Service office, if not already on file with FSA.
(8) If you are applying for a conservation contract, a map or aerial photo is required of your farm identifying the portion of the land and approximate number of acres to be considered.
(9) FSA-2732, "Debt Settlement Application." Complete this form only if you wish to apply for debt settlement. You must also comply with any FSA request for additional information needed to process a debt settlement request.

Divorced Spouses

If you are an FLP borrower who has left the farming operation due to divorce, you may request release of liability. To be released of liability after a divorce, you must present FSA with the following within 60 days of receiving this notice:

(1) A divorce decree or property settlement document which states the remaining party will be responsible for all repayment to FSA;
(2) Evidence that you have conveyed your ownership interest in FLP security to the remaining party; and
(3) Evidence that you do not have any repayment ability for the FLP loan through cash, income, or other non-essential assets.

FSA will make a determination on your request and will inform you of the decision within 60 days of receiving your request.

If you are not released of liability, you will need to include all of your relevant financial information if applying for primary loan servicing, homestead protection, or debt settlement programs.

(g) How to Get Copies of FSA Handbooks and Forms

Copies of the forms for requirements in Forms, Documentation and Information section, numbers (1) through (4) and (9) have been included in this package. You may obtain copies of FSA handbooks, which include the pertinent regulations, describing available programs or additional copies of forms from your local FSA Service office.

(h) Reconsideration, Mediation, and Appeal to NAD

Reconsideration, mediation, and appeal rights pursuant to 7 CFR parts 780 and 11, respectively, will be provided to you if FSA makes an adverse decision on your request for loan servicing or prior to acceleration of your account.

Reconsideration – according to FSA's appeal procedures in 7 CFR part 780.

Mediation – according to FSA's appeal procedures in 7 CFR part 780.

Appeal to NAD – according to the NAD appeal procedures in 7 CFR part 11.

(i) Challenging FSA Appraisal

If you timely submit a complete application for primary loan servicing, but disagree with the appraisal used by the FSA for processing your request, you may 1) obtain a Uniform Standards of Professional Appraisal Practice compliant technical appraisal review by a State Certified General Appraiser of the FSA appraisal and submit it to FSA prior to reconsideration or an appeal hearing, 2) obtain an independent appraisal, and 3) possibly negotiate the appraised value based on the specifics of the two appraisals.

If this applies to you, FSA will provide additional information in the notification letter advising you of the Agency's decision concerning your loan servicing application.

(j) Acceleration and Foreclosure

If you do not appeal an adverse determination, if you appeal, but are denied relief on appeal, or if you do not otherwise resolve your delinquency, FSA will accelerate your loan accounts and will be required to demand payment of the entire debt. You may prevent Agency foreclosure on the loan collateral if, with prior Agency approval, you:

(1) Sell all loan collateral for not less than its market value and apply all proceeds to your creditors in order of lien priority.
(2) Transfer the collateral to someone else and have that person assume all or part of your FLP debt, or
(3) Transfer the collateral to FSA.

If any of these options result in payment of less than the amount you owe, you may apply for debt settlement, even if you applied before and were denied. However, applications for debt settlement filed after the 60-day time period provided in this notice will not delay acceleration, administrative offset, and foreclosure.

If FSA determines that you cannot qualify for debt settlement, you can:

(1) Pay your FLP loan accounts current;
(2) Pay your FLP loan accounts in full;
(3) Request reconsideration, mediation or appeal.

If your real estate security contains your primary residence and becomes inventory property of FSA, homestead protection rights will be provided.

The servicing programs described by this Notice are subject to applicable Agency regulations published at 7 CFR Part 766.

For more information or if you have any questions, please contact [this office or the specific office name] at [County Office Address] or telephone [Phone Number].

1A. Authorized Agency Official Name	1B. Signature	1C. Title

Federal Equal Credit Opportunity Act Statement: *The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.*

Paperwork Reduction Act (PRA) Statement: *This information collection is exempted from the Paperwork Reduction Act as specified in 5 CFR 1320.4(a)(2) because the form is used when FSA conducts administrative action against individuals or debtors.*

Non-Discrimination Statement: *In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.*

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the State or local Agency that administers the program or contact USDA through the Telecommunications Relay Service at 711 (voice and TTY). Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at https://www.usda.gov/oascr/how-to-file-a-program-discrimination-complaint and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW, Mail Stop 9410, Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov.

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PART 767—INVENTORY PROPERTY MANAGEMENT

■ 93. The authority citation for part 767 continues to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

Subpart A—Overview

§ 767.1 [Amended]

■ 94. Amend § 767.1 in paragraph (a)(4) by removing the word ''chattel'' and adding ''personal'' in its place.

Subpart D—Disposal of Inventory Property

§ 767.155 [Amended]

■ 95. Amend § 767.155 as follows:
■ a. In the section heading, remove the word ''chattel'' and add in its place ''personal''; and
■ b. In paragraphs (a)(1) and (2), and (b), remove all instances of the word ''chattel'' and add ''personal property'' in their place.

Subpart E—Real Estate Property With Important Resources or Located in Special Hazard Areas

§ 767.201 [Amended]

■ 96. Amend § 767.201 in the introductory paragraph by removing the words ''799 of this chapter'' and adding ''1b of this title'' in their place.

PART 768—EQUITABLE RELIEF

■ 97. The authority citation for part 768 continues to read as follows:

Authority: 5 U.S.C. 301 and 7 U.S.C. 1989.

§ 768.1 [Amended]

■ 98. Amend § 768.1 in paragraph (a)(3)(i), by removing the words ''noncompliant; or'' and adding ''non-compliant.'' in their place.

PART 770—INDIAN TRIBAL LANDS ACQUISITION LOANS

■ 99. The authority citation for part 770 continues to read as follows:

Authority: 5 U.S.C. 301 and 25 U.S.C. 5136.

§ 770.5 [Amended]

■ 100. Amend § 770.5 in paragraph (a) by removing the words ''799 of this chapter'' and adding ''1b of this title'' in their place.

PART 772—SERVICING MINOR LOAN PROGRAMS

■ 101. The authority citation for part 772 continues to read as follows:

Authority: 5 U.S.C. 301, 7 U.S.C. 1989, and 25 U.S.C. 490.

§ 772.4 [Amended]

■ 102. Amend § 772.4 in the introductory text by removing the number ''799'' and adding ''1b'' in its place.

§ 772.5 [Amended]

■ 103. Amend § 772.5 in paragraphs (b) and (c)(1) by removing all instances of the word ''chattel'' and adding ''personal property'' in their place.

§ 772.6 [Amended]

■ 104. Amend § 772.6 in paragraph (a)(6) by removing the words ''799 of this chapter'' and adding ''1b of this title'' in their place.

§ 772.8 [Amended]

■ 105. Amend § 772.8 in paragraph (b) by removing the word ''chattel'' and adding ''personal property'' in its place.

PART 773—[Removed and Reserved]

■ 106. Remove and reserve part 773.

PART 774—[Removed and Reserved]

■ 107. Remove and reserve part 774.

William Beam,
Administrator, Farm Service Agency.

[FR Doc. 2026–18164 Filed 9–3–26; 8:45 am]
BILLING CODE 3411–E2–P

DEPARTMENT OF TRANSPORTATION

Federal Aviation Administration

14 CFR Part 71

[Docket No. FAA–2026–7824; Airspace Docket No. 26–AEA–10]

RIN 2120–AA66

Revocation of Class E Airspace; Point Pleasant, WV

AGENCY: Federal Aviation Administration (FAA), DOT.

ACTION: Final rule.

SUMMARY: This action revokes the Class E airspace at Point Pleasant, WV. This action is due to the cancellation of the instrument procedures at Mason County Airport, Point Pleasant, WV. This action brings the airspace into compliance with FAA orders and supports instrument flight rule (IFR) procedures and operations.

DATES: Effective 0901 UTC, December 24, 2026. The Director of the Federal Register approves this incorporation by reference action under 1 CFR part 51, subject to the annual revision of FAA Order JO 7400.11 and publication of conforming amendments.

ADDRESSES: A copy of the notice of proposed rulemaking (NPRM), all comments received, this final rule, and all background material may be viewed online at *www.regulations.gov* using the FAA Docket number. Electronic retrieval help and guidelines are available on the website. It is available 24 hours each day, 365 days each year. An electronic copy of this document may also be downloaded from *www.federalregister.gov.*

FAA Order JO 7400.11K, Airspace Designations and Reporting Points, and subsequent amendments can be viewed online at *www.faa.gov/air_traffic/publications/.* You may also contact the Rules and Regulations Group, Office of Policy, Federal Aviation Administration, 800 Independence Avenue SW, Washington, DC 20591; telephone: (202) 267–8783.

FOR FURTHER INFORMATION CONTACT: Jeffrey Claypool, Federal Aviation Administration, Operations Support Group, Central Service Center, 10101 Hillwood Parkway, Fort Worth, TX 76177; telephone (817) 222–5711.

SUPPLEMENTARY INFORMATION:

Authority for This Rulemaking

The FAA's authority to issue rules regarding aviation safety is found in Title 49 of the United States Code. Subtitle I, Section 106 describes the authority of the FAA Administrator. Subtitle VII, Aviation Programs, describes in more detail the scope of the agency's authority. This rulemaking is promulgated under the authority described in Subtitle VII, Part A, Subpart I, Section 40103. Under that section, the FAA is charged with prescribing regulations to assign the use of airspace necessary to ensure the safety of aircraft and the efficient use of airspace. This regulation is within the scope of that authority as it removes the Class E airspace at the affected airport that is no longer needed.

History

The FAA published an NPRM for Docket No. FAA–2026–7824 in the **Federal Register** (91 FR 42684; July 10, 2026) proposing to revoke the Class E airspace at Point Pleasant, WV. Interested parties were invited to participate in this rulemaking effort by submitting written comments on the proposal to the FAA. No comments were received.

Incorporation by Reference

Class E airspace designations are published in paragraph 6005 of FAA Order JO 7400.11, Airspace Designations and Reporting Points, which is incorporated by reference in 14