§§ 761.56–761.100 [Reserved]

Subpart C—Supervised Credit

§ 761.101 Applicability.

This subpart applies to all direct applicants and borrowers, except borrowers with only Non-program loans.

§ 761.102 Borrower recordkeeping, reporting, and supervision.

(a) A borrower must maintain accurate records sufficient to make informed management decisions and to allow the Agency to render loan making and servicing decisions in accordance with Agency regulations. These records must include the following:

1. Production (e.g., total and per unit for livestock and crops);
2. Revenues, by source;
3. Other sources of funds, including borrowed funds;
4. Operating expenses;
5. Interest;
6. Family living expenses;
7. Profit and loss;
8. Tax-related information;
9. Capital expenses;
10. Outstanding debt; and
11. Debt repayment.

(b) A borrower also must agree in writing to:

1. Cooperate with the Agency and comply with all supervisory agreements, farm assessments, farm operating plans, year-end analyses, and all other loan-related requirements and documents;
2. Submit financial information and an updated farm operating plan when requested by the Agency;
3. Immediately notify the Agency of any proposed or actual significant change in the farming operation, any significant changes in family income, expenses, or the development of problem situations, or any losses or proposed significant changes in security.
4. If the borrower fails to comply with these requirements, unless due to reasons outside the borrower’s control, the non-compliance may adversely impact future requests for assistance.

§ 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 supervisory needs; and
3. Develop a plan of supervision to assist the borrower in achieving financial viability and transitioning to private commercial credit or other sources of credit in the shortest time practicable, 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. Goals for the operation;
4. Adequacy of real estate, including facilities, to conduct the farming operation;
5. Adequacy of chattel property used to conduct the farming operation;
6. Historical performance, except for streamlined CL;
7. Farm operating plan;
8. Loan evaluation, except for streamlined CL;
9. Supervisory plan, except for streamlined CL;
10. Training plan; and
11. Graduation plan, except for CL.

(c) An assessment update must be prepared for each subsequent loan. The update must include a farm operating plan 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. The review will be in the form of an office visit, field visit, letter, phone conversation, or year-end analysis, as determined by the Agency. 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