

SUBJECT: Business and Industry Guaranteed Loan Program
Loanmaking and Servicing Authority

TO: State Directors, Rural Development

ATTN: Business Programs Directors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide information regarding the requirements for \$7.5 million of loanmaking and servicing authority for the Business and Industry (B&I) Guaranteed Loan Program.

COMPARISON WITH PREVIOUS AN:

There has been no previous AN on subject.

IMPLEMENTATION RESPONSIBILITIES:

The Administrator has authorized an increase in the maximum B&I loanmaking and servicing authority from \$5 million to \$7.5 million. The following criteria must be met in order for a request for increased authority to be approved:

Experience/training

The incumbent Program Director must be in the position for at least 3 years, and the staff is sufficiently experienced and trained, including use of Moody's Financial Analyst software. Training should include credit and financial analysis training provided by organizations such as the American Bankers Association, Dunn and Bradstreet, Risk Management Association, or similar organizations.

EXPIRATION DATE:
May 31, 2005

FILING INSTRUCTIONS:
Preceding RD Instruction 1901-A

Processing and Servicing Actions

Postreviews and loan processing and servicing requests have been submitted to the National Office with no significant concerns for the last full and current fiscal years. No concerns for postreview submissions means that the material was submitted in accordance with RD Instruction 4279-B, section 4279.173(e), and the National Office review did not identify significant concerns. Significant concerns would have been addressed in a memorandum to the State Office. For loan processing and servicing requests, no significant concerns means that recommendations for actions on material submitted were consistent with regulations and administrative guidance issued and concurred in by the National Office.

Servicing Delinquency

For each of the past 3 fiscal years, the State delinquency rate has been below the National average and no loan closed within the 3 years is currently delinquent. Any established Administrator delinquency goals are being met.

Servicing Losses

Losses for the current and past 3 fiscal years do not exceed 10 percent of State's portfolio in dollars.

National Office Oversight

The most recent Business Programs Assessment Review, Farm Credit Administration, or Office of Inspector General report found no significant concerns with administration of the Program with the State. As a condition of the increased approval authority to \$7.5 million, an oversight will be conducted by the National Office within 12 months.

Loanmaking and servicing authority levels may be granted based on documented circumstances. Performance must continue to meet the established criteria to retain the authority delegated and will be reviewed at least annually.

If you have any questions, please contact the B&I Division, (202) 690-4103.

(Signed by John Rosso)

JOHN ROSSO
Administrator
Rural Business-Cooperative Service