

UNNUMBERED LETTERS ISSUED FOR THE MONTH OF JANUARY 2004

| Dated | Subject | Distribution |
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| 01-13-04 | Business and Industry Guaranteed Loan Program National Office Executive Loan Committee Procedure Pilot Project | S/D |
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January 8, 2004

SUBJECT: Washington, D.C. Area Emergency Dismissal or
Closure Procedures

TO: National Office Officials, RHS/RBS/RUS

This memorandum provides information concerning those rare events that require emergency dismissal or office closure in the Washington, D.C. metropolitan area.

When the Office of Personnel Management (OPM) announces a Government-wide closure of Federal offices in the Washington, D.C. area prior to the start of the normal business hour (8:00 a.m.), Human Resources will electronically inform all Rural Development field offices that the National Office will be closed. This includes notifying the Operations and Management units, and the Centralized Servicing Center/Rural Housing Service, located in St. Louis, Missouri.

When OPM announces early dismissal after the start of the business hour, the Assistant Administrator for Human Resources is responsible for advising other National Office and Rural Development field offices accordingly.

In cases of early dismissal or closure that are weather related, only employees on valid telecommuting agreements who work from home are designated as "emergency". In other circumstances, certain employees will be designated as "emergency" or "Mission Critical" depending upon the nature of the emergency (e.g., natural disasters, national security, and logistical problems, etc.) Managers should refer to the Continuity of Operations Plan or the Office Evacuation Plan if further guidance is needed.

Emergency Before the Workday Begins

All employees are responsible for obtaining the appropriate information as announced by the media. In cases of emergency dismissal or closure before working hours, OPM will make every effort to notify the media of their decision before 6:00 a.m. OPM will provide one of the following announcements to the media.

EXPIRATION DATE:
March 30, 2004

FILING INSTRUCTIONS:
Administrative/Other Programs

- a. *Federal agencies are open; employees are expected to report to work on time.*** This means that Federal agencies are open on time and employees are expected to report as scheduled. Employees are reminded that OPM frequently does not make an announcement when no changes are required. When there is no announcement by the media, employees are expected to report to work as usual. Any leave taken due to tardiness is subject to supervisory approval.
- b. *Federal agencies are operating under an unscheduled leave policy; employees may take leave without prior approval.*** This means that Federal agencies will open on time, but employees not designated as “emergency employees” may take annual leave or LWOP without prior approval from their supervisors. Accrued compensatory time or credit hours may also be used instead of leave if requested by the employee. Employees should inform their supervisors of their intentions.
- c. *Federal agencies are operating under a delayed arrival policy. Employees are expected to arrive to work no more than (to be announced by the media) hours later than their normal arrival time.*** This means that employees should adjust their normal home departure time consistent with the announcement. Reasonable delays in reporting for work beyond the adjusted arrival time will be excused without loss of pay or charge to leave for employees who experience serious commuting delays.
- d. *Federal agencies are operating under a delayed arrival/unscheduled leave policy. Employees are expected to arrive to work (to be announced by the media) hours later than their normal arrival time, and employees may take leave without prior approval.*** This means that employees should adjust their normal home departure time consistent with the announcement. Employees who arrive late will be excused without loss of pay or charge to leave. Employees may take annual leave or LWOP without prior approval from their supervisors. Employees should inform supervisors if they plan to take annual leave or LWOP.
- e. *Federal agencies are closed.*** This means employees are excused from duty without loss of pay or charge to leave. An employee on an alternative work schedule (AWS) whose AWS day off is the same workday on which a Federal office is closed is not entitled to another “in lieu of” day off.

Emergencies During Normal Work Hours

When an emergency situation occurs during normal work hours, OPM will announce that the Federal Government is operating under an “adjusted work dismissal” policy. Supervisors will inform employees when a decision is made to release Federal workers early. Additionally, whether an employee is charged leave during early dismissal periods depends on whether the employee was in a duty or leave status at the time of the dismissal. For example:

1. Supervisors should not charge leave, but grant excused absence, for any employee on duty at the time an “adjusted work dismissal” policy is officially announced. An excused absence is appropriate for the remainder of the workday following the employee’s authorized time of dismissal, even if the employee is scheduled to take leave later in the day.
2. When an employee leaves after receiving official word of the pending dismissal, but before the time set for his or her authorized dismissal (with supervisory approval), the employee may be charged leave or LWOP beginning at the time the employee left work for the remainder of his or her scheduled workday. Supervisors may excuse an employee without charge to leave to avoid hardships. For example, an employee may need to pick up his/her child from school or a child care center earlier if no alternative forms of child care are available.
3. When an employee leaves before official word of the “adjusted work dismissal” is received, the supervisor should charge leave or AWOL (absence without leave), as appropriate, for the remainder of the workday.
4. When an employee is scheduled to return from leave after the announcement of an “adjusted work dismissal” policy, but before his or her authorized time of dismissal, the supervisor should charge leave for the period during which the employee is on approved leave and grant excused absence for the remainder of the workday following the employee’s time of dismissal.
5. When an employee is absent on previously approved annual leave, sick leave, or LWOP for the entire workday, the employee will be charged leave for the entire workday.
6. When an employee is scheduled to report for work before any early dismissal, but is unable to do so, he/she must contact the supervisor to obtain leave approval or will be charged annual leave, sick leave, or LWOP, as appropriate, for the entire workday.

7. When an employee is telecommuting at an alternative worksite in the Washington, D.C. area other than their home, the supervisor should grant excused absence for the remainder of the workday following what would be the employee's authorized time of dismissal.

If you have any questions concerning this information, please contact your servicing personnel specialist or visit the Office of Personnel Management website at <http://www.opm.gov/oca/compmemo/dismissal.asp>.

(Signed by William j.Fleming)

WILLIAM J. FLEMING
Assistant Administrator
for Human Resources

January 13, 2004

SUBJECT: Business and Industry Guaranteed Loan Program
National Office Executive Loan Committee Procedure
Pilot Project

TO: State Directors, Rural Development

ATTN: Business Programs Directors

A Business Program Advisory Team was initiated in the beginning of fiscal year 2003 to provide field input into improving the delivery of Business Programs. The team is made up of National Office Business Programs staff, State Office Business Programs staff and members of the National Association of Credit Specialists and the National Association of Support Personnel. One of the areas identified as a concern was the timeliness of National Office decisions. This unnumbered letter is in response to suggested improvements in the Business and Industry (B&I) Guaranteed Loan Program. It is intended to implement a pilot project and to provide guidance when a loan processing or servicing request is submitted to the National Office for action. State Offices who volunteer to participate in the project will complete and submit a National Office Executive Loan (NOEL) Committee Report (Report) as part of their analysis and recommendation and will make an oral presentation to the NOEL Committee.

In accordance with the administrative language contained in RD Instruction 4279-B, section 4279.165(e), the NOEL Committee will evaluate and make a recommendation for all B&I Guaranteed Loan making and servicing actions that are in excess of delegated authorities given to field offices. In an effort to expedite the evaluation process and better serve the field offices, we are implementing this pilot project. Including the field offices in the process does not relieve the National Office Loan Specialists of their responsibility to evaluate the action and make a recommendation to the NOEL Committee.

EXPIRATION DATE:
January 31, 2005

FILING INSTRUCTIONS:
Community/Business Programs

Sent by electronic mail on 01-15-04 at 9:41 a.m. by DABP.

LOAN PROCESSING REQUESTS (ATTACHMENT I)

The Report is intended to provide background information on the application and capture critical elements of the underwriting process. It is important to provide detailed comments in each section. Each section should state a conclusion resulting from the overall credit analysis of the borrower. Such comments should include, but not be limited to, details such as ratios capturing the historical, current, and projected financial performance of the applicant, stating an opinion on the current performance and the probability of meeting the projections, and any assumptions specific to the topic being addressed. Conclusions should be based on the historical operating performance and management of the business and the trends of critical ratios and financial performance measures. Especially for new businesses with less historical information, the reviewer should comment on the performance of the industry as a whole, the current regional trends of like industries and the operating plan of the applicant documenting how they plan to reach their goals or improve their performance. This information is also applicable to existing businesses proposing major deviations from historical performance.

RD Instruction 4279-B, section 4279.165(a), states the Agency will evaluate the application and make a determination on eligibility, repayment ability, collateral, equity and regulatory compliance. Therefore, the Report should not be a reiteration of the lender's conclusions.

Additionally, it is important to attach items to the Report that support the conclusions. Such items include, but are not limited to, the financial analysis completed by the State Office (i.e., Moody's Financial Analyst), project summary, final recommendation letter from the State Director, letters from the lender updating, revising, or clarifying application information, etc. If the recommendation is to approve an action, proposed conditions must be established and submitted as part of the recommendation.

LOAN SERVICING REQUESTS (ATTACHMENT II)

RD Instruction 4287-B, Appendix A, Modification or Administrative Action (Mod Form), is the primary means of providing information on the borrower and on the specific request. A discussion of past actions and the dates of such actions should be included. The Mod Form requires the State to discuss the request and provide justification for the recommendation (discuss the worse case scenario; i.e., if the request is not concurred in, what happens to the borrower). In addition to the Mod Form, the transmittal memorandum, signed by the State Director, should clearly state what actions are being recommended and why. A detailed review of the lender's financial analysis with comments from the State or the State's financial analysis (i.e., Moody's Financial Analyst) is required. The documentation should clearly identify the

risk(s) to the Agency, best estimate of potential loss, and any potential negative implications. All alternatives should be addressed and documentation included to support that the proposed action is the best alternative for the Agency. If the borrower's financial ratios are not in compliance with the Loan Agreement, please explain. Any other information pertinent to the request should be reviewed and submitted as supportive information.

All requirements of RD Instructions 4279-A and B and 4287-B must still be met. The Report is not intended to replace any required form or documentation. The NOEL Committee will only act on requests that are complete in content. Incomplete applications or servicing actions and lack of information will result in the request being returned without action.

All requests for NOEL action should contain the applicable, completed Report on diskette with a recommendation from the State. Servicing requests should be mailed to the attention of the Acting Chief, B&I Servicing Branch, STOP 3224. Processing requests should be mailed to Fred Kieferle, Chief, B&I Processing Branch, STOP 3224.

State Offices should be available to participate in NOEL Committee, which will be scheduled at a time jointly convenient to the committee and field participants. State Offices participating in the pilot project will normally be expected to make an oral presentation to the NOEL Committee. Typically, NOEL Committee will be scheduled each week on Thursday at 10 a.m. and 2:30 p.m. to accommodate time zone differences. State Office will be notified when a project will be presented to NOEL Committee as early as possible, but no later than the Tuesday preceding the NOEL Committee meeting. The National Office will contact the State Office at a phone number provided by the State Office.

A teleconference will be scheduled to discuss this memorandum and review the Reports in detail before implementing the pilot program.

If you have any questions or wish to volunteer for this pilot project, please contact William F. Hagy III, Deputy Administrator, Business Programs, (202) 720-7287.

(Signed by John Rosso)

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

Attachments

NATIONAL OFFICE LOAN COMMITTEE REPORT
FOR PROCESSING REQUESTS

APPLICANT: *Legal Borrower Name(s) and d/b/a if applicable* Startup ___ Existing ___

LOCATION: *Complete address for headquarters and site (if different)*

Pick One:

1. **REQUEST:** Business and Industry (Preapplication/Application/Change in Conditions)

LOAN AMOUNT:

PERCENTAGE OF GUARANTEE: *(requested by lender)*

INTEREST RATE: *(Fixed or Variable; if variable, base rate(s), plus points as proposed in application; guaranteed/unguaranteed portion if rates are different)*

TERM: *(proposed in application)*

USE OF FUNDS: *by line item and amount, include columns for borrower contributions and other funding by use. Include narrative giving details of debt refinancing, machinery and equipment purchases (i.e., new, used, from where, etc.) Reference eligible use in accordance with applicable regulation section.*

2. **SUMMARY OF PROPOSAL:**

- a. **LOAN AND BUSINESS HISTORY:**

This should be brief overview describing the business as it has operated in the past and most currently. How will the loan affect the operations, efficiencies, plans of the business. Describe professional relationships (consultants) that are existing and planned. Any contractual agreements for products or services.

- b. **LENDER INFORMATION:**

Name:

Location:

Proximity to Business: *and state if within lender's normal servicing area*

Capitalization: *http://www2.fdic.gov/Call_TFR_Rpts/ has information on bank capitalization for federally insured institutions. It will not have information for state chartered bank.*

Any Previous Experience with RBS programs: *Yes/No and include GLS RBS report LN02 as attachment*

- c. OUTSTANDING B&I LOAN BALANCE (P+I = Total): *of applicant*
- d. ESTIMATED NUMBER OF JOBS: *This information should be tied to application information, especially Form 4279-2, if completed. Discrepancies in numbers should be resolved and the final figures reflected here. This information should also be the same as information reported in GLS.*

| | |
|---------------|-------------------------------------|
| Jobs Created: | Job Cost: \$ |
| Jobs Saved: | (Loan |
| | Amount/Number of Jobs) |
| Total Jobs: | |
| | Average Salary for this Business:\$ |
| | Average Salary for State:\$ |
| | Average Salary for Industry:\$ |

Information for average salary by state and for industries can be found through research on the internet. Most states have a website for department of labor, workforce development, etc., where this information is published. The US Dept of Labor, Bureau of Labor Statistics has a substantial amount of information (www.bls.gov/cew/home.htm). Indicate source used to obtain the information and the date of the information.

- e. PRIORITY POINTS:
1. STATE PRIORITY POINTS:
 2. ADMINISTRATOR'S POINTS: *state if requested*
 3. TOTAL PRIORITY POINTS: *do not total if Administrator's Points are requested*

- f. LOAN RELATED FEES: (L=Loan)
(B=Borrower)
(O=Other)
- | <u>Fee Recipient</u> | <u>Fee Amount</u> | <u>Purpose</u> | <u>Source of Payment</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------|--------------------------|
| <i>This may not be adequately disclosed on Form 4279-1. However, indicate all fees for professional services, loan packaging, guarantee, etc. A source of payment (Loan, Borrower, or Other) should be indicated for each fee identified.</i> | | | |

Total: _____

- g. FEASIBILITY STUDY FINDINGS (Include discussion of market, technical, financial, economic, and management aspects, who completed feasibility study and their qualifications. Is the consultant considered "independent"):

State Office Analysis: *Comments should include if and why a feasibility study was/was not required, as well as the results of the study. Also comment on discrepancies between recommendations in the study and the borrower's plan of operations (business plan).*

National Office Comments:

3. CREDIT QUALITY REVIEW:

- a. CASH FLOW REVIEW: *This section should address the trends of the critical ratios (liquidity, leverage, coverage, profitability, and activity), including the impact of major changes to the operating cycle. All of these activities affect cash flow and the need for additional working capital. Comments should cover the lender's intent, or lack thereof, to provide additional working capital for borrower's ongoing cash needs. As required by section 4279.161(b) financial statements required by the application process include cash flow statements. The lender is responsible for conducting a cash flow analysis as part of determining repayment ability.*

State Office Analysis:

National Office Comments:

1. CURRENT AND FUTURE BUSINESS PROSPECTS: *Address the current and future plans of the business to support the loan request. Cover such items as signed contracts, contracts in negotiations, etc. Specifically address any plans by the borrower to redirect their efforts or change markets, products, client base, consultants, etc. Conclude with the anticipated impact on changes supported by any independent verification or research of the facts.*

State Office Analysis:

National Office Comments:

2. **REPAYMENT CAPABILITY:** *Indicate the applicable coverage ratios (including debt service coverage, times interest earned) in addition to an opinion on the borrower's projections to increase product, sales, income, etc. or the decrease in operating expenses which will also affect the net income. The history of the borrower in meeting past obligations (credit report) should also be discussed. What financial strength do the guarantors have. Indicate results of the review of personal and corporate guarantors' financial statements.*

State Office Analysis:

National Office Comments:

3. **ASSUMPTIONS SUPPORTING PROJECTIONS:** *Comment on the assumptions and if they support the financial projections. Assumptions include items such as cost of supplies, prices of end product, existing and proposed contracts, cost of labor, controlling expenses, expanding or maintaining markets, and industry information on the future of the business.*
- b. **COLLATERAL:** *Identify the appraised value of the collateral, the adequacy of the appraisal, the results of the Administrative Review of the appraisal, the lien position proposed and recommended and the loan-to-market value and loan-to-discounted value. State if the coverage is acceptable and in accordance with regulation. Consider greater discounting if collateral is specialized. Identify the condition of the existing collateral and any concerns or mitigating measures necessary to secure or enhance collateral position. If refinancing another lender's debt, discuss the collateral position of the lender in relation to the position being accepted by the Agency on the guaranteed loan.*

State Office Analysis:

National Office Comments:

- c. **EQUITY:** *Indicate the existing tangible balance sheet equity (TBE) position of the applicant, the proposed TBE of the applicant at issuance of the Loan Note Guarantee, what the proposed minimum requirement by the Agency is and how they are meeting the requirement if additional cash injection is necessary. If proposing more or less than the stated minimum in the regulations, discuss why. Discuss intangible assets (including loan closing costs) that will not be considered in the calculation. Verify questionable classifications of assets that are typically intangible if the lender states it is normal for the industry.*

State Office Analysis:

National Office Comments:

- d. **MANAGEMENT EXPERIENCE:** *Indicate experience of existing management, proposed changes to management, etc. Identify by person who is responsible for operating the business (plant manager, CEO, CFO, President, Vice Presidents of Marketing, etc.)*

State Office Analysis:

National Office Comments:

- e. **PERSONAL/CORPORATE GUARANTEES:** (S=Secured) (F=Full)
(U=Unsecured) (P=Pro rata)

Principal's Name Outside Net Worth Type/Amount of Guarantee

Indicate guarantees proposed by the lender and any changes or additions recommended by the Agency.

4. **ENVIRONMENTAL REVIEW:** *(Include discussion of any permits required, violations, etc. Indicate the level of environmental review completed by the agency and why. Environmental forms supporting the review should be completed in their entirety and any necessary comment periods expired prior to submitting the request to the National Office. Identify mitigation measures necessary during the environmental process and state if they have been discussed with the lender. Mitigation measures should be identified in the proposed Conditional Commitment and included in the final Loan Agreement. Discuss if the lender is aware of the mitigation measures at the time of this recommendation.)*

5. STRENGTHS AND WEAKNESSES OF PROPOSAL:

All weaknesses should include a mitigating factor. Having more strengths than weaknesses does not necessarily mitigate the weaknesses. For example only, if management is identified as a weakness due to a recent change or a proposed change, identify the development plan for the new management proposed by the applicant.

6. RECOMMENDATION FROM STATE DIRECTOR AND PROGRAM DIRECTOR:

Approve

Deny

State Director, Date

Program Director, Date

STATE LOAN COMMITTEE MEMBERS

Attachments (State Office Financial Analysis and Draft Conditional Commitment)

**7. NATIONAL OFFICE LOAN SPECIALIST COMMENTS, RECOMMENDATION,
AND CONDITIONS:**

Reviewed by:

National Office Loan Specialist

NOEL COMMITTEE MINUTES and SIGN OFF SHEET

[Date]

Attendees:

| | |
|--------------------------------------------------------|---------------------|
| Administrator, RBS | John Rosso |
| Deputy Administrator, Business Programs | William F. Hagy III |
| Acting Deputy Administrator, Cooperative Services | Pandor Hadjy |
| Director, Business and Industry Division | Carolyn Parker |
| Director, Special Projects/Programs Oversight Division | Dwight Carmon |

PROJECT NAME:

CONDITIONS OF COMMITTEE:

General Comments:

Action Taken: Approved () Denied () Deferred ()

CONCUR:

DENY:

Administrator, RBS

Administrator, RBS

Deputy Administrator, Business Programs

Deputy Administrator, Business Programs

Deputy Administrator, Cooperative Services

Deputy Administrator, Cooperative Services

Director, Business and Industry Division

Director, Business and Industry Division

Director, Special Projects/Programs Oversight
Oversight

Director, Special Projects/Programs

Recommended by:

LOAN SPECIALIST

Recommended by:

LOAN SPECIALIST

**NATIONAL OFFICE LOAN COMMITTEE REPORT
FOR SERVICING REQUESTS**

Date: *(Date Report*

Prepared)

RE: *(Legal Borrower Name(s) and d/b/a if applicable)*
Business and Industry *(Guaranteed/Direct)* Loan Program
(Servicing Request)

1. ACTION:

Lender: *(Legal Lender's Name(s))*

Capitalization: *(Asset and equity capitalization information for Federally-chartered banks can be obtained from the following FDIC web site: http://www2.fdic.gov/Call_TFR_Rpts/.)*

Asset Amount: _____

Equity Position: _____

Loan Amount: _____

Date of Loan: _____

Interest Rate: *(Base rate(s), F/V, plus points; guaranteed/unguaranteed portion if rates are different)*

Term: _____

Use of Funds: *(By line item and amount. Include narrative giving details of debt refinancing, machinery and equipment purchases (i.e., new, used, from where, etc.) Reference eligible use in accordance with applicable regulation section.)*

Repurchase Info:

- **Date:** _____
- **Amount:** _____
- **Entire Portion repurchased** Yes () No ():
- **Holder:** _____ **Amt:** _____

If no, please explain:

2. LOAN SPECIALIST SUMMARY:

a. LOAN AND BUSINESS HISTORY

(Brief overview describing the business as it has operated in the past and most currently. Describe past servicing actions and discuss the worst case scenario; i.e., what happens to the borrower if the request is not concurred in)

b. BALANCE AND STATUS OF ANY OUTSTANDING B&I LOANS:

(Balance and status of all outstanding loans of the borrower(s), with the date of such balances.)

Principal Balance: \$ _____

Interest Balance: \$ _____

Loan Status Current _____ Delinquent _____ How long delinquent? _____

Liquidation ___ Bankruptcy ___ Chapter 7 ___ Chapter __11 Chapter __13

c. NUMBER OF EMPLOYEES AND ANNUAL PAYROLL:

(This information should also be the same information reported in GLS.)

No. of Employees: _____

Annual Payroll: _____

3. ENVIRONMENTAL REVIEW *Type of Review:*

(For loan servicing actions, due diligence consists of a two-step process. The two-step process includes: (1) Transaction Screen Questionnaire (TSQ) and (2) Phase I Environmental Site Assessment (ESA).

4. REQUEST AND RECOMMENDATION FROM STATE:

Nature of request: _____

All Loan Servicing Requests must be complete and comply with the applicable section of the regulation. Check the servicing action applicable:

- Loan Covenant Waiver; RD Instruction 4287.107.
- Subordination; RD Instruction 4287, section 4287.123.
- Transfer and Assumption; RD Instruction 4287, section 4287.134.
- Default by Borrower; RD Instruction 4287-B, section 4287.145.
- Protective Advance; RD Instruction 4287, section 4287.156.
- Liquidation; RD Instruction 4287, section 4287.157(b) (A complete Liquidation Plan with all 13 points satisfactorily addressed must be submitted to the National Office).
- Abandonment of Collateral; RD Instruction 4287, section 4287.157(j).
- Disposition of Personal or Corporate Guarantees; RD Instruction 4287, Section 4287.157(k).
- Compromise Settlement; RD Instruction 4287, section 4287.157(l).
- Bankruptcy; RD Instruction 4287, section 4287.170.
- Final Report of Loss; RD Instruction 4287, section 4287.170(b) (3).
- Other (specify) _____

Lender recommendation (Attach Lender's Request):

(Brief summary of lender's recommendation.)

State Office analysis/recommendation of request: *(Explain why you feel the lender's recommendation is appropriate).*

Regional Attorney's Review Comments, if applicable:

National Office Loan Review Comments:

5. CREDIT QUALITY REVIEW:

FINANCIAL STATEMENTS USED IN CREDIT QUALITY REVIEW (Attach one of the following, Moody's Financial Analysis by State staff or Lender).

a. THE FINANCIAL ANALYSIS SUBMITTED TO THIS OFFICE SHOULD CONTAIN AT A MINIMUM, THE FOLLOWING:

| | <u>Borrower Ratio</u> | <u>Industry Average</u> |
|--------------------------------------------------|-----------------------|-------------------------|
| Current Ratio | _____ | _____ |
| Quick Ratio | _____ | _____ |
| Days Accounts Receivable Ratio | _____ | _____ |
| Days Inventory Ratio | _____ | _____ |
| Debt-to-Worth Ratio | _____ | _____ |
| Times-Interest-Earned Ratio | _____ | _____ |
| Debt Service Coverage Ratio | _____ | _____ |
| Return-on-Sales Ratio/ (or Net Profit Margin) | _____ | _____ |
| Return-on-Assets | _____ | _____ |
| Return-on-Equity Ratio | _____ | _____ |
| Working Capital: | _____ | _____ |

**State Office
Comments on Ratios Above:**

National Office Comments on Ratios Above:

b. LOAN COVENANT VIOLATIONS:

State Office Comments:

National Office Comments:

c. COLLATERAL:

Market and Liquidation Value of the Collateral:

| Collateral | Appraisal Date | Lien Position | Prior Lien Position Debt | Market Value | Liquidation Value |
|----------------------------|-----------------------|----------------------|---------------------------------|---------------------|--------------------------|
| Real Estate | | | | | |
| Equipment | | | | | |
| Accounts Receivable | | | | | |
| Inventory | | | | | |
| Other | | | | | |
| Other | | | | | |
| Other | | | | | |
| Total | | | | | |

State Office Comment on the Change in Collateral Value, if appropriate:

Approximate holding time of the collateral in a liquidation state: (discuss the reasons why the collateral is being held; i.e., location, economic conditions, specialization, etc.)

National Office Comments:

- d. FINANCIAL CONDITION OF PERSONAL GUARANTOR(S)**
(All guarantors that have not filed bankruptcy should be pursued to the fullest extent of the law, including deficiency judgment):

| <u>Name of Personal Guarantor(s)</u> | <u>Date of F/S</u> | <u>NW</u> | <u>OutsideNW</u> |
|--------------------------------------|--------------------|-----------|------------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

Action being taken against personal guarantors:

State Office Comments on Collectibility:

National Office Comments on Collectibility:

**6. RECOMMENDATION FROM STATE DIRECTOR, PROGRAM DIRECTOR,
AND STATE LOAN COMMITTEE MEMBERS:**

Approve

Disapprove

State Director, Date

Program Director, Date

STATE LOAN COMMITTEE MEMBERS:

| | | <u>Approve</u> | <u>Disapprove</u> |
|-------|-------|----------------|-------------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

**7. NATIONAL OFFICE LOAN SPECIALIST COMMENTS,
RECOMMENDATIONS, AND CONDITIONS:**

Reviewed by:

National Office Loan Specialist

Date

Attachments

NOEL COMMITTEE MINUTES and SIGN OFF SHEET
(Date of Committee Meeting)

Attendees:

| | |
|--------------------------------------------------------|---------------------|
| Administrator, RBS | John Rosso |
| Deputy Administrator, Business Programs | William F. Hagy III |
| Acting Deputy Administrator, Cooperative Services | Pandor Hadjy |
| Director, Business and Industry Division | Carolyn Parker |
| Director, Special Projects/Programs Oversight Division | Dwight Carmon |

PROJECT NAME: (Name of Borrower(s) and State Located)

CONDITIONS OF COMMITTEE:

GENERAL COMMENTS:

Action Taken: Approved () Denied () Deferred ()

CONCUR:

DENY:

Administrator, RBS

Administrator, RBS

Deputy Administrator, Business Programs

Deputy Administrator, Business Programs

Acting Deputy Admin., Cooperative Services
Services

Acting Deputy Admin., Cooperative

Director, Business and Industry Division

Director, Business and Industry Division

Director, Special Projects/Programs Oversight
Oversight

Director, Special Projects/Programs

Recommended by:

Recommended by:

LOAN SPECIALIST

LOAN SPECIALIST

January 16, 2004

SUBJECT: Training/Developmental Accreditation Program
for Business Programs Loan Specialist

TO: Rural Development State Directors

ATTN: Administrative Program Directors
Business Programs Directors

In an effort to provide training and development opportunities for Loan Specialists (GS-1165) who administer the day-to-day operations of Business Programs, the Rural Business-Cooperative Service (RBS) is working with the Human Resources Training Division (HRTD) to develop a standardized training/developmental accreditation program. The program will provide a systematic, competency-based approach to managing specialized training and developmental activities. Included are various forms of blended learning such as web-based training, self-development, Agency internal training, seminars, on-the-job training and courses offered by professional training organizations.

In order to assess the results of past training and identify targeted training needs in a new program, HRTD desires input from current specialists/technicians regarding: (1) the kinds of training they have had and its effectiveness; and (2) the kinds of training they believe would most effectively assist them in their current jobs and enhancing their careers. Accordingly, on or about March 31, 2004. HRTD will send a survey questionnaire (copy attached) to all Business Programs Directors, Loan Specialists and Loan Technicians. Participation in the survey is strictly voluntary. As described above, HRTD will use the results of the survey to make decisions in developing the accreditation program.

Furthermore, State Directors (or their designees) that oversee unionized states are asked to immediately forward a copy of the attached letter to the appropriate union representative informing them of the intent. Please replace the bracketed and italicized material in bold (fourth paragraph of the attachment), with the correct local information prior to forwarding the letter.

EXPIRATION DATE:
December 31, 2004

FILING INSTRUCTIONS:
Community/Business Programs

By implementing a standardized training/developmental accreditation program, RBS is demonstrating its commitment to building a skilled and proficient workforce. We solicit your support and participation in this exciting endeavor.

(Signed by Peter Thomas) for

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

(Signed by Sherie Hinton Henry)

SHERIE HINTON HENRY
Deputy Administrator
for Operations and Management

Attachment

TO: Union Representative

ATTN: State Directors, Rural Development

SUBJECT: Training/Developmental Accreditation Program
for Business Programs Loan Specialist

In an effort to provide training and development opportunities for Loan Specialists (GS-1165) and Loan Technicians (GS-1101) who administer the day-to-day operations of Business Programs, Rural Business Service (RBS) is working with the Human Resources Training Division (HRTD) to develop a standardized training/developmental accreditation program. The program will provide a systematic, competency-based approach to managing specialized training and developmental activities. Included are various forms of blended learning such as web-based training, self-development, Agency internal training, seminars, on-the-job, and courses offered by professional training organizations.

In order to assess the results of past training and identify targeted training needs in a new program, HRTD desires input from current specialists/technicians regarding: (1) the kinds of training they have had and its effectiveness; and (2) the kinds of training they believe would most effectively assist them in their current jobs and enhancing their careers. Accordingly, on or about March 31, 2004 HRTD will send a survey questionnaire (copy attached) to all Business Programs Directors, Loan Specialists, and Loan Technicians. Participation in the survey is strictly voluntary. As described above, HRTD will use the results of the survey to make decisions in developing the accreditation program.

By implementing a standardized training/developmental accreditation program, RBS is demonstrating its commitment to building a skilled and proficient workforce. We solicit your support and participation in this exciting endeavor.

Before implementing any training program which results from this effort, [*State Director input the following: "I" or "Employer" or use whatever name you typically use when referring to your state organization in correspondence with the union*] will notify [*State Director input the following: "you" or "the Union" or use whatever name you typically use when referring to the labor organization representing employees in your state*] so that you are thoroughly informed in advance.

Attachment

EXPIRATION:
November 30, 2004

FILING INSTRUCTION:
Community/Business Programs

KSA's Enhancement Opportunities...Please respond by <insert date>



As someone who works in the Loan Specialist career field or as someone who has an interest in doing so, your role is significant and especially valuable to the Agency's mission. Business and Industry and the Specialty Lenders Divisions wants to provide a standardized training and development program, for the various direct and guaranteed loan and grant programs, that will be used to enhance the level of skill among those in the Loan Specialist career field. Please take the time (about 20 minutes, maybe more) to carefully complete this questionnaire. The information YOU provide is extremely important in aiding in the development of training courses. Thank you, in advance, for your participation.

Business Programs
Training and Development Survey

4. What type of training would you like to have to better perform your current job or to advance your career in the Loan Specialist career field? (Mark **all** that apply)

Technical

- Accounting Principals
- Analyzing Collateral
- Analyzing Financial Statements
- Analyzing New and Existing Business
- Appraisal Review
- B&I General Orientation
- B&I Specialized Orientation
- Cash Flow Analysis
- Commercial Loan Documentation
- Commercial Loan Processing
- Commercial Loan Servicing
- Customer Service Orientation
- Financial Workout Strategies
- Fundamentals of Underwriting
- Loan Analysis
- Policy Meetings/Seminars
- Principles of Economics
- Review of various Loan Types

Business

- Business Process Reengineering
- Change Management
- Contract Management
- Cost/Benefit Analysis
- Financial Management
- Information Management
- Introduction to Supervision
- Organizational Awareness
- Organizational Needs Assessment
- Outcome Measures and Evaluations
- Production Management
- Project Management
- Strategic Management
- Systems Management
- Workforce Planning

Business Programs

Training and Development Survey

Professional

- Coaching & Mentoring
- Conflict Management
- Creative Thinking/Innovation
- Decision Making Skills
- Delegation Skills
- Integrity and Ethics
- Interpersonal (Skills) Relations
- Interviewing Techniques
- Negotiating Skills
- Political Savvy
- Presentation Skills
- Problem Solving
- Team Building
- Technology Application
- Written Communication
- Facilitation (Conducting Meetings)

Business Programs

Training and Development Survey

5. If Web-based training were available to you, would you take advantage of the opportunity?

- Yes
- Maybe
- No

6. Have you taken Web-based training courses before?

- Yes
- No

7. If Web-based training were available to you at your workstation, which of the following scenarios best describes what you encounter when attempting to access the Internet or intranet: (Mark only one)

- I have no problem accessing the Internet or Intranet at my workstation.
- I have had some problems accessing the Internet or Intranet at my workstation.
- I routinely experience a number of problems while attempting to connect to the Internet or Intranet from my workstation.

8. Which scenario best describes what you encounter when connecting to the Internet or Intranet:

- The connection speed and file downloading are usually fast and flawless.
- The connection speed and file downloading have been sluggish on a few occasions.
- The connection speed and file downloading are always slow.

Business Programs

Training and Development Survey

9. What type of Internet connection does your office have? (If necessary, consult with your System Administrator or IRM personnel)

T1 Connection

- Cable Modem
- DSL Modem
- Standard Phone Line
- ISDN

10. What type of web browsers are you currently using on the PC at your workstation?

- Netscape Navigator/Communicator
- Internet Explorer
- Netscape Navigator/Communicator and Internet Explorer
- Other:

11. With the assistance of your Systems Administrator, are you allowed to install plug-ins, such as Real One Player, Adobe Acrobat Reader, MPEG, Macromedia Shockwave, or Macromedia Flash at your workstation?

- Yes
- No
- Not Sure

General Comments/Suggestions:

**Respondent Demographics
(Complete all)**

Name:

Official Title:

Grade:

Office:
(Local, Area, or State)

City/County:

State:

Phone:

E-mail:

January 20, 2004

SUBJECT: Rural Business-Cooperative Service Success Stories / Best Practices

TO: State Directors, Rural Development

ATTN: Business Programs Directors

In preparation for the Fiscal Year 2005 Budget Hearings, we are requesting that you provide information on Business Programs projects that have either been obligated or closed, within the last 2 fiscal years, which illustrate the specific intent of the respective program. We need success stories for all Business Programs (i.e., Business and Industry Guaranteed Loan Program, Intermediary Relending Program, Rural Business Enterprise Grant Program, Rural Business Opportunity Grant Program, Rural Economic Development Loan Program, Rural Economic Development Grant Program, and Renewable Energy Systems/Energy Efficiency Improvements Program).

We are specifically interested in projects that have been obligated or closed within the Congressional Districts of the House Appropriation Subcommittee members and the States represented by the Senate Subcommittee members. Attached is the membership listing of the Senate and House 108th Congressional Subcommittees on Agriculture, Rural Development, and Related Agencies.

We are especially interested in projects that support the Administration/Departmental initiatives. Projects impacting the following initiative areas should be included: persistent poverty, out-migration, natural disasters, base closures, small and beginning farmers, value-added agriculture, biobased/bioenergy and other alternative energy, etc.

Even if your project is not used in the testimony, all submitted projects will be put on a special Rural Business-Cooperative Service web page (www.rurdev.usda.gov/rbs/bprac.htm) under the special section "Best Practices." Please include the following information:

EXPIRATION DATE:
January 31, 2004

FILING INSTRUCTIONS:
Community/Business Programs

Even if your project is not used in the testimony, all submitted projects will be put on a special Rural Business-Cooperative Service web page (www.rurdev.usda.gov/rbs/bprac.htm) under the special section "Best Practices." Please include the following information:

1. Name of Lender / Borrower / Grantee
2. Name of Project
3. City and State
4. Program and dollar amount of project and the date closed/obligated
5. Description of the project and how it illustrates the specific intent of the program, our mission area objectives, and Administration/Departmental initiatives
6. Congressional representation (senators and congresspersons)
7. If applicable, jobs created/saved and businesses assisted

Please provide this information **by close of business on Friday, January 30, 2004**, to the Office of the Deputy Administrator, Business Programs, Attn: Elsa De Leon (elsa.deleon@usda.gov).

Thank you in advance for your prompt attention to this request.

(Signed by William F. Hagy III)

WILLIAM F. HAGY III
Deputy Administrator
Business Programs

Attachment (1 page)

Sent by electronic mail on 01-20-04 @ 9:40 a.m. by DABP.

**108TH CONGRESSIONAL SUBCOMMITTEES ON
AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES**

SENATE:

| | |
|---------------------------|----------------------|
| UT: Robert Bennett (Chrm) | MS: Thad Cochran |
| CA: Dianne Feinstein | MO: Christopher Bond |
| IA: Tom Harkin | MT: Conrad Burns |
| ID: Larry E. Craig | ND: Byron Dorgan |
| IL: Richard J. Durbin | PA: Arlen Specter |
| KS: Sam Brownback | SD: Tim Johnson |
| KY: Mitch McConnell | WI: Herb Kohl |
| LA: Mary Landrieu | |

HOUSE:

| | |
|-------------------------|----------------------------|
| TX:Henry Bonilla (Chrm) | MO: Jo Ann Emerson |
| CA: Sam Farr | NY: Maurice D. Hinchey |
| CT: Rosa DeLauro | NY: James T. Walsh |
| FL: Allen Boyd | OH: Marcy Kaptur |
| GA: Jack Kingston | VA: Virgil H. Goode, Jr. |
| IL: Ray LaHood | WA: George Nethercutt, Jr. |
| IA: Tom Latham | |

January 22, 2004

SUBJECT: Rural Business-Cooperative Service
Civil Rights Program Compliance Questions and Answers

TO: State Directors, Rural Development

ATTN: Business Programs Directors and State Civil Rights Coordinators/Managers

We issued Administrative Notice (AN) Number 3876 (1901-E), Rural Business-Cooperative Service Civil Rights Program Compliance, dated June 24, 2003. Questions requesting clarification of this AN were submitted to the Rural Business-Cooperative Service (RBS) National Office, which forwarded them to the Office of Civil Rights (OCR). Attached is a copy of the RBS Questions and Answers prepared by OCR. You may make additional copies of the questions and answers as needed. If you have any questions, please contact Donnetta Rigney (202 720-9812 or by e-mail @ donnetta.rigney@usda.gov).

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

Attachment

Sent by hard copy by Special Projects/Programs Oversight Division

EXPIRATION DATE:
January 23, 2005

FILING INSTRUCTION:
Business/Community Programs

RBS Questions and Answers

1. What regulation requires the Rural Business Opportunity Grant (RBOG), the Rural Business Enterprise Grant (RBEG), the Rural Economic Development Loan and Grant (REDLG) and the Value-Added Development Grant (VADG) Programs to execute the Rural Development (RD) Form 400-4 "Assurance Agreement" by the beneficiaries of the various aforementioned grant programs?

Answer. RD Instruction 1901-E and USDA's regulations 7 CFR 15, 15a (education and training programs) and 15b. The civil rights requirements of the aforementioned Rural Business Programs are determined based on how the federal financial assistance is used. Borrowers or Grantees that receive federal funds and directly administer the program or activity are considered the recipient and are required to execute an Assurance Agreement. Borrowers or Grantees which receive federal financial assistance and then pass the assistance to another entity in the form of a loan or grant to provide the service or benefit are sub-recipients, and are required to sign an Assurance Agreement. An example of this is an RBEG used to provide technical assistance. The organization that is providing the training is the recipient, and is required to execute an Assurance Agreement, while the persons attending the training or receiving the assistance are the beneficiaries. Beneficiaries are not required to sign assurances agreements under any circumstances.

The Rural Business Specialist is responsible for analyzing the various programs and determining the extent to which the law applies. In the case of VADG, if research and technical assistance are the purposes of the funds used, then only the organization/entity directly receiving the funds is required to execute the Form 400-4.

2. Please clarify and provide examples for the Deed of Trust covenants required on page 4 of RD AN No.3876.

Answer. RD Instructions 1901-E, part 1901.202(e), states that each instrument of conveyance for loans subject to Title VI of the Civil Rights Act of 1964, as outlined in 1901.204, must contain the following covenant:

“The property described herein was obtained or improved through federal financial assistance. This property is subject to the provisions of Title VI of the Civil Rights Act of 1964 and Section 504 of the Rehabilitation Act of 1973, and the regulations issued pursuant thereto for so long as the property continues to be used for the same or similar purposes for which assistance was extended or for so long as the purchaser owns it, whichever is longer.”

The covenant passes along with the title to the purchaser of the property because the improvements or the construction was financed with federal funds. This is required to be placed in the Deed of Trust or other instruments of conveyance.

3. Please clarify the intent of the posters being displayed. Clarify they are displayed for the benefit of employees and the “public place” is an employee public area rather than a general public area (i.e. in a retail business).

Answer. The posters “And Justice For All” and “Equal Employment Opportunity is the Law” are a requirement of the law and RD Instruction 1901-E, part 1901.202(f). Their intent is to inform beneficiaries of programs that receive federal financial assistance of the recipients’ nondiscriminatory policies and where complaints of discrimination may be filed. In programs where the primary purpose is to create employment, the beneficiaries of the program include the employees of the business created. Thus, the “Equal Employment Opportunity is the Law” poster is to be displayed in conspicuous areas of employee use and places where the recipient conducts employee business (hiring, promotions, etc.) related to employment activities. However, the beneficiaries of the program also include the customers of the business created. Thus, the recipient business is prohibited from discriminating against its customers. To inform the customers of the nondiscrimination provisions and the right to file a complaint, the recipient must display the “And Justice for All” in a public place.

Please note that the nondiscrimination provision and the poster requirement do not mean that the businesses will be required to collect racial and ethnic data on their customers.

4. For existing intermediaries, please confirm they must begin requiring the RD 400-4 be executed for new loan recipient and will not be required to get existing borrowers to execute the form.

Answer. New and existing intermediaries are required to execute RD Form 400-4. Existing intermediaries at the time of the next compliance review who have not executed RD Form 400-4 are to be explained the purpose and requested to execute the form. This is also required of the ultimate recipient.

5. In conducting our compliance reviews, if an intermediary attempts to collect data from its borrowers, but is not successful in all cases, will the IRP be in noncompliance?

Answer: The Intermediary is required to provide documentation which shows compliance with Title VI and Section 504 of the Rehabilitation Act requirements. If the Intermediary has fulfilled its responsibility to provide notification to the Ultimate Recipients of their compliance requirements and this is documented, then only the Ultimate Recipient will be placed in noncompliance.

6. REDLG borrower/grantees are Rural Electric Cooperatives that have RUS electric loans. Are the RUS field representatives conducting compliance reviews for those loans that incorporate the REDLG project? Do they require the cooperative to collect from all their members?

Answer. Further guidance will be provided in the near future.

7. In the guide letter attached to the AN, please clarify the following:

-on page 3, items 6, 7, and 8 only apply to the intermediary and not to the business assisted unless the RLF financed the construction of the business.

Answer. No. Section 504 of the Rehabilitation Act applies to both the Intermediary and the Ultimate Recipient. With respect to architectural accessibility, the key distinction is between existing facilities and new construction. Section 504 requires that the program viewed in its entirety must be readily accessible by persons with disabilities. This does not necessarily mean that every part of an existing facility must be accessible. See 7 C.F.R. § 15b.18. The standards for new construction are higher and contain more requirements for physical accessibility.

8. Title VII and ADA do not apply to employers with less than 15 employees (from EEOC web site). How can we ask an ultimate recipient with less than 15 employees to execute the RD Form 400-4? Even if they sign, if the form says they will comply with the ACTS and the Acts don't require compliance what are they certifying to?

The laws you mention do not necessarily apply to programs or activities that provide federal financial assistance financed by RBS. The laws which RBS is required to enforce are associated with federal financial assistance. Title VI of the Civil Rights Act of 1964 and other assisted laws; such as Section 504 of the Rehabilitation Act of 1973, The Age Discrimination Act of 1975 and Title IX of the Education Amendments Act require that the Intermediary and the Ultimate Recipient sign an Assurance Agreement as a condition of obtaining loans, grants and other real property from the federal. Failure by an applicant to execute this agreement requires RBS to withhold funding until the document is signed. When the primary purpose of the program is to provide employment, then the Ultimate Recipient, regardless of its size, is prohibited from discriminating against its employees on the basis of race, color, national origin, or age, or sex, if the program is an education or training program.

9. Do the requirements outlined for collection of racial and ethnic data required under RD Form 400-4 pertain to all ultimate recipients or just ultimate recipients utilizing Federal funds?

Answer. On October 30, 2002, a memorandum was issued from the Office of the General Counsel Civil Rights Division concerning Rural Business Service program which stated "With respect to loans from RBS to the intermediary, the title VI obligations on both the intermediary and the ultimate recipient do not end once the Federal funds are fully advanced or after the loan is repaid. The assistance is considered on going as long as the Revolving Loan Fund is used for the original or similar purpose for which the assistance was intended."

10. The Covenant mentioned on page four of the AN will have serious implications to our Borrowers, both primary and ultimate recipients, and could potentially cloud the title to private property and thereby affect land values. It is not immediately clear why a covenant must be filed with all Deed of Trust. This would appear to be appropriate in situations where public property is financed with loan or grant funds, but not in cases where private property is financed with loan funds. No other Agency has a similar Covenant requirement to the Deed of Trust. Why is it necessary in the case of RBS loans involving real estate?

Answer. RD Instructions 1901.202 (e) requires that covenants be placed in instruments of conveyance. All RD programs which include RUS and RHS programs receiving federal financial assistance are required to have covenants in the loan instruments. See also, 7 C.F.R. § 15.4(a)(2). This regulation applies to all assisted programs that involve the conveyance of real property.

11. Will the RUS GFR continue to do Compliance Reviews for REDLG borrowers with RFL's as a result of this AN? Since the AN requires interaction with ultimate recipients, it may require RBS staff involvement.

Answer. Further guidance will be provided in the near future.

12. What kind of compliance reports will be required by the ultimate recipients? Is the AN referring to racial and ethnic data as compliance reports.

Answer. The data to be provided by the ultimate recipients include the race, national origin and sex (if the program involves education and training) of its employees.

13. The Civil Rights Staff issued a letter on December 18, 2001 regarding unclosed civil rights issues from the FY 2000 Management Control Review. Under Recommendation 2 of this letter, it required State RBS staffs to notify all ultimate recipients of their responsibilities under the Rehabilitation Act of 1973 and the Americans with Disabilities Act of 1990. It also further required that all recipients complete a self-evaluation and transition plan within 60 days. This was mentioned in the January 2002 RBS teleconference. The RBS National Office indicates that no action was required by the RBS staff until further guidance was provided by the Civil Rights Staff and/or National Office. Based on AN 3876, are we now required to complete the task listed in the Civil Rights staff letter of December 18, 2001? Is this correct?

Answer. Yes.

January 22, 2004

SUBJECT: Business and Industry Guaranteed Loan Program
Moody's Financial Analyst Software

TO: State Directors, Rural Development

ATTN: Business Programs Directors

Based on several inquiries from the field and National Office personnel, in an effort to improve financial analysis, provide uniformity, and minimize vulnerability in the Business and Industry (B&I) Guaranteed Loan Program, the Agency sought to contract the purchase of financial analysis software. This was a Rural Development mission area project and has been shared throughout the three Rural Development Agencies.

The Agency purchased Moody's Financial Analyst (MFA) software in response to suggestions from the field, the National Association of Credit Specialists, the National Association of Support Professionals, an Office of Inspector General audit, a General Accounting Office report, and OMB Circular A-129, all of which indicated a need for consistent credit and financial analyses. The MFA software package was chosen because of cost, compatibility with the U.S. Department of Agriculture Common Computing Environment, software updates, and technical support. The MFA package contains built-ins of industry standards used to complete peer comparisons. This feature reduces the time field staff needs to perform this task manually. MFA also insures accuracy in computing various financial ratios and provides detailed information about peer companies. Also, the software allows creation of database files that can be transferred via the internet, which supports the Agency's commitment to E-Government. These features are cost effective and provide for enhanced security when transferring documents between locations. Further review indicated a need for consistency in the commercial loan analysis process.

EXPIRATION DATE:
January 31, 2005

FILING INSTRUCTIONS:
Community/Business Programs

In addition, the MFA software has features that contribute to a strong credit analysis. The software contains industry standards necessary to complete peer comparisons, thereby, reducing the time to compile this information. These features are cost effective and enhance the security associated with transferring documents between locations.

The software was first used in the National Office during November 2002, and installation for field offices began in December 2002. However, various State Offices had difficulty with the installation; thus, this process took several months to implement. Once the software was available to the field, it was not clear how the software was being used or how well it was understood. To evaluate these parameters, an Unnumbered Letter dated August 8, 2003, was sent to the Rural Development field offices. The purpose of the Unnumbered Letter was to gather input from the field about their understanding and use of MFA software. The field staff was to answer a series of questions about how they used the software for loan applications and what benefits, if any, MFA provided. The field staff was asked to explain how MFA helped in their loan application analysis; how conclusions supplemented their evaluations; and would they have reached the same conclusions without MFA.

The majority of the responses indicated a need for further training. Some had used MFA extensively, some only occasionally, while others had never used the software. Those who used MFA at least once had mixed feelings. Some observed that MFA was helpful and supported their conclusions, while others felt that the input time was longer than the benefits derived. Some were appreciative of MFA's ability to perform a more in-depth analysis. A few respondents felt MFA was redundant because some lenders already submitted their analysis using this software.

Over the past 4 years, we have experienced an overall increase in program delinquency. The current delinquency rate, excluding bankruptcies, is 8.46 percent. Private lending institutions are unwilling to take any business risk without the comfort of a guarantee. Anticipation of new programs involving venture capital initiatives has become a priority of this administration. Finally, the Farm Security and Rural Development Investment Act of 2002 has delivered the opportunity to make larger loans, different types of energy loans, which is uncharted territory for the Agency. In addition, we have experienced a flood of requests for concurrence in workouts, and liquidations, as well as proposed reorganizations under the protection of the bankruptcy court. These requests support the need for sophisticated software as is currently used by the private sector. MFA provides the Agency with tools to better evaluate the available options without compromising the taxpayer's investment. MFA will enable servicing staff to more readily spot trends and take corrective actions to minimize and in some cases, avoid losses. Credit and management requires the ability to make timely, informed, accurate decisions.

With limited human resources, MFA has enabled National Office loan specialists to make better use of their time. When field staff submit loan applications or servicing actions supported by MFA, the National Office loan specialist is able to analyze a uniform package containing various financial ratios and to better substantiate their recommendations.

One of the goals of the program is to administer the B&I Guaranteed Loan Program consistently at all program levels. MFA provides a complete package of financial information including balance sheets and income statements. It computes all meaningful financial ratios and provides narrative output explaining in simple terms, sales growth, cash status, cashflow analysis, operating performance, profitability, liquidity, as well as positive and negative indicators. It provides a useful summary of industry values and peer group comparative ratios as well as a separate RiskCalc report.

The B&I program provides guarantees of commercial loans. The average loan is well over a million dollars. Thus, this effort supports the fact that the program is to bolster the existing private credit structure while making healthy investments of taxpayers' funds. Therefore, utilizing every tool available to justify the investment while minimizing losses.

MFA has already demonstrated its usefulness to staff in various applications. It was used successfully in an appeal, saving the Government a potential loss of \$5 million.

Using MFA helps to support the taxpayers' investments because it provides field staff with the ability to make sound financial analyses based on widely used criteria. It provides Loan Specialists involved with loan servicing issues the ability to identify loan repayment potential as well as supporting decisions to liquidate.

Finally, the results of the survey have helped to identify future training needs of our end users. We see meaningful benefits of a training investment because once field staff is trained to be proficient in using the software, the end results will be a healthier loan portfolio. In order for MFA to be successful, the field staff needs to be convinced that it is a useful and a time saving tool. Those who have used the software extensively found this to be true. Therefore, the Moody's on-line mentored training should be very receptive to their training needs. Staff must feel comfortable with inputting data. Only by practice will users achieve proficiency with the software. The Moody's on-line assistance will provide information and technique that is primarily geared to the infrequent user, which seems to be the majority of the field offices. For those offices already versed in MFA, the assistance will be more technical and user driven. All training will be applicable to what we do, processing and servicing a wide range and variety of loans. Once the training is completed, the end user will hopefully feel comfortable with using MFA and be able to appreciate its many features.

The Agency has a significant investment of money, resources, and time in the MFA product in response to the suggestions from field staff. As with anything new, there is a learning curve involved with the use of the software. We are encouraged by the comments from those who have used the software successfully and realized its potential use, and encourage those who have not to give the software a chance. We will send out information regarding the additional training on MFA in the near future.

If you have any questions, please contact the Business and Industry Division Processing Branch, (202) 690-4103.

(Signed by John Rosso)

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

January 27, 2004

SUBJECT: Interest Rate Changes for Housing Programs
and Credit Sales (Nonprogram)

TO: Rural Development State Directors,
Rural Development Managers,
and Community Development Managers

ATTN: Rural Housing Program Director

The following interest rates, effective February 1, 2004, are changed as follows:

| <u>Loan Type</u> | <u>Existing Rate</u> | <u>New Rate</u> |
|-------------------------|----------------------|-----------------|
| ALL LOAN TYPES | | |
| Treasury Judgement Rate | 1.350% | 1.280% |

The current rate shown above is as of the week ending December 26, 2003. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve web site for the weekly average 1-year CMT yield (www.federalreserve.gov/releases/h15/data/wf/tcm1y.txt).

RURAL HOUSING LOANS

| | | |
|-------------------------------------------|-------|-------|
| Rural Housing (RH) 502 Low or Moderate | 6.375 | 6.125 |
| Single Family Housing (SFH) Nonprogram | 6.875 | 6.625 |

EXPIRATION DATE:
February 29, 2004

FILING INSTRUCTIONS:
Administrative/Other Programs

| | | |
|-------------------------------------------------------|-------|-------|
| Rural Housing Site (RH-524), Non-Self-Help | 6.375 | 6.125 |
| Rural Rental Housing and Rural Cooperative Housing | 6.375 | 6.125 |

Please notify appropriate personnel of these rates.

(Signed by Arthur A. Garcia)

ARTHUR A. GARCIA
Administrator
Rural Housing Service

Sent by Electronic Mail on 01-29-04 at 7:00 a.m. by PAD.

January 28, 2004

SUBJECT: Business and Industry Guaranteed Loan Program
Regional Teleconferences

TO: State Directors, Rural Development

ATTN: Business Programs Directors

Based on comments received from the State Office staffs, we are establishing a process to conduct regional teleconferences to address program regulations and policy issues.

We anticipate that the regional teleconferences will advance the following goals:

- Identify best practices and methods to improve efficiency.
- Improve working relationship and communication between State Offices and National Office.
- Improve customer service.
- Enhance loan making and loan servicing.
- Address concerns with non-traditional lenders.
- Identify and discuss prudent lending practices.
- Establish a process to inform the State Offices of unique loan processing and servicing issues through the use of the Intranet.

Participants will be incorporated into the teleconference regions noted on the Attachment.

Each region will be notified as the teleconferences are scheduled. We anticipate having one per month, starting with the Northeast Region in February 2004 and preceding in the order noted on the Attachment.

EXPIRATION DATE:
January 31, 2005

FILING NSTRUCTIONS:
Community/Business Programs

Three weeks prior to the scheduled teleconference, the National Office will contact each State within the region via email to obtain best practices and program concerns within each of the following categories:

- Loan Processing
- Loan Servicing
- Policy
- Training

Based on the time restraint of each teleconference, State Offices will need to prioritize practices and concerns that are submitted to allow the National Office to address the concerns of highest priority.

Two weeks prior to the teleconference, each State Office within the identified region will need to submit responses via email. Email address information will be forwarded to each State Office when the National Office schedules the teleconference for the Region.

We are in the process of establishing an intranet site that will post information obtained from the teleconferences and thereafter address questions that are sent in from the field via email.

If you have any questions, please contact the Business and Industry Division, (202) 690-4103.

(Signed by John Rosso)

JOHN ROSSO
Administrator
Rural Business-Cooperative Service

Attachment

Attachment

Northeast

- Maine
- Vermont/New Hampshire
- Massachusetts/Connecticut/Rhode Island
- New York
- New Jersey
- Pennsylvania
- Maryland/Delaware
- Virginia

North Central

- Michigan
- Ohio
- Indiana
- Illinois
- Wisconsin
- Minnesota
- Nebraska
- North Dakota
- South Dakota
- Iowa

Northwest

- Washington
- Oregon
- Idaho
- Montana
- Wyoming
- Alaska

Southwest

- California
- Nevada
- Utah
- Arizona
- Colorado
- New Mexico
- Hawaii

South Central

- Kansas
- Missouri
- Arkansas
- Louisiana
- Oklahoma
- Texas

Southeast

- West Virginia
- Kentucky
- North Carolina
- South Carolina
- Tennessee
- Georgia
- Florida/Virgin Islands
- Alabama
- Puerto Rico
- Mississippi

January 29, 2004

SUBJECT: Awards

TO: All Rural Development National Office Employees

In accordance with the terms of Article 15 of the National Office collective bargaining agreement, listed are all National Office bargaining unit employees in Washington, D.C., who have received awards of any type during the past fiscal year. The award amounts have not been listed in accordance with the Privacy Act of 1974. The mission area is proud to share this information with its employees and thanks all of the award recipients for their hard work and dedication to the mission of Rural Development.

(Signed by William J. Fleming)

WILLIAM J. FLEMING
Assistant Administrator
for Human Resources

Attachment

Attachment not automated, please contact the Human Resources at (202) 692-0222 for a copy of the attachment.

EXPIRATION DATE:
March 31, 2004

FILING INSTRUCTIONS:
Administrative/Other Programs