USDA
Form FmHA 449-34
(Rev. 10-95)

LOAN NOTE GUARANTEE

Type of Loan: _____
Applicable 7 C.F.R. part 1980 subpart _____

State (1)	
County (2)	
Date of Note (3)	
Borrower (7)	Government Loan Identification Number (4)
Lender (8)	Lender's IRS ID Tax Number (5)
Lender's Address (8a)	Principal Amount of Loan (6)

The guaranteed portion of the loan is $ (11) which is (12) ((12a) %) percent of loan principal. The principal amount of loan is evidenced by (13) note(s) (includes bonds as appropriate) described below. The guaranteed portion of each note is indicated below. This instrument is attached to note (14) in the face amount of $ (14a) and is number (14b) of (14c).

LENDER'S IDENTIFYING NUMBER	*FACE AMOUNT* $	*PERCENT OF TOTAL FACE AMOUNT* %	*AMOUNT GUARANTEED* $
(15)	(16)	(17)	(18)
TOTAL	$ (16a) 100%		$ (18a)

In consideration of the making of the subject loan by the above named Lender, the United States of America, acting through the Consolidated Farm Service Agency, Rural Business and Cooperative Development Service, Rural Utilitities Service, or Rural Housing and Community Development Service (herein called "Government"), pursuant to the Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq), the Emergency Livestock Credit Act of 1974 (7 U.S.C. note preceding 1961 Pub. L. 93-357 as amended), the Emergency Agricultural Credit Adjustment Act of 1978 (7 U.S.C. note preceding 1921, Pub. L. 95-334), or Title V of the Housing Act of 1949 (42 U.S.C. 1471 et seq) does hereby agree that in accordance with and subject to the conditions and requirements herein, it will pay to:

A. Any Holder 100 percent of any loss sustained by such Holder on the guaranteed portion and on interest due (including any loan subsidy) on such portion and any capitalized interest on such portion resulting from the restructuring of a Guaranteed Farm Credit Program loans but not exceeding statutory loan limits.

B. The Lender the lesser of 1. or 2. below:

1. Any loss sustained by such Lender on the guaranteed portion including:
   a. Principal and interest indebtedness as evidenced by said note(s) or by assumption agreement(s), and
   b. Any loan subsidy due and owing, and
   c. Principal and interest indebtedness on secured protective advances for protection and preservation of collateral made with Government's authorization, including but not limited to, advances for taxes, annual assessments, any ground rents, and hazard or flood insurance premiums affecting the collateral, or
   d. and, Capitalized interest on such portion resulting from the restructuring of a Guaranteed Farm Credit Programs loans and not exceeding statutory loan limits, or
2. The guaranteed principal advanced to or assumed by the Borrower under said note(s) or assumption agreement(s) and any interest due (including any loan subsidy) thereon and any capitalized interest resulting from the restructuring of a Guaranteed Farm Credit Programs loans and not exceeding statutory loan limits.

If Government conducts the liquidation of the loan, loss occasioned to a Lender by accruing interest (including any loan subsidy) after the date Government accepts responsibility for liquidation will not be covered by this Loan Note Guarantee. If Lender conducts the liquidation of the loan accruing interest (including any loan subsidy) shall be covered by this Loan Note Guarantee to date of final settlement when the lender conducts the liquidation expeditiously in accordance with the liquidation plan approved by Government.

Used to guarantee fixed amount loans.

(see reverse)

PROCEDURE FOR PREPARATION : FmHA Instruction 1980-A.

PREPARED BY : Agency loan official.

NUMBER OF COPIES : * Original(s) and two copies.

SIGNATURES REQUIRED : *Agency approval official or as required in the above instructions.

DISTRIBUTION OF COPIES : * Original(s) attached to the lender's note(s) including unguaranteed note; copy(s) attached to lender's copy(s) of the note(s); copy(s) attached to copy(s) of the lender(s) note(s) and retained in County Office case file.

* THE METHOD OF COMPLETING THE FORM, NUMBER OF COPIES, AND DISTRIBUTION, VARIES WITH THE PROCESS FOR SALE OF THE LOAN(S). EXTREME CAUTION MUST BE EXERCISED IN ASSURING THE FORMS ARE COMPLETED PROPERLY.

GENERAL INSTRUCTIONS FOR PREPARATION

This form will be prepared in accordance with the method the lender(s) selects for structuring of the loans for sale or assignment. See Form FmHA 449-35, "Lender's Agreement," paragraph III.

(1) Insert name of state in which the guarantee is being processed.

(2) Insert name of county in which guarantee is being processed.

(3) Insert date of note.

(4) Insert Loan Identification Number, (same as borrower's case number).

(5) Insert lender's Internal Revenue Service identification number.

(6) Insert principal amount of entire guaranteed loan.

(7) Insert borrower's name.

(8) Insert lender's name

(9) Insert type of loan being guaranteed (i.e. EE, EL, B&I, SF-RH, CF, WW, etc.).

(10) Insert applicable instruction under which guarantee is being issued (Example: B&I would be 1980-F)

(11) Insert the amount in number six times the percent of guarantee and insert the result.

(12) Insert the appropriate percent being guaranteed in words.

(12a) Insert the appropriate percent being guaranteed in numerals.

(13) Insert the appropriate number of notes to be issued by the lender (include the unguaranteed note, if any) in accordance with the option the lender selects for sale or assignments of the guaranteed loan.

(14) Insert lender's identification number assigned to the note to which this Loan Note Guarantee is attached.

(14a) Insert the face amount of the note in numbers.

(14b) Insert the consecutive number of instruments issued for this loan. The number must be in sequence and begin with number (1).

(14c) Insert the total number of instruments issued on this loan.
EXAMPLE:

If one note for $50,000 is issued for one loan under the assignment procedure Item (14) would be 1: Item (14a) $50,000; Item (14b) one; Item (14c) one.

If two notes are to be issued, for example, one for the guaranteed portion of $90,000 and one for the unguaranteed portion of $10,000 under the multi-note option, the first Form FmHA 449-34 would read: Item (14) 1; (14a) $90,000; (14b) one; (14c) two.
The second Form FmHA 449-34 would read: Item 2; Item (14a) $10,000; (14b) two; (14c) two.

(15) Insert lender's own identification numbers for each note issued. If lender does not assign such a number use consecutive numbers, 1, 2, 3, 4, etc.

(16) Insert face amount of each note lender issues, including unguaranteed notes.

(16a) Insert total of Item (16) above.

(17) Insert percentage face amount Item (16) is of total face amount Item (16a).

(18) Insert amount of face amount of Item (16) which is guaranteed.

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Definition of Holder.

The Holder is the person or organization other than the Lender who holds all or part of the guaranteed portion of the loan with no servicing responsibilities. Holders are prohibited from obtaining any part(s) of the Guaranteed portion of the loan with proceeds from any obligation, the interest on which is excludable from income, under Section 103 of the Internal Revenue Code of 1954, as amended (IRC). When the Lender assigns a part(s) of the guaranteed loan to an assignee, the assignee becomes a Holder only when Form FmHA 449-36, "Assignment Guarantee Agreement," is used.

Definition of Lender.

The Lender is the person or organization making and servicing the loan which is guaranteed under the provisions of the applicable subpart of 7 C.F.R. part 1980. The Lender is also the party requesting a loan guarantee.

CONDITIONS OF GUARANTEE

1. Loan Servicing.

Lender will be responsible for servicing the entire loan, and Lender will remain mortgagee and/or secured party of record not withstanding the fact that another party may hold a portion of the loan. When multiple notes are used to evidence a loan, Lender will structure repayments as provided in the loan agreement. In the case of Farm Ownership, Soil and Water, or Operating Loans, the Lender agrees that if liquidation of the account becomes imminent, the Lender will consider the Borrower for an Interest Rate Buydown under Exhibit C of subpart B of 7 C.F.R., part 1980, and request a determination of the Borrower's eligibility by Government. The Lender may not initiate foreclosure action on the loan until 60 days after a determination has been made with respect to the eligibility of the Borrower to participate in the Interest Rate Buydown Program.

2. Priorities.

The entire loan will be secured by the same security with equal lien priority for the guaranteed and unguaranteed portions of the loan. The unguaranteed portion of the loan will not be paid first nor given any preference or priority over the guaranteed portion.

3. Full Faith and Credit.

The Loan Note Guarantee constitutes an obligation supported by the full faith and credit of the United States and is incontestable except for fraud or misrepresentation of which Lender or any Holder has actual knowledge at the time it became such Lender or Holder or which Lender or any Holder participates in or condones. If the note to which this is attached or relates provides for the payment of interest on interest, then this Loan Note Guarantee is void. However, in the case of the Farm Credit Programs loans, the capitalization of interest when restructuring loans will not void this Loan Note Guarantee. In addition, the Loan Note Guarantee will be unenforceable by Lender to the extent any loss is occasioned by the violation of usury laws, negligent servicing, or failure to obtain the required security regardless of the time at which Government acquires knowledge of the foregoing. Any losses occasioned will be unenforceable to the extent that loan funds are used for purposes other than those specifically approved by Government in its Conditional Commitment for Guarantee. Negligent servicing is defined as the failure to perform those services which a reasonably prudent lender would perform in servicing its own portfolio of loans that are not guaranteed. The term includes not only the concept of a failure to act but also not acting in a timely manner or acting in a manner contrary to the manner in which a reasonably prudent lender would act up to the time of loan maturity or until a final loss is paid.

4. Rights and Liabilities.

The guarantee and right to require purchase will be directly enforceable by Holder notwithstanding any fraud or misrepresentation by Lender or any unenforceability of this Loan Note Guarantee by Lender. Nothing contained herein will constitute any waiver by Government of any rights it possesses against the Lender. Lender will be liable for and will promptly pay to Government any payment made by Government to Holder which if such Lender had held the guaranteed portion of the loan, Government would not be required to make.

5. Payments.

Lender will receive all payments of principal, or interest, and any loan subsidy on account of the entire loan and will promptly remit to Holder(s) its pro rata share thereof determined according to its respective interest in the loan, less only Lender's servicing fee.

6. Protective Advances.

Protective advances made by Lender pursuant to the regulations will be guaranteed against a percentage of loss to the same extent as provided in this Loan Note Guarantee notwithstanding the guaranteed portion of the loan that is held by another.

7. Repurchase by Lender.

The Lender has the option to repurchase the unpaid guaranteed portion of the loan from the Holder(s) within 30 days of written demand by the Holder(s) when: (a) the borrower is in default not less than 60 days on principal or interest due on the loan or (b) the Lender has failed to remit to the Holder(s) its pro rata share of any payment made by the borrower or any loan subsidy within 30 days of its receipt thereof. The repurchase by the Lender will be for an amount equal to the unpaid guaranteed portion of principal and accrued interest (including any loan subsidy) less the Lender's servicing fee. The Loan Note Guarantee will not cover the note interest to the Holder on the guaranteed loan(s) accruing after 90 days from the date of the demand letter to the Lender requesting the repurchase. Holder(s) will concurrently send a copy of demand to Government. The Lender will accept an assignment without recourse from the Holder(s) upon repurchase. The Lender is encouraged to repurchase the loan to facilitate the accounting for funds, resolve the problem, and to permit the borrower to cure the default, where reasonable. The Lender will notify the Holder(s) and Government of its decision.

(18a) Insert total guaranteed amount which should equal Item (11).

EXAMPLE:

Multi-note option with 3 notes issued @ 90% guarantee on the principal loan amount of $1,000,000.

The guaranteed portion of the loan is $900,000 which is ninety (90%) percent of loan principal. The principal amount of loan is evidenced by three note(s) (includes binds as appropriate) described below. The guaranteed portion of each note is indicated below. This instrument is attached to note series A, ≠101 in thee face amount of $450,000 and and is numbers one of three.

LENDERS IDENTIFYING NUMBER	FACE AMOUNT	PERCENT OF FACE AMOUNT	AMOUNT GUARANTEED
Series A, ≠101	$ 450,000	45 %	$ 450,000
Series A, ≠102	450,000	45 %	450,000
Series A, ≠103	100,000	10 %	none
TOTAL	$ 1,000,000	100 %	$ 900,000

8. Government Purchase.

If Lender does not repurchase as provided by paragraph 7 hereof, Government will purchase from Holder the unpaid principal balance of the guaranteed portion together with accrued interest (including any loan subsidy) to date of repurchase less Lender's servicing fee, within thirty (30) days after written demand to Government from Holder. The Loan Note Guarantee will not cover the note interest to the Holder on the guaranteed loan(s) accruing after 90 days from the date of the original demand letter of the Holder to the Lender requesting the repurchase. Such demand will include a copy of the written demand made upon the Lender. The Holder(s) or its duly authorized agent will also include evidence of its right to require payment from Government. Such evidence will consist of either the original of the Loan Note Guarantee properly endorsed to Government or the original of the Assignment Guarantee Agreement properly assigned to Government without recourse including all rights, title, and interest in the loan. Government will be subrogated to all rights of Holder(s). The Holder(s) will include in its demand the amount due including unpaid principal, unpaid interest (including any loan subsidy) to date of demand and interest (including any loan subsidy) subsequently accruing from date of demand to proposed payment date. Unless otherwise agreed to by Government, such proposed payment will not be later than 30 days from the date of demand.

The Government will promptly notify the Lender of its receipt of the Holder(s)'s demand for payment. The Lender will promptly provide the Government with the information necessary for Government determination of the appropriate amount due the Holder(s). Any discrepancy between the amount claimed by the Holder(s) and the information submitted by the Lender must be resolved before payment will be approved. Government will notify both parties who must resolve the conflict before payment by Government will be approved. Such conflict will suspend the running of the 30 day payment requirement. Upon receipt of the appropriate information, Government will review the demand and submit it to the State Director for verification. After reviewing the demand the State Director will transmit the request to the Government Finance Office for issuance of the appropriate check. Upon issuance, the Finance Office will notify the office servicing the borrower and State Director and remit the check(s) to the Holder(s).

9. Lender's Obligations.

Lender consents to the purchase by Government and agrees to furnish on request by Government a current statement certified by an appropriate authorized officer of the Lender of the unpaid principal and interest then owed by Borrowers on the loan and the amount including any loan subsidy then owed to any Holder(s). Lender agrees that any purchase by Government does not change, alter or modify any of the Lender's obligations to Government arising from said loan or guarantee nor does it waive any of Government's rights against Lender, and that Government will have the right to set-off against Lender all rights inuring to Government as the Holder of this instrument against Government's obligation to Lender under the Loan Note Guarantee.

10. Repurchase by Lender for Servicing.

If, in the opinion of the Lender, repurchase of the guaranteed portion of the loan is necessary to adequately service the loan, the Holder will sell the portion of the loan to the Lender for an amount equal to the unpaid principal and interest (including any loan subsidy) on such portion less Lender's servicing fee. The Loan Note Guarantee will not cover the note interest to the Holder on the guaranteed loans accruing after 90 days from the date of the demand letter of the Lender or Government to the Holder(s) requesting the Holder(s) to tender their guaranteed portion(s).

a. The Lender will not repurchase from the Holder(s) for arbitrage purposes or other purposes to further its own financial gain.
b. Any repurchase will only be made after the Lender obtains Government written approval.
c. If the Lender does not repurchase the portion from the Holder(s), Government at its option may purchase such guaranteed portions for servicing purposes.

11. Custody of Unguaranteed Portion.

The Lender may retain, or sell the unguaranteed portion of the loan only through participation. Participation, as used in this instrument, means the sale of an interest in the loan wherein the Lender retains the note, collateral securing the note, and all responsibility for loan servicing and liquidation.

12. When Guarantee Terminates.

This Loan Note Guarantee will terminate automatically (a) upon full payment of the guaranteed loan; or (b) upon full payment of any loss obligation hereunder; or (c) upon written notice from the Lender to Government that the guarantee will terminate 30 days after the date of notice, provided the Lender holds all of the guaranteed portion and the Loan Note Guarantee(s) are returned to be cancelled by Government.

13. Settlement.

The amount due under this instrument will be determined and paid as provided in the applicable subpart of 7 C.F.R. part 1980 in effect on the date of this instrument.

14. Loan Subsidy.

*In addition to the interest rate of the note attached hereto, Government will pay a loan subsidy of (19) percent per year. Payments will be made annually.

15. Interest Capitalization.

In the case of Farm Credit Programs loans, the Lender/Holder(s) may capitalize interest only when the note is restructured. When delinquent interest is so treated as principal, the new principal amount may exceed the principal amount of the loan listed herein, but may not exceed statutory loan limits. The new principal amount and new guaranteed portion will be identified at restructuring in an addendum to this Loan Note Guarantee. Such capitalized interest will be covered by this loan Note Guarantee. References to "principal and interest" and "principal advanced" herein, therefore, shall include any capitalized interest on the guaranteed portion of the loan resulting from the restructuring of a Guaranteed Farm Credit Programs loans and not exceeding statutory loan limits.

(19) Insert appropriate percent of loan subsidy if applicable. If not, insert N/A.

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16. Notices.
All notices will be initiated through the Government (20)

for (21) (State) with mailing address at the day of this instrument:

(21a)

If not applicable delete paragraph prior to execution of this instrument.

UNITED STATES OF AMERICA

(insert applicable agency)

By: (22)

(24) *(Date)*

Title: (23)

Assumption Agreement by (25) dated (25), 19 __

Assumption Agreement by (25) dated (25), 19 __

(20) Appropriate office responsible for the loan (i.e., Wayne County Office, Norfolk District Office or Lincoln State Office).

(21) Same as Item (1).

(21a) **Insert address of office referred to in Item (20).**

(22) Signed by approval official.

(23) Insert title.

(24) Insert date signed.

(25) Insert name of assuming party and effective date of assumption upon concurrence by **applicable agency.**