



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2037 (1951)

January 11, 1990

SUBJECT: Recoverable Cost Charges for Farmer Programs Loans

TO: State Directors, District Directors and
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to emphasize FmHA Instruction 1951-A, Section 1951.14, and to provide guidance on selecting the particular account to which a recoverable cost item will be charged. The Office of Inspector General (OIG) has reported that certain recoverable cost items are being charged to the wrong note account and bear, in error, only a 1 percent rate of interest. The intended outcome is to assure the recoverable cost item is charged to the proper note account and that it will bear the proper interest rate.

COMPARISON WITH PREVIOUS AN:

There has been no previous AN issued on this subject.

IMPLEMENTATION RESPONSIBILITIES:

FmHA Instruction 1951-A, Section 1951.14, establishes the account to which a recoverable cost is charged. If the cost item relates to security for more than one type of account, the cost will be charged to the loan secured by the earliest promissory note. Recoverable cost charges will bear the interest rate of the note to which it is charged.

The Automated Data Processing System (ADPS) Manual provides guidance to field personnel for entering recoverable cost items and interest rates into the system. The manual states that the interest rate for a recoverable cost item cannot be less than 1 percent. Some personnel have interpreted this to mean that the recoverable cost item must bear a 1 percent

EXPIRATION DATE: December 31, 1990

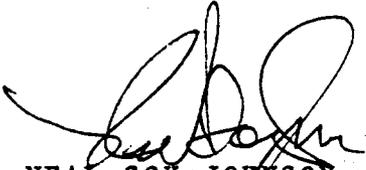
FILING INSTRUCTIONS
Preceding FmHA
Instruction 1951-A



Farmers Home Administration is an Equal Opportunity Lender.
Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

interest rate. This is NOT correct, recoverable cost items bear the interest rate of the promissory note to which it is charged. This AN supersedes any contrary provision which may be contained in FmHA's security instruments.

District Directors and Program Review Assistants (PRAs) are to review all recoverable cost charges incurred during Fiscal Year 1989, during their routine County Office visits. All discrepancies noted, will be reported to the State Director, who will work with the Finance Office to make corrections. State Directors will monitor District Office and PRA reports to assure compliance with this AN.



NEAL SOX JOHNSON
Acting Administrator

Sent Time Delay Option to State's at 4:30 pm on 1/11 ; to District at 9:30 am on 1/12 ; Counties at 11:30 am on 1/12 by ASD.