

For: State and County Offices

Administrative and Property Management Costs for DALRS

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

To determine eligibility for writedown, the Agency must:

- determine the net recovery of involuntary liquidation by calculating the value of secured and other property
- compare it with the value of the restructured loan.

State Offices shall conduct a cost analysis annually to determine the constants needed by servicing officials to calculate the net recovery value.

These costs are determined according to FmHA Instruction 1951-S, section 1951.909(f)(2), and Exhibit 1.

B Purpose

This notice provides State Offices with:

- the administrative liquidation costs for each loan type
- a worksheet for determining property management costs.

C Contact

If there are any questions about this notice, State Offices shall contact Michael Cumpton, LSPMD at 202-690-4014.

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| <p>Disposal Date</p> <p>September 1, 2002</p> | <p>Distribution</p> <p>State Offices; State Offices relay to County Offices</p> |
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2 Action

**A
Administrative
Liquidation
Costs**

The administrative liquidation costs for each loan type are provided in the following table. These constants are for DALR\$ Versions 4.2, 6.4, and 1.0.10.

| Loan Type | Calculation | Cost |
|--------------------------------|--|-------------|
| OL | $(2,277 \div 60 = 37.95) \times \$19.28 =$ | \$732.00 |
| FO/SW | $(2,277 \div 60 = 37.95) \times \$19.28 =$ | \$732.00 |
| EM/EE | $(2,277 \div 60 = 37.95) \times \$19.28 =$ | \$732.00 |
| RH (use for RHF loans only) | $(2,277 \div 60 = 37.95) \times \$19.28 =$ | \$732.00 |

Note: Costs were calculated using the FY 2001 Delphi (Delphi) study and the 2001 GS 11/1 pay rate.

**B
Determining
Property
Management
Costs**

Use Exhibit 1 to calculate the property management costs. The Delphi data standards for the calculation have been entered in Exhibit 1. The average actions per month have also been entered based upon a national average from the Delphi study for required actions per property.

Insert the average holding period for the State, according to FmHA Instruction 1951-S, Exhibit I, paragraph A(1). The average holding period will be the average number of months that suitable properties, which are not leased, are held in inventory.

Deduct the number of months these properties were leased or could not be sold because of litigation or environmental problems.

In States that have no suitable properties, or have a limited number (generally less than 5) of suitable properties for which the holding period is not representative, 4 months should be used (105 calendar days rounded up to months) to be consistent with the Federal Agriculture Improvement and Reform Act of 1996.

Continued on the next page

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2 Action (Continued)

C

**Farm Land
Advisory
Committee
(FLMAC)**

FLMAC will consist of:

- FSA, SED
- NRCS State conservationist
- extension specialist from a land grant university, if available, or other CSREES employee with knowledge of the farm real estate market.

Note: See FmHA Instruction 1951-S, Exhibit I, paragraph (A)(4).

Data obtained from EIP-51R and FSA-326 may be useful to FLMAC in determining the annual percentage of decrease or increase in land values.

D

**State Office
Supplement**

After completing the costs analysis, but no later than October 2, 2001, issue a State Office supplement providing servicing officials with the factors to use in adjusting current market value.
