



Farmers Home Administration

Washington D.C. 20250

Jan 24, 1994

FmHA AN No. 2746(1951) February 12, 1993

SUBJECT: Guidelines for Review of Complete 1951-S Applications, Writedowns, and Net Recovery Buyouts for Farmer Programs Borrowers under FmHA Instruction 1951-S

TO: State Directors, District Directors, and County Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance for reviewing complete applications for Primary and Preservation Loan Servicing, as well as writedown and net recovery buyout (NRB) actions provided for under FmHA Instruction 1951-S. This AN is intended to supplement the provisions of FmHA Instruction 1951-S for review and accuracy purposes. The AN does not supersede the requirements of FmHA Instruction 1951-S not included on the checklists.

COMPARISON WITH PREVIOUS AN:

The AN replaces AN No. 2685 dated November 9, 1992. The AN is being issued to:

- 1. Provide the correct date for use of Version 5.0 of DALRS. The date has been changed from April 30, 1990 to the correct date of April 30, 1992.
2. Eliminate the use of Form FmHA 1951-56, "Loan Deferral," which is obsolete.

EXPIRATION DATE: October 31, 1993

Filing Instructions Preceding FmHA Instruction 1951-S



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

IMPLEMENTATION RESPONSIBILITIES:

Attachment A should be used by County Offices when processing all requests for Primary and Preservation Loan Servicing under FmHA Instruction 1951-S. Once the transaction is completed, the checklist should become a part of the running case file record.

Attachments B-1 and B-2 should be used by State and County Offices to review debt servicing requests for writedown. Attachments C-1 and C-2 should be used by State and County Offices to review debt servicing requests for NRB. If the borrower has a combined debt of over \$1,000,000 or if the borrower is an entity, the entire case file will be reviewed by the State Director's designee before a writedown or NRB is approved. A notation will be made on the appropriate attachment that such a review was made. Upon completion, the checklist should be attached to and filed with the CALRS printout.

ANY REVISIONS OR MODIFICATIONS TO THIS AN THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE SUBMITTED AND APPROVED BY THE ASSISTANT ADMINISTRATOR OF FARMER PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH STATE LAW.

If you have any questions regarding this AN, contact Bruce K. Mair, Farmer Programs Loan Servicing and Property Management Division, at 690-4009.


SANDRA L. WEISMAN
Acting Administrator

Attachments

WRITEDOWN REVIEW CHECKLIST
FOR INFORMATION NEEDED
PRIOR TO STATE DIRECTOR APPROVAL

1.Eligibility determination as outlined under Section 1951.909(c) is recorded in case file running record. Documentation is included concerning \$300,000 limit requirement outlined under Section 1951.909(e)(4)(iii) of FmHA Instruction 1951-S.
2.Current, properly completed real estate and/or chattel appraisal(s) on all FmHA security.
3.Current, completed, automated FHP with the appropriate dates and signatures.
 - a. Nonfarm and other farm income has been verified and correctly entered on the FHP.
 - b. All debts and collateral have been verified and correctly entered on the FHP. Credit report(s) (obtained at FmHA expense) is/are included in the case file.
 - c. The projected income, expenses and production figures are based upon the borrowers documented 5-year history in accordance with Section 1924.57(d)(1) of FmHA Instruction 1924-B.
 - d. The unit commodity prices used on the FHP are documented and comply with Section 1924.57(c) of FmHA Instruction 1924-B.
4.Completed Credit and Financial Analysis Forms.
5.Forms FmHA 1962-1 and Security Agreements or Crop and Chattel Mortgages verifying whether all chattel security has been properly accounted for.

6.DL Screen with the same effective date as the date of restructure.

7.Correct version of DALR\$ (Version 5.0 for all applications received after April 30, 1992, Version 4.2 for all other applications), signed and dated by the County Supervisor. The effective date on DALR\$ should be the date of restructure.

.... a. The correct interest rates (original and present), terms, and unpaid principle and interest figures for all FmHA debts were entered into DALR\$.

.... b. The correct constants for net recovery value were used in DALR\$.

.... c. "Balance Available" and "Payments on Non-FmHA Debt" in DALR\$ correspond to the figures from Tables J and K of the FHP.

.... d. The projected loans on the FHP have been correctly entered into DALR\$.

.... e. The value of the borrower's assets as documented by appraisals have been correctly entered into DALR\$.

.... f. Prior liens and amounts of prior liens have been verified and correctly entered into DALR\$.

.... g. For all applications received on or after November 28, 1990, the value of nonessential assets and unreleased security as properly documented has been correctly entered into DALR\$.

8.Compact Borrower History Report.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

County Supervisor Date State Director Designee Date

ENTITY OR MILLION DOLLAR BORROWER CERTIFICATION:

I certify that I have made a thorough review of the borrower's case files. I found no reason why the borrower would not be eligible for the writedown of FmHA debt documented above.

State Director Designee Date

Comments:

8.Compact Borrower History Report.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

County Supervisor Date State Director Designee Date

ENTITY OR MILLION DOLLAR BORROWER CERTIFICATION:

I certify that I have made a thorough review of the borrower's case files. I found no reason why the borrower would not be eligible for the writedown of FmHA debt documented above.

State Director Designee Date

Comments:

ATTACHMENT B-2

WRITEDOWN REVIEW CHECKLIST
POST-STATE DIRECTOR APPROVAL

1.Exhibit F to FmHA Instruction 1951-S and Attachment 1 or 2 of Exhibit F to FmHA Instruction 1951-S. (Attachment 2 will be used for all applications received on or after November 28, 1990.)
2.Exhibit D to FmHA Instruction 1951-S, "Shared Appreciation Agreement," if loan(s) secured by real estate.
3.Form(s) FmHA 1940-17, "Promissory Note."
4.Form FmHA 427-1 (State), "Real Estate Mortgage," or "Deed of Trust," if applicable.
5.For all applications received on or after November 28, 1990, a lien was taken on other assets as required under Section 1951.910(b) of FmHA Instruction 1951-S.
6.ADPS Transactions:
 - a. 5H, "Remove Descriptive Codes" (if applicable).
 - b. 1M, "Reschedule/Reamortize, Consolidation."
 - c. 3R, "Shared Appreciation Writedown," (if applicable).
 - d. 5W, "Record Loan Deferral," (if applicable).
 - e. 5G, "Establish Descriptive Code," (for deferral if applicable).
7.Complete Borrower History Report.
8.Original (old) Promissory Note(s) marked, "Rescheduled or Reamortized with Writedown Debt," and stapled to the new Note(s).

9.Form FmHA 1905-1, "Management System Card," updated for 24-month review of County Records.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

County Supervisor Date

ATTACHMENT C-1

NET RECOVERY BUYOUT REVIEW CHECKLIST
FOR INFORMATION NEEDED
PRIOR TO STATE DIRECTOR APPROVAL

1.Eligibility determination as outlined under Section 1951.909(c) is recorded in case file running record. Documentation is included concerning \$300,000 limit requirements outlined under Section 1951.909(h)(4)(iv) of FmHA Instruction 1951-S.
2.Exhibit E to FmHA Instruction 1951-S with Attachment 1 or 2 of Exhibit E to FmHA Instruction 1951-S. (Attachment 2 to be used for all applications submitted on or after November 28, 1990.)
3.Current, properly completed real estate and/or chattel appraisal(s) on all FmHA security.
4.Current, completed, automated FHP with the appropriate dates and signatures.
 - a. Nonfarm and other farm income has been verified and correctly entered on the FHP.
 - b. All debts and collateral have been verified and correctly entered on the FHP. Credit report(s) (obtained at FmHA expense) is/are included in the case file.
 - c. The projected income, expenses and production figures are based upon the borrower's documented 5-year history in accordance with Section 1924.57(d)(1) of FmHA Instruction 1924-B.
 - d. The unit commodity prices used on the FHP are documented and comply with Section 1924.57(c) of FmHA Instruction 1924-B.
5.Completed Credit and Financial Analysis Forms.
6.Form FmHA 1962-1 and Security Agreements or Crop and Chattel Mortgages verifying whether all chattel security has been properly accounted for.

7.DL Screen with the same effective date as the date of restructure.
8.Correct version of DALR\$ (Version 5.0 for all applications received after April 30, 1992, Version 4.2 for all other applications), signed and dated by the County Supervisor. The effective date on DALR\$ should be the date of restructure.
 - a. The correct interest rates (original and present), terms, and unpaid principle and interest figures for all FmHA debts were entered into DALR\$.
 - b. The correct constants for net recovery value were used in DALR\$.
 - c. "Balance Available" and "Payments on Non-FmHA Debt" in DALR\$ correspond to the figures from Tables J and K of the FHP.
 - d. The projected loans on the FHP have been correctly entered into DALR\$.
 - e. The value of the borrower's assets as documented by appraisals have been correctly entered into DALR\$.
 - f. Prior liens and amounts of prior liens have been verified and correctly entered into DALR\$.

.... g. For all applications received on or after November 28, 1990, the value of nonessential assets and unreleased security as properly documented has been entered correctly into DALR\$.

9.Compact Borrower History Report.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

County Supervisor Date State Director Designee Date

ENTITY OR MILLION DOLLAR BORROWER CERTIFICATION:

I certify that I have made a thorough review of the borrower's case files. I found no reason why the borrower would not be eligible for the Net Recovery Buyout documented above.

State Director Designee Date

Comments:

NET RECOVERY BUYOUT REVIEW CHECKLIST
POST-STATE DIRECTOR APPROVAL

1.Attachment 5 or 5-A and Attachment 6 or 6-A of Exhibit A to FmHA Instruction 1951-S. (Attachments 5-A and 6-A to be used for all applications submitted on or after November 28, 1990.)
2.Form FmHA 451-2, "Schedule of Remittance."
3.Exhibit C or C-1 to FmHA Instruction 1951-S, "Net Recovery Buyout Recapture Agreement," if real estate is involved. (Exhibit C-1 to be used for all applications received on or after November 28, 1990.)
4.Form FmHA 427-1 (State), "Real Estate Mortgage," or "Deed of Trust," if real estate is involved. Best lien obtainable should be taken and old security instruments released.
5.ADPS Transaction 3Q, "Net Recovery Buyout."
6.Complete Borrower History Report.
7.Form 1905-1, "Management System Card," updated for 24-month review of County Records.

I certify that I have made a thorough review of the above material and have found it to be complete and accurate. Documentation to support my findings is included in the case file.

County Supervisor Date