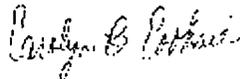


For: State and County Offices

Using DALRS for Implementing the
Federal Agriculture Improvement and Reform Act of 1996 (1996 Act)

Approved by: Deputy Administrator, Farm Credit Programs



1 Overview

A

Background

DALRS Version 4.2:

- has not been modified to include the debt service margin mandated by the 1996 Act when considering primary loan servicing options
- is only used to consider primary loan servicing actions from borrowers who submitted a complete application for primary loan servicing options before November 28, 1990.

DALRS Version 6.1 has been modified to properly calculate primary loan servicing options according to the 1996 Act. However, there are certain limitations to the calculations.

B

Purpose

This notice provides special instructions for using:

- DALRS Version 4.2 when processing primary loan servicing applications from borrowers' applications that were received before November 28, 1990
- DALRS Version 6.1.

C

Contact

State Offices shall contact Don Howard, PDEED, through the Area Office for implementation procedures.

Disposal Date

November 1, 1997

Distribution

State Offices; State Offices relay to County Offices

Notice FC-85

2 Action

**A
Using DALRS
Version 6.1**

Follow this table when using DALRS Version 6.1.

Servicing Action	Situation	Corrective Action
<p>Buyout at Market Value Less Prior Liens.</p> <p>DALRS calculates the buyout amount deducting the cumulative total of all prior liens from the cumulative total market value for all properties entered.</p>	<p>If the prior lien amount for a specific property is more than the market value for the property, DALRS deducts the excess property debt from the market value of other FSA security property not effected by the same prior lien.</p>	<p>When the prior lien debt is greater than the market value to the property, the amount of the prior lien should be entered as the same amount as the market value of the property. Beside or under the prior lien name, type the actual prior lien debt for information only.</p> <p>All buyouts should be reviewed by SED before approval.</p>
<p>Borrower Not Eligible for Buyout at Market Value Less Prior Liens.</p>	<p>If the amount of the debt writeoff through a buyout exceeds the \$300,000 debt writedown and writeoff limitation, the borrower is determined ineligible for the buyout. The amount of the debt to be written off is calculated incorrectly. DALRS calculates the debt writeoff based on the difference between the total FSA debt minus the total net recovery value.</p>	<p>Hold the borrower's primary loan servicing application until a fix to DALRS 6.1 is released. The updated version is expected to be released within 30 calendar days.</p> <p>Contact the National Office if the Agency's 90-calendar-day statutory deadline will be missed using this corrective action.</p>

Note: The 90-calendar-day statutory deadline refers to 1951-S servicing requirements.

Continued on the next page

Notice FC-85

2 Action (Continued)

A
Using DALR\$
Version 6.1
(Continued)

Servicing Action	Situation		Corrective Action
Financial Distressed Borrower.	When fund codes that do not have a limited resource interest rate are entered in DALR\$ with a servicing action code of "S", DALR\$ will reduce the interest rate of the loan to zero. The following loan types will be affected.		Do not use the "S" servicing action code for nondelinquent, financially distressed borrowers when a 29, 36, 43, 47, or 48 fund code is involved. Enter the "D" servicing action code instead of the "S" servicing action code. Note: "D" is for delinquent loan codes. "S" is for servicing requested codes. DALR\$ may calculate a debt writedown since the borrower's servicing action code was changed to "D". Each DALR\$ should be reviewed closely. If DALR\$ offers the borrower a writedown, the borrower's application should be held until a new DALR\$ release is issued. An updated version is expected to be released within 30 calendar days. Contact the National Office if the Agency's 90-calendar-day statutory deadline will be missed using this corrective action.
	Fund Code	Loan Type	
	29	Economic Emergency	
	36	Rural Housing	
	43	Emergency	
	46	Rural Housing	
	47	Rural Housing	
	48	Recreation	

Continued on the next page

Notice FC-85

2 Action (Continued)

B

Using DALRS
Version 4.2

Follow this table when using DALRS Version 4.2 for primary loan servicing applications received before November 28, 1990.

Servicing Action	Situation	Action
<p>Determining if a feasible plan can be found on cases where the DALRS was approved after July 3, 1996. (Nonappeal Cases)</p>	<p>The margin of not more than 110 percent to family living expenses, total farm operating expenses, and debt obligation payments has not been installed in DALRS Version 4.2, but is a requirement for all cases initially approved after July 3, 1996.</p>	<p>Exhibit 1 should be used to properly calculate the debt servicing margin.</p> <p>Enter the new adjusted balance available into the Basic Borrower Information Screen at the "Adjusted Balance Available" field, starting with a 10 percent margin.</p> <p>Run DALRS Version 4.2 to determine if a feasible plan can be found. If not, change the balance available to 9 percent margin and further down, if necessary, to see if a feasible plan is found.</p>
<p>Determining if a feasible plan can be found on cases initially approved on or before July 3, 1996. (Appeal Cases)</p>	<p>Offices are required by the hearing officer to rerun DALRS Version 4.2, based on previous information submitted and modified by the hearing officer.</p>	<p>Rerun DALRS Version 4.2 without the 1996 Act changes based on the hearing officer's decision. The 110 percent debt margin requirement only applies to cases initially approved after July 3, 1996.</p>

Adjusted Balance Available Margin Calculations Worksheet for DALRS Version 4.2

Calculate Adjusted Balance Available:

Balance Available From Table J, item 16: \$ _____

Plus: Total Farm Operating Expenses From Table G: + \$ _____

Minus: Operating Interest Expense From Table G: - \$ _____

Plus: Total Family Living Expense From Table F: \$ _____

Adjusted Balance Available: \$ _____

Calculate Adjusted Balance Available With a Margin:
(Multiply the Adjusted Balance Available by the Margin Percentage)

		Margin Percentage	Adjusted Balance Available With a Margin
Adjusted Balance Available: \$ _____	X	1.10	\$ _____
	X	1.09	\$ _____
	X	1.08	\$ _____
	X	1.07	\$ _____
	X	1.06	\$ _____
	X	1.05	\$ _____
	X	1.04	\$ _____
	X	1.03	\$ _____
	X	1.02	\$ _____
	X	1.01	\$ _____
