



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

89 JUN -5 AM 9:28

FmHA AN No. 1929 (1951)

May 18, 1989

SUBJECT: Guideline for the Review of Write-down and Buy  
Out Under FmHA Instruction 1951-S

TO: State Directors, District Directors and  
County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Farmers Home Administration (FmHA) Administrative Notice (AN) is to provide guidance for reviewing write-down and buy out under FmHA Instruction 1951-S. The intended outcome is to ensure that these servicing actions are thoroughly reviewed by the State Director in order to reduce the large number of processing errors that have been found by the Office of the Inspector General (OIG).

COMPARISON WITH PREVIOUS AN:

No previous AN has been written on this subject.

IMPLEMENTATION RESPONSIBILITIES:

The attached checklist should be used by State Directors to review debt restructuring requests for write-down and/or buy out. State Directors may supplement this checklist to meet any special needs or requirements as a result of state laws or unique farming enterprises or conditions. If you are using a checklist, it should contain as a minimum, the items on the attached checklist.

*Michael C. Wilkins*

*for* NEAL SOX JOHNSON  
Acting Administrator

Attachment

EXPIRATION DATE: December 31, 1989

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

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Sent by ASD 11:30 Am to States; 1:30 Pm to Districts; 3:30 Pm  
to Counties; 5/22/89 by time option telemail. State  
Directors will immediately distribute to Farmer Programs  
Chiefs and other appropriate personnel.

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ATTACHMENT

CHECKLIST FOR REVIEWING WRITE-DOWN AND BUY-OUT

1. Check that the correct version of DALR\$ was used.
2. Check that real estate and chattel appraisals are current and have been fully completed.
3. Compare the present market value and capitalization value. If there is more than a 5 percent difference, verify that both values have been arrived at properly.
4. Check the amount and the verification of off-farm income.
5. Check all basic borrower information in the DALR\$ program by reviewing the Farm and Home Plan and the application.
6. Review the personal financial statements of all individuals who signed the promissory notes as required in Section 1951.907(h)(1) of FmHA Instruction 1951-S if the borrower is a corporation, cooperative, partnership or joint operation.
7. Check that the unpaid loan balances on all secured debts have been verified.
8. Review the borrower's projected income, expenses and production to see if they are based upon actual production and financial history for the past 5 years.
9. Check to see if an analysis was completed last year.
10. Review the unit commodity prices used in the farm plan to determine if they comply with the annual unit prices published by the State Office.
11. Check that the present value of the restructured loan is at least equal to or greater than the net recovery value of the security.
12. Check that all of the loans and projected loans have been entered in DALR\$.
13. Check that the correct rates and terms were input into DALR\$ for each promissory note.

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\_\_\_ 14. Check that the correct unpaid principal and interest figures were entered into DALR\$ on all FmHA notes.

\_\_\_ 15. Check that the interest rate is correct for each loan that is restructured.

\_\_\_ 16. Review Form FmHA 1962-1, the Security Agreements and Financial Statements to verify that the chattel security has been properly accounted for.

\_\_\_ 17. Check that the new real estate mortgages or Deeds of Trust secure the shared appreciation agreements and net recovery buyout recapture agreements.