



United States
Department of
Agriculture

Farmers
Home
Administration

1520 Market Street
St. Louis, Missouri
63103

FmHA AN No. 1934(1951)

June 7, 1989

SUBJECT: Agricultural Credit Act of 1987 - Finance Office
Interim Transaction Processing Guidance

TO: State Directors, District Directors,
and County Supervisors

ATTN: Farmer Program Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide interim transaction processing guidance for the Agricultural Credit (AG) Act of 1987.

COMPARISON WITH PREVIOUS AN:

This AN supplements FmHA AN No. 1809 (1951), Agricultural Credit Act of 1987 - Interim Transaction Processing Guidance, dated October 14, 1988.

IMPLEMENTATION RESPONSIBILITIES:

Software for processing loan servicing actions for the AG Act of 1987 will be implemented over the next 6 to 9 months. This AN and AN No. 1809 (1951) should be followed until the software changes are implemented. A 1951-S operational file should already have been established for each borrower being serviced under the AG Act of 1987 provisions. Included in the 1951-S operational file should be servicing information computed from the Debt and Loan Restructuring System (DALR\$) software. The information relative to debt restructuring was to be recorded on Exhibit B, Noncash Credit for Farmer Program Loan When Establishing Recapture Receivable, of FmHA Instruction 1951-S, Farmer Program Account Servicing Policies.

However, the current Exhibit B does not contain the necessary data fields to record all the required servicing information and will be eliminated in the final rule implementing the Agricultural Credit Act of 1987.

EXPIRATION DATE: ~~September 30, 1989~~

*11-30-87
extended by
AN 1987*

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-S



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Complaints of Discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

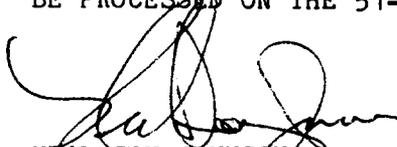
The following attachments replace Exhibit B of FmHA Instruction 1951-S and must be used for collecting the required data. Attachment 1, Noncash Credit for Farmer Program Loans Shared Appreciation - Writedown, will be used in conjunction with Exhibit D, Shared Appreciation Agreement, of FmHA Instruction 1951-S. Attachment 2, Noncash Credit for Farmer Program Loans Net Recovery Buyout, will be used in conjunction with Exhibit C, Net Recovery Buy Out Recapture Agreement, of FmHA Instruction 1951-S. Attachment 3, Noncash Credit for Farmer Program Loans Single Family Housing Equity Recapture, will be used in conjunction with Exhibit D, Equity Recapture Agreement, of FmHA Instruction 1965-A, Servicing of Real Estate Security for Farmer Program Loans and Certain Note-Only Cases. Information on Exhibit B should be transferred to the related attachments to include completion of any new data fields on the attachments.

All input transaction forms related to the above-referenced debt restructuring agreements should be filed in the 1951-S pending operational file. When software for these debt restructuring agreements is implemented, further guidance will be provided to process the related input transaction forms via the Automated Discrepancy Processing System.

Additional servicing guidance relative to borrowers being serviced in accordance with AG Act provisions include:

- o Payment application processing guidelines as set forth in AN No. 1809 and Fiscal Year 1989 Telemail Issue No. 7, subject: Payment Applications for Farmer Program Loans in Association With DALR\$, dated February 21, 1989, should be followed. Monies collected for Net Recovery Buyout Agreements should be processed as normal collections in accordance with the above-referenced guidelines.
- o Protective advances should be processed through the National Finance Center in New Orleans, Louisiana, in accordance with FmHA Instructions 2024-A, Acquisition, Sales, and Leasing Authority, and 2024-P, Cost Payments. For those borrower accounts that have a 51-S pending flag, the vouchers will reject as discrepancies and will be held for update to the accounting system until AG Act software is implemented. If a discrepancy must be processed before restructuring related loans, remove the 51-S flag, process the cost voucher discrepancy, and reestablish the 51-S flag. Obtain new status information from the account information (AI) screen for input into DALR\$.

There should be no delays in providing servicing of farmer program borrowers under FmHA Instruction 1951-S. HOWEVER, EXCEPT AS IN THIS AN AND AN NO. 1809 (1951), NO AUTOMATED ACCOUNTING SYSTEM SERVICING ACTIONS SHOULD BE PROCESSED ON THE 51-S FLAGGED ACCOUNTS UNTIL FURTHER NOTICE.



NEAL SOX JOHNSON
Acting Administrator

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Attachment 3
Page 2 of 3

INSTRUCTIONS FOR PREPARATION
SINGLE FAMILY HOUSING (SFH) EQUITY RECAPTURE

In accordance with FmHA Instruction 1965-A, Servicing of Real Estate Security for Farmer Program Loans and Certain Note-Only Cases, we have granted this borrower a noncash credit for the farmer program loan(s). In consideration for this noncash credit, an equity receivable account will be established in accordance with Exhibit D, Equity Recapture Agreement, of FmHA Instruction 1965-A. This transaction is limited to 25 loans on input. If more than 25 loans are being written down, send completed input forms to the Finance Office for processing.

1. Enter the borrower's case number.
2. Enter the borrower's name.
3. Enter OK Code. Enter 4 for a subsequent SFH equity recapture, a 5 to remove suspend code 2, or leave blank.
4. Prefilled - 2. SFH Equity Recapture.
5. Enter the total debt for SFH nonfarm tract loans as reflected on the account information screen(s) as of the date the equity recapture agreement was signed.
6. Enter the appraised value of the SFH property as reflected on Form FmHA 1922-8, Uniform Residential Appraisal Report. Round up to whole dollars.
7. Enter the amount of writedown. Item 6 less item 5 (enter the amount in dollars and cents).
8. Enter the effective date of the equity recapture agreement.
9. Enter the fund code and loan number of the loan(s) being written down. The loans should be entered in descending order starting with loan with the least amount of security. If more than 12 loans are to receive a writedown, use the supplement.

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NUMBER OF COPIES: Original Only
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INSTRUCTIONS FOR PREPARATION
NET RECOVERY BUYOUT

In accordance with FmHA Instruction 1951-S, Farmer Program Account Servicing Policies, we have granted this borrower a noncash credit for the farmer program loan(s). In consideration for this noncash credit, an equity receivable account will be established in accordance with Exhibit C, Net Recovery Buy Out Recapture Agreement, of FmHA Instruction 1951-S. This transaction is limited to 25 loans on input. If more than 25 loans are being written down, send completed input forms to the Finance Office for processing.

1. Enter the borrower's case number.
2. Enter the borrower's name.
3. Prefilled - 1. Net Recovery Buyout.
4. Enter the net worth of the borrower from the Farm and Home Plan used with DALR\$. If negative insert a minus sign (-) in front of the first number. Round up to whole dollars.
5. Enter the appraised value as input into DALR\$ when the plan was established ("Fair Market Value" data field on the Net Recovery Buy Out Recapture Agreement). Round up to whole dollars.
6. Enter the net recovery value as input into DALR\$ when the plan was established ("Net Recovery Value" data field on the Net Recovery Buy Out Recapture Agreement). Round up to whole dollars.
7. Enter the sum of the amounts of debt writedown (from DALR\$) for all loans secured by real estate. The Potential Recapture Amount is the lesser of 1) the difference between Market Value and Net Recovery Value, or 2) the Amount of Debt Writedown Secured-RE. Enter the amount in dollars and cents.
8. Enter the sum of the amounts of debt writedown (from DALR\$) for all loans not secured by real estate.
9. Enter the date of the Net Recovery Buy Out Recapture Agreement.
10. Enter the fund code, loan number, and subject to recapture for each farmer program loan being written down. The loans should be entered in descending order starting with the loan with the least amount of security. If more than 12 loans are to receive a writedown, use the supplement.
 - A. FUND CODE - The fund code of the loan to be written down - from DALR\$, Page 1.
 - B. LOAN NUMBER - The loan number of the loan to be written down - from DALR\$, page 1.
 - C. SUBJECT TO RECAPTURE - Enter Y (Yes) if loan is secured by real estate. Enter N (No) if loan is not secured by real estate. A loan secured by real estate is subject to recapture.

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NONCASH CREDIT FOR FARMER PROGRAM LOANS
NET RECOVERY BUYOUT

SUPPLEMENT

CASE NUMBER | | 0 | | 0 | | | | | | | | | | | | | |

ENTER FUND CODE, LOAN NUMBER, AND SUBJECT TO RECAPTURE FOR EACH FARMER PROGRAM LOAN BEING WRITTEN DOWN.

FUND CODE	LOAN NUMBER	SUBJECT TO RECAPTURE	FUND CODE	LOAN NUMBER	SUBJECT TO RECAPTURE
_ _	_ _	_	_ _	_ _	_
FUND CODE	LOAN NUMBER	SUBJECT TO RECAPTURE	FUND CODE	LOAN NUMBER	SUBJECT TO RECAPTURE
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FUND CODE	LOAN NUMBER	SUBJECT TO RECAPTURE			
_ _	_ _	_			

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Attachment 1
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INSTRUCTIONS FOR PREPARATION
NONCASH CREDIT FOR FARMER PROGRAM LOANS
SHARED APPRECIATION WRITEDOWN

In accordance with FmHA Instruction 1951-S, Farmer Program Account Servicing Policies, and FmHA Instruction 1965-A, Servicing of Real Estate Security for Farmer Program Loans and Certain Note-Only Cases, we have granted this borrower a noncash credit, for the farmer program loan(s). In consideration for this noncash credit an equity receivable account will be established in accordance with Exhibit D, Shared Appreciation Agreement, of FmHA Instruction 1951-S. This transaction is limited to 25 loans on input. If more than 25 loans are being written down, send completed input forms to the Finance Office for processing.

- (1) Enter the borrower's case number.
- (2) Enter the borrower's name.
- (3) Enter OK code. Enter a 4 for a subsequent shared appreciation writedown agreement, a 5 to remove suspend code 2, or leave blank.
- (4) Prefilled - 3. Shared Appreciation Writedown.
- (5) Enter the net worth of the borrower from the Farm and Home Plan used with DALR\$. If negative insert a minus sign (-) in front of the first number. Round up to whole dollars.
- (6) Enter the amount of appraisal value as input into DALR\$ when the plan was established (all security for all loans listed in the "Market Value of the Property Securing Loans" data field on the Shared Appreciation Agreement). Round up to whole dollars.
- (7) Enter the net recovery value for all loans used as input into DALR\$ when the plan was established ("Net Recovery Value of Property Securing Loans" data field on the Shared Appreciation Agreement). Round up to whole dollars.
- (8) Enter the date the Shared Appreciation Agreement was signed.
- (9) Enter the date the plan matures as shown on the Shared Appreciation Agreement. (Cannot exceed 10 years from the date of the Shared Appreciation Agreement.)
- (10) Enter the sum of the Amount Reduced by Debt Writedown (from DALR\$) for all loans secured by real estate. This amount is the potential recapture amount.

- (11) Enter the fund code, loan number, subject to recapture, and the respective balances from the DALR\$ loan restructure plan for each loan being written down (includes operating loans to be written down to zero balances). If more than two loans are to receive a writedown, use the supplement.
- A. FUND CODE - The fund code for the loan to be written down - from DALR\$, page 1.
 - B. LOAN NUMBER - Loans to be written down must be reamortized/rescheduled prior to processing the writedown. Enter the new loan number(s) from the Automated Discrepancy Processing System (ADPS) Account Information (AI) status screen after the reamortization(s)/reschedule(s) agreement(s) has been processed.
 - C. SUBJECT TO RECAPTURE - Enter Y (Yes) if loan is secured by real estate. Enter N (No) if loan is not secured by real estate. A loan secured by real estate is subject to recapture.
 - D. PRINCIPAL PLUS INTEREST BEFORE SERVICING - from DALR\$, page 1.
 - E. PRINCIPAL AFTER SERVICING - from DALR\$, page 1.
 - F. NONCAPITALIZED INTEREST AFTER SERVICING - from DALR\$, page 1.
 - G. AMOUNT REDUCED BY DEBT WRITEDOWN - from DALR\$, page 1.

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NONCASH CREDIT FOR FARMER PROGRAM LOANS
SHARED APPRECIATION WRITEDOWN
SUPPLEMENT

ENTER CASE NUMBER, FUND CODE, LOAN NUMBER, SUBJECT TO RECAPTURE, AND CORRESPONDING FIELDS FROM DALR\$ PRINTOUT FOR EACH FARMER PROGRAM LOAN BEING WRITTEN DOWN.

CASE NUMBER | | | 0 | | | 0 | | | | | | | | | | | | | | | | |

FUND LOAN SUBJECT TO
CODE NUMBER RECAPTURE
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PRINCIPAL PLUS INTEREST
BEFORE SERVICING

PRINCIPAL AFTER SERVICING

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NONCAPITALIZED INTEREST
AFTER SERVICING

AMOUNT REDUCED BY DEBT WRITEDOWN

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FUND LOAN SUBJECT TO
CODE NUMBER RECAPTURE
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PRINCIPAL PLUS INTEREST
BEFORE SERVICING

PRINCIPAL AFTER SERVICING

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NONCAPITALIZED INTEREST
AFTER SERVICING

AMOUNT REDUCED BY DEBT WRITEDOWN

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FUND LOAN SUBJECT TO
CODE NUMBER RECAPTURE
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PRINCIPAL PLUS INTEREST
BEFORE SERVICING

PRINCIPAL AFTER SERVICING

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NONCAPITALIZED INTEREST
AFTER SERVICING

AMOUNT REDUCED BY WRITEDOWN

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