UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Notice FLP-159

1951-S

For: State Offices

Administrative and Property Management Costs for DALR$

Approved by: Deputy Administrator, Farm Loan Programs

Carolyn B. Cooksie

1 Overview

A Background

To determine eligibility for writedown, the Agency must compare the net recovery of involuntary liquidation by calculating the value of secured and other property and comparing 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 I.

B Purpose

This notice provides States with:

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

C Contact

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

Disposal Date	Distribution
June 1, 2001	State Offices

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 and 6.4.

Loan Type	Calculation	Cost
OL	(2,220 ÷ 60 = 37.00) X $18.77 =	$669.00
FO/SW	(2,220 ÷ 60 = 37.00) X $18.77 =	$669.00
EM/EE	(2,220 ÷ 60 = 37.00) X $18.77 =	$699.00
RH (use for RHF loans only)	(2,220 ÷ 60 = 37.00) X $18.77 =	$699.00

Note: Costs were calculated using the FY 2000 Delphi (Delphi) study and the 2000 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 situations where States have no suitable properties, or have a limited number (generally less than 5) of suitable properties for which the holding period for those properties 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

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, Input Worksheet for Annual Survey of County Farm or Ranch Land Values (FSA-326), may be useful to FLMAC in determining the annual percentage of decrease or increase in land values.

D
State Supplement

After completing the costs analysis, but no later than October 2, 2000, issue a State supplement providing servicing officials with the factors to use in adjusting current market value.

Worksheet for Determining Property Management Costs

	(a)		(b)		(c)
Step 1.	(_____.27_____	X	_____	=	_____)
	Average Actions per Property/Month		Average Holding Period		

	(d)		(e)		(f)
Step 2.	(_____120_____	÷	_____60_____	=	_____2_____)
	FY 2000 Delphi (Delphi) Study for Real Estate Secured Loans				

	(c)		(f)		(g)		(h)
Step 3.	_____	X	_____2_____	X	_____18.77_____	=	_____
	Amount From Step 1		Amount From Step 2		GS 11/1 Hourly Pay		

	(i)		(j)		(k)
Step 4.	(_____673_____	÷	_____60_____	=	_____11.22_____)
	Delphi Data for Inventory Actions				

	(k)		(l)		(m)
Step 5.	(_____11.22_____	X	_____$18.77_____	=	_____$210.60_____)
	Amount From Step 4		GS 11/1 Hourly Pay		

	(h)		(m)		(n)
Step 6.	_____	+	_____$210.60_____	= $	_____
	Amount From Step 3		Amount From Step 5		Administrative Costs for Inventory Property