

For: State and County Offices

Servicing Borrowers With Both RHS and FSA FLP Loans

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

Before USDA reorganization, borrowers who had both RHS and FSA FLP loans were serviced by Farmers Home Administration under FmHA Instruction 1965-A. The majority of these loans are cross-collateralized and described on the same mortgage or deed of trust. Since reorganization split the ownership of these loans into 2 separate Agencies, under Notice FC-90, which expired October 1, 1997, the case files and servicing activities were also split. FSA is responsible for servicing all FLP loans and RHS is servicing all Rural Housing (RH) (Section 502 loans and 504 loans and grants) and Labor Housing (LH) loans.

B

Purpose

This notice continues policies established under Notice FC-90 on how to handle the following servicing actions for borrowers with both RHS and FSA FLP loans.

Separating borrower case files and flagging the account. See paragraph 2.

- Identifying and servicing RH loans for FSA buildings (RHF). See paragraph 3.
- General servicing procedures, such as graduation, partial releases, releases, and determining lien positions. See paragraph 4.

Servicing delinquent and financially distressed accounts. See paragraph 5.

C

Contact

If there are questions about this notice, contact Bruce Mair, LSPMD, at 202-690-4009.

Disposal Date June 1, 2002	Distribution State Offices; State Offices relay to County Offices
--	---

Notice FLP-140

2 Separating Borrower Case Files

A

Creating Separate FSA and RHS Borrower Case Files

Under Notice FC-90, direction was provided for creating 2 separate case files; 1 file for the RHS loan and 1 file for the FSA FLP loan.

Field Offices are reminded of the following.

FSA retained the original case file. All original documents pertinent only to the RH or LH loans were given to RHS as were copies of all joint documents and running records that pertained to both the RHS and FSA FLP loans. **FSA must provide RHS with access to original documents from the borrower's case file upon request.**

- To help identify borrowers who have both RHS and FLP loans described on the same security instruments, both Agencies marked the front of their case files in red with "RHS/FSA Joint Security Instruments." The Management Record System was also flagged.
-

B

Account Flags

The following Finance Office status reports and Automated Discrepancy Processing System (ADPS) inquiry screens reflect that the borrower has an RHS and FSA FLP loan:

- for FSA, the 540 Status Report will continue to show "RH" at the right of the report under the "Scheduled Annual Installments" column
- for RHS, Dedicated Loan Origination and Servicing (DLOS) has been flagged to show that the borrower has FLP loans

Note: There is no identifier on the RC 580 and 582 reports.

- for FSA and RHS, the Current/Past Debts Inquiry Screen will continue to show both the RHS and FSA FLP loans.

These reports and screens do not reflect that the security is cross-collateralized or that the loans are described on the same mortgage or deed of trust. Therefore, anytime the security will be subordinated, released, liquidated, etc., the security instruments will have to be carefully reviewed to determine whether both Agencies must be involved.

Continued on the next page

2 Separating Borrower Case Files (Continued)

C

Release of Additional Security

To simplify servicing in the future, FSA may consider releasing nonfarm dwellings that were financed with RH or LH funds and taken as additional security for the FLP loan. FSA shall refer to FmHA Instruction 1965-A, section 1965.25(d) for guidance.

Notes: RHS may also consider releasing any farm property that was taken as additional security for the RH or LH loan or that was cross-collateralized because of the FLP loans. RHS shall refer to its procedures for completing this transaction.

The mortgage or deed of trust **cannot** be released of record if it describes both the RHS and FSA FLP loan. Refer to subparagraph 4 D for issuing a letter of release to the nonreleasing Agency for joint mortgages or deeds of trust.

D

Insurance Policies

Under Notice FC-90, Field Offices were directed to notify borrowers to contact their insurance company to have the lienholder's or mortgagee's name changed in the mortgagee clause or declaration page to include both RHS and FSA. **A copy of the change must be filed in the borrower's case file.** Follow-up action may be necessary to ensure that the change was made.

3 Rural Housing (RHF) Loans for FSA Buildings

A

Identifying RHF Loans

RHF loans shall be serviced by FSA as an FLP loan. These type loans were made with RH funds before 1974 to construct farm buildings, such as chicken houses, silos, barns, etc. These loans were officially transferred to FSA on October 2, 1995. During the transfer, the fund code was changed from a 36 or 46, kind code 10, to a fund code 41, kind code 10. These loans are shown on the 540 Status Report. The Debt and Loan Restructuring System (DALR\$) software changed the loan type to RH with version 6.3 and subsequent releases.

Continued on the next page

Notice FLP-140

3 Rural Housing (RHF) Loans for FSA Buildings (Continued)

B

Servicing RHF Loans

When making future Farm Ownership (FO) loans and providing loan servicing, RHF loans will:

- not be counted as an FO loan for determining FO loan limitations
 - be included in DALR\$ as a fund code 41, loan type RH, if being considered for restructuring and:
 - be charged the lower of the original note rate or the current RH loan rate
 - be amortized up to 33 years from the date of the original note
 - require the borrower to sign RD 1940-16.
-

4 General Servicing Procedures

A

Payoff Requests

When FSA and RHS are joint creditors and a request for payoff information is received, in addition to giving the payoff information, the contacted Agency should also alert the requestor that the other Agency also has a loan and how to secure the payoff information for that loan.

B

Graduation and Classification

Graduation and classification of accounts will be handled separately by each Agency based solely on the loans of each Agency. Copies of financial statements, cash flows, and other related documents may be shared with each Agency upon request.

C

Partial Releases, Subordinations, and Consents for Joint Security Instruments

Approval from both Agencies is required when issuing partial releases, subordinations, and consents against security instruments that describe both the RHS and FSA loan. Only one RD 465-1 is needed from the borrower for each request. The Agency receiving RD 465-1 shall take the lead in processing the request and obtaining the required approvals from the other Agency. The lead Agency will obtain any appraisals needed. Appraisals for farm tracts must meet FSA requirements, and appraisals for nonfarm tracts must meet RHS requirements. Authority to execute these actions will be based on the established policies and procedures of each Agency.

Continued on the next page

4 General Servicing Procedures (Continued)

C

**Partial Releases,
Subordinations,
and Consents for
Joint Security
Instruments
(Continued)**

If both Agencies cannot approve the request, it will be denied and appeal rights provided. Responses to the borrower's request may be issued in 1 letter by the lead Agency or separated in 2 letters, 1 from FSA and the other from RHS.

D

**Release of Joint
Security
Instruments**

FSA and RD State Office approval is required to release security instruments that describe both an RHS and FSA loan. If all the security cannot be released because of outstanding obligations by the other Agency, then the following steps must be taken:

- if FSA's debt is paid in full or satisfied first, then FSA will forward the original joint security instruments to the RD State Office with a letter indicating satisfaction of the debt
 - if RHS's debt is paid in full or satisfied first, then RD will send the FSA State Office a letter indicating satisfaction of the debt
 - return of promissory notes will be handled according to applicable Agency procedures
 - a copy of the releasing Agency's letter, if applicable, will be attached to the original security instruments in the borrower's case file with the other Agency
 - the security instruments will be released by the remaining Agency when appropriate.
-

E

**Determining
Lien Position
When Both RHS
and FSA Loans
Were Made at
the Same Time**

The lien position shall be shared by both RD and FSA when the RHS and FSA FLP loans were made at the same time, or the security was taken at the same time, and included on the same mortgage or deed of trust. The amount shared will be proportionate to the total amount of debt owed on these loans.

- See subparagraph 5 E for determining the amount to enter in DALR\$ if the borrower is being serviced under FmHA Instruction 1951-S.
 - See Exhibit 1 for sales by borrower, foreclosures, deeds in lieu of foreclosure (voluntary conveyances), or losses covered by insurance.
-

Continued on the next page

Notice FLP-140

4 General Servicing Procedures (Continued)

F

Losses Covered by Insurance

Both Agencies will handle losses according to this paragraph and applicable Agency procedure. If insurance proceeds will be used to repair or replace joint security property, then both Agencies must decide who will oversee and approve the repairs and replacements and make all required inspections. Normally, the Agency holding a prior lien will be responsible for seeing that any repairs or replacements are completed. However, these duties may be shared by both Agencies to the extent that FSA may handle all farm property and RHS may handle Single Family Housing (SFH) property.

Copies of development plans, inspections, etc., shall be shared with the other Agency. Proceeds to be applied against the debt will be applied based on lien priority. Both Agencies must approve any release of insurance proceeds of joint security property.

G

Labor Housing Loans

Generally, LH loans will be serviced by the RHS official responsible for managing the Multi-Family Housing Program. However, if the security is the same for both the FLP and LH loan, releases and liquidations will be handled according to this notice.

5 Servicing Delinquent and Financially Distressed Accounts

A

Debt Servicing Responsibilities

Each Agency shall be responsible for servicing its own loans. However, in cases where the loans are cross-collateralized, it will be necessary for both Agencies to work together to protect the Government's security interest.

Note: Loans are cross-collateralized when property is used to secure both the RHS and FSA loans. The extent of cooperation needed between the 2 Agencies will depend on whether both loans are described on the same security instruments.

B

Security Is Not Cross-Collateralized

When security is **not** cross-collateralized, the following procedures shall be followed.

- RHS will service RH and LH loans according to RHS procedures.
 - FSA will service FLP loans according to FLP procedures.
-

Continued on the next page

5 Servicing Delinquent and Financially Distressed Accounts (Continued)

**C
Security
Is Cross-
Collateralized
and Loans Are
Described on
Separate
Security
Instruments**

When the security is cross-collateralized, and the RHS and FSA loans are described on separate security instruments:

- normal debt servicing will be handled as described in subparagraph B
 - foreclosures and conveyances will be handled according to paragraph 6.
-

**D
Security
Is Cross-
Collateralized
and RH and FLP
Loans Are
Described on
Same Security
Instruments**

Applicable Agency procedures and the instructions in this paragraph must be followed when the security is cross-collateralized and RHS and FSA loans are described on the same security instrument.

Default on any 1 loan, whether RHS or FSA loan, constitutes default against the security instrument. Therefore, even if only 1 Agency's loan is in default, the borrower is in nonmonetary default with the other Agency.

The following describes each Agency's responsibility for notifying the other when their loan is in default.

- If the FSA loan is in default for reasons other than the RHS loan is in default:
 - FSA shall notify the RHS Field Office when the borrower is sent the notices required under FmHA Instruction 1951-S
 - RHS will consider the borrower for moratorium and payment assistance.
- If the RHS loan is delinquent or otherwise in default for reasons other than the FSA loan is in default:
 - RHS will service the RHS loan according to RHS procedures up through acceleration
 - once the account is accelerated, RHS will notify FSA and send FSA a copy of the acceleration notice

Note: RHS will not proceed with foreclosure action until after FSA has completed its servicing process.

- after FSA is notified of the RHS acceleration, FSA will send the borrower FmHA Instruction 1951-S, Exhibit A, Attachments 1, 3, and 4 for reason of nonmonetary default and service the loan accordingly.
-

Continued on the next page

Notice FLP-140

5 Servicing Delinquent and Financially Distressed Accounts (Continued)

**D
Security
Is Cross-
Collateralized
and RH and FLP
Loans Are
Described on
Same Security
Instruments
(Continued)**

- The following are general rules that apply in all instances.
 - Each Agency will keep the other up to date on the status of the default and the servicing progress.
 - If it is determined necessary to bring the RHS account current or find a feasible farm plan, the RHS loan may be reamortized by RHS when the FSA loans are restructured. Reamortization of the RHS loan must be closed before or simultaneously with the FLP loans. Any new security instruments taken will be separate for each Agency's loans.
 - RHS will accelerate the account when notified by FSA that the borrower was notified of FSA's intent to accelerate according to FmHA Instruction 1951-S, Exhibit A, Attachments 1, 3 through 5, 5-A, 6, 6-A, 9, 9-A, 10, and 10-A.
 - Acceleration notices must describe the reasons for acceleration, such as monetary or nonmonetary default, or both. Caution should be given to accepting an offer by the borrower that would deaccelerate the account as this could affect liquidation by the other Agency.
 - Each Agency shall send the other a copy of the acceleration notice.
 - Any appeals will be held separately since they are 2 separate adverse actions. FSA will not accelerate the borrower's loans until all administrative appeals for FSA servicing actions are concluded.
 - RHS will continue to flag the account for foreclosure action pending, when the RHS account is accelerated, so that payments will not be credited to the RHS account.
 - If payments are received on the FLP account before FLP loans are accelerated, Field Offices should indicate on FmHA 451-2 that the payment should be applied since only the RHS account is accelerated.
 - FSA will flag the account according to Exhibit O of FmHA Instruction 1951-S.

Continued on the next page

5 Servicing Delinquent and Financially Distressed Accounts (Continued)

**D
Security
Is Cross-
Collateralized
and RH and FLP
Loans Are
Described on
Same Security
Instruments
(Continued)**

- If the FLP borrower is offered a current market value buyout, and the RHS loan is delinquent, the RHS loan must be paid off at the same time the buyout is completed. RHS will be contacted for payoff information. FSA will handle collection of the RHS loan and distribute proceeds according to subparagraph 4 E. The DALR\$ report must be modified to identify the RHS debt to be paid. If the RHS loan is not paid in full, the security instrument cannot be released. See subparagraph 4 D on how to handle releases of joint security instruments.
-

**E
Special
Instructions for
DALR\$**

Follow these special instructions when primary loan servicing will be considered for a borrower with an RHS loan.

- RHS loans will **not** be entered in the DALR\$ Existing Loan Screen. Instead, the loans will be entered as another lender's debt. The RHS loan should be entered through the Net Recovery Property Screen for the associated security, property, that the RHS is secured by. The RHS loan will be entered as a prior lienholder through the Loan Secured pop-up screen. The RHS loans will be entered as follows.
- **When the RHS loan has the same filing date as an FSA loan** secured by the same property, the RHS loan is entered as a prior lienholder.

To enter the data, the Loan Secured pop-up screen is accessible from the Loans Secured field in the Net Recovery Property Screen.

In the Prior Lien Holder secured section of the pop-up screen, enter the:

- creditor's name as RHS
- total amount of principal and interest that is outstanding on the RHS loan
- the date the lien was filed.

Note: The date the lien was filed will need to match at least 1 of the filing dates of an FSA loan secured by the same property.

The first section of the pop-up screen, FSA Loans, provides a listing of FSA loans secured by the property and the filing dates of FSA security instruments. In the field, Creditors Prior to FSA, enter an "R" to indicate that the prior lienholder is RHS and has the same filing date as another FSA loan. There should be no entry in the Ranking field.

Continued on the next page

5 Servicing Delinquent and Financially Distressed Accounts (Continued)

E
Special
Instructions for
DALRS
(Continued)

- **RHS loan is prior to all FSA loans secured by the same property.**

When the RHS loan does **not** have the same filing date as any of the FSA loans secured by the same property, the RHS loan is entered as just a prior lienholder.

To enter the data, the Loan Secured pop-up screen is accessible from the Loans Secured field in the Net Recovery Property Screen.

In the Prior Lien Holder secured section of the pop-up screen, enter the:

- creditor's name as RHS
- total amount of principal and interest that is outstanding on the RHS loan
- date the lien was filed.

Note: The date the lien was filed will **not** match at least 1 of the filing dates of an FSA loan secured by the same property.

The first section of the pop-up screen, FSA Loans, provides a listing of FSA loans secured by the property and the filing dates of FSA security instruments. The field, Creditors Prior to FSA, should be left blank. There should be no entry in the Ranking field.

Continued on the next page

5 Servicing Delinquent and Financially Distressed Accounts (Continued)

E
Special
Instructions for
DALRS
(Continued)

- **RHS loan is junior to at least 1 FSA loan and is prior to other FSA loans.**

If the RHS loan is junior to at least 1 FSA loan, does **not** have the same filing date as any of the FSA loans, is prior to at least 1 FSA loan, and is secured by the same property, the RHS loan is entered as just a prior lien holder.

To enter the data, the Loan Secured pop-up screen is accessible from the Loans Secured field in the Net Recovery Property Screen.

In the Prior Lien Holder secured section of the pop-up screen, enter the:

- creditor's name as RHS
- total amount of principal and interest that is outstanding on the RHS loan
- date the lien was filed.

Note: The date the lien was filed will **not** match any of the filing dates of an FSA loan secured by the same property.

The first section of the pop-up screen, FSA Loans, provides a listing of FSA loans secured by the property and the filing dates of FSA security instruments. The field, Creditors Prior to FSA, should be left blank. There should be no entry in the Ranking field.

- There can be multiple RHS loans entered into the Loan Secured pop-up screen. Each RHS loan is entered individually.
- **Select option "7", Loan Security of the Maintain/View Borrower Financial Information Menu, before selecting option "8", Calculate DALRS Analysis Report, to properly calculate proportionate share of the RHS debt or debt deduction of FSA net recovery properties.** Loan Security option will calculate the amount of RHS debt as follows:

- the proportionate debt amount of the RHS loan if it is secured by the same property with the same filing date as an FSA loan

the amount of the RHS debt deducted from Net Recovery Property(ies) if the RHS loan is junior to any of the FSA loans and prior to other FSA loans.

Continued on the next page

Notice FLP-140

5 Servicing Delinquent and Financially Distressed Accounts (Continued)

**E
Special
Instructions for
DALRS
(Continued)**

- To make the calculations, select option "7", Loan Security of the Maintain/View Borrower Financial Information Menu. Option "7" will initiate the online calculations to calculate the High, Medium, and Low for the loan security priority and the proportionate share of RHS debt.

The detailed section of the DALR\$ Analysis Report, section III 3 C, Notes, item 2, provides information on the proportionate share of the RHS debt.

- If the RHS loan will be reamortized, enter the reamortized RHS payment on FSA 431-2, Table K.

If the RHS loan is to be paid in full at the time of buyout according to subparagraph D, add the following statement to the DALR\$ report at the bottom of the summary page:

"If you choose to buyout your FLP loans, you must also payoff your RHS loan(s). The unpaid balance of the RHS loan(s) as of _____ is \$_____."

**F
Bankruptcy
Filings With
Joint Security
Instruments**

Each Agency will handle bankruptcies separately according to their Agency regulations. RD-1965-14's, Proof of Claim forms, will be completed by each Agency. Any necessary legal coordination will be handled by OGC.

6 Handling Foreclosures and Voluntary Conveyances Against Joint Security

A

Loans Described on Separate Security Instruments

The following procedures will be followed for voluntary conveyance, foreclosures by RHS and FSA, and third party foreclosures of cross-collateralized property when RHS and FSA loans are described on separate security instruments.

Voluntary Conveyance

If 1 Agency is proposing to accept a voluntary conveyance (deed in lieu of foreclosure), the initiating Agency will obtain a current appraisal and a title opinion indicating lien position and send copies of both to the responding Agency with a request for release.

- If the lien is valueless, the responding Agency will prepare and send the initiating Agency a release.

If the responding Agency holds a prior lien, the initiating Agency will voucher a check to pay off the responding Agency's lien before accepting the conveyance.

- If the responding Agency holds a junior lien, the initiating Agency will voucher a check to pay the responding Agency's lien up to the current market value of the security property, less prior liens including the initiating Agency's prior lien.

Foreclosure

If 1 Agency is initiating foreclosure, a determination must be made to do 1 of the following:

- pay off the other Agency's prior lien up to the current market value, less other prior liens
- obtain a release from the responding Agency if their lien is valueless
- obtain an agreement to be named in the foreclosure suit, or given notice of the foreclosure.

Note: All efforts should be made to eliminate having to get the other Agency involved in the foreclosure.

Third Party Foreclosures

Third party foreclosures initiated by other than RHS and FSA will be handled separately by each Agency based on their regulations for handling third party actions.

Continued on the next page

Notice FLP-140

6 Handling Foreclosures and Voluntary Conveyances Against Joint Security (Continued)

B

Loans Described on the Same Security Instruments

The following procedures will be followed for voluntary conveyances, foreclosures by RHS or FSA, and third party foreclosures of cross-collateralized property when both the RHS and FSA loans are described on the same security instruments or a combination of separate and same security instruments.

Voluntary Conveyance

If 1 Agency is proposing to accept a voluntary conveyance, the initiating Agency will obtain a current appraisal and a title opinion indicating lien position and send copies of both to the responding Agency with a request for release.

If the lien is valueless, the responding Agency will prepare and send the initiating Agency a letter of release as described in subparagraph 4 D and the original note (if required by State law to issue releases) and mortgage or deed of trust, if in that Agency's possession.

- If the responding Agency holds a prior lien, the initiating Agency will voucher a check to pay off the responding Agency's lien before accepting the conveyance.
- If the responding Agency holds a junior lien, the initiating Agency will voucher a check to pay the responding Agency's lien up to the current market value of the security property, less prior liens, including the initiating Agency's prior lien.
- If the releasing Agency is partially secured with the acquiring Agency, the acquiring Agency will voucher a check to pay the releasing Agency its share of the amount of their debt up to the current market value, less prior liens. See Exhibit 1 for determining the amount of credit to each loan when the RHS and FLP loans were made or secured with the same property at the same time and described on the same mortgage or deed of trust.

Continued on the next page

6 Handling Foreclosures and Voluntary Conveyances Against Joint Security (Continued)

B

**Loans Described
on the Same
Security
Instruments
(Continued)**

Foreclosure

When foreclosure action is initiated by FSA, RHS, or a third party, the following procedures will be followed.

- If 1 Agency holds a separate security instrument filed before any joint security instruments, a decision must be made between the 2 Agencies about which one will bid to protect their security interest or foreclose.
- If a separate security instrument was not filed before the joint security instruments and both Agencies share in lien priority, FSA will bid or initiate the foreclosure.
- The Agency that determined not to bid or foreclose will assign its note or assumption agreement and security instrument to the foreclosing or bidding Agency. The foreclosure complaint will identify all FSA and RHS loans.
- States shall request advice from their Regional OGC on preparing an assignment. The assignment shall contain language pertaining to the application of sale proceeds and cancellation of the assignment in the event foreclosure is canceled or the accounts deaccelerated or reinstated for any reason, including bankruptcy. The assignment shall be recorded in the county records.
- The accounting system will not be revised to account for the assignment. The Agency that assigned its note and security instruments will wait to settle the borrower's debt until after the foreclosure is completed and all proceeds or credits are applied.

Proceeds from the sale of property or credit for acquisitions will be applied to the loans in the order of lien priority. See Exhibit 1 for determining the amount to be applied or credited to each loan when the RHS and FSA loans were made or secured with the same property at the same time and described on the same mortgage or deed of trust.

- If the foreclosure is canceled and the accounts deaccelerated or reinstated, each Agency will resume servicing of their note.

Continued on the next page

Notice FLP-140

6 Handling Foreclosures and Voluntary Conveyances Against Joint Security (Continued)

C

Assigning Property ID Numbers

Since the inventory property ID's cannot be duplicated, it will be necessary for each Agency within each State to use the following property ID numbers, along with their State and county code. The last 5 digits must be consecutively numbered within the following range:

- FSA - 00001 - 00499
- RHS - 00500 - 00599.

Note: The State and county codes are the same as those used for all St. Louis Finance Office purposes, **not** the former ASCS State and county codes.

Since the property ID numbers include the State and county code, the same numbers within the State can be used by all counties. Designating these ID numbers by Agency will eliminate discrepancies from occurring when counties attempt to assign a number that has already been used by the other Agency in the same county.

D

Processing ADPS 3E Transaction for Acquisitions

The ADPS 3E transaction for acquiring property is a combined transaction that affects both a borrower's FLP and RHS account. Therefore, anytime property is acquired by FSA or RHS from a borrower that has both an RHS and FLP loan, the St. Louis Finance Office must process the 3E transaction. This is the case even if the property is not cross-collateralized. Under no circumstances can a property be acquired jointly.

When property is acquired by FSA or RHS, according to this subparagraph, the acquiring Agency shall:

- complete Exhibit 2

FAX a copy of the following to the St. Louis Finance Office, attention Janet Marxkors, at 314-539-6447:

- Exhibit 1, if applicable
- Exhibit 2.

Note: If the security is cross-collateralized, a copy of Exhibits 1 and 2 shall also be sent to the nonacquiring Agency.

Guide for Calculating the Proportionate Share of Security Value/Proceeds From Joint Mortgages

The proportionate share is based on the market value less prior liens and selling costs.

Calculation of FSA Share:

Step 1. _____ divided by _____ = _____ multiplied by _____ = _____

FSA Debt	Total RHS	FSA Percent	Market Value	FSA Share of
<u>1/</u>	and FLP	of Debt	or Sales	Market Value
	Debt		Proceeds	or Sales
	<u>2/</u>		Less Prior	Proceeds
			Liens	

Step 2. _____ multiplied by _____ = _____

FSA Percent	Liquidation	FSA Share
of Debt	or Selling	of Expenses
from Step 1	Expenses	

Step 3. _____ minus _____ = _____

FSA Share	FSA Share	Net FSA Share
of Market	of Expenses	of Market Value or
Value or	from Step 2	Sale Proceeds
Sale Proceeds		
from Step 1		

1/ This is the unpaid debt that is equally secured with the other Agency’s loan that was made at the same time or the security was taken at the same time to secure both type loans and described on the same mortgage or deed of trust.

2/ This is the total unpaid balance of the RHS and FLP loans that are equally secured. All other loans made before and after will not be counted in this calculation.

Note: Debt includes unpaid principal, interest, protective advances, and any recapture due, except RH recapture will not be included if acquired by RHS or FSA.

Continued on the next page

Guide for Calculating the Proportionate Share of Security Value/Proceeds From Joint Mortgages (Continued)

Calculation for RHS Share

Step 4. $\frac{\text{RHS Debt}}{1/}$ divided by $\frac{\text{Total RHS and FLP Debt}}{2/}$ = $\frac{\text{RHS Percent of Debt}}$ multiplied by $\frac{\text{Market Value or Sales Proceeds Less Prior Liens}}{\text{RHS Share of Market Value or Sale Proceeds}}$ = $\frac{\text{RHS Share of Market Value or Sale Proceeds}}{\text{RHS Share of Market Value or Sale Proceeds}}$

Step 5. $\frac{\text{RHS Percent of Debt from Step 4}}{\text{RHS Percent of Debt from Step 4}}$ multiplied by $\frac{\text{Liquidation or Selling Expenses}}{\text{Liquidation or Selling Expenses}}$ = $\frac{\text{RHS Share of Expenses}}{\text{RHS Share of Expenses}}$

Step 6. $\frac{\text{RHS Share of Market Value or Sale Proceeds from Step 4}}{\text{RHS Share of Market Value or Sale Proceeds from Step 4}}$ minus $\frac{\text{RHS Share of Expenses from Step 5}}{\text{RHS Share of Expenses from Step 5}}$ = $\frac{\text{Net RHS Share of Market Value or Sale Proceeds}}{\text{Net RHS Share of Market Value or Sale Proceeds}}$

1/ This is the unpaid debt that is equally secured with the other Agency’s loan that was made at the same time or the security was taken at the same time to secure both type loans and described on the same mortgage or deed of trust.

2/ This is the total unpaid balance of the RHS and FLP loans that are equally secured. All other loans made before and after will not be counted in this calculation.

Note: Debt includes unpaid principal, interest, protective advances, and any recapture due, except RH recapture will not be included if acquired by RHS or FSA.

ADPS 3E Transaction

A

**ADPS 3E
Transaction
Form**

Complete the following for all acquisitions when the borrower has both an RHS and FSA loan. **Do not process an ADPS 3E transaction.** Complete 1 for each property acquired.

TO: Janet Marxkors, FAX Number 314-539-6447

FROM: _____
Name of Preparer, Agency, and Telephone Number

SUBJECT: Acquisition - Borrower with FSA and RHS Loans

1. Acquiring Agency Name (FSA or RHS) _____
2. Case Number _____
3. Name of Borrower _____
4. OK Code (Leave Blank)
5. Date Acquired _____
6. Most Secured FLP Loan _____
7. Most Secured RHS Loan _____
8. Property ID of Acquiring Agency _____
9. Property Description Code __
10. Property Suitability Code __
11. Taxpayer ID __
12. Property Address (Leave blank if chattel property being acquired)

 Street City, State
13. Acres Acquired: Cropland __ Pasture __ Woodland __ Other __
14. Market Value - Acquisition _____
15. Date Last Appraisal _____
16. Amount Credited-FSA _____ RHS _____ Total _____
17. Date Submitted _____
18. Business Code __
19. How Acquired __
20. Farm Code __
21. Card Code (Leave Blank)
22. Loans to Acquire: (Enter Fund Code and Loan Number. Leave Blank if all FSA and RHS loans are to be acquired)
 FSA _____ RHS _____