



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1235 (1955)

August 1, 1985

SUBJECT: Farm Inventory Subject to Prior Liens

TO: All State Directors, District Directors,
County Supervisors and Director, Finance Office

PURPOSE/INTENDED OUTCOME:

The purpose of this AN is to provide guidance on the advisability of taking farms into FmHA inventory subject to a prior lien and the servicing of present FmHA inventory farms that are subject to a prior lien.

IMPLEMENTATION RESPONSIBILITY:

With the continued decline in farm real estate values you should use extreme caution in taking farms into FmHA inventory which are subject to prior lien(s). Items to consider in making this decision include:

1. The current market value of the farm.
2. The local farmland price trends. For the period from 1981-1985 land prices in the U.S. have decreased by an average of 19%. In some States the decrease has been over 40%. From April 1984 to April 1985 the value decreased nationwide by 12% and several States have experienced a decrease of over 20%.
3. The amount of prior liens against the property and the interest rate accruing on the prior liens.
4. The direct costs to the Government associated with the acquisition, management and sale of the farm.

If the FmHA lien has neither present nor prospective value or if its enforcement would probably be ineffectual or uneconomical, FmHA should refuse to accept the voluntary conveyance and should instead release its lien as a valueless lien under FmHA Instruction 465.1, Paragraph XVI D. Release of valueless judgement liens or of valueless statutory redemption rights, however, will only be performed with the consent of OGC and approval of the State Director.

EXPIRATION DATE: May 31, 1986

FILING INSTRUCTIONS: Preceding FmHA
Instruction 1955-A



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If no equity exists in an FmHA inventory farm, the farm may be conveyed to the prior lienholder with prior concurrence from the FmHA Administrator in accordance with the exception authority in FmHA Instruction 1955-C, section 1955.149(a). The material needed for submission to the National Office is the same as set out in FmHA Instruction 465.1, Paragraph XVI D, "Release of Valueless Liens" along with the State Director's recommendations. FmHA may also stop making payments and allow the prior lienholder to foreclose.

Dwight O. Calhoun

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Acting Associate Administrator