



December 24, 1987

SUBJECT: Disposition of Farm Inventory Property

TO: All State Directors, State Directors-at-Large,
and Farmer Programs Chiefs, FmHA

Purpose/Intended Outcome:

The purpose of this Administrative Notice (AN) is to remind State Directors and Farmer Programs Chiefs that FmHA Instruction 1955-C, Section 1955.109, requires State Directors to analyze farm real estate market conditions in their jurisdiction each year. It also establishes a review requirement for farm inventory property appraisals if the appraisal market value exceeds the capitalization value by a variation of 5 percent or more. This is to ensure the utilization of acceptable appraisal practices.

Comparison with Previous AN:

No previous AN has been issued on this subject. AN No. 1577 (1955) requires that a review be made of all appraisals related to the acquisition of inventory farms; however, that review is based solely on market value and is intended to precede an inventory action.

Implementation Responsibilities:

An analysis to determine whether or not the sale of Farmers Home Administration (FmHA) farm inventory property will have a detrimental effect on the value of farms in a market area, as required in FmHA Instruction 1955-C, Section 1955.109(a), must be completed in January of each year, and as often throughout the year as is necessary to reflect changing farm real estate conditions. If the analysis indicates that the sale of FmHA inventory farms would put downward pressure on farm real estate values in any area, all farm inventory properties in the affected areas will be withheld from the market and managed in Government ownership until such time that a subsequent analysis indicates that marketing can continue.

EXPIRATION DATE: December 31, 1988

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1955-C



1707(1955)

Prior to placing any farm inventory property on the market, for sale as suitable or surplus, the County Supervisor will review the appraisal to determine if the market value exceeds the capitalization value by more than 5 percent. The review will precede any offering to the former owner/operator under FmHA Instruction 1955-C, Section 1955.109(c). All farm properties currently in inventory will also be reviewed for this purpose. Those properties under contract, that are already advertised for sale by auction or bid, or subject to a lease with option to purchase, will not be subject to review unless they are to be placed back on the market.

If the appraisal of an inventory farm indicates there is a variation in excess of 5 percent between the market value and the capitalization value, a review of the appraisal will be completed by the District Director (DD), Assistant District Director (ADD), District Loan Specialist (DLS), or Farmer Programs Specialist (FPS), to ensure that acceptable appraisal principles have been applied. The review official(s) must be a qualified appraiser delegated by the State Director.

Questions should be directed to Louis Carter, Loan Servicing and Property Management Division, at FTS 475-4014.



VANCE L. CLARK
Administrator