



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 2745 (1951)
February 11, 1993

SUBJECT: Charging a Recoverable Cost Item to a Farmer Programs Loan Account

TO: State Directors, District Directors and County Supervisors

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to clarify Section 1951.14 of FmHA Instruction 1951-A, and to provide guidance in selecting the particular account to which a recoverable cost item will be charged. The intended outcome is to assure that the recoverable cost item is charged to the proper note account and that it will bear the proper interest rate.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN No. 2264(1951) dated April 1, 1991.

IMPLEMENTATION RESPONSIBILITIES:

Section 1951.14 of FmHA Instruction 1951-A establishes the account to which a recoverable cost item is charged. If the cost item relates to security for more than one type of account, the cost will be charged to the loan secured by the earliest promissory note. A RECOVERABLE COST CHARGE WILL BEAR THE INTEREST RATE OF THE NOTE TO WHICH IT IS CHARGED.

The Automated Data Processing System Manual provides guidance to field personnel for entering a recoverable cost item and interest rate into the system. The manual states that the interest rate for a recoverable cost item cannot be less than 1 percent. Some personnel have interpreted this to mean that the recoverable cost item must bear a 1 percent interest rate. This is NOT correct. A RECOVERABLE COST ITEM BEARS THE INTEREST RATE OF THE PROMISSORY NOTE TO WHICH IT IS CHARGED.

District Directors and Program Review Assistants (PRA) are to review all recoverable cost charges incurred during Fiscal Year 1992 during their routine County Office visits. All discrepancies noted will be reported to the State Director, who will work with the Finance Office to make corrections. The State Directors will monitor District Office and PRA reports to assure compliance with this AN.

EXPIRATION DATE: December 31, 1993

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1951-A



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

ANY REVISIONS OR MODIFICATIONS TO THIS AN THAT YOU WISH TO PUBLISH AS A STATE DIRECTIVE MUST BE SUBMITTED AND APPROVED BY THE ASSISTANT ADMINISTRATOR OF FARMER PROGRAMS BEFORE IT IS RELEASED FOR IMPLEMENTATION IN YOUR STATE. THE ONLY EXCEPTION TO THIS REQUIREMENT IS WHEN THE REVISION OR MODIFICATION IS NECESSARY FOR COMPLIANCE WITH STATE LAW.

If you have any questions, please contact Charles W. Thompson, Farmer Programs Loan Servicing and Property Management Division, at FTS 202-690-4011.



SANDRA L. WEISMAN
Acting Administrator

Sent by Electronic Mail on 2/12/93 at 4:00 by GSS. The State Director should advise other personnel as appropriate.