



FmHA AN No. 3031 (1951-S)  
June 24, 1994

SUBJECT: Guidelines for Review of Complete 1951-S  
Applications, Writedowns, and Net Recovery Buyouts  
for Farmer Programs Borrowers under FmHA Instruction  
1951-S

TO: State Directors, District Directors, and  
County Supervisors

ATTN: Farmer Programs Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide guidance for reviewing complete applications for Primary and Preservation Loan Servicing, as well as writedown and net recovery buyout (NRB) actions provided for under FmHA Instruction 1951-S. This AN is intended to supplement the provisions of FmHA Instruction 1951-S for review and accuracy purposes. The AN does not supersede the requirements of FmHA Instruction 1951-S not included on the checklist.

COMPARISON WITH PREVIOUS AN:

The AN replaces AN No. 2746(1951) dated February 12, 1993, which expired on October 31, 1993.

IMPLEMENTATION RESPONSIBILITIES:

Attachment A should be used by County Offices when processing all requests for Primary and Preservation Loan Servicing under FmHA Instruction 1951-S. Once an application has been received, the checklist should become a part of the running case file record. County Supervisors should complete Sections I and II for all borrowers. Sections III and IV should be completed as appropriate.

State Directors, or their designee should review Sections I and II of the checklist as part of the writedown or net recovery buyout approval process.

EXPIRATION DATE: May 31, 1995

Filing Instructions  
Preceding FmHA  
Instruction 1951-S



If you have any questions regarding this AN, please contact Bill Cobb, Farmer Programs Loan Servicing and Property Management Division, at 202-690-4011.

A handwritten signature in cursive script that reads "Michael V. Dunn". The signature is fluid and extends to the right with a long, sweeping tail.

MICHAEL V. DUNN  
Administrator

Attachment

**PRIMARY AND PRESERVATION LOAN SERVICING CHECKLIST**

Borrower's Name: \_\_\_\_\_

**I. Complete Application**

- \_\_\_ 1. Attachment 2 or 4 of Exhibit A to FmHA Instruction 1951-S.
- \_\_\_ 2. Form FmHA 410-1 Application for FmHA Services (Current Financial Statements on all liable parties required.)
- \_\_\_ 3. Form FmHA 410-8 Applicant Reference Letter (If applicable.)
- \_\_\_ 4. Form FmHA 410-9 Statement Required by the Privacy Act
- \_\_\_ 5. Form FmHA 431-2 Farm and Home Plan (FHP)
- \_\_\_ 6. Form FmHA 440-32 Request for Statement of Debts and Collateral (If applicable.)
- \_\_\_ 7. Form FmHA 1910-5 Request for Verification of Employment (If applicable.)
- \_\_\_ 8. Form FmHA 1924-1 Development Plan (If applicable.)
- \_\_\_ 9. Form AD-1026 Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification
- \_\_\_ 10. Form CPA-026 Highly Erodible Land and Wetland Determination
- \_\_\_ 11. Form FmHA 1956-1 Application For Settlement of Indebtedness (If applicable.)
- \_\_\_ 12. Production history for the last 5 years immediately preceding the year of production.
- \_\_\_ 13. Income and expense history for the last 5 years immediately preceding the year of application.

- \_\_\_ 14. Copies of income tax returns and any needed supporting documents for the last 5 years immediately preceeding the year of application.

## II. Application Processing

- \_\_\_ 1. The date of complete application has been entered on Section 20 of Form FmHA 410-1 as; "Date of Complete Application: mm/dd/yy." This date has also been entered into the AGCREDIT program.
- \_\_\_ 2. Eligibility was determined as outlined under Section 1951.909(c) and is recorded in case file running record. Documentation is included concerning \$300,000 writedown and/or writeoff limitation requirements outlined under Sections 1951.909(e)(4) and 1951.909(h)(4) of FmHA Instruction 1951-S.
- \_\_\_ 3. Exhibit E to FmHA Instruction 1951-S with Attachment 1 or 2 of Exhibit E to FmHA Instruction 1951-S was provided to the borrower. (Applicable only if the DALR\$ Analysis Report reflects an offer to buyout at the net recovery value. Attachment 2 to be used for all applications submitted on or after November 28, 1990.)
- \_\_\_ 4. A current, properly completed real estate and/or chattel appraisal(s) was obtained on all FmHA security and nonessential assets (an appraisal of nonessential assets is only required for applications filed after November 30, 1990).
- \_\_\_ 5. A current automated FHP with all appropriate dates and signatures has been completed.
- \_\_\_ a. Nonfarm and other farm income has been verified and correctly entered on the FHP.
- \_\_\_ b. All debts and collateral have been verified and correctly entered on the FHP. A credit report(s) (obtained at FmHA expense) is included in the case file.
- \_\_\_ c. The projected income, expenses and production figures are based upon the borrowers documented 5-year history in accordance with Section 1924.57(d)(1) of FmHA Instruction 1924-B.

- \_\_\_\_\_ d. The unit commodity prices used on the FHP are documented and comply with Section 1924.57(d)(2) of FmHA Instruction 1924-B.
  
- \_\_\_\_\_ 6. Credit and Financial Analysis Forms are completed as necessary.
  
- \_\_\_\_\_ 7. Form FmHA 1962-1 and Security Agreements or Crop and Chattel Mortgages were reviewed verifying all chattel security has been properly accounted for.
  
- \_\_\_\_\_ 8. A Debt and Loan Restructuring System (DL) Status Screen was obtained with an accrual date the same as the proposed loan servicing date.
  
- \_\_\_\_\_ 9. The correct version of DALR\$ (Version 5.0 for all applications received after April 30, 1992, Version 4.2 for all other applications) was utilized, and the DALR\$ Analysis Report was signed and dated by the County Supervisor.

  - \_\_\_\_\_ a. The date servicing actions were requested and the proposed loan servicing date were correctly entered.
  
  - \_\_\_\_\_ b. The correct discount rate, interest rates and net recovery constants were used in the DALR\$ calculations.
  
  - \_\_\_\_\_ c. The "Balance Available" and "Payments on Non-FmHA Debt" in DALR\$ correspond to the figures from Tables J and K of the FHP.
  
  - \_\_\_\_\_ d. The projected loans on the FHP have been correctly entered into DALR\$.
  
  - \_\_\_\_\_ e. The correct interest rates (original and existing), terms, and unpaid principle and interest (including noncapitalized interest for DALR\$ Version 4.2) figures for all FmHA debts were entered into DALR\$.
  
  - \_\_\_\_\_ f. The entries pertaining to existing loans regarding limited resource rates, loan type, existing payment schedule, and consideration for loan servicing are correct.
  
  - \_\_\_\_\_ g. The value of the borrower's assets as documented by appraisals have been correctly entered into DALR\$.

- \_\_\_\_\_ h. Prior liens and amounts of prior liens have been verified and correctly entered into DALRŞ.
- \_\_\_\_\_ i. For all applications received on or after November 28, 1990, the value of nonessential assets and properly documented unreleased security has been correctly entered into DALRŞ.

**III. Processing Writedown of FmHA Debt**

- \_\_\_\_\_ 1. Attachment 1 or 2 of Exhibit F to FmHA Instruction 1951-S was signed by the borrower. (Attachment 2 will be used for all applications received on or after November 28, 1990.)
- \_\_\_\_\_ 2. Exhibit D to FmHA Instruction 1951-S, "Shared Appreciation Agreement," was properly prepared and executed when the loan(s) was secured by real estate.
- \_\_\_\_\_ 3. Form(s) FmHA 1940-17, "Promissory Note" was properly prepared and executed.
- \_\_\_\_\_ 4. Form FmHA 427-1 (State), "Real Estate Mortgage," or "Deed of Trust," was properly filed, if applicable.
- \_\_\_\_\_ 5. For all applications received on or after November 28, 1990, a lien was taken on other assets as required under Section 1951.910(b) of FmHA Instruction 1951-S.
- \_\_\_\_\_ 6. ADPS Transactions:
  - \_\_\_\_\_ a. 5H, "Remove Descriptive Codes" (if applicable).
  - \_\_\_\_\_ b. 1M, Reschedule, Reamortize, Consolidation, as applicable.
  - \_\_\_\_\_ c. 3R, "Shared Appreciation Writedown"
  - \_\_\_\_\_ d. 5W, "Record/Reverse Loan Deferral", (if applicable).
  - \_\_\_\_\_ e. 5G, "Establish Descriptive Code," (for deferral, if applicable).
- \_\_\_\_\_ 7. Complete AGCREDIT Borrower History Report.

- \_\_\_ 8. Original Promissory Note(s) are marked, "Rescheduled or Reamortized with Writedown Debt," and stapled to the new Note(s).
- \_\_\_ 9. The Management Record System (MRS) was updated for 24-month review of County Records.

**IV. Processing Net Recovery Buyout**

- \_\_\_ 1. Attachment 5-A or 6-A of Exhibit A to FmHA Instruction 1951-S was signed and returned by the borrower. (Attachment 6-A to be used for all applications submitted on or after November 28, 1990.)
- \_\_\_ 2. Form FmHA 451-2, "Schedule of Remittance" was properly prepared to process the NRB payment.
- \_\_\_ 3. Exhibit C or C-1 to FmHA Instruction 1951-S, "Net Recovery Buyout Recapture Agreement," was properly prepared and executed if the FmHA loan(s) was secured by real estate. (Exhibit C-1 to be used for all applications received on or after November 28, 1990.)
- \_\_\_ 4. Form FmHA 427-1 (State), "Real Estate Mortgage," or "Deed of Trust," was properly completed and filed if the FmHA loan(s) was secured by real estate. (The best lien obtainable should be taken and old security instruments released.)
- \_\_\_ 5. ADPS Transaction 3Q, "Net Recovery Buyout"
- \_\_\_ 6. Complete AGCREDIT Borrower History Report.
- \_\_\_ 7. The Management Record System (MRS) was updated for 24-month review of County Records.