

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Direct Loan Servicing – Special
and Inventory Property Management
5-FLP**

Amendment 56

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 41 A has been amended to correct a citation error of 7 CFR 766.51.

Subparagraph 45 A has been amended to correct citation errors of 7 CFR 766.52 (a).

Subparagraph 45 C has been removed because of duplicative language in paragraph 41.

Subparagraph 46 F has been amended to correct citation error of 7 CFR 766.59 (a).

Subparagraph 49 A has been amended to correct a citation error of 7 CFR 766.59.

Subparagraph 65 A has been amended to clarify SED or FLC requirements for post-approval involving non-compliance.

Subparagraph 161 A has been amended to revise “year-end analysis” to “operational review.”

Subparagraph 194 A has been amended to correct the form reference to FSA-2061.

Subparagraph 462 A has been amended to clarify the application requirements for voluntary liquidation when FSA will be paid in full.

Subparagraph 463 C has been amended to update the citation for 7 CFR 766.352.

Subparagraph 497 A has been amended to update the citation for 7 CFR 766.353.

Subparagraph 497 B has been added to provide SED Exception Authority to accept voluntary conveyance applications from estates.

Subparagraph 517 A has been amended to update the citation for 7 CFR 766.354.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraphs 551 F and 568 E have been amended to update the citation for 766.357.

Exhibit 17 subparagraphs 5 A and G have been amended to correct the dates of the GS-11/1 hourly pay rate and calculated Administrative Costs.

Exhibit 17 subparagraph 5 F has been amended to provide clarification of the information needing to be included in the State Supplement.

Page Control Chart		
TC	Text	Exhibit
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Part 2 Disaster Set-Aside (DSA)**41 Purpose****A Intent of DSA**

[7 CFR 766.51] (a) DSA is available to borrowers with FLP program loans who suffered losses as a result of a natural disaster.

(b) DSA is not intended to circumvent other servicing available under this part.

--DSA will not be used to circumvent the servicing available under Parts 3 and 4.--

Note: Accounts with loans on full or partial deferral may not be considered for DSA.

***--(c) Non-program loans may be serviced under this subpart for borrowers who also--* have FLP program loans.**

FLP loans that may be serviced under this part are FO, OL, CL, SW, EM, EE, ST, RL, and RHF. NP's may be serviced under this part for borrowers who also have any program loans as noted in this subparagraph.

Note: YL's are **not** eligible for servicing under this part.

DSA is only intended to relieve some of the borrower's immediate and temporary financial stress caused by a disaster. When the operation has demonstrated that it cannot make the payments due and requires restructure, primary loan servicing under Parts 3 and 4 will be used. DSA will not be used with PLS.

B Authority

Any authorized agency official may approve or reject all disaster set-aside transactions.

42 Notifying Borrowers of DSA**A When FSA Must Notify Borrowers**

When the President, the Secretary of Agriculture, or the Administrator designates a county as a disaster area, FSA will make the DSA program available to its borrowers.

FSA will notify a borrower of DSA availability only if both:

- the borrower was an FLP borrower at the time of the disaster
- the borrower actively operated a farm in a county designated a disaster area or a county contiguous to a designated county.

FSA will not notify borrowers whose FLP loans have been accelerated, restructured after the disaster, have only NP's or YL's, or are paying FSA under a debt settlement agreement.

B How FSA Notifies Borrowers

Borrowers will be notified of DSA availability by sending out Exhibit 9 within 15 calendar days after the service center receives notification of the first disaster designation for a county during a calendar year. This will inform * * * borrowers that the DSA program is available during disaster designations. The letter will list all outstanding disaster designations at the time.

***--Note:** Borrowers with a BAP flag or under bankruptcy protection will be provided Exhibit 9. Exhibit 9 will be sent to the borrower's attorney with a copy to the borrower.--*

45 DSA Eligibility and Limitations

A Borrower Eligibility

[7 CFR 766.52(a)] The borrower must meet all of the following requirements to be eligible for a DSA:

(1) The borrower must have operated the farm in a county designated or declared a disaster area or a contiguous county at the time of the disaster (see operator definition in Exhibit 2). Farmers who have rented out their land base for cash are not operating the farm.

***--(2) The borrower must have acted in good faith, and the borrower's inability to make the upcoming scheduled loan payments must be for reasons not within the borrower's control.**

(3) The borrower cannot have more than one installment set aside on each loan.--*

(4) As a direct result of the natural disaster, the borrower does not have sufficient income available to pay all family living and farm operating expenses, other creditors and debts to the Agency. (This determination must be fully explained in the FBP credit presentation). This determination will be based on:

***--(i) The borrower's actual production, income and expense records for the year the--* natural disaster occurred;**

(ii) Any other records required by the official;

(iii) Compensation received for losses; and

(iv) Increased expenses incurred because of the natural disaster.

(5) For the next production cycle, the borrower must develop a feasible plan showing that the borrower will at least be able to pay all operating expenses and taxes due during the year, essential family living expenses, and meet scheduled payments on all debts, including FLP debts. The borrower must provide any documentation required to support the farm operating plan.

(6) The borrower must not be in non-monetary default.

(7) The borrower must not be ineligible due to disqualification resulting from Federal Crop Insurance violation according to 7 CFR part 718 (1-CM).

(8) The borrower must not become 165 days past due before the appropriate Agency DSA documents are executed.

The borrowers must remain eligible until FSA-2501 is executed.

45 DSA Eligibility and Limitations (Continued)**B Loan Eligibility**

[7 CFR 766.52(b)] (1) Any FLP loan to be considered for DSA must have been outstanding at the time the natural disaster occurred.

(2) All of the borrower's FLP program and Non-program loans must be current after the Agency completes a DSA of the scheduled installment.

(3) All FLP loans must be current or less than 90 days past due at the time the application for DSA is complete.

Loans that are partially advanced are not eligible for DSA.

Example: On July 1, 2022, a borrower closes an FO loan for \$50,000 to expand an existing dairy barn, however because of delays, only \$1,000 has been advanced. In December severe storms damaged the existing barn and now the borrower is in dispute with the insurance company. The borrower is unable to make the July 1, 2023, installment of \$1,990 and has requested DSA. Because not all funds are advanced, the loan is not eligible for DSA. The borrower can request PLS as current but financially distressed.

(4) The Agency has not accelerated or applied any special servicing action under this part to the loan since the natural disaster occurred.

(5) For any loan that will receive a DSA, the remaining term of the loan must equal or exceed 2 years from the due date of the installment set-aside.

(6) The loan must not have a DSA in place.

The loans must remain eligible until FSA-2501 is executed.

* * *

45 DSA Eligibility and Limitations (Continued)

C Borrowers in Bankruptcy

When FSA receives a request for DSA from a borrower, co-borrower, or related entity that has filed for bankruptcy, FSA will consult with OGC to determine if and how the bankruptcy impacts the farm operation and FSA debt, and whether court approval of the DSA is required. If court approval is required, the appropriate documentation must be received before eligibility is determined according to subparagraph 43 B.

A borrower who does not have a confirmed reorganization bankruptcy plan may be eligible for DSA, provided the borrower addresses the terms of the DSA as part of the confirmed bankruptcy plan.

A borrower who has re-affirmed FSA debt or has successfully completed a reorganization bankruptcy and is no longer under bankruptcy court jurisdiction is eligible for DSA, subject to the eligibility and limitations in subparagraphs A and B.

Note: A borrower discharged under a chapter 7 bankruptcy who failed to re-affirm FSA debt is not eligible for DSA. See subparagraph 407 B [7 CFR 766.303(c)].

D Borrowers Paying Under a Debt Settlement

A borrower paying FSA under a Debt Settlement Adjustment Agreement is not eligible for DSA.

E Limitations

[7 CFR 766.53(a)] The DSA amount is limited to the lesser of:

***--(1) The first or second scheduled annual installment on the Agency loans due after the disaster occurred; or**

(2) The amount the borrower is unable to pay the Agency due to the disaster.

Borrowers--* are required to pay any portion of an installment they are able to pay.--*

[7 CFR 766.53(b)] The amount set-aside will be the unpaid balance remaining on the installment at the time the DSA is complete. This amount will include the unpaid interest and any principal that would be credited to the account as if the installment were paid on the due date, taking into consideration any payments applied to principal and interest since the due date.

--[7 CFR 766.53(c)] Recoverable cost items may not be set aside.--

46 DSA Approval**A Decision**

[7 CFR 766.55] Within 30 days of a complete DSA application, the Agency will determine if the borrower meets the eligibility requirements for DSA.

--The authorized agency official must prepare a credit presentation in FBP to document the decision about eligibility/approval. Borrowers will be notified of the decision by letter within 5 working days after the decision is made. The letter will be hand delivered with borrower acknowledgement in position 4 of the case file or sent by regular mail. Exhibit 10 will be used as a template for an affirmative letter. Rejection letters will be prepared according to 1-APP.--

B Borrower Acceptance of DSA

[7 CFR 766.57] The borrower must execute the appropriate Agency documents within 45 days after the borrower receives notification of Agency approval of DSA.

Subject to the 165-calendar-day limitation in subparagraph 45 A, the borrower must sign FSA-2501 within 45 calendar days (48 calendar days if the letter is sent by mail to allow 3 calendar days for delivery) of the date of FSA's approval letter for each loan DSA. Any exception must be requested according to paragraph 4.

If the borrower does not execute all required agency documents within the required timeframe, the DSA request will be rejected and the authorized agency official will notify the borrower per 5-FLP, subparagraph 47 A.

C Required Forms

In closing a borrower's approved DSA request, the authorized agency official will:

- prepare an original and 2 copies of FSA-2501
- staple the signed original on top of the original promissory note or assumption agreement filed in the fire-proof safe
- staple 1 of the 2 copies of FSA-2501 to the copy of the promissory note or assumption agreement filed in position 2 of the borrower's case file
- give the second copy of FSA-2501 to the borrower.

D Modifying FSA-2501

FSA-2501 may need to be modified and issued as a State form to comply with individual State laws. If SED, with OGC concurrence, modifies the form, it must still contain the date of the set-aside and the original date of the installment.

46 DSA Approval (Continued)

E Installments To Be Set-Aside

[7 CFR 766.58] (a) The Agency will set-aside the first installment due immediately after the disaster occurred.

(b) If the borrower has already paid the installment due immediately after the disaster occurred, the Agency will set aside the next annual installment.

F Interest Accrual

[7 CFR 766.59(a)] (1) Interest will accrue on any principal portion of the set-aside installment at the same rate charged on the balance of the loan.

***--(2) If the borrower's set-aside installment is for a loan with a limited resource rate--* and the Agency modifies that limited resource rate, the interest rate on the set-aside portion will be modified concurrently.**

[7 CFR 766.59(b)] The amount set-aside, including interest accrued on the principal portion of the set-aside, is due on or before the final due date of the loan.

G Recording DSA

The authorized agency official will use FSA-2501 as the source document to complete the DSA SI Other workflow to create and submit the 5S – Record Disaster Set-Aside DLS transaction. RDBCSO borrower account status reports and inquiry screens will reflect the amounts set-aside for each loan. An ISA identifier will be displayed on RC 540 for loans with DSA.

H Additional Security for Servicing Actions

[7 CFR 766.56] If the borrower is not current on all FLP loans prior to the borrower executing the appropriate DSA Agency documents, the borrower, and all obligors in the case of an entity, must execute and provide to the Agency a best lien obtainable on all their assets except those listed under section 766.112(b) (paragraph 211).

47 Adverse Determinations

A Notifying Borrowers of Adverse Determinations

DSA applications that do **not** meet the DSA requirements or timeframes will be rejected. The borrower will be notified of the adverse decisions by letter detailing which requirements they did not meet and providing appeal rights according 1-APP.

48 Canceling and Reversing DSA

A Canceling DSA

[7 CFR 766.60] The Agency will cancel a DSA if:

[7 CFR 766.60(a)] The Agency takes any primary loan servicing action on the loan;

If an account is accelerated, the DSA must be canceled as part of the acceleration action.

If FSA later restructures the borrower's loan, the authorized agency official must cancel DSA with a 5T – Cancel Disaster Set-Aside transaction when processing the restructuring through DLS Special Servicing.

[7 CFR 766.60(b)] The borrower pays the current market value buyout in accordance with § 766.113; or

[7 CFR 766.60I] The borrower pays the set-aside installment.

--If the borrower pays the set-aside installment, the office shall contact RDBCSO, FLB to-- process the DSA cancellation with a 5T – Cancel Disaster Set-Aside transaction in DLS.

B Reversing DSA

[7 CFR 766.61] If the Agency determines that the borrower received an unauthorized DSA, the Agency will reverse the DSA after all appeals are concluded.

If FSA determines that the borrower received unauthorized DSA assistance, the borrower will be notified and meetings scheduled according to Part 10.

If FSA still believes DSA was unauthorized after the meetings and once any borrower appeals have been exhausted in FSA's favor, FSA will reverse the set-aside by reinstating the borrower's original payment terms as if FSA had never granted DSA to the borrower. In reversing DSA, the authorized agency official must:

- *--notify RDBCSO, FLB in writing to reverse DSA--*
- attach this notification to FSA-2501, which should remain stapled to the promissory note or assumption agreement.

If a borrower becomes financially distressed or delinquent after FSA reverses DSA, the authorized agency official services the borrower's account according to Parts 3 and 4.

49 Borrower Payments

A Applying and Processing Borrower Payments

***--[7 CFR 766.59(c)] The Agency will apply borrower payments toward set-aside--* installments first to interest and then to principal.**

FSA processes a borrower payment made on a DSA installment as a normal collection and codes the installment as a “D” payment.

B Applying Payments of Borrowers With Multiple Set-Asides

In cases where the borrower received multiple set-asides on 1 loan under previous regulations or other authorizations, the payments will be applied as noted in subparagraph A to the oldest set-aside until it is paid in full and then to the later set-aside.

--50 COVID DSA*A DSA Expansion**

As a result of the COVID-19 National Emergency, a temporary COVID DSA expansion was implemented. The temporary expansion authorized:

- DSA when, as a direct result of the COVID-19 outbreak, the borrower did not have sufficient income available to pay all family living and farm operating expenses, other creditors, and debts to the Agency.
- A second DSA for borrowers who already had a DSA when, as a direct result of the COVID-19 outbreak, the borrower did not have sufficient income available to pay all family living and farm operating expenses, other creditors, and debts to the Agency. An eligible loan could have two COVID DSA's or one COVID DSA and one DSA for a natural disaster.
- COVID DSA for annual operating loans even if there was less than 2 years remaining on the term of the loan. Maturity dates were extended up to 12 months to allow for the set-aside.
- The disaster designation number for the COVID-19 outbreak as C2019. If a second COVID-19 DSA was approved, the disaster designation number was C2021.
- COVID-19 DSA for installments due through December 31, 2022.
- Requests for COVID-19 DSA through March 31, 2023.--*

51-64 (Reserved)

Part 3 Loan Servicing – General Procedures

65 Borrower Non-Compliance With Loan Agreements

A Documenting Non-compliance

Borrowers must be in compliance with loan agreements to be eligible for loan servicing options. Non-compliance will be documented in the FBP running record by the authorized agency official. Documentation must include:

- type, nature, circumstances, and reasons for non-compliance
- any actions taken by the borrower to correct the non-compliance
- requirements of 4-FLP, subparagraph 181 A for conversion.

Note: Failure to complete borrower training is not a non-compliance issue for loan servicing. See 3-FLP, subparagraph 474 C for loan making restrictions for failure to complete borrower training.

Borrowers in non-compliance will be given the opportunity to correct the matter whenever possible. The borrower will be contacted and provided the opportunity to explain the potential non-compliance using Exhibit 10.5 or 4-FLP, Exhibit 31 for conversion (4-FLP, Part 7, Section 2). The borrower will also be initialized into DLS Special Servicing under “Borrower Potentially Commits a Non-monetary Default” category and tracked until servicing is completed. Any response received from the borrower will be documented in FBP and any supporting documentation will be included in the case file. The authorized agency official will review the borrower’s response and determine if the potential non-compliance has been satisfactorily resolved. If the issue is resolved, the FBP running record will be documented and no further action will be taken.

***--Note:** In extraordinary circumstances the authorized agency official may determine that borrower resolution of non-compliance is not feasible. In these cases, the SED or FLC will contact LSPMD for further instructions.--*

B Non-monetary Default

Third party foreclosures, failure to pay real estate taxes or insurance, and UCC renewal fees are non-monetary default decisions that can be made by the authorized agency official. If the authorized agency official determines that the non-compliance has not been resolved and the borrower is in non-monetary default, the account will be referred to SED for concurrence. FSA-2551 will be prepared by the local office and must include all pertinent information, documentation, and any responses provided by the borrower regarding the potential non-compliance. FSA-2551 and all documentation will be forwarded to SED for concurrence of non-monetary default determination. OGC concurrence is not required.

C Lack of Good Faith

SED will determine if a lack of good faith determination will be pursued, and determinations must be made by OGC. OGC lack of good faith determinations may result in the case being submitted for civil or criminal action as described in 5-FLP, Part 11.

Section 1 Notifying Borrowers of Loan Servicing

66 Borrower Notification

A General Requirements

[7 CFR 766.101(a)] The Agency will provide servicing information under this section to borrowers who:

[7 CFR 766.101(a)] (1) Have a current farm operating plan that demonstrates the borrower is financially distressed;

[7 CFR 766.101(a)] (2) Are 90 days or more past due on loan payments, even if the borrower has submitted an application for loan servicing as a financially distressed borrower;

The authorized agency official must provide a loan servicing notification package to a borrower before initiating liquidation, accelerating borrower loan accounts, or repossessing or foreclosing FSA security, unless the borrower was previously notified as 90 calendar days past due or non-monetary default and is already being serviced according to this part.

Example: A borrower misses their January 1, 2021, payment and is properly notified when they become 90 calendar days past due. Processing is then delayed and while FSA continues PLS they make the January 1, 2021, payment on January 15, 2022. At this point, they are less than 90 calendar days past due; however, since the delinquency was not cured at any point, FSA continues to process PLS. They are not renotified.

If a loan is past due, the far left-hand column of the 540 Report shows the number of days that the loan is past due. The code “PDD” (Past Due Days) is shown beside the number. The 540 Report should be printed and reviewed immediately by the authorized agency official once it becomes available. Both the “Borrowers with Loans 90 Days Past Due” and the “Borrowers with Loans Less Than 90 Days Past Due” should be reviewed to find all accounts that will need to be notified of primary loan servicing in the coming month.

The borrower will be notified within 15 calendar days of becoming 90 calendar days past due.

Example: A borrower’s annual installment is due January 1. The borrower fails to make the payment and a local agency official contacts the borrower to discuss the missed payment. The borrower promises to sell steers on May 1st to make the annual installment. The agency official acknowledges the proposal, but reminds the borrower that PLS notices must be sent if the account becomes 90 days past due. The account is shown as 90 days past due on the April 540 Report, therefore, the local agency official must send the borrower the required servicing package and enters the PLS action in DLS Special Servicing.

161 Agency Actions When Borrower's Repayment Ability Improves

A Obtaining a Supplementary Payment Agreement from the Borrower

[7 CFR 766.109(c)(1)] If during the deferral period the borrower's repayment ability has increased to allow the borrower to make payments on the deferred loans, the borrower must make supplemental payments, as determined by the Agency. If the borrower agrees to make supplemental payments, but does not do so, the borrower will be considered to be in non-monetary default.

--As described in 1-FLP, Part 8, Section 5, FSA must perform an operational review for a borrower with a loan deferral. If the operational review reveals an increase in the-- borrower's net income, thereby allowing the borrower to make larger payments during the deferral period, the borrower must execute FSA-2027 within 30 calendar days.

FSA will consider refusal to sign FSA-2027 or make supplemental payments a non-monetary default and the borrower will be notified according to Part 3.

B Borrowers Able to Graduate

[7 CFR 766.109(c)(2)] If the Agency determines that the borrower's improved repayment ability will allow graduation, the Agency will require the borrower to graduate in accordance with part 765, subpart C (4-FLP, Part 4) of this chapter.

162-171 (Reserved)

193 Amount of Debt Canceled by Conservation Contract (Continued)

C Debt Forgiveness

The debt reduced through FSA-2535 is not considered debt forgiveness under CONACT.

194 Processing Conservation Contract Request

A Applying for Conservation Contract

All requests for conservation contracts must be tracked using DLS Special Servicing.

A borrower who is delinquent, financially distressed, or in non-monetary default and is interested in receiving loan servicing, including a conservation contract, must submit:

- a loan servicing application package according to paragraphs 81 and 82
- an aerial photo or map of the borrower's land that delineates the proposed conservation area according to subparagraph 82 B.

A current borrower who is not financially distressed may request a conservation contract by submitting:

•*--FSA-2061--*

- actual financial performance for the past year (last year's tax return or last year's income and expense records are acceptable).
- current balance sheet (or FSA-2037)
- projected income/expense for planning year (or FSA-2038)
- annual crop and livestock production yields
- an aerial photo or map that delineates the proposed conservation area according to subparagraph 82 B.

194 Processing Conservation Contract Request (Continued)

B Processing a Delinquent or Financially Distressed Borrower's Request

If the borrower is eligible for loan servicing, the authorized agency official uses eDALR\$ to determine which loan servicing program or combination of programs may enable the borrower to develop a feasible plan.

When using eDALR\$ to process a loan servicing application that includes a request for a conservation contract, the authorized agency official shall input into eDALR\$ the contract term and conservation acreage.

- The authorized agency official should determine the financial effect of the different contract lengths by running the 3 contract term scenarios on eDALR\$ or the Conservation Contract Estimator Tool, such as 10-, 30-, and 50-year contract terms. By varying the contract term and holding all other input parameters constant, the authorized agency official and borrower may compare the magnitude of debt cancellation across contract terms.
- The authorized agency official also should vary the conservation acreage to determine the effect of changing the size of the proposed conservation contract area. The authorized agency official extrapolates the size of the proposed conservation area from the area marked on the borrower's aerial photo or map. For each contract term that enables a borrower to develop a feasible plan, the authorized agency official should record the minimum conservation acreage that is needed to create a feasible plan.

Example: A delinquent borrower applies for loan servicing and indicates an interest in FSA-2535. The aerial photo the borrower submits indicates the proposed conservation area is 1,000 acres. Using eDALR\$ or the Conservation Contract Estimator Tool, the authorized agency official determines that the borrower can develop a feasible plan if the borrower accepts FSA-2535 for 30 or 50 years. eDALR\$ indicates that a 50-year contract reduces the borrower's debt by \$20,000, while a 30-year contract reduces the borrower's debt by \$12,000. By adjusting the number of acres inputted into eDALR\$, the authorized agency official determines that at a minimum, the borrower has to place 700 acres of land into a conservation easement under a 30-year contract or 500 acres of land into a conservation easement under a 50-year contract to develop a feasible plan.

Part 13 Voluntary Liquidation**461 General Requirements****A Voluntary Sale of Property**

[7 CFR 766.352(a)] A borrower may voluntarily sell real property or chattel security to repay Agency debt in lieu of involuntary liquidation if all applicable requirements of this section are met. Partial dispositions are handled in accordance with part 765, subparts G and H (4-FLP, Part 7) of this chapter.

(1) The borrower must sell all real property and chattel that secure Agency debt until the debt is paid in full or until all security has been liquidated.

There are several types of voluntary liquidation including sale, transfer, and conveyance of security. This part addresses voluntary sale of real property and chattel security. Voluntary conveyance is discussed in detail in Part 14 and transfers in 4-FLP, Part 9.

B Notifying the Borrower

With Agency approval, a current borrower may initiate voluntary liquidation at any time.

--For a borrower in monetary or non-monetary default, FSA will notify the borrower of the-- default according to Part 3. The authorized agency official will work with a borrower in default to voluntarily liquidate security; however, the authorized agency official will not delay FSA's required servicing, acceleration, and involuntary liquidation to accommodate the borrower's liquidation efforts.

462 Voluntary Liquidation of Real Property

A Approval Request

[7 CFR 766.352(a)(2)] The Agency must approve the sale and approve the use of proceeds.

The borrower must:

- complete and sign FSA-2061 with the assistance of the authorized agency official

***--Note:** Only items 1 through 5 of the FSA-2061 are required if the transaction results in FSA debts being paid in full.--*

- provide a sales contract for the property indicating the price and terms of the sale
- *--work with FSA to complete an operational review under 4-FLP, Part 2 reflecting the proposed transaction

Note: If the review shows that the operation will be financially distressed, the borrower should be serviced under Part 3.--*

- sell the property for not less than the market value unless FSA is being paid in full.

B Title Search

The authorized agency official will conduct a new lien search if adequate title information is not available in the borrower's case file. The purpose of the search is to:

- determine the liens of other parties on the property and their effect on liquidation
- ensure proper distribution of sale proceeds.

The borrower pays the cost of all title searches or it will be charged to the borrower's account if they are unable to pay. The authorized agency official will obtain a title search according to the procedures used in the State where the property is located. SED will issue a State supplement as appropriate.

C Appraisal and Disposition of Collateral Proceeds

FSA will appraise the property according to 1-FLP, Part 6 to determine the property's market value only after receipt of a sales contract. Any sale proceeds received by the borrower over and above the FSA-determined market value must be applied to the borrower's FSA debt until the FSA loans secured by the collateral are paid in full. The authorized agency official will apply sale proceeds according to 4-FLP, Part 5.

463 Closing the Sale of Real Property (Continued)**B Release of Liens**

If the proceeds pay the borrower's FSA debts in full, FSA will release its liens and return the appropriate documents to the borrower according to 4-FLP, paragraph 65.

C Remaining Balance

[7 CFR 766.352(a)(5)] If an unpaid loan balance remains after the sale, the Agency will *--continue to service the loan in accordance with part 761, subpart F of this chapter and part 3 of this title. (7-FLP, Part 12)--*

If FSA has not and/or will not pursue a deficiency judgment according to subparagraphs 421 G and 533 F, the unsecured account balance will be serviced through offset and referral to Treasury as set forth in 7-FLP.

464 Voluntary Liquidation of Chattel**A Methods of Voluntary Liquidation**

[7 CFR 766.352(b)] If the borrower complies with paragraph (a) (paragraphs 461 through 463) of this section, the borrower may sell chattel security by:

[7 CFR 766.352(b)] (1) public sale if the borrower obtains the agreement of lienholders as necessary to complete the public sale; or

For a public sale, the borrower must assist the authorized agency official in completing FSA-2571 and revising FSA-2040. FSA-2571 can be completed to give FSA custodial possession (not ownership) of the collateral or as an agreement for the borrower to sell the property.

[7 CFR 766.352(b)] (2) private sale if the borrower:

(i) Sells all of the security for not less than the market value;

(ii) Obtains the agreement of lienholders as necessary to complete the sale;

(iii) Has a buyer who is ready and able to purchase the property; and

(iv) Obtains the Agency's agreement for the sale.

For a private sale, the borrower must assist the authorized agency official in completing FSA-2571 and FSA-2040. The authorized agency official must document the reasons a public sale is not in FSA's best interest. If the account is in default, servicing will continue without delay.

464 Voluntary Liquidation of Chattel (Continued)**B Lien Search**

The authorized agency official will obtain a lien search on the security being sold unless accurate and complete lien information is available in the borrower's case file. The purpose of the search is to:

- determine the liens of other parties on the property and their effect on liquidation
- ensure proper distribution of sale proceeds.

The borrower will pay the cost of all lien searches. See 3-FLP, Part 16 on conducting a lien search. SED may issue a State supplement as appropriate.

C Appraisal

FSA will appraise the property according to 1-FLP, Part 6 if the borrower pursues a private sale. FSA will not generally appraise chattel property to be sold at public auction.

D Sales That Do Not Satisfy the Borrower's Debt

If the estimated net sale proceeds of the property will not fully pay a borrower's secured debts, but the sale price is at least equal to the market value of the security, the authorized agency official may approve the sale. If the borrower submits a debt settlement application with the sale request, the authorized agency official will forward the file to SED with the *--documentation required by 7-FLP, Part 12.--*

E Approving the Sale

The authorized agency official may attend the sale at their discretion and must contact the auctioneer or clerk of the sale to ensure proper distribution of the sale proceeds.

F Rejecting the Sale Request

If the authorized agency official does not approve the request for sale, the borrower will be notified in writing of the reasons for not approving the sale and offered appeal rights according to 1-APP.

497 Real Property Conveyance Application Requirements (Continued)

A Application (Continued)

[7 CFR 766.353(a)] (6) Assignment of all leases to the Agency. The borrower must put all oral leases in writing;

The borrower must put oral leases, including all terms and conditions, in writing and assign all leases to FSA. If a borrower is leasing land on which FSA holds a security interest to a third party for income, FSA will receive all lease proceeds after the conveyance. See 4-FLP, Part 5 for handling lease proceeds.

[7 CFR 766.353(a)] (8) Complete debt settlement application in accordance with *--subpart B of part 761, subpart F of this chapter (7-FLP, Part 12) before, or in--* conjunction with the voluntary conveyance offer if the value of the property to be conveyed is less than the Agency debt; and

The borrower must complete and submit FSA-2732 with all required supporting documentation for debt settlement, unless the value of the voluntary conveyance security fully satisfies the FSA debt.

The debt settlement application will be processed according to 7-FLP, Part 12. The applications for voluntary conveyance and debt settlement will normally be approved or denied together; however, the voluntary conveyance application can be approved while denying the debt settlement application if SED believes it to be in the Government's best interest.

[7 CFR 766.353(a)] (9) Any other documentation required by the Agency to evaluate the request.

***--B SED Authority to Accept Applications from Estates**

On an individual case-by-case basis, an Administrator's Exception under 7 CFR 766.353(a) to accept an application for voluntary conveyance of real property from an estate may be approved by SED according to this paragraph when:

- servicing the deceased borrower's account has been completed in accordance with 4-FLP, Part 10
- all other requirements in this part are met.

Administrator's Exception authority may not be further redelegated.--*

498 Additional Requirements**A Other Use Rights**

If water rights, mineral rights, development rights, or other use rights encumbered by FSA are not included in FSA-2569, or other guidance is needed, the authorized agency official refers the case to SED to obtain OGC guidance as required on the appropriate documents needed to transfer these rights to FSA. SED may issue a State supplement as required.

B Obtaining an Appraisal

The authorized agency official will obtain an appraisal of the property to establish its current market value. The appraisal must be based on the “as is” market value according to 1-FLP, Part 6 and must not include potential deed restrictions or easements FSA may place on the property.

C Conducting a Due Diligence Review

The authorized agency official will arrange to conduct a due diligence review to assess ~~the~~ environmental risk according to 2-EQ. A qualified agency official will conduct the ~~due~~ diligence review to determine whether FSA requires a more detailed environmental review. The cost of any hazardous waste or other environmental clean-up identified by the due diligence review may be considered by FSA, but will not usually be included in Exhibit 37 as clean-up is usually not required for sale of the property.

D Obtaining a Title Search

[7 CFR 766.353(a)(7)] Title insurance or title record for the security, if available;

The authorized agency official will conduct a new lien search, according to the standard procedures used in the borrower’s State and the State supplement issued according to subparagraph 462 B, if adequate title information is not available in the borrower’s case file.

The borrower will pay the cost of all title searches or it will be charged to the borrower’s account.

517 Chattel Conveyance Application Requirements (Continued)**A Application (Continued)**

[7 CFR 766.354(a)] (6) Complete debt settlement application in accordance with
--part 761, subpart F of this chapter (7-FLP, Part 12) before or in conjunction with the--
voluntary conveyance offer if the value of the property to be conveyed is less than the
debt.

The borrower must complete and submit FSA-2732 with all required supporting documentation for debt settlement, unless the value of the voluntary conveyance security will fully satisfy the FSA debt.

The debt settlement application will be processed according to 7-FLP, Part 12. The applications for voluntary conveyance and debt settlement will normally be approved or denied together; however, the voluntary conveyance application can be approved while denying the debt settlement application if SED believes it to be in the Government's best interest.

518 Additional Requirements**A FSA Actions After Receiving Offer**

[7 CFR 766.354(b)] The Agency will accept conveyance of chattel only if:

[7 CFR 766.354(b)] (1) The borrower has made every possible effort to sell the property voluntarily;

This includes consideration of the execution of FSA-2571.

[7 CFR 766.354(b)] (2) The borrower can convey the chattel free of other liens;

- The authorized agency official will conduct a lien search to verify that FSA is the only lienholder on the chattels.
- The authorized agency official conducts or obtains a chattel inspection and appraisal. The inspection and appraisal are required to account for all chattel security listed in the borrower's offer and to determine the market value of the property. The authorized agency official will conduct the appraisal according to 1-FLP, Part 6 as appropriate.
- The authorized agency official will determine the likely recovery value to FSA and whether the conveyance will satisfy the borrower's account. To calculate the recovery value, the authorized agency official will subtract all estimated expenses, including acquisition, preparation, and auction costs, from the appraised market value of FSA security.

The authorized agency official will document that approval of the voluntary conveyance is in FSA's best interest.

[7 CFR 766.354(b)] (4) The borrower conveys all chattel securing the Agency loan; and

The authorized agency official will confirm that the conveyance offer includes all chattel property securing FSA debts. If the borrower has real property securing an FSA loan that is not part of the conveyance offer, the authorized agency official must document that the borrower is liquidating this security by another method approved by FSA. All sales must be completed before the voluntary conveyance.

[7 CFR 766.354(b)] (5) The borrower has received prior notification of the availability of loan servicing in accordance with subpart C (Part 3) of this part.

The authorized agency official will document that the borrower received the proper primary loan servicing notices according to paragraph 66.

Part 16 Involuntary Liquidation**Section 1 General Information****551 Introduction****A General Procedures**

[7 CFR 766.351(a)(1)] When a borrower cannot or will not meet a loan obligation, the Agency will consider liquidating the borrower's account in accordance with this subpart.

FSA will move to liquidate security after acceleration.

The involuntary liquidation process differs among States, and in particular between judicial and nonjudicial foreclosure States. SED, in consultation with OGC, will issue a State supplement to provide detailed guidance on involuntary liquidation.

[7 CFR 766.357(b)(4)] After the date of foreclosure, the borrower or former owner retains no statutory, implied, or inherent right of possession to the property beyond those rights granted by state law.

If FSA acquires property as a result of involuntary liquidation, the property becomes inventory property. FSA maintains and disposes of inventory property according to Part 21.

B Recordkeeping

During the involuntary liquidation process, the authorized agency official must make entries *--into the FBP running record on the liquidation process and retain any letters, forms, or--* documentation associated with the acceleration that are required by this handbook and State supplements.

C Conditions for Involuntary Liquidation

[7 CFR 766.357] (a) The Agency will liquidate the borrower's security if:

(1) The borrower does not satisfy the account in accordance with §§ 766.355 and 766.356 (Part 15), as appropriate;

(2) The involuntary liquidation is in the Agency's financial interest.

551 Introduction (Continued)

D Charging the Borrower's Account

[7 CFR 766.357(c)(1)] The Agency will charge the borrower's account for all recoverable costs incurred by the Agency as a result of the repossession and sale of the property.

If the borrower's account is referred to DOJ for foreclosure and/or other collection action after foreclosure, such as a deficiency judgment or enforcing a judgment lien according to 7-FLP, Part 11, any attorney's fees and any fees routinely charged by DOJ will be added to the amount of debt reported to DOJ. Borrowers have been informed of this fee by notifications of offset and/or notifications of acceleration. SED will issue a State Supplement as required on the proper calculation of the amount to be reported to DOJ.

Note: If the account is to be paid in full, request DAFLP concurrence to process the 3 percent DOJ fee as a noncash credit.

E Crediting the Borrower's Account

[7 CFR 766.357(c)(2)] The Agency will apply the proceeds from the repossession sale to the borrower's account less prior liens and all authorized liquidation costs.

F Outstanding Loan Balances Remaining After Repossession

[7 CFR 766.357(c)(3)] If an unpaid balance on the Agency loan remains after the sale of *--the repossessed property, the Agency will service the account in accordance with part 761, subpart F of this chapter and part 3 of this title. (7-FLP, Part 12)--*

For any outstanding balance remaining after foreclosure for which the borrower is still liable, if FSA has not and/or will not pursue a deficiency judgment according to subparagraphs 421 G and 533 F, the unsecured account balance will be serviced through offset and referral to Treasury as set forth in 7-FLP.

In judicial foreclosure States only, unless the borrower voluntarily liquidated with a release of liability or debt settlement, SED completes FSA-2576 and completes a 3B transaction in ADPS to record a judgment account, if applicable.

567 Foreclosure Sale (Continued)

C Calculating FSA's Bid

FSA will obtain a current market value appraisal according to 1-FLP, Part 6 before the sale. If the Farm Loan Chief or Farm Loan Specialist determines and documents that a potential liquidation value appraisal will be beneficial in determining FSA's bid, the appraisal order may request a potential liquidation valuation in addition to the market valuation. A potential liquidation valuation may be beneficial when all the following conditions are met:

- the property is in an economically depressed area
- the property has significant functional obsolescence, deferred maintenance, or marginal land resources
- a normal marketing effort is not possible because of brief exposure time, and
- consummation of the sale will be within a short period of time as established by State Law.

The authorized agency official completes Exhibit 60 to calculate FSA's bid. Exhibit 60 calculates the net recovery value, FSA's debt plus prior liens, and if obtained by appraisal, the potential liquidation value.

FSA usually bids whichever amount is less, but State supplements can be issued to address differing State Laws.

Note: FLC can request a noncash credit from LSPMD through an exception request when DOJ foreclosure fees are not properly included in Exhibit 60 and the foreclosure sale has been completed.

[7 CFR 766.357(b)(1)] The Agency will charge the borrower's account for all recoverable costs incurred in connection with the foreclosure and sale of the property in accordance with § 765.203 (4-FLP, Part 6).

Before providing concurrence on Exhibit 60, SED shall ensure that the figures used to calculate the bid are well documented. A state supplement to Exhibit 60 is required in order to address redemption periods required to complete Exhibit 60.

On a case-by-case basis, SED may request an Administrator's Exception to the requirement of Exhibit 60 and associated paragraphs when the exception meets the requirements of paragraph 4. Examples of exceptions submitted in the past for Exhibit 60 include high risk of no recovery to the government and use of appraisals greater than 12 months old, assignment of lien to junior lien holder and assignment of lien to borrower's relative.

568 FSA Actions After Foreclosure (Continued)

E Outstanding Loan Balances Remaining After Foreclosure

[7 CFR 766.357(b)(5)] If an unpaid balance on the Agency loan remains after the *--foreclosure sale of the property, the Agency will service the account in accordance with part 761, subpart F of this chapter and part 3 of this title. (7-FLP, Part 12)--*

If FSA has not and/or will not pursue a deficiency judgment according to subparagraphs 421 G and 533 F, the unsecured account balance will be serviced through offset and referral to Treasury as set forth in 7-FLP.

569 Real Property Located Within a Federally Recognized Indian Reservation

A General Requirements

The borrower's real property securing FSA debt must be located within the boundaries of a Federally recognized American Indian reservation.

The borrower must be a member of the tribe that has jurisdiction over the reservation.

B Bidding on Real Property

At a foreclosure sale, FSA bids the greater of the property's market value or FSA's debt against the property.

C Crediting the Borrower's Account

[7 CFR 766.357(b)] (3) Notwithstanding paragraph (b)(2) (subparagraph 568 D), for an American Indian borrower whose real property secures an Agency loan and is located within the confines of a Federally-recognized Indian reservation, the Agency will credit the borrower's account in the amount that is the greater of:

- (i) The market value of the security; or**
- (ii) The amount of the Agency debt against the property.**

570-580 (Reserved)

Reports, Forms, Abbreviations, and Delegations of Authority

Reports

None.

Forms

This table lists the forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELC) and Wetland Conservation (WC) Certification		81
FSA-137	Address Information Request		67, 386
FSA-2001	Request for Direct Loan Assistance		81, 344
FSA-2003	Three-Year Production History		81
FSA-2025	Notice of Approval, Terms and Conditions and Borrower Responsibilities		346
FSA-2026	Promissory Note		Text
FSA-2027	Supplemental Payment Agreement		161
FSA-2029	Mortgage/Deed of Trust		Text
FSA-2037	Farm Business Plan Worksheet Balance Sheet		194
FSA-2038	Farm Business Plan Worksheet Projected/Actual Income and Expenses		194
FSA-2040	Agreement and Record of the Disposition of FSA Security/Release of Proceeds		464, 465, 581, 582
FSA-2061	Application for Partial Release or Consent		194, 462, 463
FSA-2070	Bill of Sale		516, 517, 519
FSA-2080	Release From Personal Liability		84
FSA-2489	Assumption Agreement		Text
FSA-2501	Addendum to the Promissory Note or Assumption Agreement for the Disaster Set-Aside Program		44-46, 48

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2510	Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due		3, 67, 81, 83, 85, 401, 702
FSA-2511	Borrower Response to Notice of the Availability of Loan Servicing		81, 702
FSA-2512	Notice of Availability of Loan Servicing to Borrowers Who Are Current, Financially Distressed, or Less Than 90 Days Past Due		3, 67, 68, 85, 102
FSA-2513	Borrower Response to Notice of the Availability of Loan Servicing		81
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who Are in Non-Monetary Default		3, 67, 68, 83, 85, 444, 702
FSA-2515	Borrower Response to Notice of the Availability of Loan Servicing for Borrowers Who Received Form FSA-2514		81, 444, 702
FSA-2516	30 Day Reminder of the Notice of Availability of Loan Servicing		83
FSA-2517	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 172
FSA-2518	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 172
FSA-2519	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2520	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2521	Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322
FSA-2522	Borrower Response to Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2523	Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2524	Borrower Response to Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2525	Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85, 343, 344
FSA-2526	Borrower Response to and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85
FSA-2529	Negotiated Appraisal Agreement		230
FSA-2535	Conservation Contract		Text
FSA-2537	Notification of Consideration for Homestead Protection		281
FSA-2538	Response to Notification of Consideration for Homestead Protection for Borrowers Who Received FSA-2537		281
FSA-2539	Homestead Protection Program Agreement		283, 284
FSA-2540	Notice of the Availability of Homestead Protection – Post Acquisition		281, 568
FSA-2543	Shared Appreciation Agreement		Text
FSA-2544	Shared Appreciation Agreement Recapture Appraisal Notice		343, 344
FSA-2545	Borrower Notification of Shared Appreciation		344
FSA-2547	Notice of Shared Appreciation Payment Agreement Delinquency		67
FSA-2548	2 nd Notice of Shared Appreciation Payment Agreement Delinquency		67
FSA-2550	Report of Problem Case		421, 533
FSA-2551	Request for Non-monetary Default Determination		421
FSA-2560	Request for Statement of Account		536

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2561	Statement of Account		536
FSA-2562	Borrower Account Description Flag		67, 248, 401, 421, 534, 567, Ex. 11
FSA-2569	Warranty Deed		496-499
FSA-2570	Offer to Convey Security		284, 496, 497, 499, 500, 516, 517
FSA-2571	Agreement for Voluntary Liquidation of Chattel Security		464, 465, 516, 518, 581
FSA-2572	Agreement of Secured Parties to Sale of Security Property		581
FSA-2574	Confirmation Reorganization Plan Worksheet		404, 406
FSA-2576	Notice of Judgment		551, 567, 568, 582, 604
FSA-2580	Primary Loan Servicing and Preacquisition Homestead Protection Checklist		67, 533
FSA-2581	Inequitable Treatment Review Data		533
FSA-2585	Acquisition or Abandonment of Secured Property		708, Ex. 66
FSA-2587	Advice of Property Acquired		568, 743
FSA-2588	Acquired Property Maintenance		568
FSA-2591	Lease of Real Property		281, 284, 568, 743
FSA-2592	Invitation, Bid and Acceptance Sale of Real Property by the United States		776, 778, 782
FSA-2593	Standard Sales Contract Sale of Real Property by the United States		778
FSA-2594	Advice of Inventory Property Sold		778
FSA-2595	Quitclaim Deed		778
FSA-2596	Bill of Sale "A" (Sale of Government Property)		780
FSA-2597	Farmer Programs Noncash Credit for Purchase of Easement Rights		197
FSA-2716	Notice Advising of Potential Referral to Treasury for Cross-Servicing and the Availability of Debt Settlement		Ex. 48
FSA-2717	Notice Advising of Potential Referral to Treasury for Cross-Servicing		Ex. 48
FSA-2731	Cancellation of Debt Without Application		406, 407
FSA-2732	Debt Settlement Application		82

Instructions for Using eDALR\$ (Continued)

4 eDALR\$ Formulas (Continued)

***--J Debt Write-down and Buyout Limitation**

eDALR\$ attempts to develop a feasible plan with a 10 percent debt service margin. All program loan servicing, excluding write-down, is considered before reducing the debt service margin. eDALR\$ will consider write-down only if all of the following conditions are met.

- The borrowers have not received the lifetime limitation for write-down or writeoff with buyout.
- At least 1 program loan is delinquent.
- The debt service margin is at zero percent.

If a feasible plan is found with write-down, eDALR\$ determines the amount of write-down necessary for the borrower to have a positive cash flow.

- If the amount of the write-down is less than or equal to \$300,000, a feasible plan has been found.
- If the amount of write-down is greater than \$300,000 and the debt service margin--* equals 1.00, or a feasible plan cannot be developed, eDALR\$ determines the amount of writeoff, with buyout at the current market value.
- If the amount of writeoff, with buyout at the current market value, is less than or equal to \$300,000, the borrower is offered buyout.
- If the amount of writeoff, with buyout at the current market value, is greater than \$300,000, the borrower is not eligible for loan servicing or buyout and the borrower is offered debt settlement.

Instructions for Using eDALRS (Continued)

5 Periodic Data

A Administrative Liquidation Costs

The administrative liquidation costs for each loan type are provided in the following table.

Loan Type	Calculation	Cost
OL	46.36 X \$28.42 =	\$1,318
FO/SW/CL	46.36 X \$28.42 =	\$1,318
EM/EE	46.36 X \$28.42 =	\$1,318
RH (Used for RHF loans only.)	46.36 X \$28.42 =	\$1,318

Note: Costs were calculated using the 2020 Delphi study for the average number of hours
--spent on a liquidation activity by FSA employees, and used the 2023 GS-11/1--
hourly pay rate. The Delphi study is a nationwide survey and forecasting tool that
records averages of times and actions on FSA accounts.

B Legal Liquidation Costs

Legal liquidation costs will be determined for real estate and chattel foreclosures, as well as chattel-only foreclosures. These costs estimate liquidation costs for Government attorney time for foreclosure cases in both judicial and nonjudicial foreclosure States and will vary by State. Legal liquidation cost estimates should be determined based on the costs that have been incurred during past liquidations in that State. U.S. Attorney Office costs should only be included in States where judicial foreclosures are required.

C Determining Chattel Costs

Chattel costs are determined based on the following:

- “Months Held in Inventory” - FSA rarely acquires chattel property because it can be sold much more quickly and easily than real estate. Therefore, the average holding period for chattel property will be zero, unless the Administrator approves chattel acquisitions and determines that chattels do have a holding period.

Note: If significant acquisitions occur and a chattel holding period becomes necessary, States will contact the National Office for guidance and provide detailed information about the acquisition and planned disposal of the chattel property.

- “Sales Commission Rate” - Authorized agency official will conduct a survey of auctioneers to determine the average commission rate for chattel sales in the area.
- “Other Sales Costs” - These are miscellaneous costs typically incurred when selling acquired chattels. County Offices should request State Office guidance in unusual cases.
- “Rate of Change in Value” - This is a yearly percentage decrease or increase in the value of the property. The normal rate of change in value for chattels will be zero as FSA rarely acquires chattel property.

Instructions for Using eDALRS (Continued)

5 Periodic Data (Continued)

F State Supplement

SED's will issue a state supplement to:

- address the estimated costs and average holding period to be used in making calculations of net recovery value
- provide the factors to use in adjusting market value
- *--publish the administrative liquidation costs listed in Exhibit 17, subparagraph 5 A
- publish the property management costs listed in Exhibit 17, subparagraph 5 G
- establish the effective date of the net recovery constants as January 1st of the following year.

Example: Constants entered 12-01-2023, effective date is 01-01-2024.--*

Note: The State supplement shall be issued after completing the cost analysis and no later than December 31st of each year.

Instructions for Using eDALRS (Continued)

5 Periodic Data (Continued)

G Determining Property Management Costs

Property Management Cost is the administrative cost of managing a property while the property is being held in FSA inventory. The cost will be deducted in cases involving real property. The following worksheet is used to calculate the property management costs. Delphi data standards are used and average actions per month per the national average from the Delphi Study for required actions per property are also put into the formula. Complete the worksheet by using the average holding period of inventory property determined according to subparagraph C. The following has been completed based on national average data with an average holding period of 5.5 months.

Determining Property Management Costs

*--

Delphi Data for Inventory Actions		2023 GS 11/1 Hourly Pay		Administrative Costs for 2024
23.3	X	\$28.42	=	\$662

--*

Note: Costs were calculated using the 2020 Delphi study for the average number of hours spent on inventory property activities by FSA employees, and used the 2023 GS-11/1 hourly pay rate. The Delphi study is a nationwide survey and forecasting tool that records averages of times and actions on FSA accounts.