

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 58

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Exhibit 17:

- subparagraphs 5 A and 5 G have been amended to update eDALR\$ constants
- subparagraphs 2 B, 2 H, 5 B, and 5 C have been amended to replace “chattel” with “personal property”.

Page Control Chart		
TC	Text	Exhibit
		17, pages 3, 4 pages 19, 20 pages 37-42

Instructions for Using eDALR\$ (Continued)

2 eDALR\$ User Guide

A Entering Data

Two categories of information are entered into eDALR\$. First, the authorized agency official enters some information into eDALR\$ on a periodic basis. This information is critical to ensure that eDALR\$ applies the correct interest rate to the borrower's account and that the net recovery value calculation is accurate. Each Field Office must have a system for promptly entering this information into eDALR\$ as the Field Office receives notification of data changes from the State or National Office. Second, the authorized agency official must enter borrower-specific data each time eDALR\$ runs a report. The key sources for this information are the borrower's current or updated FBP, ADPS DL, DLS FBP Loan Schedule, and DLS Total Payoff screens that contain borrower loan information, and the borrower's case file.

The eDALR\$ reports are accurate and useful only if the information entered into eDALR\$ is accurate and complete. A significant percentage of errors or complications with using eDALR\$ result from poor data collection or entry errors. The authorized agency official is responsible for the accuracy of inputted data and should be diligent in ensuring that the borrower's FBP is complete and appropriate. See 1-FLP, Part 8, Section 3 for a detailed discussion on developing FBP.

B Periodic Data

FSA periodically publishes updated data that the Field Office enters into eDALR\$. The State Office also issues State supplements with updated data based on Statewide or local conditions. When published, the authorized agency official enters net recovery constants. *--Current periodic data for administrative liquidation costs, personal property costs, real--* estate costs, and property management costs is found in paragraph 5 of this exhibit.

Instructions for Using eDALR\$ (Continued)

2 eDALR\$ User Guide (Continued)

C Borrower Data

The following table explains the main categories of borrower-specific information the authorized agency official enters into eDALR\$. The table lists specific items from the borrower case file and supporting automated FSA systems for entry into eDALR\$.

Category	eDALR\$ Screen	Explanation
1. Borrower Case Number	Enter or Select Borrower	Either an Entity or Individual Borrower Case Number.
2. Borrower Name	Enter or Select Borrower	Either an Entity or Individual Borrower Name.
3. Date Servicing Actions Requested	Basic Borrower Information	Date of completed application requesting primary loan servicing.
4. Proposed Restructure Date	Basic Borrower Information	Date on which servicing actions should be effective.
5. Has the Borrower Had Previous Debt Forgiveness?	Basic Borrower Information	Determine whether the borrower has received prior debt forgiveness, not including debt reduction from CC's or easements.
6. Period of Deferral	Basic Borrower Information	eDALR\$ allows a maximum deferral period of 5 years. Enter a shorter period based on the plans developed in FBP.
7. Adjusted Balance Available	Basic Borrower Information	System calculated from the data entered.
8. Farm Operating Expense, Farm Operating Interest Expense, Owner Withdrawals Expense, Balance Available, Non Agency Debt Repayment and Taxes Expenses	Basic Borrower Information	*--From FBP eDALR\$ Input Report, enter--* the corresponding information: <ul style="list-style-type: none"> • Farm Operating Expense • Farm Operating Interest Expense • Owner Withdrawals Expense • Balance Available • Non-Agency Debt Repayment and Taxes.

Instructions for Using eDALR\$ (Continued)

2 eDALR\$ User Guide (Continued)

H eDALR\$ Outputs (Continued)

Conditions	Outcome Code	Outcome Description	Offer to Borrower
<p>Feasible plan found for first year with other primary loan servicing options and CC debt cancellation; and</p> <p>Feasible plan found for post-deferral year, if applicable; and</p> <p>Borrower has failed to act in good faith.</p>	10a	<p>Feasible plan found in conjunction with CC debt cancellation and other primary loan servicing options; and</p> <p>Borrower has failed to act in good faith.</p>	FSA offers the borrower debt settlement.
<p>Net recovery value of nonessential assets, real *--estate, and personal property is greater than--* the sum of delinquent amount of FSA loan payments; and</p> <p>CC debt cancellation may occur only when eDALR\$ restructures delinquent loans without restructuring any other existing FSA loans or writes down all existing delinquent FSA loans.</p>	11	Borrower can pay current based on net recovery value of nonessential assets.	FSA offers the borrower a meeting with an authorized agency official on eligibility criteria.
<p>Feasible plan could be found but a recoverable cost item (RCI) loan with type 5 purpose for the RCI loan is not paid-in-full before the proposed loan servicing date.</p>	12	Type 5 recoverable cost item (RCI) loan, unauthorized advance on program loan, not paid-in-full before the proposed loan servicing date.	FSA offers the borrower debt settlement.
<p>Feasible plan found for first year with a CC; and</p> <p>User requests “balance available greater than first year payments” as the priority.</p>	13	Balance available is greater than first year payments, CC requested.	FSA offers to restructure the borrower’s loan with CC debt cancellation only. No further restructuring options are considered.

Instructions for Using eDALR\$ (Continued)

2 eDALR\$ User Guide (Continued)

H eDALR\$ Outputs (Continued)

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Feasible plan is not possible *--without write-down; and No existing program loans are delinquent; and FSA calculates the cash improvement as if there will not be a write-down.	14	Feasible plan found only with write-down. Borrower is not eligible for write-down as no--* loans are delinquent.	FSA offers the borrower a meeting with an authorized agency official on eligibility criteria.

I Mailing the eDALR\$ Report

The authorized agency official is responsible for reviewing the eDALR\$ printout. If eDALR\$ produces a feasible plan, but the authorized agency official determines that a change in specific data, such as loan terms, would result in a more appropriate plan, the authorized agency official may make these adjustments. When the authorized agency official obtains an acceptable printout, the authorized agency official mails a copy of a **detailed** report with the appropriate forms to the borrower and puts the original in the borrower's case file.

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 eDALR\$ (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 \$29.76 =	\$1,380
FO/SW/CL	46.36 X \$29.76 =	\$1,380
EM/EE	46.36 X \$29.76 =	\$1,380
RH (Used for RHF loans only.)	46.36 X \$29.76 =	\$1,380--*

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 2024 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 personal property foreclosures, as well as personal property-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 Personal Property Costs**

Personal property costs are determined based on the following:

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

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

- “Sales Commission Rate” - Authorized agency official will conduct a survey of auctioneers to determine the average commission rate for personal property sales in the area.--*

Instructions for Using eDALR\$ (Continued)

5 Periodic Data (Continued)

*--C Determining Personal Property Costs

- “Other Sales Costs” - These are miscellaneous costs typically incurred when selling acquired personal property. 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 personal property will be zero as FSA rarely acquires personal property.--*

D Real Estate Costs

The analysis for liquidation and disposition costs should, as a minimum, address the following items and considerations.

- “Months Held in Inventory” - The average holding period will be .45 years (165 days; 5.5 months).
- “Sales Commission Rate” - A study will be conducted to determine the typical method for disposition of FSA inventory farms in the state. The findings will be used to determine whether FSA normally disposes of inventory farms without the assistance of brokers or auctioneers. If a County Office is covered by an exclusive listing agreement or contract for auctioneering services, commissions will always be included at the rate specified on the listing agreements or contracts in effect for the County Office.
- “Cost Per Advertisement” - Authorized agency official will contact at least one local newspaper to obtain a cost for advertising inventory farms in accordance with paragraph 781.
- “Rate of Change in Value” - Yearly percentage decrease or increase in value is the rate of change in value. To provide a fair assessment of projected trends in farm land values, SED will utilize FLMAC.

Note: See subparagraph E for FLMAC composition and purpose.

- “Management Charges” - In situations where state or district-wide contracts for management of inventory farms are in effect, the SED will specify those rates to be used in management cost calculations. Generally, those costs should be specified on an annual per-acre basis or annual income percentage basis. If there are no area-wide contract rates for some or all counties, State Office guidance should be given on how to calculate rates based upon local costs. Such guidance should include customary management activities and their frequency to promote a consistent approach.

Instructions for Using eDALR\$ (Continued)

5 Periodic Data (Continued)

E FLMAC

FLMAC will consist of the following members or representatives:

- FSA, SED
- NRCS, State Conservationist
- Extension Specialist from a land grant university, if available, or the National Institute for Food and Agriculture employee with knowledge of the farm real estate market.

* * *

FLMAC will meet at least annually, and will consider the following information:

- The actual change in farm land values in the state during the previous year, as indicated in the most recent “Agricultural Land Values and Market Situation Outlook Report” issued by the USDA Economic Research Service.
- Current conditions in the state and national agricultural economics.
- Availability and cost of credit to purchase farm land.
- The amount of repossessed farm land held by FSA, the Farm Credit System, and other private sector lenders.
- Any special conditions which would affect farm land values in the state.
- Any studies or research conducted by the state agricultural university or similar scholarly source.

If the state has agricultural regions with discernable differences, FLMAC should, if possible, determine anticipated value changes on a regional basis. FLMAC’s meetings and decisions, including the basis for those decisions, will be documented, retained in the State Office as part of the State supplement file and provided to interested parties upon request. Prior to providing the FLMAC determinations to FSA field offices, SED will contact SED’s in surrounding states to determine if FLMAC’s findings are fairly consistent with those of surrounding states. If there are significant differences, SED may reconvene FLMAC to reconsider its findings.

Instructions for Using eDALR\$ (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 eDALR\$ (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		2024 GS 11/1 Hourly Pay		Administrative Costs for 2024
23.3	X	\$29.76	=	\$694

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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 *--2024 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.