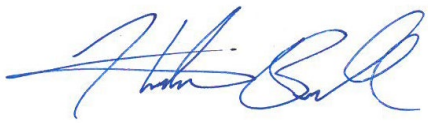
UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Direct Loan Servicing – Special and Inventory Property Management 5-FLP	Amendment 66

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 386 B has been amended to replace Exhibit 30 with FSA-2506.

Exhibit 17 has been amended to update liquidation cost calculations and property management cost calculations.

Exhibit 30 has been withdrawn because it has been replaced with FSA-2506.

Page Control Chart		
TC	**Text**	**Exhibit**
11, 12	10-5, 10-6	17, pages 37, 38 pages 41, 42 30, page 1 (remove)

Exhibits

1	Reports, Forms, Abbreviations, and Redelegations of Authority
2	Definitions of Terms Used in This Handbook
3	(Reserved)
4	State Supplements
5-8	(Reserved)
9	Sample DSA and DBSA GovDelivery Article
10	(Withdrawn--Amend. 64)
10.4	(Withdrawn--Amend. 61)
10.5	(Withdrawn--Amend. 64)
11	Account Description Flag and Code Reference
12	(Withdrawn--Amend. 63)
13	(Withdrawn--Amend. 64)
14	(Withdrawn--Amend. 64)
15	(Withdrawn--Amend. 63)
16	(Withdrawn--Amend. 34)
17	Instructions for Using eDALR$
18-24	(Reserved)
25	(Withdrawn--Amend. 64)
26	Example of Calculation of Shared Appreciation Recapture
27-29	(Reserved)
30	(Withdrawn--Amend. 66)
31	(Withdrawn--Amend. 64)
32	(Reserved)
33	Sample Certificate of Indebtedness
34	(Withdrawn--Amend. 64)
34.5	(Withdrawn--Amend. 64)
35	(Withdrawn--Amend. 64)
36	(Withdrawn--Amend. 34)
37	Example of Worksheet for Accepting a Voluntary Conveyance of Farm Loan Programs Security Property Into Inventory
38	(Withdrawn--Amend. 64)
39	(Withdrawn--Amend. 64)
40	(Withdrawn--Amend. 64)
41	(Withdrawn--Amend. 64)
42, 43	(Reserved)
44, 45	(Withdrawn--Amend. 34)
46	(Reserved)
47	Statute of Limitations for Requesting Deficiency Judgements
48	(Withdrawn--Amend. 64)
49	(Withdrawn--Amend. 64)
50	(Withdrawn--Amend. 64)
51	(Withdrawn--Amend. 64)
52	(Withdrawn--Amend. 64)
53	(Withdrawn--Amend. 64)
54	(Withdrawn--Amend. 64)

Exhibits (Continued)

55	(Withdrawn--Amend. 64)
56	(Withdrawn--Amend. 64)
57	(Withdrawn--Amend. 64)
58	Judicial Foreclosure Best Practices
59	(Reserved)
60	Example of Automated Worksheet for Determining Farm Loan Programs Maximum Bid on Real Estate Property
61	(Withdrawn—Amend. 63)
62-64	(Reserved)
65	(Withdrawn--Amend. 64)
66	(Withdrawn--Amend. 64)
67-69	(Reserved)
70	(Withdrawn--Amend. 64)
71	(Withdrawn--Amend. 64)
72, 73	(Reserved)
74	(Withdrawn--Amend. 65)
75	(Withdrawn--Amend. 65)
76, 77	(Reserved)
78	Notice of Special Flood, Mudslide, or Earthquake Hazard Area
79, 80	(Withdrawn--Amend. 52)

386 Notifying Borrower of Unauthorized Assistance

A General Policy

When FSA has fully documented a borrower's receipt of unauthorized assistance, the borrower will be notified.

B Notifying Borrowers Who Received Unauthorized Assistance Because of Inaccurate Information or FSA Error

The authorized agency official will notify the borrower of the initial unauthorized assistance *--determination with FSA-2506. The letter will address the type of unauthorized assistance,--* and the amount calculated according to paragraph 385 that could be paid to correct the unauthorized assistance. FSA will consider the borrower notified of unauthorized assistance 3 calendar days after the letter is sent.

If the unauthorized assistance meeting cannot be held or corrective action taken within 30 calendar days, the account will be in non-monetary default and the borrower will be notified according to Part 3 with concurrence of SED according to subparagraph 65 B.

C Notifying Borrowers Who Received Unauthorized Assistance Identified by an OIG Audit

If the unauthorized assistance is identified by an OIG audit, the authorized agency official will notify the borrower according to 9-AO.

D Notifying Borrowers Who Received Unauthorized Assistance Because of False Information

If the unauthorized assistance is because of false information, the authorized agency official will notify the borrower according to OIG or SED instructions.

387 Recovering Unauthorized Assistance

A Meeting With the Borrower

At the meeting, the reason for the assistance being unauthorized will be explained to the borrower and options for correcting the unauthorized assistance will be discussed.

The borrower has 15 calendar days to provide evidence that refutes FSA's determination.

B Final Notification

Once all meetings are concluded, the proposed corrective action will be sent to the approval official designated in paragraph 381 for consideration. The approval official will make any changes necessary to the plan and return it to the authorized agency official. The borrower *--will be informed of the final outcome with FSA-2549. FSA will consider the borrower--* notified of unauthorized assistance 3 calendar days after the letter is sent.

The borrower must respond within 30 calendar days of the date of receipt of the letter and be prepared to complete the corrective action within 90 calendar days from the date of receipt. If the unauthorized assistance corrective action is not completed, the account will be in non-monetary default and the borrower will be notified according to Part 3 with concurrence of SED according to subparagraph 65 B.

C Unauthorized Assistance Remittance in a Lump Sum

[7 CFR 766.253(a)(1)] The borrower may repay the amount of the unauthorized assistance in a lump sum within 90 days of Agency notice.

The authorized agency official must make every reasonable attempt to collect the amount of the unauthorized assistance calculated in paragraph 385 from the borrower in a lump sum. If the borrower agrees to remit the unauthorized assistance in a lump sum, the borrower must *--remit the unauthorized assistance within 90 calendar days of receipt of FSA-2549.--*

FSA can make the borrower a new loan or a subordination to refinance the unauthorized loan as long as the new action meets all requirements for the type of new loan or subordination.

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 $36.64 =	$1,699
FO/SW/CL	46.36 X $36.64 =	$1,699
EM/EE	46.36 X $36.64=	$1,699
RH (Used for RHF loans only.)	46.36 X $36.64=	$1,699--*

Notes: 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 2026 GS-12 step1--* hourly pay rate. The Delphi study is a nationwide survey and forecasting tool that records averages of times and actions on FSA accounts.

--The administrative liquidation and property management costs for eDALR$ have been increased from GS-11 step 1 to GS-12 step 1 for calendar year 2027 and thereafter. Since most liquidation and property management work is completed at the GS-12 level (FLP State specialists and FLM's), this change more accurately reflects FLP costs.--

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)

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.

- ***--**the net recovery constants will be entered in eDALR$ no later than December 31 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 table provides the rate to be used in calculating the property management costs. The national average holding period is 5.5 months.

Determining Property Management Costs

*--

Delphi Data for Inventory Actions		2026 GS-12 Step 1 Hourly Pay		Administrative Costs for 2027
23.3	**X**	$36.64	=	$854

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