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

Direct Loan Servicing – Special and Inventory Property Management 5-FLP	Amendment 8

Approved by: Acting Deputy Administrator, Farm Loan Programs

Amendment Transmittal

A Reasons for Amendment

The following subparagraphs have been amended to remove reference to MAC and ADPS and replace with DLS:

- 44 A
- 46 G
- 197 C
- 246 B
- 247 B
- 248 B
- 362 A
- 401 B
- 407 B.

The following subparagraphs have been amended to remove reference to DALR$ and replace with eDALR$:

- 197 B
- 197 C
- 246 A
- 247 A
- 248 A and B.

Subparagraph 197 D has been amended to clarify procedure for processing noncash credits for current borrowers.

Exhibit 17 has been amended to remove reference to DALR$ and replace with eDALR$.

Amendment Transmittal (Continued)

Page Control Chart		
TC	**Text**	**Exhibit**
	2-3, 2-4 2-9, 2-10 5-21 through 5-24 6-61 through 6-64 9-41, 9-42 11-1, 11-2 11-9, 11-10	1, page 5 17, pages 1-42

43 DSA Applications

A Requests for DSA

[7 CFR 766.54(a)] (1) A borrower must submit a request for DSA in writing within eight months from the date the natural disaster was designated.

(2) All borrowers must sign the DSA request.

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

B Required Financial Information

[7 CFR 766.54(b)] (1) The borrower must submit actual production, income, and expense records for the production cycle in which the disaster occurred unless the Agency already has this information.

(2) The Agency may request other information needed to make an eligibility determination.

The borrower must also provide any documentation required to support the farm operating plan as required in paragraph 45, such as 3 years of production, income and expense records.

44 Application Tracking

A Tracking DSA Requests

The authorized agency official must date stamp the borrower's DSA request on the date ***--**FSA received it. The application will be tracked in DLS under Security Instruments Other Workflows.

The authorized agency official must, at a minimum, record the following in DLS:**--***

- borrower's name
- date FSA received the borrower's request
- eligibility determination date
- eligibility determination
- date the borrower signed FSA-2501
- disaster designation code
- total amount set-aside.

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 process DSA (Exhibit 11) with a 5S record installment Set-Aside transaction through ADPS. FSC, FLOO borrower account status reports and inquiry screens will reflect the amounts set-aside for ***--**each loan. The authorized agency official updates DLS accordingly.**--***

H Security Requirements

[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 all DSA requirements will be rejected and the borrower will be notified of the decision and provided appeal rights according to 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 FSA later restructures the borrower's loan, the authorized agency official must cancel the DSA with a 5T Reverse/Cancel Installment Set-Aside transaction when processing the restructuring through ADPS.

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

[7 CFR 766.60(c)] The borrower pays the set-aside installment.

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 FSC, FLOO 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.

196 Establishing Conservation Contract

A Borrower's Response to Conservation Contract Offer

See Part 6 for information on borrower response deadlines to FSA loan servicing offers for delinquent or financially distressed borrowers.

If the authorized agency official offers a current borrower who is not financially distressed a conservation contract and the borrower decides to accept FSA's loan servicing offer, the borrower must respond to the authorized agency official within 45 calendar days of receiving the offer.

If the borrower possesses more than 1 contract eligible tract, the borrower must indicate both of the following:

- the tracts to be set aside for a conservation easement
- FSA-2535's term.

B FSA-2535

[7 CFR 766.110(j)] The borrower must sign the Conservation Contract Agreement establishing the contract's terms and conditions.

To establish a conservation contract, the authorized agency official and borrower shall complete and sign FSA-2535.

- All recorded owners of a property receiving a conservation contract must sign FSA-2535.

- If State law allows, the contract is recorded in the real estate records according to a State supplement.

The authorized agency official must review and write a legal description of conservation contract boundaries based on information in the farm's deed.

The authorized agency official attaches the legal description of conservation contract boundaries and a map or aerial photo marked with conservation contract boundaries to the completed and signed FSA-2535.

The authorized agency official must retain a copy of the contract in the borrower's file as long as the borrower has an active FLP account. The authorized agency official also will provide the borrower a copy of the contract.

[7 CFR 766.110(k)] If the borrower or any subsequent landowner transfers title to the property, the Conservation Contract will remain in effect for the duration of the contract term.

196 Establishing Conservation Contract (Continued)

C FSA-2535 Management Authority

[7 CFR 766.110(f)] The Agency has enforcement authority over the Conservation Contract. The Agency, however, may delegate contract management to another entity if doing so is in the Agency's interest.

Under no circumstances will the borrower be delegated as conservation contract manager.

197 Handling Noncash Credit

A General

FSA applies the debt canceled by the conservation contract against the borrower's real estate debt as a noncash credit. This noncash credit action does not affect the borrower's current payment amount and debt repayment schedule unless the loan is otherwise serviced.

The authorized agency official may reamortize any FLP debt that remains on a borrower's account after the noncash credit has been applied.

B Applying Noncash Credit to a Borrower's Account

FSA applies noncash credit from the conservation contract only to FLP loans secured in whole or in part by real estate. If the borrower receiving a conservation contract has more than 1 outstanding loan secured by real estate, FSA credits the loan with the lowest security priority first. If the borrower possesses 2 or more outstanding loans secured by real estate with equal security priority, FSA credits the loan with the largest amortization factor first.

FSA applies noncash credit to the borrower's account in the following manner.

- ***--**The authorized agency official uses eDALR$ to determine the amount of debt canceled**--*** by the conservation contract.
- FSA reduces the real estate debt in the first loan selected for crediting by the amount of debt canceled by the conservation contract.
- If the authorized agency official cancels all the real estate debt in the first loan and conservation contract's debt cancellation figure has not been exhausted, the authorized agency official selects a loan secured by real estate with the next highest security position for crediting.
- The authorized agency official repeats this process until the conservation contract's debt cancellation figure is exhausted or the authorized agency official has written down all FLP debt secured by real estate.

197 Handling Noncash Credit (Continued)

C Processing Noncash Credit for a Delinquent Borrower

FSC, FLOO credits the borrower's account if the borrower who signs FSA-2535 is delinquent. FSC, FLOO uses FSA-2597 to credit the borrower's account with a 3H transaction in ADPS.

Before FSC, FLOO can process the 3H transaction in ADPS, the authorized agency official ***--**must process a 1M transaction in DLS to reamortize or reschedule the loan with the same**--*** effective date as FSA-2535.

This process does not apply, however, to loans receiving both a conservation contract and a write-down with the shared appreciation agreement. If any loan receives both conservation contract and a write-down with the shared appreciation agreement, the authorized agency ***--**official must process a 1M transaction in DLS, a 3H transaction, and then a 3R transaction in ADPS, using the same effective date.

The authorized agency official must submit a copy of the eDALR$ report, FSA-2597, and**--*** copies of all rescheduled or reamortized notes to FSC, FLOO to credit a borrower's account.

D Processing Noncash Credit for a Current Borrower

--**The authorized agency official will complete FSA-2597 to credit the borrower's account with a 3H transaction in ADPS.**--

198 Rights and Responsibilities Under Conservation Contract

A Borrower's Rights Under Conservation Contract

Unless explicitly prohibited by FSA-2535 or a conservation contract management plan, the borrower has the right to:

- prevent trespassing by the general public and control public access to the conservation contract property

- use the conservation contract property for recreational purposes, including hunting and fishing

198 Rights and Responsibilities Under Conservation Contract (Continued)

A Borrower's Rights Under Conservation Contract (Continued)

- receive economic gain from the leasing of the conservation contract property for recreational use, including hunting and fishing, pursuant to applicable State and Federal hunting and fishing regulations

- retain oil, gas, minerals, and geothermal resources beneath the conservation contract property, provided that the extracting activities are established outside the conservation contract's boundaries and do not adversely affect the conservation contract property

- record title, along with the right to convey and transfer title.

B Borrower's Request for Government Authorization Under FSA-2535

If the borrower wants to pursue any action on the land covered by a conservation contract not explicitly allowed by the terms and conditions of FSA-2535, the borrower must obtain the Government's written authorization in advance. The borrower must make the request for authorization in writing.

To provide the borrower authorization, the authorized agency official must:

- determine that the proposed action does not violate a conservation contract's terms and conditions

- receive the written concurrence of the conservation contract management authority if the authority is outside FSA

- develop and approve a revised conservation contract management plan with the participation of the conservation contract review team.

The authorized agency official consults with SED and OGC as necessary.

C Responsibilities and Enforcement Under FSA-2535

Borrower responsibilities, FSA's rights, and contract enforcement will be according to the provisions of FSA-2535.

199-210 (Reserved)

Section 3 Closing

246 Closing Consolidated/Rescheduled Loans

A Introduction

--**eDALR$ adds the amount of accrued interest and any outstanding protective advances to**-- the principal balance at the time of rescheduling according to Exhibit 17.

B Closing Rescheduled Loans

The authorized agency official will:

- ***--**ensure that the payments on FSA-2026's match the final eDALR$ report**--***
- mark the existing promissory note or assumption agreement "rescheduled" and attach it to the new FSA-2026
- file the new FSA-2026 according to 25-AS
- file a copy of the new rescheduled FSA-2026 with the copy of the existing promissory note or assumption agreement in position 2 of the borrower's case file
- provide a copy of the new rescheduled FSA-2026 to the borrower at closing
- ***--**file the original eDALR$ report in position 3.

A 1M transaction will be processed in DLS to record the rescheduled loans.**--***

247 Closing Reamortized Loans

A Introduction to Reamortization

--**eDALR$ adds the accrued interest and any outstanding protective advances to the principal**--
balance at the time of reamortization according to Exhibit 17.

B Closing Reamortized Loans

The authorized agency official will:

- ***--**ensure that the payments on FSA-2026's match the final eDALR$ report.**--***
- mark the existing promissory note or assumption agreement "reamortized" and attach it to the new FSA-2026
- file the new FSA-2026 according to 25-AS
- file a copy of the new reamortized FSA-2026 with the copy of the existing note or assumption agreement in position 2 of the borrower's case file
- provide a copy of the new reamortized FSA-2026 to the borrower at closing
- ***--**file the original eDALR$ report in position 3.

A 1M transaction will be processed in DLS to record the reamortized loans.**--***

SED will issue a State supplement ensuring that existing liens and title insurance or opinions are extended and preserved.

248 Closing Deferred Loans

A Introduction to Deferrals

FSA will also reschedule or reamortize, as applicable, all loans deferred through primary loan servicing.

--**FSA may defer all or part of a loan according to eDALR$.**--

B Closing Deferrals

The authorized agency official will:

- ***--**ensure that the payments on FSA-2026's match the final eDALR$ report**--***
- complete the addendum to FSA-2026 addressing repayment of deferred interest according to FSA-2026 instructions
- mark the existing promissory note or assumption agreement "rescheduled/reamortized with full/partial deferral," as appropriate, and attach it to the new FSA-2026
- file the new deferred FSA-2026 according to 25-AS
- file a copy of the new note with the copy of the existing promissory note or assumption agreement in position 2 of the borrower's case file
- provide a copy of the new deferred FSA-2026 to the borrower at closing
- ***--**file the original eDALR$ report in position 3.**--***

A 5W ADPS transaction will be processed to record the deferral, and a 5G transaction will be ***--**processed in DLS to record the deferral flag on the account. These transactions will be processed and sequenced with the 1M transaction in DLS.**--***

248 Closing Deferred Loans (Continued)

C Ongoing Servicing of Deferrals

Review the FSC, FLOO quarterly status report to determine borrowers who have deferrals expiring.

Review the borrower's financial progress during the annual analysis according to paragraph 161.

Send the borrower a letter 6 months before the expiration of the deferral stating the amount and due date of the first payment.

--**After all deferrals on a borrower's account have expired, the "DEF" flag (Exhibit 11) must be removed from the account by completing FSA-2562 and processing a 5H transaction.**--

Section 2 Servicing NRBRA's

361 Events Triggering Recapture

A Servicing Existing NRBRA's

[7 CFR 766.206(a)] Prior to July 3, 1996, the Agency was authorized to offer borrowers buy out their loans at the net recovery value. A Net Recovery Buyout Agreement was required for borrowers who bought out their loans at the net recovery value. The Agency services existing Net Recovery Buyout Recapture Agreements as described in this section.

B Requirements and Terms of NRBRA's

[7 CFR 766.206(b)] (1) The term of a Net Recovery Buyout Recapture Agreement is 10 years. Net Recovery Buyout Recapture Agreements are secured by a lien on the former borrower's real estate.

(2) If the former borrower sells or conveys real estate within the 10-year term, the former borrower must repay the Agency the lesser of:

(i) The market value of the real estate parcel at the time of sale or conveyance, as determined by an Agency appraisal, minus the portion of the recovery value of the real estate paid to the Agency in the buyout;

(ii) The market value of the real estate parcel at the time of the sale or conveyance, as determined by an Agency appraisal, minus:

(A) The unpaid balance of prior liens at the time of the sale or conveyance; and

(B) The net recovery value of the real estate the borrower paid to the Agency in the buyout if this amount has not been accounted for as a prior lien;

(iii) The total amount of FLP debt the Agency wrote off for loans secured by real estate.

361 Events Triggering Recapture (Continued)

B Requirements and Terms of NRBRA's (Continued)

Net Recovery Recapture amounts become due only if the former borrower sells or conveys the buyout property before the expiration of NRBRA.

FSA does not consider transfer of a buyout property to be a conveyance if the transfer is made to the borrower's spouse or child because of the borrower's death or retirement, and the spouse or child is actively engaged in the farming operation and assumes full liability of the provisions of NRBRA according to instructions from OGC.

362 FSA Bi-Annual Review

A FSA Review

The authorized agency official will review courthouse records every 2 years to determine whether the former borrower sold or transferred the security for the Recapture Agreement. If the security is sold, the authorized agency official will service the account according to paragraph 363.

--**The authorized agency official will post all scheduled reviews to DLS and document the review results in the FBP running record and borrower's case file.**--

Part 11 Bankruptcies, Civil and Criminal Cases, and Judgments

Section 1 Bankruptcy

401 FSA Actions When Borrower Files for Bankruptcy

A Suspending Loan Servicing

If a borrower files bankruptcy, the authorized agency official will suspend all pending special servicing and collection actions, but will continue to monitor the account and conduct regular servicing to protect the interests of the Government.

B Flagging the Account

Upon notification that the borrower has filed bankruptcy, the authorized agency official will flag the account as "BAP" by using FSA-2562 and processing a 5G *** * * ***transaction. The "BAP" flag will remain on the account until the 1 of the following occurs:

- bankruptcy is dismissed
- borrower is discharged, no longer under court jurisdiction, and FSA has no remaining loan collateral from which collection can be made
- the case has been closed.

Note: A "51-S" flag must be removed with a 5H *** * * *** transaction before a "BAP" flag can be established (Exhibit 11).

C Notifying the Borrower's Attorney of Loan Servicing Options if Borrower Was Not Previously Notified

[7 CFR 766.301] If a borrower files for bankruptcy, the Agency will provide written notification to the borrower's attorney with a copy to the borrower as follows:

(a) The Agency will provide notice of all loan servicing options available under Subpart C (Part 3) **of this part, if the borrower has not been previously notified of these options.**

Within 15 calendar days of receiving a notice of bankruptcy, the authorized agency official will send the borrower and the borrower's attorney Exhibit 34, the appropriate notice according to subparagraph 67 A, and the response form, by certified mail, return receipt requested. If the borrower does **not** have an attorney, the borrower only will receive the FSA forms.

401 FSA Actions When Borrower Files for Bankruptcy (Continued)

D Notifying the Borrower's Attorney of Servicing Options if the Borrower Was Previously Notified

[7 CFR 766.301(b)] If the borrower received notice of all loan servicing options available under Subpart C (Part 3) **of this part prior to the time of bankruptcy filing but all loan servicing was not completed, the Agency will provide notice of any remaining loan servicing options available.**

If FSA notified the borrower of primary loan servicing before the borrower filed for bankruptcy and some servicing options are still available, the authorized agency official will send Exhibit 34 and the appropriate servicing forms along with any required application forms to the borrower and the borrower's attorney (if the borrower has no attorney, then all notifications and timeframes will apply to the borrower only) explaining what options remain. Servicing and servicing timeframes suspended on the date the borrower files for bankruptcy resume on the date the attorney receives Exhibit 34. If no servicing options ***--**remain, send Exhibit 34 to inform the borrower and attorney that no primary loan servicing options remain.

If the borrower or borrower's attorney does not request any remaining servicing options, the authorized agency official will not take any further action to liquidate the account until the stay is lifted and they are notified by the State Office.

E Referring a Bankruptcy to the State Office

The authorized agency official will inform the State Office of any developments in the borrower's bankruptcy case, but will take no action against the security unless directed by SED.

SED should issue a State supplement describing what information is to be forwarded to the State Office in the event of a borrower filing bankruptcy. SED may issue additional State supplements as required to comply with State laws with Regional OGC guidance/advice.**--***

406 Servicing Chapter 11, 12, and 13 Cases After the Bankruptcy Case Is Closed

A Removing the "SAA" Flag and Writing Off Discharged Debt

Upon receipt of the discharge order from the Bankruptcy Court, the authorized agency official will review the borrower records to determine whether FSA will cancel any discharged debt.

If all liable parties are discharged and the bankruptcy is closed, the authorized agency official will debt settle the remaining discharged debt according to RD Instruction 1956-B, section 1956.70(b)(3).

The State Office will forward the approved RD 1956-1, with a copy of the discharge, to FSC, FLOO for process the debt cancellation.

FSC, FLOO will remove the "SAA" flag and process the necessary transactions to write off any portion of the debt.

--**If some, but not all liable parties were discharged of the debt, the account cannot be debt settled and SED should be consulted before initiating servicing options. The account will be classified as "CO" (Exhibit 11) with an ADPS transaction 5A, if no security remains. The State Office will seek the advice of the regional OGC to pursue separate collection actions against nondischarged liable parties and any remaining security.**--

B Returning to Regular Servicing

After the bankruptcy case is closed, the authorized agency official will service bankruptcy loans according to 4-FLP, subject to the confirmed reorganization plan.

C Servicing if the Borrower Defaults on the Confirmed Reorganization Plan

If a borrower becomes 90 calendar days past due or is in nonmonetary default after the court issued a discharge order and after the case is closed under Chapter 11, 12, or 13 of the Bankruptcy Code, the authorized agency official will notify the borrower of loan servicing options according to Part 3, unless servicing actions would be inconsistent with the confirmed bankruptcy plan or the Bankruptcy Code or FSA has referred the account to DOJ.

If the account is in nonmonetary default, OGC concurrence will be obtained before acceleration.

407 Liquidation During Bankruptcy

A Automatic Stay Requirements

FSA must receive relief from the automatic stay from the Court before liquidating the borrower's security. If the Court allows, and all servicing requirements are met, FSA may liquidate the security before the discharge of debt or as otherwise addressed by OGC.

407 Liquidation During Bankruptcy (Continued)

B Chapter 7 Cases After Discharge

In Chapter 7 cases after discharge, FSA will liquidate the account as authorized by OGC if both of the following are true:

- the borrower has not reaffirmed the debt
- an Abandonment Order for the FSA security has been issued by the court or the bankruptcy case is closed.

In cases when 1 or more borrowers have received a discharge, but at least 1 borrower remains liable:

- ***--**DLS must be updated with either a 4A or 4D transaction to list the account in the name**--*** of any remaining liable debtors
- related entity status of the discharged individuals or entities should be updated in the Direct Loan System Customer Profile to reflect they are no longer a co-borrower/co-signer/guarantor
- the Chapter 7 discharge order must be maintained in the casefile
- in community property States, the State Office will seek the advice of the regional OGC to pursue separate collection action against nondischarged borrowers who are the spouse of a discharged borrower.

Note: If the debt is not paid in full and RD-1956-1 is needed, only the individual or entity receiving the Chapter 7 discharge will be listed on RD-1956-1. Notate "Chapter 7 Discharge" after their name and attach a copy of the discharge order.

C Canceling the Debt When All Liable Parties Are Discharged

If all liable parties are discharged and the FSA security is liquidated, FSA may cancel the debt according to RD Instruction 1956-B.

D Notifying Borrower if Servicing Options Are Remaining

If the authorized agency official did not previously notify the borrower's attorney or borrower of any servicing options before or during the course of the bankruptcy proceedings, FSA will send the notices according to subparagraph 401 C before liquidating any security property.

E When FSA Previously Notified the Borrower of Servicing Options

If the authorized agency official previously notified the borrower's attorney or borrower of the remaining servicing options and none remain, FSA will accelerate the account and liquidate according to Part 16 and any instructions from OGC.

Note: The borrower may **not** appeal the acceleration.

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

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
51-S	5-FLP Special Loan Servicing Pending	67, 401, Ex. 11
ACL	Accelerated	534, Ex. 11
ADPS	Automated Discrepancy Processing System	Text, Ex. 11
BAP	Bankruptcy Action Pending	401, Ex. 11
CAP	Court Action Pending	421, Ex. 11
CO	Collection Only	406, Ex. 11
CNC	currently not collectible	126, 433
CONACT	Consolidated Farm and Rural Development Act	1, 193, 537, Ex. 2
eDALR$	Debt and Loan Restructuring System	Text, Ex. 4, 17
DEF	Deferral	248, Ex. 11
DLS	Direct Loan System	Text
FAP	Foreclosure Action Pending	567, Ex. 11
FLMAC	Farm Land Market Advisory Committee	Ex. 17
HML	high, medium, low	901
ITLAP	Indian Tribal Land Acquisition Program	2, 537
LR	limited resource	132, 146
NP	nonprogram loan	Text
NRBRA	Net Recovery Buyout Recapture Agreement	321, 361, 363, 365
NRV	net recovery value	102, 321
RH	rural housing	Ex. 79
SA	shared appreciation loan	66, 67, 102, 145, 146, 191, 346
SAA	subject to approved adjustment	172, 249, 343, 404, 406, Ex. 11
SCRRG	State Civil Rights Review Group	533
SEC	State Environmental Coordinator	802, 821, 837, 839
SOL	Statute of Limitations	126, 127
ST	softwood timber loan	41
TPJ	third party judgment	421, Ex. 11
YL	youth loan	41, 42, 68, 132

Redelegations of Authority

None.

***--Instructions for Using eDALR$**

1 Overview

A Introduction

This exhibit provides basic information on eDALR$. It is an introduction to using eDALR$ and the basic processes and calculations that lead to the eDALR$ print-out. However, this exhibit does not provide every formula, data flow description, or process eDALR$ uses. This exhibit is not a substitute for the more detailed training materials on the system. For detailed information, contact the State eDALR$ Coordinator.

B Purpose of eDALR$

Delinquent and financially distressed borrowers unable to make FSA program loan payments as scheduled may apply for primary loan servicing. The authorized agency official uses eDALR$ to assist in evaluating the effects of primary loan servicing. eDALR$ performs a series of mathematical calculations based on information regarding the borrower's cash flow and loan status obtained from the borrower's case file. The authorized agency official uses this information in attempting to restructure the borrower's debt and maximize repayment ability, while avoiding or minimizing loss to the U.S. Government. eDALR$ provides a printed report of the computations and outcome of the calculations.

C eDALR$ Capabilities

FSA uses eDALR$ when a borrower applies for primary loan servicing. eDALR$ determines what servicing options, if any, are available to the borrower and develops a servicing offer, including any new interest rates, loan terms, and payment schedules.

eDALR$ provides many benefits and advantages to FSA and the borrower, compared to manual calculations.

- The results are available immediately as eDALR$ makes all the necessary calculations**--*** quickly.
- The results are consistent for all borrowers.
- The borrower is assured of being considered for all available servicing options.
- The number of calculation errors is reduced.

***--Instructions for Using eDALR$ (Continued)**

1 Overview (Continued)

D Developing a Feasible Plan

A feasible plan represents the ability of the borrower to pay all farm operating expenses, family living expenses, FSA program loan payments, FSA Non-Program and homestead protection payments, and non-FSA debt loan payments with a debt service margin (DSM) of zero or greater. The DSM is the amount of money a borrower has remaining after paying all debts, farm operating expenses, and family living expenses.

The eDALR$ calculations are a looped process. eDALR$ considers each combination of loan servicing options until a feasible plan is developed, or eDALR$ determines that a feasible plan is not possible with full use of primary loan servicing options, and Conservation Contract (CC) Debt Cancellation.

During the first phase of the calculations, eDALR$ attempts to restructure the borrower’s debt utilizing all necessary combinations of loan servicing options, excluding writedown, while providing a 10 percent DSM. If a feasible plan cannot be developed, eDALR$ reduces the DSM to 9 percent and reconsiders these combinations of loan servicing options. eDALR$ continues to reduce the DSM by 1 percent until a feasible plan is developed or the DSM falls to zero. At a zero percent DSM, after considering all combinations, eDALR$ considers if writedown or a combination of writedown and other servicing actions results in a feasible plan.

If a feasible plan is not obtained at a zero DSM and the borrower is eligible for buyout, then eDALR$ will offer a buyout at market value less prior liens. If the borrower is not eligible for a buyout, eDALR$ will offer the borrower the opportunity for debt settlement.**--***

***--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 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 9, 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, chattel 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 the Farm Business Plan eDALR$ Input Report, enter the corresponding information: • Farm Operating Expense • Farm Operating Interest Expense • Owner Withdrawals Expense • Balance Available • Non-Agency Debt Repayment and Taxes.

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***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)--*

C Borrower Data (Continued)

Category	*-- eDALR$ Screen--*	Explanation
9. FSA Loan for Annual Operating Expense (AOE)	Basic Borrower Information	Enter the amount of any FSA loan for annual operating expenses for first year and after the deferral year. This is the amount of annual operating expense loan principal that FSA will advance in the applicable planning year. Also enter the estimated average number of months the annual operating loan will be outstanding.
10. New FSA Loans	New Loans	Enter the amount of any new loan, loan type, loan term, and year that the cash flow will be affected for the first year or after the deferral year.
11. Existing Loan Data	Existing Loans	Enter loan information obtained from the borrower's case file and the ADPS DL screens. The date of status screens must be after the date of the last payment or other transaction on the loan. The effective date of the status screens should be the proposed restructure date. The loan information includes consideration for: • servicing actions • loan type, program or Non-Program • unpaid principal and interest • the sum of the amount past due plus 1 annual installment • maximum term • original and existing interest rate • security priority • information regarding any portion of the loan for annual operating expenses not to be rescheduled • proposed payment in full on the restructure date • recoverable cost item information.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

C Borrower Data (Continued)

Category	eDALR$ Screen	Explanation
12. Net Recovery Value Data	Net Recovery Property	Two types of data are required to calculate the net recovery value of property. First, the net recovery constants are periodically entered into eDALR$. They specify costs that are determined State-wide or on a local basis and are specified in a State supplement as described in subparagraph B. Second, borrower-specific information primarily related to both essential and nonessential assets are necessary to calculate the net recovery value. The borrower-specific information the user must enter into eDALR$ includes: • market value of the security • prior liens • filing date of FSA and prior lienholder's security instruments • property taxes while in inventory • repairs necessary for resale • advertising cost • interest costs while in inventory • management costs per acre. eDALR$ computes the net recovery value for all FSA farm program loan security and nonessential assets. If FSA's lien position or the amount of prior liens varies from asset to asset, eDALR$ computes separate net recovery values for each asset that has a different lien structure. The sum of all individual net recovery values equals the total net recovery value.

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***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

C Borrower Data (Continued)

Category	eDALR$ Screen	Explanation
12. Net Recovery Value Data (Continued)	Net Recovery Property	Additionally, eDALR$ calculates the FSA loan priority related to FSA's security interests in the assets. The calculated loan priority will minimize the amount of the unsecured debt owed to FSA. Loan priority is used to select the appropriate FSA loans to be considered during the writedown servicing process. eDALR$ uses the net recovery value only if the borrower will receive a writedown according to Part 4. The authorized agency official does not need to enter net recovery value data unless the borrower will receive a writedown.
13. Security Priority	Loan Security	Enter information on the loan priority for each FSA loan secured by an asset. The market value of the security, equity, the remaining debt, and property types associated with each FSA loan can be viewed. The eDALR$ calculations to determine the security priority for each loan will be illustrated. The 3 priorities are as follows. • Low - These loans are unsecured. If FSA liquidated loan security, the proceeds would not be sufficient to result in any payment on the loan. • Medium - These loans are under secured. If FSA liquidated security, the proceeds would be sufficient to result in a partial payment on the loan. • High - These loans are fully secured. If FSA liquidated security, the proceeds would be sufficient to pay the loan in full. The user may manually enter the security priority, if necessary.

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***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

C Borrower Data (Continued)

Category	eDALR$ Screen	Explanation
14. Conservation Contract Data	Basic Borrower Information	If the borrower requested a CC, enter the CC acreage. eDALR$ calculates the total acreage of the farm, unpaid program debt secured by the farm, and the current market value of the farm.

D Staff Responsibilities

The authorized agency official has primary responsibility to ensure that the proper information is entered into eDALR$ and to review the outputs. The borrower is responsible for developing a feasible Farm Business Plan acceptable to FSA. The authorized agency official is not responsible for developing but may assist the borrower to develop feasible first year and post-deferral plans.

For troubleshooting or questions about eDALR$, the authorized agency official should first use the eDALR$ help system built into the program before contacting the eDALR$ Coordinator in the State Office. The State Office contacts the National Office with any questions or problems, if necessary.

E eDALR$ Calculations

After the authorized agency official inputs all the necessary information into the system, eDALR$ performs a series of calculations. These calculations search for a feasible plan while considering the net recovery value of FSA security or nonessential assets, FSA's policy concerning the priority order of servicing, conditions for each action, and all applicable financial limitations or requirements. eDALR$ considers the programs, actions, and calculations listed in subparagraph F. eDALR$ does not necessarily make all these**--***
calculations for each servicing action, but considers only those necessary to develop a feasible plan.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

F Order of eDALR$ Calculations

eDALR$ performs calculations in the following order.

Order of eDALR$ Calculations

1. Basic eligibility criteria for Debt Restructure or Buyout.

2. Servicing requirements for new loan limits/payments.

3. eDALR$ considers conservation contracts, if requested.

4. eDALR$ calculates net recovery value.

5. eDALR$ verifies that net recovery value of nonessential assets is less than total delinquency for FSA program loans.

6. eDALR$ tries to reschedule or reamortize delinquent loans and nondelinquent loans that the authorized agency official designated for servicing at the maximum term allowed in the following order:

   - delinquent program loans
   - limited resource program loans
   - unequal payment program loans.

7. eDALR$ considers consolidation for all eligible program loans.

8. eDALR$ considers program loan deferral.

9. eDALR$ considers a delinquent Non-Program loan only for rescheduling or reamortization with approval of the Administrator unless it is a Debt Set Aside (Shared Appreciation Recapture Debt).

10. eDALR$ considers writedown of FSA program debt.

11. eDALR$ considers combinations of the above servicing programs, except consolidation, with writedown.

12. eDALR$ considers the market value buyout amount when a feasible plan cannot be developed.

13. eDALR$ determines the amount of cash improvement needed to develop a feasible plan, if a feasible plan cannot be develop based on existing budget data.

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***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

G eDALR$ and Debt Service Margin

During the first phase of the calculations, eDALR$ attempts to restructure the borrower's debt using all necessary combinations of loan servicing options, excluding writedown (steps 9 and 10), and providing a 10 percent debt service margin. If a feasible plan cannot be developed after considering the appropriate combinations of loan servicing, eDALR$ reduces the debt service margin by 1 percent until a feasible plan is developed or the debt service margin falls to zero. At a zero percent debt service margin, after considering all combinations of loan servicing, eDALR$ considers writedown or a combination of writedown and other servicing action to develop a feasible plan.

H eDALR$ Outputs

eDALR$ prints a report that shows the results of its calculations and eligibility determination and provides a feasible plan with the supporting new loan information. If eDALR$ determines that a feasible plan cannot be developed or the borrower is not eligible for servicing (for example, failed to act in good faith) eDALR$ offers buyout or recommends offering debt settlement.

The authorized agency official may request either a summary report or a detailed report from eDALR$. A summary report does not include any of the calculation tables, whereas the detailed report does include all the calculation tables and input data.

The conditions for certain outcome summaries associated with the eDALR$ calculations**--***
are described in the following table. The table describes the conditions of the borrower's account, the outcome code and outcome that occur as a result of the conditions, and what FSA will offer to the borrower.

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Feasible plan found for first year; or Feasible plan found for post-deferral year, if applicable.	**1**	Feasible plan found.	FSA offers the borrower primary loan servicing to realize the feasible plan.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Feasible plan found for first year; or Feasible plan found for post-deferral year, if applicable; and Borrower has failed to act in good faith.	**1a**	Feasible plan found; and Borrower has failed to act in good faith.	FSA offers the borrower debt settlement. FSA does **not** offer the borrower primary loan servicing.
Feasible plan found with writedown – First Report	**1b**	Feasible plan found and no previous debt forgiveness and no new term loans.	FSA offers the borrower primary loan servicing to realize the feasible plan.
Feasible plan found without writedown – Second Report	**1c**	Feasible plan found without writedown and no previous debt forgiveness.	FSA offers the borrower primary loan servicing to realize the feasible plan
Feasible plan found for first year is only possible with a writedown; or Feasible plan found for post-deferral year, if applicable; and There is a new term loan requested.	**1d**	Feasible plan is found only with writedown but there is a new term loan so the borrower is not eligible for writedown.	FSA offers the borrower a meeting with an authorized agency official on eligibility criteria.
Feasible plan could not be found in first year; and Feasible plan found for first year with cash improvement amount added to first year balance available; and Feasible plan found for post-deferral year, if applicable; and The borrower has acted in good faith; and Debt service margin is at zero percent.	**1e**	Feasible plan found only after rerun of eDALR$ report with cash improvement amount added to balance available.	FSA offers the borrower primary loan servicing if the borrower can achieve the necessary cash improvement to develop a feasible plan. If the borrower cannot achieve the necessary cash flow to develop a feasible plan, FSA offers the borrower buyout, if eligible, or debt settlement if the borrower is not eligible for buyout.

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*--Instructions for Using eDALR$ (Continued)

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)--*

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Net recovery test fails. The present value of payments plus the CC amount is less than the net recovery value of total property; and At least 1 program loan is delinquent; and Writedown is not possible.	**2**	Buyout at market value when net recovery test fails.	FSA offers the borrower buyout at market value.
Net recovery test fails. The present value of payments plus the CC amount is less than the net recovery value of total property; and Borrower has failed to act in good faith.	**2a**	Buyout at market value when net recovery test fails; and Borrower has failed to act in good faith.	FSA offers the borrower debt settlement. FSA does **not** offer the borrower buyout at market value.
Feasible plan could not be found in first year; and At least 1 program loan is delinquent; and Market value less prior liens is less than the total existing FSA debt, borrower has not received previous debt forgiveness, and a writeoff will occur; or Market value less prior liens is greater than the total existing FSA debt. The borrower may have received debt forgiveness previously since FSA is not offering writeoff to the borrower.	**4**	Buyout at market value. Present value of payments plus CC amount is greater than net recovery value; and No feasible plan found.	FSA offers the borrower buyout at market value, less prior liens.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)--*

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Feasible plan could not be found in first year; and At least 1 program loan is delinquent; and Borrower has failed to act in good faith; and Market value less prior liens is less than the total existing FSA debt, borrower has not received previous debt forgiveness, and writeoff will occur; or If the market value less prior liens is greater than the total existing FSA debt. The borrower may have received debt forgiveness previously since FSA is not offering writeoff to the borrower.	**4a**	Buyout at market value. Present value of payments plus CC amount is greater than net recovery value; and No feasible plan found; and Borrower has failed to act in good faith.	FSA offers the borrower debt settlement. FSA does **not** offer the borrower buyout at market value less prior liens.
All existing FSA loans have a servicing action code "N".	**5**	Loan servicing not available as all existing FSA loans coded for no servicing action.	FSA offers the borrower a meeting with an authorized agency official on eligibility criteria.

*--Instructions for Using eDALR$ (Continued)

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Balance available is sufficient to pay the total of the first year payment amount.	**6**	Borrower can pay the account current.	The user can choose either of the following options. • eDALR$ can consider the "balance available greater than the first year payments" as the solution. FSA offers the borrower a meeting with an authorized agency official on eligibility criteria; or • eDALR$ can continue with calculations and disregard the "balance available greater than the first year payments" and the appropriate outcome will occur. FSA's offer to the borrower is based on this new outcome.
Feasible plan could not be found in the first year; and Writedown amount exceeds $300,000 limitation or 100 percent writedown considered; and At least 1 program loan is delinquent; and Market value less prior liens is less than the total existing FSA debt, borrower has not received previous debt forgiveness, and writeoff will occur; or	**7**	Buyout at market value. Writedown exceeds $300,000 limitation or 100 percent writedown considered.	FSA offers the borrower buyout at market value less prior liens.

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***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)--*

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Market value less prior liens is greater than the total existing FSA debt. The borrower may have received debt forgiveness previously since FSA is not offering writeoff to the borrower.	**7 (Continued)**		
Feasible plan could not be found in first year; and Borrower has failed to act in good faith; and Writedown amount exceeds $300,000 limitation or 100 percent writedown considered; and At least 1 program loan is delinquent; and Market value less prior liens is less than the total existing FSA debt, borrower has not received previous debt forgiveness, and writeoff will occur; or Market value less prior liens is greater than the total existing FSA debt. The borrower may have received debt forgiveness previously since FSA is not offering writeoff to the borrower.	**7a**	Buyout at market value. Writedown exceeds $300,000 limitation or 100 percent writedown considered; and Borrower has failed to act in good faith.	FSA offers the borrower debt settlement.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)--*

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Feasible plan could not be found in first year; and Present value of payments plus CC is greater than net recovery value; and At least 1 program loan is delinquent; and Market value less prior liens is less than the total existing FSA debt, the borrower received debt forgiveness previously but another writeoff is necessary; or Writeoff of debt is greater than $300,000 ceiling amount but borrower has not received previous debt forgiveness.	**8**	Buyout at market value not available because of previous debt forgiveness.	FSA offers the borrower debt settlement.
Feasible plan could not be found in first year; and Borrower has failed to act in good faith; and Present value of payments plus CC is greater than net recovery value; and At least 1 program loan is delinquent; and	**8a**	Buyout at market value not available because of previous debt forgiveness; and Borrower has failed to act in good faith.	FSA offers the borrower debt settlement.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)--*

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Market value less prior liens is less than the total existing FSA debt, the borrower received debt forgiveness previously but another writeoff is necessary; or Writeoff of debt is greater than $300,000 ceiling amount but borrower has not received previous debt forgiveness.	**8a (Continued)**		
Feasible plan found for first year with CC debt cancellation only; and Borrower may have received previous debt forgiveness; and There may be a new term loan; and No other primary loan servicing options will occur in conjunction with a CC; and There can be delinquent program loans that are not restructured, except for writedown because of CC, as long as all delinquent program loans are written down.	**9**	Feasible plan found using CC debt cancellation only.	FSA offers the borrower a CC. FSA will not restructure loans that are affected by the CC debt cancellation. The existing payment schedule will remain unchanged.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)--*

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Feasible plan found for first year with CC debt cancellation only; and Borrower has failed to act in good faith; and Borrower may have received previous debt forgiveness; and There may be a new term loan; and No other primary loan servicing options will occur in conjunction with CC; and There can be delinquent program loans that are not restructured, except for writedown because of CC, as long as all delinquent program loans are written down.	**9a**	Feasible plan found using CC debt cancellation only; and Borrower has failed to act in good faith.	FSA offers the borrower a meeting with an authorized agency official on eligibility criteria. FSA will not restructure loans that are affected by the CC debt cancellation. The existing payment schedule will remain unchanged.
Feasible plan found for first year with other primary loan servicing options and CC debt cancellation; and Feasible plan found for post-deferral year, if applicable.	**10**	Feasible plan found in conjunction with CC debt cancellation and other primary loan servicing options.	FSA offers the borrower a combination of CC debt cancellation and primary loan servicing.

***--Instructions for Using eDALR$ (Continued)**

2 eDALR$ User Guide (Continued)

H eDALR$ Outputs (Continued)

Conditions	Outcome Code	Outcome Description	Offer to Borrower
Feasible plan found for first year with other primary loan servicing options and CC debt cancellation; and Feasible plan found for post-deferral year, if applicable; and Borrower has failed to act in good faith.	**10a**	Feasible plan found in conjunction with CC debt cancellation and other primary loan servicing options; and Borrower has failed to act in good faith.	FSA offers the borrower debt settlement.
Net recovery value of nonessential assets, real estate, and chattel is greater than the sum of delinquent amount of FSA loan payments; and 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.	**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.
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.	**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.
Feasible plan found for first year with a CC; and User requests “balance available greater than first year payments” as the priority.	**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.

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***--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 writedown; and No existing program loans are delinquent; and FSA calculates the cash improvement as if there will not be a writedown.	**14**	Feasible plan found only with writedown. Borrower is not eligible for writedown 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 letter and attachments to the borrower and puts the original in the borrower's case file.**--***

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations

A Net Recovery Value (NRV)

eDALR$ calculates the net recovery value (NRV) for FSA security and nonessential assets.

eDALR$ computes the NRV for all FLP loan security, other nonessential assets owned by the borrower, and assets not in the borrower's possession. If FSA's lien position or the amount of prior liens varies from item to item, eDALR$ computes separate NRV's for each item that has a different lien structure.

During the net recovery value calculations, eDALR$ verifies that the net recovery value of nonessential assets is not greater than the delinquent payment of FSA program loans. If the net recovery value of nonessential assets is greater than the delinquent payment, then the borrower is not eligible for primary loan servicing options.

B New Loan and Annual Operating Expense Payments

eDALR$ computes new loan and annual operating expense payments at regular interest rates. eDALR$ calculates debt repayment for new FSA term loans and FSA loans for annual operating expenses as follows.

- eDALR$ calculates repayment for new term loans based on the regular loan program interest rate and the term of the loan.

- eDALR$ calculates repayment of loans for annual operating expenses based on the regular interest rate and the projected number of months the loan will be outstanding. eDALR$ calculates interest accrual for the annual operating loan by multiplying the amount of principal to be repaid during the period of the plan by the monthly decimal equivalent for the regular program interest rate. eDALR$ then multiplies this amount by the average number of months that the loan will be outstanding. The amount of debt repayment due on annual operating expenses is the total of interest accrual plus the principal amount of the loan.

eDALR$ initially calculates payments for new FSA loans and FSA loans for annual operating expenses at the regular program interest rate. If a feasible plan cannot be developed, eDALR$ reduces the rate to a limited resource interest rate, if applicable.**--***

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations (Continued)

C Loan Payments That Will Pay Loans in Full

eDALR$ will not apply any loan payments that will adjust the amount of the debt or pay loans in full on the proposed restructure date. Therefore, the authorized agency official must indicate in eDALR$ that the particular FSA loan will be paid-in-full if the loan will be satisfied before or on the proposed loan servicing date. eDALR$ can consider only a full payoff of a loan.

If the authorized agency official expects or receives a payment for less than the full amount of the loan, the authorized agency official must apply the payment to the loan before completing the eDALR$ calculations or apply the amount on the closing date to adjust the loan data inputs.

If after the application of payments to pay loans in full, the borrower is no longer financially distressed or none of the borrower's remaining loans are delinquent or require servicing action, no further servicing action in eDALR$ is required.

D CC Debt Cancellation

eDALR$ considers a CC, if requested, to the maximum extent permitted under the regulations according to Part 5. A CC is not provided unless a feasible plan is developed after considering CC and other loan servicing options. eDALR$ selects CC eligible program loans in the order of lowest security priority first. For loans with equal security priority, eDALR$ bases the secondary selection on the loan with the largest amortization factor.

eDALR$ restructures any delinquent or distressed loan that receives a debt writedown**--***
associated with CC debt cancellation and calculates a new payment amount and term.

If the borrower is current, any loans that receive a debt writedown associated with CC debt cancellation are not restructured with a new payment and term. The current payment amount and schedule remains unchanged and a noncash credit is applied to the particular loan. If the borrower requests restructuring with a new payment and term, FSA handles the borrower as a distressed borrower.

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations (Continued)

E Rescheduling or Reamortizing All Delinquent Program Loans

eDALR$ reschedules or reamortizes all delinquent program loans at the maximum term with an interest rate at the lower of the original note rate, current loan program rate, or the current regular rate of interest in effect on the date of a completed primary loan servicing application. eDALR$ reschedules or reamortizes limited resource rate loans at the lower of the original note rate, current loan program rate, or the current regular rate of interest in effect on the date of a completed primary loan servicing application.

eDALR$ restructures delinquent loans only during this process. eDALR$ selects loans in the order of lowest security priority first. For loans with equal security priorities, eDALR$ bases the secondary selection on the loan with the lowest amortization factor. For loans with an equal amortization factor, eDALR$ bases the selection on the loan with the lowest present value. If the lowest present value is equal, eDALR$ bases the final selection on the loan with the smallest amount of debt.

F Rescheduling or Reamortizing Limited Resource Eligible Loans

eDALR$ reschedules or reamortizes limited resource eligible program loans at the maximum term and with an interest rate at the lower of the original note rate, the current limited resource program interest rate, or the current limited resource rate in effect on the date of a completed primary loan servicing application. eDALR$ reschedules or reamortizes limited resource eligible loans 1 at a time until a feasible plan is developed with the appropriate debt service margin or eDALR$ has processed all limited resource eligible loans.

eDALR$ recalculates debt repayment for new FSA term loans and for annual operating expenses at limited resource rates, if applicable. eDALR$ selects loans in the order of lowest security priority first. For loans with equal security priorities, eDALR$ bases the secondary selection on the loan with the lowest amortization factor. For loans with equal amortization factors, eDALR$ bases the selection on the loan with the lowest present value. If the lowest present value is equal, eDALR$ bases the final selection on the loan with the smallest amount of debt.

eDALR$ considers new FSA term loans and loans for annual operating expenses at a limited resource rate before eDALR$ considers existing FSA program loans.**--***

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations (Continued)

G Rescheduling or Reamortizing Program Loans With Unequal Payment Schedules

eDALR$ reschedules or reamortizes loans with unequal payment schedules or loans that were not previously restructured in subparagraph F, as rescheduling or reamortization would have increased debt repayment in the first year. However, if the loan is delinquent, the loan would have been rescheduled or reamortized under subparagraph E regardless of the impact on the first year debt repayment. eDALR$ restructures loans at the lower of the original note rate, the current loan program rate, or if applicable, the limited resource rate.

A loan eDALR$ selects for rescheduling or reamortization in this process cannot have been restructured during any of the earlier calculations and cannot be an ST loan.

eDALR$ selects loans in the order of lowest security priority first. For loans with equal security priorities, eDALR$ bases the secondary selection on the loan with the lowest amortization factor. For loans with equal amortization factors, eDALR$ bases the selection on the loan with the lowest present value. If the lowest present value is equal, eDALR$ bases the final selection on the loan with the smallest amount of debt.

H Consolidating Eligible Program Loans

If a feasible plan has been obtained before the deferral servicing option and if there are FSA program loans eligible for consolidation, then eDALR$ offers consolidation. Eligible program loans with the same program loan type are consolidated into 1 program loan. The interest rate selected for the consolidated program loans is the lesser of the current interest rate for the program loan type or the lowest of the original interest rate on any of the program loans being consolidated. If 1 of the program loans is eligible for limited resource rate, the consolidated program loan is eligible for a limited resource rate.

I Deferral

eDALR$ determines the cash available to repay FSA debt for the first year and the year after the deferral period by subtracting non-FSA payments, farm operating expenses excluding interest, and family living expenses from the adjusted balance available.

- If the first year cash available is negative, eDALR$ proceeds with the actions described in subparagraph M.

- If the first year cash available is positive and less than the cash available for the year after the deferral period, eDALR$ considers loan deferral.**--***

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations (Continued)

I Deferral (Continued)

eDALR$ selects loans for deferral to minimize the debt repayment in the year after the deferral period. If the full deferral of a loan will result in a first year cash flow that exceeds the appropriate debt service margin, a partial deferral of the loan is used to eliminate the excess cash flow. A partial deferral has the added benefit of reducing the payment amount in the years after the deferral period.

eDALR$ attempts to develop a feasible plan for the first year by deferring payments on FSA loans until the end of the deferral period (1 to 5 years). A deferral decreases the payment during the period of the deferral and increases the payment for the remaining term. Deferrals are beneficial only if the debt repayment margin increases in the year after the deferral period. This improvement must be no later than 6 years after the current planning year, since the maximum deferral period is 5 years.

To determine the appropriate deferral period, the authorized agency official and borrower review the farm operation for the upcoming 5-year period. Program loans should be deferred to the year when the improvement from the first planning year is the greatest and the improvement in the following years are at least as good.

Program loans are deferred at the lower of the original note rate, current program interest rate, current regular program rate in effect on the date of a completed primary loan servicing application, or if applicable, the limited resource rate.

To select program loans for deferral, eDALR$ calculates the payment after the deferral period for each loan as if the loan had been fully deferred. eDALR$ defers the loan with the smallest ratio first and so forth.

J Servicing Program Loans for Rescheduling or Reamortization

eDALR$ reschedules or reamortizes nondelinquent program loans at the maximum term and with an interest rate at the lower of the original note rate, the current loan program rate, or the current regular program rate in effect on the date of a completed primary loan servicing application. eDALR$ reschedules or reamortizes limited resource rate loans at the lower of the original note rate, the current regular rate, and/or the current limited resource rate. eDALR$ reschedules or reamortizes nondelinquent program loans 1 loan at a time until a feasible plan is developed with the appropriate debt service margin or until eDALR$**--***
processes all nondelinquent program loans.

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations (Continued)

J Servicing Program Loans for Rescheduling or Reamortization (Continued)

eDALR$ selects program loans in the order of lowest security priority first. For loans with equal security priorities, eDALR$ bases the secondary selection on the loan with the lowest amortization factor. For loans with equal amortization factors, eDALR$ bases the selection on the loan with the lowest present value. If the lowest present value is equal, eDALR$ bases the final selection on the loan with the smallest amount of debt.

K Servicing Delinquent Non-Program Loans for Rescheduling or Reamortization

eDALR$ reschedules or reamortizes all delinquent Non-Program loans at the maximum term with an interest rate at the lower of the original note rate or current *** * *** Non-Program rate.

eDALR$ restructures only delinquent Non-Program loans during this process. eDALR$ selects loans that are identified as Non-Program or homestead protection loans and then selects the loan with the lowest amortization factor.

L Writedown

When the debt service margin reaches zero percent and a feasible plan has not been developed, eDALR$ considers writeoff of FSA program debt for a borrower who has not received the lifetime limit for writedown and writeoff. If eligible for debt forgiveness, eDALR$ offers buyout at current market value, otherwise debt settlement is offered.

- If the cash available for the first year is greater than the cash available for the year after the deferral period, eDALR$ considers writedown, in combination with other primary loan service programs. When considering a borrower for a writedown,eDALR$ attempts to maximize the borrower’s repayment ability and minimize losses to the Government.

  The amount of writedown cannot exceed the $300,000 limitation according to Part 4. In addition, the present value of the program loan payments plus the amount of the CC cannot be less than the total NRV of the FSA security and nonessential assets.

  eDALR$ prioritizes the program loans for writedown and attempts to develop a feasible plan (pass one). If a feasible plan is not found, eDALR$ re-orders the program loans**--***
  based on different criteria and again attempts to develop a feasible plan with writedown (pass two).

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations (Continued)

L Write-down (Continued)

For the first attempt to writedown (pass one), eDALR$ bases program loan selection to maximize the amount of writedown. eDALR$ selects the program loan with the lowest security priority first. For program loans with an equal security priority, eDALR$ bases the secondary selection on the program loan with the largest amortization factor.

If a feasible plan is not developed, eDALR$ re-orders the program loans based on new criteria and again attempts writedown (pass two). eDALR$ bases its program loan selection on lowest security priority. For program loans with equal security priority, eDALR$ bases the secondary selection on the program loan with the smallest present value factor. For program loans with equal present value factors, eDALR$ bases the selection on the program loan with the highest amortization factor. For program loans with an equal amortization factor, eDALR$ selects the program loan with the largest debt first.

- If the cash available after the deferral period is greater than the cash available in the first year, eDALR$ considers a combination of deferral and writedown.

  eDALR$ selects program loans for deferral to achieve a cash flow in the first year. If deferral of a program loan results in a first year cash flow that exceeds the applicable debt service margin, eDALR$ partially defers the loan to reduce the excess cash flow. If there is a negative cash flow after the expiration of the deferral period, eDALR$ writes down 1 loan to attempt to develop a feasible plan in the year after the deferral period. This process is repeated until a feasible plan is developed for both the first year and the year after the deferral period, or until eDALR$ has processed all program loans. The amount of the writedown cannot exceed the $300,000 limitation and the present value of the restructured loans plus the value of the CC cannot be less than the total net recovery value of the FSA security and nonessential assets.

  To select program loans for deferral, eDALR$ calculates the payment for each loan as if it has been fully deferred.

  eDALR$ defers the program loan with the smallest ratio first and so on until the**--***
  borrower has a first year cash flow with the appropriate debt service margin or all loans have been deferred.

  The deferred portion of the loan is considered a separate loan in this process and must be prioritized for consideration with the remaining loans.

***--Instructions for Using eDALR$ (Continued)**

3 eDALR$ Calculations (Continued)

M Market Value Buyout

eDALR$ considers current market value buyout when a feasible plan cannot be developed after considering the borrower for all combinations of servicing options and the borrower has not received the lifetime limitation for writedown and writeoff. The amount of FSA debt to be written off must be less than or equal to the $300,000 limitation, otherwise the borrower is not eligible for primary loan servicing or current market value buyout. In this case, the borrower is offered debt settlement.

N Cash Improvement

eDALR$ determines the amount of cash improvement needed in the first year balance available to develop a feasible plan with a zero percent debt service margin when a feasible plan otherwise cannot be developed.

O Results of Calculations

At this point, eDALR$ has finished its calculations. A feasible plan has been developed or all possible combinations of servicing actions have been considered. eDALR$ provides a report of the results of the calculations performed.

If eDALR$ does not find a solution that will provide a feasible plan, FSA proceeds with**--*** the other actions authorized in this handbook, including mediation, debt settlement, offering the borrower a current market value buyout, and considering the borrower for homestead protection.

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas

A Interest Accrual on Existing Loans

If the interest accrual date for an existing loan precedes the proposed restructure date, eDALR$ determines the amount of additional interest that accrues between these dates. This amount is added to the unpaid interest that was outstanding as of the accrual date. The calculations used are as follows.

- Interest accrual after the loan status date = [(principal * interest rate)/365] * (effective date-accrual date)

- Total accrued interest = interest accrual after the loan status date + interest accrual as of the loan status date

B Debt Service Margin (DSM)

eDALR$ attempts to develop a feasible plan that provides the borrower with a 10 percent margin above the amount needed for family living expenses, farm operating expenses, and debt service obligations. If a feasible plan cannot be found with a 10 percent DSM, eDALR$ reduces the margin in increments of 1 percent until a feasible plan is found or the DSM falls below zero. eDALR$ considers all loan servicing options, except writedown, before reducing the debt service margin. eDALR$ only considers writedown when the DSM equals zero.**--***

The DSM applies in both the first year and the post deferral year calculations if deferral is being considered. The DSM is used to calculate the cash available to restructure FSA debt as follows:

- Adjusted balance available = balance available plus total farm operating expense plus family living expenses plus non-Agency debt payments and taxes minus farm operating interest expense

- Adjusted non-Agency debt payment = non-Agency debt payments and taxes plus family living expense plus total farm operating expense minus farm operating interest expense

- Debt service margin amount = balance available minus non-Agency debt payments and taxes minus restructured FSA debt payments minus nonrestructured FSA debt payments

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)

B Debt Service Margin (DSM) (Continued)

- Cash available to restructure FSA debt = [((adjusted balance available) /(applicable debt service margin (e.g., 1.10))) minus (adjusted non-Agency debt payment)]

- Debt service margin percentage = debt service margin amount/adjusted balance available

DSM used in these calculations is set initially at 1.10. If a feasible plan is not found after consideration of all available loan servicing options, the margin is reduced incrementally by .01. After the reduction is completed, eDALR$ reconsiders the borrower for all loan servicing requested. eDALR$ continues to reduce the DSM until a feasible plan is developed, or until it determines that a feasible plan is not possible with a DSM of 1.00.

C Loan Payment Calculations

eDALR$ calculates loan payments using amortization factors rounded to the nearest 5**--*** places. All payments are rounded up to the next dollar. The equations used to calculate loan payments are as follows.

- Payments on new FSA loans

  Payment = principal amount * amortization factor

- Payments on FSA loans for annual operating expenses

  - Determine the average number of months that the loan for annual operating expenses will be outstanding. It may be estimated or calculated from the projected advance and payment schedule for the loan.

    For example, the loan for annual operating expenses is estimated to be $15,000 and the projected advance and repayment schedule is:

Principal balance outstanding	Number of months outstanding
$15,000	3
$8,000	2
$6,000	4

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)--*

C Loan Payment Calculations (Continued)

Average months = [(3 x 15,000) + (2 x 8,000) + (4 x 6000)]/15,000

Average months = [45,000 + 16,000 + 24,000]/15,000

Average months = 85,000/15,000

Average months = 5.7

- Determine interest accrual on annual operating expense loan.

  Interest accrual = [(principal amount * interest rate)/12] * number of months outstanding

- Determine total payment.

  Total payment = principal amount + interest accrual

D Payments for Rescheduled or Reamortized Loans

Determine interest accrual if loan status date precedes the proposed restructure date.

Determine unpaid loan balance.

Unpaid loan balance = principal amount + unpaid interest (as of the loan status date) + interest accrual

Determine payment amount.

Payment = unpaid balance * amortization factor

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)

E Payments for Deferred Loans

Determine payments for deferred loans as follows.

- Determine term of loan entered in eDALR$.**--***

- Determine remaining term after deferral period.

  Remaining term = term - deferral period

- Determine payment during deferral period.

  Payment = nondeferred principal * amortization factor

  Note: Amortization factor is based on the full term of the loan.

- Determine payment after deferral.

  - Determine interest accrual on deferred principal.

    Interest accrual = deferred principal * interest rate * deferral period

  - Determine payment on interest accrual.

    Payment = interest accrual / remaining term

  - Determine payment on deferred principal.

    Payment = deferred principal * amortization factor

  Note: Amortization factor is based on the remaining term after the expiration of the deferral period.

  - Determine total payment after deferral.

    Payment = payment of nondeferred principal + payment on interest accrual + payment on deferred principal

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)--*

F Loan Amortization Factors

Loan amortization factors are calculated using the following equations:

- Nondeferred loan

  $A = [(i(l + i)^{n})/((l + i)^{n-l})]$

  A = Amortization factor
  i = Interest rate
  n = Term

- Deferred loan

  $A = [((i(l + i)^{n-t})/((l + i)^{n-t-l})) + ((i * t)/(n-t))]$

  A = Amortization factor
  i = Interest rate
  n = Term
  t = Deferral period

- Deferred interest

  $A = l/(n-t)$

  A = Amortization factor
  n = Term
  t = Deferral period

G CC Calculations

Calculate the amount of debt to be canceled for a delinquent borrower as follows.

- Determine what percent the number of contract acres is of the total acres of land that secures the borrower’s FLP loans. Contract acres divided by total farm acres = ____%

- Determine the amount of FLP debt that is secured by the contract acreage by multiplying the borrower’s total unpaid FLP loan balance (principal, interest, and recoverable costs already paid by FSA) by the percentage calculated in step 1. Total FLP debt * percent calculated in step 1 = ____

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)--*

G CC Calculations (Continued)

- Determine the current value of the land in the contract by multiplying the present market value (PMV) of the farm that secures the borrower's FLP loans by the percent calculated in step 1. PMV of total farm * percent calculated in step 1 = ____

- Subtract the current value of the contract acres in step 3 from the FLP debt that is secured by the contract acres in step 2. Result from step 2 - result from step 3 = ____

- Select the greater of the amounts calculated in step 3 and step 4.

- Select the lesser of the amounts calculated in steps 2 and 5. This amount will be the maximum amount of debt that can be canceled for a 50-year contract term.

- For a 30-year contract term, the borrower will receive 60 percent of the amount calculated in step 6. Result from step 6 * 60% = ____

- For a 10-year contract term, the borrower will receive 20 percent of the amount calculated in step 6. Result from step 6 * 20% = ____

Calculate the amount of debt to be canceled for a current borrower as follows.

- Determine what percent the number of contract acres is of the total acres of land that secures the borrower's FLP loans. Contract acres divided by total farm acres = ____%

- Determine the amount of FLP debt that is secured by the contract acreage by multiplying the borrower's total unpaid FLP loan balance (principal, interest, and recoverable costs already paid by FSA) by the percentage calculated in step 1. Total FLP debt * percent calculated in step 1 = ____

- Multiply the borrower's total unpaid FLP loan balance (principal, interest, and recoverable costs already paid) by 33 percent. Total FLP debt * 33% = ____

- Select the lesser of the amounts calculated in steps 2 and 3. This is the maximum amount of debt that can be canceled for a current borrower receiving a 50-year contract.

- For a 30-year contact term, the borrower will receive 60 percent of the amount calculated in step 4. Amount calculated in step 4 * 60% = ____

- For a 10-year contract term, the borrower will receive 20 percent of the amount calculated in step 4. Amount calculated in step 4 * 20% = ____

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)--*

H Present Value Calculations

Calculating Net Present Value without a deferral

Determine the appropriate value for the following items:

i = Discount rate, expressed as a percentage
n = Loan term, number of remaining annual payments
p = Loan payment, total dollar payment after restructuring

Formula: $[[(1+i)^n - 1/(i(1+i)^n)]p]$

Step 1: 1 + i = ___________(a)
Step 2: a^n = ___________(b)
Step 3: b - 1 = ___________(c)
Step 4: b*i = ___________(d)
Step 5: c / d = ___________(e)
Step 6: e*p = ___________Net Present Value

Calculating Net Present Value with a deferral

Determine the appropriate value for the following items:

i = Discount rate, expressed as a percentage
n = Loan term, number of remaining annual payments
p = Loan payment, dollar payment after restructuring
t = Deferral period, in years

Formula: $[[[(1+i)^{n-t} - 1/i(1+i)^{n-t}]/(1+i)^t]p]$

Step 1: 1 + i = ____________(a)
Step 2: a^{n-t} = ____________(b)
Step 3: b - 1 = ____________(c)
Step 4: b*i = ____________(d)
Step 5: c/d= ____________(e)
Step 6: a^t = ____________(f)
Step 7: e/f = ____________(g)
Step 8: g*p = ____________Net Present Value

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)--*

I Partial Deferral Calculations

Whenever full deferral of a loan results in excess cash flow (above the applicable debt service margin) in the first year, a partial deferral of that loan will decrease future payments on that loan and eliminate the excess cash flow in the first year. A partial loan is created by apportioning the loan balance into 2 distinct parts, nondeferred and deferred.

Partial deferrals are calculated as follows.

- Determine the amount of deferral necessary to achieve cash flow in the first year.

  d = l-(r/R)

  d = The fraction of the loan that must be deferred
  r = The amount of excess cash flow in the first year with full deferral
  R = The debt repayment on the loan in the first year without deferral.

- Determine the deferred and nondeferred portion of the loan.

  - P1 = (1-d) * P

    P1 = (r/R) * P
    P1 = Nondeferred portion
    d = Fraction of the loan that must be deferred
    P = Principal balance

  - P2 = P-P1

    P2 = Deferred portion
    P = Principal balance
    P1 = Nondeferred portion

***--Instructions for Using eDALR$ (Continued)**

4 eDALR$ Formulas (Continued)

J Debt Writedown and Buyout Limitation

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

- The borrowers have not received the lifetime limitation for writedown 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 writedown, eDALR$ determines the amount of writedown necessary for the borrower to have a positive cash flow.

- If the amount of the writedown is less than or equal to $300,000, a feasible plan has been found.
- If the amount of writedown 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	(3063 ÷ 60 = 51.05) X $23.74=	$1,212
FO/SW	(3063 ÷ 60 = 51.05) X $23.74=	$1,212
EM/EE	(3063 ÷ 60 = 51.05) X $23.74=	$1,212
RH (Used for RHF loans only.)	(3063 ÷ 60 = 51.05) X $23.74=	$1,212

Notes: Costs were calculated using the most recently available Delphi study and the 2009 GS-11/1 hourly pay rate.

B 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 eDALR$ (Continued)--

5 Periodic Data (Continued)

C 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 5.5 months (165 days). National Office guidance and an Administrator’s exception will be required if a longer holding period is considered.

- “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 D 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)

D 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.

Data obtained from EIP-51R and FSA-326 may be useful to FLMAC in determining the annual percentage of decrease or increase in land values.

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)

E 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.

Note: The State supplement shall be issued after completing the cost analysis, but no later than November 30 of each year.

--Instructions for Using eDALR$ (Continued)--

5 Periodic Data (Continued)

F Determining Property Management Costs

This 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. An example has been completed based on National average data with an average holding period of 5.5 months.

Determining Property Management Costs

Step	Action
1	(_______.215 X ______5.5______=_____1.1825____) Average Actions Per Property/Month; Average Holding Period
2	(____180________ ÷ ______60______ = ______3________) Delphi Data for Real Estate Loans
3	(___1.1825_______ X _______3______ X ____23.74___ = _84.22__) Amount from Step 1; Amount from Step 2; 2009 GS 11/1 Hourly Pay
4	(648 ÷ 60 = 10.8) Delphi Data for Inventory Actions
5	(10.8 X 23.74 = 256.39) Amount from Step 4; 2009 GS 11/1 Hourly Pay
6	(_____84.22______ + _____256.39_____= _____341.00_______) Amount from Step 3; Amount From Step 5; Administrative Costs for Inventory Property (Rounded to nearest $)

--*