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

Notice FLP-120

1951-S

For: State and County Offices

Releasing DALR$ Version 6.4

Approved by: Deputy Administrator, Farm Loan Programs

Carolyn B. Cooksie

1 Overview

A Background

The Debt and Loan Restructuring System (DALR$) version 6.4:

- is scheduled for release by the end of March 2000 to all County Offices
- implements all changes required by Pub. L. 106-31, "1999 Emergency Supplemental Appropriation Act," signed May 21, 1999.

B Purpose

This notice:

- provides information about implementing the DALR$ version 6.4 software
- describes known system limitations and the appropriate corrective action.

This software:

- corrects data query limitation associated with the "Effective Date" field on the Discount Rates screen
- allows DALR$ to restructure FSA debt with a writedown at a debt repayment margin of 10 percent or less.

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Disposal Date	Distribution
January 1, 2002	State Offices; State Offices relay to County Offices

1 Overview (Continued)

C Contact

If there are any questions:

- about installation or deinstallation of the software or ORACLE/UNIX problems, contact the FSA National Help Desk at 1-800-255-2434
- about implementation and regulatory issues:
  - County Offices shall contact State Offices
  - State Offices shall contact Don Howard, LSPMD, Guaranteed Loan Servicing and Inventory Property Branch, at 202-720-1360
  - the DALR$ Forum on BBS can be used to discuss issues related to the implementation of the new DALR$ software or regulatory concerns related to DALR$.

D Effective Date of Implementation

All Field Offices shall have DALR$ version 6.4 installed by COB March 31, 2000. The effective date to implement DALR$ version 6.4 is April 1, 2000.

DALR$ version 6.4 software must be installed on the 3B2 system. The installation of the software will not affect the current DALR$ version 6.3 Y2K data.

All Field Offices receiving DALR$ version 6.4 software shall install the software immediately upon receipt if the software is received before April 1, 2000.

This software replaces DALR$ version 6.3 Y2K software. Removal of DALR$ version 6.3 Y2K is not necessary before installation. The System Administrator for the 3B2 system shall follow the installation transmittal for installing the software.

2 Changes to DALR$

A Changes to DALR$ Because of Pub. L. 106-31

The following are changes incorporated in DALR$ version 6.4 that were required by Pub. L. 106-31, "1999 Emergency Supplemental Appropriation Act."

Changes to DALR$	Corrective Actions
Will consider writedown when there is at least 1 delinquent FSA program loan and the debt repayment margin is 10 percent or less.	During the calculation process, DALR$ will consider a writedown of debt as a loan servicing action starting at a debt repayment margin less than or equal to 10 percent. DALR$ will consider a writedown at each debt repayment margin at 1 percent increments until a feasible plan is found or the debt repayment margin equals zero percent. For writedown to be considered as a servicing action, at least 1 existing program loan must be delinquent.
At a debt repayment margin of 10 percent or less, two DALR$ reports, outcome reports 1b and 1c, will be generated if a writedown of debt is necessary to obtain a feasible plan and a feasible plan can also be found without debt written down at a lower debt repayment margin.	During the calculation process, DALR$ will consider a writedown of debt starting at a 10 percent debt repayment margin. If a feasible plan is found with a writedown of debt when the debt repayment margin is greater or equal to 1 percent, DALR$ will automatically consider a feasible plan without writedown until the debt repayment margin is equal to zero percent. DALR$ will generate an outcome 1b report, "Feasible Plan Found With Writedown - First Report." If a feasible plan is found without a writedown at a debt repayment margin greater than or equal to 1 percent, DALR$ will generate an outcome 1c report, "Feasible Plan Found Without Writedown - Second Report."
If the DALR$ input data indicates that the borrower has failed to act in good faith and a feasible plan is found with a writedown at a debt repayment margin greater than 1 percent, only one DALR$ report will be generated.	If the borrower has failed to act in good faith and a feasible plan is found with a writedown when the debt repayment margin is greater than or equal to 1 percent, DALR$ will only generate an outcome 1a report, "Feasible Plan Found, Borrower Was Failed to Act in Good Faith." DALR$ will not attempt to find a feasible plan without writedown at a lower debt repayment margin.

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2 Changes to DALR$ (Continued)

A Changes to DALR$ Because of Pub. L. 106-31 (Continued)

Changes to DALR$	Corrective Actions
Only one DALR$ report will be generated if a feasible plan is found with writedown and the debt repayment margin is less than 1 percent.	During the calculation process, DALR$ will consider a writedown of debt at each debt repayment margin. However, if only a feasible plan is found with writedown at a debt repayment margin less than 1 percent, DALR$ will generate only one DALR$ report, "Feasible Plan Found." The DALR$ Analysis outcome report 1b, "Feasible Plan Found With Writedown - First Report," will not be generated.

B Using FmHA Instruction 1951-S, Exhibit F, Attachment 2

Notify the borrower that FSA is willing to restructure their indebtedness with FmHA Instruction 1951-S, Exhibit F. The appropriate information should be provided in the paragraphs from the DALR$ outcome 1b and outcome 1c reports associated with a feasible plan that can be found with or without a writedown.

DALR$ version 6.4 reinstates the DALR$ outcome 1b and outcome 1c reports. The borrower will have a choice. Therefore, FmHA Instruction 1951-S, Exhibit F, Attachment 2, optional paragraphs 1(a) and 1(b) will be used by the borrower to select which offer, with or without writedown, they will accept.

If a writedown is necessary to obtain a feasible plan at zero percent debt repayment margin and the borrower is otherwise eligible for a writedown, the borrower will be offered one DALR$ report.

C Corrected Data Query Problem

This software release corrects a date query problem identified in the DALR$ version 6.3 Y2K software. In the Discount Rates screen, the user could not query based on a single effective date in the "Effective Date" field. This limitation has been corrected. The user will be able to query the discount rate information based on a single effective date.

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software

There are a few known system limitations that were not corrected by the software. The description of the limitations and appropriate corrective actions are as follows.

Limitation	Field	Cause	Corrective Action
Calculated maximum term available in the Existing Loan Screen could be incorrect. **This is a previous limitation identified in version 6.3 that has not been corrected.**	Promissory Maturity Note Date has an entry.	In the Existing Loan screen, if the user enters a maturity date in the "Maturity Date of the Promissory Note" field in the Maturity Date of the Promissory Note Pop-Up screen for an existing FSA loan that has a "Servicing Action" code as "N", the "Maximum Term Available" field may not change. When the user enters a maturity date, DALR$ will automatically calculate a new term for the "Maximum Term Available" field. The new term is calculated as the remaining term for the note. However, if the existing term in the "Maximum Term Available" field is less than the new calculated remaining term, the data will not change in the field.	The user should look at the "Maximum Term Available" field to see if the term shown is correct. If the term is not correct, PRESS "F9" to erase the entry in the field. This will cause DALR$ to recalculate the "Maximum Term Available" field after the user tabs to the next field.

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Field	Cause	Corrective Action
Calculated maximum term available in the Existing Loan Screen could be incorrect. (Continued) **This is a previous limitation identified in version 6.3 that has not been corrected.**	Original Note Date has an entry.	In the Existing Loan screen, if the user enters an original note date in the "Original Note Date" field for an existing FSA loan that requires an original note date, the "Maximum Term Available" field may not change. When the user enters an original note date, DALR$ will automatically calculate a new term for the "Maximum Term Available" field. The new term is calculated for the maximum term allowed by regulations for the particular loan type. However, if the existing term in the "Maximum Term Available" field is less than the new calculated maximum term, the data will not change in the field.	The user should look at the "Maximum Term Available" field to see if the term shown is correct. If the term is not correct, PRESS "F9" to erase the entry in the field. This will cause DALR$ to recalculate the "Maximum Term Available" field after the user tabs to the next field.

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Field	Cause	Corrective Action
Incorrect maximum term for loan type Operating Nonfarm (ON). **This is a previous limitation identified in version 6.3 that has not been corrected.**	Maximum Term Available	In the Existing Loan screen, the "Maximum Term Available" field calculates the wrong term for fund code 44, loan type ON. The term should be 15 years instead of 7 years.	Change the loan type to Operating Loan (OL) in the "Loan Type" field. At the "Maximum Term Available" field, PRESS "F9" to clear the field. PRESS "Tab" to exit the field to recalculate the maximum term. This will allow the default for 15 years to be shown.
Incorrect maximum loan term for new loans with loan types; Operating Loan (OL), Operating Nonfarm (ON), or Operating Recreation (OR). **This is a previous limitation identified in version 6.3 that has not been corrected.**	Term	In the New Loan screen, the "Term" field calculates the incorrect maximum loan term for new loans with OL, ON, or OR loan types. DALR$ defaults to a maximum term of 14 years. The maximum term should be 15 years.	No corrective action is available to correct this limitation. The term can be 14 years or less.

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Field	Cause	Corrective Action
Incorrect maximum loan term for new loans with fund code 43 and loan type, Emergency Operating (EO). **This is a previous limitation identified in version 6.3 that has not been corrected.**	Term	In the New Loan screen, the "Term" field calculates the incorrect maximum loan term for new loans with EO loan type. DALR$ defaults to a maximum term of 40 years. The maximum term should be 20 years.	PRESS "F9" to erase the entry in the field and ENTER "20".
Cursor movement from the Softwood Timber Pop-Up screen moves to the wrong field. **This is a new limitation that was identified in previous version 6.3 Y2K.** **This limitation does not impact the calculations or results.**	Existing Payment Schedule	In the Existing Loan screen, the "Existing Payment Schedule" field will trigger the Softwood Timber Pop-Up screen if the payment schedule has a "T" code. The user will be required to enter the maturity date of the Softwood Timber loan. Once the user exits the Softwood Timber Pop-Up screen, the cursor returns to the Existing Loan screen at the "Original Note Date" field if the original note date is required to be entered.	If the original note date is required to be entered for a particular loan type, the cursor will move to the "Original Note Date" field once the user properly exits the Softwood Timber Pop-Up screen. The user should enter the original note date per the promissory note and PRESS "Shift" and "Tab" to back tab to the "Loan Security Priority" field. After the appropriate loan priority is entered, the user should tab forward to finish entering the data. If the original note date is not required for the particular loan type, the cursor will move to the "Loan Security Priority" field. This would be the appropriate movement for the cursor.

2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Corrective Action	
New Loan Authorized Limits - Adjust New Loan Amount Override. **This is a previous limitation identified in version 6.3 that has not been corrected.**	In some cases, the amount of the new loan or the new annual operating loan for annual operating expenses (AOE) can exceed the authorized loan limits. **Reminder:** DALR$ only validates the principal amount of existing FSA loans associated with the authorized loan limits based on the new loan type. **The new loan limit feature in DALR$ is a guide.** It is the responsibility of the approval official to properly validate authorized loan limits as described by FSA regulations at the time of approval. Additionally, the user cannot override any adjustment to the new loan if the existing loan debt and new debt exceed the limits. DALR$ will make the appropriate adjustment to the new loan or delete the new loan if the user allows the system to make the adjustment. If the user chooses not to allow the system to make the adjustment, the cursor will return to the "Amount" field in the New Loan screen or the "Principal" field in the Existing Loan screen. The location of the cursor depends on where the user is at the time of the validation. At this point, the user is expected to manually adjust the new loan amount. The user can take the following action.	
	IF the cursor returns to the...	**THEN the...**
	Existing Loan screen	existing loan that was entered will need to be deleted and the user should return to the New Loan screen to adjust the new loan or loans. After adjusting the new loans, the user should return to the Existing Loan screen and complete the entry of the existing loan or loans.
	New Loan screen at the "Amount" field	user can manually adjust the amount of the new loan or delete the loan. Once the manual adjustment is made to the new loan or loans, the user can press the page down key to return to the Existing Loan screen and continue to enter the existing loan or loans.

2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

<table>
<tr><th>Limitation</th><th colspan="2">Corrective Action</th></tr>
<tr><td rowspan="4">New Loan Authorized Limits - Adjusting the New Loan Amount Due to Payment To Be Received Override.

This is a previous limitation identified in version 6.3 that has not been corrected.</td><td colspan="2">In some cases, the user may want to apply an expected payment, to be received at loan closing, to an existing FSA loan balance to meet the authorized new loan limits. This functionality does not exist in DALR$.

To incorporate this functionality, the user should adjust the existing principal and interest balance, assuming the payment is received on the proposed loan servicing date, appropriately when entering the existing loan. The following steps can document the adjustment.</td></tr>
<tr><th>Step</th><th>Action</th></tr>
<tr><td>1</td><td>The user should obtain a DL screen printout documenting the outstanding debt based on the proposed loan servicing date. The borrower should be instructed to bring the payment of $X dollars on the proposed loan servicing date as a condition for the restructuring. The adjustment can then be easily calculated from the DL screen data, and the appropriate information can be entered into DALR$.</td></tr>
<tr><td>2</td><td>The DALR$ report should have a notation attached indicating that the Agency expects to receive a payment in the amount of, by the proposed loan closing date, and appropriately applied to the account as a condition for the new loan or loans and the restructuring offer. The DL screen printout and the calculations for the adjustment of the existing loan or loans should be attached to the detailed DALR$ report in the case file and the DALR$ report sent to the borrower.</td></tr>
</table>

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Corrective Action	
	Step	**Action**
New Loan Authorized Limits - Adjusting the New Loan Amount Due to Payment To Be Received Override. (Continued) **This is a previous limitation identified in version 6.3 that has not been corrected.**	3	If the payment is received before closing the restructuring, the Field Office should document that the payment was appropriately applied by obtaining a DL screen printout documenting the application of the payment that was received and applied to the Program Loan Accounting System. The amount of outstanding principal and interest should be verified in DALR$ for the loan or loans that the payment was applied. The interest accrual date of the appropriate loan or loans should be modified to reflect the date of the DL screen status. If the principal and interest for the particular loan is not correct, the data should be modified to reflect the correct amount. If the data is modified, a new DALR$ report should be generated documenting the changes and the appropriate servicing actions. After closing the restructuring, the DL screen should be attached to the appropriate detailed DALR$ report.
	This will allow DALR$ to accurately reflect the account adjustment with the payment applied.	

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Corrective Action
Incorrect First Year Payment amount shown in Proposed New Loans Requested section of the DALR$ report for Annual Operating Expense (AOE) loans. **This is a new limitation that was identified in previous version 6.3 Y2K.**	On page 2 of the summary section of the DALR$ report, the "First Year Payment" amount in the Proposed New Loans Requested section may print an incorrect amount for AOE loans. If DALR$ obtains a feasible plan with new FSA loan payments based on the current program interest rate in effect at the time of the proposed loan servicing date, the amount shown in the table for the first year payment may be incorrect. The table uses the limited resource rate to calculate the payment for the first year payment. However, when DALR$ considered feasibility, it actually used the current program interest rate in effect at the time of the proposed loan servicing date. The user will need to find the correct payment amount by checking the following in the detailed section of the DALR$ report.

Step	Action	
1	Check the detailed section of the DALR$ Analysis report for a specific section title.	
	IF...	**THEN...**
	section VI, "Rescheduling/ Reamortizing Program Loans", subsection 3, "Rescheduling/ Reamortizing Limited Resource Eligible Program Loans at Limited Resource Rates", is **not** found	calculate the first year payment for AOE loans by adding together 2 amounts from the "Status Before Primary Loan Service Programs" and "Cash Flow Prior To Servicing Programs - First Year" sections.

Item	Line Item
1	"FSA Annual Operating Loan (principal amount only)."
2	"Interest To Be Due On FSA Annual Operating Loans."

This will actually be the payment amount.

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

<table>
<tr><th>Limitation</th><th colspan="3">Corrective Action</th></tr>
<tr><td rowspan="4">Incorrect First Year Payment amount shown in Proposed New Loans Requested section of the DALR$ report for Annual Operating Expense (AOE) loans. (Continued)

This is a new limitation that was identified in previous version 6.3 Y2K.</td><td>Step</td><td colspan="2">Action</td></tr>
<tr><td rowspan="2">2</td><td>IF...</td><td>THEN...</td></tr>
<tr><td>section VI, “Rescheduling/ Reamortizing Program Loans”, subsection 3, “Rescheduling/ Reamortizing Limited Resource Eligible Program Loans at Limited Resource Rates”, is found</td><td>the “First Year Payment” amount shown on page 2 of the Proposed New Loans Requested section is correct for the appropriate loan type.</td></tr>
<tr><td colspan="3">This limitation does not impact the calculations or results.</td></tr>
<tr><td>Amount of the Proposed Payment at Full Note Rate on New FSA Debt printed on the summary section of the DALR$ Analysis report can be incorrect.

This is a previous limitation identified in version 6.3 that has not been corrected.</td><td colspan="3">No action is necessary. This is for information purposes only.

On page 1 of the DALR$ Analysis report, the amount for “Proposed Payment at Full Note Rate on New FSA Debt” is not shown correctly. The amount shown is based on current program interest rates in effect as of the proposed loan servicing date. In some cases, new loans are eligible for limited resource rates and payment adjustment for those types of new loans are in section VI, “Rescheduling/Reamortizing Program Loans”, subsection 3, “Rescheduling/Reamortizing Limited Resource Eligible Program Loans at Limited Resource Rates”. If there is a negative change in the “Cash Flow Margin 1st Year” column, the new loan, AOE, or term loan will have a limited resource interest rate.

The correct amount is the total of the amount shown under the Proposed New FSA Loans Requested section for the “1st Year Payment” field.

This limitation does not impact the calculations or results.</td></tr>
</table>

2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Corrective Action
The wrong Adjusted Balance Available is printed in the detailed section of the DALR$ Analysis report. **This is a previous limitation identified in version 6.3 that has not been corrected.**	No action is necessary. This is for information purposes only. In a DALR$ outcome 1E report (second DALR$ report) within the "Cash Flow Prior to Servicing Programs - First Year" table, the Cash Flow Margin is incorrect. Additionally, the "Ratio of Balance Available To Payments Due" amount is incorrect. The system uses the wrong amount for Adjusted Balance Available to calculate the Cash Flow Margin in the outcome 1E report. The Adjusted Balance Available used is the amount from the first report and not the second report. In the outcome 1E report, the system should have used the Adjusted Balance Available from the outcome 1E report that has the cash improvement amount added to it instead of the Adjusted Balance Available from the first report that offers buyout or debt settlement. **This limitation does not impact the calculations or results.**
Printed dates in the DALR$ Analysis Report. **This limitation has been further clarified.**	No action is necessary. This is for information purposes only. The date format shown in the DALR$ Analysis report will be "MM/DD/YY". The report will only print 2-digit year format. To determine which century the date is referencing, the user needs to look at the date in the "Date Prepared" field located in the header of each page. If the year is greater than the current year, most likely the century is the 20th Century (1900). If the year is less than or equal to the current year, most likely the century is the 21st Century (2000). Examples: Today's date: 03/08/00 DALR$ Report Date Prepared: 03/05/00 Century is the 21st century; therefore, the year is 2000. Today's date: 03/08/00 DALR$ Report Date Prepared: 03/05/99 Century is the 20th century; therefore, the year is 1999. **This limitation does not impact the calculations or results.**

2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Corrective Action
Unequal Payments not printed in the input section of the DALR$ Analysis report. **This is a previous limitation identified in version 6.3 that has not been corrected.**	In some cases, if an existing FSA loan has unequal payments, the input information does not print in the input section of the DALR$ Analysis report the first time a detailed DALR$ Analysis report is generated. However, if the user generates a second detailed DALR$ Analysis report, the unequal payments will be printed in the input section of the report. **This limitation does not impact the calculations or results.**
Cash flow margin for after deferral year is printed as a negative $1.00 in the detailed section of the DALR$ Analysis report. **This is a previous limitation identified in version 6.3 that has not been corrected.**	No action is necessary. This is for information purposes only. If DALR$ finds a feasible plan with a regular deferral only, the cash flow margin is a negative $1 for "After Deferral Period" in section III, "Servicing Information", subsection 2, "What Did Primary Loan Service Programs Do To Your Total Debt Payments?" of the detailed section of the DALR$ Analysis report. When DALR$ finds a feasible plan with a deferral, the summary section and detailed section identify the cash flow margin for after deferral year to be a negative $1. This is a rounding issue. A feasible plan for after the deferral period is found with a zero (0) cash flow or greater. **This limitation does not impact the calculations or results.**

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2 Changes to DALR$ (Continued)

D Known Limitations That Were Not Corrected by the Software (Continued)

Limitation	Corrective Action
The filing date for Prior Lienholders for property types NIP, NER and NEC are not printed in the net recovery property section of the DALR$ Analysis report. **This is a previous limitation identified in version 6.3 that has not been corrected.**	No action is necessary. This is for information purposes only. The "Net Recovery Property" section of the detailed DALR$ Analysis report does not print the filing date of the prior lien holder or holders, but instead prints "N/A". However, the filing date for the prior lien holder or holders can be found under section III, "Servicing Information", subsection 3, "FSA Loan Security Priority Calculation, Input Data". The filing date for each prior lien holder is printed under the "FSA Filing Date" column. **This limitation does not impact the calculations or results.**
A deferral payment of $1 can appear in the Payment During Deferral in the summary section of the DALR$ Analysis report.	In some cases, a payment of $1 can be due during the deferral period as shown in the summary section of the DALR$ Analysis report, section III, "Proposed FSA Action on Your Accounts, Loan Status After Restructuring With Primary Loan Service Programs". The $1 payment is a rounding limitation and the payment should actually be zero. Therefore, the payment should be ignored and it should be assumed that the loan is fully deferred. All other loan data is appropriately shown. **This limitation does not impact the calculations or results.**

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2 Changes to DALR$ (Continued)

E
Appropriate DALR$ Procedures Clarified

DALR$ will not consider a writedown without a figure entered into the Adjusted Balance Available for After Deferral.

DALR$ requires that a positive or negative figure be in the "Adjusted Balance Available" field for After Deferral in the Basic Borrower Information screen before DALR$ will consider writedown as a servicing option. This limitation is appropriate.

FmHA Instruction 1951-S, 1951.909 (4) (i) requires that all other primary loan servicing programs, including deferral, or any combination shall be considered before the Agency considers a writedown. Therefore, it is appropriate for DALR$ to require an amount in the "Adjusted Balance Available" field for after deferral before DALR$ will consider a writedown. If an amount is not entered in the "Adjusted Balance Available" field for after deferral, DALR$ will not consider a writedown. Field Offices are reminded that a figure should be entered in the field that is supported by a typical Farm and Home Plan.