

For: State Offices

Administrative and Property Management Costs for DALR\$

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A

Background

To determine eligibility for writedown, the Agency must compare the net recovery of involuntary liquidation by calculating the value of secured and other property and comparing it with the value of the restructured loan. State Offices shall conduct a cost analysis annually to determine the constants needed by servicing officials to calculate the net recovery value. These costs are determined according to FmHA Instruction 1951-S, section 1951.909(f)(2) and Exhibit I.

B

Purpose

This notice provides States with:

- the administrative liquidation costs for each loan type
- a worksheet for determining property management costs.

C

Contact

If there are questions about this notice, contact Michael Cumpton, LSPMD, at 202-690-4014.

| | |
|----------------------|---------------------|
| Disposal Date | Distribution |
| June 1, 2001 | State Offices |

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2 Action

**A
Administrative
Liquidation
Costs**

The administrative liquidation costs for each loan type are provided in the following table. These constants are for DALR\$ Versions 4.2 and 6.4.

| Loan Type | Calculation | Cost |
|--------------------------------|--|-------------|
| OL | $(2,220 \div 60 = 37.00) \times \$18.77 =$ | \$669.00 |
| FO/SW | $(2,220 \div 60 = 37.00) \times \$18.77 =$ | \$669.00 |
| EM/EE | $(2,220 \div 60 = 37.00) \times \$18.77 =$ | \$699.00 |
| RH (use for RHF loans only) | $(2,220 \div 60 = 37.00) \times \$18.77 =$ | \$699.00 |

Note: Costs were calculated using the FY 2000 Delphi (Delphi) study and the 2000 GS 11/1 pay rate.

**B
Determining
Property
Management
Costs**

Use Exhibit 1 to calculate the property management costs. The Delphi data standards for the calculation have been entered in Exhibit 1. The average actions per month have also been entered based upon a national average from the Delphi study for required actions per property.

Insert the average holding period for the State, according to FmHA Instruction 1951-S, Exhibit I, paragraph A(1). The average holding period will be the average number of months that suitable properties, which are not leased, are held in inventory. Deduct the number of months these properties were leased or could not be sold because of litigation or environmental problems. In situations where States have no suitable properties, or have a limited number (generally less than 5) of suitable properties for which the holding period for those properties is not representative, 4 months should be used (105 calendar days rounded up to months) to be consistent with the Federal Agriculture Improvement and Reform Act of 1996.

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2 Action (Continued)

**C
Farm Land
Advisory
Committee
(FLMAC)**

FLMAC will consist of:

- FSA, SED
- NRCS State conservationist
- extension specialist from a land grant university, if available, or other CSREES employee with knowledge of the farm real estate market.

Note: See FmHA Instruction 1951-S, Exhibit I, paragraph (A)(4).

Data obtained from EIP-51R, Input Worksheet for Annual Survey of County Farm or Ranch Land Values (FSA-326), may be useful to FLMAC in determining the annual percentage of decrease or increase in land values.

**D
State
Supplement**

After completing the costs analysis, but no later than October 2, 2000, issue a State supplement providing servicing officials with the factors to use in adjusting current market value.

Worksheet for Determining Property Management Costs

Step 1. (a) .27 X (b) _____ = (c) _____
 Average Actions per Average Holding
 Property/Month Period

Step 2. (d) 120 ÷ (e) 60 = (f) 2
 FY 2000 Delphi (Delphi)
 Study for Real Estate
 Secured Loans

Step 3. (c) _____ X (f) 2 X (g) 18.77 = (h) _____
 Amount From Amount From
 Step 1 Step 2 GS 11/1
 Hourly Pay

Step 4. (i) 673 ÷ (j) 60 = (k) 11.22
 Delphi Data
 for Inventory
 Actions

Step 5. (k) 11.22 X (l) \$18.77 = (m) \$210.60
 Amount From Step 4 GS 11/1 Hourly Pay

Step 6. (h) _____ + (m) \$210.60 = (n) \$ _____
 Amount From Step 3 Amount From Step 5 Administrative Costs
 for Inventory Property
