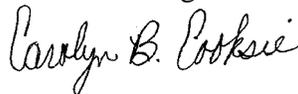


For: FSA Offices

**Administrative and Property Management Costs for the
Debt and Loan Restructuring System (DALR\$)**

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

To determine eligibility for writedown, FSA **must**:

- determine the net recovery of involuntary liquidation by calculating the value of security and other property
- compare the value of security and other property with the value of the restructured loan.

According to FmHA Instruction 1951-S, Section 1951.909(f)(2), 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, Exhibit I.

B Purpose

This notice:

- provides State Offices with the administrative liquidation costs for each loan type
- provides a worksheet for determining property management costs
- obsoletes Notice FLP-478.

C Contact

If there are any questions about this notice, State Offices shall contact Sharilyn Hashimoto by any of the following:

- telephone at 202-720-2743
- e-mail at sharilyn.hashimoto@wdc.usda.gov.

Disposal Date	Distribution
October 1, 2008	FSA Offices; State Offices relay to County Offices

Notice FLP-480

2 Action

A Administrative Liquidation Costs

The administrative liquidation costs for each loan type are provided in the following table. These constants are for all versions of DALR\$.

Loan Type	Calculation	Cost
OL	$(3063 \div 60 = 51.05) \times \$22.51 =$	\$1,150.00
FO/SW	$(3063 \div 60 = 51.05) \times \$22.51 =$	\$1,150.00
EM/EE	$(3063 \div 60 = 51.05) \times \$22.51 =$	\$1,150.00
RH (used for RHF loans only)	$(3063 \div 60 = 51.05) \times \$22.51 =$	\$1,150.00

Note: Costs were calculated using the FY 2004 Delphi study and the 2007 GS-11/1 hourly 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 determined according to FmHA Instruction 1951-S, Exhibit I, paragraph A (1).

Note: The average holding period will be the average number of months those 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 States that have no suitable properties, or have a limited number (generally less than 5) of suitable properties for which the holding period is not representative, 5.5 months should be used (165 calendar days).

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 and FSA-326 may be useful to FLMAC in determining the annual percentage of decrease or increase in land values.

D State Supplement

FmHA Instruction 1951-S, Section 1951.909(f)(2) requires SED to issue a State supplement to:

- address the estimated costs and average holding period to be used in making calculations of net recovery value
- provide servicing officials with the factors to use in adjusting current market value.

Note: The State supplement shall be issued:

- after completing the cost analysis, but no later than November 30, 2007
- according to 1-AS.

Worksheet for Determining Property Management Costs

Use the following to calculate the property management costs.

Step	Action
1	$\left(\frac{.215}{\text{Average Actions Per Property/Month}} \times \frac{\text{Average Holding Period}}{\text{Average Holding Period}} = \text{_____} \right)$
2	$\left(\frac{180}{\text{Delphi Data for Real Estate Loans}} \div \frac{60}{\text{Average Holding Period}} = \frac{3}{\text{Average Holding Period}} \right)$
3	$\left(\frac{\text{Amount from Step 1}}{\text{Amount from Step 1}} \times \frac{3}{\text{Amount From Step 2}} \times \frac{22.51}{\text{GS 11/1 Hourly Pay}} = \text{_____} \right)$
4	$\left(\frac{648}{\text{Delphi Data for Inventory Actions}} \div \frac{60}{\text{Average Holding Period}} = \frac{10.8}{\text{Average Holding Period}} \right)$
5	$\left(\frac{10.8}{\text{Amount from Step 4}} \times \frac{22.51}{\text{GS 11/1 Hourly Pay}} = \frac{244.00}{\text{GS 11/1 Hourly Pay}} \right)$
6	$\left(\frac{\text{Amount from Step 3}}{\text{Amount from Step 3}} + \frac{\text{Amount From Step 5}}{\text{Amount From Step 5}} = \frac{\text{Administrative Costs for Inventory Property}}{\text{Administrative Costs for Inventory Property}} \right)$