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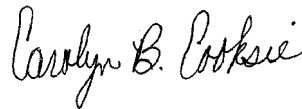Farm Service Agency
Washington, DC 20250

For: FSA Offices

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

Approved by: Deputy Administrator, Farm Loan Programs

Carolyn B. Cooksie

1   Overview

A   Background

FSA must do the following to determine eligibility for writedowns:

- 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:

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

C   Contact

If there are questions about this notice, State Offices shall contact Sharilyn Hashimoto, LSPMD, at 202-720-2743.

Disposal Date	Distribution
October 1, 2007	All FSA Offices; State Offices relay to County Offices

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	$(3063 \div 60 = 51.05)$ X $22.13=	$1,130.00
FO/SW	$(3063 \div 60 = 51.05)$ X $22.13=	$1,130.00
EM/EE	$(3063 \div 60 = 51.05)$ X $22.13=	$1,130.00
RH (used for RHF loans only)	$(3063 \div 60 = 51.05)$ X $22.13=	$1,130.00

Note: Costs were calculated using the FY 2004 Delphi study and the 2006 Salary Table GS-11/1 pay rate.

B   Determining Property Management Costs

Exhibit 1 shall be used to calculate property management costs. Delphi data standards for the calculation have been entered in Exhibit 1. 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 suitable properties, which are **not** leased, are held in inventory. Deduct the number of months these properties were leased or were **not** sold because of litigation or environmental problems.

Use 6 months (165 calendar days rounded to months) 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.

Note: Use 6 months only for purposes under FmHA Instruction 1951-S. Continue to use 5.5 months for FmHA instruction 1955-A, Exhibits G and G-1.

2   Action (Continued)

   C   Farm Land Market Advisory Committee (FLMAC)

   FLMAC will consist of the following:

   - 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's to issue a State supplement to:

   - address the estimated costs and average holding period to use in making calculations or 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 1, 2006, according to 1-AS.

Worksheet for Determining Property Management Costs

This is the worksheet for determining property management costs.

Step 1. (_____.215_____ X _____ = _____)
        Average Actions Per   Average Holding
        Property/Month   Period

Step 2. (_____180_____ ÷ _____60_____ = _____3_____)
        Delphi
        Data for Real
        Estate Loans

Step 3. (_____ X _____3_____ X _____22.13_____ = _____)
        Amount from   Amount From   GS 11/1
        Step 1   Step 2   Hourly Pay

Step 4. (_____648_____ ÷ _____60_____ = _____10.8_____)
        Delphi
        Data for Inventory
        Actions

Step 5. (_____10.8_____ X _____22.13_____ = _____239.00_____)
        Amount from   GS 11/1
        Step 4   Hourly Pay

Step 6. (_____ + _____ = _____)
        Amount from   Amount From   Administrative Costs
        Step 3   Step 5   for Inventory Property