CHAPTER 6: LIQUIDATION AND ACQUISITION
[7 CFR 3550.211]

The Servicer should offer all appropriate special servicing tools to help a borrower with financial problems bring the account current. However, if it is clear that a borrower cannot continue with the loan, the Servicer should analyze the feasibility of liquidation options and recommend the option that is in the Government's best interest, defined as the option which will result in the greatest net recovery. When the Servicer's liquidation recommendation is approved, the Customer Service Center (CSC) should take prompt action.

6.1 OVERVIEW OF LIQUIDATION OPTIONS

A. Voluntary Liquidation

1. Encouraging the Borrower to Sell

Sale of security property is generally the most desirable option for both the Agency and a borrower who is unable to continue the loan. For the Agency, a sale to another party avoids the potential costs of liquidation, as well as costs related to owning and disposing of a property. For the borrower, it offers the best opportunity for being released from the debt without a major credit history blemish. A borrower may sell a property to a third party even after the account is accelerated. If a proposed sale will satisfy the debt in full, the account will continue to be handled by CSC. When it appears that the sale proceeds will not settle the debt in full, the Field Office will handle the sale. CSC will notify the Field Office of the sale, any relevant information, and provide a Debt Settlement Package to the local office.

If a borrower proposes to sell the property for an amount which may be insufficient to pay the Agency debt, prior liens, and authorized selling expenses, the Field Office may consent to the sale when it is determined to be in the best interest of the Agency. The Field Office may also advance authorized selling expenses to facilitate the sale. To determine if the

Authorized Selling Expenses

Authorized selling expenses are those which a seller customarily and legally pays to convey title and includes such items as a typical real estate commission, up to three points to enable the buyer to secure credit (but not to reduce the interest rate), real estate taxes, junior liens, deed preparation, abstract and title fees, termite and related inspections, title insurance, surveys, and deed and revenue stamps.

proposed sale is in the Agency's best interest, a copy of the sales contract, appraisal, and sales expenses are needed. Another lender's appraisal may be used if it meets Agency appraisal guidelines.

Whether the short sale request is approved for less than the debt or if the request is denied, a Loan Approval Official should provide their decision in writing to the homeowner. Handbook Letter 115 provides sample language for letters that may be used.

At a minimum, the approval letter should include the approved sale price, amount of net proceeds due to the Agency and a Debt Settlement Package with instructions to return the completed package to the Customer Service Center. The homeowner is to be made fully aware that while the Agency is agreeing to release the lien they are still responsible for any remaining debt, which can be settled through the debt settlement process.

The denial letter should state, at a minimum, that the Agency has reviewed the request for consent to sell the property for the proposed sale price and provide specific reasons why the Agency does not consent to the sale. The Field Office should be listed as the contact.

In cases where a junior lien exists, the State Director may approve settlement of a junior lien to effect sale of the property when it is determined to be in the Agency's best interest. Field staff will negotiate the lowest cost to have the junior lien released from the security property, bearing in mind the Agency only seeks to have the lien released (and not necessarily satisfied). The junior lienholder may still seek recovery from the debtor, if permitted by State law.

The Agency's objective is to minimize any potential loss to the Government and to the borrower. The Field Office may consent to a sale for as low as the market value of the property, minus the prior liens and authorized sales expenses. When the proposed sales price is less than the market value, a net recovery valuation is required. Both action is handled in the Field Office and the final decision to concur with the proposed sale lies with a Loan Approval Official.

Example - Sale for Less Than Debt

A borrower's debt is $30,000, the sales price of the property is $28,000, authorized sales expenses are $3,000, and the market value is $28,000. In this case, the Loan Approval Official may consent to the proposed sale since it will net the Agency $25,000 ($28,000 minus $3,000 in authorized selling expenses). If the proposed sales price was less than the market value ($28,000), a net recovery valuation would be required.

When sales proceeds will not fully satisfy the debt, CSC will make the determination of whether the borrower will be released from personal liability. This determination is based upon a Debt Settlement Package completed by the borrower and forwarded to CSC for review and approval. A completed Debt Settlement Package is required to be submitted at or before loan closing for all sales for less than the debt, and sales proceeds must be submitted by certified or cashiers check. In cases where the borrower is not able or willing to complete the Debt Settlement Package, the Field Office may still release the mortgage when it is determined to be in the best interest of the Agency. This generally occurs when the borrower has moved out of the area or failure to close the loan will result in liquidation and the Agency receiving less than the anticipated net recovery value. The Debt Settlement Package, if available, and proceeds from the sale will be transmitted to the Cash Section of the Loan Administration Branch in CSC. *Form RD 3550-17* with the final payment coded "00" will be used to transmit the loan proceeds.

Debt Settlement

A Debt Settlement Package consists of:

- *Form RD 3550-20, "Application for Settlement of Indebtedness"*
- *Form RD 3550-21, "Payment Subsidy Renewal Certification"*
- Copies of the last two months bank statements for all accounts
- Verification of Income (last two pay stubs, benefit letter, etc.)
- Copy of most recent Federal Income Tax Return
- Copy of Net Recovery Worksheet, if applicable
- Estimated selling expenses
- Any other relevant information

CSC should provide the Field Office with a Debt Settlement Package or the Field Office may assemble the necessary information. For emergency releases on debt settlement cases, Field Offices may fax the above information to: CSC, Direct Loss Mitigation Section, ATTN: QR Debt Settlement, in CSC at (314) 457-4451 or (314) 457-4551. The borrower's telephone number must be provided. Nonemergency cases are sent to the aforementioned section in CSC.

The Field Office will enter in GLOBAL/NOTES the date of the sale or assumption, purchase price, outstanding vouchers, and the date funds were submitted to CSC. On accounts which were accelerated, the Field Office will also update the FCL/INFO screens with third party information. When proceeds have been posted or the assumption processed, CSC will notify the Field Office of such action through Task #86, "Approved short sale, release mortgage/deed only," and will provide further guidance on release of the promissory note or debt settlement action, as appropriate.

2. Deed in Lieu of Foreclosure

After the account has been accelerated, the borrower can offer to convey the security property to the Agency. The Agency will accept the deed in lieu of foreclosure only if the Agency will realize a greater net recovery value than would be obtained if foreclosure proceedings continued. Such a decision must be approved by a supervisor. However, the borrower is not released from liability for any remaining debt unless the procedures for debt settlement outlined in Section 3 of Chapter 7 are followed.

3. Borrowers in Bankruptcy

If the Agency is offered title to a property by a Bankruptcy Court, the decision to accept the conveyance must be approved by a supervisor and the Office of General Counsel (OGC). The Agency generally will accept the conveyance if the Agency will acquire title free of all liens and encumbrances other than Agency loans, and the conveyance will enable the Agency to substantially recover the Agency debt. The Agency may pay any necessary and proper fees approved by the Bankruptcy Court in connection with the conveyance.

B. Foreclosure

1. Agency Foreclosure

When CSC determines that liquidation is appropriate, the loan is accelerated. Between the time that the loan is accelerated and the time the foreclosure takes place, the borrower may offer to liquidate voluntarily.

2. Foreclosure by Another Lien Holder

When notified that a foreclosure action has been or will be initiated by another lien holder, CSC should develop a strategy that is expected to result in the greatest net recovery by the Government. This may be to join the action, make an offer for the property at the foreclosure sale, or to settle the debt of the other lien holder in exchange for an assignment of the note and mortgage.

In a situation where the Government did not protect its interest in a security property during a foreclosure by another lien holder and the Government has redemption rights, the CSC Supervisor will determine whether to redeem the property depending on the estimated net recovery value.

C. Release of a Valueless Lien

In liquidation cases, if a net recovery valuation indicates the Agency's lien is valueless (that is, there is no or a negative potential recovery), the lien may be released. This action generally occurs and is approved at the Field Office level, and when done, the Field Office will notify the Borrower Assistance Branch in CSC. This is necessary to ensure that taxes and insurance are no longer paid by the Agency, and a Debt Settlement Package is sent to the borrower by CSC.

6.2 NET RECOVERY VALUE

Estimated net recovery value represents the amount that the Agency could expect to recover from a property if it was liquidated after considering all costs associated with liquidating, holding, and selling the property. Attachment 6-A contains a net recovery value worksheet to aid in this calculation. ***Actual net recovery value*** is the amount the Agency in fact does recover from the sale of a property, after accounting for all costs.

A. Establishing Market Value

The market value of the property is the fundamental basis for establishing the estimated net recovery value. All calculations undertaken on the net recovery value worksheet provide additions or deductions from market value.

Calculation of Net Recovery Value

Market value
(less) Costs
(plus) Income
Net recovery value

Depending upon the likely method of liquidation and at what point in the process the calculation is being made, market value may be based on an estimated value, on an appraisal, or on the actual sale price. Early in the process of determining which liquidation method should be followed, the Servicer may need to make a rough estimate of the market value based on any available information.

B. Environmental Considerations

The Servicer's estimate of market value must take into consideration potential environmental hazards that may pose a liability issue for the Agency and the presence of environmental resources for which the Agency will have an affirmative responsibility to take protective measures once it owns the property. Exhibit 6-1 provides a partial list of environmental factors for consideration.

In order to minimize Agency liability, the Agency must ensure, ***prior*** to acquiring property through foreclosure, that the property has been examined for potential contamination from hazardous substances, hazardous wastes, and petroleum products, including underground storage tanks. This should be accomplished by requesting that Field Staff complete the *Transaction Screen Questionnaire, ASTM Standard E-1528 (TSQ).* If the completed questionnaire raises any concerns it should be submitted to the State Environmental Coordinator for further evaluation and guidance.

The Agency also should examine the property prior to acquisition and consider any costs associated with environmental resources the Agency might be required to protect.

For additional information, refer to RD Instruction 1970.

Exhibit 6-1	
Environmentally Sensitive Land Uses and Resources	**Extraordinary Circumstances**

• Historic properties
• Federally listed threatened or endangered species, critical habitat, Federally proposed or candidate species
• Wetlands
• Floodplains
	• Any violation of applicable Federal, state, or local statutory, regulatory, or permit requirements for environment, safety, and health.
	• Any proposal that is likely to cause uncontrolled or unpermitted releases of hazardous substances, pollutants, contaminants, or petroleum and natural gas products.
	• An adverse effect on the following environmental resources:
	  o Historic properties;
	  o Federally listed threatened or endangered species, critical habitat, Federally proposed or candidate species;
	  o Wetlands;
	  o Floodplains;
	  o Areas having formal Federal or state designations such as wilderness areas, parks, or wildlife refuges; wild and scenic rivers; or marine sanctuaries;
	  o Special sources of water (such as sole source aquifers, wellhead protection areas, and other water sources that are vital in a region);
	  o Coastal barrier resources or, unless exempt, coastal zone management areas; and
	  o Coral reefs.
	• The existence of controversy based on effects to the human environment brought to the Agency's attention by a Federal, tribal, state, or local government agency.

It is important to note that development on Tribal land or dependent Indian communities may require additional coordination with the Tribe to determine if the proposal has an effect on the human environment or an adverse impact on cultural resources and the Section 106 review. In accordance with RD Instruction 1970-H, Exhibit B "when an applicant's proposal is located on tribal lands, defined in 36 CFR § 800.16(x) as all lands within the exterior boundary of any Indian reservation and all dependent Indian communities, and that tribe has designated a Tribal Historic Preservation Officer (THPO) in accordance with Section 101(d)(2) of NHPA, the SHPO participates only under the conditions specified in 36 CFR § 800.2(c)(1)(ii). If the Indian tribe has not designated a THPO, then the SHPO participates in Section 106 review pursuant to 36 CFR § 800.2(c)(2)(i)(B)." Exhibit D of RD Instruction 1970-H provides guidance on working with Indian Tribes in the Section 106 review.

C. Ordering An Appraisal

Information about conducting appraisals is contained in Chapter 5, Section 5 of HB-1-3550. The point at which a formal appraisal is actually conducted will vary.

1. Valueless Lien

If the Servicer's estimate suggests that the lien may be valueless, an appraisal should be obtained immediately. If the appraisal indicates that the lien is in fact valueless, it should be released without incurring servicing costs.

2. Deed in Lieu of Foreclosure

If, after acceleration, the borrower offers a deed in lieu of foreclosure, an appraisal should be obtained immediately so the Servicer can determine whether it is in the Government's interest to accept the deed.

3. Foreclosure

If the property will be going to foreclosure, no appraisal should be obtained until shortly before the sale is scheduled to take place. In areas where the foreclosure process can be lengthy, the value of the property could change before the sale if it is conducted too far in advance.

D. Holding Period

Nearly all costs and income used in the net recovery value calculation are affected by the holding period. For estimated net recovery value, the length of the holding period is estimated differently, depending on the likely method of disposition. The holding period should be estimated as the time between the date the net recovery worksheet is being filled out and the anticipated date for:

- Filing of the deed and the expiration of redemption rights (foreclosure);
- Filing the warranty deed (deed-in-lieu of foreclosure);
- Filing the release (release of valueless lien); or
- Payoff and release (debt settlement offer subsequent to acceleration).

The time for marketing and disposition, if acquired, should also be considered when estimating the holding period.

E. Deductions from Market Value

Numerous costs associated with liquidation must be considered when determining the net recovery value, including the following costs.

- **Prior liens to be paid by the Agency.** In a case where a prior lien is involved, the amount required to repay the prior lien holder must be included in the calculation.
- **Junior liens to be paid by the Agency.** If the Agency pursues foreclosure, junior liens are not paid. However, in the case of a deed in lieu of foreclosure, it may be to the Agency's advantage to pay off a junior lien holder. CSC should conduct a title search to identify the position and the amount of each lien against the property.

- **Selling expenses to be paid by the Agency.** All of the transaction costs involved in selling the property including advertising, commissions for selling agents, required seller certifications, surveys, points, and closing costs paid by the Agency, whether on behalf of the borrower in a voluntary liquidation, or as an Agency expense for an Real Estate Owned (REO) sale, must be included in the calculation.

- **Holding costs.** During the time that the Agency owns the property, the monthly interest accrued is multiplied by the number of months in the holding period.

- **Depreciation during the holding period.** The property may depreciate in value while it is being held by the Agency.

- **Administrative costs.** The administrative burden associated with holding a property includes the cost of liquidation, such as attorney, filing, recordation, advertising, and document service fees that are customarily incurred in a foreclosure action.

- **Management costs.** During the period the Agency holds the property it will accrue costs related to cleaning, securing, and maintaining the property such as utilities and real estate taxes.

F. Additions to Market Value

Although most of the adjustments to market value involve deductions to reduce the recovery amount, there are a few factors that can increase the market value.

- **Appreciation during the holding period.** In markets that are strong, the property may appreciate while it is being held by the Agency.

- **Income during the holding period.** In general, the Agency does not lease properties. However, REO properties may be leased in limited circumstances, such as a property located in an area where keeping the property occupied could greatly reduce vandalism.

6.3 BASIC SECURITY LOSS

The basic security loss is the difference between the property's market value and the outstanding Agency debt on the property, including principal, subsidy subject to recapture, and other recoverable costs. Exhibit 6-2 provides the basic security loss formula.

Exhibit 6-2

Calculation of Basic Security Loss

Gross Investment

A. $_____ Principal
B. $_____ Subsidy Recapture
C. $_____ Recoverable Costs

Market Value (use current appraisal)

Basic Security Loss

It is important for the Servicer to consider the basic security loss in determining how to work with the borrower. For example, the debt settlement arrangements the Agency agrees to might be more lenient in the case of a borrower with a property that lost value through no fault of the borrower. More important, this information can be used for portfolio analysis to help the Agency originate loans more effectively in the future.

6.4 DEED IN LIEU OF FORECLOSURE

A deed in lieu of foreclosure is a method of liquidation by which title to the security property is conveyed to the Agency by the borrower. The Agency must not consider a borrower's offer to convey the title to the security property until after the account is accelerated, and then only when it is in the best interest of the Government based upon the estimated net recovery value. After an account has been accelerated, a deed in lieu of foreclosure is processed and approved by Field Offices. In exceptional cases where a borrower offers to convey title to the property at a Field Office when the account has not been accelerated, the Field Office will immediately contact CSC to determine an appropriate course of action.

To process a deed in lieu of foreclosure, Field Offices will obtain the following items from the borrower: (1) a warranty deed; (2) *Form RD 1955-1, Offer to Convey Security;* (3) *Form RD 1944-3;* and (4) copies of any leases, junior liens, or other documents affecting the title to the property. The borrower should be informed that the deed will not be recorded unless the conveyance is accepted.

Generally, borrowers will be required to satisfy liens and real estate taxes or assessments before conveyance is accepted. However, if the borrower is unwilling to do so, the Agency may elect to satisfy or settle these debts if it is in the best interest of the Government.

A deed in lieu of foreclosure does not automatically release the borrower from liability for any outstanding debt. The borrower's account will be credited with the actual net recovery value. If the actual net recovery value does not satisfy the debt, the remaining debt must be debt settled following the debt settlement procedures provided in Section 3 of Chapter 7.

The borrower should be reminded that under a deed in lieu of foreclosure:

- Foreclosure action will not be suspended while the offer for a deed in lieu of foreclosure is considered;
- All costs related to the conveyance paid by the Agency will be added to the debt;
- A credit equal to the actual net recovery value will be applied to the debt;
- If the borrower does not satisfy the debt, the borrower will not automatically be released from liability; and
- The borrower will be required to provide a title insurance policy or a final title opinion from an Agency-approved title company or attorney.

6.5 FORECLOSURE

State laws pertaining to acceleration and foreclosure will affect the procedures the Agency is required to follow. OGC should be consulted to ensure that appropriate procedures are followed.

SCRA OF 2003

Original mortgage interest rate must be restored when loan is accelerated for accounts flagged for the Servicemembers Civil Relief Act of 2003.

A. Making the Acceleration Decision

CSC must decide whether to accelerate the account and begin the foreclosure process. The decision to accelerate involves numerous considerations, many of which will vary case-by-case. The following issues should always be considered.

1. OGC Concurrence

OGC concurrence is needed before beginning the foreclosure process if:

- The foreclosure is based on a nonmonetary default;
- The borrower obtained the loan while a civilian and entered military service after the loan was closed; or

- The property also serves as security for a loan under another United States Department of Agriculture (USDA) Agency program such as the Farm Service Agency (FSA), since this may trigger liquidation of the other loan.

2. Tribal Land

If the security property is located on tribal allotted or trust land, the acceleration may be approved; however, liquidation may not proceed until after the State Director has offered, in writing, to transfer the account to an eligible tribal member, the tribe, or the Indian Housing Authority servicing the tribe or tribes. This offer is generally made after the account has been accelerated, the appeals process has been concluded and the case sent to the respective State office.

3. Role of Other Lien Holders

Depending upon the status of other liens on the security property, CSC may invite other lien holders to join in the foreclosure action or join in a foreclosure action initiated by another lien holder.

Assignment of promissory notes and security instruments is authorized where a junior lienholder is foreclosing its lien and is paying the Agency in full.

Recapture will be calculated if the junior lienholder provides the necessary information.

B. Acceleration

1. The Acceleration Notice

If CSC determines that the appropriate approach to liquidation is foreclosure, the process begins with an acceleration notice**.** The acceleration notice demands full payment of the account including unpaid principal and interest, advances, and subsidy subject to recapture. It notifies the borrower of: (1) the reason for the acceleration; (2) the amount due; (3) the method of payment; (4) the opportunity for an informal discussion with the decision maker; and (5) the process for requesting an administrative appeal hearing. The notice gives the borrower 30 days to pay in full or request a hearing.

The notice must be sent to the borrower and any cosigners simultaneously by both regular mail and certified mail. If the property address is different from the address of the borrower, the notice should be sent to the property address as well.

2. Treatment of Payment Subsidy

If a borrower is receiving payment subsidy, the payment subsidy agreement will not be canceled when the debt is accelerated, but the agreement will not be renewed when it expires unless the account is reinstated.

3. Special Servicing

After a borrower's account has been accelerated, the borrower is no longer eligible for any of the special servicing actions described in Chapter 5.

4. Assignment of Security Instruments

Assignment of promissory notes and security instruments is authorized when an account has been accelerated, all appeals have been exhausted, the case has been accepted by OGC for foreclosure, and the Agency is being paid at least the net recovery value of the security property.

5. Offers to Pay

Field Offices will refer offers to cure the default to CSC. The borrower is permitted to cure the default and retain the loan under the following conditions:

- The Agency is required by State law to reinstate the loan; or
- The Agency is required by a decision from the National Appeals Division (NAD) to reinstate the loan; or
- The borrower has not cured the account within the last two years to prevent foreclosure.

The Deputy Administrator of the Customer Service Center (CSC) has the authority to grant a waiver to the two-year limitation for allowing borrowers to cure the default and avoid foreclosure if it is in the government's best interest. Field Office employees may recommend a waiver to the two-year limitation. When a proposal is made to waive the two-year limitation, a cure and financial statement must be completed to include wage or other income statements and a profile credit report to demonstrate repayment ability (41 percent Total Debt Ratio). In addition, the borrower must agree to establish and fund an

escrow account, and agree to cure the default within 30 days of the date of the offer (which must be at least two weeks prior to the scheduled foreclosure sale date). In States with judicial foreclosures, the offer may only be accepted until the time the case has been referred to the United States Attorney for foreclosure. Field Offices will submit the request to waive the two-year limitation through their State Office for submission to CSC, Attention: Acceleration Unit. In the submission to CSC, State Offices will indicate the borrower's total debt ratio and why the waiver is being requested. Field Offices will maintain the supporting documentation in the borrower's case file.

When an offer is made to accept less than the full amount to cure the default, a cure and financial statement must be completed. If RHS accepts the offer the account will be reamortized if the borrower is unable to pay the remaining delinquency within 30 days of reinstating the account.

Funds submitted by a borrower to a Field Office should be sent to the lockbox on a RD Form *3550-17, "Funds Transmittal Report*."

C. Review of the Acceleration Decision

Several remedies are available to borrowers who believe their accounts should not have been accelerated. These include an informal review at CSC, mediation or dispute resolution, and a formal appeal with the NAD. Paragraph 1.9 describes the appeal and review process in detail.

D. Initiating Legal Proceedings

Field Offices should continue the foreclosure process 30 days after the acceleration notice is sent if the borrower does not request an informal review or appeal the acceleration decision, or as soon as NAD upholds the Agency's decision to foreclose. Because foreclosure law differs from State to State, CSC should consult with OGC for guidance, as necessary, regarding the specific processing procedures for each State.

The Agency will only seek a deficiency judgment (in those States where available) when foreclosure is initiated and the Agency determines the borrower has or will have the assets from which a deficiency judgment could be recovered. Deficiency judgments will never be sought in the following situations: (1) acceleration is due to an unpaid recapture amount; (2) the borrower was granted a moratorium at any time during the course of the loan and faithfully tried to meet the loan obligations; (3) State law does not permit a personal deficiency; (4) in nonjudicial foreclosure States, the United States Attorney will not accept a referral for the deficiency; or (5) the Agency has determined after consultation with OGC, that it is not cost effective to seek a deficiency on a particular case.

Throughout the time required for legal proceedings to conclude, the Servicer should encourage the borrower to liquidate voluntarily and may consider using the debt settlement options described in Section 3 of Chapter 7.

E. The Foreclosure Sale

Once legal proceedings have concluded, the property will be sold at a foreclosure sale. To complete the foreclosure process, Field Offices must determine how much to bid and enter that bid at the sale.

1. Establishing a Bid Amount

The Agency's bid will be the lesser of the Agency's gross investment or the estimated net recovery value of the security property.

Gross investment is the sum of:

- ***The unpaid balance***, defined as:
  - ◊ In States with judicial foreclosure, the judgment account established as a result of the foreclosure judgment.
  - ◊ In States with nonjudicial foreclosure, the borrower's account balance reflecting secured loans and advances.
- ***All outstanding advances and fees charged to the borrower's account.***
- ***Total subsidy received.***

2. Bidding at the Foreclosure Sale

Procedures for bidding at a sale will vary by locality and a local presence may be required. If the Agency is the high bidder, the property will become REO property, which will be managed and disposed of by the Field Office. If the amount received through the foreclosure sale is less than the borrower's outstanding debt, CSC should follow the debt settlement procedures outlined in Section 3 of Chapter 7.

ATTACHMENT 6-A

NET RECOVERY VALUE WORKSHEET

I. BACKGROUND	
(1) Case Number:	(2) Borrower Name/ID
(3) Proposed Liquidation Option:	(4) Calculation Date:
(5) Estimated Holding Period:[1]	
II. CALCULATION OF NET RECOVERY VALUE	
(6) Market Value (use current appraisal)	(6)
(7) Deductions from Market Value	
A. Prior liens to be paid by the Agency	$_____
B. Junior liens to be paid by Agency (N/A for foreclosures)	$_____
C. Selling expenses to be paid by Agency [2]	$_____
D. Holding costs[3]	$_____
E. Depreciation During Holding Period	$_____
F. Administrative Costs[4]	$_____
G. Management Costs[5]	$_____
H. Total Reductions (sum of items 7A through 7G)	$_____
(8) Additions to Present Market Value	
A. Appreciation during holding period	$_____
B. Income during holding period	$_____
C. Total Additions (sum of items 8A and 8B)	$_____
(9) NET RECOVERY VALUE (6 minus Item 7H plus Item 8C)	

[1] To calculate holding period:

- For release of valueless lien, use number of months from calculation to filing the release;
- For refinancing, use number of months from calculation to closing of new loan and payoff;
- For sales, use number of months from calculation to closing of loan or transfer and assumption;
- For deed-in-lieu of foreclosure, use number of months from calculation to filing warranty deed;
- For debt settlement offer subsequent to acceleration, use number of months from calculation to payoff and release;

- For foreclosures, use number of months from calculation to filing of deed and expiration of redemption rights; and
- Add the time for marketing and disposition, if acquired.

[2] Selling expenses: advertising, commissions for selling agents, required seller certifications, surveys, points, and closing costs to be paid by the Agency.

[3] Holding costs: monthly interest accrual multiplied by number of months in the holding period.

[4] Administrative costs: costs of liquidation, including attorney, filing, recordation, advertising, and document service fees that are customarily incurred in a foreclosure action.

[5] Management Costs: cost of cleaning, securing, and maintaining the property during the holding period, including utilities, real estate taxes, and other assessments accruing for custodial or REO properties.