

Farm Service Agency

# Negotiating a Promissory Note

(Form CCC-279)



## Overview

Farmers and Ranchers who are indebted to Farm Service Agency (FSA) and/or Commodity Credit Corporation (CCC) farm program overpayments are responsible for repayment of the debt and associated interest and charges.

While lump sum payment of a debt is the preferred method of a debtor repayment, Farm Production and Conservation (FPAC) Business Center may negotiate an installment agreement with debtor(s) if a debtor(s) is financially unable to pay a debt. The debtor(s) must document their financial inability to pay the debt in one lump sum.

Installment agreements will accrue late payment interest at a rate set by the Department of Treasury effective on the date the promissory note is established. The promissory note will accrue interest at this rate until such time the debt is paid in full, or the promissory note becomes delinquent.



## General Debtor Considerations

Debtors should consider the following parameters:

- » Lump sum payment of debt is the preferred method of debtor repayment
- » If a debtor is financially unable to pay a debt in one lump sum, FPAC Business Center may accept payment in regular installments. There are certain requirements which must be met (see below) before a legally binding installment agreement, also known as a repayment agreement, can be executed.
- » The amount and frequency of installment payments should be sufficient to repay the debt within 3 years
- » The proposed payment schedule will be on a monthly, quarterly, semiannual, or annual basis
- » The amount of each payment should be consistent and at least \$50 per month or \$600 per year, except in unusual circumstances
- » Additional collection resources will be used by FPAC Business Center to validate a producer's financial profile. This information may dictate the negotiated terms and conditions of the installment agreement.

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## More Information

Interested debtors may call the Debt Management Customer Service Line **800-247-6850**.

This fact sheet is for informational purposes only; other restrictions may apply.



## Minimum Documentation Requirements

Written correspondence from the debtor(s) requesting an installment agreement. The correspondence must include (at a minimum):

- » Debtor explanation justifying the inability to pay the debt in one lump sum
- » Requested frequency of payments (monthly, quarterly, semi-annually, annual)
- » Requested installment amount (amount debtor(s) is financially able to pay)
- » Signed and dated financial statement – The financial statement serves a twofold purpose; it must document the debtor's inability to pay the debt in one lump sum and provide evidence that sufficient funds exist to make installment payments. For further information on what constitutes a financial statement, contact the Debt Management Services Line.

## Other Terms and Conditions

- » If a debtor requests a semi-annual or annual installment schedule, a down-payment may be requested. The down-payment amount may range from 5-10% of the total outstanding debt amount depending on the debtor's circumstances.
- » Debtors participating in Farm Programs may be required to allow offset of program payments disbursed during the installment agreement period.
- » Security or collateral for deferred payments may be required in appropriate cases.

