

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Direct Loan Servicing – Debt
Collection and Resolution
7-FLP**

Amendment 8

Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 2 A has been amended to remove 3-FI and update 25-AS to 32-AS for records management.

Subparagraph 61 D has been amended to update references to 64-FI, paragraph 91.

Subparagraph 62 D has been amended to correct form numbers.

Subparagraph 63 B has been amended to provide direction on stopping administrative offset for accounts with repayment agreements established by Treasury while at cross-servicing.

Subparagraph 81 E has been amended to update reference to 64-FI, Part 5.

Subparagraph 81 F has been amended to update reference to 64-FI, paragraph 82, and to add a note providing guidance about accessing FWADM.

Subparagraph 81 G has been amended to update reference to 64-FI, Part 5, and reference to 1-FI, subparagraphs 98 B and G.

Subparagraph 81 H has been amended to add a note about unlinking co-borrowers.

Subparagraph 101 C has been added to reference subparagraph 131 B for servicing county employee salaries subject to TOP.

Subparagraph 104 A has been amended to update the DLS user's guide reference to link, view, update, and unlink co-borrowers.

Subparagraphs 104 B and 105 A have been amended to introduce new FSA-2723 for TOP deletion.

Subparagraph 221 A has been amended for clarification.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraphs 224 A, 225 A through D, 226 A, 245 D, and 248 A have been amended to update references to CSNG/Artiva, formerly FedDebt.

Paragraph 352 has been amended to change the title to “Servicing FSA Debts That Are Under DOJ’s Jurisdiction”.

Subparagraph 402 B has been amended to provide clarification regarding acceleration and security.

Subparagraph 405 A has been amended to provide clarification that an asset investigation is part of the supporting documentation.

Subparagraph 407 A has been amended to add SFLO and re-delegation of SED authority.

Subparagraph 407 B has been amended to remove borrower notification requirement when debt is cancelled using FSA-2731.

Subparagraph 408 C has been amended to permit SED’s to re-delegate authority to cancel delinquent adjustment agreements.

Exhibit 8, subparagraph B has been amended to include response timeframes and to provide direction on rejection of late ARA applications.

Exhibit 17 has been amended to update the calendar for quarterly referrals to TOP System.

Exhibit 19 has been amended to correct a reference.

Exhibit 29, subparagraph 5 D has been amended to update reference to Treasury’s cross-servicing system.

Amendment Transmittal (Continued)

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2 Related References

A Related FSA Handbooks

The following FSA handbooks concern FLP.

IF the area of concern is about...	THEN see...
appeals and mediation	1-APP.
civil rights compliance and administration for FSA programs	18-AO.
common management and operating provisions for program management activities, functions, and automated applications, such as forms that cannot be accepted by FAX	1-CM.
direct loanmaking	3-FLP.
direct loan regular or routine servicing	4-FLP.
direct loan servicing – special and inventory property management	5-FLP.
disaster designations	1-DIS.
Emergency Loan Seed Producers Program, Horse Breeder Loan Program, Indian Tribal Land Acquisition Program, Special Apple Loan Program, Land Contract Guarantee Program, and servicing of minor loan programs	6-FLP.
employee development and training	6-PM.
environmental requirements	1-EQ.
environmental risk management	2-EQ.
general and administrative regulations governing FLP, and implementing NAD final determinations	1-FLP.
guaranteed loan making and servicing	2-FLP.
personnel management, such as employee conflict of interest	3-PM.
offset procedures and automation	3-PL, 58-FI, 63-FI, 64-FI.
procedures for collecting, maintaining, or disclosing data or information about an individual	3-INFO.
procedures for making records available to the public, other Federal Agencies, and Congress	2-INFO.
* * *	* * *
State and county organization and administration policies, procedures, principles, and standards, such as work organization	16-AO.
--records management	32-AS.--

B Handbook Link

Following are useful links to handbooks:

- <http://www.fsa.usda.gov/FSA/webapp?area=home&subject=empl&topic=hbks>
- <http://inside.fsa.usda.gov/>.

2 Related References (Continued)

C State Supplements

See Exhibit 4 for State supplements required by this handbook. SED's are authorized to issue State supplements to this handbook in addition to State supplements listed in Exhibit 4, according to 1-FLP, subparagraph 2 C.

3 FLP Forms

A Form References

Except as provided in this paragraph, this handbook references forms according to the forms numbering system that became effective December 31, 2007. Forms executed before December 31, 2007, may have a number different from that referenced. See 1-FLP, Exhibit 5 for a comparison of form numbers before and after December 31, 2007.

Note: See Exhibit 1 for titles of forms referenced in this handbook.

B Notary Acknowledgement

*--See 1-FLP, subparagraph 3 C for guidance on notary acknowledgement for forms.

C Applicant and Borrower Signatures

See 1-FLP, subparagraph 3 D for guidance on applicant and borrower signatures.

D State-Modified National Forms

See 1-FLP, subparagraphs 3 E and H for guidance on State-modified national forms.

E State-Created Forms

See 1-FLP, subparagraphs 3 F and H for guidance on State-created forms.

F Other Sources of Forms

See 1-FLP, subparagraph 3 G for guidance on other sources of forms.--*

4-20 (Reserved)

--Part 3 Internal Administrative Offset*61 Overview and Authority****A General**

Administrative offset is required by DCIA. FSA uses noncentralized internal administrative offset (this Part) within USDA, and centralized offset through TOP (Part 4).--*

[7 CFR 3.43(a)] ... a creditor agency may make a request directly to a payment authorizing agency to offset a payment due a debtor to collect a delinquent debt... Also, non-centralized administrative offsets include USDA internal administrative offsets, for example, of CCC payments to pay Farm Service Agency (FSA) delinquent debts.

[7 CFR 3.43(d)] Payment authorizing agencies shall comply with offset requests by creditor agencies to collect debts owed to the United States, unless the offset would not be in the best interests of the United States with respect to the program of the payment authorizing agency, or would otherwise be contrary to law. Appropriate use should be made of the cooperative efforts of other agencies in effecting collection by administrative offset.

Any FSA payments or commodity loans due to a borrower will be offset for the collection of a delinquent debt owed to FSA, with the following exceptions:

- the initial payment for planting expenses under CRP
- loan funds from FLP loans or other Federal loan programs
- CAT indemnity payments.

B Authority

[7 CFR 1951.102(a)] Collections of delinquent debts through administrative offset will *--be taken in accordance with 7 CFR part 3, subpart B (7 CFR, Part 3, Subpart D) and §1951.106.

Note: 7 CFR Part 3, subpart B moved to subpart D after 7 CFR 1951.102 was most recently revised by FSA.--*

61 Overview and Authority (Continued)

C State Office Responsibility

SED's will ensure that:

- no FSA payments including CRP (except for the initial payment for planting expenses), PFC, LDP, market loan payments, EQIP, LIP, SIP, ECP payments, any other disbursements, and commodity loans are made to a producer who is also 90 calendar days past due on an FLP debt
- authorized FSA employees are correctly sending the offset notices according to paragraph 62 and Exhibit 12, and updating, maintaining, and monitoring delinquent debt and eligibility information:
 - in the web-based subsidiary system according to 64-FI and 3-PL
 - in FSAFS according to 58-FI, paragraphs 160, 161, 404, and 405 and 63-FI, Part 5.

D DD's Responsibility

DD's will ensure that:

- offset notification lists in subparagraph 81 B are updated monthly
- the lists are provided to all County Offices where the borrower farms
- delinquent FLP debt has been recorded in the web-based subsidiary files, using "FSA Debt" as the "Source of Delinquent Debt Determination", according to 64-FI, *--paragraph 91 and 3-PL (Rev. 2), paragraph 33
- the "Other Agency Claim" flag is set in Financial Services, Customer Profile and NPS, according to 64-FI, paragraph 91--*
- information on FLP delinquent debt is updated timely and accurately in FSAFS according to 63-FI, Part 5
- applicable program payments are offset, and the offset monies are properly credited to delinquent FSA debts.

62 Offset Notification (Continued)**C When Insufficient Time for Prior Notice and Opportunity to Review (Continued)**

If the payment should be offset, the authorized agency official will:

- request concurrence from SED to send FSA-2703 (borrower) and/or FSA-2704 (nonborrower entity)
- insert the reasons for taking immediate offset on FSA-2703 and FSA-2704

Note: Examples might include:

- loans are seriously undersecured
- loans are seriously delinquent with little attempt to make payments
- the borrower has a history of unauthorized disposition of security
- the borrower has a history of paying unsecured accounts or junior lienholders first and failure to collect the payments would result in additional financial losses to the Government.
- attach FSA-2701 when mailing FSA-2703
- attach FSA-2702 when mailing FSA-2704
- send the forms by certified mail.

Note: Offset is prohibited until an FLP loan is 90 calendar days past due.

D Timeframes

Timeframes will commence from the date certified mail is accepted by the borrower, or 3 calendar days following the date of first-class mailing.

Offset will begin for:

- *--FSA-2701 and FSA-2702 on the 31st calendar day, or when a stay of offset expires according to paragraph 63
- FSA-2703 and FSA-2704 immediately.--*

63 General Requirements and Due Process

A Feasibility

SED will work with OGC to obtain a written determination in cases where it is not feasible to use offset. Determinations will consider legal impediments to administrative offset, such as the 1-action rule in a State where pursuing offset could jeopardize FSA's ability to foreclose on the security, contract provisions, or degree of certainty as to the factual basis (other than the debt amount) of the Government's claim.

Determinations concerning legal impediments, and relevant communications with the Regional OGC and/or DOJ, should be documented in the borrower's case file.

B Resolving the Delinquency

To prevent administrative offset, the borrower must:

- pay the account current or in full
- *--submit a proposed ARA that is approved by SED

Note: Must be processed timely according to paragraph 405.

- submit a debt settlement offer on FSA-2732 that is approved by SED
- for cases referred to cross-servicing, establish a repayment agreement with Treasury.

Note: FSA's receipt of a payment through cross-servicing should not automatically remove a delinquent borrower from offset. Only cases where Treasury has accepted a repayment agreement should be removed from administrative offset.--*

C Stays

Offset can be stayed when a debtor requests FSA review according to Exhibit 13 or FSA accepts ARA. Stay will not be granted when:

- PLS has begun and is not concluded
- FSA determines that a situation exists that requires proceeding with offset
- a debtor appeals to NAD.

If offset collections are later determined not to be subject to offset, they will be promptly paid to the debtor.

--81 Offset Procedures, Reports, Automation--**A Timing of Offset**

[7 CFR 3.43 (b)] A non-centralized administrative offset may be effected 31 days after the date of the Notice of Intent to Collect by Administrative Offset, any time after the final determination in an administrative review conducted under subpart F upholds the creditor agency's decision to offset, or any time after the creditor agency notifies the debtor that its repayment proposal submitted under §3.42(c) (subparagraph 63 E) is not acceptable if the 30-day period for the debtor to seek review of the Notice has expired, unless the creditor agency makes a determination under §3.41(b)(3) (subparagraph 62 C) that immediate action to effectuate the offset is necessary.

B Requesting * * * Offset

[7 CFR 3.43(c)] A payment authorizing agency may conduct a non-centralized administrative offset only after certification by a creditor agency that:

- (1) The debtor has been provided notice and opportunity for review as set forth in §3.41; (paragraph 62) and**
- (2) The payment authorizing agency has received written certification from the creditor agency that the debtor owes the past due, legally enforceable delinquent debt in the amount stated, and that the creditor agency has fully complied with its regulations concerning administrative offset.**

After the expiration of stays or the conclusion of applicable reviews, the authorized agency official will notify the State Office of borrowers who are subject to offset, including individually liable members of entities and nonborrower entities.

As long as the account remains in default subsequent notice is not required to notify the State Office to continue offset.

*** * ***

81 Offset Procedures, Reports, Automation (Continued)**C Continuation of Offset**

[7 CFR 3.41(b)(4)] ... With respect to loans paid on an installment basis, notice and opportunity to review under this part may only be provided once for the life of the loan upon the occurrence of the first delinquent installment. ... Any interest accrued or any installments coming due after the offset is initiated also would not require a new notice and opportunity to review.

Once offset collection is in place, it continues until the account is brought current, paid in full, not eligible for offset (such as during certain bankruptcy proceedings, etc.), or otherwise resolved.

If the account is brought current, any subsequent delinquency requires new notification of FSA's intent to collect the delinquency through offset.

D Offset Collections

Collections received through offset will be processed as regular payments and credited to the delinquent debts. Payments will have an application code "A".

If the debtor owes more than 1 type of FSA debt, the priority of the delinquent FSA debts to be paid from offset collections will be according to 58-FI and 4-FLP.

E Refunds

Refunds of amounts offset, plus interest, will be made within 45 calendar days if FSA determines an amount should not have been offset or that the debtor has prevailed in an administrative appeal.

The 90-calendar-day Treasury bill rate will be used to calculate interest payable to the debtor.

***--Note:** See 64-FI, Part 5, for processing FLP refunds through NRRS.--*

81 Offset Procedures, Reports, Automation (Continued)**F Reports**

For relevant reports, refer to the following:

- 63-FI, paragraph 178 for FWADM Active Other Agency Offset Profiles Report
- *--64-FI, paragraph 82 for a list of FWADM reports in NRRS--*
- 1-FLP, Part 3 for DLS, GLS, FOCUS, and Data Mart
- 3-PL (Rev. 2), Part 8 for delinquent debt determinations in web subsidiary:
 - subparagraph 305 N for a list of all delinquent debtors
 - paragraph 303 for a specific borrower.

--Note: For guidance on accessing FWADM, see 1-FI, Part 8.--

G FSAFS, NRRS and NPS

FSAFS is used to establish, modify, and cancel “Other Agency Debt” indicators to offset FP program payments to collect delinquent FLP debt. See 63-FI, Part 5.

NRRS is used for remittances and receipts, and to refund offset collections received for FLP *--debt when needed. See 64-FI, Part 5.

NPS is used to process FP program payments and internal administrative offsets to collect delinquent FLP debt. See 1-FI, subparagraphs 98 B and G.--*

H Canceling Offset

The authorized agency official will notify the State Office to remove a borrower from internal administrative offset, TOP (Part 4), and cross-servicing (Part 8), as applicable, when a delinquent debt:

- has been resolved according to subparagraph 63 B, or
- is no longer eligible for other reasons such as bankruptcy, or a determination that offset is not feasible according to subparagraph 63 A.

--Note: To unlink 1 or more co-borrowers, see subparagraph 104 A.--

82-100 (Reserved)

Part 4 TOP

101 Quarterly Screening Process for TOP**A Background**

The Debt Collection Act, as amended by DCIA, requires that delinquent debtors be referred to TOP for administrative offset of Federal and some State Government payments. The Food, Conservation, and Energy Act of 2008 (2008 Farm Bill) revised the offset requirement for FLP borrowers who have program discrimination complaints accepted by the Office of Adjudication.

B Purpose

This part provides guidance on:

- the 2-step process required to certify FSA direct FLP delinquent borrower/co-borrower debts to Treasury for offset on an ongoing, quarterly basis
- determining eligibility for referring borrower/co-borrower debts to Treasury for TOP offset
- refunding co-borrower TOP offsets
- instructions for updating co-borrowers/related entities in the DLS Customer Profile
- instructions for deleting:
 - borrowers/co-borrowers on TOP offset update screens
 - bankruptcy cases.

***--C Offset of County Office Employees**

County employee salaries are subject to offset through Treasury's TOP (see subparagraph 131 B).

For assistance in processing offset for County Office employees, State Offices should contact DCIB according to 1-FLP, subparagraph 5 D.--*

102 Discrimination Complaints and TOP**A Accepted Complaints**

Delinquent accounts involved in an accepted discrimination complaint will be serviced according to 1-FLP, subparagraph 41 I.

Accounts that have no security remaining, which have been accelerated or where all loans are mature, such as those classified CNC, will continue to accrue interest and be subject to administrative offset.

In cases where loans are not eligible for TOP, according to 1-FLP, subparagraph 41 I, use delete code "11" to remove them from the TOP Offset Screens.

103 (Withdrawn--Amend. 4)**104 TOP Screens and Process****A Co-Borrower Selection and Changes**

Co-borrower information for TOP is selected from the DLS Customer Profile. In DLS, co-borrowers are considered related entities. To link, view, update, and unlink related entities through the loan making process, follow the procedure in the DLS * * * User's Guide, Part 4. To view, create, and update related entity information through the loan *--servicing process, follow the procedure in the DLS User's Guide, Section 8.3.5.

The guide may be found on the FLP Software User Guides web page located at https://inside.fsa.usda.gov/program-areas/daflp/software-manuals/index.--*

B TOP Weekly Update

All loans on the Borrowers Eligible for TOP Offset Certified Screen will be available for review and manual deletion on an ongoing weekly basis. DCIB and State Offices have delete capability; County Offices and FaSB have view capability. State Offices are responsible for processing all deletes. The monthly RC 540 and its parts will be used to programmatically update or delete certified borrower/co-borrower loan information at TOP each weekend. The screens will be taken down by 2:30 p.m. c.t. on Fridays and made available on Tuesdays.

*--Send FSA-2723 to the State Office to request "TOP delete only".

Send FSA-2722 to NFAOC through the State Office and check Box 4B for TOP delete when also requesting a recall from cross-servicing, TOP refund, cross-servicing refund, and/or reporting a change/update to information previously submitted on FSA-2721.

The State Office will delete the applicable loans from TOP before sending FSA-2722 to NFAOC.--*

C Debtors Displayed on Borrowers Eligible for TOP Offset Screens

The monthly RC 540 and its parts will be used on an ongoing basis to select and update delinquent loans eligible for offset. The TOP Selection process is usually run the last 2 weeks of the quarter. The screens will be made available to State and County Offices according to the timeframe in Exhibit 17.

105 County Office Responsibilities (Continued)

A Screening (Continued)

- review Exhibit 18 for delete codes that will be programmatically generated based on the ADPS status of the debtor's account

Note: No County Office action is needed for debtors who meet the delete code criteria in Exhibit 18.

- FAX all FSA-2722 and supporting documentation to the State Office, if a loan needs to be deleted, recalled from cross-servicing, or an offset payment needs to be refunded based on criteria in Exhibit 18 or 19
- *--send FSA-2723 to the State Office instead of FSA-2722, when only requesting TOP delete--*
- verify the accuracy of any flags on the debtor's account and correct, if necessary
- remove ineligible co-borrowers from TOP eligibility by updating/unlinking them in the DLS Customer Profile.

Note: This action will keep borrowers from being selected in subsequent quarters, but will not programmatically delete the loan from TOP Offset Online Screens. They must still be deleted by the State Office in the current quarter, using the applicable codes.

B Accessing Borrower/Co-Borrower Accounts

County Offices can view borrower/co-borrower loans in ADPS, on the TOP Offset Online Screens according to Exhibit 20.

For debtors whose files are being handled in another office, contact that office for a determination of eligibility.

If the County Office is unable to access any borrowers/co-borrowers and the authorized agency servicing official is aware that there should be debtors on the screens, contact the State Office.

On an ongoing basis, State Offices will be provided access to both of the TOP Offset Online Screens. The responsibility for deleting loans now rests with the State Office; however, the screening process is the responsibility of both the State and County Offices.

106 State Office Responsibilities**A TOP Certification**

At the end of each quarter, the TOP Offset Online Screens will be taken out-of-service and all debts not deleted on the Borrowers Eligible for TOP Offset Screen will be certified to Treasury for offset. The Borrowers Certified for Treasury Offset Report will be mailed to State and County Offices within 2 weeks after certification. Borrowers/co-borrowers displayed on this report will be moved to the Borrowers Eligible for TOP Offset/Certification Screen for weekly update capability.

See Exhibit 17 for a tentative timeframe for the quarterly referral process. If changes to the timeframe are needed, a message will be:

- displayed on the ADPS Message Screen
- e-mailed to TOP Coordinators in each State Office.

B Screening

Delete codes cannot be changed or removed at any time. Loans deleted in error will be picked up for screening in the next selection process. See Exhibit 17 for deadlines for entering delete codes.

Note: Delete codes should be entered during the pre-certification screening process.

State Offices will enter a delete code for each loan that is ineligible, based on criteria in Exhibit 19. **Do not use codes that are not included in Exhibit 18 or 19.** Delete code information is tracked and used for quarterly Congressional reporting.

Note: No State Office action is needed for debtors who meet the delete code criteria in Exhibit 18, unless there is a suspend code on an account (“ZSPC” on the ADPS AI Screen). A suspend code will prevent a TOP borrower/co-borrower from being deleted programmatically, even if there is a fully paid code on the loan.

State Offices that transfer loans to a spouse must correct the borrower/co-borrower related entity information in DLS Customer Profile.

Part 8 Cross-Servicing

221 Overview

A Overview

--TOP, cross-servicing, and AWG must be considered when processing debt settlement-- offers under Part 12. If a greater recovery of taxpayer dollars is possible through referral to Treasury for cross-servicing and/or AWG, then the debt must be referred to Treasury.

As part of cross-servicing, Treasury, or its contracted PCA's, perform various collection actions, such as calling debtors, sending letters to debtors, skip tracing, and negotiating debt settlement offers. FLP debts must be referred to TOP before they are referred for cross-servicing and they must remain at TOP for cross-servicing actions to be taken. Therefore, while debts are at cross-servicing, they are also at TOP and subject to offsets. In addition, Treasury administers AWG through the cross-servicing program; therefore, separate referral to AWG is not required. See Part 9 for AWG information.

Note: Borrowers on full-time active duty in the Armed Forces will not be referred for cross-servicing. See 4-FLP, Part 11 for guidance in servicing borrowers on active duty.

222 Discrimination Complaints at Cross-Servicing

A Accepted Complaints

CNC accounts involved in an accepted discrimination complaint according to 1-FLP, subparagraph 41 I, are **not** eligible for cross-servicing. If a CNC debtor files a program discrimination complaint and the Office of Adjudication accepts the complaint as valid, immediately FAX FSA-2722 and supporting documentation to DCIB at the ECM FAX number in 1-FLP subparagraph 5 D to recall the debt from cross-servicing. However, CNC debts are still eligible for administrative offset. For:

- servicing accounts with an accepted discrimination complaint, see 1-FLP, subparagraph 41 I
- administrative offset information, see Parts 2 and 3.

223 Cross-Servicing Process

A TOP Screen Certification

The referrals of debt to cross-servicing and TOP are separate processes. However, a debt must have been certified to TOP to be referred for cross-servicing. The information on the TOP screens is used to validate eligibility for both processes.

B Referring Debt to Cross-Servicing

If the debt is determined to be eligible for CNC according to Part 7, the State Office shall:

- process transaction code “3K” in ADPS with a class of write off code “5” for all debt types except leases, TPJ’s, and equity receivables
- *--refer debts to cross-servicing by completing and FAXing FSA-2721 to DCIB to the ECM FAX number in 1-FLP subparagraph 5 D--*
- submit FSA-2721 to DCIB by the 15th of each month to ensure that debts are included in the end of the month referral

Note: Borrowers and co-borrowers (including liable spouses) shall be listed on FSA-2721 with their TIN’s and must be referred at the same time. The debtor’s last known address will be provided on FSA-2721 if TIN cannot be identified. This debt will be referred to cross-servicing manually. Debts without TIN cannot be referred to TOP.

- respond to each dispute on the debt.

Note: Multiple disputes on the same debt may be received because Treasury and 2 different PCA’s to collect the debt. If Treasury does not receive FSA’s dispute response within 60 calendar days, the debt will be returned as uncollectible.

The State Office will also receive notification from DCIB when the following occur:

- compromises are offered
- initial cross-servicing payments are received
- debts are returned from cross-servicing
- debt has been resubmitted per State Office request.

224 FSA Collection Activity

A Debts Referred to Cross-Servicing

Treasury regulations require that FSA stop all collection activity on debts referred for cross-servicing, including AWG, except TOP offsets, Federal salary offsets, and internal administrative offsets.

Debtors referred to cross-servicing are provided with payment instructions from Treasury and/or PCA's. Debtors must make their payments to Treasury or PCA because there is a significant Treasury/PCA fee debtors must pay.

When a voluntary payment is received from CNC borrowers, the:

- County Office shall call the State Office
- *--State Office shall check the borrower's current cross-servicing status on CSNG/Artiva--* (paragraph 225).

Note: If needed, call DCIB at the telephone number in 1-FLP, subparagraph 5 D for assistance.

If the account has been referred to cross-servicing, the State Office shall notify the County Office to:

- prepare a memorandum to DCIB stating the following:
 - that the payment should have been sent to cross-servicing
 - amount of the check
 - debtor's name
 - TIN
 - relationship to the borrower's or co-borrower's loan
 - case number and loan number
- mail the check and memorandum to DCIB at the address in 1-FLP, subparagraph 5 D.

Borrowers referred to cross-servicing will continue to have FSA-2065 and, if applicable, IRS Form 1098 generated at calendar year-end if the account had activity. County Offices shall forward FSA-2065 to the borrower and a copy to the State Office.

--225 CSNG/Artiva*A CSNG/Artiva and Cross-Servicing**

Treasury manages the cross-servicing program through CSNG/Artiva. FSA State Offices shall access CSNG/Artiva to check on the status of FSA cases referred to Treasury.

B Requesting Access

To request access to CSNG/Artiva, contact the Treasury Agency Liaison at **FedDebt.Liaison@fiscal.treasury.gov** for the most recent versions of forms for completion. The program code for FSA Farm Loan Programs is 2KC01MOMKC1A.

Note: The e-mail address still uses “FedDebt” at the present time.

C URL

The URL to access CSNG/Artiva periodically changes.

Effective June 7, 2018, the URL is
<https://xservice.fiscal.treasury.gov/csp/prod/os.artiva.web.page.main.cls>.

Clicking on the hyperlink, or using the web browser to access the URL will direct users to the webpage to enter their “user ID” and password.

Notes: The webpage may look slightly different each time Treasury changes the URL.

Users must use the Chrome web browser.

D IT Issues

Treasury’s IT desk for help with CSNG/Artiva can be contacted by links in the system, or--* by calling 304-480-7777.

226 Debt Settlement Offers

A From Borrower

CNC debt may be settled by FSA upon application by the borrower according to Part 12, **if the debt has not been referred to Treasury for cross-servicing, or if all of the borrower's loans have been returned from cross-servicing.** If a CNC borrower submits or ~~inquires about a debt settlement application, the State Office shall access CSNG/Artiva to determine whether the account has been referred for cross-servicing. See paragraph 225 for access.~~

IF the account has...	THEN inform the borrower that...
been referred for cross-servicing and at least 1 loan is still at cross-servicing	the debt is now at Treasury and negotiations need to be with Treasury. Borrowers: <ul style="list-style-type: none"> • may contact Treasury at 1-888-826-3127 • have no appeal rights for settlements rejected by Treasury and returned to FSA.
either of the following: <ul style="list-style-type: none"> • not been referred for cross-servicing (and this referral is not required) • all of the borrower's/co-borrower's loans have been returned from cross-servicing 	a debt settlement offer may be considered. See Part 12 for processing debt settlements.

Note: If a debt settlement offer is received after the State Office has submitted the debt for cross-servicing referral on FSA-2721, but the debt has not yet been referred, the State Office should notify DCIB immediately by FAX at the ECM FAX number in 1-FLP, subparagraph 5 D. Include the terms of the debt settlement offer and request a delay in referring the debt for cross-servicing until a decision is made. Notify DCIB immediately when a decision is made. If the offer is rejected, and all appeal rights exhausted, the debt will be sent to Treasury for cross-servicing in the next referral.

--226 Debt Settlement Offers (Continued)*A From Borrower (Continued)**

Treasury will notify FSA and request concurrence for some repayment agreements and compromises. This notification is done on a loan-by-loan basis, not by account. In cases where a debtor has more than one FSA loan referred to cross-servicing and FSA is advised of an agreement to compromise or adjust 1 loan or several loans, but not all of the debt, SED's may approve the settlement agreements on a loan-by-loan basis.

Cancellation of any loan balances remaining on the compromised or adjusted loans will **not** be processed until all:

- payments have been received as agreed
- loans eligible for referral to the cross-servicing program for that debtor have been returned, with or without payment agreements, to FSA
- co-borrower issues are resolved, including recall and returns.--*

245 **AWG Hearing According to 31 CFR 285.11(f) (Continued)****D Hearing Procedure (Continued)**

Any requests for additional information or documentation from Treasury, OCFO, or the hearing official must be responded to immediately to ensure timely processing.

If a borrower's circumstances change so that AWG would not be appropriate at any time before the AWG hearing is held, or during the time period between hearing and receiving the hearing official's decision, the State Office must notify LSPMD, and see Parts 3, 4, and 8 to determine whether the debt must also be removed from cross-servicing TOP and/or internal administrative offset.

Examples: If the borrower files for bankruptcy protection, the debt is no longer eligible for cross-servicing, AWG, or TOP.

If the borrower provides a notice of employment termination that he or she received, the borrower must also submit the letter to Treasury and/or PCA
 --servicing the account. The State Office will access CSNG/Artiva, and review any CSNG/Artiva documentation and servicing notes, to determine whether-- the letter was accepted by Treasury as notification that the borrower is no longer employed, and will notify LSPMD accordingly. LSPMD will notify OCFO and Treasury's hearing official, if a hearing is no longer necessary, etc. In cases of employment termination, AWG would not be appropriate. However, internal administrative offset, and continued referral to cross-servicing and TOP may be appropriate based on the criteria in Parts 3, 4, and 8.

If AWG hearings are canceled, LSPMD will notify the State Office accordingly.

E Burden of Proof and Hearing Record

[31 CFR 285.11(f)(8)] (i) The agency will have the burden of going forward to prove the existence or amount of the debt.

(ii) Thereafter, if the debtor disputes the existence or amount of the debt, the debtor must present by a preponderance of the evidence that no debt exists or that the amount of the debt is incorrect. In addition, the debtor may present evidence that the terms of the repayment schedule are unlawful, would cause a financial hardship to the debtor, or that collection of the debt may not be pursued due to operation of law.

F AWG Decision

The hearing official sends the AWG decision to the borrower, OCFO, and LSPMD. LSPMD will notify the applicable State Office.

The issuance of proposed garnishment orders by Treasury shall not be subject to appeal to NAD under 7 CFR Part 11. Hearings will be conducted according to 31 CFR 285.11(f).

246 Garnishment**A Withholding Order**

Treasury sends the withholding order to the employer on behalf of DAFLP.

B Employer Certification

Treasury sends the certification to the employer on DAFLP's behalf. The employer returns the completed form to Treasury.

247 Processing Garnishment Amounts and Collections**A Employer Processing**

The employer submits withheld amounts to Treasury. Treasury sends the funds to FSA in automated reports.

B FLP Processing

AWG collections will be included with all other collections received from Treasury through cross-servicing and/or TOP. Monies collected are applied to borrowers' loans according to 3-FI and 4-FLP, Part 5.

When Treasury reviews an account, they are reviewed by individual loans, not by the total debt owed by the borrower. As such, once an individual loan is paid in full, Treasury ceases AWG collections and returns the account to FSA. Even in instances where the borrower has more than 1 loan covered by AWG, the subsequent loans will be returned because Treasury has ceased collections. Therefore, when a borrower has more than 1 loan that should be paid

--from AWG, the State Office will contact DCIB for assistance in resubmitting any additional loans to Treasury to resume collection through AWG. See 1-FLP, subparagraph 5 D for DCIB contact information.--

* * *

--DCIB must notify Direct Loan FaSB to reverse the CNC classification code (3K class of write-off code 5) to apply AWG or cross-servicing collections. After applying collections, Direct Loan FaSB must re-establish the CNC classification code, as appropriate.--

248 Changes to Garnishment Amount**A Following Involuntary Separation**

In many cases, FSA will **not** know when borrowers are working or unemployed. AWG is processed through Treasury's cross-servicing program. While accounts are referred to AWG and/or cross-servicing, FLP borrowers must communicate directly with Treasury and/or PCA's about their financial circumstances.

When contacted by borrowers after a garnishment order is established, State and local FSA offices shall advise borrowers that they must contact Treasury and/or PCA directly. The contact information is in the letters that borrowers receive from PCA and/or Treasury. The *--status of the debt at Treasury and/or PCA is available in CSNG/Artiva.

Do not recall debts from AWG or cross-servicing, or edit any information in CSNG/Artiva--* based on a borrower's claim that he or she is no longer working. The borrower must contact Treasury and/or PCA to report this information, and it will be verified by PCA and/or Treasury.

B Financial Hardship

At this time, hardship requests for FLP debt are reviewed by Treasury. Treasury will make any hardship determination on DAFLP's behalf and notify the borrower's employer of any needed adjustments to the garnishment amount.

In cases where the garnishment amount has been adjusted because of hardship, Treasury will periodically request updated financial information from the FLP borrower to determine whether the hardship still exists and/or if the garnishment amount must be adjusted again.

Treasury uses a cost-of-living calculator to determine an appropriate garnishment amount. The calculator considers the debtor's individual financial circumstances and the cost-of-living where the debtor lives. The regional cost-of-living amounts are adjusted each year based on information compiled by IRS.

C Debt Paid in Full

In cases where the debt is paid in full, Treasury will notify the employer to discontinue garnishment for FLP.

249-280 (Reserved)

Part 10 (Reserved)

281-350 (Reserved)

Part 11 Monitoring, Servicing, and Settling Judgment Debts**351 Monitoring Judgment Debts****A Monitoring Status**

State Offices shall monitor the status of all judgments with DOJ, except pending foreclosure judgments, to determine whether:

- any collections have been made on the judgment in the last 12 months
- the account has been referred to Department of Treasury for TOP and/or cross-servicing.

B Request Return

State Offices shall request that DOJ return judgments if no collections have been made by DOJ in the last 12 months.

Note: Consult with the Regional Attorney to determine whether State law prevents FSA from pursuing offset collection or referring deficiency judgments for TOP.

***--C Contact Number For DOJ**

For cases that have been submitted to DOJ, the contact number for status updates is 202-532-4343.--*

--352 Servicing FSA Debts That Are Under DOJ's Jurisdiction--**A Internal Administrative Offset**

Under FSA and CCC offset regulations at 7 CFR 792.7 and 1403.7, DOJ is not entitled to priority in requesting offset of FSA Farm Program payments. To achieve the greatest recovery on judgment debt, it is FLP's policy to use FLP's priority under 7 CFR 792.7 and 1403.7 regulations whenever possible and appropriate. Therefore, State and County Offices shall:

- determine whether the borrower will receive Farm Program payments and request written DOJ concurrence to pursue collection of these monies as applicable
- pursue internal administrative offset according to Part 3 after obtaining DOJ concurrence
- notify DOJ of all administrative offset collections received and applied to the judgment accounts.

B TOP Referral

DOJ is responsible for referring * * * debts under its control to TOP and it is DOJ's policy to do so while DOJ is pursuing collection of the debt. If the debt is selected for TOP during FSA's TOP referral process, the debt must be deleted from the TOP Eligible Screens at the end of each quarter using delete code "05". When DOJ returns the case to FSA, DOJ withdraws the debt from TOP, and it is FSA's responsibility to refer the debt to TOP according to Part 4.

C DOJ Fees

If the borrower's account is referred to DOJ for foreclosure and/or other collection action after foreclosure, such as a deficiency judgment or enforcing a judgment lien, any attorney's fees and any fees charged by DOJ will be added to the debt.

D Debt Settlement

Settlements negotiated and approved by DOJ will be completed under FCCS authorities as set forth in Exhibit 34.

--402 Types of Debt Settlement*A Compromise**

[7 CFR 1956.66] Nonjudgment debts which the debtor is unable to pay may be compromised or adjusted in accordance with applicable provisions of this section, and the debtor may retain the security property, if any. Application will be made on Form RD 1956-1 (FSA-2732) by the debtor; or if the debtor is unable to act, by another party having legal authority to act for the debtor.

[7 CFR 1956.66 (a)] FLP debts. The debt or any extension thereof on which compromise or adjustment is requested does not have to be due and payable under the terms of the note or other instrument, or because of acceleration by written notice prior to the date of application.

[7 CFR 1956.57 (e)] Proceeds from the disposal of security prior to approval of a debt settlement offer. A debtor is not required to have disposed of the security prior to application for debt settlement for a loan to be settled. However, if a debtor has disposed of security prior to applying for debt settlement, proceeds from the disposed security must first be applied on the debtor's account, irrespective of an application for debt settlement unless the conditions specified in §1956.66 of this subpart are met.

[7 CFR 1956.66 (a)(1)] Security may be retained by the debtor if the debtor offers an amount at least equal to the current fair market value (including any crop security) less any prior lien amounts. Any remaining unsecured debt may be debt settled.

[7 CFR 1956.66 (c)] Unsecured debts. Unsecured debts considered under this paragraph (c) are most frequently account balances remaining after the debtor has sold security property to another party/entity, the security has been liquidated through foreclosure, or FmHA or its successor agency under Public Law 103-354 has accepted a deed in lieu of foreclosure and the borrower was not released from liability. An offer to compromise or adjust an unsecured debt must represent the maximum amount FmHA or its successor agency under Public Law 103-354 determines the debtor can pay based on a current financial statement and other information available to FmHA or its successor agency under Public Law 103-354.

Note: See paragraph 404 for processing compromise offers.--*

402 Types of Debt Settlement (Continued)

B Adjustment

[7 CFR 1956.66 (a)(2)] Where the debtor is able to pay an amount in excess of the lump sum compromise offer, an adjustment offer must call for a lump sum payment as set out in paragraph (a)(1) (paragraph 402A) of this section, plus any additional amounts the Agency determines the debtor is able to pay over a period of time not to exceed 5 years.

Note: The initial payment for an adjustment offer must be at least as much as the total value of all security that the debtor is retaining.

[7 CFR 1956.66 (c)] ... An adjustment offer is to be scheduled for payment over the shortest period FmHA or its successor agency under Public Law 103-354 determines is feasible, but not to exceed 5 years.

[7 CFR 1956.57 (c)] ... It is impossible in cases eligible for debt settlement to forecast accurately the debtor's future repayment ability over a long period of time; consequently, the period of time during which payments on settlement offers are to be made should not exceed five years... Adjustment offers will not be approved in any case unless there is reasonable assurance that the debtor will be able to make the payments as they become due.

When a debtor can pay more than a lump sum compromise payment over time, the debtor must provide documentation that funds are, or will be, available to pay the adjustment offer through its term.

Adjustment offers to pay the debt in full over time will be processed as authorized below:

[7 CFR 3.16] Collection in installments.

(a) Whenever feasible, agencies shall collect the total amount of a debt in one lump sum. If a debtor is financially unable to pay a debt in one lump sum, agencies may accept payment in regular installments. Agencies shall obtain financial statements from debtors who represent that they are unable to pay in one lump sum and independently verify such representations whenever possible (see 31 CFR 902.2(g) for methods of verification) (see paragraph 404). Agencies that agree to accept payments in regular installments shall obtain a legally enforceable written agreement from the debtor that specifies all terms of the arrangement and that contains a provision accelerating the debt in the event of default.

***--Notes:** The “legally enforceable” written agreements for FLP are FSA-2732 and the underlying promissory notes.

For FLP, acceleration must follow the CONTACT requirements and be based on the terms of the loan notes, not the terms of the offer; therefore, the provisions accelerating the adjustment offer debt do not apply to FLP. See 5-FLP.--*

402 Types of Debt Settlement (Continued)

B Adjustment (Continued)

(b) The size and frequency of installment payments shall bear a reasonable relation to the size of the debt and the debtor's ability to pay. If possible, the installment payments shall be sufficient in size and frequency to liquidate the debt in three years or less.

(c) Security for deferred payments shall be obtained in appropriate cases. Agencies may accept installment payments notwithstanding the refusal of the debtor to execute a written agreement or to give security, at the agency's option.

***--Note:** For FLP, this could be assets that were not already pledged as security when the loans were made.--*

Use FSA-2732 and paragraph 404.

--404 Debt Settlement Requested by Borrower/Debtor (FSA-2732) (Continued)*C Eligible Debt (Continued)**

See 5-FLP, paragraph 421 for handling civil and criminal cases.

See 5-FLP, Part 10 for fiscal irregularities and unauthorized assistance.

See 7-FLP, Part 11 for monitoring, servicing, and settling judgment debt.

[31 CFR 285.12 (c)] (2) On behalf of the creditor agency, Fiscal Service will take appropriate action to collect or compromise the transferred debt.

According to Treasury regulations, FSA debtors wanting to debt settle must work with Treasury while their debt is referred to the cross servicing program. See paragraph 226.

[7 CFR 1956.57 (l)] No previous debt forgiveness. Debt settlement may not be approved for any direct Farm Loan Programs loan if the borrower has received debt forgiveness on any other direct loan as defined in §1956.54 (Exhibit 2) of this subpart.

Accounts with previous debt forgiveness will be debt settled according to Exhibit 34.

D Eligible Debtors

All debtors are considered eligible for debt settlement, unless the borrower is indebted on another active FLP loan that the borrower cannot or will not debt settle.

E CFR

For CFR procedure/authority references to use on FSA-2733, item 4B, see paragraph 402.--*

405 Review Timeframes and Responsibilities

A FLM

Within 30 days, **FLM** will review all relevant information and forward to DD, a debt settlement package containing the following:

- memorandum with FLM's recommendation
- FSA-2732 and any applicable forms:
 - FSA-2735
 - FSA-2737
 - FSA-2731 for co-debtors who are not required to sign FSA-2732 and FSA-2735
 - FSA-2490 for deceased borrowers
 - FSA-2080 for release of liability.

Note: Any related release of liability, such as a withdrawing joint obligor, must be approved using FSA-2080, and the transaction must be correctly processed **before** processing any approved debt settlement. This will ensure that the withdrawing joint obligor does not receive IRS Form 1099-C. For additional information, see 4-FLP, Part 8; 4-FLP paragraph 251; and 5-FLP paragraph 84.

- *--FSA-2733 and supporting documentation, including asset investigation--*

Note: Exhibit 35 may be used as an optional guide to document asset investigation and/or search (Item #14A on FSA-2733).

- relevant and applicable servicing office files.

B DD

Within 30 calendar days of receiving the debt settlement package, or within 60 calendar days of the borrower submitting all needed information (whichever is less), the **DD** will:

- review the case file
- sign FSA-2733
- forward the debt settlement package to the State Office.

407 Approval and Rejection**A Approval/Rejection Authority**

--SED's may delegate to FLC, FLS, DD, FLM, and/or SFLO the authority to reject debt-- settlement requests only in cases where debtors do not provide all necessary documentation/information. Appeal rights must be provided with the rejection letter.

SED may approve or reject:

- cancellations of accounts where all obligors are properly included on FSA-2731 or were previously released using FSA-2080, without regard to the size of the debt, unless there was a previous debt forgiveness

Note: For previous debt forgiveness, see Exhibit 34.

- proposed debt settlements that require using FSA-2732 (with or without FSA-2731) when the outstanding balance of the indebtedness involved in the settlement, less the amount of any compromise or adjustment offer, is less than \$1 million, including principal, interest, and other charges.

The Administrator or designee must approve or reject debt settlements that require using FSA-2732 (with or without FSA-2731) when the outstanding balance of the indebtedness involved in the settlement, less the amount of any compromise or adjustment offer, is \$1 million or more, including principal, interest, and other charges.

When FSA-2731 is used with FSA-2732, the settlement code for the account (3K transaction) will be for the settlement approved on FSA-2732. Settlement of the debt will be approved on FSA-2732.

407 Approval and Rejection (Continued)**B Approval Processing and Notification**

The approval official will execute completed FSA-2731 or FSA-2732 and FSA-2737, whichever is applicable, and will process the forms according to each of the form's instructions. If a "Compromise", "Adjustment", or "Bankruptcies" is involved, FaSB must process FSA-2731 or FSA-2732. The State Office will process Chapter 7 bankruptcy cases when there is no remaining security.

The adjustment or reorganization bankruptcy amount is created by FaSB into a new loan number with a 1M transaction. FaSB will also flag the account SAA.

For adjustments:

- The effective date of the 1M will be the earlier of the date of approval as indicated on FSA-2732, or the payment date if a payment was submitted with the offer.
- If the borrower intends to pay the account in full, interest will accrue based on the Promisory Note interest rate from which the adjustment account was created.
- If the borrower intends to pay an adjustment offer which will not pay the account in full, interest will accrue at zero percent interest.
- Payments will be established based on the approved adjustment agreement and as stated on FSA-2732.

For reorganization bankruptcies interest will accrue and payments will be established as directed by the court order.

When debtors request settlement using FSA-2732, the approval official will notify them in writing of approval and the approximate amount that will be reported to IRS according to 26 U.S.C. 6050P; and 26 CFR 1.6050 P-1. However, adjustment offers will not be reported until after the final payment is applied. The following will also be done for all compromise and adjustment offers:

- the specific amount and terms of the offer will be stated
- the accounts settled will be identified by reference to the accounts shown on FSA-2732.

* * *

When using FSA-2732, the approval official will send FSA-2737.

Once the debt settlement is approved, the servicing official will ensure that the account is removed from internal administrative offset, TOP, and cross-servicing, as applicable.

407 Approval and Rejection (Continued)**C Requesting Additional Information**

If rejection appears to be necessary because of a lack of information, or because the amount offered is inadequate, SED may request that the employee in charge of the account obtain additional information or make an effort to obtain an acceptable offer, as appropriate under the circumstances. Rejection of an offer will be withheld in these cases until sufficient time has elapsed to allow the debtor to submit information or a new offer. All settlement offers will be handled according to the timeframes in paragraph 405.

D Rejection Processing and Notification

The authorized official in subparagraph A will insert the reasons for rejection on FSA-2737 and sign and date FSA-2732 and FSA-2737.

The servicing official will:

- retain the original FSA-2732 and a copy of FSA-2737
- return case files and copies of FSA-2732 and FSA-2737 to the employee in charge of the account
- request FaSB to return any adjustment or compromise payment held by NFAOC to the borrower, in care of the employee in charge of the account
- return any adjustment or compromise payment held by the State Office to the borrower, in care of the employee in charge of the account:
 - send FSA-2737 to the debtor
 - *--provide appeal rights according to 1-APP using FSA-2737.--*

E Unauthorized Approval

If unauthorized approval of a debt settlement is identified, the settlement application with supporting documentation should be forwarded to the correct approval official provided in subparagraph A for post approval. If the debt settlement cannot be post-approved, the correct approval official will provide additional guidance on servicing the account.

407 Approval and Rejection (Continued)

F Requesting Exception Authority for Debt Settlement

[7 CFR 1956.99] The Administrator may, in individual cases, make an exception to any requirement or provision of this subpart which is not inconsistent with the authorizing statute or other applicable law if the Administrator determines that application of the requirement or provision would adversely affect the Government's interest. The Administrator will exercise this authority only at the request of the State Director and on the recommendation of the appropriate program Assistant Administrator. Requests for exceptions must be made in writing by the State Director and supported with documentation to explain the adverse affect on the Government's interest, propose alternative courses of action, and show how the adverse affect will be eliminated or minimized if the exception is granted. Any settlement actions approved by the Administrator under this section will be documented on Form FmHA or its successor agency under Public Law 103-354 1956-1 and returned to the State Office for submission to the Finance Office.

SED must submit an exception request by e-mail to DAFLP at **SM.FSA.DCWa2.AdmException** or **adminexception@wdc.usda.gov**. The e-mail subject should read “Administrator’s Exception to (7-FLP, paragraph (include paragraph number)) – (Borrower’s Name and State)”. An attachment must fully describe the status of the account, including the following:

- a brief background on the case
- total outstanding FSA indebtedness, loan types, and amounts
- current status of the account

Note: If the account is delinquent, where is it in PLS?

- type of security (chattel or real estate) and value
- prior liens
- proposed plan of action that warrants the exception request
- what procedure is to be waived
- the adverse effect to FSA resulting from compliance with the regulation and how it would be eliminated or minimized through the exception
- how the action is in the best financial interest of the Government
- additional information SED thinks is needed to review the case.

* * *

408 Payments and Servicing - Approved FSA-2732**A Payments**

Debtors must submit compromise and lump sum payments within 45 days calendar of being notified that their debt settlement offer was approved.

Once the borrower complies and makes all payments as agreed under the approved adjustment offer, all remaining loan balances, if any, will be canceled with a 3K, CWC, 2 transaction.

B Failure to Pay

Failure to pay any compromise or adjustment amount approved by the Agency by the date(s) agreed will result in cancellation of the agreement with appeal rights under 1-APP.

C Delinquent Adjustment Agreements

[7 CFR 1956.96] A 90-day extension for making the payments may be given by the Agency when the circumstances of the case justify an extension. A decision not to extend the time for making payments is not appealable. If the debtor is delinquent under the terms of the adjustment agreement and is likely to be financially unable to meet the terms of the agreement, the Agency may cancel the existing agreement and process a different type of settlement more consistent with the debtor's repayment ability, provided the facts in the case justify such action. The cancellation of an adjustment agreement is appealable. If an agreement is cancelled, any payments received shall be retained as payments on the debt owed at the time of the adjustment agreement.

***--Note:** SED's may delegate to FLC, FLS, DD, FLM, and/or SFLO authority to cancel delinquent adjustment agreements.--*

D Promissory Notes

The notes will be returned to the debtor or to the debtor's legal representative when:

- cancellation is processed using FSA-2732
- all payments have been made as agreed in compromise and adjustment cases.

The original and copies of notes will be stamped "Satisfied by Approved Compromise," "Satisfied by Approved Cancellation," or "Satisfied by Completed Adjustment Offer." Security instrument(s) will be released of record according to State law.

When FSA-2731 is used, the notes will be placed in the debtor's case file. However, if the debtor requests the notes, they may be stamped "Satisfied By Approved Cancellation" and returned.

In case of a transfer of security with assumption for less than the debt, the promissory note will be attached to the assumption agreement covered by the note and kept in the transferee's file.

--408 Payments and Servicing - Approved FSA-2732 (Continued)*E Restrictive Notations**

Checks or check transmittal letter containing restrictive notations such as "Settlement in full" or "Payment in full," or in those exceptional instances when the debtor refuses to sign the FSA-2732 in connection with a compromise offer, will be forwarded to the State Office where they will be retained until approval or rejection of the offer. The use of restrictive notations will be discouraged to the fullest extent possible.

F NFAOC Handling

[7 CFR 1956.85(b)(1)] All payments evidenced by Form FmHA or its successor agency under Public Law 103-354 451-2, "Schedule of Remittances," bearing the legend "Compromise Offer—FmHA or its successor agency under Public Law 103-354" or "Adjustment Offer—FmHA or its successor agency under Public Law 103-354," will be held in the Deposits Fund Account by the Finance Office until notification is received from the State Office of the approval or rejection of the offer. In cases of approved offers, remittances will be applied in accordance with established policies, beginning with the oldest loan included in the settlement, except that when the request for settlement includes loans made from different revolving funds the Finance Office will prorate the amount received, on the basis of the total principal balance due the respective revolving funds. Upon notification of a rejection of a debtor's offer and receipt of a request from the State Director for a refund, the Finance Office will refund to the debtor, in care of the employee in charge of the account, the amount held in the Deposits Fund Account representing a rejected compromise or adjustment offer.--*

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

None.

Forms

This table lists the forms referenced in this handbook.

Number	Title	Display Reference	Reference
FSA-2004	Authorization to release Information		404
FSA-2005	Creditor List		404
FSA-2014	Verification of Income		404
FSA-2015	Verification of Debts and Income		404
FSA-2037	Farm Business Plan Worksheet Balance Sheet		Ex. 8
FSA-2038	Farm Business Plan Worksheet Projected/ Actual Income and Expense		Ex. 8
FSA-2065	Annual Statement of Loan Account		224
FSA-2080	Release From Personal Liability		403, 405, 407
FSA-2490	Deceased Borrower Report		402, 403, 404, 405
FSA-2701	Notice of Intent to Collect by Administrative Offset		22, 62, 107, 202, Ex. 8, 13
FSA-2702	Notice of Intent to Collect by Administrative Offset for Non-Borrower Entity		22, 62, 202
FSA-2703	Notice to Debtor That Administrative Offset Has Been Exercised and Intent to Collect by Administrative Offset		22, 62, 202
FSA-2704	Notice to Debtor That Administrative Offset Has Been Exercised and Intent to Collect by Administrative Offset for Non-Borrower Entity		22, 62, 202
FSA-2707	Alternative Repayment Agreement for Administrative Offset or TOP		Ex. 8
FSA-2710	Notification of Salary Offset		22, 134, Ex. 8
FSA-2711	Alternative Repayment Agreement for Federal Salary Offset		134, Ex. 8
FSA-2716	Notice Advising of Potential Referral to Treasury for Cross-Servicing and the Availability of Debt Settlement		22, 201, 202, 242
FSA-2717	Notice Advising of Potential Referral to Treasury for Cross-Servicing		22, 201, 202, 242

Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2720	Checklist for “Currently Not Collectible” Debt		202, 223, 353, 402
FSA-2721	List of Currently Not Collectible (CNC) Debts Eligible To Be Referred to Treasury for Cross-Servicing		104, 223, 226, 353
FSA-2722	Update to TOP and Cross-Servicing Information		104, 105, 106, 222, 223
FSA-2723	TOP Delete Only		104, 105
FSA-2727	Youth Loan (YL) Debt Forgiveness		401
FSA-2731	Cancellation of Debt Without Application	Ex. 39	Text
FSA-2731A	Cancellation of Debt Without Application (Continuation)	Ex. 39	402
FSA-2732	Debt Settlement Application (RD-1956-1) Application for Settlement of Indebtedness)		Text
FSA-2733	Review, Certification and Recommendation on Debt Settlement Application		405
FSA-2735	Household Income and Expense Worksheet		404, 405
FSA-2737	Notice Advising of Decision on Debt Settlement Applications		401, 405, 407
IRS Form 1098	Mortgage Interest Statement		224
IRS Form 1099-C	Cancellation of Debt		405

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ARA	alternative repayment agreement	23, 63, 107, 134, 241, 244, Ex. 8, 13, 29
AWG	administrative wage garnishment	Text, Ex. 2, 7, 8, 29
BAP	bankruptcy action pending	104, Ex. 18, 19
CAP	court action pending	106
CNC	currently not collectible	Text
CONACT	Consolidated Farm and Rural Development Act	1, 21, 401, 402, 403, Ex. 34
CSNG	Cross-Servicing Next Generation	224, 225, 226, 245, 248
DCIB	Debt Collection Improvement Branch, NFAOC	101, 104, 106, 222, 223, 224, 226, 247, 353, 403
DMS	debt management service	224, 226
ECM	Enterprise Content Management	104, 106, 222, 223, 226, 353

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
FAP	foreclosure action pending	106, Ex. 19, 20
FaSB	Farm Service Branch, NFAOC	104, 247, 402, 403
FCCS	Federal Claims Collection Standards	Text
FmHA	Farmer's Home Administration	Ex. 20
FSAFS	FSA Financial Services software	61, 81
NFAOC	National Financial and Accounting Operations Center	104, 132, 134, 223, 241, 242, 245, 403, 408, Ex. 17, 20
PCA	Private Collection Agency	221, 223, 224, 241-243, 245, 248, Ex. 2, 29
PLS	primary loan servicing	62, 63, 134, 244, 402, 403, Ex. 8
SAA	subject to approved adjustment Note: When reference is made to the financial "flag"/designation for an account where FSA has approved a borrower's debt settlement offer as documented on FSA-2732.	104, Ex. 18
SOL	statute of limitations	24, Ex. 34
TPJ	third party judgment	104, 223, 353
YL	youth loan	Ex. 2

Redelegations of Authority

Redelegation	Reference
SED's may delegate to FLC, FLS, DD, FLM, and/or SFLO the authority to:	
<ul style="list-style-type: none"> reject debt settlement requests in cases where debtors do not provide all necessary documentation/information. 	407
Note: Appeal rights must be provided with the rejection letter.	
<ul style="list-style-type: none"> cancel delinquent adjustment agreements. 	408

Alternative Repayment Agreements (ARA's)

A General

ARA does not prevent, suspend, or delay any 5-FLP delinquent loan servicing actions or responsibilities. All servicing actions, including but not limited to PLS, debt settlement, acceleration, and foreclosure, continue to be processed * * *.

Debtors may submit a written ARA as an alternative to FSA collecting delinquent debt through offset, cross-servicing, and wage garnishment, according to 7 CFR 3.11(b)(4) and 7 CFR 3.16. Additional ARA authorities and requirements that are applicable to specific collection actions are:

- internal administrative offset (Part 3) according to 7 CFR 3.42(b)
- TOP (Part 4) according to 7 CFR 1951.137(b)(4) and 7 CFR 3.42(b)

Note: 7 CFR Part 1951 will no longer apply after the draft regulation is published in final.

- Federal salary offset (Part 5) according to 7 CFR 1951.111(f)

Note: After the draft regulation is published in final, 7 CFR Part 1951 will no longer apply. The new authority will be 7 CFR 3.80 and there will be some changes in procedure at that time, such as providing another ARA opportunity to the debtor after an appeal hearing decision has been issued.

- cross-servicing (Part 8) according to 7 CFR 1951.137(b)(4), 7 CFR 3.31(c), and 31 CFR 285.12(c)(3)

Note: After the draft regulation is published in final, 7 CFR Part 1951 will no longer apply.

- AWG (Part 9) according to 7 CFR 3.53(d), 7 CFR 3.31(c), and 31 CFR 285.11(e)(2).

ARA:

- may only be used to prevent or suspend the collection actions listed in this Exhibit
- must be acceptable to FSA
- does not preclude FSA from pursuing other debt collection remedies as permitted and/or required by DCIA and FCCS
- *--does not amend, replace, or supersede any signed promissory notes, security agreements,--* judgments, or other debt instruments.

Alternative Repayment Agreements (ARA's) (Continued)

B Notification

Borrowers are notified of the opportunity to submit ARA or written repayment plan when they receive:

- ~~**~~--FSA-2701 for internal administrative offset and TOP; FSA-2701 provides the borrower with a 30-calendar day response period.
- 60-calendar day due process letter (Exhibit 7) sent before referral to Treasury, which includes notification concerning TOP and, if a balance remains after liquidation of security, cross-servicing and AWG; Exhibit 7 provides the borrower with a 60-calendar day response period
- FSA-2710 for Federal salary offset; FSA-2710 provides the borrower with a 30-calendar day response period--*
- notification from Treasury concerning cross-servicing and AWG.

Borrowers may submit their proposed ARA or written repayment plan along with FSA-2037 and ~~**~~--FSA-2038 to FSA for internal administrative offset, TOP, and Federal salary offset. Late applications will be rejected by the authorized agency official. Rejection of ARA requests are not appealable. See subparagraph C. After debts are referred to cross-servicing, borrowers--* must submit ARA request to Treasury or its collection agents for cross-servicing and AWG using any forms Treasury may require.

C Reviewing and Processing ARA Requests

The authorized agency official will:

- review ARA requests (FSA-2707, FSA-2711, or other written format) and all information/documentation necessary to make a decision concerning the borrower's proposal
- request any additional documentation needed to show that the debtor can make the proposed payments on time

Example: If a debtor proposes to sell nonsecurity property and submit the proceeds to FSA to resolve the delinquent FLP debt, FSA may require a copy of the sales contract and/or loan closing documents.

- provide SED with sufficient documentation to make a decision concerning acceptance or rejection of the ARA request
- notify the debtor in writing of FSA's decision within 45 calendar days. A copy of the ARA with SED decision will be returned to the borrower
- ensure that a copy of ARA and any correspondence are maintained in the borrower's case file.

Note: If ARA request is approved, the letter will instruct the borrower to comply with the repayment plan.

Timeframe for Quarterly Referrals to TOP

The following is a timeframe for quarterly referrals to TOP.

*--

Process	Date(s)
FY 2018 4th Quarter TOP Referral	
New selection <u>1/</u>	June 23, 2018
Critical pre-letter screening	June 26, 2018 to July 6, 2018
FO mails 60-day due process letters	July 10, 2018
Pre-certification screening	July 10, 2018 to September 14, 2018
Certification <u>2/</u>	September 15, 2018 <u>3/</u>
FY 2019 1st Quarter TOP Referral	
New selection <u>1/</u>	September 15, 2018 <u>3/</u>
Critical pre-letter screening	September 18, 2018 to October 5, 2018
FO mails 60-day due process letters	October 9, 2018
Pre-certification screening	October 9, 2018 to December 14, 2018
Certification <u>2/</u>	December 15, 2018 <u>4/</u>
FY 2019 2nd Quarter TOP Referral	
New selection <u>1/</u>	December 15, 2018 <u>4/</u>
Critical pre-letter screening	December 18, 2018 to January 4, 2019
FO mails 60-day due process letters	January 8, 2019
Pre-certification screening	January 8, 2019 to March 15, 2019
Certification <u>2/</u>	March 16, 2019 <u>4/</u>
FY 2019 3rd Quarter TOP Referral	
New selection <u>1/</u>	March 23, 2019
Critical pre-letter screening	March 26, 2019 to April 5, 2019
FO mails 60-day due process letters	April 9, 2019
Pre-certification screening	April 9, 2019 to June 14, 2019
Certification <u>2/</u>	June 15, 2019
FY 2019 4th Quarter TOP Referral	
New selection <u>1/</u>	June 22, 2019
Critical pre-letter screening	June 25, 2019 to July 5, 2019
FO mails 60-day due process letters	July 9, 2019
Pre-certification screening	July 9, 2019 to September 20, 2019
Certification <u>2/</u>	September 21, 2019

1/ This includes all debts that appear eligible on ADPS, even if deleted in prior quarterly process.

2/ Loans with no delete code are moved from the “Borrower Eligible (“N”) screens to the “Certified (Y)” screens.

3/ The FY 2018 4th Quarter Certification is run on the same day as the FY 2019 1st Quarter Selection.

4/ The FY 2019 1st Quarter Certification is run on the same day as the FY 2019 2nd Quarter Selection.--*

TOP Offset Manual Online Screen Delete Codes

The following are descriptions of programmatic delete codes and the manual delete codes available for State Office use, and codes to use for FSA-2722 items 14 A, 16 A, and 16 B.

Code	Description
01	Foreclosure. Not eligible for offset under state law. Existence of a “FAP” flag is not a determining factor. These are accounts referred to OGC or DOJ for foreclosure and collection by offset would jeopardize the litigation under state law.
02	<p>Bankruptcy. Loan is either:</p> <ul style="list-style-type: none"> discharged in bankruptcy and debtor no longer liable under the jurisdiction of a bankruptcy court and the debt has not been reaffirmed. <p>Note: Existence of “BAP” flag is used during programmatic screening, and will prevent an account from being selected for TOP referral.</p>
03	OGC. Loan is referred to OGC for legal action (but is not code “01” or “02”) and offset is prohibited.
04	Judgement. Judgement that is not eligible for FSA to refer to TOP and is not code “05” or “09”. Provide details in FSA-2722, item 16 B.
05	Judgement-DOJ. Judgement is being serviced by DOJ.
06	Forbearance-disaster declaration.
07	Active military. Service members Civil Relief Act and/or Ronald W. Reagan National *--Defense Authorization Act. See 4-FLP, Part 11 for additional information.--*
09	Judgement-Expired. Past the 20-year statute of limitations and judgement was not renewed. See paragraph 353 for additional information.
10	Correction pending. Loan is being corrected.
11	Moratorium 2008 Farm Bill.
13	Deceased. Borrower is deceased and debt will be moved to a living co-debtor.
16	Repayment plan. A plan has been approved by FSA that will bring the account current.
17	<p>Timing and/or Suspend. Either:</p> <ul style="list-style-type: none"> timing of cash applications on ADPS will not generate a delete code in time to prevent referral to TOP, and the debtor is eligible for deletion because the payment will cure the delinquency loan is paid in full, but there is a suspended code on the account (“ZSPC” on the ADPS AI Screen is greater than zero.)
38	Deceased Debt Settlement Pending. Borrower is deceased and the debt is in the process of being settled because there are no other liable parties to the debt, there is no security, and no collection is possible from the estate.
N/A	For unique circumstances listed in FSA-2722, item 16 A.

AWG Reference Guide for LSPMD (Continued)

4 Garnishment (Continued)

D Multiple Garnishment Orders

The total of all garnishment orders shall not exceed 25 percent of the employee's disposable earnings.

Both FLP and Farm Programs can obtain garnishment orders. The garnishment order with the earliest date has priority. The priority, or first, garnishment order will most likely receive a greater portion of the garnished wages.

Example: Garnishment Order A has priority over Garnishment Order B. Garnishment Order A is for the full maximum of 15 percent for a single garnishment order. Garnishment Order B must **not** exceed 10 percent ($25\% - 15\% = 10\%$).

E Borrower Consent to Garnish Larger Amount

Withholding a larger amount will be negotiated and documented by the debtor's written consent, which will be provided to FLP, Treasury or PCA, and/or the debtor's employer.

5 Processing Garnishment Amounts and Collections

A Employer Processing

The employer submits withheld amounts to Treasury. Treasury sends the funds to FSA in automated reports. Throughout the life of the garnishment, PCA will monitor the garnishments to ensure that the employer complies with the order.

B Right of Action

If the employer fails to comply with the order, PCA notifies Treasury and Treasury may take legal action against the employer to collect the debt.

C FLP Processing

AWG collections will be included with all other collections received from Treasury through cross-servicing and/or TOP.

AWG Reference Guide for LSPMD (Continued)

5 Processing Garnishment Amounts and Collections (Continued)

D Borrowers With More Than One FSA loan

If the debtor has more than one FSA loan, 1 loan will go through the AWG process and the others will continue through the normal referral process and be sent to PCA's for servicing. Once the loan being collected through AWG is paid in full, the other loans will be returned to FSA because there are no collections.

--Treasury's cross-servicing system was designed to prevent duplication of a debt by-- blocking the use of the Agency debt ID more than once under FSA's bureau code. To resubmit the debt to Treasury for AWG collection, alter the Agency debt ID by adding an alpha character to the end of the original Agency debt ID.

Example: Agency debt ID is 123-45-6789. Resubmit the account as 123-45-6789A. If there are additional loans, continue adding alpha characters in order; such as A, B, C, etc.

During the AWG hearing process, the hearing official deals with the debtor's total FSA debt. There is no need to repeat the hearing process for each individual FSA loan.

6 Changes to Garnishment Amount

A Following Involuntary Separation

Borrowers must communicate directly with Treasury and/or PCA's about their financial circumstances while accounts are referred to AWG and/or cross-servicing.

B Financial Hardship

Treasury will make any hardship determination on DAFLP's behalf and notify the borrower's employer of any adjustments to the garnishment amount. In cases where the garnishment amount has been adjusted because of hardship, Treasury will periodically request updated financial information from the FLP borrower to determine whether the hardship still exists and/or if the garnishment amount must be adjusted again.

7 Ending Garnishment and Refunds

A Ending Garnishment

In cases where the debt is paid in full, Treasury will notify the employer to discontinue garnishment for FLP.

If the debtor has more than one FSA loan, FSA must resubmit each additional loan to Treasury according to subparagraph 247 B.

Approving Debt Settlements Under FCCS

1 Previous Debt Forgiveness and Nonprogram Loans

Based on the Federal Agriculture Improvement and Reform Act of 1996, borrowers are only entitled to 1 debt forgiveness under the CONACT direct loan program. There are no exceptions.

However, even though previous debt forgiveness has been received, debt settlements can be *--processed outside CONACT authorities. **This approval is based on FCCS at 31 CFR 902.1(a) for authority in paragraph 2, and 31 CFR 902.1 (b) for authority in paragraph 3, and not CONACT.**

Nonprogram loans and claims against third party converters may only be settled under FCCS standards.

2 SED Approval Authority

SED's are authorized to approve:

- settlement of debt when the claim, exclusive of interest, penalties, and administrative costs is less than \$100,000

Note: Follow Part 12 for guidance in accepting and processing debt settlement requests. A copy of this exhibit will be attached to FSA-2732. For debt settlements that do not require the borrowers signature, use FSA-2731.

- cancellation of debts discharged under Chapter 7, 11, 12, or 13 of the bankruptcy code, regardless of the amount of the debt

Note: The cancellation will be processed according to FSA-2731, if there are no remaining liable debtors.

- settlements **negotiated and approved** by DOJ

Note: Attach a copy of the DOJ approval to FSA-2731 or FSA-2732, as applicable.

- settlement of debt regardless of amount, when the local OGC determines that the debt is legally without merit.

Note: A copy of the OGC opinion and this exhibit will be attached to FSA-2731 or FSA-2732, as applicable.

- settlement of debts that are not eligible for referral to DOJ, according to 31 CFR 904.4, because they are less than the referral amount.--*

Approving Debt Settlements Under FCCS (Continued)

3 Referral to DOJ

If SED recommends settlement, but cannot approve the settlement according to paragraph 2, then SED must forward it to the Regional OGC with the following:

- information collected under Part 12
- completed Claims Collection Litigation Report, as required by 31 CFR 902.1, and 31 CFR 904.2.

If the Regional OGC concurs, any other information needed shall be included and forwarded to DOJ Civil Division or DOJ's Nationwide Central Intake Facility (NCIF), according to 31 CFR 904.1.

Settlements referred to DOJ that are rejected by DOJ will be denied by SED for the reasons stated by DOJ.

Borrowers will not be provided appeal rights for settlements rejected under this authority. However, rights to a NAD review of FSA's "appealability" decision will be provided.

Note: For cases that are a combination of judgment and nonjudgment debt, and the judgment is retained by DOJ, coordinate debt settlement of the judgment debt and nonjudgment debt with DOJ as the approval official.

Settlements which **cannot** be recommended or forwarded to DOJ, will be rejected by SED. Appeal rights will be provided according to 1-APP.

For the applicable addresses for NCIF and the DOJ Civil Division, see the "Agency Briefing Guide" link <https://www.justice.gov/jmd/debt-collection-management-staff>