

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

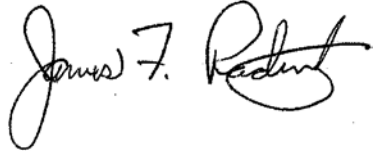
**Notice FLP-731**

3-FLP, 4-FLP, 5-FLP,  
7-FLP

**For:** State and County Offices

**Implementing Pre-Authorized Debit (PAD)**

**Approved by:** Deputy Administrator, Farm Loan Programs



**1 Overview**

**A Background**

PAD payments are customer authorized transactions that allow the National Financial and Accounting Operations Center (NFAOC) to electronically collect loan payments from a customer’s account at a financial institution (FI). The Cash Management Collections Branch (CMCB) is responsible for setting-up, changing, correcting and canceling PAD agreements. PAD is being implemented for our FLP customers as an alternative method for making weekly, bi-weekly, monthly, quarterly, semi-annual or annual payments on their loans. There is no additional cost to customers for using PAD.

**B Purpose**

This notice provides guidance on the initial implementation and management of PAD.

**C Contact**

If there are any questions about this notice, contact Tamara L. Wilson, LSPMD at 202-690-4012.

<b>Disposal Date</b>	<b>Distribution</b>
October 1, 2016	State Offices; State Offices relay to County Offices

## Notice FLP-731

### 2 Implementation Schedule

#### A Incremental Implementation

PAD will be implemented incrementally by States over the remainder of FY 2016 so that NFAOC, CMCB will not be overwhelmed.

#### B Schedule

States will implement PAD according to the this table.

Month	States	Month	States	Month	States
January	AK, AL, AR, AZ, CA	April	KY, LA, ME, MI, MO	July	OH, OK, OR, PA, PR
February	CO, CT, MA, RI, DE, MD, FL, VI, GA	May	MS, MT, NC, ND, NE	August	SC, SD, TN, TX, UT
March	HI, AS, GU, IA, ID, IL, KS	June	NH, VT, NJ, NM, NV, NY	September	VA, WA, WI, WV, WY

**Note:** IN and MN were the pilot States and are already using PAD.

### 3 Requesting PAD

#### A Form RD 3550-28, Authorization Agreement for Preauthorized Payments

Customers initiate PAD using form RD 3550-28. Form RD 3550-28 must be completed by the customer and the FI. Customers who have a “filter” on their FI account will need to provide the FI with the following information:

- origination ID: 1220040804
- agency name: USDA RD DCFO.

**A separate form RD 3550-28 must be completed for each loan to which payments are to be applied.** The form has no expiration date, but may be cancelled according to subparagraph 5 E. Customers can access a fillable form on the Rural Development website at <http://www.rurdev.usda.gov/regs/>, select “Form 3550-28”.

Customer use of PAD is strictly **voluntary**. PAD should not replace assignments. PAD may be particularly useful when nonfarm income from regular wages or salary is used to make payments on loans or adjustment offers, or for payments from seasonal produce stands.

## Notice FLP-731

### 3 Requesting PAD (Continued)

#### B Borrower Notification

During the month immediately preceding the State's scheduled implementation of PAD, the County Office will send or hand deliver a letter similar to Exhibit 1 and form RD 3550-28 to the **primary borrower** on all existing unflagged direct loan accounts. A copy of the notification will be retained in each account case file.

#### C Applicant Notification

Beginning the month immediately preceding the State's scheduled implementation of PAD and continuing through the remainder of the fiscal year, the County Office will issue a letter similar to Exhibit 1 and form RD 3550-28 to applicants with approved direct loans, who are not already borrowers, when FSA-2313 is sent or hand delivered. After a transfer and assumption, new borrowers will be notified of the availability of PAD using Exhibit 1 and form RD 3550-28. A copy of the notification will be retained in the borrower's case file.

**Note:** Indiana and Minnesota pilot tested PAD. County Offices in these States will comply with this requirement beginning on the date of this notice.

### 4 Initiating PAD

#### A County Office Actions

When a customer returns form RD 3550-28 the County Office will:

- review each form RD 3550-28 for accuracy and completeness

**Note:** PAD may only be established for future payments. An accuracy check should be completed to ensure that the customer's PAD payment goal will be met. A payment submission which will not make the annual installment requires advance notice to the authorizing borrower. The County Office will document the notice in the case file (or FBP if appropriate).

- fax a copy of each accurate and complete form RD 3550-28 to CMCB at 314-457-4370; if using fax2mail, type "//FINE" at the end of the subject line
- retain each original form RD 3550-28 in the borrower's case file (position 2).

See the note in subparagraph B.

## Notice FLP-731

### 4 Initiating PAD (Continued)

#### B NFAOC Actions

Upon receipt of form RD 3550-28, CMCB will update the PAD agreement in the PAD stand-alone system. The County Office shall allow up to 20 business days for CMCB to establish a borrower in the PAD system.

PAD confirmation letters are created by CMCB when a new account is established or when a change is made to an existing account. The letters are sent to the field office and borrower.

**Note:** The local service center will also complete a thorough review of all PAD confirmation letters immediately after they are received from NFAOC. If an error is identified, CMCB should be contacted by fax according to subparagraph A.

### 5 Managing PAD

#### A Generating PAD Transactions Through CMCB's Stand-alone System

Each day an electronic file is generated, balanced and approved for that day's scheduled PAD payments to be withdrawn from borrowers' FI accounts and updated to PLAS (ADPS). NFAOC, Farm Services Branch applies any payments that do not automatically update to PLAS.

The PAD transaction will be reflected on the statement the borrower receives from their FI. The statement is the borrower's payment receipt.

#### B Handling Rejected Transactions

When the FI cannot post the PAD transaction to the designated borrower's account, the FI is instructed by CMCB to reject the transaction.

When a PAD transaction is rejected, CMCB contacts the County Office to verify the reason for the rejection (such as insufficient funds, account closed, payment stopped), and to determine how the rejected payment will be collected. CMCB cannot proceed until the rejection is resolved; a timely reply from the County Office will expedite the process.

If the reason for the rejection is no fault of the borrower, the original credit date will be given when the resolution takes place.

If a correction needs to be made to an existing PAD agreement, it should be clearly marked as a correction at the top of form RD 3550-28 and faxed to CMCB at 314-457-4370; if using fax2mail, TYPE "//FINE" at the end of the subject line. The correction should be sent to CMCB at least 5 business days before the correction request date.

If a borrower has 3 rejections within a 3 month period, the PAD agreement will be terminated. See subparagraph E.

## Notice FLP-731

### 5 Managing PAD (Continued)

#### C Restructures and Assumptions

When a loan on PAD is being considered for restructuring or assumption, the County Office must fax a detailed memo to CMCB at 314-457-4370 (if using fax2mail, type “//FINE” at the end of the subject line) to terminate the original form RD 3550-28. To avoid additional payment withdrawals this should be done at least 5 business days before the termination request date.

A new form RD 3550-28 will need to be faxed to CMCB at 314-457-4370 (if using fax2mail, type “//FINE” at the end of the subject line) for each new loan created by a restructuring or assumption.

The County Office will notify the borrower that PAD is being cancelled to process the restructuring or assumption. A record of the notification will be kept in the case file (or FBP if appropriate). This is not an adverse decision.

After a restructure of a loan formerly on PAD, the County Office will notify the borrower of the continued availability of PAD and provide the borrower with form RD 3550-28. A record of the notification will be kept in the case file (or FBP if appropriate).

#### D Final Payments

At this time, to ensure proper account coding, final payments should not be submitted through PAD, but by the County Office through the National Receipt and Receivable System. The County Office should take future PAD withdrawals into account when calculating final payments to reduce the number of refunds.

At least 5 business days before loan pay off, the County Office should notify CMCB to terminate PAD by FAX at 314-457-4370; if using fax2mail, type “//FINE” at the end of the subject line. The County Office will notify the borrower that PAD has been terminated to reduce the risk of overpayment and to ensure proper accounting of the final payment. A copy of the notification will be kept in the case file (or FBP if appropriate). This is not an adverse decision.

#### E Cancelling PAD

A borrower may voluntarily cancel PAD by submitting a written request to the County Office. Within 5 business days of receipt of the borrower’s request to cancel PAD, the County Office should notify CMCB to terminate PAD by detailed letter sent by FAX to 314-457-4370; if using fax2mail, type “//FINE” at the end of the subject line. A copy of the borrower’s request and the County Office’s letter will be kept in the case file.

If a borrower has 3 rejections within a 3 month period, the PAD agreement will be terminated by FSA. CMCB will notify the County Office that the PAD agreement has been terminated because of rejections. This is not an adverse decision.

**Sample Letter for Preauthorized Debit (print on official letterhead)**

(Date)

(Account Name)

(Address)

(Address)

Dear (Account Name),

We are writing to inform you that your Farm Service Agency (FSA), Farm Loan Program payments may now be made through preauthorized debit.

You may use preauthorized debit to have your payments withdrawn electronically from your financial institution and applied toward your annual loan payment. Payments may be withdrawn weekly, bi-weekly, monthly, quarterly, semi-annually or annually. You may initiate preauthorized debit by working with your financial institution to complete Rural Development form RD 3550-28, "Authorization Agreement for Preauthorized Payments" (attached). Rural Development form RD 3550-28 will need to be completed and submitted to your local service center for each loan to which payments are to be applied. If you have a "filter" on the account at your financial institution, you will need to provide the financial institution with the following information: Origination ID: 1220040804, Agency Name: USDA RD DCFO. Preauthorized debit is offered to you by FSA at no cost; you will need to discuss any potential costs with your financial institution. Preauthorized debt has no expiration date, but you may cancel it at any time by submitting a written request to your local service center. If a preauthorized debit agreement receives three payment rejections within a three month period, the preauthorized debt agreement will be cancelled by FSA. The payment amount and due date of your loan is not affected by a cancellation of preauthorized debit. You are responsible to ensure your full payment is made by the due date.

If you have questions on preauthorized debit, please contact (name and title) at (phone number).

Sincerely,

(Name)

(Title)

Attachment: Rural Development form RD 3550-28