

For: State and County Offices**Clarifying Terms and Policy for MAL's Processed in the
Commodity Loan Processing System (CLPS)****Approved by:** Deputy Administrator, Farm Programs**1 Overview****A Background**

System 36-based APSS has been used by County Offices to process price support commodity loans since the mid 1980's. In an effort to streamline program delivery, the new web-based CLPS was released for crop year 2015 MAL's on July 1, 2015. CLPS will be implemented in phases by commodity.

PS notices and the forthcoming 16-PS will be issued to provide guidance on the CLPS process and when CLPS will be available for various MAL commodities.

One major change in CLPS is the funding type. It is important to understand that funding type will be selected at the time the MAL application is initially entered into CLPS. MAL funding is from CCC's borrowing authority and includes both of the following:

- non-apportioned funding for nonrecourse loans
- apportioned funding for recourse loans.

It is **imperative** that the correct funding type is selected as future repayment, forfeiture, or settlement options allowed for MAL are dependent on the funding type. Both nonrecourse and recourse loans are defined in this notice.

Note: CLPS defaults to "Non-Recourse" at the beginning of the loan making process. County Offices **must** change the loan type to "Recourse" **only** when MAL is a recourse loan as identified in 8-LP, Part 12.

Disposal Date

June 1, 2016

7-30-15

Distribution

State Offices; State Offices relay to County Offices

1 Overview (Continued)

B Purpose

This notice clarifies the following for State and County Offices:

- definitions of various MAL terms as they relate to the CLPS process, including:
 - nonrecourse loans
 - recourse loans
 - MAL storage location type
 - measurable
 - nonmeasurable
 - date documents received
- the following policy issues related to MAL:
 - application
 - disbursement
- MAL types, conditions, and rate and quantity reductions.

2 MAL Terms Related to CLPS

A Nonrecourse Loans

Nonrecourse loans:

- mean MAL for which the commodity offered as collateral for the loan meets the quality and eligibility requirements, according to the applicable MAL policy handbook
- may be delivered to CCC, at loan maturity, in satisfaction of the loan indebtedness
- may be repaid at a rate less than principal plus interest, or at the CCC-determined value, if applicable
- are funded through CCC's borrowing authority
- account for **99.99 percent** of all MAL's disbursed each crop year.

Note: CLPS defaults to "Non-Recourse" at the beginning of the loan making process. County Offices **must** change the loan type to "Recourse" **only** when MAL is a recourse loan as identified in 8-LP, Part 12.

2 MAL Terms Related to CLPS (Continued)

B Recourse Loans

Recourse loans mean MAL for which the commodity offered as collateral does **not** meet the quality eligibility requirements, according to the applicable MAL policy handbook, and:

- may **not** be delivered or forfeited to CCC in satisfaction of the loan indebtedness
- **must** be repaid in full on or before the loan maturity date at principal plus interest only.

Note: Repayments at a rate less than principal plus interest, or at the CCC-determined value, are **not** allowed for recourse loans.

The following are considered recourse loans:

- low quality commodities or any commodity otherwise eligible for nonrecourse loan, but does not meet the quality eligibility requirements according to the applicable MAL policy handbook
- distress loans on any commodity that is not stored in eligible storage
- HM corn or grain sorghum
- acquired grain for HM corn or grain sorghum
- cracked, rolled, or crimped corn.

Recourse loans account for **.01 percent** of all commodity loans disbursed each crop year.

See additional information on recourse loans in 8-LP, Part 12.

Note: CLPS defaults to “Non-Recourse” at the beginning of the loan making process. County Offices **must** change the loan type to “Recourse” **only** when MAL is a recourse loan as identified in 8-LP, Part 12.

2 MAL Terms Related to CLPS (Continued)

C MAL Storage Location Type

MAL storage location type means either of the following:

- farm-stored (FS) that includes **both** of the following:
 - producer-certified measurements
 - producer-requested and paid-for measurement service by CCC
- warehouse-stored (WS) that includes **both** paper warehouse receipts and EWR's.

Note: EWR providers **must** be approved by DACO according to 8-LP, subparagraph 540 H.

D Measurable

Measurable:

- means that the structure **can** be measured **if** the producer requests and pays for CCC measurement service
- does **not** indicate that the producer requested and paid CCC to measure the commodity for MAL.

Notes: A producer-requested and paid-for CCC measurement service is always considered as measurable.

Producer-certified measurements may be considered a measurable structure.

See 8-LP, Part 12, Sections 2 and 3.

E Nonmeasurable

Nonmeasurable:

- means that the structure **cannot** be measured
- means that the structure is sealed or closed to prevent the infiltration of oxygen

Note: CCC will **not** provide measurement service to these oxygen-limiting structures.

- does **not** indicate that the producer certified the measurements
- has **nothing** to do with whether measurement service was requested by the producer.

Note: See 8-LP, Part 12, Sections 2 and 3.

2 MAL Terms Related to CLPS (Continued)

F Date Documents Received

Date documents received means the date **all** required loan documents are received by the County Office, including but not limited to, the following:

- CCC-666 signed by the producer
- FSA-211, if applicable
- CCC-10
- lien search, if applicable according to 8-LP, subparagraph 504 B
- applicable CCC-677 or CCC-678 with **all** required producer signatures
- all required CCC-679's from lienholders
- **all** documents necessary to determine producer eligibility.

3 MAL Application and Disbursement Policy

A MAL Application

The following forms must be completed to request MAL:

- CCC-666 for **all** MAL requests

Note: CCC-666 must be completed for WS MAL requests for all commodities, except peanuts and cotton. The applicable State Office may require CCC-666 be completed for peanut loan requests in the State.

- CCC-409 and CCC-677-1, in addition to CCC-666 when the producer requests measurement service for their FS loan.

Note: See 8-LP, subparagraphs 524 A through C for entries required on CCC-666 for each loan request type.

B MAL Disbursement

Only one CCC-677 or CCC-678 needs to be signed by all applicable producers. When the second system-generated CCC-677 or CCC-678 prints out at loan disbursement, CLPS will print the producer's name and signature date on CCC-677 or CCC-678. The approver will have to sign and date **both** CCC-677's or CCC-678's. The County Office shall staple both CCC-677's or CCC-678's together.

Keep **both** original CCC-677's or CCC-678's in the County Office custody file, and give the producer copies of both, stapled together. See 8-LP, subparagraphs 509 D and E.

Note: CCC-677 or CCC-678 generated at loan disbursement will include the interest rate, maturity date, and disbursement date.

4 MAL Types, Conditions, and Rate and Quantity Reductions

A MAL Summary Table

The MAL Summary Table (Exhibit 1):

- provides a 1-page summary that may be helpful to County Offices when first using CLPS
 - includes the following for MAL's:
 - the following funding types:
 - nonrecourse (non-apportioned)
 - recourse (apportioned)
 - conditions
 - FS and WS loan types
 - the following structures:
 - measurable
 - nonmeasurable
 - loan rates (LR's)
- Note:** CLPS will reduce, if applicable, for the type, condition, and structure.
- loan quantities.

Note: User **must** manually reduce quantity, if applicable, according to 8-LP, Exhibit 12.

5 Action

A State Office Action

State Offices shall **ensure** that County Offices understand and follow the policy associated with the definitions and policy for MAL's processed in CLPS.

B County Office Action

County Offices shall:

- review the definitions in this notice applicable to MAL's in CLPS
- follow MAL policy for applications and disbursements.

C Contact

For **policy** questions about this notice, State Offices shall contact DeAnn Allen, PSD, by either of the following:

- e-mail to **deann.allen@wdc.usda.gov**
- telephone at 202-720-9889.

For **automation** questions about this notice and CLPS, State Offices shall contact either of the following:

- Shayla Watson, PECD, by either of the following:
 - e-mail to **shayla.watson@wdc.usda.gov**
 - telephone at 202-690-0013
- Cecile Wynne, PECD, by either of the following:
 - e-mail to **cecile.wynne@wdc.usda.gov**
 - telephone at 202-720-8413.

MAL Summary Table for MAL Types, Conditions, Rates, and Quantity Reductions

Loan Type	Conditions <u>1/</u>	Loan Type	Structure <u>2/</u>	LR (CLPS Will Reduce)	Loan Quantity
Nonrecourse	None	WS FS			Farm (certified or measured) or warehouse receipt amount.
Nonrecourse	Low Quality	WS FS		20% of applicable LR (\$1 LR x 20% = \$.20)	Farm (certified or measured) or warehouse receipt amount.
Nonrecourse	Contaminated	FS		10% of applicable LR (\$1 LR x 10% = \$.10)	Certified or measured amount.
Nonrecourse	Harvested as Other Than Grain	FS		30% of applicable LR (\$1 LR x 30% = \$.30)	Certified or measured amount.
Recourse	Low Quality	FS	Measurable	100% of applicable LR	User must manually reduce for moisture according to 8-LP, Exhibit 12.
		FS	Nonmeasurable	75% of applicable LR (\$1 LR x 75% = \$.75)	
Recourse	High Moisture (Corn and Grain Sorghum Only)	FS	Measurable	100% of applicable LR	User must manually reduce for moisture according to 8-LP, Exhibit 12.
		FS	Nonmeasurable	75% of applicable LR (\$1 LR x 75% = \$.75)	
Recourse	High Moisture Commodities Exceeding Maximum STC-Established Levels	FS	Measurable	100% of applicable LR	User must manually reduce for moisture according to 8-LP, Exhibit 12.
		FS	Nonmeasurable	75% of applicable LR (\$1 LR x 75% = \$.75)	
Recourse	Cracked, Rolled, and Crimped Corn (Shelled or Ear Corn)	FS	Measurable	70% of applicable LR (\$1 LR x 70% = \$.70)	User must manually reduce for moisture according to 8-LP, Exhibit 12.
		FS	Nonmeasurable	52.5% of applicable LR (\$1 LR x 52.5% = \$.53)	
Recourse	Distress <u>3/</u>	FS		100% of applicable LR	User enters manually adjusted quantity that is 75 percent of eligible quantity.

1/ Only 1 condition allowed per loan.

2/ Measurable and nonmeasurable recourse loan quantities **must** be separate loans.

3/ In the first CLPS release, "Distress" loans will be processed and disbursed in APSS.