UNITED STATES DEPARTMENT OF AGRICULTURE
Farm Service Agency
Washington, DC 20250

Notice FLP-55

1956-B, 1951-J

For: State and County Offices

Charge Off of FLP Debts

Approved by: Deputy Administrator, Farm Loan Programs

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1 Overview

A Background

Notice FC-190, paragraph 7 was issued May 29, 1998, to provide guidance on charge off of FLP debts. Charge off has been used as the flag for identifying accounts for referral to the U.S. Department of Treasury for cross-servicing.

Guidance will be issued in the near future on how to code these cases.

B Purpose

This notice provides guidance on charging off FLP debt. No significant revisions have been made from Notice FC-190, paragraph 7, which has expired.

C Contact

If there are any questions:

- County Offices shall contact the State Office
- State Office shall contact Bruce Mair, LSPMD.

Disposal Date	Distribution
October 1, 1999	State Offices; State Offices relay to County Offices

2 Charge Off and Cancellation

A When to Charge Off Accounts

Charge off is an accounting tool that FSA uses to record a loss on accounting records after all efforts to collect or debt settle the account are exhausted. The borrower remains liable for the debt even after the debt is charged off, or until the debt is no longer legally collectable as determined by OGC. Generally, for statute of limitation purposes, there is a 6-year period from the date of acceleration from the payment due date or from the date of the last voluntary payment for the U.S. Attorney to request a judgment, and a 10-year period from the same date for FSA to collect by administrative offset. Charged off accounts will be referred to Treasury for cross-servicing.

Note: Promissory notes will be retained on all charged off accounts until the debt is canceled.

B When to Cancel Accounts

Generally, if the statute of limitations has expired, after receiving written concurrence from OGC that the claim is legally without merit or that the necessary proof of claim cannot be produced, the debt should be canceled without verification. See Instruction 1956-B, section 1956.70 for further details on cancellation of nonjudgment debts.

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2 Charge Off and Cancellation (Continued)

C
Monitoring Charged Off Accounts

County Offices shall monitor charged off accounts annually until the expiration of the statute of limitations, which is 10 years from the date the Government's right to collect the debt for set off first accrued.

- This review shall be made during the same time as the review of judgment accounts and other delinquent and problem case accounts are reviewed, according to Instruction 1962-A, section 1962.49(e)(3)(iii).

- The nonjudgment charged off accounts should be considered for cancellation during each review.

The servicing official shall notify the State Office if assets or income from which collection can be made are discovered. Use the Management Record System to monitor all judgment and nonjudgment charged off accounts. A Finance Office report is not available.

D
Cancellation of Charged Off Accounts

If cancellation of the charged off account is appropriate, the servicing official will seek the debtor's application if required under Instruction 1956-B, section 1956.70, and submit the debt settlement to the approval official for processing. After approval, the State Office shall do either of the following:

- route the 3K transaction to the Finance Office

- send the Finance Office the debt settlement to process with a problem case report.

E
Settlement of Debt When Borrower Has Received Previous Debt Forgiveness

Settlement of debt of borrowers who have received previous debt forgiveness may only be completed under the authorities in Instruction 1956-B, Exhibit B.

Note: According to Instruction 1956-B, section 1956.84 (a)(1)(iv), changing a charge off to a cancellation of the same debt does not constitute additional debt forgiveness.