

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

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**Direct Loan Servicing – Special  
and Inventory Property Management  
5-FLP**

**Amendment 10**

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

*Chris P. Beyershelm*

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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 68:

- B has been amended to clarify offset notification for internal administrative offset
- C has been added to provide guidance for TOP referral.

Subparagraph 82 A has been amended to clarify that loan accounts do not need to be delinquent and borrowers not need to apply for primary loan servicing before applying for debt settlement.

Subparagraphs 126 A, 432 B, and 433 A have been amended to add reference to Exhibits 15 and 16.

Paragraph 434 has been added to provide guidance on debt settlement of judgment debts.

The following subparagraphs have been amended to provide reference to Exhibit 16:

- 442 A
- 463 C
- 465 C
- 568 E
- 582 D
- 604 E.

Exhibit 15 has been added to provide guidance concerning the quarterly screening process for TOP.

Exhibit 16 has been added to provide guidance on collecting debt through cross-servicing and debt settling uncollectible debt.

**Amendment Transmittal (Continued)**

<b>Page Control Chart</b>		
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## 68 Other Loan Servicing Notification Requirements

### A Notifying All Parties on a Note of Loan Servicing

For Primary Loan Servicing purposes, all parties who signed the promissory note are considered borrowers and are liable for all the debt.

When a borrower subject to loan servicing notification is:

- an entity comprised of 2 or more individuals, the authorized agency official will provide a loan servicing notification package to the entity and each party who signed the promissory note or pledged security for the loan
- a married couple at the same address, the authorized agency official will provide them 1 loan servicing notification package that is addressed to both parties
- a married or divorced couple at different addresses, the authorized agency official will provide a loan servicing notification package to each person at their own address.

**Note:** A divorced spouse who has left an operation may seek a release of liability. See paragraph 84 for more information on releasing divorced spouses from liability.

All required subsequent notifications are sent in the same manner.

Third parties who pledged property as security or borrowers with YL's will receive Exhibit 13 or Exhibit 14, as appropriate, with the notification to explain why they are being notified and their servicing options.

**Note:** Exhibits 13 and 14 are both available electronically on the FFAS Employee Forms/Publications Online Website located at <http://165.221.16.90/dam/ffasforms/forms.html>. Select Find Current Forms Using Our Form Number Search and enter "5-FLP Exhibit 13 or 5-FLP Exhibit 14" in the "Form Number" search field. CLICK "Submit".

### \*--B Internal Administrative Offset Notification

According to RD Instruction 1951-C, Sections 1951.103, and 1951.104, the authorized agency official will send an offset notification to a borrower who is 90 calendar days past due if the account is eligible for offset. The offset notice will be sent Certified Mail, return receipt requested, in a separate envelope from the loan servicing notification package.

### C TOP Referral

Delinquent loans will be referred to TOP according to Exhibit 15.--\*

69-80 (Reserved)



**81 Required Information (Continued)****I Verification of Debt and Collateral****[7 CFR 766.102(a)(8)] Verification of all debts and collateral.**

Debts will be verified and documentation included in the case file according to 3-FLP, subparagraph 42 A.

**82 Additional Information Required if Applying for Other Loan Servicing Programs****A Debt Settlement****[7 CFR 766.102(c)] To be considered for debt settlement, the borrower must provide the appropriate Agency form, and any additional information required under subpart B of 7 CFR Part 1956.**

To apply for debt settlement, a borrower must complete and submit RD 1956-1 and may do \*--so at any time. The loan account does not need to be delinquent and the borrower does not need to apply for primary loan serving before applying for debt settlement. See RD Instruction 1956-B and Exhibit 16.--\*

**B Conservation Contract****[7 CFR 766.102(b)] In addition to the requirements contained in paragraph (a) (paragraph 81) of this section, the borrower must submit an aerial photo delineating any land to be considered for a conservation contract.**

To apply for a conservation contract, a borrower must submit to the County Office:

- a complete application as described in paragraph 81
- an aerial photo or map of the tract and approximate legal description, outlining the proposed boundaries of the conservation area.

See Part 5 for more information on conservation contracts.

**83 Borrower Response Timeframes****A Borrower Response Timeframes**

**[7 CFR 766.101(d)] To be considered for loan servicing, a borrower who is:**

**(1) Current or financially distressed may submit a complete application any time prior to becoming 90 days past due;**

If a distressed borrower becomes 90 calendar days past due before closing a loan restructure, processing will stop and the authorized agency official will send the 90-calendar-day past due notification.

**[7 CFR 766.102(d)] If a borrower who submitted a complete application while current or financially distressed is renotified as a result of becoming 90 days past due, the borrower must only submit a request for servicing in accordance with paragraph (a)(1) (subparagraph 81 B) of this section, provided all other information is less than 90 days old and is based on the current production cycle. Any information 90 or more days old or not based on the current production cycle must be updated.**

**[7 CFR 766.102(e)] The borrower need not submit any information under this section that already exists in the Agency's file and is still current as determined by the Agency.**

**[7 CFR 766.101(d)(2)] Ninety (90) days past due must submit a complete application within 60 days from receipt of FSA-2510;**

**[7 CFR 766.101(d)(3)] In non-monetary default with or without monetary default must submit a complete application within 60 days from receipt of FSA-2514.**

For borrowers who are 90 calendar days past due or in nonmonetary default, all items required from the borrower according to paragraph 81 must be received in the office by close of business on the last day. If the 60th calendar day is a Saturday, Sunday, or Federal holiday, FSA will accept the borrowers completed application the next workday.

**Section 4 Monitoring the Statute of Limitations (SOL's)****126 Monitoring Actions****A FLC Responsibilities**

FLC's are responsible for monitoring delinquent accounts to ensure that deficiency judgment activities occur before the expiration of 6-year SOL's. In general, after 6 years from the date SOL begins to run, FSA may not obtain a deficiency judgment against a delinquent borrower. FSA may still pursue collection through liquidation of the security and other collection activities, such as offsets and referral of the debt to the Department of Treasury for cross-servicing.

FLC's shall ensure that:

- the 6-year SOL's on delinquent accounts are monitored
- all cases in which 6-year SOL's have not yet run receive top servicing priority before the statute bars judicial collection through a deficiency judgment
- in cases where 6-year SOL's may bar collection through a deficiency, but the debtor has repayment ability or other assets, consult with the Regional Attorney to determine if a deficiency judgment can be sought.

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

If a deficiency judgment will not be sought, steps should be taken immediately after liquidation of security to determine if the account can be classified as CNC and referred for \*--cross-servicing according to Exhibit 16.--\*

126 Monitoring Actions (Continued)

**\*--B Authorized Agency Official Action**

Each authorized agency official shall maintain a list of all delinquent accounts where--\*  
6-year SOL's may bar deficiency collection within the next 24 months.

**Note:** In certain situations, the time period remaining under SOL's may be suspended because of other actions that may have prohibited FSA from enforcing collection of the debt such as the debtor filing bankruptcy.

**C Quarterly Reports**

Each quarter, authorized agency officials shall send an updated list of cases in subparagraph B to DD's and FLC's.

**\*--Section 3 Servicing DOJ Judgment Debts--\***

**431 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.

**432 Servicing Judgment Debts Retained by DOJ****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 if 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 RD Instruction 1951-C 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 judgment debts under its control to TOP and it is the 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 Exhibit 15.--\*

433 Servicing Judgment Debts Returned by DOJ

A Servicing Accounts Returned by DOJ

Service accounts returned by DOJ according to the following table.

IF the judgment has...	THEN...
<p><b>not</b> expired</p>	<ul style="list-style-type: none"> <li>• pursue internal administrative offset according to RD Instruction 1951-C, if collection of farm program payments is possible</li> <li>• refer the account to Treasury for TOP offset *--according to Exhibit 15 and/or cross-servicing,--* if appropriate; State Offices shall:                             <ul style="list-style-type: none"> <li>• classify the account as CNC by processing transaction code “3K” with a class of writeoff code “5”, except for employee defalcations and third party judgments</li> <li>• submit FSA-1956-21 to FSC, FLOO, Program Reporting Group by FAX at 314-457-4478.</li> </ul> </li> </ul> <p><b>Notes:</b> In cases where an acceptable debt settlement offer is received from the debtor before referral to cross-servicing, the State Office may process *--it according to Exhibit 16 and RD Instruction 1956-B and applicable FLP notices.</p> <p>Referral of the debt to cross-servicing is required unless any of the exceptions under 31 CFR 285.12 apply or if the borrower is no longer eligible for cross-servicing.</p>
<p>expired (20 years from the date of judgment, unless renewed)</p> <p><b>Note:</b> If the U.S. Attorney states the judgment expired after 10 years, then consult the Regional Attorney to determine if the judgment can be revived.</p>	<p>cancel the debt according to Exhibit 16 and RD--* Instruction 1956-B and applicable FLP notices.</p>

**\*--434 Debt Settlement of Judgment Debts****A RD Instruction 1956-B**

Currently, RD Instruction 1956-B does **not** address canceling, compromising, or adjusting judgment debts. New regulations are being developed to provide guidance on debt settling judgment debts. Before publication of the regulation, judgment debts shall be canceled, compromised, or adjusted similarly to Exhibit 16 and RD Instruction 1956-B, Sections 1956.66, 1956.67, 1956.68, 1956.70, or Exhibit B that authorizes canceling, compromising, and adjusting nonjudgment debts.

**B RD 1956-1 Documentation**

Insert any of the following that apply in RD 1956-1, Part VIII, the:

- U.S. Attorney's file is closed
- judgment has expired 20 years after the judgment date, and the judgment is not renewed

**Note:** If the U.S. Attorney states that the judgment expired after 10 years, consult the regional OGC to determine if the judgment can be revived.

- debt was returned from cross-servicing as uncollectible
- debt settlement amount offered by the debtor is acceptable based on the verified assets, debts, income, and expenses
- debtor is unable to pay any part of the debt and has no reasonable prospect of being able to pay any part of the debt.

**C Releasing Judgment Lien by the Department of Justice**

The State Office shall send notice to the U.S. Attorney's Office that it has canceled the debt that is the subject of a judgment lien. The notice should request that this judgment lien be released.--\*

**435-440 (Reserved)**

## Part 12 Liquidation Overview

### 441 Introduction to Liquidation

#### A General Information

Parts 13 through 17 address complete liquidation of security. Partial disposition of security is handled according to 4-FLP, Part 7. The liquidation parts are:

- Part 13, Voluntary Liquidation
- Part 14, Voluntary Conveyance of Security
- Part 15, Loan Acceleration
- Part 16, Involuntary Liquidation
- Part 17, Liquidation by a Third Party.

While FSA works with a borrower to complete voluntary liquidation, FSA does not delay involuntary liquidation procedures to accommodate the borrower.

#### B Voluntary Liquidation

A borrower may voluntarily liquidate FSA loan security by 1 or more of the following:

- selling security as described in Part 13
- transferring security as described in 4-FLP, Part 9
- conveying security as described in Part 14.

A current borrower or a borrower in default may voluntarily liquidate FSA security.

FSA does not set any time limits or establish formal procedures for the current borrower who voluntarily decides to sell farming assets, as long as the borrower continues to meet all FSA loan obligations and liquidates the security according to FSA requirements.

#### C Involuntary Liquidation

If a borrower in default has received all servicing options, is unable to develop a feasible plan, and does not voluntarily liquidate FSA security according to FSA mandated servicing timeframes, FSA will initiate or continue involuntary liquidation actions according to Part 16.

**442 Conditions for Liquidation****A Current Borrowers**

With prior Agency approval, a borrower who is not in default may voluntarily liquidate the security to repay FSA loans in full. The borrower may apply for debt settlement according to \*-RD Instruction 1956-B and Exhibit 16 if complete liquidation of all FSA loan collateral-\* will not satisfy the FSA debt.

**B Program Borrowers in Default**

**[7 CFR 766.351(b)] (1) If the borrower does not apply, does not accept, or is not eligible for primary loan servicing, conservation contract, market value buyout or homestead protection, and all administrative appeals are concluded, the Agency will accelerate the borrower's account in accordance with §§766.355 and 766.356 (Part 15), as appropriate.**

**(2) Borrowers may voluntarily liquidate their security in accordance with §§ 766.352, 766.353 and 766.354 (Part 13). In such case, the Agency will:**

**(i) Not delay involuntary liquidation action.**

**(ii) Notify the borrower in accordance with subpart C (Part 3) of this part, prior to acting on the request for voluntary liquidation, if the conditions of paragraph (b)(1) of this section have not been met.**

If a borrower in default wants to voluntarily liquidate security before FSA accelerates the borrower's loans, the borrower must pursue voluntary liquidation according to the applicable liquidation method as described in Parts 13 and 14 or 4-FLP, Part 9. However, FSA will continue to notify the borrower of primary loan servicing according to Parts 3 and 6 and to follow the process of acceleration and involuntary liquidation without delay. When discussing voluntary liquidation with the borrower, they should be informed that if they are in default and the default cannot be cured, FSA cannot pause and will continue to process the account to acceleration and liquidation if necessary. The authorized agency official must be aware that several actions may need to be taken simultaneously.

**463 Closing the Sale of Real Property (Continued)****B Release of Liens**

If the proceeds pay the borrower's FSA debts in full, FSA will release its liens and return  
\*--the appropriate documents to the borrower according to 4-FLP, paragraph 65.--\*

**C Remaining Balance**

**[7 CFR 766.352(a)(5)] If an unpaid loan balance remains after the sale, the Agency will continue to service the loan in accordance with subpart B of 7 CFR part 1956.**

\*--If the proceeds do not pay the borrower's FSA debts in full, FSA will continue to service the borrower's account. Exhibit 44 will be mailed to the borrower 45 calendar days after all security is liquidated, all primary loan servicing options have been exhausted, and the account is accelerated. The borrower must apply for debt settlement within 30 calendar days of the date Exhibit 44 is sent or FSA will refer the account to the Department of Treasury--\* for cross-servicing. See RD Instruction 1956-B for information on debt settlement.

**464 Voluntary Liquidation of Chattel****A Methods of Voluntary Liquidation**

\*--[7 CFR 766.352(b)] If the borrower complies with paragraph (a) (paragraphs 461 through 463) of this section, the borrower may sell chattel security by:--\*

**[7 CFR 766.352(b)] (1) public sale if the borrower obtains the agreement of lienholders as necessary to complete the public sale; or**

For a public sale, the borrower must assist the authorized agency official in completing FSA-2571 and revising FSA-2040. FSA-2571 can be completed to give FSA custodial possession (not ownership) of the collateral or as an agreement for the borrower to sell the property.

**[7 CFR 766.352(b)] (2) private sale if the borrower:**

**(i) Sells all of the security for not less than the market value;**

**(ii) Obtains the agreement of lienholders as necessary to complete the sale;**

**(iii) Has a buyer who is ready and able to purchase the property; and**

**(iv) Obtains the Agency's agreement for the sale.**

For a private sale, the borrower must assist the authorized agency official in completing FSA-2571 and FSA-2040. The authorized agency official must document the reasons a public sale is not in FSA's best interest. If the account is in default, servicing will continue without delay.

**464 Voluntary Liquidation of Chattel (Continued)****B Lien Search**

The authorized agency official will obtain a lien search on the security being sold unless accurate and complete lien information is available in the borrower's case file. The purpose of the search is to:

- determine the liens of other parties on the property and their effect on liquidation
- ensure proper distribution of sale proceeds.

\*--The borrower will pay the cost of all lien searches. See 3-FLP, Part 16 on conducting a--\* lien search. SED may issue a State supplement as appropriate.

**C Appraisal**

FSA will appraise the property according to 1-FLP, Part 6 if the borrower pursues a private sale. FSA will not generally appraise chattel property to be sold at public auction.

**D Sales That Do Not Satisfy the Borrower's Debt**

If the estimated net sale proceeds of the property will not fully pay a borrower's secured debts, but the sale price is at least equal to the market value of the security, the authorized agency official may approve the sale. If the borrower submits a debt settlement application with the sale request, the authorized agency official will forward the file to SED with the documentation required by RD Instruction 1956-B.

**E Approving the Sale**

The authorized agency official may attend the sale at their discretion and must contact the auctioneer or clerk of the sale to ensure proper distribution of the sale proceeds.

**F Rejecting the Sale Request**

If the authorized agency official does not approve the request for sale, the borrower will be notified in writing of the reasons for not approving the sale and offered appeal rights according to 1-APP.

**465 Closing the Sale of Chattel****A Processing the Sale Proceeds**

The auctioneer or clerk of sale will distribute the sale proceeds according to lien priority as specified on FSA-2571.

After the sale, the authorized agency official will:

- record the transaction and credit the borrower's account
- record the sale of chattel on FSA-2040
- apply the proceeds from the sale to the borrower's FSA loan account according to 4-FLP, Part 5.

**B Release of Liens**

If the proceeds pay the borrower's FSA debts in full, FSA releases its liens and returns the appropriate documents to the borrower according to 4-FLP, paragraph 65.

**C Remaining Balance**

If the proceeds do not pay the borrower's FSA debt in full, FSA will continue to service the borrower's account. Exhibit 44 will be mailed to the borrower 45 calendar days after all security is liquidated, all primary loan servicing options are exhausted, and the account is accelerated. The borrower must apply for debt settlement within 30 calendar days of the date Exhibit 44 is sent or FSA will refer the account to the Department of Treasury for

\*--cross-servicing. For cross-servicing information, see Exhibit 16. For debt settlement information, see RD Instruction 1956-B and Exhibit 16.--\*

**466-480 (Reserved)**



**568 FSA Actions After Foreclosure (Continued)****E Outstanding Loan Balances Remaining After Foreclosure**

**[7 CFR 766.357(b)(5)] If an unpaid balance on the Agency loan remains after the foreclosure sale of the property, the Agency may debt settle the account in accordance with subpart B of 7 CFR Part 1956.**

For any outstanding balance remaining after foreclosure for which the borrower is still liable, \*--the authorized agency official will send Exhibit 44 to notify the borrower of the potential for offsets and debt settlement. If there is no response within 30 calendar days, the borrower's account information will be sent to the Department of Treasury for cross-servicing and collection, unless FSA pursues a deficiency judgment. For cross-servicing information, see Exhibit 16. For debt-settlement information, see RD Instruction 1956-B and Exhibit 16. State supplements will be issued as required to comply with State law.--\*

In a judicial foreclosure State, SED will complete FSA-2576 and a 3B transaction in ADPS to establish a judgment account, unless the account was established according to subparagraph 567 B.

**569 Real Property Located Within a Federally Recognized Indian Reservation****A General Requirements**

The borrower's real property securing FSA debt must be located within the boundaries of a Federally recognized American Indian reservation.

The borrower must be a member of the tribe that has jurisdiction over the reservation.

**B Bidding on Real Property**

At a foreclosure sale, FSA bids the greater of the property's market value or FSA's debt against the property.

**C Crediting the Borrower's Account**

**[7 CFR 766.357(b)] (3) Notwithstanding paragraph (b)(2) (subparagraph 568 D), for an American Indian borrower whose real property secures an Agency loan and is located within the confines of a Federally-recognized Indian reservation, the Agency will credit the borrower's account in the amount that is the greater of:**

- (i) The market value of the security; or**
- (ii) The amount of the Agency debt against the property.**

**570-580 (Reserved)**



**582 FSA Actions After Liquidation****A Documenting Items**

The authorized agency official documents the liquidated items on FSA-2040.

**B Charging the Borrower's Account**

**[7 CFR 766.357(c)(1)] The Agency will charge the borrower's account for all recoverable costs incurred by the Agency as a result of the repossession and sale of the property.**

**C Crediting the Borrower's Account**

**[7 CFR 766.357(c)(2)] The Agency will apply the proceeds from the repossession sale to the borrower's account less prior liens and all authorized liquidation costs.**

**D Outstanding Loan Balances Remaining After Repossession**

**[7 CFR 766.357(c)(3)] If an unpaid balance on the Agency loan remains after the sale of the repossessed property, the Agency may debt settle the account in accordance with subpart B of 7 CFR Part 1956.**

For any outstanding balance remaining after foreclosure for which the borrower is still liable, \*--the authorized agency official will send Exhibit 44 to notify the borrower of the potential for offsets and their debt settlement options. If there is no response within 30 calendar days, the borrower's account information will be sent to the Department of Treasury for cross-servicing and collection, unless FSA pursues a deficiency judgment. For cross-servicing information, see Exhibit 16. For debt settlement information, see RD Instruction 1956-B and Exhibit 16. State supplements may be issued as required to comply with State law.--\*

In judicial foreclosure States only, unless the borrower voluntarily liquidated with a release of liability or debt settlement, SED completes FSA-2576 and completes a 3B transaction in ADPS to record a judgment account, if applicable.

**583-600 (Reserved)**



**604 Redemption Rights****A Authority to Redeem Property**

When State law provides FSA with redemption rights after a liquidation sale, SED will make the final determination on whether FSA will exercise its redemption rights, based on the best financial interest of the Government.

**B Preparing the Case File**

The authorized agency official will update the case file to forward to SED when the estimated recovery value of the liquidated property is substantially greater than the amount of the claim, prior liens, and sale expenses. The authorized agency official will prepare the case file to include all necessary information for SED to make a determination. The case file must include:

- a current appraisal of the property
- Exhibit 60 as justification for the redemption
- lien search or title opinion
- documentation explaining why acquiring the property is in FSA's best interest
- all other relevant value and cost factors, including the value of the property after the sale and costs that FSA is likely to encounter in acquiring and reselling the property
- a recommendation from the authorized agency official regarding redemption.

**C Timing of Decision**

SED must make a decision far enough in advance to allow FSA to exercise its rights and redeem the property.

**D Selling Redemption Rights**

If SED decides not to redeem the property, FSA will allow its redemption rights to expire. In limited circumstances, SED, after consulting with OGC, may sell redemption rights.

**604 Redemption Rights (Continued)****E Final Actions Taken on the Account**

The borrower's account will be charged for all recoverable costs according to Part 16.

FSA will apply the proceeds from the repossession sale to the borrower's account less prior liens and all authorized liquidation costs according to Part 16.

For any outstanding balance remaining after foreclosure for which the borrower is still liable, \*--the authorized agency official will send Exhibit 44 to notify the borrower of the potential for offsets and debt settlement. If there is no response within 30 calendar days, the borrower's account information will be sent to the Department of Treasury for cross-servicing and collection, unless FSA pursues a deficiency judgment. For cross-servicing information, see Exhibit 16. For debt settlement information, see RD Instruction 1956-B and Exhibit 16.--\* State supplements may be issued as required to comply with State law.

In judicial foreclosure States only, unless the borrower voluntarily liquidated with a release of liability or debt settlement, SED completes FSA-2576 and completes a 3B transaction in ADPS to record a judgment account, if applicable.

**605-700 (Reserved)**

## Reports, Forms, Abbreviations, and Redelegations of Authority

### Reports

This table lists all required reports in this handbook.

Reports Control Number	Title	Reporting Period	Submission Date	Negative Reports	Reference
	Statute of Limitations	Quarterly	5th of each month	No	126

### Forms

This table lists the forms referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELIC) and Wetland Conservation (WC) Certification		81
FSA-137	Address Information Request		67, 386
FSA-1956-10	Debt Settlement or Release of Liability Checklist		Ex. 16
FSA-1956-20	Checklist for “Currently Not Collectible” Debt		Ex. 15, 16
FSA-1956-21	List of Currently Not Collectible (CNC) Debts Eligible to Be Referred to Treasury for Cross-Servicing		433, Ex. 16
FSA-1956-22	Update to TOP and Cross-Servicing Information		Ex. 15, 16
FSA-2001	Request for Direct Loan Assistance		81, 344
FSA-2002	Three-Year Financial History		81
FSA-2003	Three-Year Production History		81
FSA-2025	Notice of Approval, Terms and Conditions and Borrower Responsibilities		346
FSA-2026	Promissory Note		Text
FSA-2027	Supplemental Payment Agreement		161
FSA-2029	Mortgage/Deed of Trust		Text
FSA-2037	Farm Business Plan Worksheet Balance Sheet		81
FSA-2038	Farm Business Plan Worksheet Projected/Actual Income and Expenses		81
FSA-2040	Agreement and Record of the Disposition of FSA Security/Release of Proceeds		464, 465, 582
FSA-2060	Application for Partial Release, Subordination, or Consent		462, 463
FSA-2065	Annual Statement Loan Account		Ex. 16
FSA-2070	Bill of Sale		516, 517, 519
FSA-2080	Release From Personal Liability		84
FSA-2489	Assumption Agreement		Text
FSA-2501	Addendum to the Promissory Note or Assumption Agreement for the Disaster Set-Aside Program		44-46, 48

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2510	Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due		3, 67, 83, 85, 405, 702
FSA-2511	Borrower Response to Notice of the Availability of Loan Servicing		81, 405, 702
FSA-2512	Notice of Availability of Loan Servicing to Borrowers Who Are Current, Financially Distressed, or Less Than 90 Days Past Due		3, 67, 85, 102
FSA-2513	Borrower Response to Notice of the Availability of Loan Servicing		81
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who Are in Non-Monetary Default		3, 67, 83, 85, 444, 702
FSA-2515	Borrower Response to Notice of the Availability of Loan Servicing for Borrowers Who Received Form FSA-2514		81, 444, 702
FSA-2516	30 Day Reminder of the Notice of Availability of Loan Servicing		83
FSA-2517	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116
FSA-2518	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116
FSA-2519	Offer of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2520	Acceptance of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116
FSA-2521	Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322
FSA-2522	Borrower Response to Denial of Primary Loan Servicing and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Applied for Servicing		116, 229, 322

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2523	Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2524	Borrower Response to Denial of Primary Loan Servicing for Borrowers Who Received Form FSA-2512 and Applied for Servicing		116, 229, 322
FSA-2525	Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85
FSA-2526	Borrower Response to and Intent to Accelerate for Borrowers Who Received Form FSA-2510 or FSA-2514 and Did Not Apply for Servicing or Did Not Accept Servicing		85
FSA-2529	Negotiated Appraisal Agreement		230
FSA-2535	Conservation Contract		Text
FSA-2537	Notification of Consideration for Homestead Protection		281
FSA-2538	Response to Notification of Consideration for Homestead Protection for Borrowers Who Received FSA-2537		281
FSA-2539	Homestead Protection Program Agreement		283, 284
FSA-2540	Notice of the Availability of Homestead Protection – Post Acquisition		281, 568
FSA-2543	Shared Appreciation Agreement		Text
FSA-2544	Shared Appreciation Agreement Recapture Appraisal Notice		343, 344
FSA-2545	Borrower Notification of Shared Appreciation		344
FSA-2547	Shared Appreciation Agreement Recapture Reamortization		67
FSA-2548	Shared Appreciation Agreement Recapture Reamortization 2nd Notice		67
FSA-2550	Report of Problem Case		421, 533
FSA-2551	Evidence of Conversion, Fraud, or Waste		421
FSA-2560	Request for Statement of Account		536

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

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2561	Statement of Account		536
FSA-2562	Borrower Account Description Flag		67, 248, 401, 421, 534, 567
FSA-2570	Offer to Convey Security		284, 496, 497, 499, 500, 516, 517
FSA-2571	Agreement for Voluntary Liquidation of Chattel Security		464, 465, 516, 518, 581
FSA-2572	Agreement of Secured Parties to Sale of Security Property		581
FSA-2574	Confirmation Reorganization Plan Worksheet		404, 406
FSA-2576	Notice of Judgment		567, 568, 582, 604
FSA-2580	Primary and Preservation Loan Servicing Checklist		67, 533
FSA-2581	Inequitable Treatment Review Data		533
FSA-2585	Acquisition or Abandonment of Secured Property		708, Ex. 66
FSA-2587	Advice of Property Acquired		568, 743
FSA-2588	Acquired Property Maintenance		568
FSA-2591	Lease of Real Property		281, 284, 568, 743
FSA-2592	Invitation, Bid and Acceptance Sale of Real Property by the United States		776, 778, 782
FSA-2593	Standard Sales Contract Sale of Real Property by the United States		778
FSA-2594	Advice of Inventory Property Sold		778
FSA-2595	Quitclaim Deed		778
FSA-2596	Bill of Sale "A" (Sale of Government Property)		780
FSA-2597	Farmer Programs Noncash Credit for Purchase of Easement Rights		197
NRCS-CPA-026	Highly Erodible Land and Wetland Conservation Determination		81
RD 1956-1	Application for Settlement of Indebtedness		82, 406, 407, 496, 497, 516, 517, 581, Ex. 15

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

## Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

<b>Approved Abbreviation</b>	<b>Term</b>	<b>Reference</b>
51-S	5-FLP Special Loan Servicing Pending	67, 401, Ex. 11
ACL	Accelerated	534, Ex. 11
BAP	Bankruptcy Action Pending	401, Ex. 11, 15
CAP	Court Action Pending	421, Ex. 11
CL	conservation loan	41, 131, 145, Ex. 2, 17
CO	Collection Only	406, Ex. 11
CNC	currently not collectible	126, 433, Ex. 16
CONACT	Consolidated Farm and Rural Development Act	1, 193, 537, Ex. 2
DEF	Deferral	248, Ex. 11
DMS	Debt Management Services	Ex. 16
FAP	Foreclosure Action Pending	567, Ex. 11
FLMAC	Farm Land Market Advisory Committee	Ex. 17
HML	high, medium, low	901
ITLAP	Indian Tribal Land Acquisition Program	2, 537
LR	limited resource	132, 146
NP	nonprogram loan	Text
NRBRA	Net Recovery Buyout Recapture Agreement	321, 361, 363, 365
NRV	net recovery value	102, 321
OAC	Office of Adjudication and Compliance	Ex. 15, 16
PCA	private collection agency	Ex. 16
PRG	Program Reporting Group	Ex. 15, Ex. 16
RH	rural housing	Ex. 79
SA	shared appreciation loan	66, 67, 102, 145, 146, 191, 346
SAA	subject to approved adjustment	172, 249, 343, 404, 406, Ex. 11
SCRRG	State Civil Rights Review Group	533
SEC	State Environmental Coordinator	802, 821, 837, 839
SOL	Statute of Limitations	126, 127
ST	softwood timber loan	41
TIN	taxpayer identification number	Ex. 16
TPJ	third party judgment	421, Ex. 11
YL	youth loan	41, 42, 68, 132

## Re delegations of Authority

None.



**\*--Quarterly Screening Process for TOP**

**1 Quarterly Screening Process for TOP**

**A Background**

The Debt Collection Act, as amended by the Debt Collection Improvement Act (DCIA) of 1996, requires that delinquent debtors be referred to TOP for administrative offset of Federal and some State Government payments. The Food, Conservation, and Energy Act 2008 (2008 Farm Bill) revised the offset requirement for FLP borrowers who have pending program discrimination complaints, or have filed a program discrimination complaint that is accepted by the OAC.

**B Purpose**

This exhibit 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
- implementing the elimination of the 10-year time period for offset of IRS refunds for delinquent nonjudgment debt
- determining eligibility for referring borrower/co-borrower debts to Treasury for TOP offset
- the suspension of offset when a complaint of discrimination is accepted by OAC, as required by the 2008 Farm Bill
- refunding co-borrower TOP offsets
- instructions for updating co-borrowers/related entities in the DLS Customer Profile
- instructions for deleting:
  - borrower/co-borrowers on TOP offset update screens
  - bankruptcy cases.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**1 Quarterly Screening Process for TOP (Continued)**

**C Nonjudgment Debt**

The requirement that offset of IRS refunds can only be processed for debts “referred for offset within 10 years after the agency’s right of action accrues,” was eliminated when Treasury published its final rule on December 28, 2009 (with a correction published January 6, 2010). This change allows offset of nontax debt regardless of how long the debt has been delinquent.

Any FLP nonjudgment debts that were 10 or more years delinquent on or before December 28, 2009, should have been removed from TOP and/or recalled from cross-servicing. If further collection action is otherwise legally permissible on these older debts, they may be resubmitted to TOP and/or cross-servicing according to this new rule.

In cases where FLP debts that were 10 or more years delinquent on or before December 28, 2009, were erroneously not deleted from TOP and/or recalled from cross-servicing, the debts must be immediately deleted and/or recalled. According to Treasury’s regulations at 31 CFR 285.2(d)(6)(ii), these debts are not eligible for offset of IRS refunds unless they receive offset notification after the debt became 10 years delinquent. This requirement applies even if a notice was already sent before the debt became 10 years delinquent. The debtors must also be provided with the opportunity to resolve the debt before additional offset collection action is taken. The TOP notification and due process letter sent as part of the TOP quarterly referral process satisfies these requirements. Therefore, to continue collection on any debt that was 10 or more years delinquent on or before December 28, 2009, the debt must be deleted and/or recalled and resubmitted through the TOP process to provide debtors the opportunity to resolve the debt before any additional offsets are taken.

FSA-1956-20 and FSA-1956-22 will be revised to remove reference to the 10-year statute of limitations.

**D Judgment Debt**

The 20-year SOL for judgment debt still applies.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**2 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 Loan Making User’s Guide, Part 3, Sections I through L. To view, create, and update related entity information through the loan servicing process, follow the procedure in the DLS Loan Servicing User’s Guide, Section 4.1.3.

Both guides may be found on the FLP Systems web page located at <https://arcticocean.sc.egov.usda.gov/flp/IndexServlet>.

**B TOP Offset Online Screen Information**

The Borrowers Eligible for TOP Offset Screen and Borrowers Eligible for TOP Offset Certified Screen will be displayed with borrower and co-borrower information as follows.

<b>Field/Line</b>	<b>Information</b>
ST CTY TIN	Primary borrower’s case number.
TIN	TIN for the primary borrower or co-borrower.
CO	Co-borrower’s permanent alphabet letter (A-Z) or number (1-9) as a unique identifier.  <b>Note:</b> It is <b>critical</b> that all co-borrowers names, addresses, and TIN’s be updated in SCIMS on an ongoing basis. The co-borrower/related entity status must be updated in the DLS Customer Profile.
Case Number (Located under “Name” column.)	The borrower’s name will be displayed, if there are no co-borrowers selected or if both borrower and co-borrower are selected.  The co-borrower’s name will be displayed, if only the co-borrower is selected.  <b>Note:</b> For each co-borrower loan selected, the co-borrower’s name will be displayed between the TIN and the loan number.
FLG (Located over “Delete Date” column.)	“F” will be displayed, if the account has a FAP flag.

--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**2 TOP Screens and Process (Continued)**

**C Debtors Displayed on Borrowers Eligible for TOP Offset Screens**

The weekly 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 schedule in paragraph 5.

The screens will be displayed with all delinquent loans for:

- borrowers/co-borrowers who are **not** at TOP and fall into 1 or more of the following categories:
  - 90 calendar days past due
  - at least \$25 delinquent
  - **not** flagged BAP
  - **not** a boll weevil loan
  - **not** flagged SAA

**Note:** Loans listed will include Apple loans, Bureau of Reclamation loans, and debts classified CNC.

- debtors/co-debtors who have:
  - employee defalcations
  - judgments **not** currently certified
  - delinquent equity receivables or loan suspensions
  - delinquent leases
  - TPJ's, both borrower and third parties, if they are in SCIMS and linked as related entities in the DLS Customer Profile
  - filed bankruptcy, but have not been flagged BAP.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**2 TOP Screens and Process (Continued)**

**C Debtors Displayed on Borrowers Eligible for TOP Offset Screens (Continued)**

To prevent selection for TOP without removing the legitimate co-borrower from DLS, when a borrower/co-borrower is no longer eligible for TOP, such as individual bankruptcy, release from liability, deceased, etc., users **must**:

- delete the loan on TOP screens with the appropriate code
- unlink the co-borrower as a related entity in the DLS Customer Profile.

If a co-borrower later becomes eligible for TOP, such as when a bankruptcy is dismissed, remove or change the BAP flag, and/or link the co-borrower as a related entity, as appropriate.

Loans will be selected each quarter, **even if manually deleted in a prior quarter**, if the loan continues to appear delinquent on ADPS and no circumstance would generate a programmatic delete. Specific examples are ineligible judgment loans, SAA loans, loans involved in bankruptcy with no BAP or SAA flag on the account, and loans related to a settlement agreement or a problem case being worked by FLOO where ADPS transactions have **not** been processed. See paragraphs 6 and 7 for descriptions of programmatic delete codes and the manual delete codes available for State Office use.

To accommodate TOP selection for TPJ loans, the third party's name, address, and TIN **must** be entered in SCIMS. Ensure that the third party is not already in SCIMS before attempting to add them. The third party **must** also be linked as a related entity in the DLS Customer Profile. Select "co-borrower" as the type of related entity. The TOP selection process will bring in all loans. The loans for the primary borrower and any original co-borrowers should be deleted, if appropriate. This will leave only the third party's debt in TOP.

Borrowers who have requested loan servicing or debt settlement are eligible for offset until the loans have been brought current through payment or restructure, or a settlement or repayment plan has been approved by FSA.

Salary offset collections for delinquent debtors are being handled by Treasury through the TOP offset process. These payments will be biweekly and have a "T" application code.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**2 TOP Screens and Process (Continued)**

**D State Tax Refunds and State Vendor Payments Included in TOP Centralized Offset**

DCIA contains a provision that allows the State to enter into reciprocal agreements with Treasury to collect unpaid State debt by offset of Federal nontax payments and the Federal Government to collect delinquent nontax debt by offset of State payments. Currently, **Maryland, New Jersey, New York and Wisconsin are active at Treasury**. Treasury will add other States as the requirements to participate are completed.

Agencies were given 30 calendar days to provide post offset notification letters to debtors, notifying them of State payment offset. The 60-day TOP Due Process Notification Letter was modified to include State payments (see paragraph 9). A new bypass indicator has been established by Treasury to allow agencies to **not** allow State payment offsets, if a debt is not eligible.

**E 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 the State and County Offices within the first 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 paragraph 5 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.

**F 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. FLOO/PRG and State Offices have delete capability; County Offices and FLOO Loan Servicing Groups have view capability. State Offices are responsible for processing **all** deletes. The weekly 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 Mondays as soon as the weekly update has been approved.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**2 TOP Screens and Process (Continued)**

**G TOP Refunds**

FAX FSA-1956-22's to FLOO/PRG at 314-679-6817 **only** if a refund is needed, or the loan needs to be recalled from cross-servicing.

**Note:** FSA-1956-22 is only to be used for TOP and cross-servicing refunds and cross-servicing recalls. If FSA-1956-22 is used for an internal administrative offset or regular payment refund request, processing of the refund may be delayed.

Refunds **must** be made to the specific person who was offset. FLOO/PRG will determine whether the refund will be manual or programmatic. The refund will be programmatic if the person receiving the refund is in ADPS and no other name will be on the check. Full refunds will include the TOP fee amount. Partial refunds will not include the TOP fee amount.

The following information **must** be provided on FSA-1956-22, item 16B, if a check must be sent to other than the County Offices:

- name of the person or persons to whom the check should be made payable
- address where the check should be mailed

**Note:** Manual refunds may be sent directly to the borrower/co-borrower's address; however, this is discouraged because the County Office then has no confirmation the refund was received. **It is critical to specify where the check must be sent.**

- effective date the borrower/co-borrower was no longer eligible for offset (the date of bankruptcy filing, date paid current, repayment agreement date, etc.) and which person was involved.

**Note:** To ensure timely and accurate processing of refund requests, all FSA-1956-22 refund requests **must** be **FAXed to FLOO/PRG** only at **314-679-6817**, **not to FLOO Loan Servicing Groups**. PRG monitors and tracks all refunds.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**2 TOP Screens and Process (Continued)**

**G TOP Refunds (Continued)**

When completing FSA-1956-22 for a borrower/co-borrower that has a monthly offset occurring or the amount of the offset is unknown and the offset needs to be refunded, enter the following:

- in item **16B**, the date specified should be the date the loan was no longer eligible for offset, such as the bankruptcy filing date, date SED signed the settlement agreement, etc.
- in item **13**, the amount of the offset in ADPS Online History, which is the amount of the offset taken by Treasury minus any TOP and/or salary offset fees.

**Note:** It is **not** necessary to wait to FAX FSA-1956-22 until the offset appears on ADPS. However, FSA-1956-22's will be held by FLOO/PRG until the payment arrives and is applied to the loan. **This usually takes 2-3 weeks from the date of offset.**

**H Effects of Moratorium**

There is a moratorium on acceleration and foreclosure when an account has a program discrimination complaint that is accepted by OAC. Until the final rule implementing the 2008 Farm Bill provision is published, refer to applicable FLP notices. Under the provision, if a moratorium case is at the point of acceleration or is in foreclosure and interest accrual and offset has been suspended, use delete code "11" to remove it from the TOP Offset List. However, accounts that have no security remaining which have been accelerated or where all loans are mature, such as those classified as CNC, will continue to accrue interest and be subject to offset.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**3 County Office Responsibilities**

**A Screening**

On an ongoing basis, County Offices will be provided view-only access to the TOP Offset Online Screens. Since County Offices do **not** have the authority to delete loans on the TOP Offset Online Screens, County Offices **must**:

- review the Borrowers Eligible for TOP Offset Screens and determine whether each debtor shown is eligible to receive a 60-day TOP Due Process Notification Letter, or is being referred to TOP for offset

**Note:** It is critical that borrowers/co-borrowers on this screen, are reviewed for TOP due process notification eligibility. See timeline in paragraph 5.

- review the Borrowers Eligible for TOP Offset Certified Screens on an ongoing basis to determine whether any loans need to be removed from TOP
- review paragraph 6 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 paragraph 6.

- FAX all FSA-1956-22's 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 paragraph 6 or 7
- 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.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**3 County Office Responsibilities (Continued)**

**B Accessing Borrower/Co-Borrower Accounts**

County Offices can view borrower/co-borrower loans on the TOP Offset Online Screens according to paragraph 8.

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

If 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 Office.

**4 State Office Responsibilities**

**A 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 paragraph 5 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 paragraph 7. **Do not use codes that are not included in paragraph 6 or 7.** 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 paragraph 6, 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.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**4 State Office Responsibilities (Continued)**

**A Screening (Continued)**

Judgment loans must be carefully reviewed before determining TOP eligibility. DOJ is responsible for referring debts to TOP when DOJ has jurisdiction. In some cases, DOJ may request that FSA refer debts on DOJ's behalf. Do **not** refer a judgment under DOJ jurisdiction **without** contacting LSPMD at 202-720-1658. If the loan needs to be deleted, use delete code "05."

CAP and FAP flagged loans are included on the TOP Offset Online Screens. The presence of 1 of these flags on the account is **not** a determining factor for whether a debtor should be deleted. Review the debtor file to determine eligibility as follows:

- CAP flagged accounts should be deleted with code "03" **only** if the debt is being handled by OGC
- FAP flagged accounts should be deleted with code "01" **only** if offset could jeopardize litigation under State law.

CNC loans **must** be carefully reviewed **before** determining TOP eligibility.

If any nonjudgment loan becomes ineligible, input the proper delete code and notify FLOO, PRG immediately by FAXing FSA-1956-22 to 314-679-6817.

**B Accessing Debtor/Co-debtor Accounts**

State Offices:

- will have online capability to delete loans serviced by their County Offices
- may access the TOP Offset Online Screens as described in paragraph 8.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**4 State Office Responsibilities (Continued)**

**C Deleting Debtors/Co-Debtors**

After accessing debtors through the Borrowers Selection Menu, options “1”, “2”, “3”, or “4”, delete a loan and any cost item related to the loan according to the following table, if ineligible for offset.

<b>Step</b>	<b>Action</b>
1	<p>On the Borrowers Selection Menu, for options:</p> <ul style="list-style-type: none"> <li>• “1” and “2”, input all delete codes needed for all borrower/co-borrower loans displayed on the page before pressing “Enter”</li> </ul> <p style="text-align: center;"><b>Note:</b> Borrowers and co-borrowers are not necessarily eligible for deletion for the same reason or at the same time. <b>Discretion is advised.</b></p> <ul style="list-style-type: none"> <li>• “3” and “4”, input the applicable delete code from paragraph 7 in the DLT CDE field on the line for the loan number to be deleted.</li> </ul> <p style="text-align: center;"><b>Note:</b> If <b>all</b> of a borrower’s/co-borrower’s loans are to be deleted, input a delete code for <b>each</b> loan.</p>
2	<p>PRESS “Enter”.</p> <p><b>Note:</b> Users <b>must</b> press “Enter” for <b>each</b> page, if a delete code has been entered. If users press “PF8” or “PF7” without pressing “Enter” first, the delete code will <b>not</b> be processed.</p> <p>Once users press “Enter”, “Borrower(s) Processed” will be displayed on the bottom-left of the screen. The current date will be displayed in the “Delete Date” column in the center of the screen. To verify the delete codes have processed, ENTER “5” to return to the Subsystem Selection Menu, and PRESS “Enter” again. The delete codes will be displayed in the loan line under the “Delete Code” column, on the left.</p>
3	<p>Continue this process for <b>all</b> pages displayed for the requested State or County Office or for the requested debtor.</p>

--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**5 Timeframe for Quarterly Referrals to TOP**

The following is a timeframe for quarterly referrals to TOP.

Process	Date(s)
<b>FY 2010 1st Quarter TOP Referral</b>	
New Selection <u>1/</u>	September 19, 2009
<b>Critical</b> pre-letter screening	<b>September 22 to October 2, 2009</b>
FSC, FLOO mails 60-day due process letters	October 6, 2009
Pre-certification screening	October 6 to December 11, 2009
Certification <u>2/</u>	December 12, 2009 <u>3/</u>
<b>FY 2010 2nd Quarter TOP Referral</b>	
New Selection <u>1/</u>	December 12, 2009 <u>3/</u>
<b>Critical</b> pre-letter screening	<b>December 15, 2009, to January 8, 2010</b>
FSC, FLOO mails 60-day due process letters	January 12, 2010
Pre-certification screening	January 12 to March 19, 2010
Certification <u>2/</u>	March 20, 2010
<b>FY 2010 3rd Quarter TOP Referral</b>	
New Selection <u>1/</u>	March 27, 2010
<b>Critical</b> pre-letter screening	<b>March 30 to April 9, 2010</b>
FSC, FLOO mails 60-day due process letters	April 13, 2010
Pre-certification screening	April 13 to June 18, 2010
Certification <u>2/</u>	June 19, 2010
<b>FY 2010 4th Quarter TOP Referral</b>	
New Selection <u>1/</u>	June 26, 2010
<b>Critical</b> pre-letter screening	<b>June 29 to July 09, 2010</b>
FSC, FLOO mails 60-day due process letters	July 13, 2010
Pre-certification screening	July 13 to September 17, 2010
Certification <u>2/</u>	September 18, 2010 <u>4/</u>

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 2010 1st Quarter Certification is run on the same day as the FY 2010 2nd Quarter Selection.

4/ The FY 2010 4th Quarter Certification is run on the same day as the FY 2011 1st Quarter Selection.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**5 Timeframe for Quarterly Referrals to TOP (Continued)**

Process	Date(s)
<b>FY 2011 1<sup>st</sup> Quarter TOP Referral</b>	
New Selection <u>1/</u>	September 18, 2010 <u>4/</u>
<b>Critical</b> pre-letter screening	<b>September 21 to October 1, 2010</b>
FSC, FLOO mails 60-day due process letters	October 5, 2010
Pre-certification screening	October 5 to December 10, 2010
Certification <u>2/</u>	December 11, 2010
<b>FY 2011 2<sup>nd</sup> Quarter TOP Referral</b>	
New Selection <u>1/</u>	December 11, 2010
<b>Critical</b> pre-letter screening	<b>December 12, 2010, to January 7, 2011</b>
FSC, FLOO mails 60-day due process letters	January 8, 2011
Pre-certification screening	January 8 to March 18, 2011
Certification <u>2/</u>	March 19, 2011
<b>FY 2011 3<sup>rd</sup> Quarter TOP Referral</b>	
New Selection <u>1/</u>	March 26, 2011
<b>Critical</b> pre-letter screening	<b>March 29 to April 8, 2011</b>
FSC, FLOO mails 60-day due process letters	April 9, 2011
Pre-certification screening	April 9 to June 17, 2011
Certification <u>2/</u>	June 18, 2011
<b>FY 2011 4<sup>th</sup> Quarter TOP Referral</b>	
New Selection <u>1/</u>	June 25, 2011
<b>Critical</b> pre-letter screening	<b>June 28 to July 8, 2011</b>
FCS, FLOO mails 60-day due process letters	July 9, 2011
Pre-certification screening	July 9 to September 16, 2011
Certification <u>2/</u>	September 17, 2011

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.

4/ The FY 2010 4th Quarter Certification is run on the same day as the FY 2011 1st Quarter Selection.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**5 Timeframe for Quarterly Referrals to TOP (Continued)**

<b>FY 2012 1<sup>st</sup> Quarter TOP Referral</b>	
New Selection <u>1/</u>	September 24, 2011
<b>Critical</b> pre-letter screening	<b>September 27 to October 7, 2011</b>
FSC, FLOO mails 60-day due process letters	October 8, 2011
Pre-certification screening	October 8 to December 16, 2011
Certification <u>2/</u>	December 17, 2011 <u>3/</u>
<b>FY 2012 2<sup>nd</sup> Quarter TOP Referral</b>	
New Selection <u>1/</u>	December 17, 2011 <u>3/</u>
<b>Critical</b> pre-letter screening	<b>December 20 , 2011, to January 6, 2012</b>
FSC, FLOO mails 60-day due process letters	January 7, 2012
Pre-certification screening	January 7 to March 16, 2012
Certification <u>2/</u>	March 17, 2012

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 2012 1st Quarter Certification is run on the same day as the FY 2012 2nd Quarter Selection.--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**6 TOP Offset Programmatic Delete Codes**

The following are delete codes that will be programmatically generated based on ADPS status of the debtor's account.

<b>Code</b>	<b>Description</b>
02	Account has a BAP or SAA flag.
13	<ul style="list-style-type: none"><li>• A cost item reversal put a "Z99" paid code on the account.</li><li>• Transaction code "4A" or "4D" put a "Z97" paid code on the account.</li><li>• Equity Receivable record suspended or amortized.</li></ul>
17	Loan is current or paid in full by cash payment.
19	<ul style="list-style-type: none"><li>• Loan is satisfied by other than those reasons in codes "13", "17", and "38".</li><li>• No address or invalid address.</li><li>• Suspension loan amortized.</li></ul>
38	Account has been written off with a class of writeoff code other than "5".

**Notes:** If the account status in ADPS generates a delete code, both the borrower and co-borrower loans will be programmatically deleted using the same delete code.

**A suspend code (ZSPC on AI Status Screen) prevents a programmatic delete.--\***

**\*--Quarterly Screening Process for TOP (Continued)**

**7 TOP Offset Manual Online Screen Delete Code**

The following are descriptions of programmatic delete codes and the manual delete codes available for State Office use.

<b>Code</b>	<b>Description</b>
01	Account has been referred to OGC or DOJ for foreclosure and collection by offset would jeopardize the litigation under State law.  <b>Note:</b> Existence of a foreclosure action pending flag is <b>not</b> a determining factor. Remove any erroneous flag.
02	Loan is either of the following: <ul style="list-style-type: none"> <li>• discharged in bankruptcy and debtor no longer liable</li> <li>• under the jurisdiction of a Bankruptcy court and the debt has not been reaffirmed.</li> </ul> <b>Note:</b> Existence of a bankruptcy action pending flag is used as a determining factor in the programmatic screening. Remove any erroneous flag.
03	Being handled by OGC.
04	Type of Judgment ineligible for offset.
05	Being serviced by DOJ.
06	Forbearance because of disaster designation.
07	Soldiers and Sailors exemption.
10	Loan is being corrected. Hold for next selection.
<b>11</b>	<b>Moratorium 2008 Farm Bill.</b>
13 and 38	For deceased borrower use either of the following: <ul style="list-style-type: none"> <li>• “13”, if the debt will be moved to a co-borrower</li> <li>• “38”, if the debt will be debt settled, because there are no other liable parties to the debt, there is no security, and no collection is possible from the estate.</li> </ul>
16	Repayment plan has been approved by FSA.
17	May be used, <b>if</b> either of the following apply: <ul style="list-style-type: none"> <li>• timing of cash applications on ADPS would <b>not</b> generate a delete code in time and the debtor is eligible for deletion</li> <li>• loan is paid in full, but there is a suspend code on the account (“ZSPC” on the ADPS AI Screen is greater than zero).</li> </ul> <b>Note:</b> A suspend code prevents a programmatic delete.

--\*

**\*--Quarterly Screening Process for TOP (Continued)**

**8 Accessing TOP Offset Online Screens**

County Offices may view and State Offices may modify borrower/co-borrower loans by selecting “TOPOFFST” on the Online Submenu Selection Menu. A borrower/co-borrower could have loans on both the Borrowers Certified for TOP Offset (Y) Screen and Borrowers Eligible for TOP Offset (N) Screen, depending on the status of each loan on ADPS. However, an individual loan for either a borrower or co-borrower may **only** be on 1 of the screens.

From the Borrower Select Menu, use the following applicable option.

<b>Option</b>	<b>Authorized Users</b>	<b>Step</b>	<b>Action</b>
1	State Office	1	In the “Enter State” field, enter the 2-digit non-FIPS State Code (former FmHA State Code).
		2	In the “View Certified Borrowers” field, enter either of the following: <ul style="list-style-type: none"> <li>• “Y”, if the Borrower Eligible for TOP Offset/Certified Screen is needed</li> <li>• “N”, if the Borrowers Eligible for TOP Offset Screen is needed.</li> </ul>
		3	PRESS “Enter”; all borrower/co-borrower loans on that screen for the State will be displayed.
2	State and County Offices	1	In the “Enter State” field, enter the 2-digit non-FIPS State Code (former FmHA State Code).
		2	In the “Enter State and County” field, enter all 5 digits of FSA’s servicing office mail code.
		3	In the “View Certified Borrowers” field, enter either of the following: <ul style="list-style-type: none"> <li>• “Y”, if the Borrower Eligible for TOP Offset/Certified Screen is needed</li> <li>• “N”, if the Borrowers Eligible for TOP Offset Screen is needed.</li> </ul>
		4	PRESS “Enter”; all borrower/co-borrower loans on that screen for the State will be displayed.

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**\*--Quarterly Screening Process for TOP (Continued)**

**8 Accessing TOP Offset Online Screens (Continued)**

<b>Option</b>	<b>Authorized Users</b>	<b>Step</b>	<b>Action</b>
3	State and County Offices	1	In the “Enter Case Number” field, enter the <b>entire</b> 15-digit case number.
		2	In the “View Certified Borrowers” field, enter either of the following: <ul style="list-style-type: none"> <li>• “Y”, if the Borrower Eligible for TOP Offset/Certified Screen is needed</li> <li>• “N”, if the Borrowers Eligible for TOP Offset Screen is needed.</li> </ul>
		3	PRESS “Enter”; all borrower/co-borrower loans on that screen for the State will be displayed.
4	State and County Offices	1	In the “Enter Tax ID” field, enter the 9-digit TIN for the <b>primary</b> borrower.
		2	In the “View Certified Borrowers” field, enter either of the following: <ul style="list-style-type: none"> <li>• “Y”, if the Borrower Eligible for TOP Offset/Certified Screen is needed</li> <li>• “N”, if the Borrowers Eligible for TOP Offset Screen is needed.</li> </ul>
		3	PRESS “Enter”; all borrower/co-borrower loans on that screen for the specified borrower TIN will be displayed.  <b>Note:</b> Do <b>not</b> enter a co-borrower TIN because this will display a “Borrower Not Found” message. Entering borrower TIN will display any eligible co-borrowers.
5	State and County Offices		PRESS “Enter” to return to the Online Submenu Selection Menu.
6-12	FLOO		In the “Enter Option Code” field, enter applicable code to enable/disable the TOP screens, as needed.

--\*

\*--Quarterly Screening Process for TOP (Continued)

9 Example of TOP Due Process Notification Letter

The following is an example of the TOP Due Process Notification Letter.

**USDA**

United States  
Department of  
Agriculture

APRIL 13, 2010

Farm and Foreign  
Agricultural  
Services

Farm Service  
Agency

Financial Services  
Center

Farm Loan  
Operations Office  
P.O. Box 200003  
St. Louis, Missouri  
63120-0003

Dear Debtor/Co-debtor:

Our records indicate that you are more than 90 days past due on a loan(s), or are subject to an outstanding judgment, have a delinquent lease or an equity receivable owed to the United States Department of Agriculture, Farm Service Agency (FSA). Under Federal law, Federal Agencies are required to offset any eligible Government payments due you to resolve the delinquent debt.

Enclosed is a list of the delinquent debt(s) and the amount(s) due as of MM/DD/YYYY. You have 60 days to resolve this delinquent debt before an offset of payments will be made.

The following options are available, if applicable, for settling this debt:

- Fully pay the delinquent debt outstanding at your local servicing office on or before MM/DD/YYYY. The amount could change because of protective advances, servicing actions, interest accrual, previous offsets, or other collections. Contact your local office for the correct amount.
- Make delinquent settlement arrangements with your local servicing office. If immediate payment is not possible or would create a serious financial hardship, you may request consideration of a written repayment/settlement agreement with FSA. Any such settlement proposal must be submitted in writing before and accepted by the Agency no later than MM/DD/YYYY. Your request must state your repayment proposal, including the specific terms. A current and signed financial statement must be provided with any settlement proposal or installment repayment request. The financial statement must list all income and expenses, and contain a balance sheet listing all assets and liabilities. An Agency approved repayment/settlement agreement must be in place to prevent offset.
- Inform your local servicing office of any bankruptcy proceedings. Debtors who have filed for bankruptcy and have an automatic stay in effect are not subject to collection through offset while the stay remains in place. If this provision applies, please submit a copy of the bankruptcy petition to your local servicing office immediately.
- Inform your local servicing office if you, as a borrower or co-borrower, are on active military duty. FSA borrowers called to active duty may be eligible for additional servicing options, including exclusion from referral to Treasury Offset Program (TOP). If this provision applies, please submit a copy of your military activation papers to your local servicing office by MM/DD/YYYY.

If your delinquent debt is a judgment debt, a delinquent lease, or the debt has been accelerated, administrative farm loan servicing authorities are no longer applicable.

If the delinquent debt is not involved in a bankruptcy proceeding, or is not paid in full or settled by MM/DD/YYYY, the United States Treasury Department will be notified to collect by offset from the following Federal/State government payments due you, if applicable:

- Income tax refunds
- State tax refunds
- Federal salary, including military pay
- Federal retirement pay, including military retirement pay
- Contract or vendor payments
- State vendor payments
- Certain Federal benefits payments, such as Social Security (other than Supplemental Security Income), Railroad Retirement (other than tier 2), and Black Lung (part B) benefits
- Other Federal/State payments, including certain loans to you, that are not exempt from offset

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\*--Quarterly Screening Process for TOP (Continued)

9 Example of TOP Due Process Notification Letter (Continued)



All delinquent debt is referred to commercial credit bureaus on a quarterly basis.

Any debt remaining after all loan security has been liquidated may also be referred to Treasury for potential referral to private collection agencies and possible administrative wage garnishment. The amount referred for collection will include the delinquent principal, any accrued interest, protective advances and collection costs. The debt may also be referred to the United States Department of Justice for collection.

You have the right to inspect and obtain a copy of the records for the listed delinquent debt. To do so, send a written request to your local servicing office. Please provide your Social Security Number or Employer Identification Number and your complete mailing address with the request.

You have the right to request a review of the validity of the delinquent debt amount. Any request for such review must be made in writing to your local servicing office by MM/DD/YYYY. If you disagree with the delinquent debt amount and wish to dispute the record, please explain the reason for your challenge and include any written documents or evidence to support your position. You will be notified in writing of a determination.

If you are a Federal employee, you will have the opportunity for a hearing prior to FSA's submitting the debt for Federal salary offset. You will receive more information in a separate notice if this option applies to you.

Additional interest is accruing daily on this debt. The amount due will continue to increase until the delinquency is paid or the account is settled. Any debt written off by the Agency will be reported to Internal Revenue Service (IRS) on Form 1099-C, Cancellation of Debt.

If a joint Federal income tax return is filed, and your spouse is not responsible for this debt, please contact your local IRS office before filing your return to learn how to protect your spouse's share of the refund.

For further information, please call your local servicing office or our toll-free number, 800-428-9643.

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**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt****1 Overview****A Background**

The Debt Collection Improvement Act of 1996 (DCIA) requires FSA to refer all eligible delinquent debt, including judgments, equity receivables, and leases, to Treasury for cross-servicing and TOP. Referral to Treasury for cross-servicing and TOP must be considered before processing debt settlement offers under RD Instruction 1956-B. If a greater recovery of taxpayer dollars is possible through referral to Treasury cross-servicing, then the debt must be referred to Treasury.

**B Purpose**

This exhibit:

- provides clarification about CNC accounts with discrimination complaints accepted by OAC as valid
- provides guidance on the following:
  - classifying debt as CNC
  - referring debt to Treasury for cross-servicing
  - servicing debt referred for cross-servicing
  - servicing debt after it has been returned from Treasury
  - canceling uncollectible debt.

**2 Cross-Servicing****A Classifying Debt as CNC**

DCIA requires that any nontax debt or claim owed to the United States that has been delinquent for a period of 180 calendar days be referred to Treasury for collection. There are several exemptions that are covered in FSA-1956-20.

All requirements listed in FSA-1956-20 must be met before classifying a debt as CNC. All debts must be classified as CNC to be referred to cross-servicing and must have been referred to TOP. 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.--\*

**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)****2 Cross-Servicing (Continued)****A Classifying Debt as CNC (Continued)**

County Offices shall prepare FSA-1956-20 to classify the debt as CNC when all security has been liquidated, the debt has been accelerated, or the loans are fully matured, and the debtor:

- does not return a complete debt settlement application within 30 calendar days of receiving 5-FLP, Exhibit 44

**Note:** Debt settlement application includes any and all documents to make a complete determination of a borrower's ability to pay. This documentation may include bank records, tax returns, other verifications of income and debt, etc.

- submits a complete application for debt settlement that is not acceptable to FSA after receiving 5-FLP, Exhibit 44.

County Offices shall submit FSA-1956-20 to the State Office through DD.

**B Nonjudgment Debt**

Treasury published its final rule on December 28, 2009 (with a correction published January 6, 2010), to eliminate the requirement that offset of IRS refunds may only be processed for debts "referred for offset within 10 years after the agency's right of action accrues." This change allows offset of nontax debt regardless of how long the debt has been delinquent.

Any FLP nonjudgment debts that were 10 or more years delinquent on or before December 28, 2009, should have been removed from TOP and/or recalled from cross-servicing. If further collection action is otherwise legally permissible on these older debts, they can be resubmitted to TOP and/or cross-servicing according to this new rule.

In cases where FLP debts that were 10 or more years delinquent on or before December 28, 2009, were erroneously not deleted from TOP and/or recalled from cross-servicing, the debts must be immediately deleted and/or recalled. According to Treasury's regulations at 31 CFR 285.2(d)(6)(ii), these debts are not eligible for offset of IRS refunds unless they receive offset notification after the debt became 10 years delinquent. This requirement applies even if a notice was already sent before the debt became 10 years delinquent. The debtors must also be provided with the opportunity to resolve the debt before additional offset collection action is taken. The TOP notification and due process letter sent as part of the TOP quarterly referral process satisfies these requirements. Therefore, to continue collection on any FLP debt that was 10 or more years delinquent on or before December 28, 2009, the debt must be deleted and/or recalled and resubmitted through the TOP process to provide debtors the opportunity to resolve the debt before any additional offsets are taken.--\*

**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)****2 Cross-Servicing (Continued)****C Judgment Debt**

The 20-year SOL for judgment debt still applies.

**D Actions Required for Referring and Servicing CNC Debt**

The State Office shall:

- process transaction code “3K” on ADPS with a class of write off code “5” for all debt types except leases, third party judgments, and equity receivables
- refer debts for cross-servicing by completing and submitting FSA-1956-21 to FSC, FLOO, PRG by FAX at 314-679-6817

**Note:** Borrowers and co-borrowers (including liable spouses) shall be listed on FSA-1956-21 with their TIN’s and must be referred at the same time. If no TIN can be identified, in FSA-1956-21, item 3A, ENTER “TIN unknown”, and provide the debtor’s last known address. Such 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.

- recall debts from cross-servicing when they no longer meet CNC requirements, such as bankruptcy protection or 20-year SOL expiration for judgment debts, by completing and FAXing FSA-1956-22, with supporting documentation, to FSC, FLOO, PRG at 314-679-6817.

**Note:** These debts should be deleted immediately on the TOP screens, if applicable.--\*

**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)****2 Cross-Servicing (Continued)****D Actions Required for Referring and Servicing CNC Debt (Continued)**

FSC, FLOO, PRG shall:

- refer debt listed on FSA-1956-21 to Treasury for cross-servicing on a monthly basis
- provide State Offices a report of all loans submitted with each referral to Treasury
- recall CNC debt from cross-servicing as needed
- notify State Offices when the following occur:
  - debts are disputed
  - compromises are offered
  - initial cross-servicing payments are received
  - debts are returned from cross-servicing
  - debt has been resubmitted per State Office request.

**E FSA Collection Activity**

Treasury regulations require that FSA stop all collection activity on debts referred for cross-servicing, 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 FedDebt.

**Note:** If needed, call FSC, FLOO, PRG at 314-539-2494 for assistance.--\*

**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)****2 Cross-Servicing (Continued)****E FSA Collection Activity (Continued)**

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

- prepare a memorandum to FSC, FLOO, PRG stating the following:
  - 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 the following address:

Farm Service Agency  
Farm Loan Operations Office, FC-533  
Attn: Carolyn Lane  
P.O. Box 200003  
St. Louis, MO 63120-0003.

Borrowers referred for 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.

**F Discrimination Complaints at Cross-Servicing**

CNC accounts involved in an accepted discrimination complaint are **not** eligible for cross-servicing; however, these accounts will remain on the TOP screen for offset.

If a debtor files a program discrimination complaint and USDA's OAC accepts the complaint as valid, immediately FAX FSA-1956-22 and supporting documentation to FSC, FLOO, PRG at 314-679-6817 to recall the debt from cross-servicing.--\*

**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)**

**2 Cross-Servicing (Continued)**

**G Debt Settlement Offers**

CNC debt may be settled by FSA upon application by the borrower, **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 the FedDebt system to determine whether the account has been referred for cross-servicing.

<b>IF the account has...</b>	<b>THEN inform the borrower that...</b>
been referred for cross-servicing and at least 1 loan still at cross-servicing	the debt is now at Treasury and negotiations need to be with Treasury. Borrowers: <ul style="list-style-type: none"> <li>• may contact Treasury at 1-888-826-3127</li> <li>• have no appeal rights for settlements rejected by Treasury and returned to FSA.</li> </ul>
either of the following: <ul style="list-style-type: none"> <li>• not been referred for cross-servicing (and such referral is not required)</li> <li>• all of the borrower's/co-borrower's loans have been returned from cross-servicing</li> </ul>	a debt settlement offer may be considered. See RD Instruction 1956-B for processing debt settlements.

If a debt settlement offer is received after the State Office has submitted the debt for cross-servicing referral on FSA-1956-21 but the debt has not yet been referred, the State Office should notify FSC, FLOO, PRG immediately by FAX at 314-679-6817. 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 FSC, FLOO, PRG immediately when a decision is made. If the offer is rejected, the debt will be sent to Treasury for cross-servicing in the next referral.--\*

**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)****3 Account Resolution After Referral to Cross-Servicing****A Process**

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 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.

By the second week of each month, FSC, FLOO, PRG may access Treasury's FedDebt system and run the Creditor Agency's Return to Agency Report for the prior month. This report reflects all FSA debts that were returned to FSA in the requested month and the reason the debt was returned.--\*

**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)**

**3 Account Resolution After Referral to Cross-Servicing (Continued)**

**B Action**

Debts shall be resolved according to the following.

Step	Office	Action
1	State Office	State Offices shall: <ul style="list-style-type: none"> <li>• receive Treasury’s DMS action form or concurrence request from FSC, FLOO, PRG about a repayment agreement/adjustment offer or compromise offer</li> <li>• receive a list of all debts Treasury has returned from cross-servicing for the month from FSC, FLOO, PRG</li> <li>• based upon the information in the case file, determine whether the debt is eligible for settlement through the proposed repayment/adjustment offer, compromise offer, or if the debt may be canceled.</li> </ul>
		<b>Repayment/Adjustment Offers and Compromise Offers</b>
		SED shall: <ul style="list-style-type: none"> <li>• obtain concurrence from the U.S. Attorney or FSA FLP National Office, if necessary</li> <li>• sign the DMS action form</li> <li>• ENTER “Y” or “N” in the “Approved” column, as applicable</li> <li>• FAX to FSC, FLOO, PRG at 314-679-6817.</li> </ul> <p><b>Note:</b> If an offer is <b>not</b> approved, include supporting documentation to substantiate why greater repayment is warranted. Approved agreements must <b>not</b> exceed 5 years according to RD Instruction 1956-B.</p>

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**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)**

**3 Account Resolution After Referral to Cross-Servicing (Continued)**

**B Action (Continued)**

Step	Office	Action
1 (Continued)	State Office (Continued)	<p style="text-align: center;"><b>Cancellation</b></p> <p>The account balance may be considered for cancellation when all:</p> <ul style="list-style-type: none"> <li>• of the loans eligible for referral to the cross-servicing program have been referred but returned for the debtor and any co-debtors</li> <li>• payments have been received from any compromise or adjustment offers negotiated by Treasury.</li> </ul> <p>The account balance will be canceled if there are no known collections that FSA will receive through TOP or FSA's internal administrative offset process. Known collections are from payments that FSA is certain it will receive from offsets in the near future, such as Social Security benefits, Federal salary, farm program payments, etc., for an amount sufficient to reduce the overall balance of the debt.</p> <p>Canceling a debtor's account balance will be completed according to RD Instruction 1956-B or RD Instruction 1956-B, Exhibit B, as appropriate. If 1 or more of a debtor's loans have been canceled using the debt cancellation authority under the Federal Claims Collection Standards, the remaining account balance may be canceled under RD Instruction 1956-B. If a debtor has received debt forgiveness under the CONACT authorities, such as a write-down through primary loan servicing, the remaining account balance may be canceled according to RD Instruction 1956-B, Exhibit B.</p>

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**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)**

**3 Account Resolution After Referral to Cross-Servicing (Continued)**

**B Action (Continued)**

Step	Office	Action
1 (Continued)	State Office (Continued)	<p style="text-align: center;"><b>Cancellation</b></p> <p>SED's shall:</p> <ul style="list-style-type: none"> <li>• process the loan cancellation as appropriate using RD 1956-1</li> <li>• prepare a memorandum advising FSC, FLOO, PRG of the cancellation</li> <li>• FAX the signed memorandum to FSC, FLOO, PRG.</li> </ul> <p><b>Note:</b> The State Office shall obtain any necessary concurrence before canceling the debt.</p> <p>When canceling remaining loan balances owed on debts compromised by Treasury:</p> <ul style="list-style-type: none"> <li>• document the information about the compromise on RD 1956-1</li> <li>• process transaction code "3K" using class of write off code "1" for the compromised debt</li> <li>• process transaction code "3K" using class of write off code "4" for the balance of the debt returned as uncollectible</li> <li>• the effective date for all 3K transactions shall be the date SED or DAFLP signed RD 1956-1.</li> </ul>

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**\*--Collection Through Cross-Servicing and Debt Settlement of Uncollectible Debt (Continued)**

**3 Account Resolution After Referral to Cross-Servicing (Continued)**

**B Action (Continued)**

Step	Office	Action
2	FSC, FLOO, PRG	<p style="text-align: center;"><b>Repayment/Adjustment Offers and Compromise Offers</b></p> <p>FAX the signed DMS action form to Treasury. Once the full amount of the repayment/adjustment or compromise is received and applied, FAX a memorandum to the State Office notifying the State that the full amount of the repayment/adjustment or compromise has been collected and applied to the debt.</p> <hr/> <p style="text-align: center;"><b>Approved Cancellations</b></p> <p>When cancellations cannot be processed by the State Office, FSC, FLOO, PRG shall:</p> <ul style="list-style-type: none"> <li>• request RD 1956-1 for authorization of cancellation</li> <li>• notify the appropriate loan servicing team to process cancellations approved by SED</li> <li>• FAX a memorandum to the State Office once the cancellation has been completed.</li> </ul>
3	State Office	<p>Attach FSC, FLOO, PRG memorandums, State Office memorandums, and any applicable forms to the State Office copy of FSA-1956-20 or FSA-1956-10, if CNC was before September 11, 2000.</p> <p>Forward a copy of the FSC, FLOO, PRG memorandum and any applicable forms to the Farm Loan Manager.</p>
4	County Office	<p>File FSC, FLOO, PRG memorandums, State Office memorandums, and any applicable forms in the case file.</p> <p>After all payments have been processed, stamp the promissory notes “Satisfied by Completed Adjustment Offer”, “Satisfied by Approved Compromise”, or “Satisfied by Approved Cancellation”, as applicable, and return the satisfied notes to the borrower.</p> <p>In cases where the debt is returned as uncollectible, but cannot be canceled, continue monitoring the account until it is eligible for cancellation, then process the cancellation according to RD Instruction 1956-B or Exhibit B, as applicable.</p>

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