

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Cotton Loans and Loan Deficiency Payments
7-CN (Revision 15)

Amendment 31

Approved by: Deputy Administrator, Farm Programs



Amendment Transmittal

A Reasons for Amendment

Paragraph 31 has been amended to extend the policy relating to fire loss to damage and losses attributable to other causes.

Paragraph 52 has been added to provide instructions for accessing COPS.

Subparagraph 175 A has been corrected to state that the research and promotion fee deduction from loans applies **only** to upland cotton and **not** ELS.

Page Control Chart		
TC	Text	Exhibit
1, 2	1-53, 1-54 1-101 through 1-106 1-106.5 through 106.8 (add) 3-27 through 3-36	

Table of Contents

Page No.

Part 1 General Information and Administrative Provisions

Section 1 General Information

1	Purpose and Authorities	1-1
2	Program Objectives	1-2
3	Related Handbooks	1-3
4	Related Web Sites	1-5
5-8	(Reserved)	

Section 2 Responsibilities

9	National Office Responsibilities	1-17
10	Kansas City Office Responsibilities	1-18
11	STC Responsibilities	1-22
12	SED Responsibilities	1-24
13	COC Responsibilities	1-25
14	CED Responsibilities	1-26
15-20	(Reserved)	

Section 3 Administrative Provisions

21	Amounts of \$9.99 or Less	1-41
22	AWP and CCA Announcement Times	1-41
23	Appeals	1-44
24	Bankruptcy Cases	1-45
25	Calculations of LDP and Market Gains	1-46
26	Allowable CCA	1-48
27	CCA: Applicable Bales	1-49
28	Corporations and Partnerships Dissolved and Loan Assumptions	1-50
29	Cotton Clerks	1-51
30	Finality Rule	1-52
31	Lost or Damaged Cotton Loan Collateral	1-53
32	Graduated Payment Reductions	1-55
33	Interest Rates	1-57
34	IRS Reporting Requirements	1-58
35	Loans Ineligible for Forfeiture	1-58
36	Local Sales	1-61
37	Lobbying Disclosure Requirements, Compliance, and Reporting	1-68
38	Market Gain Reports	1-81
39	Misinformation and Misaction	1-82
40	Nonresident Producer	1-82
41	Offsets	1-83
42	Overdisbursements, Manual Checks, and Receivables	1-85

Table of Contents (Continued)

Page No.

Part 1 General Information and Administrative Provisions (Continued)

Section 3 Administrative Provisions (Continued)

43	Payment Limitation	1-88.8
44	Monitoring Payment Limitation	1-89
45	Power of Attorney	1-90
46	Prompt Payment Act	1-91
47	Lost or Missing Warehouse Receipts	1-92
48	Warehouse Status Notification	1-95
49	Responsibility for Warehouse Storage and Receiving Charges	1-98
50	Notification During NITC Failure.....	1-99
51	Soldiers' and Sailors' Civil Relief Act of 1940	1-101
52-56	(Reserved)	

Section 4 State Office Administrative Activities

57	Program Violations	1-107
58	Supervision	1-108
59	Approving County Offices to Make Seed Loans Without Measurement	1-109
60-63	(Reserved)	

Section 5 Automated Price Support System

64	Automated Procedures	1-117
65	County Office-Maintained Table Files	1-118
66	Producer and Loan Identification	1-120
67-69	(Reserved)	

Section 6 Ginner Approval Requirements, Agreements, and Codes

70	Overview	1-125
71	Cooperating Ginner Requirements Using CCC-809	1-126
72	Bagging and Tie Requirements Agreement Using CCC-809	1-128
73	Approving Cooperating Ginners	1-130
74	Cotton Ginned by Noncooperating Ginners	1-131
75	Nonspecification Bagging Used by a Cooperating Ginner	1-132
76	Posting Ginner Lists	1-133
77	Sending Lists to Producers, LSA's, and Cooperatives	1-135
78	Ginner Approval and Letter of Credit for Seed Cotton Loans	1-137
79	Ginner Approval Application for Seed Cotton Loans Using CCC-879	1-140
80	Ginner Approval and Agreement Using CCC-880	1-141
81	Updating Ginner Code Table in APSS	1-145
82	Accessing Ginner Code Table in APSS	1-146
83-99	(Reserved)	

--31 Lost or Damaged Cotton Loan Collateral*A Background**

When a storm, flood, or other natural disaster or inadvertent warehouse event damages or--* destroys bales of cotton that are pledged as collateral for a CCC loan, KCCO shall:

- notify the applicable State Office of the loss
- provide a list of the:
 - loan numbers involved
 - warehouse receipt numbers for the damaged or destroyed bales.

State Offices shall immediately notify the appropriate County Office.

--B Producer's Options After Damage or Destruction--

CCC shall allow the producer, whose cotton loan collateral has been damaged or destroyed by fire, up to 30 calendar days from notification of the loss to either:

- redeem the affected bales from loan
- forfeit the affected bales to CCC.

It may be advantageous to the producer to redeem the affected bales if their actual cash value *--exceeds CCC's redemption value.--*

By electing to forfeit the affected bales to CCC, the producer surrenders all rights to any salvage or insurance proceeds to CCC.

C Notifying Producers

County Offices shall notify producers of * * * losses in a letter that:

- states the date and full extent of the loss
- provides loan numbers and warehouse receipt numbers involved
- details options for action available to the producer
- reminds the producer that, if CCC-605 has been issued to a buyer, the producer must notify the buyer of the loss and options available
- allows the producer 30 calendar days from the date of the letter to take action
- states: "If you take no action, the affected bales will automatically be forfeited to CCC on the 31st calendar day from the date of this letter".

--31 Lost or Damaged Cotton Loan Collateral (Continued)--

C Notifying Producers (Continued)

This is an example of a letter notifying a producer of fire-damaged or destroyed cotton loan collateral.

UNITED STATES DEPARTMENT OF AGRICULTURE Somecounty FSA Office Sometown, USA 71222-1234 TEL: 318-555-9442				[Date]
John W. Okley 333 Highway 344 Sometown, USA 71222-1234				
Dear Mr. Okley:				
On September 16, 1996, we were notified that 4 bales on your 1996 cotton loan number 66, and 4 bales on your 1996 cotton loan number 277 were either damaged or destroyed by fire at the Tinker Compress Warehouse. Following is a list of the loan numbers and warehouse receipts of the damaged or destroyed bales:				
<u>Loan Number</u>	<u>Receipt Number</u>	<u>Loan Number</u>	<u>Receipt Number</u>	
66	136311	277	183566	
66	136313	277	183567	
66	136314	277	183568	
66	136315	277	183569	
You may take either of the following actions:				
1. Redeem the affected bales. 2. Forfeit the affected bales to CCC.				
It may be advantageous to you to redeem the affected bales if their actual cash value on the date of the fire was more than the CCC redemption value.				
By electing to forfeit the affected bales to CCC, you surrender all rights to any salvage or insurance proceeds to CCC.				
If you have signed CCC-605 to a buyer allowing the buyer to act as your agent, you must make the buyer aware of the damaged or destroyed bales and options available.				
You have 30 calendar days from the date of this letter to either redeem these bales or forfeit them to CCC. If you take no action, the affected bales will automatically be forfeited to CCC on the 31 st calendar day from the date of this letter.				
Please contact this office if you have any question regarding this matter.				
Sincerely,				
County Executive Director				

--51 Soldiers' and Sailors' Civil Relief Act of 1940*A Applicable Borrowers**

Applicable MAL borrowers are persons who are either:

- on active duty anywhere in the world and are active duty members of any of the following:
 - U. S. Army
 - U. S. Navy
 - U. S. Marine Corps
 - U. S. Air Force
 - U. S. Coast Guard
- officers of the Public Health Service detailed by proper authority for duty with the U. S. Army or the U. S. Navy.

Notes: Active duty members include members of Reserve or National Guard Units who have been called to active duty status.

Additionally, active duty includes those members of the referenced branches in training or education under U. S. supervision preliminary to induction into the military service. The term “active duty” also includes the period during which a person in military service is absent from duty because of sickness, wounds, leave, or other lawful cause.

B Applicable Loans

CCC MAL's and farm storage facility loans secured with commodities or personal or real property and entered into **before** the borrower entered active military service, affected by the Soldiers' and Sailors' Civil Relief Act of 1940 are for:

- grains, soybeans, minor oilseeds, and rice
- dry peas, chickpeas, and lentils
- upland and ELS cotton
- peanuts
- wool, mohair, and honey.--*

51 **Soldiers' and Sailors' Civil Relief Act of 1940 (Continued)****C Relief Available**

Types of relief offered include the following.

- Relief from foreclosure, sale, or seizure of property for nonpayment of a loan obligation, during the period of active military service or within 3 months thereafter, unless done according to an agreement with CCC or through a court order.

- *--**Example:** Cotton under loan may be voluntarily forfeited at loan maturity to settle an outstanding loan. However, if the producer does not settle the loan, either by cash repayment or forfeiture, CCC may not take foreclosure action to acquire the cotton to settle a loan.--*

- Treasury and internal administrative offsets will be discontinued once a producer is ordered to report for induction or military service, and any payments received as a result of offset after the date the borrower was called to active duty will be refunded.

- Interest rates for applicable loans may not exceed 6 percent during the period of active military service.

*--52 Accessing COPS

A COPS Home Page

The COPS Home Page contains the following links:

- “User Guide” that provides detailed, step-by-step instructions for using the COPS web site
- “Experiencing Problems” that provides a list of potential problems a user may experience along with suggested solutions or links to documents that contain information to solve the problems
- “News Bulletins” that provides information related to changes in COPS availability and enhancements that appear as news bulletins
- “System Access Request” that provides the capability for:
 - new users to request system access to COPS by furnishing the following:
 - reason for request
 - entity request type
 - contact/mailing information
 - current users to:
 - add county codes
 - submit notification of a move from 1 county to another.

B Requesting COPS Access

To access COPS, each user **must**:

- have NITC user ID and password
- request COPS access.

After the user submits the access request from COPS Home Page, it is approved by State Office price support specialist.

After the State Office authorizes and approves the request, the application will be sent to a security official. The security official will issue NITC user ID and COPS password by e-mail to the new user or approve current user for additional county access.--*

*--52 Accessing COPS (Continued)

B Requesting COPS Access (Continued)

Users shall access COPS according to the following table.

Note: Instructions and illustrations can also be found in the COPS User Guide, Section 1.6. On COPS Home Page, CLICK “System Access Instructions” link under the “Administrative” tab.

Step	Action		Result
1	Access COPS Home Page at www.fsa.usda.gov/cotton .		COPS Sign On Screen will be displayed.
2	On the Sign On Screen , new users CLICK “Guest Logon” button.		COPS Home Page will be displayed.
3	On COPS Home Page , CLICK “System Access Request” link under the “Administrative” tab.		System Access Request Screen will be displayed. Go to step 4.
4	On the System Access Request Screen do the following.		
	IF the user...	THEN CLICK...	
	new	“New User”	A pop-up box will be displayed that advises that a current user is not to use this option if they are having a problem with their COPS login. Go to step 5.
	current	“Current User”.	System Access Request Form Screen will be displayed with the current user's information. Go to step 6.
5	Read the pop-up box and CLICK “OK”.		The System Access Request Form Screen will be displayed. Go to step 6.

--*

*--52 Accessing COPS (Continued)

B Requesting COPS Access (Continued)

Step	Action	Results														
6	On the System Access Request Form Screen do the following.															
	<table border="1"> <tr> <th data-bbox="381 396 570 474">IF the user is...</th> <th data-bbox="570 396 1024 474">THEN...</th> </tr> <tr> <td data-bbox="381 474 570 810">new</td> <td data-bbox="570 474 1024 810"> <ul style="list-style-type: none"> • select a reason for request • select an entity reason types • enter type codes, contact information, and mailing address information • CLICK "Submit". </td> </tr> <tr> <td data-bbox="381 810 570 968">current</td> <td data-bbox="570 810 1024 968"> <ul style="list-style-type: none"> • select a reason for request • select an entity request type • enter the new county codes • CLICK "Submit". </td> </tr> <tr> <td colspan="2" data-bbox="381 968 1024 1234">To clear all the information, CLICK "Reset".</td> <td data-bbox="1024 474 1492 1234"> <p>Access Request Confirmation Screen will be displayed with information about the new user request. Go to step 7.</p> <p>Access Request Confirmation Screen will be displayed with information about the current user request. Go to step 7.</p> <p>System Access Request Form fields will be:</p> <ul style="list-style-type: none"> • cleared for a new user • reset for current user. <p>Continue with this step.</p> </td> </tr> <tr> <td colspan="2" data-bbox="381 1234 1024 1308">To close the System Access Request Form Screen, CLICK "Cancel".</td> <td data-bbox="1024 1234 1492 1308">COPS Home Page will be displayed.</td> </tr> <tr> <td data-bbox="284 1308 381 1381">7</td> <td data-bbox="381 1308 1024 1381">On the Request Confirmation Screen, CLICK "Continue".</td> <td data-bbox="1024 1308 1492 1381">COPS Home Page will be displayed.</td> </tr> </table>		IF the user is...	THEN...	new	<ul style="list-style-type: none"> • select a reason for request • select an entity reason types • enter type codes, contact information, and mailing address information • CLICK "Submit". 	current	<ul style="list-style-type: none"> • select a reason for request • select an entity request type • enter the new county codes • CLICK "Submit". 	To clear all the information, CLICK "Reset".		<p>Access Request Confirmation Screen will be displayed with information about the new user request. Go to step 7.</p> <p>Access Request Confirmation Screen will be displayed with information about the current user request. Go to step 7.</p> <p>System Access Request Form fields will be:</p> <ul style="list-style-type: none"> • cleared for a new user • reset for current user. <p>Continue with this step.</p>	To close the System Access Request Form Screen, CLICK "Cancel".		COPS Home Page will be displayed.	7	On the Request Confirmation Screen, CLICK "Continue".
	IF the user is...	THEN...														
	new	<ul style="list-style-type: none"> • select a reason for request • select an entity reason types • enter type codes, contact information, and mailing address information • CLICK "Submit". 														
	current	<ul style="list-style-type: none"> • select a reason for request • select an entity request type • enter the new county codes • CLICK "Submit". 														
To clear all the information, CLICK "Reset".		<p>Access Request Confirmation Screen will be displayed with information about the new user request. Go to step 7.</p> <p>Access Request Confirmation Screen will be displayed with information about the current user request. Go to step 7.</p> <p>System Access Request Form fields will be:</p> <ul style="list-style-type: none"> • cleared for a new user • reset for current user. <p>Continue with this step.</p>														
To close the System Access Request Form Screen, CLICK "Cancel".		COPS Home Page will be displayed.														
7	On the Request Confirmation Screen, CLICK "Continue".	COPS Home Page will be displayed.														

--*

*--52 Accessing COPS (Continued)

C State Office Approval Process

State Office price support specialist will:

- receive an e-mail notifying them that a pending user requires State Office approval for access to COPS
- follow the steps in this table to approve the request.

Step	Action	Results
1	On the COPS Home Page , CLICK “ User Maintenance ” link under the “ Administrative ” tab.	State User Maintenance Screen will be displayed.
2	On the State User Maintenance Screen: <ul style="list-style-type: none"> • sort by “Show all Counties” • CLICK “List”. 	User Maintenance List Screen will be displayed. Print User Maintenance List.
3	On the User Maintenance List Screen place the cursor on the Administrative tab on the menu bar and CLICK “Request Review” on the drop box.	Request Review List Screen will be displayed.
4	On the Request Review List Screen, CLICK “Pending User Number” of the person you want to approve or delete.	Pending User Details Screen will be displayed.
5	Review the Pending User Details Screen (county code) against the printed User Maintenance Screen List as needed.	
	IF the user is...	THEN...
	not listed on the User Maintenance List and is requesting access to COPS as a new user	<ul style="list-style-type: none"> • ensure that data entered is correct, especially the e-mail address; make necessary corrections, if required • CLICK “Approve 1”. Approve 1 Confirmation Screen will be displayed to verify that the pending user has been updated to “Approve 1” status. The approval process for a new user is completed.

--*

*--52 Accessing COPS (Continued)

C State Office Approval Process (Continued)

Step	Action		Results
5 (Cntd)	IF the user is... a current user requesting authorization to add additional county codes	THEN... <ul style="list-style-type: none"> • review the request on the Pending User Details Screen, COPS Access Information Block <p>Note: County codes the user already has access to will show in COPS Access Information Block</p> <ul style="list-style-type: none"> • new county codes are shown on the Request Type • CLICK “Approve 1”. 	Approve 1 Confirmation Screen will be displayed to verify that the pending user has been updated to “Approve 1” status. The approval process for a current user county code addition is completed.
	a current user requesting authorization to move from 1 county to another	<ul style="list-style-type: none"> • review the request on the Pending User Details Screen, COPS Access Information Block <p>Note: County codes the user previously had access to will show in COPS Access Information Block.</p> <ul style="list-style-type: none"> • new county will be displayed in the Request Type Block • CLICK “Approve 1” for the new county request • contact Janet DeLancey by telephone at 816-926-2638 or e-mail at janet.delancey@kcc.usda.gov advising the name of the user and the State and county codes requiring deletions. 	Approve 1 Confirmation Screen will be displayed to verify that the pending user has been updated to “Approve 1” status. The approval process for a current user county code deletion is completed. Kansas City will delete the user from the invalid county.

--*

*--52 Accessing COPS (Continued)

C State Office Approval Process (Continued)

Step	Action		Results
5 (Cntd)	IF the user is... a current user attempting to come in as a new user and is listed on the User Maintenance List	THEN... <ul style="list-style-type: none"> • the user will have an expired NITC ID or COPS password <p>Note: Do not approve.</p> <ul style="list-style-type: none"> • State Office shall instruct County Office user to contact the National Help Desk at 800-255-2434, Option 5, or call the Security Office at 816-926-6537, and request to have their NITC ID reinstated or have their COPS password reset • CLICK “Delete” at the bottom of the Pending User Details Screen. 	A pop-up box will be displayed with the question, “Are you sure you want to delete this user?” CLICK “Yes”. A Delete Confirmation Screen will be displayed that advises that the pending user has been deleted. The deletion process is completed.

--*

--52 Accessing COPS (Continued)*D Password Expiration**

COPS passwords expire after 30 calendar days and can be reset by the user at the COPS Sign-On screen. If **not** reset, the COPS password will be:

- revoked after 36 calendar days
- suspended after 90 calendar days
- put on the delete list after 120 calendar days
- deleted after 180 calendar days.

If users have **not** accessed COPS recently, it may be necessary to update the password. Instructions are in the COPS User Guide, Section 1.3. On COPS Home Page, CLICK “System Access Instructions” link under the “Administrative” tab.

A pop-up box will appear on COPS if a user tries to change a password that does not conform to the new rules. The screen will identify the specific error, such as “does not include a numeric character.”

A new button labeled “Password Rules” has been added to the Secure System Password Reset Screen. Users can click “Password Rules” to obtain details of the new password requirements.

Three attempts to change the password will be allowed before the password is suspended. If problems are encountered while resetting a password, contact FSA Security Office at 816-926-6537.--*

53-56 (Reserved)

173 Loan Service Fee**A Service Charges**

[7 CFR 1427.13] Service charges shall be assessed on all loans disbursed. The service fee shall be the **smaller** of the following:

- ½ of 1 percent (.005) times the gross loan amount
- \$7.50 per loan plus 90 cents for each bale pledged.

This amount shall be withheld from the loan amount.

Note: If multiple loans are made for County Office convenience, the \$7.50 fee is charged on the initial loan only but the 90 cents/bale fee applies to all bales. See subparagraph 187 B, step 22 to reduce the \$7.50 fee on multiple loans.

174 Allowable and Nonallowable Loan Charges**A Allowable Deductions**

Allowable deductions from the gross loan amount are those for:

- nonrefundable loan service charges, according to paragraph 173
- cotton clerk fee, according to 14-CN
- upland cotton research and promotion assessment, according to paragraph 175.

B Nonallowable Deductions

Nonallowable deductions from the gross cotton loan amount are **any** unpaid warehouse:

- storage charges
- receiving charges, which may include charges for new ties.

*--If a statutory lien exists on the cotton, such as a State lien for boll weevil eradication, or a labor lien such as ginning charges that have statutory standing, and lien waivers are:

- **not** received, do **not** disburse the loan--*

174 Allowable and Nonallowable Loan Charges (Continued)**B Nonallowable Deductions (Continued)**

- received and checked in block 2, disburse loan proceeds without any offsets jointly to all lienholders and producers

Note: In such case the following fees, if requested for offset, shall **not** be deducted from loan proceeds:

- ginning or other fees requested for payment by producer
- marketing fees assessed by loan clerks
- received and checked in block 3, disburse loan proceeds, less the specifically approved offset changes, jointly to all lienholders and producers.

Note: Cotton clerk fees are an allowable deduction from the gross loan amount.

175 Research and Promotion Fees**A Fee and Computation**

[7 CFR 1427.13(d)] Research and promotion fees paid to the Cotton Board are deducted ~~from upland cotton (not ELS) loan proceeds. This fee is centrally collected and remitted--*~~ to the Cotton Board from Kansas City. The amount of the fee is shown on:

- CCC-Cotton A
- CCC 881, item 7d.

CMA's and LSA's that provide loans deduct this fee from loan proceeds and pay the Cotton Board directly rather than payment collection through Kansas City.

Compute upland cotton loan research and promotion fees as follows:

charge \$1 per bale, plus a supplemental assessment of .5 (.005) percent of the total loan value of the cotton, before deducting charges determined according to subparagraph 164 J for providing new bale ties.

176-180 (Reserved)