

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

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

Amendment 41

Approved by: Acting Deputy Administrator, Farm Programs



Amendment Transmittal

A Reason for Amendment

Paragraph 1 has been amended to identify the Food, Conservation, and Energy Act of 2008, as authority for cotton programs.

Subparagraphs 3 A, 41 A, 42 A and C, 187 B, 188 A and C, 197 F, 210.11 C, 223.7 F, 223.9 C, 241 C, 257 C, 277 C and I, 278 B, 288 B, 292 A, and Exhibit 1 have been amended to remove references to manual CCC-184's, because CCC-184's will **no** longer be issued by County Offices.

Subparagraph 4 A has been amended to remove reference to the discontinued web site for the Cotton Merchant Registry and revise the web site reference for AWP and LDP rates.

Paragraph 10 has been amended to add loan-cotton transfer request approval and administration as KCCO responsibilities.

Subparagraph 22 A has been amended to provide that the upland cotton AWP announcement time has been changed from 5 p.m. to 4 p.m. eastern time.

Subparagraph 22 E has been amended to provide the current web site for the weekly upland cotton AWP, CCA, FCA, and LDP.

Paragraph 26's title has been amended to include FCA and subparagraphs 26 B and C have been added to explain using FCA.

Subparagraph 28 C has been amended to clarify that any entity that assumes a loan because of the dissolution of a corporation or partnership is **not** required to meet loan eligibility requirements as a condition of assuming the loan obligation.

Subparagraph 34 A has been amended to provide that CCC reports to IRS the value of storage credited to upland cotton loan repayment amounts.

Subparagraph 38 A has been amended to update the Market Gain Report option number.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 43 A has been amended to provide that payment limit will **not** apply to 2009 and subsequent crops and to clarify cotton eligibility for commodity certificate exchanges.

Subparagraph 43 C has been amended to clarify that CCC-502 and CCC-526 do **not** need to be filed if a loan obligation is repaid at the loan rate or satisfied using a commodity certificate exchange.

Subparagraph 46 C has been amended to include 50-FI and 61-FI for prompt payment policy, interest rates, and computation information.

Paragraph 47 has been withdrawn because CCC will **not** accept paper warehouse receipts as cotton loan collateral starting with the 2009 crop.

Subparagraph 49 C has been amended to provide the maximum storage credit rates effective for the 2008 through 2012 crop years.

Subparagraph 52 B, Step 1 has been amended to provide the correct web site for COPS.

Paragraph 53 has been amended for consistency with 8-LP second-party review procedure.

Subparagraph 54 K has been amended to delete the number of MAL's and LDP's received in the County Office from the annual report.

Subparagraph 79 A has been amended to provide that CCC-879 is submitted annually for the current crop year **only**.

Subparagraph 100 A has been amended to clarify that CCC-526 **must** be on file for loans repaid when loan gain occurs, but is **not** required for loans redeemed at principal plus interest or using a commodity certificate exchange.

Subparagraph 103 A has been amended for consistency with 8-LP similar instructions.

Subparagraph 103 D has been amended to remove the reference to delivering EWR's to a producer's agent from the fifth bullet and provide a clarifying note.

Subparagraph 123 A has been amended to revise the strength and length uniformity requirements of base quality cotton.

Subparagraph 123 D has been amended to provide that seed cotton is **not** classed before being pledged as collateral for a CCC loan.

Subparagraph 127 A has been amended to provide AGI requirements effective for 2009.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 160 C has been amended to provide policy that terminates certificate exchanges for loan collateral at the end of the 2009 crop year.

Subparagraph 164 A has been amended to provide that, effective for the 2009 crop of cotton, warehouse receipts **must** be EWR's to be acceptable as collateral for MAL's.

Subparagraph 164 G has been withdrawn because paper warehouse receipts are **no** longer being accepted as collateral for cotton MAL's.

Subparagraph 182 B instructions for CCC Cotton A-5 have been amended. CCC Cotton A-5, item 21, "Do you agree that any agent you authorize to redeem this loan may use the automated EAD redemption process?", has been removed from the current CCC Cotton A-5 version for simplification.

Subparagraph 184 C has been amended to provided that flat bales are **ineligible** for loan starting with the 2009 crop.

Subparagraph 186 B has been amended to remove preparation codes 1, 2P, 3, and 4 and subparagraph 281 A has been amended to remove reference to LDP's based on paper receipts because paper receipts are **no** longer accepted by CCC as loan collateral.

Subparagraph 197 C has been amended to clarify the crop years for which exchanging collateral for commodity certificates are available.

Subparagraphs 201 A and 210.5 A have been amended to provide that exchanging commodity certificates for cotton loan collateral terminates at the end of the 2009 crop year.

Subparagraph 201.5 D has been added to clarify that 1 day of storage credit is provided for loans established for immediate certificate redemption.

Subparagraph 205 D, that referred to the National Registry of cotton-merchant signatures, has been removed because using that registry has been terminated because most form-A loans are being redeemed electronically and the remaining CCC-605's are being presented by known company representatives.

Subparagraph 210.10 A, step 13 has been amended to recommend using multiple check/item numbers for excessively large invoices.

Subparagraph 212 B, Step 2 has been amended for clarity to provide that the entry includes the loan number of the forfeited bales.

Subparagraph 214 C has been amended to provide a note to record LSA producer receivable numbers and to amend the contact in Kansas City for providing LSA receivable numbers.

Subparagraph 223.7 F has been amended to reflect current provisions for paying UCC-1 filing fees.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 262A has been amended to update a paragraph reference and clarify that producers are **required** to submit both CCC-633 EZ, pages 1 and 3 to request cotton LDP.

Subparagraph 267 A has been amended to clarify cotton eligibility for loan if payment limit is reached when processing LDP based on a module-lock-in.

Subparagraph 268 B has been amended to provide that the retained CCC-633 EZ copy may be either an original or FAXed copy.

Subparagraph 276 B has been amended, in table step 16, to include the approval date from CCC-633EZ.

Subparagraph 285.6 A has been amended to include instructions for State Offices to obtain a password for County Offices to use to manually enter bale data in the eLDP process.

Exhibit 18.5 has been amended to include 2008-crop area approved for outside storage.

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Part 1 General Information and Administrative Provisions

Section 1 General Information

1 Purpose and Authorities

A Handbook Purpose

This handbook provides instructions for administering the:

- Cotton Loan Program, which includes upland cotton and ELS cotton
- Cotton LDP Program
- recourse Seed Cotton Loan Program.

B Authority and Responsibility

PSD has the authority and responsibility for the programs prescribed in this handbook.

C Sources of Authority

Following are the sources of authority for the Cotton Loan, Cotton LDP, and the recourse Seed Cotton Loan Programs:

- the Agricultural Act of 1949, as amended
- *--the Food, Conservation, and Energy Act of 2008--*
- the Commodity Credit Corporation Charter Act, as amended
- 7 CFR Part 1427.

2 Program Objectives

A Cotton Loan and LDP Programs

The objectives of the Cotton Loan and Cotton LDP Programs are to:

- provide interim financing to assist with the orderly marketing of the cotton crop
- minimize loan forfeitures and market disruptions that could occur when loan rates exceed market prices.

B Recourse Seed Cotton Loan Program

The objectives of the recourse Seed Cotton Loan Program are to:

- extend the ginning season to reduce harvesting, handling, and ginning costs
- provide interim financing to producers while they wait for their cotton to be ginned.

3 Related Handbooks

A Related FSA Handbooks

FSA handbooks related to Cotton Loan, Cotton LDP, and recourse Seed Cotton Loan Programs include:

- 9-AO for investigating program violations
- 1-APP for appeals
- 7-AS for County Office correspondence
- 1-CM for common provisions relating to signature requirements, power of attorney, maintaining the name and address file, and assignments
- 2-CM for common farm and program provisions
- 1-CMA for CMA and LSA loan and LDP procedures
- 14-CN for handling cotton loans prepared by cotton clerks
- 21-CN for CCC-automated cotton loan reporting for CMA's and LSA's
- 22-CN for CCC's LSA program
- 2-CP for acreage reporting
- 6-CP for HELC and WC provisions
- 7-CP for misinformation and misaction provisions
- * * *
- 3-FI for depositing remittances

3 Related Handbooks (Continued)

A Related FSA Handbooks (Continued)

- 50-FI for interest rates
- 58-FI for claims and withholdings
- 61-FI for Prompt Payment Act provisions
- 62-FI for reporting data to IRS
- *--1-PL for 2008 prior year's payment limitation--*
- 3-PL for web-based subsidiary files
- *--4-PL for payment eligibility, payment limitation, and AGI--*
- 12-PS for processing seed cotton loan repayments
- 20-PS for State Office APSS operations.

4 Related Web Sites

A Cotton Web Sites

The following web sites provide information used to administer cotton loans and LDP's.

Web Site Content	Web Site Address
COPS	https://dlnt01.fsa.usda.gov
Reports of loan and LDP activity by national, date, and county level for cotton and other commodities (a PSD web site)	http://www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=psr
Cotton AWP, LDP Rates, and CCA (weekly table)	*-- http://www.fsa.usda.gov/FSA/epasReports?area=home&subject=ecpa&topic=fta-uc--*
***	***
Loan Rates: Cotton (and other commodities) by State/county	http://www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=lor
Specifications for Cotton Bale Packaging Materials of JCIBPC	http://www.cotton.org/tech/bale/index.cfm
Forms: FFAS Employee Site	http://intra3.fsa.usda.gov/dam/ffasforms/forms.html (CLICK "Find Current Forms Using Our Form Number Search")
Notices	http://www.fsa.usda.gov/FSA/notices?area=home&subject=la re&topic=not&setflag=FORMURL&getData=None (from the "Subject" drop-down menu, CLICK "Cotton Program")
eAuthentication	http://www.eauth.egov.usda.gov/
Warehouses: List of approved cotton warehouses Receiving and storage rates	https://dlnt01.fsa.usda.gov (COPS web site) (CLICK "Home Pages", then "Warehouse Home", then "Online Lists", and then "Tariff Rates")
AMS: Weekly Cotton Market Report	http://www.ams.usda.gov/cotton/mnacs/index.htm
National Cotton Council: industry news	http://www.cotton.org
Price Support Training Modules	http://www.fsa.usda.gov/Internet/FSA_File/eldp_training_modules.pdf

***--5 Alphabetical Index**

A Index for This Handbook

Exhibit 3.5 provides an alphabetical index to cotton program policy and instructions provided in this handbook. This index can be used as a supplement to the Table of Contents.

Suggestions for this index should be sent to PSD by e-mail to **gene.rosera@wdc.usda.gov.--***

6-8 (Reserved)

Section 2 Responsibilities**9 National Office Responsibilities****A CCC Board and Executive Vice President, CCC Responsibilities**

[7 CFR 1427.2] [7 CFR 1427.161] The CCC Board and Executive Vice President, CCC shall determine policy and program provisions. The Executive Vice President, CCC or designee has the authority for:

- making a determination on any question arising under the programs
- revising or rescinding any determination made by:
 - Kansas City Offices
 - STC's and COC's
 - State and County Office personnel
 - approved cotton clerks
 - LSA's.

B PSD Responsibilities

PSD shall:

- administer the programs under DAFP's general supervision and direction
- enter into agreements with approved CMA's and LSA's
- supervise the CMA and LSA program activity.

10 Kansas City Office Responsibilities

A Kansas City Organization

FSA Kansas City offices primarily involved with cotton are as follows:

•*--KCCO, CMD:

- Merchandising Branch
- SCB

- ITSD, APD, Cotton Operations Processing Staff

- ADC, Price Support and Commodity Applications Office, Commodity Loans Group

- OTC

- FSC.

B ITSD Responsibilities

ITSD shall:--*

- provide users and contractors with procedures, directives, methods, and analyses in support of the following:
 - ACRS
 - APSS
 - COPS
- * **

- advise and collaborate in making recommendations to the National Office to adjust or modify operating policy and procedures because of changes in programs, organization, equipment, data processing systems, and techniques

- coordinate systems user requirements for assigned areas

10 Kansas City Office Responsibilities (Continued)***--B ITSD Responsibilities (Continued)--***

- conduct research analysis to determine the impact of changes in relation to available resources and established target dates
- maintain ADP processing for CMA functions as follows:
 - loan/LDP processing
 - error resolution
 - IRS reporting
 - EWR's
 - duplicate validation
 - producer collection invoice generation
 - provider fee processing
- develop acceptance tests; lead and participate in system testing in cooperation with the users to ensure implementation readiness and comprehensive requirements processing.

C KCCO Responsibilities

KCCO shall:

- *--approve and administer cotton loan transfers--*
- approve and suspend storage agreements with warehouse operators
- advise State Offices of approved warehouses and related receiving and storage charges
- dispose of CCC-owned inventory through periodic sales or donations
- handle loan and CCC-owned cotton reconcentrations
- request investigations of suspected program violations
- notify the State Office when there is reported damage or loss of cotton under loan at a warehouse.

10 Kansas City Office Responsibilities (Continued)

***--D ADC Responsibilities**

ADC shall:--*

- develop software to process price support loans and LDP's in County Offices
- maintain national level systems to process cotton research and promotion fees collected on loans and LDP's
- maintain national level reporting systems and provide loan/LDP data and summary reports of loan/LDP activity to State and National Offices.

***--E OTC Responsibilities**

OTC shall:--*

- perform acceptance testing of software for use in processing price support loans and LDP's in County Offices
- provide technical support for software and equipment problems through the National Help Desk.

10 Kansas City Office Responsibilities (Continued)

*--F FSC Responsibilities

FSC shall:--*

- maintain subsidiary records for:
 - loans made
 - loans repaid
 - other related transactions
- provide loan data and summary reports of loans to National Offices
- provide to each applicable State Office, by State and County Office for each type of cotton, a weekly Summary of CCC Loans Report (MDR-223), from the State Office Reporting System, that provides the following:
 - the number of loans made
 - bales for ginned cotton or pounds for seed cotton
 - value of loans made, repaid, and outstanding
- maintain ACRS to tract the daily, weekly, and monthly operations of cotton loans and cotton LDP's made by cotton cooperatives or loan servicing agents serving cotton farmers nationwide
- collaborate with contractors and FSA divisions to add, delete, and modify loan software routines to support processing, accounting, and reporting of cotton loan operations
- reconcile disbursements and collections processed through FRB by cotton cooperatives and loan servicing agents for cotton loans and LDP's with transactions reported by using ACRS to the CORE Accounting System and APSS.

11 STC Responsibilities

A General Responsibilities

[7 CFR 1427.2(c)] [7 CFR 1427.161(c)] STC shall:

- determine Statewide policy consistent with this handbook
- administer the programs in County Offices through DD's, COC's, and CED's
- require COC to correct or withhold any action that violates program provisions [7 CFR 1427.2(c)(1)]
- remove approved cotton clerks, according to 14-CN, who violate program provisions or who are no longer eligible to serve if COC does **not** remove these clerks
- notify County Offices and, if applicable, adjoining State Offices of:
 - persons CCC has suspended or debarred
 - other persons and firms who have violated program provisions to the extent that their agreements with CCC were terminated.

* * *

B Seed Cotton Responsibilities

STC shall:

- ensure that qualified County Office employees and COC's:
 - determine the quantity and quality for loan
 - make periodic inspections of seed cotton
- establish maturity dates if State or local quarantine regulations conflict with the regular maturity date
- approve County Offices to make individual loans without measurement if it is determined that State or County Offices have the necessary experience to carry out the program without inspecting each loan.

11 **STC Responsibilities (Continued)**

C Suspected Violations

STC shall:

- request investigations of suspected program violations according to 9-AO by:
 - producers
 - approved cotton clerks
 - other program participants
- *--report to KCCO, CMD, SCB cases of suspected program violations by approved--* warehouse operators
- report to PSD suspected program violations by approved cotton cooperatives and cooperating ginners.

D Repayment of Loans

To protect CCC's interests, STC may require guaranteed remittance for all repayments or on a countywide or Statewide basis.

If COC determines to require guaranteed remittances, the County Office shall:

- request authority from STC for a countywide policy
- if approved, apply the policy to all repayments
- continue to follow 3-FI for dishonored checks.

E Maximum Bales for LDP Based on Rate Lock-in

STC may request DAFP to approve for their State a different maximum number of bales per storage unit (either higher or lower than 20 bales per module) that is consistent with locally used field storage equipment.

STC may approve LDP payments based on locked-in rate for bales that exceed the established maximum number of bales per module on a case-by-case basis.

12 SED Responsibilities

A Responsibilities

SED shall:

- carry out day-to-day program operations at the State level under STC's direction, with the help of State and County Office employees and COC's
- provide training, as necessary, to ensure that County Offices, cotton clerks, and others working with the program understand and follow program provisions
- coordinate the flow of information and documents between County Offices, Kansas City offices, and others, as necessary.

Section 3 Administrative Provisions

21 Amounts of \$9.99 or Less

A Handling Payments

[7 CFR 1427.20] Amounts of \$9.99 or less will be paid to producers only upon the request of the producer.

Deficiencies of \$9.99 or less, including interest, may be disregarded unless demand for payment is made by CCC.

22 AWP and CCA Announcement Times

A Announcement Time

--[7 CFR 1427.25] AWP, CCA, and FCA will normally be announced by the National Office at 4 p.m. e.t. each Thursday. They become effective for calculations as specified-- subparagraph B.

If Thursday or Friday, or any number of subsequent days, is a nonworkday in Washington, DC, AWP and CCA shall be announced the next workday at 8 a.m. e.t.

B Effective Time Period

[7 CFR 1427.25] The effective time period for each weekly AWP, CCA, and LDP rate, calculated using the regulatory formula at 7 CFR 1427.25, is unchanged by any announcement delays that may occur. Announced AWP's and CCA's do **not** remain effective past their normal expiration time if the subsequent AWP **cannot** be announced for any reason.

The effective time period of announced AWP's and CCA's is 12:01 a.m. Friday (a minute past midnight of the Thursday when normally announced) through midnight of the following Thursday whether the prices are announced:

- *--at the usual time of Thursday, 4 p.m. e.t.--*
- on a Friday at 8 a.m. e.t., because the immediately preceding Thursday was **not** a Federal workday in Washington, DC
- on any subsequent day following a Friday; in this case, the delayed-announced AWP and CCA shall be retroactively applicable to what would have been their effective time period had they been announced at the usual Thursday time.

22 AWP and CCA Announcement Times (Continued)

C Accepting Transaction Requests When AWP Not Announced

Effective October 31, 2002, for transactions of all crop years, the “dead hour”, the time during which applications for loan repayments and LDP’s were **not** accepted, was terminated.

Requests for loan repayments and LDP’s may be accepted at all hours subject to the effective AWP and CCA. If there is an extended period during which the current AWP, CCA, and LDP rate are **not** announced for any reason, requests for loan repayments and LDP’s shall be accepted at the County Office. Such applications shall be subject to AWP and CCA subsequently announced as effective for the date the application was received.

In the event that a repayment request is made during an extended period when AWP is **not** announced, the loan repayment may be accepted according to subparagraph 202 A as an estimated repayment, and bales released, based upon the higher of either of the following:

- the amount provided for the repayments
- the last announced repayment rate.

The County Office shall obtain from the entity repaying the loan a signed and dated agreement to the following statement:

“I understand that the loan repayment amount for the cotton loan collateral requested at _____ FSA County Office is subject to recalculation upon announcement of the prevailing loan repayment rate for the cotton. I agree to pay CCC any balance due based on this recalculation.”

D Loan Repayments Received by Mail, Courier, or Wire Transfer

If a loan repayment is received by mail, courier, or wire transfer of funds, use AWP and CCA in effect on the date the repayment is received in the County Office.

***--E Accessing Cotton AWP, LDP, and Competitiveness Rates and Adjustments**

Upland cotton weekly AWP and LDP rates and CCA’s and FCA’s are available at http://www.fsa.usda.gov/FSA/epasReports?area=home&subject=ecpa&topic=fta-uc.--*

25 Calculations of LDP and Market Gains**A Market Loan Gain Amount**

The market loan gain applicable to the payment limitation is equal to the difference between the loan principal amount and the loan repayment amount, excluding any credits for accrued charges.

B LDP Gain Amount

The gross LDP, before deducting the research and promotion fee, is subject to payment limitation.

C Remaining Payment Limitation Balance

The remaining payment limitation balance shall be the difference between:

- the payment limitation assigned to the producer in the county where benefits are being received
- the sum of the following:
 - LDP amounts previously received in the applicable county
 - market loan gain amounts previously received in the applicable county
 - LDP and market loan gain amounts denied in the applicable county because of percent of cropland factor or permitted entity shares are less than 1.0000.

Note: If the producer is **not** a multiple-county producer, the payment limitation assigned is \$75,000. Multiple-county producers are assigned a payment limitation for each county by the control County Office.

*--26 CCA's and FCA's

A Determining CCA's and FCA's--*

[7 CFR 1427.25(f)] CCA is an adjustment intended to make designated lower grades of cotton more competitively priced. CCA is either:

- added to the LDP rate for the cotton
- subtracted from AWP for the cotton, thereby reducing either the cash loan repayment rate or the price of commodity certificates to be exchanged for the loan collateral.

CCA used to adjust the AWP or LDP rate may be less than the level of the announced CCA. Use the following table to determine CCA.

IF the announced AWP is...	THEN...	
less than or equal to NALR	CCA is equal to the announced CCA.	
greater than NALR	subtract the announced CCA from the announced AWP.	
	IF the result is...	THEN CCA is...
	equal to or greater than NALR	"zero".
	less than NALR	the announced CCA minus the difference between: <ul style="list-style-type: none"> • the announced AWP • NALR.

*--26 CCA's and FCA's

B Determining FCA's

[7 CFR 1427.259f)(1)(i)] FCA to AWP is announced weekly and may be a separate value for each crop year to which it applies. FCA always is a reduction to the AWP of selected, higher-quality color grades of cotton.

FCA's:

- for loan redemptions, are applied to reduce AWP if the loan rate premium for applicable grades exceed the market-price premium as determined by CCC
- for LDP's, increase LDP rates for applicable grades
- do **not** require any manual intervention at the County Office level because any FCA will be incorporated into loan redemption software calculations.

C FCA Applicable Bales

FCA is applicable to the following color-grades of upland cotton:

Color	Leaf	Staple
SM and Better, 11& 21	1 - 3	35, 36, 37+
Mid 31	1 - 2	35, 36, 37+
	3	36, 37+

--*

--27 CCA: Applicable Bales--

A Applicable Grades

CCA is applicable for any bale of upland cotton with the following staple, color, grade, and leaf.

Staple	Color	Grade	Leaf	
33 or shorter	All	All	All	
34 or longer	White	Strict Middling or Better (11 and 21)	7	
		Middling (31)	7	
		Strict Low Middling (41)	7	
		Low Middling (51)	6 and 7	
		Strict Good Middling (61)	All	
		--Good Middling (71) and Below Grade (81)--	All	
	Light Spotted	Light Spotted	Strict Middling or Better (12 and 22)	6 and 7
			Middling (32)	6 and 7
			Strict Low Middling (42)	5 through 7
			Low Middling (52)	All
			--Strict Good Middling (62) and Below Grade (82)--	All
	Spotted	Spotted	Strict Middling or Better (13 and 23)	3 through 7
			Middling (33)	All
			Strict Low Middling (43)	All
			Low Middling (53)	All
			--Strict Good Middling (63) and Below Grade (83)--	All
	Tinged	Tinged	Strict Low Middling or Better (24, 34, and 44)	All
			--Low Middling (54) and Below Grade (84)--	All
	Yellow Stained	Yellow Stained	Strict Middling (25)	All
			--Middling (35) and Below Grade (85)--	All

28 Corporations and Partnerships Dissolved and Loan Assumptions**A Corporations**

If a corporation is dissolved and an individual stockholder or group of stockholders wants to assume the loan or loans held by the corporation, the individual stockholder or group of stockholders may do so if **all** stockholders in the corporation agree to the assumption on CCC-664.

When an assumption is applicable, see 12-PS, Part 11, Section 1 to correct the names of the producers on the loan agreement.

B Partnerships

If a partnership is dissolved and an individual partner or group of partners wants to assume the loan or loans held by the partnership, the individual partner or group of partners may do so if **all** partners in the partnership agree to the assumption on CCC-664.

C Additional Information

The loan or loans may only be assumed by the stockholders in the corporation or partnership.
*--The stockholder or partner is **not** required to meet loan eligibility requirements to assume the loan.--*

Collateral mortgaged for a single loan shall **not** be split among the stockholders or partners.

If all stockholders or partners do **not** sign CCC-664, COC shall call the loan.

D Changing Names on Loan Agreement

Follow 12-PS, Part 11 to change the names of the producers on the loan agreement.

33 Interest Rates**A Rates**

For:

- regular loan interest rates, see 50-FI
- debts, charge interest according to 58-FI.

B Computation for Loans Less Than \$500,000

Producers who redeem loans that have original principal amounts of less than \$500,000 shall be assessed interest beginning on the loan disbursement date to, but **not** including, the date of repayment.

C Computation for Loans of \$500,000 or More

Producers who redeem loans that have original principal amount of \$500,000 or more for which the repayment is by:

- check or cash, shall be assessed interest beginning on the loan disbursement date through the day after the date of repayment
- wire transfer, shall be assessed interest beginning on the loan disbursement date up to the second day before the date of repayment.

Note: Follow 3-FI for depositing and recording wire transfers.

D Repayment Date

The repayment date shall be the date repayment is received in the County Office.

E If Different Rates Apply

If different rates apply, compute interest from the applicable beginning date to, but **not** including, the effective date interest changed, and from the date of interest changed to the applicable ending date.

F Overdisbursed or Underdisbursed Loans

- *-If a loan that is being repaid at principal plus interest was overdisbursed or--* underdisbursed, and **not** corrected, adjust the note amount by the amount of the overdisbursement or underdisbursement for interest and repayment computations.

34 IRS Reporting Requirements

A IRS Reporting

*--Market gains from cash loan redemptions, LDP's, storage credits, and forfeitures are reported to IRS for Federal income tax purposes. Market gains from commodity certificate exchanges are **not** reported by FSA, but may be considered taxable income by IRS. For additional--* information on IRS reporting requirements, see 62-FI.

35 Loans Ineligible for Forfeiture

A Applicability

If COC determines that ineligible ginned cotton was placed under loan or the producer is ineligible for loan, the cotton **cannot** be forfeited to CCC in settlement of the loan.

Note: See paragraph 257 for handling abandonment or foreclosure actions on seed cotton loans.

B Immediate Call

If COC determines that the cotton or producer is ineligible for loan, immediately call the loan. Use the letter in subparagraph E to notify the producer of the loan call.

Note: When COC determines that the cotton or producer is ineligible for loan, do **not** allow the loan to be exchanged for commodity certificates or redeemed at a rate less than principal and charges, plus interest, unless the producer appeals the determination according to paragraph 23.

C Failure to Repay Within 30 Calendar Days

If the producer fails to repay the loan within 30 calendar days, notify the producer of the amount due and that foreclosure proceeding will begin. Use the demand letter in subparagraph F to demand payment.

Note: See paragraph 23 if the producer appeals the loan call.

D Foreclosure Action

When a loan is **not** repaid and a claim is established, COC shall:

- sell the cotton according to paragraph 36
- apply the sales proceeds to the claim.

38 Market Gain Reports

A General Information

Four market gain reports are available to account for market gain transactions. To access the following reports, from APSS Administrative Report Menu PAA045, ENTER "12":

- Denied Market Gain Report, see subparagraph B
- Total Market Gain Report, see subparagraph C
- Market Gain Report by Loan or LDP, see subparagraph D
- Market Gain Report by Producer, see subparagraph E.

B Denied Market Gain Report

The Denied Market Gain Report prints the total market gain for each producer ID with denied market gain for the selected crop year.

C Total Market Gain Report

The Total Market Gain Report prints the total market gain for each producer ID with market gain for the selected crop year.

D Market Gain Report by Loan or LDP

The Market Gain Report by Loan or LDP prints each market gain transaction for each producer on the selected loan or LDP.

Note: The user will be required to enter the crop year and loan or LDP number.

E Market Gain Report by Producer

The Market Gain Report by Producer prints each market gain transaction for the selected producer for the selected crop year.

Note: The user will be required to enter the crop year and either the producer's last name or ID number.

39 Misinformation and Misaction

A Applicability

Follow 7-CP if an otherwise eligible producer is deprived of benefits, because administration of the program results in:

- errors
- omissions
- misinformation
- misaction.

Note: Overdisbursement and undercollection of loan or LDP proceeds is **not** misaction.

40 Nonresident Producer

A Request

If a loan is requested by a nonresident producer, County Offices shall:

- complete applicable forms and mail them to the producer
- instruct the producer to:
 - sign the applicable forms
 - have the signature witnessed
 - obtain proper lien waivers, if applicable
 - return the forms with the required documents to the County Office.

B Genuine Signatures

CED or designee **must** be satisfied that the producer's signature is genuine before disbursing the loan.

41 Offsets

A Basic Provisions

Offsets are applicable for amounts owed CCC, FSA, or other creditors. The offset amount may be shown on CCC-679 or established as the result of a claim against the producer.

Make administrative offsets from loan or LDP amounts due producers, if appropriate, according to 58-FI, **after** the notification letter has been mailed to the producer, including the notification when a loan is transferred to claims with collateral remaining on the farm.

* * *

B Joint Disbursement of Loan Proceeds

The balance of the loan proceeds may be disbursed jointly to the producer and lienholder **after** applicable administrative offsets to CCC, FSA, or other creditor agencies, as applicable, according to 58-FI, have been made when the lienholder requests joint disbursement on CCC-679 for:

- recorded lien
- unrecorded lien, if **actual** notice of lien is given to the County Office.

For other creditor agency claims received in the County Office:

- **before** the filing date of any recorded lien or notification of an unrecorded lien, the lienholder **must** agree to the creditor agency debt offset **before** disbursement of loan proceeds jointly to the producer and lienholder by checking CCC-679, block 8 (3)
- **after** the filing date of any recorded lien or notification of an unrecorded lien, the creditor agency debt shall be offset **only** if the lienholder agrees to disburse the loan proceeds solely to the producer by checking CCC-679, block 8 (1).

41 Offsets (Continued)**C Authorizing Offsets**

Offsets may be made for amounts contained on a separate statement of unpaid charges, or for a separate bill for unpaid charges, if the charges:

- are associated with the handling of the commodity represented by the warehouse receipt
- have been approved by DAFP
- are **not** warehouse receiving or warehouse storage charges.

Note: See paragraph 165 for charges attached to warehouse receipts that are commonly approved for offset.

These charges are **not** considered a lien, but **must** be included on CCC-679, block 8 (3), if an *--offset will be made for the charges. See subparagraph 124 D for completing CCC-679.--*

If an offset applies, do **not** disburse the loan unless the lienholder agrees to the offset on CCC-679 by checking block 8 (1) or (3). If any lienholder checks block 8 (2), the loan shall **not** be approved.

D Prior Liens

Deductions are made for applicable fees or charges and amounts due prior lienholders **before** offsets are made.

Do **not** make offsets on loans subject to prior liens unless agreed to by prior lienholders in writing.

E Right to Appeal

The offset does **not** deprive the producer of the right to appeal the justness of the debt.

F Bankruptcy Cases

Consult with the regional attorney, through the State Office, before making offsets when a producer is involved in bankruptcy proceedings.

42 Overdisbursements * * * and Receivables

--A Overdisbursement and Receivable Producer Liability--

A producer is personally liable for repaying:

- any loan amount disbursed or LDP exceeding the amount authorized, including any charges plus applicable interest
- any receivable determined to be due CCC, plus interest, subject to the small-balance write-off amount of \$9.99.

Note: Once a claim is established, the claims process employs a small-balance write-off for amounts of \$24.99 or less.

B Notifying Producers

For loans and LDP's, County Offices shall notify producers:

- of the amount due of \$10 or more
- immediately after the amount due is determined
- using the computer-generated notification letter in subparagraph C
- of all the applicable appeal options available as determined by the decision-making authority.

42 Overdisbursements * * * and Receivables (Continued)

B Notifying Producers (Continued)

Take action, as applicable, according to this table.

IF...	THEN...
the overdisbursement or overpayment is not the result of a loan or LDP violation, according to Part 6, Section 1	<ul style="list-style-type: none"> • collect the amount due as follows: • for loans, if the amount due is \$24.99 or less and is discovered: <ul style="list-style-type: none"> • before settlement, do not collect immediately; however, collect on the next repayment • after settlement, do not send the producer a demand letter; immediately write off the small balance according to 12-PS, Part 11, Section 2 • for LDP's, if the amount due is: <ul style="list-style-type: none"> • \$24.99 or less, write off the small balance according to 12-PS, Part 11, Section 2 • \$25 or more, follow procedure in 58-FI for demanding payment.
a receivable is created as a result of an amount remitted to CCC and is less than the amount required	if the total amount outstanding is: <ul style="list-style-type: none"> • \$24.99 or less, see 12-PS, Part 11, Section 2 • \$25 or more with outstanding loan balance, collect on next repayment • \$25 or more with no outstanding loan balance, follow procedure in 58-FI for demanding payment.

C Manual Checks

County Offices are **not** authorized to issue any manual check for any purpose. * * *

42 Overdisbursements * * * and Receivables (Continued)

D Notification Letter

Notify the producer, using the following notification letter according to 12-PS, when a determination has been made that an amount is due CCC.

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARM SERVICE AGENCY
 LYON COUNTY FSA OFFICE
 PO BOX 389
 ROCK RAPIDS IA 51246-0389

October 15, 2007

Thomas Smith
 1003 Brees Ave
 Springfield IA 51241-7522

Dear Thomas Grant:

This is to notify you that the Farm Service Agency has determined that you have a debt arising from:

(Insert explanation and pertinent facts.)

The amount you owe consists of:

<u>Principal</u>	<u>Interest</u>	<u>Other Charges</u>	<u>Total</u>

Interest will continue to accrue at a rate of _____% until the total amount due is repaid. The amount shown above has been recorded for offset from any FSA, CCC or other Federal Agency payment, which may be due you.

We want to work with you to resolve this matter. Depending upon your situation, there is the possibility of paying this debt in installments. If you have any questions regarding this matter, please do **not** hesitate to contact us.

If you believe that you have been sent this notice in error, that the determination is in error, or that the amount due is incorrect, you may appeal this determination to the County Committee by filing a written request no later than 30 calendar days after you receive this notice in accordance with the FSA appeal procedures found at 7 CFR Part 780. If you appeal to the County Committee, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you appeal this determination to the County Committee, you may later appeal an adverse determination of the County Committee to the FSA State Committee or National Appeals Division (NAD). To appeal, write to the County Committee at the following address and explain why you believe this determination is erroneous.
(Insert COC address.)

You may contact the County Office to receive a copy of the documents related to this determination.

If you should need further assistance, please feel free to contact the FSA Service Center.

Sincerely,

(insert CED name)
 County Executive Director

USDA is an Equal Opportunity Provider and Employer

42 Overdisbursements * * * and Receivables (Continued)

E Additional Action

If repayment is **not** received after producer has been notified using the letter in subparagraph C, take additional action according to the following table.

IF repayment is...	THEN...
received by the 30th calendar day after the date of the notification letter	record the overdisbursement, overpayment, or receivable repayment according to 12-PS, Part 7.
not received within 30 calendar days after the date of the notification letter	send the producer the applicable computer-generated demand letter in subparagraphs E and F on the next workday.
received by the 30th calendar day after the date of the demand letter	record the overdisbursement, overpayment, or receivable repayment according to 12-PS, Part 7.
not received within 30 calendar days after the date of the demand letter	<ul style="list-style-type: none"> • transfer to claims the entire amount of the debt, including applicable interest, as determined by APSS according to 12-PS, Part 12 • establish a claim on the 31st calendar day according to 58-FI. <p style="margin-left: 40px;">Exception: The interest start date for the claim is the 31st calendar day after the date of the demand letter.</p> <p>Note: Record the claim repayment according to 58-FI.</p>

42 Overdisbursements * * * and Receivables (Continued)

F Demand Letter (No Appeal)

Send the producer the following demand letter when no appeal or reconsideration of the debt has been requested.

<p>(Date)</p> <p>(Customer Name)</p> <p>(Customer Address)</p> <p>Dear (Customer Name):</p> <p>By letter dated (1) _____, we notified you that a determination had been made that you owe (2) _____, plus interest, as applicable. See attached Statement of Outstanding Debt. The debt is past due. Late payment interest will accrue on your debt at the rate of (3) ___% per annum from the date of this letter until the debt is paid or otherwise resolved. FSA/CCC will waive late payment interest on your debt (or any part of your debt) that is paid in the next 30 days. If payment in full is not made within 90 days of the date of this letter, an additional 3 percent interest will be assessed on the unpaid balance of the debt retroactively from the date of this letter.</p> <p>If you are unable to pay the debt in full now, you may qualify for a mutually acceptable installment agreement. If payment in full or settlement arrangements are not made within 60 days from the date of this letter, the debt will be referred to the Department of Treasury. The Department of Treasury will offset all eligible Federal payments due you, including tax refunds and social security payments. If the debt is not resolved, you may be ineligible for additional Federal financial assistance in the form of a loan, loan guarantee, or loan insurance.</p> <p>Because this debt may be collected by offset of your federal income tax refunds, you may present, within 60 days from the date of this letter, evidence that all or part of the debt is not past due or legally enforceable. To do so, please submit to this office a written explanation of your position that the debt or part of the debt is not past due or legally enforceable, and include documentation to support your position.</p> <p>Under Federal law and regulations, the following additional actions may be taken by USDA and the Department of Treasury to collect delinquent debts:</p> <ul style="list-style-type: none"> • assessment of interest, administrative costs, and penalties • administrative garnishment of wages • offset of CCC and FSA payments • reporting the debt to credit reporting agencies • referral of the debt to private collection agencies and Treasury-designated collection centers • referral of the debt to agency counsel or the Department of Justice for litigation • reporting of the debt to the Internal Revenue Service if the debt, or any part of the debt, is discharged. <p>If you recently filed bankruptcy, notify this office at once, in writing. Provide proof of the bankruptcy filing. The debt will then be resolved according to bankruptcy law.</p> <p>Please pay your debt now. Make your check payable to "USDA" and send it to this office at the above address. If you remit a check as payment, it may be converted to an Electronic Funds Transfer (EFT) from your account. The check will be voided and destroyed within 14 days of receipt. For additional information, please visit the Farm Service Agency's web site at http://www.fsa.usda.gov/pas/pccnotice.htm.</p> <p>Please contact this office at (4) _____ if you have any questions. We want to work with you to resolve this debt and to discuss repayment options, if necessary. If this debt is not resolved within 60 days from the date of this letter, the Kansas City Finance Office will take additional collection action.</p> <p>Please disregard this letter if you have already paid this debt.</p> <p>Sincerely,</p> <p>Attachment</p>
--

42 Overdisbursements * * * and Receivables (Continued)

G Demand Letter (Appeal)

Send the producer the following demand letter on the 31st calendar day if the producer has responded to the notification letter and requests appeal or reconsideration of the debt.

(Date)

(Producer Name)

(Producer Address)

Dear *(Producer Name)*:

By letter dated (1) _____, you were notified that the County Committee had determined that you owe (2) \$_____, plus interest as applicable. You requested an informal review and reconsideration of the debt. The County Committee has reconfirmed the debt determination. The debt is now past-due. Late payment interest will accrue on your debt at the rate of (3) ___% per annum starting on the 31st day from the date of this letter until the debt is paid or otherwise resolved.

Please pay your debt now. Make your check payable to “Commodity Credit Corporation” and send it to this office at the above address. If you are unable to pay the debt in full now, you may arrange to establish a mutually acceptable repayment agreement and pay in installments. If payment in full or arrangements to pay the debt in full are **not** made within 60 days from the date of this letter, or upon conclusion of the appeals process, whichever is later, the debt will be sent to the Kansas City Management Office for referral to the Department of Treasury for collection by offset of qualified disbursements and refunds, including any federal income tax refund to which you may be entitled.

Because this debt may be collected by offset of your federal income tax refund, you may present, within 60 days from the date of this letter, evidence that all or part of the debt is **not** past-due or legally enforceable. Submit to this office a written explanation of your position that the debt is **not** past-due or legally enforceable, and include documentation to support your position. Of course, if you are continuing the appeal of the debt under the National Appeals Division procedures, and have included the issues of the past-due nature of the debt and its legal enforceability, we will rely on the final determination in the National Appeals Division process, and **not** make a separate determination on those issues. Please be assured that we will **not** send the debt to the Kansas City Management Office until completion of the National Appeals Division process.

Under Federal law and regulations, the following additional actions may be taken by USDA and the Department of Treasury to collect delinquent debts:

- Assessment of interest, administrative costs, and penalties
- Administrative garnishment of wages
- Offset of CCC and FSA payments
- Reporting the debt to consumer and commercial credit bureaus
- Referral of the debt to private collection agencies and Treasury-designated collection centers
- Referral of the debt to Agency counsel or the Department of Justice for litigation
- Reporting the debt to the Internal Revenue Service if the debt, or any portion of the debt, is discharged.

42 Overdisbursements * * * and Receivables (Continued)**G Demand Letter (Appeal) (Continued)**

Our records do **not** indicate that you have filed for bankruptcy protection under Title 11 of the United States Code. If you have filed for bankruptcy, please notify your local USDA Service Center as soon as possible so that we may update our records to reflect the bankruptcy, and proceed to resolve this debt in accordance with bankruptcy procedures.

Please contact this office at (4) _____ if you have any questions. We want to work with you to resolve this debt and to discuss repayment options, if necessary. If this debt is **not** resolved within 60 days of the date of this letter, or upon conclusion of the appeals process, the Kansas City Management Office will take additional collection action.

Please disregard this letter if you have already paid this debt.

Sincerely,

County Executive Director

43 Payment Limitation**A Applicability**

*--A payment limitation of \$75,000 is:

- applicable to 2008 crop LDP's and MAL gains realized from repaying any MAL at a level lower than the original loan level
- **not** applicable to gains obtained by commodity certificate exchanges for MAL collateral
- **not** applicable to 2009 and subsequent crop cotton LDP's and MAL gains.--*

43 Payment Limitation

*--B Using Commodity Certificate Exchanges

Producers that reach payment limitation may obtain a value equivalent to LDP or MAL gain value by:

- pledging the commodity for MAL
- exchanging commodity certificates for MAL collateral; the value obtained by this exchange is **not** subject to the \$75,000 payment limitation.

Producers may pledge as collateral for MAL, **any** cotton for which the producer reached payment limit, including the following:

- irrevocable module lock-in LDP
- gin-direct LDP
- irrevocable post-ginning LDP.

Producers may request commodity certificate exchanges for such MAL collateral; the resulting gain from the exchange is **not** subject to payment limit.

Note: All commodity certificate exchanges are based on repayment rates effective on the date of the exchange. Thus, AWP level effective for module lock-in or on the date of ginning will **not** apply to such exchanges.--*

C CCC-502 Requirements

Producers requesting cotton LDP's or MAL redemptions with cash at a rate less than the loan rate **must** have a current CCC-502 on file or file CCC-502 or CCC-502U within 30 calendar *--days after such request. CCC-502 and CCC-526 are **not** required if MAL is repaid at the loan rate or redeemed using a commodity certificate exchange.--*

Although cotton program benefits may be requested before the filing of required forms, **LDP's shall not be disbursed, and cash redemptions of loans at a reduced rate shall not be processed** until the "person" and "actively engaged in farming" determination have been completed based on the required CCC-502 and all documentation required by 1-PL.

If applicable, COC shall notify producers in writing that their share of LDP's or MAL gain will be denied unless all required forms are filed.

46 Prompt Payment Act

A When Late Payment Interest Is Applicable

Late payment interest is due the producer if:

- applicable documentation is provided
- the applicable payment is **not** made by the due date in subparagraph B
- all eligibility requirements are met.

B Due Dates

Use the following table to determine the payment due date for loans and LDP's.

WHEN there are...	THEN the payment due date is...
loan agreements	30 calendar days after receiving, in the appropriate office, an application with all required documentation and signatures.
LDP's	30 calendar days after the later of the following: <ul style="list-style-type: none"> • date the request is filed • date the required documentation is submitted to the County Office.
manual loan repayments that result in an overcollection	the first workday after the overcollection is determined to have been made.
payments that are subject of an ongoing judicial action	30 calendar days after the judicial action is completed.

C Additional Information

For additional instructions for administering the provisions of the Prompt Payment Act, see:

- *--50-FI for prompt payment interest rates
- 60-FI for prompt payment policy and computations.--*

47 (Withdrawn--Am. 41)

48 Warehouse Status Notification

A Notifying State and County Offices and Producers

--[7 CFR 1427.10] SCB shall notify State Offices of the status of a cotton storage--
warehouse using KC-232. Based on the information provided on KC-232, the State Office
may or may **not** provide further notification to the County Office and producers.

Use the following table to determine whether notification to the County Office or producers
--is appropriate. SCB shall indicate by a checked box, which is below the signature of the--
contracting officer, whether a public announcement is required.

IF KC-232 indicates...	THEN the State Office shall...	AND the County Office shall...
“Approved”, “New Agreement”	notify the County Office	issue a news release only if directed according to instructions on KC-232.
“Approved”, “Addition - New Code”	notify the County Office	issue a news release only if directed according to instructions on KC-232.
“Approved”, “Capacity Change”	notify the County Office only if KC-232 requests public announcement	issue a news release only if directed according to instructions on KC-232.
“Removed From List” (suspended) Note: This is a temporary status. No new loans are permitted.	notify the County Office	issue a news release: <ul style="list-style-type: none"> • if indicated by the checked box • according to subparagraph B.
“Terminated” Note: No new loans are permitted. Existing loans are to be redeemed or transferred to an approved warehouse.	notify the County Office	issue a news release if directed according to instructions in subparagraph C.
“Deleted” Note: This status follows termination if a warehouse is closing or will remain unapproved for loan cotton storage.	notify the County Office	issue a news release only if directed according to instructions on KC-232.
“Reinstated” Note: Warehouse is re-approved after being in “Removed/ Suspended” status.	notify the County Office	issue a news release if directed according to instructions in subparagraph E.
“Other” Note: These changes generally do not affect loan eligibility and are for information only for State and County Offices.	do nothing Note: Generally, notification of the County Office is not required unless KC-232 specifies public announcement.	do nothing. Note: Generally, no release is needed. Issue a news release only if specifically by instructions on KC-232.

--*

48 Warehouse Status Notification (Continued)

B Removed/Suspended Warehouses

“Removal” of a warehouse is synonymous with “suspension”. It is **not** “termination”. When notifying State Offices that a warehouse has been removed, SCB shall provide:--*

- reason for the removal from the list of approved warehouses--*
- if a public announcement should be made.

If a public announcement is required, State Offices shall notify the appropriate County Offices to issue a public press release announcing the removal by sending a copy of KC-232 to the County Office.

Note: See subparagraph D for a suggested press release.

County Offices shall:

- **not** process new loans for cotton stored at a suspended warehouse
- *--send a copy of the published release to the State Office and SCB
- if the newspaper refuses to publish the press release, notify the State Office and SCB--*
- refer inquiries on the reasons for the removal, other than those listed on KC-232, to either of the following:
 - *--SCB--*
 - the manager of the warehouse.

Note: See subparagraph F for KCCO mailing address.

Following is a suggested press release for a warehouse suspension announcement:

“CCC announced today the suspension of (enter name of warehouse). This action was taken because (enter reason provided on KC-232). During this suspension period, CCC will **not** provide any new loans for cotton stored at this warehouse. Loans that have been provided before this suspension are **not** affected by this suspension.”

48 Warehouse Status Notification (Continued)

C Terminated Warehouses

Before a Cotton Storage Agreement is terminated for a warehouse for failure to comply with its terms and conditions or at the request of the warehouseman:

- *--SCB shall provide affected State Offices with instructions for identifying all--* outstanding loans in the warehouse to be terminated
- State Offices shall immediately identify and notify County Offices with outstanding loans in the warehouse to be terminated
- County Offices shall identify loans in the subject warehouse and do the following:
 - offer producers the option of redeeming their loans or agreeing to a transfer of loan cotton at the expense of the producer or producer's agent
 - after redemptions and/or transfers are completed, issue a press release, similar to subparagraph D, announcing the termination of the Cotton Storage Agreement.

Note: For producers who have filed for bankruptcy, County Offices shall send a letter explaining the situation to the regional attorney and follow the regional attorney's advice.

D Termination Press Release

The following is a suggested press release for a warehouse termination announcement.

Any cotton put into storage in the *(name of warehouse)* will **not** be eligible for CCC loans during the period this warehouse is terminated from the list of warehouses approved by the Commodity Credit Corporation, the *(State or County)* Farm Service Agency Office said today.

Termination action was taken by the Farm Service Agency Commodity Office at Kansas City, Missouri. Such action was taken because *(enter reason stated on KC-232)*.

For additional information, contact the *(enter name of County Office)*.

48 Warehouse Status Notification (Continued)

E When Warehouse Is Reinstated

--If the warehouse is reinstated, SCB shall notify the State Office.--

The State Office shall notify the County Office to issue a press release announcing the reinstatement of the warehouse if a press release was issued announcing the removal. The following is a suggested press release for a reinstated warehouse announcement.

Cotton stored in the *(name of warehouse)* at *(city)* is again eligible for CCC loans since the warehouse has been restored to the list of warehouses approved by the Commodity Credit Corporation, the *(State or County)* Farm Service Agency Office said today.

Suspension of the warehouse, date *(insert date)*, has been lifted by the Farm Service Agency Commodity Office at Kansas City, Missouri. The warehouse is now fully complying with the provisions of the Cotton Storage Agreement controlling the storage of Government interest cotton.

F KCCO Mailing Address

Use the following KCCO address for handling notification of warehouse status:

--KCCO, CMD, SCB--
STOP 8748
PO BOX 419205
KANSAS CITY MO 64141-6205.

48 Warehouse Status Notification (Continued)

*-G Example of KC-232

The following is an example of KC-232.

<i>See reverse side for Privacy Act, Public Burden, and Nondiscrimination Statements.</i>																							
KC-232 (01-24-03)	U. S. DEPARTMENT OF AGRICULTURE Farm Service Agency Post Office Box 419205 Kansas City, Missouri 64141-6205	Agmt. Type	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width: 15%;"><input checked="" type="checkbox"/></td> <td style="width: 15%;">CSA</td> <td style="width: 15%;"><input type="checkbox"/></td> <td style="width: 15%;">PSA</td> <td style="width: 20%;">AGREEMENT NO.</td> <td style="width: 20%;">NOTICE DATE</td> </tr> <tr> <td><input type="checkbox"/></td> <td>HSA</td> <td><input type="checkbox"/></td> <td>SSA</td> <td></td> <td style="text-align: center;">7-Jun-06</td> </tr> <tr> <td><input type="checkbox"/></td> <td>PCSA</td> <td><input type="checkbox"/></td> <td>UGRSA</td> <td></td> <td></td> </tr> </table>	<input checked="" type="checkbox"/>	CSA	<input type="checkbox"/>	PSA	AGREEMENT NO.	NOTICE DATE	<input type="checkbox"/>	HSA	<input type="checkbox"/>	SSA		7-Jun-06	<input type="checkbox"/>	PCSA	<input type="checkbox"/>	UGRSA				
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NOTICE OF APPROVAL OR CHANGE IN STATUS OF STORAGE AGREEMENT OR CONTRACT		WAREHOUSE CODE	FEDERAL LICENSE NO.	INITIATOR'S REFERENCE LINE																			
		123456		BCD/SCB/KWD																			
NAME AND ADDRESS OF WAREHOUSE OPERATOR Murray Compress and Bait Shop P.O. Box 123 Herndon, VA		WAREHOUSE LOCATION (City, County, State) Murray Compress Main Street Herndon, VA																					
<input type="checkbox"/> APPROVED	Capacity	<input type="checkbox"/> TERMINATED																					
<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td style="width: 33%;"><input type="checkbox"/> New Agreement</td> <td style="width: 33%;"></td> <td style="width: 33%;"></td> </tr> <tr> <td><input type="checkbox"/> Addition - New Code</td> <td></td> <td></td> </tr> <tr> <td><input type="checkbox"/> Capacity Change -</td> <td>From:</td> <td></td> </tr> <tr> <td></td> <td>To:</td> <td></td> </tr> </table>	<input type="checkbox"/> New Agreement			<input type="checkbox"/> Addition - New Code			<input type="checkbox"/> Capacity Change -	From:			To:		The above Storage Agreement is being terminated as of this date, under conditions explained below, reserving to CCC and other interested parties all rights and privileges which may have accrued under the agreement.										
<input type="checkbox"/> New Agreement																							
<input type="checkbox"/> Addition - New Code																							
<input type="checkbox"/> Capacity Change -	From:																						
	To:																						
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	<input type="checkbox"/> DELETED																						
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EXPLANATION OF CHANGE To recognize a change from a U.S. Warehouse Act Licensed facility to an Alabama State Licensed facility.		The above warehouse(s) is being deleted from the above Storage Agreement as of this date, under conditions explained below, reserving to CCC and other interested parties all rights and privileges which may have accrued under the agreement.																					
The warehouse(s) described above is being removed from CCC's List of Approved Warehouses as of this date for conditions explained below. Until further notice, no additional CCC-owned or loan commodities, or commodities delivered to CCC for purchase under a price support program subject to the terms of the above agreement can be stored or handled through this warehouse(s).		The warehouse(s) described above is being reinstated to CCC's List of Approved Warehouses as of this date. CCC owned or loan commodities, or commodities delivered to CCC for purchase under a price support program subject to the terms of the above agreement can, until further notice be stored or handled through this warehouse(s).																					
COMMODITY CREDIT CORPORATION: BY: _____ CONTRACTING OFFICER																							
TO: SED, Alabama State FSA Office FROM: Director, Kansas City Commodity Office COPIES TO:		<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <td colspan="2" style="text-align: center;">PUBLIC ANNOUNCEMENT</td> </tr> <tr> <td style="width: 15%;"><input checked="" type="checkbox"/></td> <td>Should be made (please notify interested counties)</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Should NOT be made</td> </tr> </table>				PUBLIC ANNOUNCEMENT		<input checked="" type="checkbox"/>	Should be made (please notify interested counties)	<input type="checkbox"/>	Should NOT be made												
PUBLIC ANNOUNCEMENT																							
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<input type="checkbox"/>	Should NOT be made																						
DISTRIBUTION (Check all applicable designations)																							
<input checked="" type="checkbox"/>	SED, Alabama	State FSA Office		KC-1117																			
<input checked="" type="checkbox"/>	Alabama	State Licensing Authority																					
<input checked="" type="checkbox"/>	Warehouse Licensing & Examination Division - EB and/or LB																						
<input checked="" type="checkbox"/>	Contract Reconciliation Division - FRB																						
<input checked="" type="checkbox"/>	Contract File Copy																						
<input checked="" type="checkbox"/>	Reading File Copy																						
<input checked="" type="checkbox"/>	01028																						

49 Warehouse Storage and Other Charges**A Payment of Charges**

Warehouse storage charges that accrue during the period of the loan (from the **date all documents required from the producer for the loan** are provided to the County Office **through** the date of redemption or forfeiture):

- may be fully or partially credited against the loan repayment amount (that is, will reduce the loan repayment amount) when a loan is repaid
- shall be paid by CCC to the storing warehouse if the loan collateral is forfeited.

The producer is responsible for paying any warehouse:

- **storage charges** that accrued **before** the date all documents required from the producer for the loan were provided to the County Office
- unpaid **receiving charges**.

B Redemptions During the Initial 10-Month Period

If applicable, a storage credit rate shall be used to calculate accrued warehouse charges on upland cotton loans when loan collateral is redeemed before the original maturity date.

49 Warehouse Storage and Other Charges (Continued)

C Warehouse Charges Payable Upon Forfeiture of Cotton Loan Collateral.

*--Producers who forfeit loan cotton to CCC in satisfaction of their loan obligation are responsible to pay the following:

- unpaid warehouse compression; if, at the time of forfeiture a bale EWR indicates that any warehouse compression charge is **not** paid, the amount of that charge will be included on the producer collection invoice
- excess storage credit; storage credits are provided based on the lower of the following:
 - submitted tariff rate for the year
 - warehouse 2006 tariff rate
 - maximum storage credit rates, for the following:
 - 2008-2011 crops that are:
 - \$3.933 per bale/month for California and Arizona
 - \$2.394 per bale/month for all other States where stored
 - 2012 crop that are:
 - \$3.496 per bale/month for California and Arizona
 - \$2.128 per bale/month for all other States where stored.

Note: Notwithstanding these loan obligation responsibilities, using 2007-crop maximum storage credit rates will continue until software is completed to implement the reduced maximum storage credit rates.

In **all** cases, these storage credits continue to be calculated on the daily-rate equivalent of monthly rates.

Example: A bale has been stored in a warehouse having a loan-cotton storage rate of \$3 per month and a maximum storage credit rate of \$2.25 per month. For a bale forfeited at the end of a 10-month loan period, the producer would be billed for the storage paid to the warehouse exceeding the maximum rate as follows:
 $10 \text{ months} \times (\$3 - \$2.25) = \7.50 per bale.

In addition to these charges, producers are also billed for the following:

- unpaid warehouse receiving charges
- accrued warehouse storage charges for any pre-loan period up to the “date documents received date” for the loan.--*

--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 *-- https://dlnt01.fsa.usda.gov --*		COPS Sign On Screen will be displayed.
2	On the Sign On Screen , new users CLICK “ Guest Logon ”.		COPS Home Page will be displayed.
3	On COPS Home Page , under “Administrative” tab, CLICK “ System Access Request ”.		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 dialog 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)

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 Eligibility Review

A Review

A second party review of eligibility requirements for loan and LDP applications shall be performed before disbursement. The reviewer **must** initial the loan or LDP application when ~~the~~ the review is completed. **Before** a loan or LDP is issued, CCC-770 CottonMAL or CCC-770 LDP/eLDP **must** be completed according to paragraph 54.

Notes: The program technician shall **not** do both of the following:

- accept MAL or LDP/eLDP requests
- initial as the second party reviewer

It is recommended that CED’s in 2-person County Offices:

- initial as second party reviewer
- sign as approving official, as designated by COC.--*

***--54 CCC-770 CottonMAL's and CCC-770 LDP/eLDP's**

A Handling CCC-770 CottonMAL's and CCC-770 LDP/eLDP's

FSA employees shall:

- complete CCC-770 CottonMAL or CCC-770 LDP/eLDP for each of the first 5 requests they process at the beginning of the applicable crop year availability period.

Example:

FSA County Office Program Technician	Cotton MAL Requests Received	CCC-770 CottonMAL's Required	Cotton LDP Requests Received	CCC-770 LDP/eLDP's Required
John	10	First 5	7	First 5

- in addition, complete CCC-770 CottonMAL or CCC-770 LDP/eLDP for **all** FSA employees requesting an LDP/eLDP or MAL, including STC's and COC's
- obtain CCC-770 CottonMAL or CCC-770 LDP/eLDP from **<http://165.221.16.90/dam/ffasforms/currentforms.asp>**
- maintain a copy of CCC-770 CottonMAL or CCC-770 LDP/eLDP in the producer's LDP or MAL folder.

The signature of the preparer certifies that each item necessary was completed. All employees that are directly involved with issuing each LDP or disbursing each MAL shall certify and date CCC-770 CottonMAL or CCC-770 LDP/eLDP, as applicable.--*

54 CCC-770 CottonMAL's and CCC-770 LDP/eLDP's (Continued)

K National Report

At FY-end, State Offices shall submit a report of spot check results to the National Office. Each report **must** be categorized by the following:

- county
- ***
- number of CCC-770 CottonMAL's and CCC-770 LDP/eLDP's:
 - selected for spot check by CED
 - selected for spot check by STC or designee
 - **not** concurred by CED or designee
 - **not** concurred by STC or designee

Reports of results are due to PSD no later than **October 31** of each year. Reports may be submitted by either of the following:

- e-mail to **gene.rosera@wdc.usda.gov**
- FAX to 202-690-1536.

55, 56 (Reserved)

Section 4 State Office Administrative Activities

57 Program Violations**A Purpose**

Whenever program violations are suspected or brought to the attention of State Offices, the State Offices shall follow this paragraph.

B Additional Information Required

State Offices shall request services of OIG according to 9-AO if information is **not** available to State Offices to make a correct determination.

C Fraud Is Not Evident

If a determination is made that ineligible cotton has been pledged for loan but fraud is **not** evident, instruct County Offices to do either of the following:

- for HELC or WC violations, follow paragraph 32
- for all other loan and LDP violations, follow Part 7.

D Fraud Is Evident

If a determination is made that fraud is evident, or if claims for valid unwaived prior liens are received, immediately refer the case to the OGC representative. State Offices shall take action according to OGC instructions.

E Reporting to KCCO

State Offices shall report in writing to KCCO, CMD, cases of alleged or suspected program violations by approved warehouses and others whose program activity is supervised by KCCO. Mail reports to:

--KCCO, CMD, SCB--
 STOP 8748
 PO BOX 419205
 KANSAS CITY MO 64141-6205.

Note: State Offices shall send a copy of the report to PSD.

F Reporting to PSD

State Offices shall report in writing to PSD cases of alleged or suspected program violations by CMA's and LSA's.

58 Supervision**A DD Review**

*--SED's shall annually require DD's to verify that cotton and producers are eligible and that loans or LDP's are properly being made, serviced, and redeemed in each county.

For each of the following activities, the minimum number of loans or LDP's to be annually reviewed is 2.5 percent, but no more than 10 reviews per county with DD's having discretion to expand the number of reviews if problems are observed:

- upland cotton loans
- ELS cotton loans
- seed cotton loans
- upland cotton LDP's.

Note: DD's shall ensure that the selection of loans includes loans that have been extended, redeemed, and forfeited. LDP's shall include a representative quantity of LDP's for which an AWP lock-in was requested.--*

B Overseeing County Offices

State Offices shall require County Offices to:

- provide fast and efficient loan service
- closely supervise cotton clerks and program operations outside of County Offices
- complete effective and timely spot checks
- keep required records
- care for warehouse receipts, class cards, or other documentation.

79 Ginner Approval Application for Seed Cotton Loans Using CCC-879

A Filing Gin Application CCC-879

Each ginner wanting to participate in the recourse Seed Cotton Loan Program **must** file *-CCC-879 in the County Office. CCC-879 is filed annually for the current crop year **only**.--*

This form is available electronically. CCC-879 U.S. DEPARTMENT OF AGRICULTURE (09-16-03) Commodity Credit Corporation		1. NAME AND ADDRESS OF COUNTY FSA OFFICE BARTON COUNTY FSA 1234 Ginner Avenue Upland, Texas 46782 TELEPHONE NO. (Include Area Code): 2. CROP YEAR: 2004
APPLICATION FOR APPROVAL OF COTTON GIN UNDER SEED COTTON LOAN PROGRAM		
<p>NOTE: The authority for collecting the following information is Pub. L. 107-171. This authority allows for the collection of information without prior OMB approval mandated by the Paperwork Reduction Act of 1995. The time required to complete this information collection is estimated to average 15 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.</p> <p>The following statements are made in accordance with the Privacy Act of 1974 (5 USC 552a). Regulations at 7 CFR Part 1427 provide for approving cotton gins under the seed cotton loan program. Failure to provide the requested information will prevent a gin from participating in this program. This information may be provided to other agencies, IRS, Department of Justice, or other State and Federal law enforcement agencies, and in response to a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001, 15 USC 714m, and 31 USC 3729, may be applicable to the information provided. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</p>		
PART A - APPLICATION		
Submit application and supporting information to the County FSA Committee. This application must be a signed by an authorized official of the gin.		
This application is submitted by the <u>Reallyclean Ginning Cooperative</u> which was organized under 3. OFFICIAL NAME OF THE COTTON GIN		
the laws of the State of <u>Texas</u> on <u>April 26</u> , <u>1944</u> , and has its principal 4. STATE 5. MONTH AND DAY 6. YEAR		
place of business at <u>1915 Northrup Street</u> , <u>Upland</u> 7. STREET ADDRESS 8. CITY		
<u>Texas</u> , <u>46880</u> 9. STATE 10. ZIP CODE		
Application is made for a determination as to whether the above cited gin meets CCC location and other requirements for participation in the seed cotton loan program for the crop year shown above and for approval of the gin under the program.		
PART B - DESCRIPTION OF SEED COTTON STORAGE FACILITIES AND INSURANCE		
11. Describe the type of storage to be used for all seed cotton under loan: Covered warehouse, 50,000 bale capacity Covered modules, outside storage, all bales over initial 50,000		
12. The insurance will be carried by: Ginner <input checked="" type="checkbox"/> Producer <input type="checkbox"/>	13. If carried by Ginner, does it cover full loan value of cotton? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>	14. Is the insurance payable to the Producer? YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>
PART C - CERTIFICATION		
I certify that the information submitted is true and correct to the best of my knowledge and accept responsibility to meet all insurance requirements related to the storage and care of any seed cotton while it is pledged as collateral for a CCC loan. I further agree to compensate the producer for any non-insured losses that may result from my negligence. Any duly authorized representative of the U.S. Department of Agriculture is hereby authorized to examine the storage facilities and records of this gin for the purpose of verifying any of the information contained in this application and supporting documents. If any change is made to any document furnished with this application, I agree to furnish a copy of any such revised document to the County FSA Committee.		
15. SIGNATURE (Signed)	16. TITLE Manager	17. DATE (MM-DD-YYYY) 07-04-2004
<small>The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.</small>		

Part 2 Eligibility

Section 1 Producer Eligibility

100 Determining Producer Eligibility

A Basic Requirements

[7 CFR 1427.4(b)] [7 CFR 1427.164] For a producer to be eligible for loans and LDP's, the producer, as landowner, landlord, tenant, or sharecropper, **must** have:

- produced the eligible upland or ELS cotton for which a loan or LDP is requested, as applicable
- for loans, BI in the cotton from the time of harvest through the date the loan is requested and **must** keep BI continuously until redemption of the cotton or until CCC takes title to the cotton
- for LDP's, BI in the cotton from the time of harvest through the date of submitting CCC-633 EZ, page 1
- reported acreage according to 2-CP using FSA-578
- completed AD-1026 according to 6-CP
- *--completed CCC-526 according to 1-PL, **except** CCC-526 is **not** required for loans redeemed at principal plus interest or using a commodity certificate exchange.--*

Effective with the 2002 crop, cotton is eligible for a marketing assistance loan whether or **not** it was produced on acreage covered by a PFC or DCP contract.

The following applicant information is needed for each individual or entity requesting LDP or a loan repayment that results in loan gains, but is **not** needed before the disbursement of a loan.

- “Person determination”. The person determination is made according to 1-PL, including the combined entity status. Determine combinations by printing the combined entity report according to 1-PL.
- “Actively engaged in farming” status and “percent of cropland factor”. This factor and status are determined for each farming operation according to 1-PL.
- “Permitted entity share”. Determine according to 1-PL.

Cotton program benefits, specifically a loan or LDP, may be requested before the filing of required pay-limit forms. However, LDP's or loan repayments resulting in loan gains shall:

- **not** be processed until all required forms are filed
- be processed based on the rates effective on the date of request.

100 Determining Producer Eligibility (Continued)

B BI

[7 CFR 1427.5(e)] A producer is considered to have BI in the cotton if all of the following remain with the producer:

- control of the cotton

Notes: A producer is considered to have control of the cotton if the producer keeps the ability to make all decisions affecting the cotton, including movement, sale, and pledging, as collateral for loan.

The producer is **not** considered to have lost control of the cotton if an option to redeem the loan collateral has been provided to another person or entity as long as the producer also keeps this right to redeem the collateral from loan.

* * *

- title.

Note: A producer is considered to have title to the cotton if the producer has **not** sold or delivered the cotton, including the delivery of warehouse receipts, to the buyer.

Important: Once BI in the cotton is lost by the producer, the cotton remains ineligible for loan or LDP even if the producer regains control, risk of loss, and title.

102 BI Determinations**A When BI Is Questioned**

If County Office questions whether the producer retains BI, the County Office shall require the producer to provide for review, as applicable:

- copy of the combination lease agreement
- copy of all options to purchase and all sales contracts
- certification of no contract according to subparagraph 103 C.

B Producer Requests for Contract Review

If the producer is **not** applying for benefits and the producer requests that the County Office give an opinion on an option to purchase or sales contract, the opinion shall be provided to the producer in writing.

Send a copy of the option to purchase or sales contract to the State Office with a copy of the opinion provided to the producer for review according to subparagraph 103 B.

Note: Opinions given for options to purchase and sales contracts are **not** appealable unless the producer has been denied benefits.

103 BI and Contract Review

***--A Documents for Review**

[7 CFR 1427.5(e)] County Offices shall review contracts or leases, as applicable, **only** when there is reason to believe the producer may have lost beneficial interest in the commodity.

When requested by the County Office, producers shall provide the following, as applicable:

- copy of the combination lease agreement
- copy of all options to purchase and all sales contracts
- certification of no contract according to subparagraph C.

Producers who provide the certification according to subparagraph C shall be advised that, for loans only, if a contract is negotiated at a later date, the following, as applicable, **must** be provided to the County Office:

- copies of written contracts
- terms and conditions of verbal contracts.

If a commodity contract is received in the County Office, and it is known that the company has filed for bankruptcy protection, State and County Offices **must**:

- review the contract
- make a beneficial interest determination based on the submitted contract.

Regional OGC Attorneys may need to be consulted before the beneficial interest determination can be made.

Producers with a commodity contract from a company that has filed for bankruptcy protection are eligible to request MAL's or LDP's.

Important: The contract status is **not** affected by the bankruptcy. FSA does **not** intend to intervene with legal matters concerning commodity contracts.

State and County Offices shall **not** provide recommendations or suggestions to producers regarding legal matters about contracts.

Producers **must** seek their own counsel to determine and establish any legal rights and/or claims about their contract.--*

103 BI and Contract Review (Continued)**B State Office Reviews**

State Offices shall:

- review options to purchase and sales contracts submitted by County Offices, including those submitted according to subparagraph A

Note: Notify the County Office **immediately** if the opinion provided by the County Office according to subparagraph A is inaccurate.

- determine whether the producer retains BI and the date the producer would be considered to have lost BI
- for any option to purchase or sales contract on which a determination **cannot** be made, FAX or mail a copy of the contract for PSD review

Note: For each contract submitted for review:

- provide a preliminary determination on when producers would be considered to have lost BI in the commodity under the terms and conditions of the contract
- ensure that the general terms, exhibits, addendum, etc., referenced in the contract are also submitted with the contract.
- when notified by PSD of the date BI would be considered to have been lost, advise the County Office of PSD's determination
- send a copy of the option to purchase or sales contract, as applicable, with a copy of the decision for reference to all counties and other applicable States.

C Producer Certification of BI

If COC questions whether the producer retains BI, CCC may request producer certification that such producer retains BI in the commodity. A statement (for local reproduction) to be used for producer certification, is shown in 8-LP, subparagraph 129 E.

103 BI and Contract Review (Continued)

D Events Resulting in BI Being Lost

The following events are examples of events that may cause BI to be lost:

- on the receipt of a payment without option to purchase
- on the date ginned, if buyer is also ginner and storing warehouse and the contract restricts the producer's ability to take possession of the warehouse receipts
- date of invoice
- when loaded for shipment from gin to the buyer (f.o.b. gin)
- when loaded for shipment from the warehouse to the buyer (f.o.b. warehouse)
- delivery of warehouse receipts to the buyer * * *
- at the time of signing a contract with clauses restricting the producer's decision to obtain marketing assistance from CCC, such as:
 - buyer may require the producer to obtain a loan or LDP
 - producer may obtain a loan or LDP only with prior approval of the buyer.
- when the cotton enters the warehouse, if contract contains a casualty clause that provides that after commencement of insured warehouse cover, insurance settlement shall be for the buyer's account.

* * *

***--Note:** Depending on local marketing practices, cotton gins, clerks, marketing companies, and warehouses may act as agents for the producer for transferring receipts to other entities purposes without the cotton having been sold. The holdership of cotton EWR's by such entities does not, by itself, meant that BI in the cotton was lost by the producer.--*

121 Storage Requirements

A Basic Policy for Ginned Cotton [7 CFR 1427.5(b)(2) and (3)]

Ginned cotton pledged as loan collateral **must** be stored:

- at a warehouse that has entered into CSA with CCC
- inside this warehouse, unless specifically authorized.

A cotton warehouse that has signed CSA, but is temporarily out of compliance for any reason, is considered to be in “suspended” status. At a warehouse that is in “suspended” status:

- loans disbursed before the suspension are **not** affected
- new loans **cannot** be disbursed until the suspension is remediated.

Warehouses that do **not** have CSA, or warehouses whose CSA have been terminated by CCC, may **not** store cotton loan collateral. At these warehouses:

- loans disbursed before any termination of CSA are subject to immediate redemption
- new loans **cannot** be disbursed.

Cotton is considered to be stored outside if it is outside on the 16th calendar day following notification from CCC that the bale has been used as loan collateral.

--Areas approved by CCC for outside storage are identified in Exhibit 18.5. Warehouse loan bales are subject to the following terms and conditions:--

- the warehouse **must** have applied for, and been approved by CCC, to store cotton loan collateral outside
- the county or area **must** be established by CCC as being a storage-deficit area for the crop year, based on whether the approved storage capacity of CSA warehouses equals or exceeds the estimated cotton production for the year
- the warehouse **must** agree to special storage, handling, and reporting requirements
- storage credits are **not** provided during the period of time the bale is stored outside, and cotton transferred from the warehouse is eligible for storage credits at the new location until the maturity date of the cotton.

B Seed Cotton

[7 CFR 1427.165] Seed cotton pledged for loan **must** be stored:

- in a manner that will adequately protect it against loss or damage
- in identity-preserved lots.

121 Storage Requirements (Continued)

C Approved Warehouses

[7 CFR 1427.5(b)(2)] KCCO approves warehouses to store cotton under the program and shall issue instructions to these warehouses.

Note: County Offices shall advise warehouse operators who want approval of warehouses to contact:

--KCCO, CMD, SCB--
STOP 8748
PO BOX 419205
KANSAS CITY MO 64141-6205

Phone: 816-926-6420
FAX: 816-926-1804.

KCCO shall send State Offices the list of approved warehouses, including the following:

- receiving charge
- monthly storage charge.

State Offices shall send County Offices copies of the lists.

122 Fire Insurance Requirements

A Insurance Required

[7 CFR 1427.5(b)] For ginned cotton to be placed under loan, it **must** be covered by fire insurance.

[7 CFR 1427.5(f)] For seed cotton to be pledged under loan, it **must** be insured at the full loan value against loss or damage by fire.

123 Basic Cotton Quality Requirements

A Basic Requirements

*--[7 CFR 1427.9(a)] Ginned cotton **must** be graded by AMS and be of a grade, leaf, strength, staple length, and micronaire reading, including Exhibits 5 through 11, to be eligible for loan or LDP.

The base quality for upland cotton is:

- SLM 1-1/16 inch
- leaf 4
- micronaire 3.5 - 3.6 and 4.3 - 4.9
- strength 25.5 - 29.4 grams/tex
- length uniformity of 79.5 - 82.4 percent.--*

B Upland Cotton Quality Requirement

[7 CFR 1427.5(d)] Use the following exhibits for determining whether the applicable grade, leaf, strength, staple length, and micronaire reading are within eligible ranges for upland cotton and for determining appropriate premiums and discounts:

- Exhibit 5 for grade, leaf, and staple length
- Exhibit 6 for extraneous matter
- Exhibit 7 for uniformity
- Exhibit 8 for strength
- Exhibit 9 for micronaire readings.

C ELS Cotton Quality Requirement

[7 CFR 1427.5(c)] For program eligibility, ELS cotton **must** be a grade and staple length specified on the schedule of loan rates and premiums and discounts for ELS cotton. Use the following exhibits for determining whether the applicable grade, staple length, and micronaire reading are within eligible ranges for ELS cotton:

- Exhibit 10 for grades and staple length
- Exhibit 11 for micronaire readings.

ELS cotton of a staple length less than 44/32 (1 3/8 inch) is ineligible for loan.

D Seed Cotton Quality

[7 CFR 1427.165] Because seed cotton is * * * **not** classed before being pledged for loan, an average quality is ordinarily used in determining loan rate. * * *

124 Liens: Search, Waivers, and UCC-1 Requirements**A Basic Policy**

Lien, lien search, and UCC-1 filing policies:

- are based on:
 - producer risk factors, such as loan or LDP violations, CCC notification or awareness of existing liens, or bankruptcy or OIG review of the producer at the time of the loan request
 - the value of the individual loan or the aggregate value of multiple loans
- Note:** Aggregate value is defined as the total loan amount approved and disbursed for a specific crop year without regard to any amounts that may have been repaid.
- whether the loan is farm-stored or warehouse-stored (CCC holds a receipt)
 - whether CCC will be charged a fee for filing UCC-1 or similar records
 - do **not** apply to LDP's or loans provided for immediate commodity certificate exchange because, in either case, there is no opportunity for dispute over who has the superior security interest in the loan collateral.

***--Note:** Lien searches are **not** required for Federal and State tax liens.--*

127 AGI

***--A AGI Policy**

AGI is a statutorily-determined income level above which some program benefits are curtailed. The AGI limit is different for the 2008 crop than for the 2009 and subsequent crops, but is defined as the average of the AGI or comparable measure of the person or legal entity over the 3 taxable years preceding the most immediately preceding complete taxable year.

Persons/entities exceeding the AGI limit for a year:

- can:
 - obtain a nonrecourse MAL and repay at principal plus interest
 - exchange any outstanding loan quantity with commodity certificates
 - forfeit the commodity to CCC
- **cannot:**
 - obtain LDP
 - repay MAL obligation at the alternative repayment rate.

AGI limits are as follows:

- for the 2008 crop, an average AGI of \$2.5 million, unless at least 75 percent of the average AGI is derived from farming, ranching, or forestry operations
- for the 2009 and subsequent crops, if average adjusted gross nonfarm income exceeds \$500,000, then the person or entity is **ineligible** for **all** commodity, price support, and disaster program benefits; that is, is ineligible for LDP, but is eligible for MAL if repaid at principal plus interest or exchanged for commodity certificate.--*

128-159 (Reserved)

Part 3 Loans for Ginned Cotton

Section 1 Loan Requirements

160 Regular Loans and Loans for Immediate Commodity Certificate Exchange

A General

This part covers the following day-to-day operations of County Offices that are required before making and disbursing a cotton loan payment:

- source of loan
- loan availability
- disbursements
- bankruptcy cases
- liens
- interest rates.

B Basic Program Provisions

Included in this part are the basic provisions applicable to specific types of loans, such as:

- warehouse receipt requirements
- determining loan rates
- acceptable classification data
- maturity dates.

C Loans Requested for Immediate Exchange for a Commodity Certificate

*--Cotton loans requested for immediate exchange for a commodity certificate are:

- subject to the same requirements as a loan repaid by cash for the following:
 - producer eligibility
 - BI
 - warehouse receipting
 - quality and classification information
 - service, research, and promotion fees
 - allowable and non-allowable charges
- different from a loan repaid by cash because certificate exchanges, as follows:
 - terminate effective ending with the 2009 crop year
 - are unavailable for 2010 and subsequent crops of cotton.--*

160 Regular Loans and Loans for Immediate Commodity Certificate Exchange (Continued)**C Loans Requested for Immediate Exchange for a Commodity Certificate (Continued)**

For loans requested for immediate exchange for a commodity certificate, refer to:

- subparagraph 181 C for forms needed at time of loan request
- subparagraphs 201 B and D for processing instructions.

161 Source of Loans**A Cotton Loans**

[7 CFR 1427.6] Eligible producers may obtain cotton loans (and LDP's) **only** from any of the following:

- the County Office that keeps the farm records for the farm on which the cotton was produced (the Administrative County)
- an approved cotton clerk, according to 14-CN [7 CFR 1427.6]
- *--an approved LSA, according to 22-CN. [7 CFR 1427.5(a) and 1427.6]--*
- an approved CMA, according to 21-CN. [7 CFR 1427.5(a)]

Multi-county producers may request loans (and LDP's) in a county other than their Administrative County. However, the actual loan outlay on an LDP payment is **not** to be provided by any county other than the producer's Administrative County.

County Offices that are **not** the Administrative County for the multi-county producer **must** send loan, LDP, module lock-in, and other such requests to the Administrative County for processing.

Notes: The producer may obtain loans by bringing a diskette to the County Offices with cotton bale data prepared by a private entity according to paragraph 170.

CMA's may obtain loans for their eligible producers. [7 CFR 1427.6(b)]

164 Warehouse Receipt Requirements

A Definition of Acceptable Warehouse Receipts

*--[7 CFR 1427.3] Acceptable warehouse receipt means an original or replacement receipt that may or may **not** be certificated for delivery for a futures-pricing contract, and is either of the following:

- for 2008 crop cotton **only**, a pre-numbered, pre-punched, negotiable warehouse receipt issued under the authority of the U.S. Warehouse Act, a State licensing authority, or by an approved CCC warehouse in such format authorized and approved, in advance, by CCC
- for 2008 through 2012 crop cotton, EWR record issued by such warehouse recorded in a central filing system or systems maintained in 1 or more locations that are approved by FSA to operate such system.

Note: Starting with 2009 crop cotton, CCC will **not** accept paper warehouse receipts as collateral for MAL's.--*

B Allowance for Delivery of Cotton

The warehouse receipt **must** provide for delivery of the cotton to the bearer or be properly assigned by endorsement in blank to vest title in the holder of the receipt.

C Gin Bale Number

The warehouse receipt **must** contain gin bale number. If:

- gin number and warehouse receipt number are the same, a notation to that effect will meet the requirement
- bale was moved from origin warehouse, new receipt **must** contain the warehouse receipt tag number and identification of the origin warehouse.

D Receiving Charges

The warehouse receipt **must** show whether warehouse receiving charges have been paid or waived.

E Warehouse Code

The warehouse receipt **must** contain the warehouse code that was assigned by CCC.

* * *

164 Warehouse Receipt Requirements (Continued)

F Warehouse Tag Number, Including Tare and Net Weights

[7 CFR 1427.11(c)] The warehouse receipt **must** contain the:

- warehouse tag number (warehouse receipt number)
- tare and net weight of the cotton.

Note: Tare weight **must** be 1 of the weights in pounds according to subparagraphs 72 C
--and 125 E.--

Nonelectronic receipts showing any alterations in the weight shall **not** be accepted unless they bear on the face the following stamped legend, or similar wording, approved by CCC.

Corrected (gross, tare, or net) Weight _____
Warehouse Name _____
By _____

Note: The legend **must** be signed or initialed by an authorized warehouse representative.

164 Warehouse Receipt Requirements (Continued)

* * *

G Compression Status and Charges

[7 CFR 1427.11(g)] Warehouse receipts **must** show:

- compression status of the bale
- if the compression charge has been paid or waived.

Notes: Bales **must not** be compressed to universal density if side pressure has been applied.

If compression charge has **not** been paid or waived, no statement is required.

See subparagraph 184 B for compression codes.

H Storage Charges

[7 CFR 1427.11(d)] Warehouse receipts **must** show the date through which storage charges have been paid, if they have been paid.

164 Warehouse Receipt Requirements (Continued)**I Charges for New Ties**

[7 CFR 1427.11(e)] Warehouse receipts **must** show information on charges for new sets of ties for compressing flat bales tied with ties that **cannot** be reused.

Note: This does **not** apply for bales stored in:

- Alabama
- Florida
- Georgia
- North Carolina
- South Carolina
- Virginia.

Charges **must** be shown on the warehouse receipt and noted, “Rec. charges due include charge for new set ties”, or explained with other appropriate notation if all of the following apply:

- bale is stored at a warehouse that has compress facilities or arrangements
- receipt shows the receiving charges have **not** been paid
- receiving charges include charge for new set of ties.

In addition, it **must** be shown on the receipt that bale ties are **not** suitable for reuse if both of the following apply:

- bale is stored at a warehouse that does **not** have compress facilities or arrangements
- bales shipped from the warehouse are normally compressed in transit.

J Date of Receipt

[7 CFR 1427.11(a)] Warehouse receipts **must** be dated on or before date the producer signs CCC-Cotton A.

*--181.5 Completing CCC-10 (Continued)

E Example of CCC-10

The following is an example of a completed CCC-10.

REPRODUCE LOCALLY. Include form number and date on all reproductions.		Form Approved - OMB No. 0560-0215	
CCC-10 (11-20-01)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation Farm Service Agency	
REPRESENTATIONS FOR COMMODITY CREDIT CORPORATION OR FARM SERVICE AGENCY LOANS AND AUTHORIZATION TO FILE A FINANCING STATEMENT AND RELATED DOCUMENTS			
<p>NOTE: The following statement is made in accordance with the Privacy Act of 1974 (5 U.S.C. 552a). The authority for requesting the following information is Commodity Credit Corporation Charter Act, 15 U.S.C. (714 et seq.), the Federal Agriculture Improvement and Reform Act of 1996, and Consolidated Farm and Rural Development Act (7 U.S.C. 1921 et seq.). The information will be used to provide loan benefits. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in denial of loan benefits. This information may be provided to other agencies, IRS, Department of Justice, or other State and Federal Law enforcement agencies, and in response to a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 15 U.S.C. 714m, 18 U.S.C. 286, 287, 371, 641, 651, 1001; and 31 U.S.C. 3729, may be applicable to the information provided.</p> <p>According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0560-0215. The time required to complete this information collection is estimated to average 5 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</p>			
PART A - INTRODUCTION			
The undersigned is an applicant for a loan from the Commodity Credit Corporation (CCC) or the Farm Service Agency (FSA), or is currently indebted to CCC or FSA on account of loans previously made or will encumber, pledge or mortgage property to CCC or FSA to secure payment of a loan made or to be made by CCC or FSA. The undersigned understands that CCC or FSA will take or has taken a security interest in collateral to secure the payment of any loan made or to be made, that CCC or FSA will file or has filed a financing statement or an amended financing statement to perfect its security interest in such collateral, that the information provided in this instrument will affect the contents of the financing statement or any amended financing statement and where it will be filed and that CCC or FSA will rely upon this information provided by the undersigned. Further, the undersigned understands that CCC or FSA will continue to use this information for any future loans to be made to the undersigned until the undersigned notifies CCC or FSA of any changes. The undersigned agrees to immediately notify CCC or FSA of any changes in this information.			
PART B - REPRESENTATION OF UNDERSIGNED			
1. TYPE OF UNDERSIGNED:	<input checked="" type="checkbox"/> INDIVIDUAL <input type="checkbox"/> ORGANIZATION OR ENTITY	2. SOCIAL SECURITY NUMBER OR TAX IDENTIFICATION NUMBER	111-XX-79X1
3. UNDERSIGNED'S FULL LEGAL NAME	John Rosco Smith, Jr.	4. SPOUSE'S FULL LEGAL NAME	Anita LuAnne Baxter Smith
5. STATE AND COUNTY OF PRIMARY RESIDENCE IF UNDERSIGNED IS AN INDIVIDUAL	New Jersey, Adams Co.	6. IF UNDERSIGNED IS AN ORGANIZATION OR ENTITY, SPECIFY THE TYPE OF ORGANIZATION OR ENTITY	
7. IF UNDERSIGNED'S ORGANIZATION OR ENTITY IS A REGISTERED ORGANIZATION OR ENTITY, SPECIFY THE STATE IN WHICH THE ORGANIZATION OR ENTITY WAS CREATED.			
8. IF UNDERSIGNED'S ORGANIZATION IS A NON-REGISTERED ORGANIZATION OR ENTITY, SPECIFY THE STATE WHERE THE PLACE OF BUSINESS IS LOCATED OR WHERE THE ORGANIZATION OR ENTITY CONDUCTS ITS AFFAIRS.			
PART C - AUTHORIZATION TO FILE			
9. The undersigned authorizes CCC or FSA to file a financing statement under the name of the undersigned for collateral to be described in the financing statement and security agreement at any time following the date that this instrument is signed. By signing below, I give CCC or FSA permission to file a financing statement prior to the execution of the security agreement, as well as to file amendments and continuations of the financing statement thereafter.			
9A. SIGNATURE OF UNDERSIGNED	/s/ John Rosco Smith, Jr.	DATE	11-21-01
9B. SIGNATURE OF UNDERSIGNED	/s/ Anita LuAnne Baxter Smith	DATE	11-21-01
9C. SIGNATURE OF UNDERSIGNED		DATE	
9D. SIGNATURE OF UNDERSIGNED		DATE	
The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, gender, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 1400 Independence Avenue, SW, Washington, D.C. 20250-9410 or call (202) 720-5964 (voice or TDD). USDA is an equal opportunity provider and employer.			

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182 Using CCC Cotton A-5, Statement of Eligibility and Information Worksheet

A General Information

CCC Cotton A-5 shall be completed to serve as a source document for preparing cotton loans. A second-party review of eligibility and the loan application shall be performed before disbursement and shall be recorded by the second-party by initialing and dating CCC Cotton A-5.

B Completing CCC Cotton A-5

Complete CCC Cotton A-5 according to this table.

Item	Instructions
Part A	
1-7	Enter the information provided by the producer. Only the last 4 digits of a producer’s tax ID on Social Security numbers shall be entered.
8	Enter the later of the following dates: <ul style="list-style-type: none"> • the date of receipt of a signed CCC Cotton A-5 and all other required documents listed in subparagraph 181 B • the date CCC was made holder of EWR’s as specified on the EWR Validation Review Report <p style="margin-left: 40px;">Note: The date CCC was made holder of EWR is not necessarily the same date as the date that a County Office downloaded EWR’s.</p> <ul style="list-style-type: none"> • the date paper warehouse receipts were delivered to the County Office.
9	Enter the date the application is received by CCC.
10	Leave blank or use for file sequence number of the loan.
11-14	Check the appropriate block based on information provided by the producer and County Office records.
15	Enter name and address of lienholder, if applicable.
16-19	Check the appropriate block based on information provided by the producer and County Office records.
20	Enter applicable date.
***	***
--21--	Enter any clarifying remarks.
Part B	The producer/representative shall sign and date. CCC signs and stamps or enters date received.
Part C	Enter disbursement data applicable to all setoffs and any payees other than the producer sharing in the loan’s proceeds.

182 Using CCC Cotton A-5, Statement of Eligibility and Information Worksheet (Continued)

B Completing CCC Cotton A-5 (Continued)

*--

This form is available electronically.

CCC Cotton A-5 U.S. DEPARTMENT OF AGRICULTURE (04-07-09) Commodity Credit Corporation STATEMENT OF ELIGIBILITY AND INFORMATION WORKSHEET	A. COUNTY OFFICE NAME AND ADDRESS South County FSA Route 66, Box 9 Midtown, GA 56789	B. CROP YEAR 2006					
<p>NOTE: <i>The primary authority for requesting and safeguarding the information described on this form is the Food, Conservation, and Energy Act of 2008 (Pub. L. 110-246 and any amendments to such act as may follow). The information requested is necessary cotton loan benefits. Furnishing the requested information is voluntary. Failure to furnish the requested information will result in a determination of ineligibility for certain program benefits and other financial assistance administered by USDA. This information collected as a result of this form may be released to USDA employees, USDA contractors, or authorized USDA cooperators who are bound to safeguard the information under Section 1619 of the Food, Conservation, and Energy Act of 2008, the Privacy Act of 1974, the E-Government Act of 2002, and related authorities.</i></p> <p><i>This information collection is exempted from the Paperwork Reduction Act, as it is required for administration of the Food, Conservation, and Energy Act of 2008 (see Pub. L. 110-246, Title I, Subtitle F - Administration). The provisions of criminal and civil fraud, privacy, and other statutes may be applicable to the information provided. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</i></p>							
PART A - ELIGIBILITY AND RELATED INFORMATION							
1A. Contact Producer's Name, Address And Last 4 Digits Of Identification Number John Producer 23 Main Street, Cottontown, GA 34567	1B. Crop Share 50 %	4. Farm Number Where Cotton Was Produced 2345 5. Gin Code 18476					
2A. Other Producer's Name, Address And Last 4 Digits Of Identification Number Joe Neighbors 26 Brown Street, Cottontown GA 34567	2B. Crop Share 50 %	6. Warehouse Code Or Cotton Location 647829 7. No. Of Warehouse Receipts Or Bales 1300					
3A. Other Producer's Name, Address And Last 4 Digits Of Identification Number	3B. Crop Share %	8. Date All Required Documents Received (MM-DD-YYYY) 9/22/2008 9. Date Application Received (MM-DD-YYYY) 9/22/2008 10. File Name					
ITEM	N/A	YES	NO	ITEM	N/A	YES	NO
11. Did operator separate landlord's bales?	X			16. Can the operator sign as agent for the owner?	X		
12. Is the producer eligible for the loan?		X		17. Must note be mailed for owner's signature?			X
13. Is the loan quantity reasonable based on County committee maximum established yield?			X	18. Will owner come to county office to sign note?			X
14. Is there a lien on the crop?		X		19. Does the producer have a FSA or federal non-tax debt?			X
15. If answer to Item 14 is "YES", enter Name and Address of Lienholder(s)				20. Date that note will be ready for signature (MM-DD-YYYY)			
21. Remarks							
PART B - CERTIFICATION							
<i>I certify, regarding the cotton to be pledged as collateral for this loan, that: (1) I have, and will retain, beneficial interest in it until satisfaction of any loan obligation; (2) I will provide CCC warehouse receipts for it; (3) any option-to-purchase granted by me does not provide that the buyer may direct me to pledge the cotton to CCC as collateral for this loan; (4) I had risk in the production of the cotton; (5) I have not been convicted of a controlled substance violation according to 1-CM; and, (6) I agree that if I do not sign the loan note and security agreement within 15 calendar days from the date entered into Item 20 of this application that the application may be voided or the date documents received may be amended.</i>							
1A. Signature Of CCC Representative	1B. Date (MM-DD-YYYY) 9/30/2008	1C. Signature Of Contract Producer		2. Date (MM-DD-YYYY) 9/30/2008			
		1D. Title/Relationship (of the individual signing in the Representative Capacity)					
PART C - DISBURSEMENT DATA							
1. OFFSET(S) (including debt I.D., if applicable) AND PAYEE(S).				2. DEBT IDENTIFICATION		3. CHECK AMOUNT (\$)	
<small>The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.</small>							
<input type="checkbox"/> ORIGINAL	<input type="checkbox"/> COUNTY OFFICE COPY	<input type="checkbox"/> AUTHORIZED LSA or LOAN CLERK COPY	<input type="checkbox"/> PRODUCER'S COPY				

--*

182 Using CCC Cotton A-5, Statement of Eligibility and Information Worksheet (Continued)

C Distribution

Distribute CCC Cotton A-5 as follows:

- file the original copy in the County Office
- give the second copy to the cotton clerk
- give the third copy to the producer.

183 (Withdrawn--Amend. 32)

184 Compression Status

A Definition of Compression Status

Compression status means the density of the bale of cotton. In APSS, the compression status of a bale is expressed as an alpha code, called the “compression code”.

B Valid Compression Codes

This table lists valid compression codes that can be entered when processing cotton loans through:

- APSS
- cotton warehouse receipt process.

Valid APSS Code	Valid Cotton PC Code	Code Explanation
Current Production Compression Codes		
GS	3	Gin Standard Density Bales
GU	5	Gin Universal Density Bales
Discontinued Compression Codes		
F	1	Flat Uncompressed Bales
GH	4	Gin High Density Bales
SD	7	Standard Density Bales
SS	8	Standard Density Short Bales
SU	9	Universal Density Short Bales
WU	6	Warehouse Universal Density Bales

C Loan Eligibility

*** Virtually all bales are produced based on universal density compression. A universal density bale measures 55 inches (height) by 21 inches (diameter) by 28 inches (width) and is compressed to 28 pounds per cubic foot.

*--EWR’s submitted for loan **must** indicate a compression code of “3” or “5” to be eligible for loan. Starting with the 2009 crop, flat bales are **not** eligible for loan or LDP.--*

185 Producers' Loan Shares

A Loan Shares

For loans involving multiple producers, individual producer loan shares **must** be consistent in terms of reasonableness with the shares and acres reported on FSA-578.

For more information on:

- acreage reporting and the FSA-578 process, see 2-CP
- questionable or commingled production, see subparagraph 119 B
- recording producer shares during regular loan processing in APSS, see subparagraph 187 B, step 21.

186 Preparation Codes for APSS

A Definition of Preparation Codes

Preparation codes indicate:

- who prepared the documents required for the loan
- the method by which the documents were prepared.

B Valid Preparation Codes

This table lists preparation codes. Enter code when processing cotton loans through APSS.

Preparation Code	Code Explanation
* * *	* * *
1E	Documents were prepared in the County Office using EWR's.
* * *	* * *
3E	Documents were prepared by a cotton clerk using EWR's, but funds were disbursed by the County Office.
* * *	* * *
4E	Documents were prepared and funds were disbursed by a cotton clerk using EWR's.

Important: The correct code **must** be entered to ensure that National Office loanmaking reports are accurate.

187 Regular Loan Processing in APSS

A Preparation

Verify that offer shipping rate table, loan rates, and other tables are correctly entered into the computer according to paragraph 65.

B APSS Procedure

Process loans according to the following table.

Important: Date loan is approved by CCC **must** be on or before date of loan disbursement.

To ensure that funds are **not** disbursed * * * before signatures of **all** producers or authorized agents are obtained, and loan is approved by CCC, carefully follow instructions in step 24.

Step	Action	Result	
1	On Menu PCA005, ENTER "2", and PRESS "Enter".	Screen PCA11000 will be displayed.	
2	On Screen PCA11000: <ul style="list-style-type: none"> enter: <ul style="list-style-type: none"> either the producer's last name or the producer's ID and type the crop year "N" for the loan number PRESS "Enter". 	IF...	THEN go to...
		<ul style="list-style-type: none"> Screen PCA12000 is displayed Screen MACR04-01 is displayed 	<ul style="list-style-type: none"> step 4. step 3.
3	On Screen MACR04-01, enter the number for the desired producer, and PRESS "Enter".	Screen PCA12000 will be displayed.	
4	On Screen PCA12000: <ul style="list-style-type: none"> ENTER "Y" or "N", as applicable, to the following questions: <ul style="list-style-type: none"> "Is this the correct producer?" "Is this the re-entry of a corrected loan?" PRESS "Enter". 	IF the producer is...	THEN...
		correct and this is not a re-entry of a corrected loan	Menu PLA000 will be displayed. Go to step 6.
		not correct	Screen PCA11000 will be redisplayed. Return to step 2.
		correct, but this is a re-entry of a corrected loan	Screen PCA12000 will be redisplayed. Go to step 5.

188 Manual Loan Processing**A When Manual Loans Shall Be Prepared**

If the APSS system is inoperable and it is expected to be inoperable for at least 4 workdays from the time the warehouse receipts and all documents required from the producer for the loan are presented by the producer or authorized agent for loan, the County Office shall prepare the loan manually, only if requested by the producer or authorized agent to do so.

* * *

B When Not to Manually Prepare a Loan

If the APSS system is operable or is expected to be operable within 4 workdays of the day the producer or authorized agent presents the warehouse receipts, do **not** manually prepare the loan.

C Action Taken to Prepare and Disburse a Manual Loan

County Offices shall:

- determine the eligibility of the producer and cotton
- use the premiums and discounts listed in the applicable exhibits of this handbook to figure loan rates
- complete CCC-Cotton A, CCC-Cotton A-1, and if applicable, CCC-Cotton A Continuation, according to paragraphs 189, 191, and 190, respectively

* * *

- immediately when APSS is operable, enter the loan data according to paragraph 192.

Note: The total disbursement calculated for manual loans (the loan amount less fees) shall **not** be reduced to 75 percent of the computed amount.

189 Using CCC-Cotton A, Producer’s Note and Security Agreement

A Description

[7 CFR 1427.1(a)] [7 CFR 1427.2(f)] CCC-Cotton A is a computer-generated form printed during the APSS loanmaking procedure used to obtain a producer’s agreement with the note and security agreement. Blank CCC-Cotton A’s can be printed for manual loan preparation.

Note: Keep an adequate supply of blank CCC-Cotton A’s on hand for preparing manual loans when the computer is inoperable.

B Completing CCC-Cotton A

Complete CCC-Cotton A according to this table.

Note: These instructions are for manually-prepared loans, except for items 12 through 14 which are required to be entered on loans prepared and disbursed through APSS.

Item	Instructions
1	ENTER “X” if more space is needed: <ul style="list-style-type: none"> • to enter producer information according to item 9 • for producer signatures according to item 12.
2	Enter name and address of contact producer from County Office records.
3	*--Enter warehouse code or address where stored. Note: All bales pledged for 1 loan must have the same warehouse code or location.--*
4	Enter State and county codes and farm number where produced.

191 Using CCC-Cotton A-1, Schedule of Pledged Cotton

A Description

CCC-Cotton A-1 is a computer-generated form printed during the APSS loanmaking procedure or which can be printed in blank for manual loan preparation.

Note: Keep an adequate supply of blank forms on hand for preparing manual loans when the computer is inoperable.

B Completing CCC-Cotton A-1

The following table gives instructions for completing CCC-Cotton A-1.

Note: These instructions are for manually prepared loans.

Item	Instructions
1	Enter State and county codes.
2	Enter applicable crop year and the applicable commodity code. <ul style="list-style-type: none"> • “UP” for upland cotton. • “ELS” for ELS cotton.
3	Enter loan number assigned from 90000 series.
4	Enter date of disbursement.
5	Enter name of contact producer.
6	Enter warehouse code from the warehouse receipt. Note: All bales pledged for 1 loan must have the same warehouse code.
7	Enter gin code from the warehouse receipt. (ELS leave blank) Note: All upland cotton pledged for 1 loan must be ginned at the same gin.

191 Using CCC-Cotton A-1, Schedule of Pledged Cotton (Continued)

B Completing CCC-Cotton A-1 (Continued)

Item	Instructions
8	Enter the applicable code listed below: <ul style="list-style-type: none"> • “GS”, Gin Standard Density Bales • “GU”, Gin Universal Density Bales. <p>Note: If compression has been paid, enter an “X” following the applicable compression code.</p>
9	Enter date warehouse receipts are received in the County Office.
10	*--Enter reconcentration order number provided by KCCO, CMD, SCB, if--* applicable.
11	Enter tare weight from the warehouse receipt.

Section 3 Loan Repayments, Ginned Cotton

197 Basic Provisions

***--A 2002 Through 2008 Crop Upland Cotton Repayments**

[7 CFR 1427.19] A producer or agent designated on CCC-605 may repay the loan amount for 1 or more bales of 2002 through 2008 crop upland cotton pledged as collateral for a--* loan at a level that is the lesser of the following:

- loan principal, plus interest that accrued on the loan principal during the loan period, plus any compression and reconcentration charges that were previously paid by CCC
- AWP, as determined by CCC and in effect on the day the repayment is received in the County Office, adjusted for location, quality, and allowable CCA, multiplied times the net bale weight, plus any compression charges that were previously paid by CCC, minus warehouse storage charges according to paragraph 198.

***--Note:** AWP **cannot** be adjusted by discounts and CCA to a value less than zero.--*

See the following paragraphs:

- 22 to determine AWP and CCA in effect
- 26 to determine the allowable CCA

Note: When CCA is applicable and in effect, CCA is subtracted from AWP to calculate the loan repayment rate.

- 27 for grades of cotton for which CCA is applicable
- 198 for instructions on how upland cotton cash loan repayments are calculated
- 201 for certificate exchanges
- 204 for accepting CCC-605's.

Producers may repay the loan amount for bales after the loan has matured, if the receipts are still in the County Office and the forfeiture has **not** been processed, by repaying the loan principal, plus interest that accrued on the loan principal during the loan period, plus any compression and reconcentration charges that were previously paid by CCC.

197 Basic Provisions (Continued)**B ELS Cotton**

[7 CFR 1427.19(c)(2)] A producer may repay the loan amount for 1 or more bales of ELS cotton pledged as collateral for a loan by repaying the loan amount and charges, plus interest, determined for these bales.

C Commodity Certificate Exchanges

Commodity certificates may be purchased to exchange for upland cotton loan collateral if *--AWP is less than NALR for upland cotton and the cotton is 2009 crop or earlier. See--* paragraph 201 for more information. Certificate exchanges **cannot** be made:

- after upland cotton loan maturity
- for ELS cotton loan collateral
- for seed cotton loan collateral
- for CCC-owned commodities.

D Payment Limitation Provisions

[7 CFR 1400] See paragraphs 25, 43, and 44 for payment limitation provisions.

E Using CCC-697

The repayment rate for an upland cotton loan **cannot** be “locked-in” using CCC-697. CCC-697 does **not** apply to cotton because it is intended for use with farm-stored commodities.

197 Basic Provisions (Continued)

F Types of Remittances

County Offices may accept the following types of remittances for repayment of a cotton loan:

- cash
- *--U.S. Treasury check--*
- postal money order
- check, draft, or money order issued by a bank
- check or draft issued by a person, firm, etc., and certified, guaranteed, or acceptable by the bank on which it is drawn
- wire transfers according to subparagraph 209 A and 3-FI
- personal or corporate checks.

STC may require certified or cashier's checks for cash redemptions of cotton loans when it is considered necessary to protect CCC's interest. This requirement may be carried out on 1 of the following:

- an individual county basis
- a Statewide basis
- an individual producer or buyer basis if that individual has demonstrated irresponsibility by issuing a check for repayment that was later dishonored upon deposit.

County Offices shall:

- use prudent judgment in releasing loan collateral if an uncertified personal or corporate check is offered to redeem a loan
- **not** accept checks that do **not** conform to proper business practices.

G Releasing CCC-Cotton A

County Offices shall mark original CCC-Cotton A "PAID" and mail to the contact producer, but **not** until 30 calendar days after the last bale applicable to the note has been redeemed.

--197.5 Documentation Requirements for County Office Redemptions--

A Requirements

* * *

- *--A request for redeeming a loan is considered received if all of the following conditions exist or required items are received by the County Office.

IF the redemption of bales is requested by...		THEN the following items must be presented at the County Office or conditions that apply...
the producer		<ul style="list-style-type: none"> • CCC-605 does not apply • sufficient funds are provided • the requested bales are identified by bale list • holder ID is known for entity to which bales are to be released.
entity other than producer and CCC-605 is presented		<ul style="list-style-type: none"> • CCC-605 authorized entity to redeem <p>Note: If EAD authorizes a different entity, the dispute must be resolved before redemption occurs.</p> <ul style="list-style-type: none"> • sufficient funds are provided • the requested bales are identified by bale list • holder ID is known for entity to which bales are to be released.
entity other than producer, CCC-605 is not presented, and the loan	is established in COPS	<ul style="list-style-type: none"> • EAD in COPS identifies the entity permitted to redeem the cotton • sufficient funds are provided • the requested bales are identified by bale list • holder ID is known for entity to which bales are to be released.
	is not established in COPS	redemption request cannot be accepted.

--*

If 1 or more of these required items is missing, a redemption request has **not** been received. The redemption request is considered as having been received at the time of receipt of the last of the required items.

* * *

201 Commodity Certificate Exchange for Loan Collateral

A Policy

* * * Commodity certificate exchanges:

- *--terminate effective ending with the 2009 crop year; therefore, only collateral for outstanding loans of the 2009 and prior crop years may be exchanged for commodity certificates--*
- apply only to collateral of MAL's provided for ginned upland cotton represented by a warehouse receipt for which CCC is holder
- *--are calculated based on 1-day of storage credit for immediate turn-around loans, if applicable--*
- **cannot** occur unless the cotton is first placed under loan.

A certificate exchange is legally different from LDP because the cotton is:

- placed under loan
- purchased by CCC at loan value
- exchanged for a certificate sold by CCC at the exact loan-redemption value of the cotton.

These steps are required to be administered so that the transaction is **not** subject to payment limitation that applies to LDP's and gains from redeeming cotton at a reduced rate.

Commodity certificates are **not** issued for any of the following:

- exchange with collateral of any low grade upland cotton loan for which the repayment rate calculates as a negative
- exchange with collateral of seed cotton loans
- exchange with collateral of ELS cotton loans
- CCC-owned inventory.

Gains from exchanging certificates for loan collateral are **not**:

- reported by FSA to IRS on CCC-1099-G
- subject to payment limitation.

Loan collateral exchanged for a commodity certificate:

- **must meet all eligibility requirements, including beneficial interest, according to paragraph 118**
- is **not** eligible to be repledged.

201 Commodity Certificate Exchange for Loan Collateral (Continued)

B Commodity Certificate Exchange Process

The following are the steps by which loan collateral is exchanged for commodity certificates.

Step	Action for Regular Loan Repayments Using Commodity Certificate Exchanges	Action for “Turn-Around” Loans (Loans Requested for Immediate Exchange for Commodity Certificates)
1	<p>CCC-694-2 may be signed, submitted, and accepted from:</p> <ul style="list-style-type: none"> • a producer who submits CCC-694-2’s according to subparagraph 181 C • a producer’s agent authorized on CCC-605 or FSA-211. 	<p>only producers who submit forms according to subparagraph 181 B and an original copy of CCC-694-2 that is:</p> <ul style="list-style-type: none"> • completed according to subparagraphs 181 C and 201 D • dated no earlier than the date of the loan application.
2	<p>Identify loan and loan quantity and loan repayment amount using:</p> <ul style="list-style-type: none"> • marketing loan option in APSS • producer- or producer agent-supplied repayment data according to *--subparagraph 202 D--* • estimated value using average bale weights according to subparagraph 202 B. 	
3	<p>AWP used to compute the certificate value is:</p> <p>AWP in effect on the day repayment funds are received in the County Office.</p>	<p>AWP on the date (or later of multiple dates) entered under CCC-694-2, item 8, even if this date is earlier than the date the County Office processes the transaction.</p>

***--201.5 Processing Cotton Loans and Redemptions That Involve Immediate Certificate Exchanges in APSS (Continued)**

B Exchanges for Loans That Involve 1 Payee

When the loan involves **1 payee**, County Offices shall process immediate commodity certificate exchanges according to paragraph 201 and the following instructions:

- repayment date is date transaction is processed in APSS, **even if** the repayment was requested at an earlier date
- receipt release date is actual date County Office releases the receipts to the designated buyer using the cotton PC software
- use AWP in effect on date loan and immediate exchange for commodity certificates were **requested**
- record repayment on a **current** CCC-257 using check that was issued to CCC during loanmaking
- refund any overpayment to **producer.--***

201.5 Processing Cotton Loans and Redemptions That Involve Immediate Certificate Exchanges in APSS (Continued)

C Exchanges for Loans That Involve Multiple Payees

When the loan involves **multiple payees**, County Offices shall process immediate commodity certificate exchanges according to paragraph 201:

- repayment date is date transaction is processed in APSS, **even if** repayment was requested at an earlier date
- receipt release date is actual date County Office releases the receipts to the designated buyer using the cotton PC software
- use AWP in effect on date loan and immediate exchange for commodity certificates were **requested**
- record loan repayments for multiple producers with multiple checks on a **current CCC-257** as follows:
 - record checks issued to CCC beginning with **smallest amount** until collection amount is sufficient to purchase the certificate
 - refund any amount of overpayment to **producers** by:
 - multiplying refund amount times each producer's share
 - issuing a separate check to each producer as payee for applicable amount
- if additional loan checks issued to CCC remain, that were **not** needed to purchase commodity certificates, refund those amounts as follows:
 - record remaining checks as collection on current CCC-257 in Accounting through cash receipts using program code "REFREP"
 - refund "REFREP" collection amount recorded on CCC-257 to producers by:
 - multiplying check amount times each producer's share
 - issuing a check to each producer for applicable amount in Accounting through Check Writing using program code "REFREP" and reference CCC-257 number used to deposit additional check.

*--D Storage Credit for Immediate Exchange Transactions

If a loan is established for immediate exchange for a commodity certificated, 1 day of storage credit, if applicable, will be applied to the exchange calculation.--*

204 Using CCC-605, Authorization of Electronic Agent and Designation of Agent - Cotton (Continued)

C Resolving Concurrent Agent and Producer Redemption Requests

Requests for loan redemption may be submitted through CCR and County Office at the same time. CCC processes the request and releases the cotton to the first entity, either the producer or producer's agent that provides repayment funds to CCC.

Under CCR, cotton loan collateral is:

- **committed when funds are received** and **not** available for a subsequent redemption requested at a County Office
- **not committed** by a pending CCR invoice for which no funds have been received.

When a County Office is informed that CCR invoice is pending, before accepting funds for a subsequent redemption request, the County Office shall determine whether funds have been *--transmitted to CCC by calling Shannon Fulghem, Cotton Operations Processing Staff , at --* 816-926-1533.

If **funds have not been transmitted** to CCR based on a pending invoice request by an agent, and the EAD indicator is:

- “N”, the County Office shall process the repayment in APSS, and release bales
- “Y”, the County Office shall:
 - reset the indicator to “N”, process the repayment in APSS, and release bales
 - reset the indicator to “Y”, if there are outstanding bales.

If **funds have been transmitted** to CCR, County Office shall **not** process the request presented to them. The cotton will be released under CCR.

D Use by Producers' Designated Agents

Entities designated and authorized by producers on CCC-605, and any subsequent-designated agents, have authority to exercise an option to obtain cotton loan collateral by either repaying the producer's cotton loan or requesting that such cotton be exchanged for commodity certificates.

Producers' designated agents are **not** obligated to exercise the option provided under the terms of CCC-605.

***--204 Using CCC-605, Authorization of Electronic Agent and Designation of Agent - Cotton
(Continued)**

D Use by Producers' Designated Agents (Continued)

Such agents do **not** own the cotton or any “equity” in it. Any loss of ownership, title, or control of the cotton by the producer during the term of the loan constitutes loss of beneficial interest in the cotton, making the cotton loan subject to immediate repayment in full.

Designated agents of the producer may request release of the cotton from loan. They may:

- at the County Office:
 - redeem the loan collateral by providing:
 - a paper copy of the producer-endorsed CCC-605
 - a list of the requested bales
 - sufficient funds
 - request exchange of the loan collateral for commodity certificates by providing:
 - a paper copy of the producer-endorsed CCC-605, endorsed in Part E by the agent to request a certificate exchange
 - a list of the requested bales
 - sufficient funds
- use the CCR process to redeem all or a portion of the loan collateral or request such collateral be exchanged for commodity certificates.

E Subsequent Designation of Agent

Designated agents of the producer may transfer the designation to a subsequent agent by endorsement of the CCC-605.

Subsequent agents, designated on CCC-605, may further transfer the designation to other subsequent agents on CCC-605 by endorsement.--*

***--204 Using CCC-605, Authorization of Electronic Agent and Designation of Agent - Cotton (Continued)**

E Subsequent Designation of Agent (Continued)

If any subsequent agent designation is for less bales than:

- are associated with the applicable loan, CCC-605-1 or other bale list **must** be completed according to subparagraph 207 C
- originally designated by the producer, CCC-605-2 and CCC-605-1 shall be completed according to subparagraphs 207 B and 207 C, respectively.

F County Office Use

CCC-605, CCC-605-1, and CCC-605-2 shall be prepared only by producers and their designated agents and never by FSA personnel.

County Offices make these forms available for use by producers and their agents, but CCC bears no responsibility for establishing or maintaining the record of the current designated agent, or electronic record of such agent designation, for any producer or producer loan

When a valid CCC-605, CCC-605-1, or CCC 605-2 are presented at a County Office, the last agent designated for the identified bales may do either of the following:

- redeem the cotton
- exchange commodity certificates for the cotton according to subparagraph 201.

G Policy and Procedures for Filing

CCC-605, CCC-605-2, and CCC-605-1 are **not** filed by County Offices because CCC is **not** a party to these agreements. County Office filing would infer that CCC will be knowledgeable of and responsible for managing such agreements which is **not** a responsibility CCC agrees to undertake. Thus, these forms are **not** to be filed by County Offices.--*

Exception: If a designated agent is redeeming part of the cotton covered by CCC-605 or CCC-605-2, the County Office shall place a copy of CCC-605 or CCC-605-2 and supporting CCC-605's, CCC-605-1's, and CCC-605-2's in the loan folder and return the originals to the agent.

The County Office employee making any photocopy of an original CCC-605 or CCC-605-2 shall write or stamp, initial, and date the following statement on the photocopy: "This is a photocopy of the original having the required original signatures."

205 Required Signatures and Documents for Agent Designations

A Signatures Required for Valid CCC-605

Agents presenting CCC-605 to a County Office are responsible for that form to be properly completed.

A FAXed copy of CCC-605 is acceptable and may be acted upon by the County Office if the producer has signed CCC-Cotton A, dated 09-02-04 or later.

B Signature Required for Valid CCC-605-2

For a presented CCC-605-2 to be considered valid, the agent **must** present:

- a properly completed CCC-605-2 that has the signature of the transferring agent according to subparagraph E
- a copy of the original CCC-605 that was properly completed and signed by the producer
- copies of all CCC-605-2's transferring designation for the presented CCC-605-2.

C Impressed Signatures on CCC-605's and CCC-605-2's

Any signature that is affixed to an original CCC-605 or CCC-605-2 and is a reproduction of the person's or authorized person's signature shall be considered an impressed signature.

Signatures that were reproduced by a photocopy machine or a FAX machine are **not** considered impressed signatures.

* * *

205 Required Signatures and Documents for Agent Designations (Continued)

D Approved Impressed Signatures

State Offices shall notify each cotton County Office of the impressed signatures that have been registered with the State Office and the format in which an impressed signature is to be represented.

Example: Southern Cotton Merchants has registered the following impress with the State Office:

Southern Cotton Merchants

The State Office would notify cotton County Offices that an impress signature for Bill E. Jones is acceptable on CCC-605's or CCC-605-2's if it is in the following format:

“Southern Cotton Merchants
/s/ *Bill E. Jones*”.

E Presenting Documents at the County Office

[7 CFR 1427.5(e)(2)] The following table shows what **must** be presented at the county office or LSA where the loan originated by designated agents based on who is presenting CCC-605 and whether all or a portion of the loan quantity is being redeemed.

Type of Designation	Producer to Agent “A”	Agent “A” to Agent “B”
Situation	Producer has designated Agent “A” to redeem all or a portion of the bales of a specific loan.	Agent “A” has transferred the designation to Agent “B” for all the producer bales designated by the producer.
CCC-605 or CCC-605-2 Presented	CCC-605: <ul style="list-style-type: none"> • original signatures of producer • “ALL” is checked (item 8) • No. of bales = 100 (item 9). 	CCC-605: <ul style="list-style-type: none"> • original endorsement by Agent “A” on CCC-605 (Reverse) • “ALL” is checked (item 8) • No. of bales = 100 (item 9).
Document Needed for Redemption	CCC-605	CCC-605

205 Required Signatures and Documents for Agent Designations (Continued)

F Presenting Documents at the County Office (Continued)

Type of Designation	Agent "B" to Agent "C"	Agent "C" to Agent "D"
Situation	Agent "B" has transferred the designation to Agent "C" for a portion of the bales transferred by Agent "A".	Agent "C" has transferred the designation to Agent "D" for a portion of the bales transferred by Agent "B".
CCC-605 or CCC-605-2 Presented	CCC-605-2: <ul style="list-style-type: none"> • original signatures of Agent "B" as agent • No. of Bales = 25 (item 6). 	CCC-605-2: <ul style="list-style-type: none"> • new CCC-605-2 • original signatures of Agent "C" as agent • No. of Bales = 10 (item 6).
What Is Needed Before a County Office Will Allow Redemption or Extension	CCC-605-2 and the following supporting documentation: <ul style="list-style-type: none"> • list of 25 bale receipt numbers • copy of CCC-605 signed by producer, and endorsed by Agent "A" transferring designation to Agent "B". 	CCC-605-2 and the following supporting documentation: <ul style="list-style-type: none"> • list of 10 bale receipt numbers • copy of CCC-605-2 signed by Agent "B" transferring designation for 25 bales to Agent "C" • copy of the list of 25 bales transferred from Agent "B" to Agent "C" • copy of CCC-605 signed by producer and endorsed by Agent "A" transferring designation to Agent "B".

Section 3.5 Loan Redemptions Using CCR

210.5 Redeeming Loans Using CCR

A General Information

CCR is a web-based system that:

- provides a centralized process for merchants to redeem upland cotton loans disbursed by County Offices
- allows receipts from multiple loans and multiple counties to be redeemed in a single transaction
- uses EAD established based on a producer-signed CCC-605
- performs all calculation, collection, and release functions for cotton loans redeemed using CCR
- allows users to select either a:
 - *--commodity certificate exchange when AWP is less than NALR for up to and including 2009 crop cotton--*
 - principal plus interest repayment when the AWP is equal to or greater than the NALR
- releases receipts automatically to the merchant once funds have been received and posted to COPS.

B CCR Business Rules

To be a valid CCR redemption request, each EWR **must**:

- be under a County Office issued loan
- **not** be in forfeiture status
- **not** be in a pending status for another CCR request
- be a valid EWR reflecting CCC as the current holder
- **not** have any COPS errors
- contain EAD holder ID that matches the COPS record.

The requested repayment date **must** be within the current AWP period of Friday through Thursday.

The storage credit will be calculated up to the applicable due date or repayment date plus 2 calendar days for certificate exchanges regardless of the date the bales are released.

The CCR invoice is valid for 21 calendar days, but may be canceled by the merchant any time before payment is submitted.

210.5 Redeeming Loans Using CCR (Continued)

B CCR Business Rules (Continued)

CCR will accept a repayment:

- **earlier** than the requested repayment date based on the amount due on the requested repayment date. Bales will be automatically released the later of:
 - date payment is processed
 - original due date
- **later** than the due date, but before the invoice expires. The repayment amount will be recalculated based on:
 - repayment rate in effect on the date of the wire transfer
 - a storage credit up to the wire date plus 2 days for certificate exchanges.

If insufficient funds are received:

- only bales for which funds are sufficient will be redeemed
- a new request will be required for remaining bales.

If overpayment is received, CCC will provide a refund by direct deposit to the merchant's account.

C Merchant Action

To use CCR, a merchant **must**:

- register to use the system
- obtain producer signature on CCC-605 dated June 21, 2004, or later
- coordinate with the EWR provider to make merchant the EAD holder for bales that are being redeemed
- electronically transmit to:
 - CCC a redemption request to the CCR system
 - CCC the requested repayment date
 - CCC a list identifying the receipts to be redeemed
 - FRB funds according to invoice instructions.

*--210.10 Processing CCR Repayments in APSS (Continued)

A Recording CCR Repayment (Continued)

Step	Action	Results	
10	On Screen PPC42700, Enter “Y” or “N” to the question, “Do you wish to complete this Repayment?”	IF you... answered “Y”	THEN... Screen PPC98000 will be displayed. The amount received will be pre-filled. PRESS “Enter”. Screen PCA97000 will be displayed.
		answered “N”	Menu PCA005 will be redisplayed.
11	On Screen PPC98000, enter the printer ID and number of copies to print forms. PRESS “Enter”.	CCC-500 will be printed. Screen PCE50010 will be displayed.	
12	On Screen PCE50010, Enter “Y” or “N” to the question, “Do you want to reprint this form?”	IF... “Y” was entered	THEN... CCC-500 will be reprinted. Screen PCE50010 will be redisplayed. Repeat this step.
		“N” was entered	CCC-Cotton A-1 will be printed. Screen PCE50010 will be displayed.

210.10 Processing CCR Repayments in APSS (Continued)

A Recording CCR Repayment (Continued)

Step	Action	Results
13	<p>Accounting – Cash Receipts procedure begins.</p> <p>Complete the accounting process according to 1-FI with the following:</p> <ul style="list-style-type: none"> • “1EFT” for the Check/Item Number • total invoice amount as the amount of the remittance. <p>Note: If the invoice contains multiple loan repayments, ENTER “1EFT” for the Check/Item Number for each subsequent repayment. The balance of the total invoice amount will be used to repay each subsequent *--transaction. For excessively large invoices, use more than 1 check/item number.</p> <p>Example: “1EFT” would include repayments for the first 300 repayments, “2EFT” would be used for the next 300 repayments, and so on.--*</p>	<p>After Accounting procedure is complete, Menu PCA005 will be redisplayed. Return to Step 1.</p> <p>CCC-257 must be prepared after all repayments on a single invoice have been recorded.</p> <p>Provide copy of CCC-500 to:</p> <ul style="list-style-type: none"> • contact producer • warehouse where the loan collateral was stored.

210.11 Correcting COPS Errors (Continued)

C Reversing and Re-entering CCR Repayments in APSS

It may be necessary to reverse a CCR repayment to correct a loan that contains COPS errors. Reversing and re-entering CCR repayments **cannot** be done in the same manner as regular cash or certificate repayments because of certain conditions that exist for deposits with an alpha-numeric deposit number.

--Instructions for reviewing CCR repayments to correct loans will be in a forthcoming amendment.--

* * *

212 Loan Forfeitures Process Through APSS

A Purpose

This process will allow partial or full forfeiture of a cotton loan.

Important: Do **not** release EWR's when processing a partial or full forfeiture. For EWR's, CCC **must** continue to be listed as holder when bales are forfeited to CCC.

B Forfeiture Process

Process forfeiture according to the following table.

Step	Action	Result	
1	On the Price Support - Main Menu PCA005: <ul style="list-style-type: none"> • ENTER "6" • PRESS "Enter". 	Screen PCA11000 will be displayed.	
2	On Screen PCA11000: <ul style="list-style-type: none"> • enter: <ul style="list-style-type: none"> • producer ID and type • crop year •*--the loan number of the forfeited bales--* • PRESS "Enter". 	Screen PCA12000 will be displayed.	
3	On Screen PCA12000: <ul style="list-style-type: none"> • ENTER "Y" or "N" • PRESS "Enter" to answer the question, "Is this the correct producer?" 	IF... "Y" was entered	THEN... <ul style="list-style-type: none"> • Screen PCA14000 will be displayed • go to step 4.
		"N" was entered	<ul style="list-style-type: none"> • Screen PCA11000 will be redisplayed • go to step 2.
4	On Screen PCA14000: <ul style="list-style-type: none"> • ENTER "Y" or "N" • PRESS "Enter" to answer the question, "Is this the correct loan?" 	IF... "Y" was entered	THEN... Screen PFA20000 will be displayed.
		"N" was entered	<ul style="list-style-type: none"> • Screen PCA12000 will be redisplayed • go to step 3.

212 Loan Forfeitures Process Through APSS (Continued)

B Forfeiture Process (Continued)

Step	Action	Result	
<p>5</p> <p>On Screen PFA20000, select 1 of these options:</p> <ul style="list-style-type: none"> • “1”, full cotton forfeiture • “2”, partial cotton forfeiture - display receipt numbers to be forfeited • “3”, partial cotton forfeiture - enter receipt numbers to be forfeited 		IF...	THEN...
		“1” was selected	Screen PFA22000 will be displayed. Go to step 8.
		“2” was selected	Screen PFA21000 will be displayed. Go to step 6.
“3” was selected	Screen PFA21500 will be displayed. Go to step 7.		
<p>6</p> <p>Screen PFA21000 will display all of the warehouse receipt numbers.</p> <p>If:</p> <ul style="list-style-type: none"> • all warehouse receipt numbers displayed on the screen are to be forfeited, PRESS “Cmd22” • part of the receipt numbers displayed on the screen will be forfeited, ENTER “Y” by each receipt number to be forfeited. PRESS “Enter” to continue. 		Screen PFA22000 will be displayed.	
<p>7</p> <p>Screen PFA21500 will be displayed.</p> <ul style="list-style-type: none"> • Enter all receipt numbers that will be forfeited. • PRESS “Enter”. 		Screen PFA22000 will be displayed.	
<p>8</p> <p>Screen PFA22000 will be displayed for verification.</p> <p>If:</p> <ul style="list-style-type: none"> • statements are correct, PRESS “Enter”, and the loan will be updated and forfeited • statements are incorrect, PRESS “Cmd7” to end forfeiture. All forfeiture data will be deleted. 		The Price Support - Main Menu PCA005 will be redisplayed.	

213 Sending Forfeiture Documents to KCCO

A When to Send

Immediately after the loan maturity date and after the loan has been forfeited in APSS, County Offices shall send applicable documents to KCCO.

B What to Send

County Offices shall package the following together in a box or regular envelope:

- paper warehouse receipts, if applicable
- a copy of Producer Loan Statement B for reconcentrated cotton
- the transmittal control document that lists both paper and EWR’s warehouse receipts and that is generated by the end-of-day process.

Note: Identify packages as “1 of 2”, “2 of 2”, etc. County Office shall maintain a file of all documents sent to KCCO.

C Marking the Package

County Offices shall:

- show return address and the State and county codes on the outside of the package
- mark the front of the package or regular envelope, “COTTON FORFEITURE DOCUMENTS”.

D Mailing the Documents

County Offices shall send package or envelope by first-class mail to:

--KCCO, CMD, SCB --
STOP 8748
PO BOX 419205
KANSAS CITY MO 64141-6205.

214 Collecting Charges Due on Forfeited Loans (Continued)

C Collecting Charges Due for LSA Producers

If LSA producer invoices remain **unpaid 30 calendar days after** the date of the LSA notification letter, LSA's shall contact producer's administrative County Office to request that a receivable be established. LSA will provide a case file that contains copies of:

- producer collection invoice
- LSA notification letter
- documentation of any collection activity.

Administrative County Offices shall:

- establish a receivable according to 67-FI with:
 - **all** producers who signed CCC-Cotton A as debtor or co-debtors
 - discovery code of "10"
 - reason code of "300"
 - program code of "XXUPCNFORF"
- ***--Note:** County Offices do **not** have access to LSA producer invoices in COPS; however, they will record the receivable number on the COPS Invoice Payment Screen according to subparagraph 215 C. The receivable number should be obtained from required documentation submitted by LSA.--*
- issue the computer-generated notification letter created by CRS; notate that this debt is related to a loan disbursed by LSA

Important: Because LSA **cannot** provide due process to producers for debts owed CCC, the administrative County Office **must** issue a notification letter and 1st demand letter before a claim can be established.
- continue producer notification and debt collection according to 67-FI and 58-FI
- ***--contact** Diana Johnson by e-mail to **diana.johnson@kcc.usda.gov** and provide the--* following:
 - receivable number
 - LSA name.

Any funds collected by LSA after the receivable has been established will be forwarded to the administrative County Office to be recorded as a debt collection.

214 Collecting Charges Due on Forfeited Loans (Continued)**D Explanation of Debt in Notification Letters**

County Offices shall add the following text on Screen AQC15201 to the notification letter generated in the receivable software:

“The forfeiture of your cotton loan number ____ (issued by _____ LSA, if applicable). You were notified of this loan’s maturity date and of the options available to you. By having decided to forfeit the loan collateral in satisfaction of the loan, you agreed to pay to CCC at rates that are specified in the storage agreement between the warehouse and CCC all:

- warehouse storage charges that accrued before the date all documents required from you for the loan were provided to the County Office, and
- unpaid warehouse receiving charges including any charges for new ties
- *--unpaid warehouse compression charges
- warehouse storage charges that accrued starting the date all documents were received that exceed the storage credit rate.--*

223.7 Filing UCC’s for Outside-Stored ELS Cotton (Continued)

E Describing Collateral on UCC’s and Other Situations

Describe collateral on UCC’s according to the following.

IF...	THEN...
additional quantity is placed under loan	file another UCC-1 describing the collateral if the quantity is not covered by a previously recorded UCC.
existing UCC-1 for that commodity covers all the current year production	it is not necessary to file additional UCC-1’s.
producer requests a specific quantity	only that quantity needs to be described on UCC-1 before the loan is disbursed.
producer agrees to lien on quantity greater than the loan quantity requested that may also apply to more than 1 crop year or may be effective until UCC-1 expires	describe the collateral on UCC-1 as advised by OGC.

F Paying Filing Fees

*--Paying filing fees required for lien searches or filing of UUC-1 shall be according to the following policy and procedure.

If the lien search or UCC-1 recording fees are paid by...	THEN....
the producer	<ul style="list-style-type: none"> • the lag time between a loan request and disbursement may be reduced • producers pay for lien search or filing fees with a negotiable document (check, cashier’s check, money order) payable to the applicable recording office.
CCC	<ul style="list-style-type: none"> • a delay may occur because of fees being mailed by NPS to the recording office • County Office payments are made by NPS according to 1-FI procedures • producer must have filed CCC-10.

Note: If a producer requests termination of CCC’s security interest, the COF prepares an applicable UCC, at producer’s expense.--*

***--223.8 Special Instructions for Loan Application Forms**

A Special Instructions

The following special instructions apply to forms completed for outside-stored ELS cotton loan applications.

Form	Item	Instruction
CCC Cotton A-5	6	Enter the address of the storage location. A warehouse location may be accepted as long as a warehouse receipt has not been issued for the cotton collateral for the outside-stored loan.
	7	Enter the number of bales. There should be no warehouse receipts.
CCC-Cotton A	Warehouse Code	Enter the storage address of the cotton. Loan amount is calculated as the total net weight of the loan bales times the national average loan rate for ELS. No adjustments are made for any quality factor.
CCC-601 ELS Appendix		CCC-601 ELS Appendix must be signed and dated by all loan applicants. This form contains the terms, conditions, and producer certifications specific to an outside-stored ELS loan.

--*

223.9 Manual Process for Outside-Stored ELS Loans**A When Manual Loans Shall Be Prepared**

If APSS is inoperable and it is expected to be inoperable for at least 4 workdays from the time the loan is requested, and all documents required from the producer for the loan are presented by the producer or authorized agent for loan, County Offices shall prepare the loan manually, only if requested by the producer or authorized agent to do so.

Note: Until modified software is available, County Offices shall prepare all outside-stored ELS cotton loans manually.

B When Not to Manually Prepare a Loan

If APSS is operable or is expected to be operable within 4 workdays of the day the producer or authorized agent requests the loan, do **not** manually prepare the loan.

C Action Taken to Prepare and Disburse a Manual Loan

County Offices shall:

- determine the eligibility of the producer and cotton
- calculate the total loan disbursement amount as follows:
 - multiply the total net pounds times the loan rate
- calculate the service fee according to paragraph 173
- calculate the research and promotion fee according to paragraph 175
- subtract the service fee and research and promotion fee from the loan amount

Note: This is the total disbursement amount.

- complete CCC-Cotton A, CCC-Cotton A-1, and if applicable, CCC-Cotton A Continuation, according to paragraphs 189 through 191

* * *

- immediately when APSS is operable, enter the loan data.

***--223.10 Outside-Stored ELS Cotton Loanmaking in APSS**

A APSS Procedure

Process outside-stored ELS cotton loans according to the following table:

Step	Action	Results	
1	On Menu PCA005, ENTER “2”, and PRESS “Enter”.	Screen PCA11000 will be displayed.	
2	On Screen PCA11000, enter: <ul style="list-style-type: none"> • either the producer’s last name or the producer’s ID and type • the crop year • “N” for the loan number. PRESS “Enter”.	IF...	THEN go to...
		Screen MACR04-01 is displayed	step 3.
		Screen PCA12000 is displayed	step 4.
3	On Screen MACR04-01, enter the number for the producer and PRESS “Enter”.	Screen PCA12000 will be displayed.	
4	On Screen PCA12000, ENTER “Y” or “N”, as applicable, to the following questions: <ul style="list-style-type: none"> • “Is this the correct producer?” • “Is this the re-entry of a corrected loan?”. PRESS “Enter”.	IF the producer is...	THEN...
		correct and this is not a re-entry of a corrected loan	Menu PLA000 will be displayed; go to step 6.
		not correct	Screen PCA11000 will be redisplayed; return to step 2.
		correct, but this is a re-entry of a corrected loan	Screen PCA12000 will be redisplayed; go to step 5.
5	On Screen PCA12000, enter the crop year and loan number of the original loan. PRESS “Enter”.	Menu PLA000 will be displayed.	
6	On Menu PLA000, ENTER “4”, and PRESS “Enter”.	Screen PLC10000 will be displayed.	

--*

241 Preparing Manual Seed Cotton Loans

A When to Prepare Loans Manually

If the APSS system is inoperable and a loan is requested by the producer or authorized agent, County Offices shall prepare the loan manually.

B When Not to Prepare Loans Manually

If the APSS system is operable, County Offices shall **not** manually prepare the loan.

C Steps to Prepare and Disburse a Manual Loan

County Offices shall:

- determine the eligibility of the producer and cotton
- use loan rate determined according to paragraph 227
- determine the eligible quantity for loan according to paragraph 228
- complete CCC-881 and, if applicable, CCC-881-1 according to paragraphs 242 and 243
- * * *
- immediately when APSS is operable, enter the loan data according to paragraph 244.

242 **Completing Manual Loans Using CCC-881**

A Description

CCC-881 is a computer-generated form printed during the APSS loanmaking procedure. Blank CCC-881's can be printed for manual loan preparation.

Note: Keep an adequate supply of blank CCC-881's on hand for preparing manual loans when the computer is inoperable.

B Completing CCC-881

Complete CCC-881 according to this table.

Notes: These instructions are for manually prepared loans, except for items 19 through 21 which are required to be entered on loans prepared and disbursed through APSS.

For items 9 through 15, if CCC-877 is completed or ADP printout is used instead of CCC-877, County Offices may enter "See Attached Schedule" and attach CCC-877 or the ADP printout.

Item	Instructions
1	ENTER "X" if more space is needed: <ul style="list-style-type: none"> • for lot information (items 9 through 15) • to enter producer information (item 16) • for signatures (item 19).
2	Enter name and address of contact producer from County Office records.
3	Enter location where seed cotton is stored.
4	Enter State and county codes and farm number where produced.
5 a	Enter the loan number assigned from 90,000 series.
5 b	Enter the applicable crop year.
5 c	Enter the commodity code as follows: <ul style="list-style-type: none"> • "SUP" for upland seed cotton • "SELS" for ELS seed cotton.
6	Enter the total loan quantity determined according to paragraph 228.

257 Abandonment and Foreclosure**A General Information**

[7 CFR 1427.173] Foreclose on seed cotton loans if the loan is **not** settled by loan maturity, or is considered abandoned.

B Producer Obligation

The producer is obligated to:

- authorize CCC to enter the storage premises and remove the cotton
- pay interest, ginning, and any other charges CCC incurs.

C Selling the Cotton

Once it is determined that foreclosure action shall be taken, COC shall:

- remove the seed cotton from storage, and have it:
 - ginned
 - classed
 - warehoused for CCC's account
- sell the seed cotton and:
 - if ginner is the buyer, credit the purchase amount against ginning costs
 - deposit any collections received from selling the seed cotton as loan repayment according to 3-FI
 - issue * * * payment required to be made for ginning or other charges
 - include proceeds and payment in settlement with the producer.

257 Abandonment and Foreclosure (Continued)

D Settle With Producer

If the proceeds from the sale of the lint cotton and cotton seed are:

- less than the amount due on the loan, including interest, ginning, and other charges, collect the difference according to 3-FI
- more than the amount due on the loan, including interest, ginning, and other charges, pay the excess to producer according to 1-FI.

262 LDP Options Relative to Harvest and Ginning

A LDP Request Options

Cotton LDP's may be disbursed, in all cases, only on eligible, ginned cotton upon presentation of production evidence in the form of a warehouse receipt or bale list.

*--Producers requesting LDP **must** submit **both** CCC-633 EZ, pages 1 and 3 for any of the--* following options.

Type	Rate used for LDP is rate effective on...	BI status at time of application...
	LDP for cotton in which producer has BI at the time of the LDP application is:	
Irrevocable module lock-in.	date of application.	producer has BI.
Gin-direct.	date of ginning.	
Irrevocable post-ginning.	date of application.	
Lost BI before application.	the date BI was lost.	BI lost.

- Irrevocable module lock-in.** For harvested cotton in modules, before ginning, a producer may submit CCC-633 EZ, page 3 to request lock-in of AWP rate to be used for LDP calculation. AWP/LDP rate is that which **is effective on the date an accurately completed request is submitted**. The cotton is identified by a gin-supplied trailer or module number. After the cotton is ginned, the producer provides bale information that corresponds to the cotton identified by the trailer or module number. These requests for lock-in of AWP and LDP **cannot** be revised or canceled. See subparagraph 275 E.
- Gin-direct.** A producer may request gin-direct LDP's using CCC-633 EZ, page 3. LDP rate provided is the rate payment rate effective on the date the cotton is ginned according to paragraph 274. These requests are allowed to be revised or terminated under certain circumstances. See subparagraphs 274 F and G.
- Irrevocable post-ginning.** On cotton that has been ginned, a producer may request LDP using CCC 633 EZ, page 3 supported by a bale list. LDP rate provided is the rate effective on the date that an accurately completed application is submitted. These LDP *--requests, once submitted, **cannot** be revised or canceled. See subparagraph 275 F.--*
- Lost BI.** If BI has been lost before the LDP is requested, and the producer had filed CCC-633 EZ, page 1 before the date BI was lost, then the producer may request LDP using CCC-633 EZ, page 3. For these LDP's, the only payment rate provided is the rate applicable on the date that BI was lost. The producer **must** provide acceptable documentation of the date BI was lost on the applicable quantity.

262 LDP Options Relative to Harvest and Ginning (Continued)**A LDP Request Options (Continued)**

Notes: LDP applications submitted under any of these options may be considered complete if received without classification information. In these cases, the disbursement is to be made after classification information is received.

Cotton can be subject to only 1 loan or 1 LDP application at any moment. Benefits, whether a loan or LDP, are provided only once on any quantity of cotton. No concurrent applications for the same cotton are ever allowed.

263 Availability Dates**A Availability Dates**

[7 CFR 1427.5(a)] Cotton LDP's are available by executing an LDP application from the date loan rates are announced through May 31 after the calendar year in which the crop is planted. This application deadline applies:

- to all types of LDP's
- regardless if applicant has, or has lost, BI at the time of application.

Reminder: The disbursement date shall be no later than 30 calendar days after the final date of availability. When the final availability date falls on a nonworkday, the final date shall be extended to the next workday.

--B Accepting and Date-Stamping LDP Documents--

If CCC-633 EZ was signed by the producer more than 15 calendar days before delivery or mailing (postmark date) to the County Office, the County Office:

- shall **not** accept the application if presented by a Cotton Clerk
- may accept the application if presented by a producer.

--All pages of CCC-633 EZ shall be date-stamped upon receipt.--

Note: A patron postage meter date stamp is **not** a post mark.

C Effective Times for AWP and CCA

LDP rates are based on the same announced AWP's and CCA's, and the same effective times of these prices, as are applicable to loan redemptions. See subparagraphs 22 A through D for the effective times of announced prices.

267 LDP's Based on Locked-in Rate

A Policy

Applications for LDP's based on a locked-in rate are available for cotton before it has been ginned. Such applications have the following unique requirements:

- applications are irrevocable, so they **cannot** be cancelled, amended, or withdrawn
- ***--Exception:** Cotton denied LDP because of payment limitation is eligible for loan, subject to all loan, producer, and bale eligibility requirements.--*
- applicants **must** agree to identify the unginned cotton for which the locked-in LDP rate is requested by submitting a module (or other storage unit) number for each individual unit of storage
- after such cotton is ginned, the bales produced from each locked-in unit **must** be identified to CCC by the corresponding module number.

Notes: Any application for which production evidence is **not** provided is a violation subject to liquidated damages.

Modules are the largest storage unit eligible for identification and **must** be identified and distinguished from one another by discrete numbers.

Generally, LDP's under this option shall be provided only for the bales produced from the unginned cotton for which the locked rate is provided up to a **maximum of 20 bales per module** (or the maximum established by STC). Bales exceeding this maximum may receive the locked-in rate only if a higher maximum is successfully appealed to STC.

If a gin provides information that a module included under a lock-in request was ginned **before** the date of the lock-in request, LDP for such bales shall be based on LDP rate applicable:

- to the requested lock-in, if the producer had BI in the bales at the time the lock-in was requested
- on the date BI was lost, if the producer:
 - had completed CCC-633 EZ, page 1 before loss of BI
 - lost BI in the bales before the lock-in was requested.

B Applications for Module Lock-In LDP

Applicants apply for a module lock-in LDP using CCC-633 EZ, page 3 according to instructions provided.

267 LDP's Based on Locked-in Rate (Continued)

C Processing LDP for Excessive Bales

Bales that are submitted for LDP based on a locked-in rate, but exceed the maximum number approved for payment, are referred to as excessive bales and shall receive LDP based on the following process.

Bales exceeding the approved maximum level are to be paid at:

- the rate prevailing on the date the bale information was submitted
- the locked-in rate for excessive bales if approved by STC.

County Offices shall:

- identify for producers the excessive bales submitted under the request for a locked-in rate
- notify producer of option to appeal to STC the payment rate on the excessive bales
- if the excessive bales are:
 - *--successfully appealed to STC for the locked-in rate, use the original CCC-633 EZ as the basis for providing LDP based on the locked-in rate
 - **not** appealed to STC for the locked-in rate, or appealed but denied the locked-in rate under the appeal, have producer submit a separate CCC-633 EZ and provide LDP--* based on the payment rate effective on the date the production evidence containing the excessive bales was submitted.

267 LDP's Based on Locked-in Rate (Continued)**D Violations for Failure to Provide Production Evidence**

As soon as a violation can be determined following the May 31 LDP application deadline, but **not** later than June 30, assess liquidated damages to each module or other storage unit of an application for which production evidence was **not** submitted.

The responsibility to pay any such damages is jointly shared by all applicants who signed the LDP application. Establish a receivable for liquidated damages according to 67-FI using:

- for the first charge program code (on Screen AQK10801), enter program code LIDAUPCN and the amount of liquidated damages
- for the first reference number, enter the farm number
- for the type, ENTER "FM"
- for the receivable due date, enter the current system date
- for the basis of debt code, enter 10306.

County Offices shall:

- issue automated notification letter generated when receivable was created. Insert explanation that debt occurred due to "failure to provide production evidence for an irrevocable LDP rate lock-in on module"
- issue the first demand letter if debt remains unpaid after 30 calendar days after the date of the notification letter
- establish a claim according to 64-FI if debt remains unpaid 30 calendar days after the date of the first demand letter.

268 LDP Document Retention and Distribution**A Distribution to the Producer**

Each signing producer should receive a copy of the following:

- signed CCC-633 EZ, pages 1 and 3
- CCC-Cotton AA-1
- application summary for eLDP's
- Producer's Disbursement Transaction statement
- other documents signed by the producer for this LDP.

B Documents for LDP Folder

File the following documents in the loan folder:

- *--CCC-633 EZ, pages 1 and 3; may be signed original or signed copy--*
- original CCC-Cotton AA-1
- copies of the following:
 - application summary for eLDP's
 - original Producer's Disbursement Transaction statement
 - other documents signed by the producer pertaining to this LDP, such as a bale list
 - all printouts from cotton PC, including validation review reports, bale lists, and bale recaps.

269, 270 (Reserved)

276 Regular LDP Processing in APSS (Continued)

B APSS Procedure (Continued)

Step	Action		Result	
16	On Screen PGA71000, use the following table for entering data in the applicable fields.		IF...	THEN go to...
	Field	Entry	Screen PCA49000 is displayed	step 17.
	World Market Price	Enter AWP according to paragraph 22.	Screen PCA41000 is displayed	step 18.
	Coarse Count Adjustment	Enter CCA according to paragraph 22.	Screen PCA42000 is displayed	step 24.
	LDP Approval Date	*--Enter the date CCC-633EZ is approved.--*	Screen PCA43000 is displayed	step 26.
	Location Differential	No entry is required. The system will enter the correct differential. PRESS "Enter".	Screen PGA72000 is displayed	step 28.
	17	<p>Print Screen PCA49000, and PRESS "Cmd7".</p> <p>Notes: Screen PCA49000 will display when 1 or more producer ID's on LDP are 1 of the following:</p> <ul style="list-style-type: none"> • recorded in the entity file, but are not active for the applicable crop year • not recorded in the entity file. <p>Producers with the following entity types must be recorded in the entity file:</p> <ul style="list-style-type: none"> • "02", "03", "04", "05", "06", "10", or "17" • "07" if the ID type is "E" or "I". 		<p>Menu PCA005 will be redisplayed. Return to step 1.</p> <p>Note: The user will not be able to complete the applicable LDP until the entity file has been corrected.</p>

276 Regular LDP Processing in APSS (Continued)

B APSS Procedure (Continued)

Step	Action	Result
18	Screen PCA41000 will display members of a joint operation that are producers on LDP. The user must verify whether the members are correct by answering the question, “Are members correct?”	
	IF the members are...	THEN...
	correct	ENTER “Y”.
incorrect	ENTER “N”.	Screen PCA41000 will be redisplayed. Go to step 19.
19	Screen PCA41000 will allow the user to add or delete members by answering the question, “Add or Delete Members?”	
	IF a member is to be...	THEN...
	added	ENTER “A”.
deleted	ENTER “D”.	Screen PCA41000 will be redisplayed. Go to step 21.
20	<p>On Screen MACR04:</p> <ul style="list-style-type: none"> • enter either of the following: <ul style="list-style-type: none"> • the last 4 digits of the producer’s ID to be added • last name of producer to be added • PRESS “Enter”. 	<p>If more than 1 producer matches the data entered by the user, the user must select the correct producer from the list.</p> <p>After the correct producer is selected, Screen PCA41000 will be redisplayed. Return to step 18.</p>
21	<p>On Screen PCA41000:</p> <ul style="list-style-type: none"> • ENTER “Y” next to each member to be deleted • PRESS “Enter”. 	Screen PCA41000 will be redisplayed. Return to step 18.

276 Regular LDP Processing in APSS (Continued)

B APSS Procedure (Continued)

Step	Action	Result	
41	On Screen PGA17005, ENTER “Y” or “N” to the question, “Do you wish to complete this process?”	IF...	THEN...
		“Y” was entered	Screen PCA97000 will be displayed. Go to step 42.
		“N” was entered	Screen PGA74005 will be redisplayed. Return to step 38.
42	On Screen PCA97000: <ul style="list-style-type: none"> enter the printer ID to print forms and reports PRESS “Enter”. 	CCC-Cotton AA-1 will be printed and Screen PCE75010 will be displayed.	
43	On Screen PCE75010, ENTER “Y” or “N” to the question, “Do you want to reprint this form?”	IF...	THEN...
		“Y” was entered	<ul style="list-style-type: none"> CCC-Cotton AA-1 will be reprinted Screen PCE75010 will be redisplayed. Repeat this step.
		“N” was entered, and “N” was entered in step 39	<ul style="list-style-type: none"> Market Gain TSR will be printed Screen PCE83010 will be displayed. Go to step 44.
		“N” was entered, and “Y” was entered in step 39	Screen ABK10001 will be displayed. Go to step 45.
44	On Screen PCE83010, ENTER “Y” or “N” to the question, “Do you want to reprint this form?”	IF...	THEN...
		“Y” was entered	<ul style="list-style-type: none"> Market Gain TSR will be reprinted Screen PCE83010 will be redisplayed. Repeat this step.
		“N” was entered	Screen ABK10001 will be displayed. Go to step 45.
45	Accounting - Checkwriting procedure begins.	Menu PCA005 will be redisplayed. Return to step 1.	

277 Preparing Manual LDP's**A When to Prepare Manual LDP's**

If APSS is **not** operating and it is **not** expected to be operating for at least 4 workdays from the time all required production evidence is submitted by the producer for LDP, the County Office shall prepare LDP manually, only at the producer's request.

B When Not to Manually Prepare LDP

If APSS is operating, or is expected to be operating within 4 workdays of the day the producer presents the warehouse receipts, do **not** manually prepare LDP.

C Action Taken to Prepare and Make Manual LDP

County Offices shall:

- determine the eligibility of the producer and cotton
- complete CCC-633 EZ and CCC-Cotton AA-1 according to paragraphs 275 and 278 respectively
- for each bale, calculate the:
 - LDP rate according to subparagraph E
 - gross LDP amount according to subparagraph F
 - research and promotion fee according to subparagraph G
 - total payment amount according to subparagraph H

* * *

- immediately, when APSS is operating, enter the manual LDP data according to paragraph 279.

277 Preparing Manual LDP's (Continued)**D When CCA Is Applicable**

If CCA is applicable, County Offices shall separate the cotton for which LDP is requested into the following 2 categories:

- bales for which CCA is applicable
- bales for which CCA is **not** applicable.

E LDP Rate

For those bales for which CCA is:

- **not** applicable, LDP rate shall be equal to the difference between the following:
 - NALR
 - AWP in effect on the day CCC-Cotton AA is approved
- applicable, LDP rate shall be equal to the difference between the following:
 - NALR
 - AWP minus the allowable CCA in effect on the day CCC-Cotton AA is approved.

Note: See paragraph:

- 27 for the grades of cotton for which CCA is applicable
- 26 for determining the allowable CCA.

277 Preparing Manual LDP's (Continued)**F Gross LDP Amount**

Determine the gross LDP amount by multiplying the applicable LDP rate, determined according to subparagraph E, times the sum of all of the applicable bale net weights shown on the acceptable production evidence.

G Research and Promotion Fee

Calculate the research and promotion fee by multiplying .005 times the result of subparagraph F.

H Total Payment Amount

Calculate the total payment amount by subtracting the research and promotion fee, determined according to subparagraph G, from the gross LDP amount, determined according to subparagraph F.

* * *

I Production Evidence

County Offices shall make a copy of the production evidence submitted and return the original to the producer.

Note: Each warehouse receipt or gin tag and class card does **not** have to be photocopied if a list of the same information is provided with the production evidence. In these cases, only a copy of the list shall be kept.

278 Using CCC-Cotton AA-1

A Description

CCC-Cotton AA-1 is a computer-generated form printed during the APSS LDP-making procedure. A blank CCC-Cotton AA-1 may be printed for preparing a manual LDP.

Note: Keep an adequate supply of blank CCC-Cotton AA-1's on hand for preparing manual LDP's when the computer is **not** operating.

B Completing CCC-Cotton AA-1

Follow these instructions to complete CCC-Cotton AA-1 for manually prepared LDP's.

Item	Instructions
1	Enter State and county codes and farm numbers where produced.
2	Enter name and address of contact producer from County Office records.
3	Enter warehouse code, if applicable. Note: Cotton warehoused at different warehouses must be processed as separate LDP's.
4	Enter gin code. Note: Cotton ginned at different gins must be processed as separate LDP's.
5	Enter the following: <ul style="list-style-type: none"> • LDP number assigned from the 90,000 series • applicable crop year • preparation code • number of bales • total LDP quantity; that is, the total net pounds shown on the warehouse receipt or gin tags.

278 Using CCC-Cotton AA-1 (Continued)

B Completing CCC-Cotton AA-1 (Continued)

Item	Instructions
6	Enter the gross LDP amount that was calculated according to subparagraph 277 F. * * *
7	Enter the: <ul style="list-style-type: none"> • research and promotion fee that was calculated according to subparagraph 277 G • total payment amount that was calculated according to subparagraph 277 H.
8	Enter the number of bales for which coarse count is: <ul style="list-style-type: none"> • not applicable • applicable.
14	Enter the coarse count applicable the day CCC-Cotton AA was approved, if applicable.
15	Enter the upland cotton NALR.
16	*--Enter AWP from CCC-633 EZ, item 54. If coarse count is applicable, subtract--* the coarse count in item 14 from AWP.
17	Enter the applicable LDP rate according to subparagraph 277 E.
18	Enter the net weight from the applicable warehouse receipt or gin tag list.
19	Enter the gross LDP amount for bales: <ul style="list-style-type: none"> • without coarse count • with coarse count.

C Distribution

Distribute CCC-Cotton AA-1 as follows:

- file original in the LDP folder
- give 1 copy to the contact producer.

280 Preprocessed Bale Data

A Overview

Beginning with the 2005 crop year, all LDP's/eLDP's will be based on data stored in COPS. The use of manual data entry and the practice of copying bale data files directly into APSS *--will only be allowed by using a system password issued by the State Office. This will:--*

- require LDP data that will be entered in APSS to be downloaded using the cotton PC software

Note: eLDP bales are downloaded during the eLDP process and do **not** have to be downloaded using the cotton PC software.

- support the validation of duplicate benefits and data errors before the LDP/eLDP is disbursed.

Because each bale is identified by a unique PBI number, LDP's/eLDP's **must** be formatted using the "extended" format as provided in Exhibit 13.

Note: Warehouse code and bale weights are provided in the "extended" format.

Although **not** required, EWR's will be used for LDP's/eLDP's when the data is available in COPS.

B Data Received on Diskette or E-Mail

Preprocessed data can be accepted by diskette or e-mail. If bale data is submitted electronically, the **producer must sign and date a paper copy** of the bale information to ensure that the electronic list corresponds to the producer's loan request. County Offices shall print and retain in the loan folder these listings and process the LDP using the table in paragraph 331.

See paragraph 330 to process cotton bale data received electronically. Any diskette received does **not** need to be retained; the signed, paper copy is sufficient record.

280 Preprocessed Bale Data (Continued)

C Determining Date Documents Received

Subparagraph 181 B lists numerous documents that, in addition to a loan or LDP request, **must** be received to establish the “date documents received” in loan/LDP software. The “date documents received” is the date the last of the required documents was received.

One document that **must** be provided is a list of the bales that may be:

- a paper list
- an electronic pre-processed bale file.

This step ensures that CCC is acting upon a request that has been validated by the producer so that benefits are **not** mistakenly provided based on an erroneous bale list.

If the date the bale list, however submitted, is a determining factor for establishing the “date documents received”, then:

- use the date the bale list, whether paper or electronic, was received
- do **not** use the date the producer signed and dated a paper version of an electronic bale list.

281 Processing LDP’s Through Cotton Warehouse Receipt Process

A Processing References

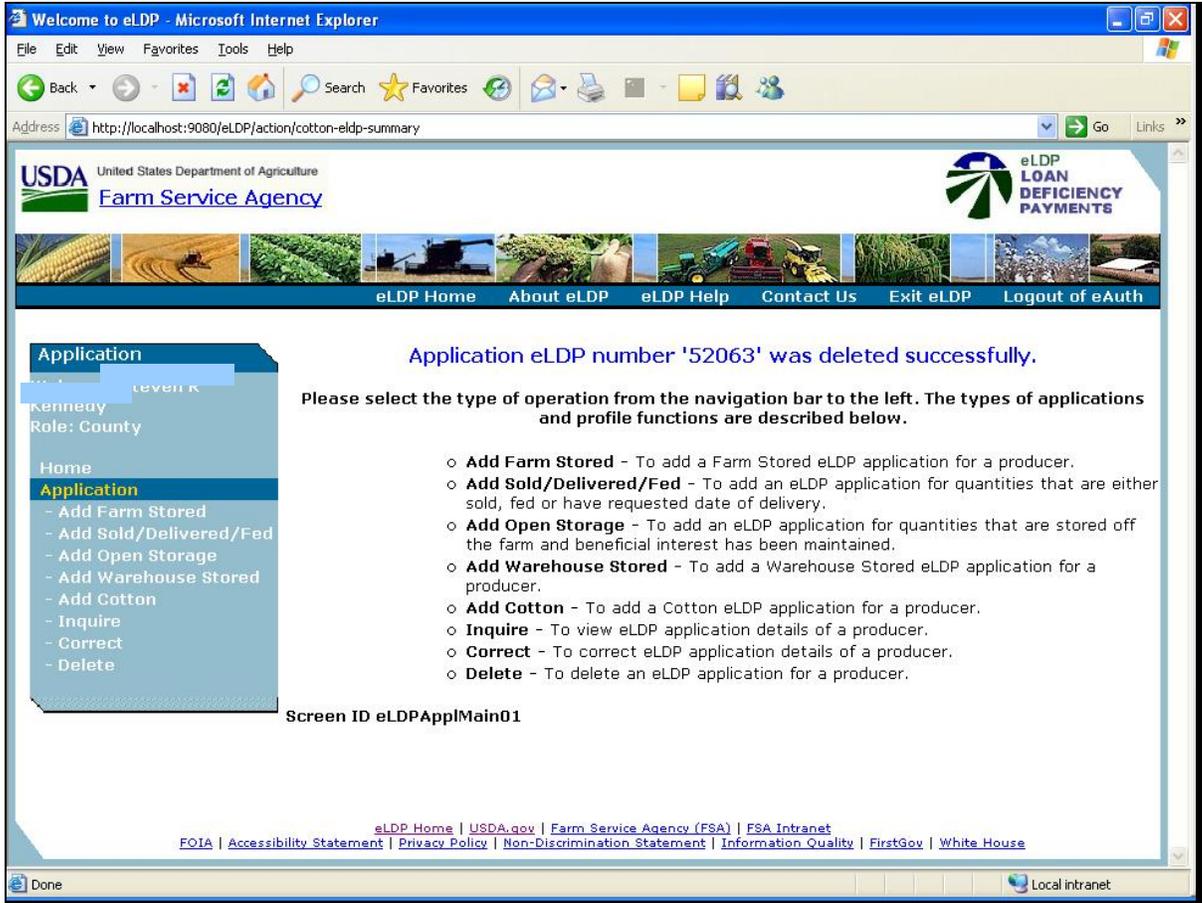
County Offices shall process LDP’s through the cotton warehouse receipt process according to the following table.

IF data is for...	THEN follow instructions in paragraph...
LDP’s provided by: <ul style="list-style-type: none"> • preprocessed diskette • e-mail • paper listing 	330 331 332.
* * *	* * *

*--285.5 Deleting eLDP's (Continued)

B Deletion Process (Continued)

A message will be displayed on the Application Process Screen ID eLDPAppMain01 that confirms the eLDP was successfully deleted.



--*

285.6 Manually Entering Bale Data

A General Information

The eLDP system provides the option to manually enter bale data directly into the eLDP application when a bale detail file is unavailable. This option:

- requires using a State Office-issued password
- provides the option to build the file as:
 - EWR file that only requires entering the gin tag number
 - non-EWR file that requires entering gin tag number and bale weight
- provides auto-fill capability.

Note: This option **shall only be used** if a bale data file **cannot** be provided.

*--Use the following System 36 screens to obtain a State Office issued password.

System 36 Screen	Item
Selection Menu, FAX250	ENTER "3".
Application Selection, FAF07001	ENTER "13".
Price Support - Main Menu, PAF000	ENTER "4".
State Price Support Password Generator, PFK09900	Enter State and county codes.

--*

B Invoking Manual Entry Option

Cotton eLDP has been modified to add the question, "Is Manual Bale Entry?", on Screen ID eLDP COTTONAPPL01. To invoke the manual entry option, County Office users shall answer "Yes" by clicking on the applicable radio button. A pop-up box will then be displayed that prompts the user to enter a State Office-issued password. After the password is entered, users shall enter or select the following:

- type of eLDP
- applicable dates according to type of eLDP
- location, which is optional
- farm number, which is optional
- EWR or non-EWR file
- producer name
- gin code
- warehouse code for storing location

Note: If **not** stored in warehouse, ENTER "999999".

288 Selecting Transactions**A Transaction History**

After the loan is identified, Screen PXA00005 will be displayed with the following:

- producer's name
- crop year
- loan number
- commodity
- transaction types, in order of occurrence
- transaction date
- transaction time
- diskette date, if applicable.

Screen PXA00005 will display all of the transactions that have taken place on the selected loan. Transactions are listed in sequential order as they occurred. After identifying the transaction that is to be reversed, ENTER "Y" in front of the transaction, and PRESS "Enter" to continue.

Notes: Only one "Y" is allowed. All transactions listed after the selected transaction will also be reversed during the correction process.

If a diskette date is present for the transaction being reversed, see paragraph 289 for using history diskettes before proceeding.

288 Selecting Transactions (Continued)**B Loan Reconstruction Process**

After pressing “Enter” on Screen PXA00005, Screen PXA10000 will be displayed with the following:

- a prompt for the history diskette, if a diskette date was present for any transaction involved in the correction

Note: See paragraph 289 for using history diskettes.

- target date of the transaction to be corrected
- a series of messages indicating reversal is in progress for the transaction and any subsequent transactions.

After a short time, the message, “Verify listing to continue error correction process”, will be displayed. Before continuing:

- review the report entitled, “Correction Posting Check-Off List”, that was automatically printed on the default printer
- verify that the entries shown on the report are to be reversed
- if report is correct, PRESS “Enter” and continue processing according to paragraph:
 - *--290, if payables are involved--*
 - 291, if repayments were involved in the correction
- if report is incorrect, PRESS “Cmd7” to end processing.

291 Corrections Involving CCC-257's

A Repayment Corrections

When correcting a repayment transaction, amounts deposited on CCC-257 during the repayment will be reversed. The correction process will reverse only the program or "PGM" record associated with the repayment on CCC-257.

The remittance or "RMT" record will remain on CCC-257 and cause CCC-257 to be out-of-balance until the:

- repayment is re-entered
- "RMT" record is removed from CCC-257.

B Handling Corrections

See 3-FI, Part 3 for instructions on handling CCC-257 corrections.

292 Completing Correction Process

A Completing Correction

When the correction process is completed, * * * receivables established, and files updated, Menu PCA005 will be displayed. See subparagraph B for re-entry instructions, if necessary.

File the Correction Posting Check-Off List in the loan folder for future reference.

B Re-Entry References

As explained in this part, placing “Y” next to a transaction in the correction process will reverse that transaction and all subsequent transactions. When applicable, the incorrect transaction and all subsequent transactions **must** be re-entered.

If re-entry is necessary, follow this table to find the instructions for re-entering the applicable transaction.

IF re-entering a...	THEN see...
loanmaking transaction:	
<ul style="list-style-type: none"> • regular loans • seed cotton loans 	Part 3, Section 2. Part 4, Section 2.
LDP transaction	Part 5, Section 2.
repayment:	
<ul style="list-style-type: none"> • regular loans • seed cotton loans 	Part 3, Section 3. Part 4, Section 3.
forfeiture	Part 3, Section 4.

293-300 (Reserved)

Part 7 Violations

301 Overview

A Terms and Conditions

CCC has determined that producers who violate the terms and conditions of loan note and security agreements or LDP applications will cause harm or damage to CCC. These violations result in funds being disbursed to producers for a quantity of cotton that may **not** exist or a quantity for which the producer is **not** eligible.

This part describes what actions are required to be taken if a producer is found in violation of the terms and conditions of a loan or LDP.

B Violations Not Applicable

This part does **not** apply if the cotton is determined ineligible because of the following types of violations:

- HELC
- WC
- FFC.

C CED Actions

When duplicate benefits are provided, CED **must**:

- determine whether a violation may have occurred based subparagraph 301 D
- refer any suspected violations to COC for a violation determination
- obtain repayments:
 - *--for violations (determined by COC) at principal plus interest plus liquidated damages
 - for nonviolations at principal plus interest without referral to COC.--*

D Distinguishing Violations From Nonviolations

Duplicated payments are to be considered a violation if the producer knew, or had reason to know, that an application would generate a duplicate benefit.

An example of a violation is a benefit (whether loan or LDP) provided under duplicated producer application to multiple County Offices or to both CMA/LSA and County Office.

The following are examples of **nonviolations**:

- bale misidentified by gin/warehouse without producer knowledge
- bale assigned to multiple producers by gin/warehouse
- bales misdirected by gin/warehouse
- County Office keystroke errors or other misaction/misinformation.

***--302 Producer Violation Notification**

A Initial Producer Notification

County Offices shall send the following letter to notify producers of potential loan/LDP violations.

Note: Determine what actions are to be taken and the amounts due according to subparagraph 303 C.

UNITED STATES DEPARTMENT OF AGRICULTURE
 FARM SERVICE AGENCY
 LYON COUNTY FSA OFFICE
 PO BOX 389
 ROCK RAPIDS IA 51246-0389

October 15, 2007

Thomas Grant
 1003 Brees Ave
 Payton, IA 51241-7522

Dear Thomas Grant:

This is to notify you that the Farm Service Agency has determined that you have a debt arising from:

(Insert explanation and pertinent facts.)

The amount you owe consists of:

<u>Principal</u>	<u>Interest</u>	<u>Other Charges</u>	<u>Total</u>
------------------	-----------------	----------------------	--------------

Interest will continue to accrue at a rate of _____% until the total amount due is repaid. The amount shown above has been recorded for offset from any FSA, CCC or other Federal Agency payment, which may be due you.

We want to work with you to resolve this matter. Depending upon your situation, there is the possibility of paying this debt in installments. If you have any questions regarding this matter, please do **not** hesitate to contact us.

If you believe that you have been sent this notice in error, that the determination is in error, or that the amount due is incorrect, you may appeal this determination to the County Committee by filing a written request no later than 30 calendar days after you receive this notice in accordance with the FSA appeal procedures found at 7 CFR Part 780. If you appeal to the County Committee, you have the right to an informal hearing which you or your representative may attend either personally or by telephone. If you appeal this determination to the County Committee, you may later appeal an adverse determination of the County Committee to the FSA State Committee or National Appeals Division (NAD). To appeal, write to the County Committee at the following address and explain why you believe this determination is erroneous. **(Insert COC address.)**

You may contact the County Office to receive a copy of the documents related to this determination.

If you should need further assistance, please feel free to contact the FSA Service Center.

Sincerely,

Harvey Lee
 County Executive Director

USDA is an Equal Opportunity Provider and Employer

--*

Part 8 Cotton Warehouse Receipt Process

Section 1 Creating Office Profile and Updating Table Files

321 General Provisions

A Downloading EWR's

EWR's are issued by warehouses through a provider system. A warehouse may only use 1 provider and **must** issue all receipts as EWR's. When a producer wants to receive a loan or LDP, the provider's system **must** forward EWR to CCC.

--ITSD maintains CRTS which receives EWR's. Once ITSD receives and validates EWR, a-- receipt acknowledgement is transmitted back to the provider. Classing data is obtained from AMS and then EWR is available for download to a County Office.

County Offices transmit a request for download that consists of the gin code and gin tag. Upon receipt of EWR's, County Offices may process loans and LDP's. Once EWR is downloaded by a County Office, no other office can download that receipt. Inquiry capability is available to all offices on all EWR's.

Create EWR data files for download and processing using the cotton warehouse receipt process according to Sections 2 and 3.

--321 General Provisions (Continued)*B Releasing EWR's**

County Offices release EWR's when the bale is repaid, LDP is complete, for correction or if downloaded in error.

- For EWR's downloaded in error, the release places EWR back on CRTS and makes EWR available for download again.
- For EWR's released for correction, EWR is transmitted to the provider and the previous holder becomes the holder. This allows corrections to the warehouse receipt data to be made. EWR may be resubmitted to CCC.
- For EWR's released because of repayment, the County Office enters the holder ID provided by the person repaying the loan. Upon receipt of the release transmission, the holder ID is validated against the list of valid ID's supplied by the provider. Released EWR's with a valid holder ID are transmitted to the provider. EWR's with an invalid holder ID are returned to the County Office. The provider sends a release acknowledgement back to CCC when the released EWR is successfully processed.
- Release EWR's using the cotton warehouse receipt process according to paragraph 344.--*

Reports, Forms, Abbreviations, and Delegations of Authority

Reports

None.

Forms

This table lists all forms that are referenced in this handbook.

Number	Title	Display Reference	Reference
AD-1026	Highly Erodible Land Conservation (HELIC) and Wetland Conservation (WC) Certification		100, 181, 237
CCC-10	Representations for Commodity Credit Corporation or Farm Service Agency Loans and Authorization to File a Financing Statement and Related Documents	181.5	181, 223.7, Ex. 3.5
CCC-257	Schedule of Deposit		201, 201.5, 210.8, 210.11, 291
CCC-258	Wire Transfer of Funds		209
CCC-500	Loan Repayment Receipt	200	199, 201, 209, 210.5, Ex. 17.5
CCC-500-1	Loan Repayment Receipt Continuation Sheet		200
CCC-502A	Farm Operating Plan for Payment Eligibility Review for an Individual		43, 223
CCC-502B	Farm Operating Plan for Payment Eligibility Review for a Joint Venture or General Partnership		43, 223
CCC-502C	Farm Operating Plan for Payment Eligibility Review for Corporations, Limited Partnerships or Other Similar Entities		43, 223
CCC-502D	Farm Operating Plan for Payment Eligibility Review for an Estate or Trust		43, 223
CCC-502U	Update for CCC-502, Farm Operating Plan for Payment Eligibility Review		43, 223
CCC-526	Payment Eligibility Average Adjusted Gross Income Certification		43, 100

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

Forms (Continued)

Number	Title	Display Reference	Reference
CCC-601	Commodity Credit Corporation Note and Security Agreement Terms and Conditions	Ex. 16	162, 189, 190, 193, 222.7, 242, 243, 303
CCC-601 ELS Appendix	Appendix to CCC-601, Note and Security Agreement Terms and Conditions for Outside Storage of ELS Cotton	Ex. 19	193, 222.7, 223.8, 224
CCC-605	Authorization of Electronic Agent and Designation of Agent - Cotton	207	Text, Ex. 3.5, 20
CCC-605-1	Designation of Agent - Cotton (Continuation Sheet to CCC-605)	207	201, 204, 206
CCC-605-2	Designation of Subsequent Agent - Cotton	207	204-206
CCC-633 EZ	Loan Deficiency Payment (LDP) Agreement and Request	261.5, 274	Text
CCC-638	Confirmation of Sale	36	
CCC-639	Competitive Bid Pricing Worksheet	36	
CCC-664	Agreement to Permit Assumption of a Commodity Credit Corporation (CCC) Loan		28
CCC-674	Certification for Contracts, Grants, Loans, and Cooperative Agreements	37	
CCC-679	Lien Waiver	124	41, 165, 181, 201, 237
CCC-683	Commodity Loan Seal	239	236, 238
CCC-686	Application for Loan or Loan Deficiency Payment by Heirs (On a Commodity Produced by a Person Who Has Died)	105	
CCC-694-2	Acknowledgment of Commodity Certificate Purchase	201	181
CCC-697	Request to Lock in a Market Loan Repayment Rate		197
CCC-734	Notification of Pending Redemption and/or LDP Request	50	50

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

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ACRS	Automated Cotton Reporting System	10, 282
ADC	Application Development Center, ITSD	10
AGI	adjusted gross income	127
APD	Analysis and Procedures Division, KCAO	10, 214
AWP	adjusted world price	26, 43, 197
BI	beneficial interest	Text, Ex. 3.5
CCA	coarse count adjustment	Text, Ex. 3.5
CCR	Centralized Cotton Redemption	Text, Ex. 3.5, 17.5, 20
CMD	Commodity Management Division, KCCO	10, 11, 48, 57, 121, 191, 213
COPS	Cotton Online Processing System	Text, Ex. 2, 3.5, 17.5
CRTS	Cotton Receipt Tracking System	10, 210.11, 285.2
CSA	Cotton Storage Agreement	4, 49, 65, 121
DCIA	Debt Collection Improvement Act	100.5, Ex. 3.5, 21
EAD	Electronic Agent Designation	204, 210.5, 210.7, 210.8, Ex. 3.5, 17.5, 20
eLDP	electronic Loan Deficiency Payment	Part 5, Section 3
EWR	electronic warehouse receipt	Text, Ex. 2, 3.5, 12, 17.5
FCA	fine county adjustment	22, 26
FSC	Financial Services Center, FMD	10
GPR	graduated payment reduction	32, 101
HVI	high volume instrument	167, Ex. 12
JCIBPC	Joint Cotton Industry Bale Packaging Committee	4, 14, 70-74, 76, 77, 125, Ex. 2, 3.5
MAL	marketing assistance loan	43, 53, 54, 100.5, 103, 119, 127, 164, 201
NALR	national average loan rate	26, 198, 202, 210.5, 265, 277, 278, Ex. 10
NITC	National Information Technology Center	50, 341, 344
NPS	National Payment Services	282, 285.2-285.4
OTC	Operations and Testing Center, ITSD	10

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

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
PBI	permanent bale identifier	280
SCB	Storage Contract Branch, CMD, KCCO	10, 11, 48, 57, 121, 191, 213, Ex. 3.5
SCIMS	Service Center Information Management System	282
TSR	Transaction Summary Report	199, 276, 279, 305
UCC	Uniform Commercial Code	223.7

Redelegations of Authority

This table lists redelegations of authority in this handbook.

Redelegation	Reference
<p>CED may redelegate, in writing, the authority to approve all forms and documents prepared according to this handbook, except those in which the person approving has a monetary interest.</p> <p>Exceptions: Only CED shall approve loans for:</p> <ul style="list-style-type: none"> • STC members • SED's • State and County Office employees • COC members. 	14

Definitions of Terms Used in This Handbook

Acceptable Warehouse Receipt

*--[7 CFR 1427.3] Acceptable warehouse receipt means an original or replacement receipt that may or may not be certificated for delivery for a futures-pricing contract, and is either of the following:

- for 2008 crop cotton **only**, a pre-numbered, pre-punched, negotiable warehouse receipt issued under the authority of the U.S. Warehouse Act, a State licensing authority, or by an approved CCC warehouse in such format authorized and approved, in advance, by CCC
- for 2008 through 2012 crop cotton, EWR record issued by such warehouse recorded in a central filing system or systems maintained in 1 or more locations that are approved by FSA to operate such system. --*

AMS National Database

The AMS national database is:

- composed of all of the classing data on cotton that is classed by AMS
- located at the AMS office in Memphis, Tennessee.

Approved Cotton Clerk

An approved cotton clerk means a person outside the County Office who is approved to prepare loan and LDP documents for producers.

Approved Gin Location

Approved gin location means a location that is approved by CCC.

Approved Provider

Approved provider means providers that enter into a user agreement with CCC that ensures that:

- EWR's maintained in a central filing system meet loan program requirements
- all EWR data is in a format that can be downloaded into APSS through PC's.

Approved Warehouse

Approved warehouse means a public warehouse for which a CCC storage agreement is in effect.

Arid Region

An arid region is a region of low rainfall and low humidity.

Bagging and Ties

Bagging and ties means wrapping materials used to secure a bale of cotton.

CCC Commodity Inspector

CCC commodity inspector means the COC representative who does field work under the CCC loan program.

Definitions of Terms Used in This Handbook (Continued)**CCC-Cotton A Loan**

CCC-Cotton A loan means a cotton loan made to an individual by a County Office.

CCC-Cotton G Loan

CCC-Cotton G loan means a cotton loan made to an approved cotton marketing cooperative through a servicing agent bank.

Central Filing System

Central filing system means an electronic computer system operated and maintained by an approved provider where information relating to EWR's is recorded.

Class Card

Class card means a classification memorandum issued by AMS showing the class, grade and staple length, micronaire, and strength reading of a bale of cotton.

Color Group

Color group means cotton that is in 1 of the following color groups:

- White
- Light Spotted
- Spotted
- Tinged
- Yellow Stained.

Compression Status

Compression status means the density of the bale of cotton. In APSS, the compression status of a bale is expressed as an alpha code, called the "compression code".

Contract Commodity

Contract commodity means barley, corn, grain sorghum, oats, rice, upland cotton, and wheat.

Cotton

[7 CFR 1427.3] Cotton means upland and ELS cotton meeting the definitions in this exhibit, **excluding** cotton **not** meeting such definitions.

Cotton Board

[80 Stat. 297] Cotton Board means the board that was authorized under the Cotton Research and Promotion Act to collect the research and promotion fee assessed on upland cotton.

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CCC-601, Commodity Credit Corporation Note and Security Agreement Terms and Conditions

This is an example of CCC-601.

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This form is available electronically. See Page 6 for Privacy Act and Public Burden Statements.

CCC-601
(09-08-08)

U.S. DEPARTMENT OF AGRICULTURE
Commodity Credit Corporation

COMMODITY CREDIT CORPORATION
NOTE AND SECURITY AGREEMENT TERMS AND CONDITIONS

1. GENERAL.

(a) Definitions. The following definitions shall apply to this form, CCC-601, and any appendix thereto.

"Amount Due" means that amount of the loan due CCC on the maturity date which is (A) the sum of: (1) the total loan amount; (2) any applicable charges; as determined by CCC and applicable interest as provided in the definitions found in this agreement, or (B) at CCC's discretion, an amount that is less than the sum of the amount of the loan principal plus charges and applicable interest.

"CCC" means the Commodity Credit Corporation.

"Classification" means the measurement results provided by the Agricultural Marketing Service of color grade, leaf, staple length, uniformity, extraneous matter and micronaire, and for upland cotton, strength.

"Collateral" means the kind, class, type, and quantity of the commodity which has been pledged by the producer as collateral for the satisfaction of the loan is identified in the Note. The collateral consists of (A) with respect to farm-stored loans, the entire quantity of the commodity which is stored as identified in the Note and any authorized replacement of such quantity; or (B) with respect to warehouse-stored loans, the commodity represented by the warehouse receipts identified in the Note and any required supporting documents.

"Interest", if applicable, means (A) for a CCC commodity loan disbursed by CCC-184 and that has a total aggregate principal amount of \$500,000 or more, an amount calculated: (i) when repaid by wire transfer, on a daily basis from the date of disbursement to, but not including, the second day before the date of repayment; or (ii) when repaid by other than a wire transfer, on a daily basis from the date of disbursement through the day after the date of repayment; (B) for a CCC commodity loan disbursed by EFT and that has a total aggregate principal amount of \$500,000 or more, an amount calculated (i) when repaid by wire transfer, on a daily basis from the date of disbursement to, but not including, the second day before the date of repayment; or (ii) other than a wire transfer, on a daily basis from the date of disbursement to, but not including, the date of repayment; (C) for loans disbursed by CCC-184, interest which has accrued on such amounts computed on a daily basis from the date of disbursement to, but not including, the date of repayment; and (4) for loans disbursed by Electronic Funds Transfer (EFT), interest which has accrued on such amounts computed on a daily basis from the date of disbursement to, but not including, the second day before the date of repayment (7 CFR Part 1405).

"Loan Service Fee" means the service fee deducted at loan disbursement and is calculated as follows: (A) for wheat, feed grains, oilseeds, lentils, dry peas, chick peas, wool, mohair, peanuts, rice, and seed cotton, the smaller of ½ of 1 percent (.005) times the gross loan amount or \$45 per loan plus \$3 for each storage structure, warehouse receipt, rick or module, as applicable, over 1; (B) for ginned cotton, the smaller of ½ of 1 percent (.005) times the gross loan amount or \$7.50 per loan plus 90 cents for each bale; (C) for sugar, \$60 per loan; and (D) for distress loans, \$45 per loan.

"Note" means any CCC Note and Security Agreement which by reference incorporates this form.

"Regulations" means the regulations in Title 7 of the Code of Federal Regulations which are applicable to the crop of the commodity described in the Note.

"Schedules of Premiums and Discounts" means the premiums and discounts established by CCC which are applicable to the grade or classification of the commodity as determined from the grading factors reflected on a: (A) warehouse receipt; (B) Federal Grain Inspection Service official grading certificate; (C) Agricultural Marketing Service Classification; or (D) Core test report from a CCC-approved testing facility. These premiums and discounts shall be used in the settlement of a nonrecourse loan if the producer does not repay the loan as required by the program regulations. Copies of the schedules of premiums and discounts are available in State or county Farm Service Agency offices.

"Total Loan Amount" means the amount so identified in the Note.

All other words and phrases shall have the meanings assigned to them in the regulations found at 7 CFR Parts 718, 1400, 1403, 1405, 1421, 1425, 1427, 1434 and 1435.

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(Continued)

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- (b) **Joint and Several Liability.** Each producer signing the Note is jointly and severally liable for payment of the amount due. If a producer has granted another person the authority to act on behalf of the producer with respect to any, or all, of the provisions of this note, if the actions of such other person result in loss or damage to CCC, the producer and such person shall be jointly and severally liable for payment to reimburse CCC for each losses or damages.
- (c) **Notification.** Several of the terms and conditions of the Note require the producer to notify CCC of actions to be taken by the producer. Any such notification must be made by notifying a representative of CCC at the Farm Service Agency county office that prepared the Note. All notices which CCC must provide to the producer will be mailed to the producer at the address maintained by that office. The producer will be deemed to have received such notice upon deposit, as first class or priority mail, in the U.S. Mail.
- (d) **Applicable Sections.** Except as may otherwise be stated herein: (i) Sections 1 through 3, 5 through 7 and 11 are applicable to all loans; (ii) Section 4 is only applicable to nonrecourse loans; (iii) Section 8 is only applicable to farm-stored nonrecourse loans; (iv) Section 9 is only applicable to warehouse-stored nonrecourse loans; (v) Section 10 is only applicable to recourse loans.
- (e) **Applicable Regulations.** The Note evidences a CCC loan made in accordance with Title 7 of the Code of Federal Regulations. Applicable parts of Title 7 of the Code of Federal Regulations are incorporated by reference as a part of the Note.
- 2. EQUAL OPPORTUNITY.** Participation in CCC Programs is open to all eligible applicants without regard to race, color, religion, national origin, age, sex, marital status, or disability.
- 3. LOAN MATURITY.** The Note will mature at the earlier of the maturity date stated in the Note or any earlier date determined by CCC. If CCC makes demand for payment before the stated maturity date, the producer will be notified in writing of the accelerated maturity date.
- 4. LIQUIDATION OF NONRECOURSE LOANS.** On or before the loan maturity date, the producer may repay the loan by paying the amount due. If the producer repays the loan at a rate less than the sum of the loan principal plus charges and interest, the producer must provide to CCC evidence of production of the commodity which had been pledged as collateral for the loan. In lieu of repayment of the amount due, the producer may, in accordance with Sections 8 and 9, deliver the collateral to CCC. In the case of farm-stored loans, the producer shall bear all expenses including receiving charges of the delivery of the collateral to the delivery point stated in the delivery instructions issued by CCC. The producer will pay to CCC any costs incurred by CCC if the producer fails to deliver the collateral in accordance with such instructions. All wool and mohair nonrecourse marketing assistance loans not repaid by the loan maturity date must be liquidated through local sales at the farm storage location within a 60-calendar day period at no storage expense to CCC. Any charges incurred by CCC as a result of the local sale will be paid by the producer.
- 5. WAIVER OF PRESENTMENT.** The producer waives presentment for payment, demand, protest, notice of protest, and notice of non-payment of the Note.
- 6. PRODUCER'S RESPONSIBILITY.**
- (a) **General.** The producer must be in compliance with all applicable program requirements and must have beneficial interest in the commodity pledged as collateral for the loan.
- (b) **Liens.** The producer must pledge commodities that are eligible for loan and that are free and clear of all liens including Federal and State tax liens, security interests, and other encumbrances. **No additional liens or encumbrances shall be placed on the loan collateral after the loan is approved.**
- (c) **Movement of Collateral.** The producer will not move any collateral from the location stated in the Note without prior approval of CCC and then only in accordance with instructions issued by CCC or provisions of CCC-699C, Cotton Transfer Agreement. If such movement is not completed as instructed by CCC or the collateral is disposed of, either CCC may at its discretion accelerate the loan maturity date, assess liquidated damages as specified in Section 6(g), and take other administrative actions, as determined appropriate by CCC, including denial of future loans.
- (d) **Access to Collateral.** The producer will allow CCC to enter the premises and inspect the collateral. In the case of high moisture collateral stored in oxygen-limiting structures, the producer must open the facility when requested by CCC to permit inspection of the collateral. If safe access to the collateral is not provided or if the inspection cap on the facility is not opened to permit visual inspection of the collateral, the loan maturity date may be accelerated.

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- (e) **Certification.** The producer must provide an accurate certification of the quantity of the commodity to be pledged as collateral for a loan. If CCC determines that the producer has filed an incorrect certification of such eligible quantity, CCC may at its discretion accelerate the loan maturity date, assess liquidated damages, as specified in Section 6(g), and take other administrative actions, as determined by CCC, including denial of future loans.
- (f) **Loss or Damaged Loan Collateral.** The producer is responsible for any loss in quantity or quality of the commodity pledged as collateral for a farm-stored or warehouse-stored loan. CCC shall not assume any loss in quantity or quality of the loan collateral regardless of where stored.
- (g) **Liquidated Damages.** If CCC determines that the producer has violated provisions of Sections 6(c), 6(e), or 7(a), liquidated damages may be assessed on the quantity of the commodity which is involved in the violation. For each violation, CCC will review the actions of the producer to determine if the producer acted in good faith to comply with such provisions.
- (i) For producers determined to have violated provisions of Section 6(c) and if CCC determines that the producer acted in good faith, liquidated damages may be assessed by multiplying the quantity involved in the violation by 10 percent of the loan rate. The producer shall pay such liquidated damage penalties plus the lesser of (1) the principal amount of the loan and charges plus interest, (2) CCC determined value on the date the violation occurred plus 15 percent of the applicable loan rate with respect to the quantity involved in the violation within 30 days of notification by CCC, or CCC will call the loan involved in the violation and require full payment at principal and charges plus interest. For honey, the producer shall pay the principal amount of the loan and charges plus interest.
- (ii) For producers determined to have violated provisions of Section 6(e) or 7(a), and if CCC determines the producer acted in good faith, liquidated damages may be assessed by multiplying the quantity involved in the violation by 10 percent of the loan rate. The producer shall pay such liquidated damages plus the principal amount of the loan and charges plus interest with respect to the quantity involved in the violation, within 30 days of notification by CCC, or CCC will call the loan involved in the violation.
- (iii) If CCC determines that the producer did not act in good faith with regard to the violation, or for cases other than the first or second offense, CCC will call the loan involved in the violation and may assess liquidated damages computed by multiplying the quantity involved in the violation by 10 percent of the loan rate. The producer shall pay such liquidated damages plus the principal amount of the loan and charges plus interest.
- (h) **Delinquent Federal Nontax Debt.** If it is discovered that a producer incorrectly certified to the DCIA question, the producer will be notified that the loan must be repaid at principal and interest immediately.
- If a producer receives a loan and it is later discovered that the producer has a delinquent Federal nontax debt, the producer will be notified that the delinquent Federal nontax debt must be resolved before the final loan availability date for the applicable commodity. If the delinquent Federal nontax debt is not resolved before the final loan availability date, the producer must repay the loan at principal plus interest.
- (i) **Miscellaneous Charges.** Miscellaneous charges, such as but not limited to storage and receiving are the sole responsibility of the producer requesting the MAL or commodity loan.

7. LIABILITY OF PRODUCER.

- (a) **Fraud or Conversion.** If the producer has made a fraudulent representation in obtaining the loan or has engaged in or aided in the conversion of the collateral, the producer will be liable for the amount of the loan, for any additional amounts paid to the producer, and for all costs which CCC would not have incurred had it not been for the fraudulent representation or conversion, plus interest on such amounts. In addition, CCC may assess liquidated damages, as specified in Section 6(g), and take other administrative actions, as determined by CCC, including denial of future farm-stored loans.
- (b) **Poisonous Substances and Contamination.** The producer will be liable for any damage resulting from tendering to CCC any commodity, whether or not accepted by CCC, containing mercurial compounds, toxin producing molds or other substances poisonous to humans or animals.
- (c) **Over-disbursement or Under-collection.** If the amount disbursed under the Note exceeds the amount authorized by the applicable regulations or a repayment made by the producer is insufficient to repay the amount due, the producer will be liable for repayment of such amounts and charges, if any, plus interest.
- (d) **Claims.** If the producer fails to settle the loan within 30 calendar days from the maturity date of the loan, or such other date as CCC may agree to, a claim for the amount due will be established in accordance with applicable statutes and regulations.

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(e) **Ineligible Commodities.** If at any time CCC determines that the commodity pledged as collateral is ineligible to be pledged as collateral for the loan, the producer shall be liable for the amount of the loan or if the producer repaid the loan at a rate less than the sum of the loan principal plus charges and interest for the ineligible quantity, the producer must repay to CCC the difference between such sum and the repayment amount, plus interest on such amounts. If the producer has received credit from CCC for storage, such amount must also be repaid. Ineligible commodities may not be delivered to CCC in satisfaction of the amount due, except as may be determined by CCC. If CCC allows the producer to deliver the commodity to CCC in satisfaction of the amount due, the value of the commodity shall be determined as specified by either Section 8(b) or 9(c).

8. FARM-STORED NONRECOURSE LOANS.

(a) **General.** This section is applicable to a loan made with respect to collateral stored in CCC-approved storage under the control of the producer and not in a public warehouse.

(b) **Settlement.** (i) If the producer elects to deliver the collateral to CCC in satisfaction of the amount due in accordance with Section 4, CCC will not accept delivery of any quantity of commodity in excess of 110 percent of the eligible outstanding loan quantity, at time of settlement, as determined by CCC. If a quantity in excess of the eligible quantity is included on the warehouse receipt tendered to CCC for such delivery, the producer shall provide for the correction of such warehouse receipt and other applicable documents. If the producer does not take action to correct such warehouse receipt, CCC shall provide for such corrected documents and any charges incurred by CCC shall be for the account of the producer. The collateral shall be delivered in bulk form except as determined by CCC. If the loan collateral is delivered to CCC in satisfaction of the amount due, in accordance with Section 4, the value of the collateral for purposes of settlement will be determined using the applicable schedules of premiums and discounts on the basis of the quality of the collateral for the quantity which is delivered to CCC. (ii) Settlement of corn is collateral will be made on a shelled corn basis. (iii) If the value of the collateral at settlement is less than the amount due because of any loss in quantity or quality of the collateral, the producer will pay to CCC the amount of such deficiency and charges, plus interest on such deficiency from the date of disbursement. (iv) If the value of the collateral at or subsequent to the time of settlement is greater than the amount due, CCC will retain such excess and will not pay such amount to any party. (v) If at any time prior to the maturity date of the loan the collateral can no longer be properly stored due to deterioration or for any other reason, the producer may authorize CCC to sell such collateral on behalf of the producer. (vi) Title to the collateral will vest in CCC only after delivery of the collateral to CCC in accordance with Section 4.

9. WAREHOUSE-STORED NONRECOURSE LOANS.

(a) **General.** This section is applicable to a loan that has been made with respect to eligible commodities pledged as loan collateral which is stored in a warehouse approved by CCC.

(b) **Rights of CCC.** At any time prior to the date CCC takes title to the collateral or the date the producer redeems such collateral, in order to protect its interest, CCC may move the collateral from one storage location to another storage location, take actions to protect or determine the quality of the collateral, or advance the maturity date of such loan. Any charges incurred by CCC as the result of such actions will be paid by the party redeeming such collateral.

(c) **Settlement.** (i) If the producer elects to forfeit the collateral in satisfaction of the amount due in accordance with Section 4, the value of the collateral for purposes of settlement will be determined using the applicable schedules of premiums and discounts on the basis of the weight, grade, and other quality factors stated on the warehouse receipt or supporting documents. (ii) If the value of the collateral at or subsequent to the time of settlement is less than the amount due, the producer will pay to CCC the sum of the amount of such deficiency plus charges, and interest which has accrued on such deficiency from the date of disbursement. (iii) If the value of the collateral at settlement is greater than the amount due, CCC will retain such excess and will not pay such amount to any party. (iv) Title to the collateral will vest in CCC on the day following the loan maturity date. (v) CCC may elect to calculate such settlement values based on the net weight, good condition, and classification as reflected on the warehouse receipt delivered to CCC, whether such receipt is the receipt issued by the original storing warehouse and presented for calculating the loan amount or a receipt issued by a subsequent warehouse due to the transfer of such commodity while pledged as collateral for a CCC loan.

(d) **Cotton Loan Redemptions and Settlement.** (i) The amount by which an upland cotton loan repayment value may be reduced for the value of storage charges during the period of the loan shall be zero for any period the cotton is stored outside and shall otherwise be calculated based on the maximum payment rate determined for the warehouse and announced by CCC. Cotton shall be considered by CCC to be stored outside if it is stored outside any time during the period of the loan exceeding the 15-day period that starts with the first day the warehouse is notified the cotton is pledged as collateral for a CCC loan. (ii) If the producer elects to forfeit either upland cotton or ELS cotton loan collateral to CCC in satisfaction of the amount due in accordance with Section 1(a), the producer shall pay to CCC: (at rates that are specified in the storage agreement between the warehouse where the cotton is stored and CCC) (1) all warehouse storage charges associated with the

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(Continued)

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forfeited cotton that accrued before the cotton was pledged as collateral for the loan; (2) any accrued warehouse receiving charges associated with the forfeited cotton, including, if applicable, charges for new bale ties, unpaid warehouse compression, or other charges as may be levied by the storing warehouse; and (3) Warehouse storage charges for periods of outside storage or charges that exceed the maximum storage credit rates for the loan period paid by CCC to the warehouse.

- (e) **Transfer of CCC Upland or ELS Cotton or Peanut Loan Collateral.** Collateral for an upland or ELS cotton or peanut marketing assistance loan may be transferred from a CCC-approved warehouse to another CCC-approved warehouse if CCC holds as security for the loan a warehouse receipt with respect to such commodity and the following terms and conditions of this subsection are met. (i) The producer may grant authorization to transfer loan collateral only to the agent designated and authorized by the producer to redeem all or a portion of the loan collateral. Any authorization to transfer loan collateral granted by the producer may be transferred by such agent of the producer to a subsequent agent as provided by the terms of applicable CCC forms. A producer is not obligated by CCC to grant authorization to transfer loan collateral as a condition of designating and authorizing any agent to redeem from loan all or a portion of the loan commodity. (ii) CCC will calculate any loan redemption for transferred cotton based on the credits, and charges with respect to the shipping warehouse under the transfer authorization. If a producer delivers transferred cotton to CCC in satisfaction of a loan obligation, CCC will settle such collateral delivery based on the charges effective at the receiving warehouse plus any unpaid charges at the shipping warehouse. (iii) As a condition for CCC to approve the transfer of cotton loan collateral, the requestor of a transfer, whether such requestor is the producer, or the producer's agent, must agree to pay all charges that may result from such transfer or intended transfer and be responsible for all losses of quantity or quality that result from the transfer. Despite any such agreement, the producer is responsible for any charges associated with the transfer of CCC cotton loan collateral including those that are not paid by any agent, or subsequent agent, the producer authorized to request such a transfer and who agreed to pay such charges. All such unpaid charges are for the account of the producer and shall not be charged to the outstanding balance of the loan obligation. CCC will not assume any liability for any charge associated with the transfer of any cotton loan collateral. (iv) The producer is responsible to CCC for all losses of quantity or quality associated with the transfer of CCC cotton loan collateral including unpaid losses on transfers made at the request of an agent of the producer even if the agent had agreed to pay such charges. CCC does not assume any loss in quantity or quality resulting from transfer of the loan collateral. (v) If at any time prior to the maturity date of the loan the collateral can no longer be properly stored due to deterioration or for any other reason, the producer may authorize CCC to sell such collateral on behalf of the producer. (vi) Title to the collateral will vest in CCC only after delivery of the collateral to CCC in accordance with Section 4.

10. RECOURSE LOANS.

- (a) **General.** CCC may make recourse loans available to eligible producers of high moisture corn, high moisture grain sorghum, seed cotton, and other commodities, as determined by CCC. If such loans are available, the producer is liable for the entire amount due and may not deliver the collateral to CCC in satisfaction of the amount due, except as may be determined by CCC.
- (b) **Availability of Nonrecourse Loans.** In limited circumstances, CCC may allow the producer to pledge as collateral for a nonrecourse loan the commodity which has been previously pledged as collateral for a recourse loan. The maturity date for such loans shall be as determined by CCC. If this option is made available by CCC, the producer must immediately repay the entire amount due under the recourse loan.
- (c) **High Moisture.** Producers of corn and grain sorghum who normally harvest all or a portion of their crop in a high moisture condition may obtain recourse loans from CCC. High moisture means moisture content in excess of: (i) for corn, 15.5 percent; and (ii) for grain sorghum, 14.0 percent. Producers of such high moisture commodities who deliver such commodities to a feedlot, feed mill, or commercial or on farm high moisture storage that does not meet CCC's requirements for approved storage may acquire, in the same county, a like quantity of such commodity to replace the applicable quantity of high moisture feed grains to obtain a loan. Such producers must: (i) complete the applicable CCC forms; and (ii) provide to CCC: (A) certified scale tickets which adequately describe the commodity, the weight of the commodity and the moisture content of the commodity; or (B) if such scale tickets are not available, measurements of the high moisture feed grain made while the commodity was in the field or in storage. Such loans will be made on a quantity of feed grains of the same crop acquired by the producer equivalent to a quantity not to exceed the quantity determined by multiplying: (i) the acreage of the feed grain in a high moisture condition harvested on the producer's farm; by (ii) the lower of the farm program yield or the actual yield on a field, as determined by the Secretary, that is similar to the field from which such high moisture feed grains were obtained.
- (d) **Seed Cotton.** The producer may, prior to the maturity date, with the written approval of CCC move seed cotton from the location where stored to a gin in order to gin such cotton and sell the cottonseed obtained therefrom. (i) If prior to the maturity date the amount due has not been paid, the producer will pay to CCC an amount equal to the proceeds obtained from the sale of the cottonseed and the lint cotton or, if a loan or loan deficiency payment is made by CCC with respect to the lint cotton, CCC will deduct the amount due from any such proceeds which are disbursed. (ii) If prior to the maturity

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CCC-601, Commodity Credit Corporation Note and Security Agreement Terms and Conditions
(Continued)

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date the amount due has not been paid or the collateral has not been ginned, the producer must, as instructed by CCC, move the collateral to a gin at the producer's expense. If the producer fails to move the collateral as instructed by CCC, CCC may enter the premises and remove, gin, and sell the collateral. Any proceeds from the sale of the collateral will be retained by CCC and applied to the amount due. (iii) If the amount due has not been paid and warehouse receipts have been issued with respect to lint cotton obtained from the collateral, the producer will deliver the receipts to CCC or allow CCC to obtain from any person such receipts. CCC may sell such cotton, if the amount due has not been paid by the maturity date.

- (e) **Discretionary Loans.** Commodities which are pledged as collateral for a non-recourse loan as provided in Sections 8 and 9 but which are determined to be ineligible to be pledged as collateral for such a loan due to the quality of the commodity or other factors affecting value of the commodity; or the storage of the commodity is unapproved storage, may, at CCC's sole discretion, be pledged as collateral for a recourse loan.
- (f) **Settlement.** (i) If CCC allows the producer to deliver to CCC in satisfaction of the amount due the quantity of the collateral which is described in the Note, the value of the collateral for purposes of settlement will be equal to the proceeds received from the sale or barter of the commodity. Title to the collateral will vest in CCC only after delivery of the collateral to CCC in accordance with Section 4. (ii) If the value of the collateral at settlement is less than the amount due, the producer will pay to CCC the amount of such deficiency plus charges, and applicable interest with respect to such deficiency from the date of disbursement. (iii) If the proceeds received from the sale or barter of the commodity are greater than the sum of the amount due plus any costs incurred by CCC in conducting the sale of the commodity, the amount of such excess will be paid to the producer or, if applicable, to any secured creditor of the producer.

11. ADMINISTRATIVE AND JUDICIAL REVIEW.

The producer may obtain an administrative hearing in accordance with 7 CFR Part 780 with respect to a dispute arising between CCC and the producer concerning the Note, and must exhaust such administrative remedy prior to initiating a judicial action in a court of competent jurisdiction.

NOTE: *The authority for collecting the following information is Pub. L. 110-246. This authority allows for the collection of information without prior OMB approval mandated by the Paperwork Reduction Act of 1995. The time required to complete this information collection is estimated to average 21 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.*

The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a) and the Paperwork Reduction Act of 1995, as amended. The authority for requesting the following information is the Food, Conservation, and Energy Act of 2008. The information will be used to monitor collateral placed under loan in the commodity loan program. Failure to provide the required information will result in denial to move loan collateral for rotation or transfer. This information may be provided to other agencies, IRS, Department of Justice, or other State and Federal law enforcement agencies, and in response to a court magistrate or administrative tribunal. The provisions of criminal and civil fraud statutes, including 18 USC 286, 287, 371, 641, 651, 1001; 15 USC 714m; and 31 USC 3729, may be applicable to the information provided. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.

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***--Areas Approved for Outside-Stored Loan Bales**

Outside-stored loan bales are approved in the following areas.

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Crop Year	Type Cotton	Type Loan	State	Approved Areas	
2007	Upland	Warehouse-Received	AZ, CA, FL, MO, OK, TX	Entire State	
	ELS	Warehouse-Received	AZ, CA, FL, MO, OK, TX	Entire State	
			Farm-Stored	AZ	Maricopa, Pinal, and Yuma Counties
				CA	<ul style="list-style-type: none"> • Imperial and Kings Counties. • Fresno County west of Hwy 90. • Kern and Tulare Counties west of Hwy 99. • Merced County south of Hwy 152.
				NM	Dona Ana and Luna Counties
				TX	El Paso County
2008	Upland	Warehouse-Received	FL, KS, MO	Entire State	
ELS	Warehouse-Received	FL, KS, MO	Entire State		
		Farm-Stored	AZ	Maricopa, Pinal, and Yuma Counties	
			CA	<ul style="list-style-type: none"> • Imperial and Kings Counties. • Fresno County west of Hwy 90. • Kern and Tulare Counties west of Hwy 99. • Merced County south of Hwy 152. 	
			NM	Dona Ana and Luna Counties	
			TX	El Paso County	

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CCC-601 ELS Appendix, Note and Security Agreement Terms and Conditions for Outside Storage of ELS Cotton

This is an example of CCC-601 ELS Appendix.

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<p>This form is available electronically. CCC-601-ELS Appendix (04-02-09)</p>	<p>U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation</p>	
<p>APPENDIX TO CCC-601, NOTE AND SECURITY AGREEMENT TERMS AND CONDITIONS FOR OUTSIDE STORAGE OF ELS COTTON</p>		
<p>NOTE: <i>The primary authority for requesting and safeguarding the information described on this form is the Food, Conservation, and Energy Act of 2008 (Pub. L. 110-246 and any amendments to such act as may follow). The information will be used to complete the terms of an agreement between the warehouse operator and CCC. Furnishing the requested information is voluntary, however, without it, eligibility to enter into an agreement with CCC cannot be determined. Failure to furnish the requested information will result in a determination of ineligibility for certain program benefits and other financial assistance administered by USDA. This information collected as a result of this form may be released to USDA employees, USDA contractors, or authorized USDA cooperators who are bound to safeguard the information under Section 1619 of the Food, Conservation, and Energy Act of 2008, the Privacy Act of 1974, the E-Government Act of 2002, and related authorities.</i></p> <p><i>This information collection is exempted from the Paperwork Reduction Act, as it is required for administration of the Food, Conservation, and Energy Act of 2008 (see Pub. L. 110-246, Title I, Subtitle F - Administration). The provisions of criminal and civil fraud, privacy and other statutes may be applicable to the information provided. RETURN THIS COMPLETED FORM TO YOUR COUNTY FSA OFFICE.</i></p>		
<p>PART A – TERMS AND CONDITIONS</p>		
<p>A producer submitting cotton to the Commodity Credit Corporation (CCC) as collateral for a marketing assistance loan may store such collateral outside subject to the following terms and conditions:</p>		
<p>(1) Collateral Identification. The producer must identify all outside-stored cotton loan collateral by providing CCC, for each individual bale, the gin code number (5-digit number) and gin bale number (gin-assigned 7-digit number) as presented to the Agricultural Marketing Service (AMS) for classification services, and the bale net weight.</p>		
<p>(2) Collateral Location. The producer must provide CCC the address, and any additional storage location information sufficient to enable a CCC representative to locate the cotton.</p>		
<p>(3) Classification Information for Forfeited ELS Cotton. The producer is responsible to provide, within 30 days after the date of delivery of the cotton into a warehouse designated by CCC, AMS classification information, based on bale samples collected by an AMS-approved sampler.</p>		
<p>(4) Settlement. Notwithstanding provisions of paragraph 9(c) of the Note and Security Agreement Terms and Condition (form CCC-601), if the producer elects to forfeit outside-stored loan collateral in satisfaction of the amount due: (i) the value of the collateral for purposes of settlement will be determined using the applicable schedules of premiums and discounts on the basis of the classification information provided after delivery of the cotton to CCC; and, (ii) the collateral shall be delivered to CCC in the original bags with original bale identification as provided by the ginner.</p>		
<p>(5) Settlement Charges. If the producer forfeits outside-stored ELS cotton loan collateral to CCC in satisfaction of the amount due, the producer is liable, in addition to charges included in paragraph 4 of the Note and Security Agreement Terms and Condition (form CCC-601), for (i) expenses or charges associated with the storage of the cotton during the period of the loan, and (ii) charges levied by the warehouse associated with receiving, weighing, compression, issuance of an electronic warehouse receipt, other charges as may be levied by the warehouse specific to outside-stored cotton, and for classification services as required under paragraph (3) of this appendix.</p>		
<p>PART B – PRODUCER CERTIFICATION</p>		
<p><i>I accept that the terms and conditions of this appendix apply to the cotton pledged as collateral for this loan. I certify that the cotton pledged as collateral for this loan is packaged in a hermetically sealed bag, packaged at a measured internal humidity level established by the gin as appropriate to safeguard cotton quality, using packaging materials that meet or exceed industry minimum standards. I further certify that the cotton pledged as collateral for this loan meets the quality requirements set forth at 7 CFR 1427.5(c), has not been ginned on a saw gin, is not represented by a warehouse receipt, and is not reginned, repacked, mixed ELS and upland cotton, or fire damaged or water damaged. I further certify that the storage area is suitable for cotton storage, is constructed to prevent water accumulation under the cotton and is serviced by bale handling and transport equipment that will not damage the sealed bag or degrade the drainage characteristics of the storage area.</i></p>		
<p>1A. Signature of Contact Producer</p> <p style="text-align: center;">/s/ James Smith</p>	<p>1B. Title/Relationship (of the individual signing in the Representative Capacity)</p>	<p>1C. Date</p> <p style="text-align: center;">March 3, 2009</p>
<p>2A. Signature of Other Producer</p> <p style="text-align: center;">/s/ James Smith</p>	<p>2B. Title/Relationship (of the individual signing in the Representative Capacity)</p>	<p>2C. Date</p> <p style="text-align: center;">March 3, 2009</p>
<p>3A. Signature of Other Producer</p> <p style="text-align: center;">/s/ James Smith</p>	<p>3B. Title/Relationship (of the individual signing in the Representative Capacity)</p>	<p>3C. Date</p> <p style="text-align: center;">March 3, 2009</p>
<p><small>The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.</small></p>		

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Guide for Using CCC-605 and EAD

--County Offices shall follow these table instructions for setting the EAD status flag.--

WHEN redemption requests is made through...	AND EAD status flag for loan is set to...	THEN...
CCR by merchant who is EAD	"Yes"	<ul style="list-style-type: none"> • CCC-605 is faxed to County Office by any merchant only to set flag and cotton is released to EAD, not necessarily to agent shown on CCC-605 • an original CCC-605 identifying EAD is not required in County Office for CCR loan redemption to occur or for County Office to enter the redemption into APSS.
County Office by merchant	"No", and EAD status is known to have never been set to "Yes" Note: This is the common situation for merchants not using CCR to redeem cotton.	<ul style="list-style-type: none"> • merchant must present CCC-605 that authorizes the merchant to redeem the requested loan collateral • County Office processes loan redemption under traditional (non-CCR process) and releases cotton • EAD status flag is never set to "Yes".
CCR by merchant who is not EAD	"Yes"	<ul style="list-style-type: none"> • County Office would not be aware of this redemption request • CCR rejects request; no invoice is sent to County Office and no County Office action occurs.
CO by producer	"Yes"	<ul style="list-style-type: none"> • producer must cancel CCC-605 in writing • County Office sets flag to "No" to stop redemption requested in CCR by any EAD.
County Office by producer Note: This event possibly occurs if a producer does not designate agent and redeems own cotton.	"No"	producer must cancel any outstanding CCC-605 in writing before redemption can be processed.

Guide for Using CCC-605 and EAD (Continued)

WHEN redemption requests is made through...	AND EAD status flag for loan is set to...	THEN...	
County Office by any merchant	"No" because a producer cancelled CCC-605 and the flag was reset from "Yes" to "No"	County Office must check COPS to determine whether the merchant requesting the redemption is EAD or not and take the following action.	
		IF the merchant is...	THEN...
		EAD in COPS	producer only must reset flag to "Yes" for EAD to be able to redeem at County Office.
		not EAD in COPS and presents CCC-605 to County Office	<p>producer has executed 2 competing CCC-605's. County Office shall require producer to take 1 of the following actions before any redemption is processed:</p> <ul style="list-style-type: none"> • cancel both CCC-605's in writing and redeem loan with producer's own funds • cancel, in writing, CCC-605 of non-EAD merchant and allow EAD to redeem the cotton • instruct current EAD to designate non-EAD merchant as new EAD, allowing new merchant to redeem under CCR.
not EAD in COPS and does not present CCC-605	this merchant is ineligible to redeem the requested cotton.		