

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency  
Washington, DC 20250

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

Amendment 44

Approved by: Deputy Administrator, Farm Programs



Amendment Transmittal

**A Reason for Amendment**

Subparagraph 52 A has been amended to remove reference to mandatory use of CCC-770.

Subparagraphs 103 C and E has been amended to provide policy and instructions for CCC-491.

Subparagraphs 181 B has been amended to include reference to CCC-902I (for individuals).

Subparagraph 193 B has been amended to provide that fireproof storage of cotton loan documents is required only until the loan has been repaid or matures.

Paragraph 213 has been removed. This paragraph previously provided instructions for submitting cotton forfeiture documents to Kansas City. However, because loan cotton receipts are all electronic and forfeitures are recorded in COPS, there is no need to submit forfeiture documents.

Subparagraphs 261 F and G have been amended to remove references to pages 2 and 4 of CCC-633 EZ.

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

**\*--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)**

## 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 review is completed. \* \* \*

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

CCC-770 CottonMAL's and CCC-770 LDP/eLDP's shall be considered management tools to help address deficiencies identified by a review or spot-check of whether program policies or procedures are being followed before issuing various farm program payments.--\*

\* \* \*

**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. \* \* \*

\*--Producers may use CCC-491 to provide such certification. See subparagraph 103 E. Any CCC-491 submitted at the request of CCC is retained in the applicable loan/LDP file of the producer.--\*

## 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.--\*

103 BI and Contract Review (Continued)

\*-E Completing CCC-491

Producer shall submit CCC-491 if producer does not have a written contract and there is reason to believe that the producer may have lost interest to the commodity.

This form is available electronically.

<b>CCC-491</b> (11-06-09)		U.S. DEPARTMENT OF AGRICULTURE Commodity Credit Corporation		1. Crop Year 2009	2. LDP Number	3. Loan Number 90010
<b>BENEFICIAL INTEREST CERTIFICATION FOR LOAN AND LOAN DEFICIENCY PAYMENTS</b>				4. FSA State and County Code 13-113		
<p>Note: <i>The following statement is made in accordance with the Privacy Act of 1974 (5 USC 552a - as amended). The authority for requesting the information identified on this form is 7 CFR Part 1421, the Commodity Credit Corporation Charter Act (15 U.S.C. 714 et seq.), and the Food, Conservation, and Energy Act of 2008 (Pub. L. 110-246). The information will be used to certify that a producer does have a beneficial interest in the commodity which is the subject of the CCC loan or loan deficiency payment. The information collected on this form may be disclosed to other Federal, State, Local government agencies, Tribal agencies, and nongovernmental entities that have been authorized access to the information by statute or regulation and/or as described in applicable Routine Uses identified in the System of Records Notice for USDA/FSA-2, Farm Records File (Automated) and USDA/FSA-14, Applicant/Borrower. Providing the requested information is voluntary. However, failure to furnish the requested information will result in a determination of ineligibility to file the beneficial interest certification.</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 appropriate 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>						
<b>PART A – PRODUCER'S INFORMATION</b>						
5. Producer Name and Address			6. Telephone Number: (Include Area Code):		7. Crop	
Sam Jones Rt 1, Box 630 Maricopa, CA 12345			704-261-1111		Upland Cotton	
<b>PART B – PRODUCER'S CERTIFICATION</b>						
<p><i>The undersigned producer(s) ("Producer") has requested a loan or loan deficiency payment (LDP) from the Commodity Credit Corporation (CCC). With respect to the commodity which will be the subject of such loan or LDP, the Producer certifies that: (1) the Producer has had beneficial interest in the commodity and has not lost such interest before filing for the LDP application or loan application; (2) the Producer did not enter into any written option to purchase or any written contract for sale, with respect to the commodity to sell, deliver, or market the commodity, before such loan or LDP was requested; (3) the Producer did not enter into a verbal option to purchase or verbal contract for sale, except as noted below; (4) no payment with regard to such commodity was received before such loan or LDP was requested. The Producer understands that this certification is subject to review by CCC to determine that no option to purchase, contract for sale, or payment was applicable to the commodity. If any option to purchase, contract for sale, or payment is later negotiated while the commodity is pledged for collateral for a loan, the producer agrees to notify the County FSA Office of such event and to provide a copy of such option or contract to the County FSA Office for review. Upon such notification, CCC shall review such option to purchase and contract for sale for a determination of the date beneficial interest would be considered to have been lost. By signing this certification, the Producer warrants and agrees that the making of any fraudulent representation may render the Producer subject to criminal prosecution under Federal law and will result in the refund by the producer of any amounts paid as the result of the fraudulent representation, plus interest.</i></p>						
8. Terms and Conditions of Verbal Contract:						
We do business by handshake; we agreed I keep title until the receipts are transferred.						
<b>PART C – PRODUCER'S CERTIFICATION</b>						
9A. Producer's Signature (By)		9B. Title/Relationship (Individual Signing in a Representative Capacity)			9C. Date (MM-DD-YYYY)	
/s/ Sam Jones					11-06-2009	
9A. Producer's Signature (By)		9B. Title/Relationship (Individual Signing in a Representative Capacity)			9C. Date (MM-DD-YYYY)	
<b>PART D – COC'S APPROVAL</b>						
10A. Signature of CCC Representative		10B. Title of CCC Representative			10C. Date (MM-DD-YYYY)	
/s/ William Smith		C.E.D.			11-18-2009	
<p><i>The U.S. Department of Agriculture (USDA) prohibits discrimination in all of 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, political beliefs, genetic information, 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).</i></p> <p><i>To file a complaint of discrimination, write to USDA, Assistant Secretary for Civil Rights, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, S.W., Stop 9410, Washington, DC 20250-9410, or call toll-free at (866) 632-9992 (English) or (800) 877-8339 (TDD) or (866) 377-8642 (English Federal-relay) or (800) 845-6136 (Spanish Federal-relay). USDA is an equal opportunity provider and employer.</i></p>						

--\*

103 BI and Contract Review (Continued)

\*--E Completing CCC-491 (Continued)

CCC-491 is completed according to the following instructions. Producer completes entries for items 1-9C. FSA may assist with completing items 1 through 4.

Item	Instruction
1 - 4	Enter the crop year, LDP or loan number, as applicable, and the FSA State/County Code for the office where the loan/LDP is being processed.
5	Producer enters name and address.
6	Producer enters phone number.
7	Producer enters the commodity for which the loan/LDP is requested.
8	Producer enters the terms of the verbal contract about beneficial interest.
9A - C	Producer or producer's representative: <ul style="list-style-type: none"> <li>• signs in item 9a</li> <li>• if applicable, enters in item 9b representative's relationship to the producer</li> <li>• enters the signature date in item 9c.</li> </ul>
10A - C	FSA signs, enters title, and signature date.

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## Section 2 Loanmaking, Ginned Cotton

## 181 Before Processing the Loan

## A Eligibility

[7 CFR 1427.5] The eligibility requirement for the producer and cotton shall be determined according to Part 2 before processing loans.

## B Required Forms and Documentation

When a producer requests a regular cotton loan, the producer shall complete CCC Cotton A-5 according to paragraph 182 and provide:

- a list of the bales, either a paper list or an electronic pre-processed bale file
  - acceptable warehouse receipts according to paragraph 164
- Note:** Cotton warehouse receipts **must** be held by CCC (EWR's **must** be "downloaded") for all loans whether repaid by cash or exchanged for a commodity certificate.
- acceptable classification data according to paragraph 167
  - AD-1026 according to 6-CP
  - BI certification, when requested by COC, according to subparagraph 103 C
  - CCC-10, except for loans requested for immediate exchange for commodity certificates
  - CCC-679, when applicable, according to subparagraph 124 D
  - \*--CCC-902I (for individuals) or CCC-902E (for entities including joint operations)--\*
  - CCC-926 or certification of average AGI according to 4-PL
  - FSA-211, when applicable, according to paragraph 45
  - FSA-578 according to 2-CP.

**Important:** Enter the date that all of the applicable forms were provided for the loan by the producer to the County Office on Screen PLC10005 in the "Date Documents/Warehouse Receipts Received" field, according to subparagraph 182 B, item 8.

**181 Before Processing the Loan (Continued)****C Form Required for Loan Requested for Immediate Commodity Certificate Exchange**

When a producer requests a cotton loan for immediate exchange for a commodity certificate, the producers shall provide:

- the forms required by subparagraph B, except CCC-679
- signed and dated CCC-694-2, that includes entering the entity, and holder ID if applicable, to whom the cotton loan collateral is to be released, in item 9.

**Note:** CCC **must** be made holder of cotton EWR's as a precondition for a loan requested for immediate commodity certificate exchange and remain holder until the loan is processed and disbursed.

**D Loan Requests Submitted Electronically**

Producers may submit loan and LDP application forms electronically if the applicant has \*--received access under the eAuthentication system. See paragraph 4 for the web site.--\*

The date and time of the electronic transmission shall be considered the date and time of receipt by FSA.

**\*--E UCC-1 Not Required**

The filing of UCC-1 by County Offices is **not** required for warehouse-stored upland cotton loans because CCC's security interest has been perfected because CCC holds the warehouse receipts.--\*

192 Manual Loan Processing in APSS (Continued)

B APSS Procedure (Continued)

Step	Action	Result	
22	On Screen PCE68010, ENTER "Y" or "N" to the question, "Do you want to reprint this form?"	<b>IF...</b>	<b>THEN...</b>
		"Y" was entered	<ul style="list-style-type: none"> <li>• CCC-Cotton A Continuation will be reprinted</li> <li>• Screen PCE68010 will be redisplayed. Repeat this step.</li> </ul>
		"N" was entered	Go to step 23.
23	Accounting - Checkwriting procedure begins.	After Accounting - Checkwriting procedure is complete, Menu PCA005 will be redisplayed. Return to step 1.	

**193 Loan Document Retention and Distribution****A Distribution to the Producer**

The contact producer should receive a copy of the following:

- CCC-601 or, if applicable, CCC-601 ELS Appendix
- signed CCC-Cotton A
- CCC-Cotton A-1
- CCC-Cotton A-5 or CCC-877
- transaction summary report generated by APSS, if applicable
- Producer's Disbursement Transaction statement
- other documents signed by the producer for this loan.

**B Documents for Filing in Locked, Fireproof Box**

\*--File the following in a fireproof locked box until the loan has been repaid or matures:--\*

- original CCC-Cotton A and CCC-Cotton A Continuation, if applicable
- original Transaction Summary Report, if applicable
- original CCC Cotton A-1.

**C Documents for Loan Folder**

File the following documents in the loan folder:

- copies of the following:
  - signed and approved CCC-Cotton A and signed CCC-Cotton A Continuation, if applicable
  - Transaction Summary Report, if applicable
  - CCC-Cotton A-1, CCC-Cotton A-5, and CCC-877, as applicable
- other documents signed by the producer about this loan
- original Producer's Disbursement Transaction statement
- all printouts from cotton PC, including validation review reports, bale lists, and bale recaps.

**194-196 (Reserved)**

212 Loan Forfeitures Process Through APSS (Continued)

B Forfeiture Process (Continued)

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

213 (Withdrawn—Amend. 44)



## 261 Eligibility (Continued)

**D Minimum Quality Requirements (7 CFR 1427.25(h))**

To be eligible for LDP, a bale of upland cotton **must** be of such quality that, based on the prevailing base loan rate and premiums and discounts for quality, the loan rate adjusted for premiums and discounts for the cotton is greater than zero.

This requirement is consistent with the calculation of loan gain. CCC policy is that the gain from repaying MAL shall **not** exceed the loan value of the commodity. Thus, if the loan value of cotton is zero, the loan gain or LDP for such cotton is also zero.

**Note:** CCC does **not** provide loans for cotton having a computed loan value of zero or less.

**E Eligibility of Destroyed Cotton**

LDP's:

- are **not** available for cotton that was lost or destroyed before ginning

**Note:** For an LDP to be calculated, even if a request has been submitted, the weight and classification of the cotton **must** have been determined. Therefore, LDP's are **not** provided for unginning seed cotton even if intention to obtain an LDP had been:

- indicated by submission of CCC-633 EZ, page 1
  - requested based on a module-lock-in using CCC-633 EZ, page 1.
- are available for cotton that was lost or destroyed **after** ginning, if classification information is available for lost or destroyed cotton and CCC-633 EZ, page 1 had been executed on the ginned cotton bales before the loss or destruction occurred.

## 261 Eligibility (Continued)

**F Submitting CCC-633 EZ's**

While CCC-633 EZ, page 1 can be submitted to any County Office in which the producer has an interest, CCC-633 EZ, page 3 **must** be requested at the County Office where the farm records are kept for the farm on which the commodity was produced. Requests **must** be submitted:

- in person
- by mail
- by FAX
- through eForms.

Following submission and approval of CCC-633 EZ, page 1, eLDP requests can be submitted by eligible producers who have:

- a customer profile
- level 2 eAuthentication account access.

**G Multi-County Producers**

If the producer farms in more than 1 county, the County Office first contacted shall:

- accept the LDP request on page 3
- contact the other County Offices when either of the following applies:
  - the request covers eligible production from more than 1 farm and the farm program records are kept in more than 1 County Office
  - LDP's were received from more than 1 County Office
- FAX LDP requests to the applicable administrative County Office for completion.

If a single CCC-633 EZ, page 3 includes production from multiple farms that are located in a different county, the County Office that accepts the LDP request **must** indicate in item 87 that "multiple LDP's will be issued to cover the requested quantity according to this LDP request".

**Note:** The applicable administrative County Office **must**:

- verify the COC-established maximum yield for the eligible production in the applicable county
- document in item 87 where the verification of information was obtained.

**Reports, Forms, Abbreviations, and Delegations of Authority**

**Reports**

None.

**Forms**

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

<b>Number</b>	<b>Title</b>	<b>Display Reference</b>	<b>Reference</b>
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-491	Beneficial Interest Certification for Loan and Loan Deficiency Payments	103	103
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1/ These forms are obsolete.