Amendment Transmittal

A Reasons for Amendment

Subparagraphs 81 F through H have been added because page 3-33 was inadvertently removed in Amendment 9.

Subparagraph 202 B has been amended to add the requirement that CNC promissory notes be retained as the borrower remains liable for the debt.

Subparagraphs 404 A and 408 A have been amended to note that debt discharged in reorganization bankruptcy or otherwise legally without merit may be canceled by SED using authority delegated from the Administrator on FSA-2731.

Subparagraph 405 F has been added to provide information on requesting a LexisNexis search.

Exhibit 39 has been amended to:

- update examples A, B, and C to the most recent form
- add example D for partial cancellation of debt discharged in reorganization bankruptcy.

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## Part 10
(Reserved)

281-350 (Reserved)

## Part 11  Monitoring, Servicing, and Settling Judgment Debts

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TC Page 4
Offset Procedures, Reports, Automation (Continued)

*--F Reports

For relevant reports, refer to the following:

- 63-FI, paragraph 178 for FWADM Active Other Agency Offset Profiles Report
- 64-FI, paragraph 82 for a list of FWADM reports in NRRS
- 1-FLP, Part 3 for DLS, GLS, FOCUS, and Data Mart
- 3-PL (Rev. 2), Part 8 for delinquent debt determinations in web subsidiary:
  - subparagraph 305 N for a list of all delinquent debtors
  - paragraph 303 for a specific borrower.

Note: For guidance on accessing FWADM, see 1-FI, Part 8.

G FSAFS, NRRS and NPS

FSAFS is used to establish, modify, and cancel “Other Agency Debt” indicators to offset FP program payments to collect delinquent FLP debt. See 63-FI, Part 5.

NRRS is used for remittances and receipts, and to refund offset collections received for FLP debt when needed. See 64-FI, Part 5.

NPS is used to process FP program payments and internal administrative offsets to collect delinquent FLP debt. See 1-FI, subparagraphs 98 B and G.

H Canceling Offset

The authorized agency official will notify the State Office to remove a borrower from internal administrative offset, TOP (Part 4), and cross-servicing (Part 8), as applicable, when a delinquent debt is either of the following:

- has been resolved according to subparagraph 63 B
- is no longer eligible for other reasons such as bankruptcy, or a determination that offset is not feasible according to subparagraph 63 A.

Note: To unlink 1 or more co-borrowers, see subparagraph 104 A.--*
Part 7  Servicing Unsecured Account Balances and CNC Classification

201 Servicing Requirements for Unsecured Account Balances

A Issuing FSA-2716 and FSA-2717

After all security has been liquidated, and all proceeds have been applied to the account, the authorized agency official will send FSA-2716 and FSA-2732 to all liable borrowers.

In cases of voluntary liquidation and/or third party foreclosures, FSA loans might not have been delinquent at the time of sale. As appropriate, the authorized agency official will ensure that all applicable loan servicing and offset notices are sent according to Parts 2, 3, and 4.

For conveyance and according to 5-FLP, subparagraphs 497 A and 517 A, the authorized agency official can accept a borrower’s conveyance offer and deny a borrower’s debt settlement request that was submitted with the conveyance offer. In these cases, after all appeal rights have been concluded and the conveyance has been processed, the authorized agency official will send FSA-2717 to all liable borrowers for any remaining account balance.

If FSA loans were not delinquent at the time of conveyance, the authorized agency official will ensure that all applicable offset notices are sent according to Parts 2, 3, and 4.

*--Note: If the account has not been accelerated or is not fully matured, see 5-FLP Part 15 to determine if 5-FLP Exhibit 48 must be sent.--*

B Continued Servicing

The authorized agency official will determine whether the debt can be classified as CNC if borrowers do not:

- pay the debt in full or submit a completed FSA-2732 within 30 calendar days of the date on FSA-2716
- pay the debt in full within 30 calendar days of the date on FSA-2717.

Internal administrative offset, TOP, and Federal salary offset will continue until the delinquency is cured.

C No Remaining Liable Borrowers

If there is a remaining account balance and there are no liable borrowers for the debt because of bankruptcy discharge, death, etc., the authorized agency official will prepare FSA-2731 recommending cancellation according to Part 12.
CNC Classification

A Required Notification Before CNC

Before classifying debt as CNC, borrowers must have received the following:

- all applicable loan servicing notices
- FSA-2701, FSA-2702, FSA-2703, FSA-2704, or previous authorized form, as applicable
- 60-day due process letter (Exhibit 7) sent as part of the TOP screening procedure in Part 4
- FSA-2716 or FSA-2717 or previous authorized form, as applicable
- acceleration notice unless all accounts have been fully matured.

Note: See 5-FLP, Part 15 for acceleration process.

- If State law considers voluntary conveyance offers and the completion of FSA-2732 as the borrower’s acknowledgment that the debt is fully due and payable, an Acceleration Notice is not required. SED should work with OGC on State supplement if needed.

- Any applicable timeframes about the information in this part must have expired and all security liquidated, conveyed, released, or otherwise resolved.

B Determining CNC Eligibility and Classification Processing

The authorized agency official will:

- use FSA-2720 to determine CNC eligibility
- submit CNC eligible debt on FSA-2720 to the State Office through DD
- ensure that eligible debts are classified CNC using transaction code 3K, class of write off code 5

---ensure that original promissory notes are retained in a fireproof cabinet or fireproof safe

Note: A CNC classification is not a debt settlement. The promissory notes are needed to prove continued liability for the debt.--*

- ensure that CNC debt is referred to cross-servicing for collection according to Part 8.

Note: See restrictions for CNC associated with discrimination complaints in 1-FLP, subparagraph 41 K.
CNC Classification (Continued)

C Servicing Debts Not Eligible for CNC

The authorized agency official will:

- determine whether the debt can be debt settled according to Part 12
- monitor debt that is not eligible for CNC or debt settlement until it:
  - becomes eligible for CNC
  - is paid in full
  - is debt settled, or otherwise resolved.

203-220 (Reserved)
Cancellation Without Borrower/Debtor Signature (FSA-2731)

A Overview

When cancellation of debt does not require borrower’s signature, agency officials will cancel the debt using FSA-2731. Borrower signature is not required as follows:

- all debt returned from cross-servicing as uncollectible
- all debt returned from cross-servicing after paying compromise or adjustment offer (subparagraph C)
- obligor has been discharged of the debt under Chapter 7 bankruptcy and there is no remaining FSA security, or reorganization bankruptcy (Chapter 11, 12, or 13) when a final order of discharge has been issued by the court

Note: See subparagraph 408 A for partial debt settlement exception authority for reorganization bankruptcy.

- obligor is deceased or defunct and there are no assets from which FSA can collect
- DOJ settlement negotiated instead of foreclosure or judgment, plea agreement, or the remaining balance of the debt is not covered by the judgment and determined by OGC to be legally without merit

Note: See subparagraph 408 A for partial debt settlement exception authority.

- OGC has determined that the debt is legally without merit
- DOJ, Civil Division settlement because of prior debt forgiveness with outstanding principal of $100,000 or greater (Exhibit 34)
- cancellation of judgment debt unless borrower requests cancellation according to paragraph 405

***

- obligor signature cannot be obtained or has disappeared.

Note: FSA-2731 may be used in conjunction with FSA-2732 for any borrower who is not required to submit a signed application.

For CFR procedure/authority references, see subparagraph 403 D.
B Documentation Needed

Except for debt returned from cross-servicing, (see subparagraph C) the following documentation is needed to cancel debt without borrower/debtor signature.

- FSA-2731 and the following, if applicable, for:
  - debts legally without merit, written OGC determination
  - deceased debtors (FSA-2490)
  - bankruptcy cases:
    - Chapter 7 – attach a copy of the “Discharge of Debtor” order(s) by the court for all obligors
    - Chapters 11, 12, and 13 unsecured claims:
      - organization plan (Chapter 11)
      - reorganization plan (Chapters 12 and 13)
      - confirmation order by the court confirming the plan
      - order completing the plan (a similar order)
      - written opinion by OGC that the confirming order has discharged the obligor(s) of liability for that part of the debt.

Note: See Exhibit 39 for completed examples of FSA-2731 and FSA-2731A.
A Information Needed (Continued)

- FSA-2014, or other written verification of non-farm income

  Note: Verification of a non-debtor spouse income is also needed for consideration in meeting family living expenses.

- Federal income tax returns for the last 3 years

- other information required to obtain a clear understanding of each borrower’s financial condition.

*--Notes: FSA-2731 may be used in conjunction with FSA-2732 for any borrower/debtor not required to submit a signed application.

For accounts where the last remaining liable debtor is deceased and the FSA-2490 indicates that FSA will be filing a claim, the applicable information needed for debt settlement can be provided by the administrator or executor of the Estate, heir, or other authorized person who can sign FSA-2732. FSA-2490 will be attached to FSA-2735 or FSA-2732.

Exception: According to 7 CFR 761.404(b)(3) in cases where the full amount of the unsecured debt cannot be collected in a reasonable time by legal or enforced collection proceedings, FSA may consider a debt settlement offer submitted by a borrower without requiring complete financial information. OGC written concurrence must be obtained in these cases. However, National Office concurrence is not needed. See subparagraph 403 D.--*

B Continued Collection

Borrowers may request debt settlement before the debt is referred to Treasury’s cross-servicing program (Part 8) pursuant to 7 CFR part 3 and 31 CFR part 285.

*--DCIA and the CONACT provide specific timeframes during which a borrower can request debt settlement. They are listed in subparagraph 408 A. When borrowers apply for debt settlement during those timeframes, FSA generally suspends the next pending collection action so the application can be considered.

When an application is submitted outside of those timeframes, it does not prevent, suspend, or delay collection activities required by the CONACT or DCIA, including but not limited--* to administrative offset, and salary offset. These collections will continue while FSA verifies and reviews the financial information submitted with the debt settlement request.
Debt Settlement Requested by Borrower/Debtor (FSA-2732) (Continued)

C Debt That Can Be Settled

See paragraph 402.

D Eligible Debtors

[7 CFR 761.404(a)] A borrower is eligible for debt settlement if the borrower:
   1. Meets the requirements for the particular type of debt settlement under this part (paragraph 403); and
   2. Submits a complete application for debt settlement as specified in §761.405 (subparagraph 405A).

[7 CFR 761.404(c)] A borrower is not eligible for debt settlement if:
   1. The borrower is indebted on another active FLP loan that the borrower cannot or will not debt settle; or

   *--Note: SED is authorized to approve the partial cancellation of debt only as authorized under subparagraph 408 A.--*

   2. The debt has been referred to the OIG, OGC, or Justice because of suspected civil or criminal violation, unless investigation was declined or advice was provided that the debt can be canceled, compromised, or adjusted.

E CFR

For CFR procedure/authority references to use on FSA-2733, item 4B, see paragraph 403.

*--F LexisNexis

LexisNexis provides computer-assisted legal, business, and risk management research services. Its Accurint system provides efficient search technology to locate real estate transactions and ownership data; lien, judgment, and bankruptcy records; as well as professional license information and historical addresses. Additionally, its Courtlink system provides for online searches of more than 1,250 Federal and State court dockets.

Upon FLC recommendation, SED may request LSPMD obtain a LexisNexis Accurint report for the following types of delinquent borrowers:

- complex cases involving FSA adverse action proceedings, where it is likely that a borrower may have significant assets outside of the servicing official’s normal servicing area

   *Note: Requests within the normal servicing area may be considered if the area covers multiple counties and it is not cost-effective for agency officials to complete the asset search based upon travel and inability to complete online searches for local records.--*
Debt Settlement Requested by Borrower/Debtor (FSA-2732) (Continued)

*--F LexisNexis (Continued)

- large monetary or complex debt settlement applications
- restructures where FSA will not be fully secured
- disappeared borrowers where FSA efforts have not been successful as provided in 5-FLP, subparagraph 67 C. The FBP running case record must detail the unsuccessful efforts previously taken by servicing officials.

Note: Requests should not be made for routine servicing actions.

All requests must include a detailed statement of need and background of the borrower’s FSA servicing actions.

Note: Unless OGC provides a written opinion in support of a search, FSA should not request asset searches for borrowers who filed bankruptcy, as the bankruptcy records contain a detailed list of the borrower’s assets.

SED must submit a request by email to DAFLP at SM.FSA.DCWa2.ADmException or AdminException@usda.gov. The email subject should read “LexisNexis – (Borrower’s Name and State)”--*

Review Timeframes and Responsibilities

A FLM

Within 30 calendar days, FLM will review all relevant information and forward to DD, a debt settlement package containing the following:

- memorandum with FLM’s recommendation
- FSA-2732 and any applicable forms:
  - FSA-2735
  - FSA-2737
  - FSA-2731 for co-debtors who are not required to sign FSA-2732 and FSA-2735
  - FSA-2490 for deceased borrowers
  - FSA-2080 for release of liability.

Note: Any related release of liability, such as a withdrawing joint obligor, must be approved using FSA-2080, and the transaction must be correctly processed before processing any approved debt settlement. This will ensure that the withdrawing joint obligor does not receive IRS Form 1099-C. For additional information, see 4-FLP, Part 8; 4-FLP, paragraphs 231 and 251; and 5-FLP, paragraph 84.
Review Timeframes and Responsibilities (Continued)

A  FLM (Continued)

- FSA-2733 and supporting documentation, including asset investigation

  Note: Exhibit 35 may be used as an optional guide to document asset investigation and/or search (item 14A on FSA-2733).

- relevant and applicable servicing office files.

B  DD

Within 30 calendar days of receiving the debt settlement package, or within 60 calendar days of the borrower submitting all needed information (whichever is less), the DD will:

- review the case file
- sign FSA-2733
- forward the debt settlement package to the State Office.

C  State Office

Within 30 calendar days of receiving the debt settlement package, or within 90 calendar days of the borrower submitting all needed information (whichever is less):

- FLP State Office Review Official and Farm Loan Chief will review the debt settlement package and sign FSA-2733, before it is presented to SED

- SED will sign all applicable forms and letters to:
  - approve the borrower’s request for debt settlement, or
  - deny/reject the borrower’s request and provide appeal rights, or
  - recommend the debt settlement be approved by the Administrator or DOJ.

D  Referrals to DOJ and FLP National Office

Referrals to:

- DOJ will be processed according to Exhibit 34
- DAFLP to use the Administrator’s approval authority will include:
  - the memorandum from SED recommending approval
  - the debt settlement package
  - a legal opinion from the Regional Attorney addressing the statute of limitations, if applicable
  - any additional information requested by DAFLP and/or the Administrator.
D Negotiating Settlement

Debtors have the right to make voluntary settlement offers in any amount should they elect to do so.

When negotiating a settlement, the following will be discussed to assist the debtor:

- repayment ability and a debt settlement amount (subparagraph B) that is based on the financial documentation (subparagraph 405 A)
- types of settlement (paragraph 403)
- if collection is likely through cross-servicing, the 20 to 30 percent collection fee charged by Treasury and it’s PCA’s
- any other relevant information such as unaccounted for security
- in cases where the account has been accelerated and all security has been liquidated, for adjustment offers the payments will be applied to principle before interest.

Note: See subparagraph 409 E for additional information about adjustment payments.

408 Approval and Rejection

A Approval/Rejection Authority

SED’s may delegate to FLC, FLS, DD, FLM, and/or SFLO the authority to reject debt settlement requests only in cases where debtors do not provide all necessary documentation/information. Appeal rights must be provided with the rejection letter.

SED may approve or reject:

- cancellations of accounts where all obligors are properly included on FSA-2731 or were previously released using FSA-2080, without regard to the size of the debt, unless there was a previous debt forgiveness

Note: For previous debt forgiveness, see Exhibit 34.
Approval and Rejection (Continued)

A Approval/Rejection Authority (Continued)

*--partial cancellation of debt

Note: FSA-2731 provides SED with exception authority to approve partial cancellation as set forth with either of the following:

- when at least 1 obligor has been discharged in a reorganization bankruptcy and any obligor not included in the discharge otherwise meet the requirements of FSA-2731

- for a DOJ settlement or when OGC determines that the debt is legally without merit when the settlement or opinion covers at least 1 obligor and obligors not included in the settlement or opinion otherwise meet the requirements of FSA-2731.

Note: FLC will ensure that the most recent FSA-2731 is being used.--*

*--Note: SED may not approve partial cancellation of debt using FSA-2732 without an Administrator’s exception.--*

The Administrator or designee must approve or reject debt settlements that require using FSA-2732 (with or without FSA-2731) when the outstanding balance of the indebtedness involved in the settlement, less the amount of any compromise or adjustment offer, is less than $1 million, including principal, interest, and other charges.

When FSA-2731 is used with FSA-2732, the settlement code for the account (3K transaction) will be for the settlement approved on FSA-2732. Settlement of the debt will be approved on FSA-2732.

CONACT and DCIA notification letters generally allow borrowers to apply for debt settlement within 30 or 60 calendar days as follows:

- FSA-2510 and FSA-2514 provide 60 calendar days
- FSA-2716 provides 30 calendar days
- Exhibit 7 due process letter to refer debt to Treasury provides 60 calendar days.

If an incomplete debt settlement application is submitted in response to the above forms, the authorized agency official will notify the borrower how many days remain for the borrower to submit the missing information according to the applicable timeframes. And based on the information that was submitted, may authorize up to an additional 30 calendar days to submit the needed information or a new/revised offer depending on the circumstances of the case.
Completed Examples of FSA-2731, Cancellation of Debt Without Application, and FSA-2731A, Cancellation of Debt Without Application (Continuation)

A  Example 1

In the following completed example of FSA-2731, the borrowers have been returned from cross-servicing and the co-borrower is liable for all debt.

FSA-2731
(07-07-22)

U.S. DEPARTMENT OF AGRICULTURE
Farm Service Agency

CANCELLATION OF DEBT WITHOUT APPLICATION

1. Account No. 00-000-000000000

2. Debt Owed Agency as of Date
   (MM-DD-YYYY)
   02-01-2015

3. Total Principal*:
   $174,805.42

4. Total Interest*:
   $36,731.48

5. Total:
   $211,536.90

6. Primary Borrower Name
   or Co-Borrower Name
   Joe Smith
   Fund Code and Loan Number
   45-01
   41-02
   44-04
   43-10
   44-17

   Principal *
   6,431.05
   110,355.54
   5,394.01
   4,297.24
   40,527.48

   Interest *
   7,656.68
   12,700.29
   351.46
   272.29
   22,101.41

6A. Same as 6A  ☑  Different than 6A

6B. Mary Smith
   ☑  Same as 6A  ☑  Different than 6A

6C.
   ☑  Same as 6A  ☑  Different than 6A

6D.
   ☑  Same as 6A  ☑  Different than 6A

7. ENTER THE FOLLOWING CODE(S) AS APPLICABLE in Item 11 and attach supporting documentation:

   "01" – All debt returned from cross-servicing as uncollectible
   "02" – All debt returned from cross-servicing after paying compromise or adjustment offer
   "03" – Obligor has been discharged of the debt under Chapter 7 bankruptcy
   "04" – Obligor has been discharged of the debt under reorganization bankruptcy (Chapter 11, 12 or 13) Note: Use Code 10 for partial cancellation of debt
   "05" – Obligor is deceased or dead
   "06" – DOU settlement negotiated in lieu of foreclosure or Judgment plea agreement, or the remaining balance of the debt is not covered by the Judgment and determined by OGC to be legally without merit.
   "07" – DOU – Civil Division settlement without application due to prior debt forgiveness with outstanding principal of $100,000 or greater
   "08" – Cancellation of Judgment debt
   "09" – OGC has determined that the debt is legally without merit. Note: Use Code 10 for partial cancellation of debt
   "10" – Partial debt settlement SED is delegated Administrator’s Exception Authority to approve partial cancellation of debt discharged in reorganization bankruptcy or debt that is otherwise legally without merit as determined by Regional OGC. SED is using exception authority to approve this partial cancellation. Note: An Administrator’s Exception from the National Office must be obtained for partial cancellation of debt outside of reorganization bankruptcy discharge or debt legally without merit.
   "11" – Obligor signature cannot be obtained or has disappeared and it is not in the Agency’s best financial interest to refer the account to cross-servicing

*For partial cancellation, enter the loan(s) and balance(s) being cancelled. Enter the remaining loan(s) and balance(s) under “Remarks”
### A  Example 1 (Continued)

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<tr>
<td>12.</td>
<td>Have all obligors been listed on this form? If &quot;NO&quot; attach this form and supporting documentation to FSA-2732 and/or attach FSA-2086(s) and supporting documentation to this form.</td>
<td><strong>YES</strong></td>
</tr>
<tr>
<td></td>
<td><strong>NOTE:</strong> If FSA-2732 is submitted by another liable party, settlement of the account must be processed using the appropriate settlement code (3K transaction) for the type of settlement on FSA-2732.</td>
<td>☒</td>
</tr>
<tr>
<td>13.</td>
<td>Has the disposition of all FSA security identified on FSA-2628 been properly recorded on FSA-2645 or previous authorized form? If &quot;NO&quot;, correct FSA-2645 or previous authorized form.</td>
<td>☐</td>
</tr>
<tr>
<td>14.</td>
<td>Has the disposition of all real estate security described on the mortgage or deed of trust been properly accounted for in position 5 of the case file? If &quot;NO&quot;, include required documentation in position 5 of the case file.</td>
<td>☒</td>
</tr>
<tr>
<td>15.</td>
<td>Has the disposition of all other assets pledged as security, such as stocks, assignments of insurance policies and leaseholds, been properly accounted for in position 1 of the case file? If &quot;NO&quot;, include documentation in position 1 of the case file.</td>
<td>☐</td>
</tr>
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</table>

### REVIEW OFFICIAL'S CERTIFICATION

I have reviewed the case file and certify that documentation in the file supports the findings reported above. Based upon my review of the case file, each obligor meets the qualifications for the type of settlement code proposed.

<table>
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<tr>
<th>18A.</th>
<th>Review Official's Signature</th>
<th>18B.</th>
<th>Review Official's Name</th>
<th>18C.</th>
<th>Review Official's Title</th>
<th>18D.</th>
<th>Date (MM-DD-YYYY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/</td>
<td>James Doe</td>
<td></td>
<td>Farm Loan Manager</td>
<td></td>
<td>02-03-2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### RECOMMENDING OFFICIAL'S CERTIFICATION

<table>
<thead>
<tr>
<th>20A.</th>
<th>Recommending Official's Signature</th>
<th>20B.</th>
<th>Recommending Official's Name</th>
<th>20C.</th>
<th>Recommending Official's Title (FLC or Designer)</th>
<th>20D.</th>
<th>Date (MM-DD-YYYY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/</td>
<td>Bill Jones</td>
<td></td>
<td>Farm Loan Chief</td>
<td></td>
<td>02-12-2015</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### APPROVING OFFICIAL'S CERTIFICATION

<table>
<thead>
<tr>
<th>22A.</th>
<th>State Executive Director's Signature</th>
<th>22B.</th>
<th>State Executive Director's Name</th>
<th>22C.</th>
<th>Date (MM-DD-YYYY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>/s/</td>
<td>Mary Brown</td>
<td></td>
<td></td>
<td></td>
<td>02-12-2015</td>
</tr>
</tbody>
</table>

*In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, sex, age, disability, or reprisal for prior civil rights activity (Title VI, Title VII, VAWA, Section 504, and 508) and other Federal laws and regulations. Remedies and complaint filing deadlines vary by program or incident.*

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at 202-720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and file in the office of program or mail to: USDA - Assistant Secretary for Civil Rights, 533 W. rolling Road, P.O. Box 10186, Washington, D.C. 20044-9990; or call toll free at (866) 632-9992; or TTY at (800) 877-8339. USDA is an equal opportunity provider, employer and lender.
In the following completed examples of FSA-2731 and FSA-2731A, the borrower is an entity. The entity and all of the members of the entity, except 2, were discharged from Chapter 7 Bankruptcy. Of the 2 not discharged from bankruptcy, 1 member is deceased and 1 member resides in a nursing home and is incapacitated. In addition, 1 member was liable for only 1 loan.

<table>
<thead>
<tr>
<th>FSA-2731</th>
<th>U.S. DEPARTMENT OF AGRICULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Farm Service Agency</td>
</tr>
</tbody>
</table>

**CANCELLATION OF DEBT WITHOUT APPLICATION**

<table>
<thead>
<tr>
<th>Date</th>
<th>Primary Borrower Name or Co-Borrower Name</th>
<th>Fund Code and Loan Number</th>
<th>Principal *</th>
<th>Interest *</th>
<th>Total *</th>
<th>Total</th>
<th>Settlement Code 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>02-03-2014</td>
<td>Doe Brother Farm</td>
<td>41-01</td>
<td>154,283.60</td>
<td>16,673.85</td>
<td>160,957.45</td>
<td>03</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>40-02</td>
<td>65,596.46</td>
<td>4,013.21</td>
<td>69,609.67</td>
<td>03</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>43-04</td>
<td>15,247.37</td>
<td>1,051.14</td>
<td>16,398.51</td>
<td>03</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>29-08</td>
<td>44,151.03</td>
<td>11,275.67</td>
<td>55,426.90</td>
<td>03</td>
<td></td>
</tr>
</tbody>
</table>

**Example 2**

<table>
<thead>
<tr>
<th>Name</th>
<th>Same as SA</th>
<th>Different than SA</th>
</tr>
</thead>
<tbody>
<tr>
<td>John Doe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mary Doe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bill Doe</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**ENTER THE FOLLOWING CODES AS APPLICABLE in Item 11 and attach supporting documentation:**

- **01** – All debt returned from cross servicing as uncollectible
- **02** – All debt returned from cross servicing after paying compromise or adjustment offer
- **03** – Obligor has been discharged of the debt under Chapter 7 bankruptcy
- **04** – Obligor has been discharged of the debt under reorganization bankruptcy (Chapter 11, 12 or 13) Note: Use Code 10 for partial cancellation of debt
- **05** – Obligor is deceased or defunct
- **06** – DOJ settlement negotiated in lieu of foreclosure or Judgment plea agreement, or the remaining balance of the debt is not covered by the Judgment and determined by OGC to be legally without merit.
- **07** – DOJ / Div. settlement without application due to prior debt forgiveness with outstanding principal of $100,000 or greater
- **08** – Cancellation of judgment debt
- **09** – OGC has determined that the debt is legally without merit Note: Use Code 10 for partial cancellation of debt
- **10** – Partial debt settlement. SED is delegated Administrator’s Exception Authority to approve partial cancellation of debt discharged in reorganization bankruptcy or debt that is otherwise legally without merit as determined by Regional OGC. SED is using exception authority to approve this partial cancellation. Note: An Administrator’s Exception from the National Office must be obtained for partial cancellation of debt outside of reorganization bankruptcy discharge or debt legally without merit.
- **11** – Obligor signature cannot be obtained or has disappeared and it is not in the Agency’s best financial interest to refer the account to cross servicing

For partial cancellation, enter the loan(s) and balance(s) being cancelled. Enter the remaining loan(s) and balance(s) under “Remarks”
B  Example 2 (Continued)

*--

| FSA-2731 (07-07-22) | Page 2 of 2 |

| 12. Have all obligors been listed on this form? If "NO," attach this form and supporting documentation to FSA-2732 and/or attach FSA-2000(s) and supporting documentation to this form. |
|---|---|---|
| YES | NO | N/A |
| ☑ | ☐ | ☐ |

| 13. Has the disposition of all FSA security identified on FSA-2028 been properly recorded on FSA-2045 or previous authorized form? If "NO," correct FSA-2045 or previous authorized form. |
|---|---|---|
| YES | NO | N/A |
| ☑ | ☐ | ☐ |

| 14. Has the disposition of all real estate security described on the mortgage or deed of trust been properly accounted for in position 5 of the case file? If "NO," include required documentation in position 5 of the case file. |
|---|---|---|
| YES | NO | N/A |
| ☑ | ☐ | ☐ |

| 15. Has the disposition of all other assets pledged as security, such as stocks, assignments of insurance policies and leasehold, been properly accounted for in position 1 of the case file? If "NO," include documentation in position 1 of the case file. |
|---|---|---|
| YES | NO | N/A |
| ☑ | ☐ | ☐ |

16. Remarks

17. An obligor: ☑ has ☐ has not received previous debt forgiveness If an obligor has received prior debt forgiveness, the requirements of 7-FLP Exhibit 34 have been met

**REVIEW OFFICIAL’S CERTIFICATION**

I have reviewed the case file and certify that documentation in the file supports the findings reported above. Based upon my review of the case file, each obligor meets the qualifications for the type of settlement code proposed.

18A. Review Official’s Signature  
Sue Doe
18B. Review Official’s Name  
FSA Loan Specialist
18C. Review Official’s Title  
02-03-2015
18D. Date (MM-DD-YYYY)

**RECOMMENDING OFFICIAL’S CERTIFICATION**

19A. Recommending Official’s Signature  
Tom Brown
19B. Recommending Official’s Name  
FSA Loan Chief
19C. Recommending Official’s Title (FCO or Designee)  
02-12-2015
19D. Date (MM-DD-YYYY)

**APPROVING OFFICIAL’S CERTIFICATION**

20A. State Executive Director’s Signature  
Fred Smith
20B. State Executive Director’s Name  
02-14-2015
20C. Date (MM-DD-YYYY)

In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

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### B Example 2 (Continued)

<table>
<thead>
<tr>
<th>Primary Borrower Name or Co-Borrower Name</th>
<th>Fund Code and Loan Number</th>
<th>8 Principal *</th>
<th>9 Interest *</th>
<th>10 Total</th>
<th>11 Settlement Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jane Doe</td>
<td>23-08</td>
<td>44,151.23</td>
<td>11,275.67</td>
<td>55,426.90</td>
<td>03</td>
</tr>
<tr>
<td>Doro Doe</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Betty Doe</td>
<td>Same as 6A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Different than 6A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

Exhibit 39
(Par. 404)

Completed Examples of FSA-2731, Cancellation of Debt Without Application, and FSA-2731A, Cancellation of Debt Without Application (Continuation) (Continued)
Completed Examples of FSA-2731, Cancellation of Debt Without Application, and FSA-2731A,
Cancellation of Debt Without Application (Continuation) (Continued)

C Example 3

In the following completed example of FSA-2731, the primary borrower was discharged from
Chapter 7 Bankruptcy. The co-borrower, who did not file bankruptcy, subsequently requested
debt settlement and has submitted FSA-2732.

*--*

<table>
<thead>
<tr>
<th>FSA-2731</th>
<th>U.S. DEPARTMENT OF AGRICULTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>(07-07-22)</td>
<td>Farm Service Agency</td>
</tr>
<tr>
<td></td>
<td>Position 2</td>
</tr>
<tr>
<td></td>
<td>CANCELLATION OF DEBT WITHOUT APPLICATION</td>
</tr>
<tr>
<td>1. Account No: 00-000-00000000000000</td>
<td></td>
</tr>
<tr>
<td>2. Debt Owed Agency as of Date</td>
<td></td>
</tr>
<tr>
<td>02-03-2015</td>
<td></td>
</tr>
<tr>
<td>3. Total Principal:</td>
<td></td>
</tr>
<tr>
<td>$10,958.63</td>
<td></td>
</tr>
<tr>
<td>4. Total Interest:</td>
<td></td>
</tr>
<tr>
<td>$1,327.04</td>
<td></td>
</tr>
<tr>
<td>5. Total:</td>
<td></td>
</tr>
<tr>
<td>$12,285.67</td>
<td></td>
</tr>
<tr>
<td>6. Primary Borrower Name or Co-Borrower Name</td>
<td></td>
</tr>
<tr>
<td>Joe Farmer</td>
<td></td>
</tr>
<tr>
<td>7. Fund Code and Loan Number</td>
<td></td>
</tr>
<tr>
<td>44-01 431.05 1,225.63 1,654.68 03</td>
<td></td>
</tr>
<tr>
<td>44-02 10,527.58 101.41 10,628.99 03</td>
<td></td>
</tr>
<tr>
<td>8. Principal *</td>
<td></td>
</tr>
<tr>
<td>9. Interest *</td>
<td></td>
</tr>
<tr>
<td>10. Total</td>
<td></td>
</tr>
<tr>
<td>11. Settlement Code</td>
<td></td>
</tr>
<tr>
<td>Same as 6A □ Different than 6A</td>
<td></td>
</tr>
<tr>
<td>Same as 6A □ Different than 6A</td>
<td></td>
</tr>
<tr>
<td>Same as 6A □ Different than 6A</td>
<td></td>
</tr>
</tbody>
</table>

\[/\]

* ENTER THE FOLLOWING CODE(S) AS APPLICABLE in Item 11 and attach supporting documentation:

*01* = All debt returned from cross-servicing as uncollectible
*02* = All debt returned from cross-servicing after paying compromise or adjustment offer
*03* = Obligor has been discharged of the debt under Chapter 7 bankruptcy
*04* = Obligor has been discharged of the debt under reorganization bankruptcy (Chapter 11, 12 or 13) Note: Use Code 10 for partial cancellation of debt
*05* = Obligor is deceased or defunct
*06* = DOJ settlement negotiated in lieu of foreclosure or "Judgment" plea agreement, or the remaining balance of the debt is not covered by the Judgment and determined by OSC to be legally without merit.
*07* = DOJ – Civil Division settlement without application due to prior debt forgiveness with outstanding principal of $100,000 or greater
*08* = Cancellation of Judgment debt
*09* = OSC has determined that the debt is legally without merit Note: Use Code 10 for partial cancellation of debt
*10* = Partial debt settlement SED is delegated Administrator's Exception Authority to approve partial cancellation of debt discharged in reorganization bankruptcy or debt that is otherwise legally without merit as determined by Regional OSC. SED is using exception authority to approve this partial cancellation. Note: An Administrator's Exception from the National Office must be obtained for partial cancellation of debt outside of reorganization bankruptcy discharge or debt legally without merit.
*11* = Obligor signature cannot be obtained or has disappeared and it is not in the Agency's best financial interest to refer the account to cross-servicing

*For partial cancellation, enter the loan(s) and balance(s) being cancelled. Enter the remaining loan(s) and balance(s) under "remains"*
C Example 3 (Continued)

### Example 3 (Continued)

8-4-22

7-FLP Amend. 11

Page 7
Completed Examples of FSA-2731, Cancellation of Debt Without Application, and FSA-2731A, Cancellation of Debt Without Application (Continuation) (Continued)

**Example 4**

In the following completed example of FSA-2731, 1 borrower was discharged of a portion of the debt in reorganization bankruptcy (Chapter 13 in this case) and the other is deceased.

<table>
<thead>
<tr>
<th>FSA-2731</th>
<th>U.S. DEPARTMENT OF AGRICULTURE</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>(07-07-22)</td>
<td>Farm Service Agency</td>
<td>2</td>
</tr>
</tbody>
</table>

**CANCELLATION OF DEBT WITHOUT APPLICATION**

<table>
<thead>
<tr>
<th>1. Account No.</th>
<th>00-000-0000000000</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Debt Owed Agency as of Date (MM/DD/YYYY)</td>
<td>02-02-2022</td>
</tr>
<tr>
<td>3. Total Principal*</td>
<td>$124,939.46</td>
</tr>
<tr>
<td>4. Total Interest*</td>
<td>$11,861.74</td>
</tr>
<tr>
<td>5. Total</td>
<td>$139,214.09</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6A. Hans Bauer</td>
<td>44-10 110,110.46 4,821.70 114,940.23 10</td>
<td>44-11 2,500 270.27 2,770.27 10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6B. Gretchen Bauer</td>
<td>44-12 14,245.01 6,634.64 20,868.64 10</td>
<td>44-97 500 135.05 635.05 10</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Same as 6A [ ] Different than 6A [ ]

**ENTER THE FOLLOWING CODE(S) AS APPLICABLE in Item 11 and attach supporting documentation:**

- "01" — All debt returned from cross-servicing as uncollectible
- "02" — All debt returned from cross-servicing after paying compromise or adjustment offer
- "03" — Obligor has been discharged of the debt under Chapter 7 bankruptcy
- "04" — Obligor has been discharged of the debt under reorganization bankruptcy (Chapter 11, 12 or 13) Note: Use Code 10 for partial cancellation of debt
- "05" — Obligor is deceased or defunct
- "06" — DUJ settlement negotiated in lieu of foreclosure or judgment plea agreement, or the remaining balance of the debt is not covered by the Judgment and determined by OGC to be legally without merit.
- "07" — DUJ — Civil Division settlement, without application due to prior debt forgiveness with outstanding principal of $100,000 or greater
- "08" — Cancellation of Judgment debt
- "09" — OGC has determined that the debt is legally without merit Note: Use Code 10 for partial cancellation of debt
- "10" — Partial debt settlement" SED is delegated Administrator’s Exception Authority to approve partial cancellation of debt discharged in reorganization bankruptcy or debt that is otherwise legally without merit as determined by Regional OGC. SED is using exception authority to approve this partial cancellation. Note: An Administrator’s Exception from the National Office must be obtained for partial cancellation of debt outside of reorganization bankruptcy discharge or debt legally without merit.
- "11" — Obligor signature cannot be obtained or has disappeared and it is not in the Agency’s best financial interest to refer the account to cross-servicing

*For partial cancellation, enter the loan(s) and balance(s) being cancelled. Enter the remaining loan(s) and balance(s) under “remains”*
Completed Examples of FSA-2731, Cancellation of Debt Without Application, and FSA-2731A,
Cancellation of Debt Without Application (Continuation) (Continued)

*--D Example 4 (Continued)

<table>
<thead>
<tr>
<th>FSA-2731 (07-07-22)</th>
<th>Page 2 of 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Have all obligors been listed on this form? If &quot;NO,&quot; attach this form and supporting documentation to FSA-2732 and/or attach FSA-2086(s) and supporting documentation to this form.</td>
<td></td>
</tr>
<tr>
<td><strong>NOTE:</strong> If FSA-2732 is submitted by another liable party, settlement of the account must be processed using the appropriate settlement code (3K transaction) for the type of settlement on FSA-2732.</td>
<td></td>
</tr>
<tr>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>13. Has the disposition of all FSA security identified on FSA-2628 been properly recorded on FSA-2645 or previous authorized form? If &quot;NO,&quot; correct FSA-2645 or previous authorized form.</td>
<td></td>
</tr>
<tr>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>14. Has the disposition of all real estate security described on the mortgage or deed of trust been properly accounted for accounted for in position 5 of the case file? If &quot;NO,&quot; include required documentation in position 5 of the case file.</td>
<td></td>
</tr>
<tr>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>15. Has the disposition of all other assets pledged as security, such as stocks, assignments of insurance policies and leaseholds, been properly accounted for in position 1 of the case file? If &quot;NO,&quot; include documentation in position 1 of the case file.</td>
<td></td>
</tr>
<tr>
<td>YES</td>
<td>NO</td>
</tr>
<tr>
<td>16. Remarks</td>
<td></td>
</tr>
</tbody>
</table>

Non-discharged loan is 44-13 with balance of $22,291.16. Borrowers received Chapter 13 discharge on July 8, 2020 (see attached approved reorganization plan, discharge and closure).

17. An obligor: has not received previous debt forgiveness | If an obligor has received prior debt forgiveness, the requirements of 7-FLP, Exhibit 34 have been met.

REVIEW OFFICIAL’S CERTIFICATION

I have reviewed the case file and certify that documentation in the file supports the findings reported above. Based upon my review of the case file, each obligor meets the qualifications for the type of settlement code proposed.

18A. Review Official’s Signature

<table>
<thead>
<tr>
<th>18B. Review Official’s Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wanda Gonzalez</td>
</tr>
</tbody>
</table>

18C. Review Official’s Title

<table>
<thead>
<tr>
<th>18D. Date (MM-DD-YYYY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>02-02-2022</td>
</tr>
</tbody>
</table>

RECOMMENDING OFFICIAL’S CERTIFICATION

19. I Recommend: Approval of this Debt Settlement | Rejection of this Debt Settlement

20A. Recommending Official’s Signature

<table>
<thead>
<tr>
<th>20B. Recommending Official’s Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robert Jones</td>
</tr>
</tbody>
</table>

20C. Recommending Official’s Title (FLC or Designee)

<table>
<thead>
<tr>
<th>20D. Date (MM-DD-YYYY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>02-02-2022</td>
</tr>
</tbody>
</table>

APPROVING OFFICIAL’S CERTIFICATION

21. I hereby: Approve this Debt Settlement | Reject this Debt Settlement | See FSA-2732 for Decision

22A. State Executive Director’s Signature

<table>
<thead>
<tr>
<th>22B. State Executive Director’s Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jane Smith</td>
</tr>
</tbody>
</table>

22C. Date (MM-DD-YYYY)

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>02-22-2022</td>
</tr>
</tbody>
</table>

In accordance with Federal civil rights laws and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

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To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and send to USDA field office or send a letter to USDA, Program, Office of Compliance, 200 Independence Ave, SW Washington, D.C. 20250-9410 (this letter addressed to USDA) and provide the letter all of the information requested in the form. To request a copy of the complaint form, call 866-632-9992. Submit your completed form or letter to USDA by: (1) mail: U.S. Department of Agriculture Office of the Assistant Secretary for Civil Rights 1400 Independence Avenue, SW Washington, D.C. 20250-9410; (2) fax: (202) 690-7442; or (3) email: program.intake@usda.gov. USDA is an equal opportunity provider, employer, and lender.

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