

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

**Direct Loan Servicing – Debt
Collection and Resolution
7-FLP**

Amendment 16

Approved by: Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reason for Amendment

Subparagraph 21 B has been amended to clarify when FSA collects through internal administrative offset.

Subparagraphs 22 A, 62 C, and 202 A have been amended to remove reference to FSA-2703 and FSA-2704.

Subparagraphs 22 A, 101 A, 202 A, 243 A, Exhibit 7, and Exhibit 8 have been amended to clarify that RDBCSO will send Exhibit 7 due process letter for all borrowers nationwide.

Subparagraph 62 C has been removed as the Agency does not have the authority to obtain an SED exception to offset borrowers prior to providing them with the full 30 days to respond to the FSA-2701.

Subparagraph 62 C (formerly subparagraph D) has been amended to:

- address offset “timeframes”
- clarify that the offset flag cannot be established within FSAFS before the 31st calendar day.

Subparagraph 402 A has been amended to clarify that situations involving the liquidation of personal property require that the dispositions are accounted for on FSA-2028 and FSA-2045.

Subparagraphs 404 B and 404 C have been amended to require a 60-day processing timeframe for debt cancellations involving discharge from bankruptcy and debt returned from cross-servicing.

Subparagraph 404 C has been added to include State Office responsibilities for debt cancellations involving discharge from bankruptcy.

Amendment Transmittal (Continued)

A Reasons for Amendment (Continued)

Subparagraph 404 D has been amended to include CNC Debt Returned from Cross-Servicing and to require a 60-day processing timeframe for debt cancellations involving debt returned from cross-servicing.

Subparagraph 405 F has been amended to utilize the direct loans email for LexisNexis search requests.

Subparagraph 408 A has been amended to clarify that the FSA-2737 will be utilized to reject incomplete applications that are not completed by the deadline.

Exhibit 2 has been amended to remove the definition of Good Faith.

Page Control Chart		
TC	Text	Exhibit
	2-3, 2-4	1, pages 1-4
	3-3 through 3-6	2, pages 11, 12
	4-1, 4-2	7, pages 1, 2
	7-1, 7-2	8, pages 1, 2
	9-3, 9-4	
	12-5, 12-6	
	12-13 through 12-18	
	12-21, 12-22	
	12-27, 12-28	

21 Overview and Authority Continued)

B Timing of Collection Actions

[7 CFR 3.30(a)] Agencies are required by law to transfer delinquent, nontax, legally enforceable debts to Treasury for collection through cross-servicing and through centralized administrative offset with the exception of foreign debt that is exempt from cross-servicing per the Debt Collection Improvement Act of 1996. Additionally, USDA will transfer debts to Treasury for collection through administrative wage garnishment. Agencies need not make duplicate referrals to Treasury for all these purposes; a debt may be referred simultaneously for purposes of collection by cross-servicing, centralized administrative offset, and administrative wage garnishment where applicable. However, in some instances a debt exempt from collection via cross-servicing may be subject to collection by centralized administrative offset so simultaneous referrals are not always the norm. This subpart specifies the rules applicable to the transfer of debts to Treasury for collection by cross-servicing. Rules for transfer to Treasury for centralized administrative offset are specified in subpart D (Part 4) of this part, and for administrative wage garnishment in subpart E (Part 9) of this part.

Section 331 D of CONACT requires that borrowers receive loan servicing notification before FSA can take various collection actions.

FLP debt is generally eligible for internal administrative offset and referral to TOP before it is eligible for referral to cross-servicing.

For FLP debt, FSA:

- *--collects through internal administrative offset after the borrower has received the loan servicing notification package, including offset notification, and has been provided 30 days to respond (see subparagraph 62 C for information on timeframes for establishing the offset flag)--*

Note: Internal offset includes FSA program payments and other payments within USDA, such as NRCS payments.

- refers debt to TOP for centralized administrative offset after debts are certified as eligible according to Part 4

Note: This is generally after internal offset is already in place, mainly because of the longer TOP due process timeframe (60 calendar days versus 30 calendar days) and automation requirements involved with referring delinquent debt to Treasury. TOP includes Federal payments, such as Social Security benefits, vender payments, etc. Some State payments are also included because of reciprocal agreements with Treasury. In addition, Federal salary offset is currently administered through TOP.

21 Overview and Authority Continued)

B Timing of Collection Actions (Continued)

- refers debt to cross-servicing after all security is liquidated.

Notes: AWG is currently administered through the cross-servicing program.

Federal salary offset is primarily administered through TOP.

For additional collections requirements and regulatory authorities see the following parts.

IF for...	THEN see...
internal administrative offset	Part 3.
TOP	Part 4.
Federal salary offset	Part 5.
cross-servicing	Part 8.
AWG	Part 9.

22 Debtor Notification

A Notification

The agency official will inform the debtor as required under 7 CFR 3.11(b). These notifications are included, as applicable, in the following:

- loan servicing notification packages (5-FLP, paragraphs 67 and 68)
- FSA-2701 and FSA-2702 * * *
- 60-day due process letter (Exhibit 7) to refer delinquent debt to Treasury

***--Note:** RDBCSO is responsible for mailing Exhibit 7 to all borrowers nationwide and will also provide copies of the mailed letters to their respective FSA State Office.--*

- FSA-2710
- FSA-2716 and FSA-2717.

Note: Excusing or waiving interest and administrative costs does not apply to FLP loans according to 7 CFR 3.17(g). Interest and penalties on FLP debt are determined by the promissory notes.

62 Offset Notification

A When 90 Calendar Days Delinquent

[7 CFR 3.41(c)] The Notice of Intent to Collect by Administrative Offset will be included as part of a demand letter issued under §3.11 (paragraph 21) to advise the debtor of all debt collection possibilities that the agency may employ.

The authorized agency official will send the following by certified mail:

- FSA-2701 and FSA-2707 to each borrower who is 90 calendar days past due

Notes: The offset notice will be sent in the same envelope with the loan servicing notification package. The notices will be placed back to back with a blank sheet of bold colored paper in between.

--If the borrower was previously sent PLS notices for non-monetary default or is-- actively being serviced as 90 calendar days past due, a new PLS notice will not be reissued. If not sending a new PLS notice; FSA-2707, FSA-2037, and FSA-2038 should be included with FSA-2701.

- FSA-2702 to each nonborrower entity as required.

If the certified mail is not accepted by the borrower or borrower entity, the authorized agency official will ensure that the:

- envelope is placed in the borrower's case file
- documents from the certified mail package are sent to the last known address by first-class mail.

B Notice Requirements for Offset of Payments to Entities Related to Debtors

If the debtor will receive all, or part, of a payment because of participation in an entity, the authorized agency official will consult the Regional OGC, as needed, to determine whether FSA has a legally enforceable right under State or Federal law, including common law, to pursue payment from the entity.

Collection of delinquent debts through administrative offset may be taken against a debtor's pro rata share of payments due any entity in which the borrower participates according to 7 CFR 3.45 and paragraph 26.

See Exhibit 12 for additional information about the following:

- determining debtor's participation in an entity
- review items for consultation with Regional OGC.

62 Offset Notification (Continued)**B Notice Requirements for Offset of Payments to Entities Related to Debtors (Continued)**

The FBP will document the basis of FSA's right to pursue the entity payment.

Collection of delinquent debts through administrative offset may be taken against a debtor's pro rata share of payments due any entity in which the borrower participates.

Notice will be given to nonborrower entities subject to pro rata offset where practicable to do so. Written concurrence from the State Office must be obtained if it is not practicable to notify nonborrowers. The borrower's file must be documented accordingly.

Notices to nonborrower entities should be sent at the same time as notices to borrowers. The entity notice should contain no specific debtor information other than sufficient information to identify the debtor (usually the name is sufficient) and the amount of the debtor's deficiency.

Appeal rights to NAD will be provided so the entity has an opportunity to challenge the extent of the debtor's interest in the nondebtor entity.

Note: Notice shall be mailed to any person who is authorized by State law to receive service on behalf of the entity. For example, in most States notice provided to the registered agent is sufficient notice for a corporation. Each State should consult their respective Regional OGC to determine what notice is sufficient for the entity involved.

* * *

62 Offset Notification (Continued)**C Timeframes**

Timeframes will commence from the date certified mail is accepted by the borrower, or 3 calendar days following the date of first-class mailing.

Offset will begin for FSA-2701 and FSA-2702 on the 31st calendar day, or when a stay of offset expires according to paragraph 63.

***--Note:** The offset or “Other Agency Debt” flag cannot be established within FSAFS before the 31st calendar day. See subparagraph 81 G for more information on the “Other Agency Debt” flag.--*

* * *

63 General Requirements and Due Process

A Feasibility

SED will work with OGC to obtain a written determination in cases where it is not feasible to use offset. Determinations will consider legal impediments to administrative offset, such as the 1-action rule in a State where pursuing offset could jeopardize FSA's ability to foreclose on the security, contract provisions, or degree of certainty as to the factual basis (other than the debt amount) of the Government's claim.

*--Determinations concerning legal impediments, such as an accepted discrimination complaint and relevant communications with the Regional OGC and/or DOJ, should be documented in the borrower's case file.

For accepted discrimination complaints, see paragraph 25.

B Resolving the Delinquency

To prevent administrative offset, the borrower must:

- pay the account current or in full
- submit a proposed ARA that is approved by SED

Note: See subparagraph 23 B and Exhibit 8.

- submit a debt settlement offer on FSA-2732 that is approved by SED

Note: FSA-2732 **must** be processed timely according to paragraph 406.--*

C Stays

Offset can be stayed when a debtor requests FSA review according to Exhibit 13 or FSA accepts ARA. Stay will not be granted when:

- PLS has begun and is not concluded
- FSA determines that a situation exists that requires proceeding with offset
- a debtor appeals to NAD.

If offset collections are later determined not to be subject to offset, they will be promptly paid to the debtor.

Part 4 TOP

101 Mandatory Referral and Overview

A Authority

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

[7 CFR 3.44] (a)(1) Except as provided in paragraph (a)(2) of this section, after the notice and review opportunity requirements of § 3.41 (paragraph 62 and Exhibit 7) are met, an agency will refer debts which are over 120 days delinquent to Fiscal Service for collection through centralized administrative TOP 61 days after the date of the Notice of Intent to Collect by Administrative Offset provided in accordance with § 3.41. If the debtor requests review under subpart F of this part, referral of the debt must occur within 30 days of the final decision upholding the agency decision to offset the debt if the debt is more than 120 days delinquent.

(2) For FSA FLP and Rural Development debt:

(i) The delinquent loan servicing procedures and timeframes required by the ConAct will be followed; and.

(ii) Offsets will not occur during any moratorium required by the ConAct.

(b) After the notice and review opportunity requirements of § 3.41 are met, and administrative review under subpart F of this part is not sought or is unsuccessful on the part of the debtor, an agency may refer a debt that is less than 120 days delinquent.

(c) Agencies will refer debts to Treasury for collection in accordance with Treasury procedures specified in 31 CFR 285.5.

FSA FLP debt is not referred to TOP based on the “more than 120 days delinquent” criteria.

FLP debt is referred to TOP after the required CONACT delinquent loan servicing notices have been sent and all other due process notifications and processes have been completed.

--RDBCSO is responsible for mailing Exhibit 7 to all borrowers nationwide and will also provide copies of the mailed letters to their respective FSA State Office.--

--101 Mandatory Referral and Overview (Continued)*B Overview**

This part provides guidance on:

- the 2-step process required to certify FSA direct FLP delinquent borrower/co-borrower debts to Treasury for offset on an ongoing, quarterly basis, see paragraph 104
- determining eligibility for referring borrower/co-borrower debts to Treasury for TOP offset, see subparagraph 104 C
- refunding co-borrower TOP offsets, see subparagraph 104 E
- instructions for updating co-borrowers/related entities in the DLS Customer Profile, see subparagraph 104 B
- instructions for deleting (see subparagraphs 104 C and 106 D and Exhibits 18 and 19):
 - borrowers/co-borrowers on TOP offset update screens
 - bankruptcy cases.

C Accepted Discrimination Complaints

See paragraph 25. In cases where loans are not eligible for TOP, according to paragraph 25, use delete code “11” to remove them from the TOP Offset Screens.--*

102 (Withdrawn--Amend. 9)

103 (Withdrawn--Amend. 4)

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.

202 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, * * * or previous authorized form, as applicable
- *--60-day due process letter (Exhibit 7) sent by RDBCSO 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.

242 Required Agency Notification (Continued)**B Subsequent Notification**

In some cases, there can be a time delay of several years between receiving the notice in subparagraph A for TOP when the account is initially delinquent and referral of debt to cross-servicing after liquidation or conveyance of all security.

Therefore, after liquidation or conveyance of all security, FSA-2716 or FSA-2717 is sent to borrowers to remind them that the unsecured balance owed on their loans will be sent to Treasury for collection through cross-servicing and AWG. FSA-2716 and FSA-2717 also give borrowers an additional opportunity to resolve the debt before it is actually referred for cross-servicing and AWG.

Note: FSA-2716 or FSA-2717 will be sent as an attachment to 5-FLP, Exhibit 48 for unsecured accounts that have not been previously accelerated.

243 Referral to Treasury**A Referral Required**

[7 CFR 3.53(c)] Upon expiration of the 60-day period for review, or upon completion of a review under subpart F of this part that upholds the agency's determination of the debt, USDA will transfer the debt for collection through administrative wage garnishment as well as other means through cross-servicing or centralized administrative offset.

Borrowers are provided an opportunity to review the debt when they receive the initial offset *--notification letters (Part 3) and the 60-day due process letter (Exhibit 7), which is sent by RDBCSO before referring the debt to Treasury. See subparagraphs 63 F, 107 D, and--* Exhibit 13.

B Collection Through AWG

FLP debt will be collected through AWG by Treasury and/or Treasury's PCA's after FSA:

- classifies the account CNC
- refers the debt to cross-servicing according to Part 8.

Note: CNC accounts involved in an accepted discrimination complaint according to paragraph 25, are **not** eligible for AWG or cross-servicing. See paragraphs 25 and 222 for servicing CNC accounts with an accepted discrimination complaint.

--244 Treasury Notification and Borrower Response*A Treasury Notification to Borrower**

[7 CFR 3.53] (d) If Treasury elects to pursue collection through administrative wage garnishment, Treasury, or its contractor, will notify the debtor of its intent to initiate garnishment proceedings and provide the debtor with the opportunity to inspect and copy agency records related to the debt, enter into a repayment agreement, or request a hearing as to the existence or amount of the debt or the terms of the proposed repayment schedule under the proposed garnishment order, in accordance with 31 CFR 285.11.

B Request to Inspect and/or Copy Records

Borrowers may make a request to inspect and/or copy records. FLP State and local offices may receive the request directly from the borrower, or it may be forwarded on the borrower's behalf from Treasury, OCFO, or LSPMD. All FLP offices must respond in a timely manner to these requests. See 3-INFO, paragraphs 17 and 20 for information about records holding office responsibility and legal basis required for withholding information.

C Request for ARA or Debt Settlement

Treasury may request assistance in determining the acceptability of ARA, or debt settlement offers. State Offices must respond in a timely manner to LSPMD requests for information.

ARA's will be considered according to Exhibit 8.--*

--401 Overview and Authority (Continued)*E Joint Debtors**

Settlement may not be approved for one joint debtor unless approved for all debtors. “Joint debtors” includes all parties (individuals, partnerships, joint operators, cooperatives, corporations, estates) who are legally liable for payment of the debt.

Separate and individual adjustment offers from joint debtors must be accepted and processed only as a joint offer. Joint debtors must be advised that all debtors will remain liable for the balance of the debt until all payments due under the joint offer have been made.

A separate FSA-2732 will be completed by each debtor requesting debt settlement, unless the debtors are members of the same family and all necessary financial information on each debtor can be shown clearly on a single application. Separate applications will be sent to the State Office as a unit.

For co-obligors where the debtor’s signature is not needed, FSA-2731, FSA-2080, or other applicable documentation will be used.

F Offer to Pay Debt in Full Over Time

Offers to pay debt in full over time are generally repayment agreements, not debt settlements. However, the guidelines in this part will be used to document that the borrower cannot pay the full amount of the debt in one lump sum as required by subparagraph 23 D.

ARA’s with extended repayment terms similar to adjustment offers may be flagged SAA.--*

402 Determining If The Debt Can Be Settled

A Debt That Can Be Settled

[7 CFR 761.403] (d) The Agency will consider settlement of a debt only when:

(1) All security has been liquidated and the proceeds, less any prior lien amounts, have been applied to the debt; or the Agency received a lump sum payment equal to the security's current market value, less any prior lien amounts, and

(2) Payment is received based on the Agency's determination of the amount the borrower can pay to resolve the remaining balance owed on the unsecured debt.

(3) The lump sum payment made under paragraph (d)(1) of this section for the security's market value may be submitted by the borrower, an individual authorized to act for the borrower pursuant to a power of attorney document or court order, or an individual who is not an obligor on the debt but who has an ownership interest in the security.

--For cases involving the liquidation of personal property security, ensure that the disposition is recorded on FSA-2028 and FSA-2045 according to 4-FLP, Part 7.--

For cases, that still have security that has either not been liquidated or that has not been accounted for, FSA can approve a compromise or adjustment offer, if the offer includes a lump sum payment for the value of the security. See paragraph 403.

For cases with previous debt forgiveness, see Exhibit 34.

B Debt That Cannot Be Settled

[7 CFR 761.403(c)] FSA will not engage in settlement of a debt if:

(1) Foreclosure of security has been initiated and is pending with Justice, unless Justice has advised FSA that it does not object to the settlement; or

(2) Debts that have been referred to Justice for a judgment, or a judgement has been obtained by the United States Attorney or Justice, unless Justice closes its file and releases the judgement back to FSA for continued servicing; or

(3) The debtor's account is involved in a fiscal irregularity investigation in which final action has not been taken or the account shows evidence that a shortage may exist and an investigation will be requested; or

Note: The “; or” at the end of (3) is a typo in the CFR. It will be fixed in a future amendment.

[7 CFR 761.403(f)] Settlement of FLP debt referred to Treasury's cross-servicing program and returned to the Agency as uncollectible will not be processed for the borrower until all FLP debts referred to the cross-servicing program for that borrower have been returned, with or without payment agreements.

404 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.

404 Cancellation without Borrower/Debtor Signature (FSA-2731) (Continued)***--B Review Timeframes and Responsibilities**

Within 30 calendar days, the loan approval official will review all relevant information and forward to FLC, a debt cancellation package containing the following:--*

- 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.

Notes: See Exhibit 39 for completed examples of FSA-2731 and FSA-2731A.

*--Debt returned from cross-servicing will be processed according to subparagraph 404 D.

C State Office

Within 15 calendar days of receiving the debt cancellation package the FLC or designee will:

- review the FSA-2731 and supporting documentation
- sign the FSA-2731 as recommending official
- forward to SED.

Within 15 calendar days of receiving the debt cancellation package, the SED will:

- sign the FSA-2731
- ensure “3K” transaction is processed by an authorized agency official in DLS.--*

404 Cancellation without Borrower/Debtor Signature (FSA-2731) (Continued)

D CNC Debt Returned From Cross-Servicing

Debt classified as CNC and returned from cross-servicing after Treasury has taken all appropriate collection actions shall be canceled.

Step	Office	Action
1	State Office	<p>Cancellation</p> <p>*--The account balance must be canceled when:</p> <ul style="list-style-type: none"> • all the loans eligible for referral to the cross-servicing program have been referred but returned for the debtor and any co-debtors • all payments have been received from any compromise or adjustment offers negotiated by Treasury • there are no collections that FSA could receive--* through AWG or Federal salary offset. <p>Note: Accounts on AWG or Federal salary offset returned in error by Treasury will be returned by the State Office for continued collection through DMB.</p> <p>Canceling a debtor's account balance will be completed under the authorities set forth in this part and 7 CFR 761.403(b) as appropriate. Treasury's return of an account from cross-servicing as uncollectable will serve as documentation that the requirements of section 7 CFR 761.403(b) have been met. Neither a credit report nor further contact with the borrower is needed. If 1 or more of a debtor's loans have been canceled using the debt cancellation authority under FCCS, the remaining account balance may be canceled under this part. If a debtor has received debt forgiveness under CONACT authorities, such as a write-down through PLS, the remaining account balance may be canceled according to Exhibit 34.</p>

404 Cancellation without Borrower/Debtor Signature (FSA-2731) (Continued)

D CNC Debt Returned From Cross-Servicing (Continued)

Step	Office	Action
1 (Cntd)	State Office (Cntd)	Cancellation <p>*--Within 60 days SED's must:--*</p> <ul style="list-style-type: none"> process the loan cancellation as appropriate using FSA-2731 <p>Note: Documentation that all debt has been returned from cross-servicing as uncollectable will be attached to FSA-2731.</p> <ul style="list-style-type: none"> prepare a memorandum advising DMB of the cancellation FAX the signed memorandum to DMB. <p>Note: The State Office shall obtain any necessary concurrence before canceling the debt.</p> <p>When canceling remaining loan balances owed on debts compromised by Treasury:</p> <ul style="list-style-type: none"> document the information about the compromise on FSA-2731 process transaction code "3K" using class of write off code "1" for the compromised debt process transaction code "3K" using class of write off code "4" for the balance of the debt returned as uncollectible the effective date for all 3K transactions shall be the date SED or DAFLP, as the Administrator's designee, signed FSA-2731.

404 Cancellation without Borrower/Debtor Signature (FSA-2731) (Continued)

D CNC Debt Returned From Cross-Servicing (Continued)

Step	Office	Action
2	State Office	Repayment/Adjustment Offers and Compromise Offers
		Will receive notification from DMB once the full amount of the repayment/adjustment or compromise has been collected and applied to the debt.
		Approved Cancellations
		<ul style="list-style-type: none"> Will provide DMB a copy of FSA-2731 authorizing the cancellation in instances where cancellations cannot be processed by the State Office. This will enable DMB to forward FSA-2731 to FLB to process the cancellation. Will receive a memorandum from DMB once the cancellation has been completed.
3	State Office	<p>Attach RDBCSO memorandums, State Office memorandums, and any applicable forms to the State Office copy of FSA-2720 or previous form.</p> <p>Forward a copy of the DMB memorandum and any applicable forms to FLM.</p>
4	County Office	<p>File RDBCSO memorandums, State Office memorandums, and any applicable forms in the case file.</p> <p>After all payments have been processed, stamp the promissory notes “Satisfied by Completed Adjustment Offer”, “Satisfied by Approved Compromise”, or “Satisfied by Approved Cancellation”, as applicable, and return the satisfied notes to the borrower.</p> <p>Continue monitoring the account in cases where the debt is returned as uncollectible but is not or cannot be canceled at that time. Once a determination is made to cancel, or it becomes eligible for cancellation, proceed to process the cancellation according to this part and Exhibit 34, as applicable.</p>

405 Debt Settlement Requested by Borrower/Debtor (FSA-2732)**A Information Needed**

[7 CFR 761.405(a)] A borrower requesting debt settlement must submit complete and accurate information from which the Agency can make a full determination of the borrower's financial circumstances and repayment ability. Except for the situations listed in § 761.404(b), each liable party, must submit the following:

(1) One completed original debt settlement application on the applicable Agency form signed by all parties liable for the debt;

(2) A current financial statement;

(3) A cash flow projection for the next production or earnings period;

(4) Verification of employment or other earned income, including verification of a nondebtor spouse's income which will be included as available to pay family living expenses;

(5) Verification of assets including, but not limited to, cash, checking accounts, savings accounts, certificates of deposit, individual retirement accounts, retirement and pension funds, mutual funds, stocks, bonds, and accounts receivable;

***--(6) Verification of debts exceeding an amount determined by the Agency;**

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

(7) Copies of complete Federal income tax returns for the previous 3 years; and

(8) Any other items requested by the Agency to evaluate the debtor's financial condition.

405 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.DCWa7.DirectLoans** or fsa-directloans@usda.gov. The email subject should read "LexisNexis – (Borrower's Name and State)".--*

406 Review Timeframes and Responsibilities**A FLM**

--Within 30 calendar days, loan approval official 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.

406 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.

408 Approval and Rejection (Continued)**A Approval/Rejection Authority (Continued)**

--If the borrower does not provide a complete application by the deadline, the authorized agency official will utilize the FSA-2737 to notify the borrower of their application's rejection.--

B Approval Processing and Notification

The approval official will execute completed FSA-2731 or FSA-2732 and FSA-2737, whichever is applicable, and will process the forms according to each of the form's instructions. If a "Compromise", "Adjustment", or "Bankruptcy" is involved, FLB must process FSA-2731 or FSA-2732. The State Office will process Chapter 7 bankruptcy cases when there is no remaining security.

The adjustment or reorganization bankruptcy amount is created by FLB into a new loan number with a 1M transaction. FLB will also flag the account SAA.

For adjustments:

- The effective date of the 1M will be the earlier of the date of approval as indicated on FSA-2732, or the payment date if a payment was submitted with the offer.
- Interest will accrue based on the Promissory Note interest rate from which the adjustment account was created.
- Payments will be established based on the approved adjustment agreement and as stated on FSA-2732.

For reorganization bankruptcies interest will accrue and payments will be established as directed by the court order.

For all compromise and adjustment offers:

- the specific amount and terms of the offer will be stated on the FSA-2732
- the accounts settled will be identified by reference to the accounts shown on FSA-2732.

When using FSA-2732, the approval official will send FSA-2737. If approved, the FSA-2732 will provide the estimated amount that will be reported to IRS according to 26 U.S.C. 6050P; and 26 CFR 1.6050 P-1. However, adjustment offers will not be reported until after the final payment is applied.

Once the debt settlement is approved, the servicing official will ensure that the account is removed from internal administrative offset, TOP, and cross-servicing, as applicable.

408 Approval and Rejection (Continued)**C Requesting Additional Information**

If rejection appears to be necessary because of a lack of information, or because the amount offered is inadequate, SED may request that the employee in charge of the account obtain additional information or make an effort to obtain an acceptable offer, as appropriate under the circumstances. Rejection of an offer will be withheld in these cases for a maximum of 30 days to allow the debtor to submit information or a new offer. However, according to paragraph 405 B, submission of a debt settlement offer after the timeframes listed in paragraph 408 A will not prevent, suspend, or delay collection activities required by DCIA or the CONACT. All settlement offers will be handled according to the timeframes in paragraphs 406 and 408 A.

D Rejection Processing and Notification

The authorized official in subparagraph A will insert the reasons for rejection on FSA-2737 and sign and date FSA-2732 and FSA-2737.

The servicing official will:

- retain the original FSA-2732 and a copy of FSA-2737
- return case files and copies of FSA-2732 and FSA-2737 to the employee in charge of the account
- *--request FLB to return any adjustment or compromise payment held by RDBCSO to--* the borrower, in care of the employee in charge of the account
- return any adjustment or compromise payment held by the State Office to the borrower, in care of the employee in charge of the account:
 - send FSA-2737 to the debtor
 - provide appeal rights according to 1-APP using FSA-2737.

E Unauthorized Approval

If unauthorized approval of a debt settlement is identified, the settlement application with supporting documentation should be forwarded to the correct approval official provided in subparagraph A for post approval. If the debt settlement cannot be post-approved, the correct approval official will provide additional guidance on servicing the account.

Reports, Forms, Abbreviations, and Redelegations of Authority

Reports

None.

Forms

This table lists the forms referenced in this handbook.

Number	Title	Display Reference	Reference
FSA-2004	Authorization to release Information		405
FSA-2005	Creditor List		405
FSA-2014	Verification of Income		405
FSA-2015	Verification of Debts and Income		405
FSA-2028	Security Agreement		402
FSA-2037	Farm Business Plan Worksheet Balance Sheet		62, 405, Ex. 8
FSA-2038	Farm Business Plan Worksheet Projected/ Actual Income and Expense		62, 405, Ex. 8
FSA-2045	Record of the Disposition of FSA Security/Release of Proceeds		402
FSA-2065	Annual Statement of Loan Account		224
FSA-2080	Release From Personal Liability		401, 406, 408
FSA-2490	Deceased Borrower Report		404, 405, 406
FSA-2510	Notice of Availability of Loan Servicing to Borrowers Who Are 90 Days Past Due		408
FSA-2514	Notice of Availability of Loan Servicing to Borrowers Who are in Non-Monetary Default		408
FSA-2701	Notice of Intent to Collect by Administrative Offset		22, 62, 107, 202, Ex. 8, 13
FSA-2702	Notice of Intent to Collect by Administrative Offset for Non-Borrower Entity		22, 62, 107
FSA-2707	Alternative Repayment Agreement for Administrative Offset or TOP		62, Ex. 8
FSA-2710	Notification of Salary Offset		22, 134, 135, Ex. 8
FSA-2711	Alternative Repayment Agreement for Federal Salary Offset		134, 135, Ex. 8

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2716	Notice Advising of Potential Referral to Treasury for Cross-Servicing and the Availability of Debt Settlement		22, 201, 202, 242, 408
FSA-2717	Notice Advising of Potential Referral to Treasury for Cross-Servicing		22, 201, 202, 242
FSA-2720	Checklist for “Currently Not Collectible” Debt		202, 221, 223, 353, 404
FSA-2721	List of Currently Not Collectible (CNC) Debts Eligible To Be Referred to Treasury for Cross-Servicing		104, 223, 226, 353
FSA-2722	Update to TOP and Cross-Servicing Information		104, 105, 106, 222, 223, Ex. 19
FSA-2723	TOP Delete Only		104, 105
FSA-2727	Youth Loan (YL) Debt Forgiveness		401
FSA-2731	Cancellation of Debt Without Application	Ex. 39	Text, Ex. 34
FSA-2731A	Cancellation of Debt Without Application (Continuation)	Ex. 39	404
FSA-2732	Debt Settlement Application		Text, Ex. 34, Ex. 39
FSA-2733	Review, Certification and Recommendation on Debt Settlement Application		405, 406
FSA-2735	Household Income and Expense Worksheet		405, 406
FSA-2737	Notice Advising of Decision on Debt Settlement Applications		406, 408
IRS Form 1098	Mortgage Interest Statement		224
IRS Form 1099-C	Cancellation of Debt		406

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
ARA	alternative repayment agreement	23, 63, 107, 134, 241, 244, Ex. 8, 13, 29
AWG	administrative wage garnishment	Text, Ex. 2, 7, 8, 29
BAP	bankruptcy action pending	104, Ex. 18, 19
CAP	court action pending	106
CNC	currently not collectible	Text
CONACT	Consolidated Farm and Rural Development Act	1, 21, 401, 402, 403, Ex. 34
CSNG	Cross-Servicing Next Generation	224, 225, 226, 245, 248
DMB	Debt Branch, RDBCSO	104, 106, 222, 223, 224, 226, 247, 353, 404
DMS	debt management service	224, 226
ECM	Enterprise Content Management	104, 106, 222, 223, 226, 353

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

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
FAP	foreclosure action pending	106, Ex. 19, 20
FLB	Farm Loan Branch, RDBCSO	104, 107, 247, 404, 408, 441
FCCS	Federal Claims Collection Standards	Text, Ex. 2, Ex. 8, Ex. 34
FmHA	Farmer's Home Administration	Ex. 20
FSAFS	FSA Financial Services software	61, 62, 81
NFAOC	National Financial and Accounting Operations Center	Text, Ex. 8, Ex. 20
PCA	Private Collection Agency	221, 223, 224, 241-243, 245, 248, 407, Ex. 2, 29
PLS	Primary Loan Servicing	Text, Ex. 8
RDBCSO	Rural Development Business Center Servicing Office	Text, Ex. 8, Ex. 20
PAD	Preauthorized Debit	408
SAA	subject to approved adjustment Note: When reference is made to the financial "flag"/designation for an account where FSA has approved a borrower's debt settlement offer as documented on FSA-2732.	104, 401, 408, Ex. 18
SOL	statute of limitations	24
TPJ	third party judgment	104, 223, 353
YL	youth loan	Ex. 2

Redelegations of Authority

Redelegation	Reference
SED's may delegate to FLC, FLS, DD, FLM, and/or SFLO the authority to:	
<ul style="list-style-type: none"> reject debt settlement requests in cases where debtors do not provide all necessary documentation/information. 	408
Note: Appeal rights must be provided with the rejection letter.	
<ul style="list-style-type: none"> cancel delinquent adjustment agreements. 	409

Definitions of Terms Used in This Handbook (Continued)

Feasible Plan

--Feasible plan means when an applicant or borrower's cash flow budget or farm operating--
plan indicates that there is sufficient cash inflow to pay all cash outflow. If a loan approval
or servicing action exceeds one production cycle and the planned cash flow budget or farm
--operating plan is atypical due to an interest-only or otherwise unequal installment, cash--
or inventory on hand, new enterprises, carryover debt, atypical planned purchases,
important operating changes, or other reasons, a cash flow budget or farm operating plan
must be prepared that reflects a typical cycle. If the request is for only one cycle, a feasible
--plan for only that production cycle is required for approval.--

Financial Statement – from 7 CFR 3.3

Financial statement means a statement of financial condition at a given date that accurately
reflects the debtor's assets, liabilities, income, and expenses.

Fiscal Service – from 7 CFR 3.3

Fiscal Service means the United States Department of the Treasury's Bureau of the Fiscal
Service.

Foreclosed

Foreclosed is the completed act of selling security either under the power of sale in the
security instrument or through judicial proceedings.

Foreclosure Sale

Foreclosure sale is the act of selling security either under the power of sale in the security
instrument or through judicial proceedings.

Garnishment - for AWG purposes, from 7 CFR 3.52

Garnishment means the process of withholding amounts from an employee's disposable
pay and the paying of those amounts to a creditor in satisfaction of a withholding order.

Garnishment Order (or Withholding Order) – from 7 CFR 3.52

Withholding order means any order for withholding or garnishment of pay issued by an
agency, or judicial or administrative body. For purposes of this section, the terms “wage
garnishment order” and “garnishment order” have the same meaning as “withholding
order.”

Definitions of Terms Used in This Handbook (Continued)

* * *

Guaranteed Loan

Guaranteed loan is a loan made and serviced by a lender for which the Agency has entered into a Lender's Agreement and for which the Agency has issued a Loan Guarantee. This term also includes guaranteed lines of credit except where otherwise indicated.

Hearing Official

Hearing official. For the purposes of salary offset, the hearing official is an Administrative Law Judge of the USDA or another individual not under the supervision or control of the USDA. For the purposes of administrative wage garnishment, the hearing official is selected pursuant to part 3, subpart E of this title.

Note: At this time, hearing officials for Federal Salary Offset and AWG are provided by Treasury.

Household Living Expenses

Household living expenses are the costs of providing for the needs of family members and those for whom the borrower has a financial obligation, such as alimony, child support, and care expenses of an elderly parent.

Individual-Type Minor Program loans (IMP) – from 7 CFR 772.2

Individual-type Minor Program loans (IMP): Non-Farm Enterprise or Recreation loans to individuals.

Joint Operation

Joint operation is an operation run by individuals who have agreed to operate a farm or farms together as an entity, sharing equally or unequally land, labor, equipment, expenses, or income, or some combination of these items. The real and personal property is owned separately or jointly by the individuals.

Example of Due Process Letter to Refer Debt to Treasury for TOP, Cross-Servicing, and AWG

The following is an example of the Due Process Letter to Refer Debt to Treasury.

***--Note:** RDBCSO is responsible for mailing Exhibit 7 to all borrowers nationwide and will also provide copies of mailed letters to their respective FSA State Office.---*

Rural Development	JULY 14, 2015
Office of the National Financial and Accounting Operations Center	Dear Debtor/Co-debtor:
4300 Goodfellow Boulevard St. Louis, MO 63120 Voice 314.457.4152 Fax 314.457.4292	Our records indicate that you are more than 90 days past due on a loan(s), or are subject to an outstanding judgment, have a delinquent lease or an equity receivable owed to the United States Department of Agriculture, Farm Service Agency (FSA). Under Federal law, Federal Agencies are required to offset any eligible Government payments due you to resolve the delinquent debt.
	Enclosed is a list of the delinquent debt(s) and the amount(s) due as of MM/DD/YYYY. You have 60 days to resolve this delinquent debt before an offset of payments will be made.
	The following options are available, if applicable, for settling this debt:
	<ul style="list-style-type: none"> Fully pay the delinquent debt outstanding at your local servicing office on or before MM/DD/YYYY. The amount could change because of protective advances, servicing actions, interest accrual, previous offsets, or other collections. Contact your local office for the correct amount. Make delinquent settlement arrangements with your local servicing office. If immediate payment is not possible or would create a serious financial hardship, you may request consideration of a written repayment/settlement agreement with FSA. Any such settlement proposal must be submitted in writing before and accepted by the Agency no later than MM/DD/YYYY. Your request must state your repayment proposal, including the specific terms. A current and signed financial statement must be provided with any settlement proposal or installment repayment request. The financial statement must list all income and expenses, and contain a balance sheet listing all assets and liabilities. An Agency approved repayment/settlement agreement must be in place to prevent offset. Inform your local servicing office of any bankruptcy proceedings. Debtors who have filed for bankruptcy and have an automatic stay in effect are not subject to collection through offset while the stay remains in place. If this provision applies, please submit a copy of the bankruptcy petition to your local servicing office immediately. Inform your local servicing office if you, as a borrower or co-borrower, are on active military duty. FSA borrowers called to active duty may be eligible for additional servicing options, including exclusion from referral to Treasury Offset Program (TOP). If this provision applies, please submit a copy of your military activation papers to your local servicing office by MM/DD/YYYY.
	If your delinquent debt is a judgment debt, a delinquent lease, or the debt has been accelerated, administrative farm loan servicing authorities are no longer applicable.
	If the delinquent debt is not involved in a bankruptcy proceeding, or is not paid in full or settled by MM/DD/YYYY, the United States Treasury Department will be notified to collect by offset from the following Federal/State government payments due you, if applicable:
	<ul style="list-style-type: none"> Income tax refunds State tax refunds Federal salary, including military pay Federal retirement pay, including military retirement pay Contract or vendor payments State vendor payments Certain Federal benefits payments, such as Social Security (other than Supplemental Security Income), Railroad Retirement (other than tier 2), and Black Lung (part B) benefits Other Federal/State payments, including certain loans to you, that are not exempt from offset
	USDA is an equal opportunity provider and employer.
	<p>If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.</p>

Example of Due Process Letter to Refer Debt to Treasury for TOP, Cross-Servicing, and AWG (Continued)



United States Department of Agriculture

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

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

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

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

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

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

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

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

USDA is an equal opportunity provider and employer.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

--Reviewing Alternative Repayment Agreements (ARA's)*A Overview**

ARA does not prevent, suspend, or delay any 5-FLP delinquent loan servicing actions or responsibilities. All servicing actions, including but not limited to PLS, debt settlement, acceleration, and foreclosure, continue to be processed.

Exception: Foreclosure action may only be suspended after an ARA is approved under subparagraph 23 D.

Debtors may submit a written ARA as an alternative to FSA collecting delinquent debt through:

- internal administrative offset (Part 3) according to 7 CFR 3.42(b)
- TOP (Part 4) according to 7 CFR 3.42(b)
- Federal salary offset (Part 5) according to 7 CFR 3.80

For Federal salary offset a debtor has 2 opportunities to request an ARA, within:

- 30 days of the date of the Notice of Intent to Offset Salary
- 15 days after the date of a hearing decision.

ARA may also be used when the borrower wants to pay the account in full instead of a debt settlement which would result in a loss to the agency. For information about the overall regulatory authorities for ARA, see paragraph 23.

When reviewing an ARA request, note the following:

For internal offset (Part 3) and TOP (Part 4):

[7 CFR 3.42(b)] ...For proposed agreements to pay delinquent amounts owed on FSA FLP loans, the proposed payments in the agreement must cure the delinquency before the next loan installment is due, or within 90 days, whichever is sooner.

For Federal salary offset:

[7 CFR 3.80(a)] (2) For FSA FLP debt, an alternative repayment agreement submitted after a hearing decision must include a payment schedule similar to the payment schedule in the hearing decision and include payment amounts that are at least equal to the payment amounts in the hearing decision.

Note: for Federal salary offset, the ARA does not need to bring the account current.--*

Reviewing Alternative Repayment Agreements (ARA's) (Continued)**A Overview (Continued)**

ARA:

- may only be used to prevent or suspend the collection actions listed in this Exhibit or to pay the debt in full instead of debt settlement with a loss to the agency
- must be acceptable to FSA
- does not preclude FSA from pursuing other debt collection remedies as permitted and/or required by DCIA and FCCS
- does not amend, replace, or supersede any signed promissory notes, security agreements, judgments, or other debt instruments.

B Notification

Borrowers are notified of the opportunity to submit ARA or written repayment plan when they receive:

- FSA-2701 for internal administrative offset and TOP; FSA-2701 provides the borrower with a 30-calendar day response period
- *--60 calendar day due process letter (Exhibit 7) sent by RDBCSO before referral to--* Treasury, which includes notification concerning TOP and, if a balance remains after liquidation of security, cross-servicing and AWG; Exhibit 7 provides the borrower with a 60-calendar day response period
- FSA-2710 for Federal salary offset; FSA-2710 provides the borrower with a 30-calendar day response period and is being revised to add the additional response period
- notification from Treasury concerning cross-servicing and AWG.

Borrowers may submit their proposed ARA (FSA-2707 or FSA-2711) or other written repayment plan along with FSA-2037 and FSA-2038, or other written format for financial information, to FSA for internal administrative offset, TOP, and Federal salary offset. Late applications will be rejected by the authorized agency official. Rejection of ARA requests are not appealable. See subparagraph C.