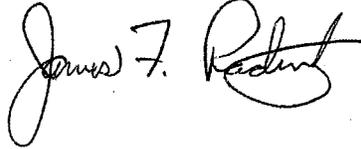


UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency
Washington, DC 20250

Direct Loan Servicing – Debt Collection and Resolution 7-FLP	Amendment 2
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Approved by: Acting Deputy Administrator, Farm Loan Programs



Amendment Transmittal

A Reasons for Amendment

Subparagraph 61 C has been amended to remove reference to FSA-604.

Exhibit 8 has been amended to add FSA-2707 as an ARA.

Page Control Chart		
TC	Text	Exhibit
	3-1, 3-2	1, pages 1, 2 8, pages 1, 2

Part 3 Administrative Offset**61 Overview and Authority****A General**

[7 CFR 3.43(a)] ... a creditor agency may make a request directly to a payment authorizing agency to offset a payment due a debtor to collect a delinquent debt... Also, non-centralized administrative offsets include USDA internal administrative offsets, for example, of CCC payments to pay Farm Service Agency (FSA) delinquent debts.

[7 CFR 3.43(d)] Payment authorizing agencies shall comply with offset requests by creditor agencies to collect debts owed to the United States, unless the offset would not be in the best interests of the United States with respect to the program of the payment authorizing agency, or would otherwise be contrary to law. Appropriate use should be made of the cooperative efforts of other agencies in effecting collection by administrative offset.

Any FSA payments or commodity loans due to a borrower will be offset for the collection of a delinquent debt owed to FSA, with some exceptions.

The following are not subject to administrative offset:

- the initial payment for planting expenses under CRP
- loan funds from FLP loans or other Federal loan programs
- CAT indemnity payments.

B Authority

[7 CFR 1951.102(a)] Collections of delinquent debts through administrative offset will be taken in accordance with 7 CFR part 3, subpart B and §1951.106.

61 Overview and Authority (Continued)**C State Office Responsibility**

SED's will ensure that:

- no FSA payments including CRP (except for the initial payment for planting expenses), PFC, LDP, market loan payments, EQIP, LIP, SIP, ECP payments, any other disbursements, and commodity loans are made to a producer who is also delinquent on an FLP debt
 - authorized FSA employees are correctly updating, maintaining, and monitoring delinquent debt and eligibility information:
 - in the web-based subsidiary system according to 64-FI and 3-PL
- * * *
- in FSAFS according to 58-FI, paragraphs * * * 160, 161, 404, and 405 and 63-FI, Part 5.

D DD's Responsibility

DD's will ensure that:

- offset notification lists in paragraph 81 are updated monthly
- the lists are being provided to all County Offices where the borrower farms
- delinquent FLP debt has been recorded in the web-based subsidiary files, using "FSA Debt" as the "Source of Delinquent Debt Determination", according to 64-FI, paragraph 81 and 3-PL (Rev. 1), paragraph 34
- the "Other Agency Claim" flag is set in Financial Services, Customer Profile and NPS, according to 64-FI, paragraph 81
- information on FLP delinquent debt is updated timely and accurately in FSAFS according to 63-FI, Part 5
- applicable program payments are being offset, and the offset monies are being properly credited to delinquent FSA debts.

Reports, Forms, Abbreviations, and Delegations of Authority

Reports

None.

Forms

This table lists the forms referenced in this handbook.

Number	Title	Display Reference	Reference
FSA-2037	Farm Business Plan Worksheet Balance Sheet		Ex. 8
FSA-2038	Farm Business Plan Worksheet Projected/ Actual Income and Expense		Ex. 8
FSA-2065	Annual Statement of Loan Account		223
FSA-2080	Release From Personal Liability		403
FSA-2701	Notice of Intent to Collect by Administrative Offset		21, 62, 202, Ex. 8
FSA-2702	Notice of Intent to Collect by Administrative Offset for Non-Borrower Entity		21, 62, 202
FSA-2703	Notice to Debtor That Administrative Offset Has Been Exercised and Intent to Collect by Administrative Offset		21, 62, 202
FSA-2704	Notice to Debtor That Administrative Offset Has Been Exercised and Intent to Collect by Administrative Offset for Non-Borrower Entity		21, 62, 202
FSA-2707	Alternative Repayment Agreement for Administrative Offset or TOP		Ex. 8
FSA-2710	Notification of Salary Offset		21, 134, Ex. 8
FSA-2711	Alternative Repayment Agreement for Federal Salary Offset		134, Ex. 8
FSA-2716	Notice Advising of Potential Referral to Treasury for Cross-Servicing and the Availability of Debt Settlement		21, 201, 202, 242
FSA-2717	Notice Advising of Potential Referral to Treasury for Cross-Servicing		21, 201, 202, 242

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

Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2720	Checklist for “Currently Not Collectible” Debt		202, 223, 353, 402
FSA-2721	List of Currently Not Collectible (CNC) Debts Eligible To Be Referred to Treasury for Cross-Servicing		223, 353
FSA-2722	Update to TOP and Cross-Servicing Information		104, 105, 106, 222, 223
FSA-2727	Youth Loan (YL) Debt Forgiveness		401
FSA-2731	Cancellation of Debt Without Application	Ex. 39	201, 223, 354, 402, 403, Ex. 34
FSA-2731A	Cancellation of Debt Without Application (Continuation)	Ex. 39	402
IRS Form 1098	Mortgage Interest Statement		223
RD 1956-1	Application for Settlement of Indebtedness		63, 201, 402, 403, Ex. 34, 39

Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

Approved Abbreviation	Term	Reference
ARA	alternative repayment agreement	21, 63, 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, 402, Ex. 34
DCIB	Debt Collection Improvement Branch, NFAOC	104, 106, 222, 223, 247, 353, 402
DLD	Direct Loan Division, NFAOC	104, 223, 247, 403
DMS	debt management service	223

Alternative Repayment Agreements (ARA's)

A General

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 while considering ARA.

Debtors may submit a written ARA as an alternative to FSA collecting delinquent debt through offset, cross-servicing, and wage garnishment, according to 7 CFR 3.11(b)(4) and 7 CFR 3.16. Additional ARA authorities and requirements that are applicable to specific collection actions are:

- administrative offset (Part 3) according to 7 CFR 3.42(b)
- TOP (Part 4) according to 7 CFR 1951.137(b)(4) and 7 CFR 3.42(b)

Note: 7 CFR Part 1951 will no longer apply after the draft regulation is published in final.

- salary offset (Part 5) according to 7 CFR 1951.111(f)

Note: After the draft regulation is published in final, 7 CFR Part 1951 will no longer apply. The new authority will be 7 CFR 3.80 and there will be some changes in procedure at that time, such as providing another ARA opportunity to the debtor after an appeal hearing decision has been issued.

- cross-servicing (Part 8) according to 7 CFR 1951.137(b)(4), 7 CFR 3.31(c), and 31 CFR 285.12(c)(3)

Note: After the draft regulation is published in final, 7 CFR Part 1951 will no longer apply.

- AWG (Part 9) according to 7 CFR 3.53(d), 7 CFR 3.31(c), and 31 CFR 285.11(e)(2).

ARA:

- may only be used to prevent or suspend the collection actions listed in this paragraph
- 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 replace or supersede any signed promissory notes, security agreements, judgments, or other debt instruments.

Alternative Repayment Agreements (ARA's) (Continued)

B Notification

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

- FSA-2701 for noncentralized administrative offset and TOP
- 60-day due process letter (Exhibit 7) sent before referral to Treasury, which includes notification concerning TOP and, if a balance remains after liquidation of security, cross-servicing and AWG
- FSA-2710 for Federal salary offset
- notification from Treasury concerning cross-servicing and AWG.

Borrowers may submit their proposed ARA or written repayment plan along with FSA-2037 and FSA-2038 or forms provided by Treasury or its collection agents while Treasury is servicing accounts for cross-servicing and AWG.

C Reviewing and Processing ARA Requests

The authorized agency official will:

- ~~review~~ ARA requests (FSA-2707 or FSA-2711) and all information/documentation ~~necessary~~ necessary to make a decision concerning the borrower's proposal
- request any additional documentation needed to show that the debtor can make the proposed payments on time and that the payments will resolve the delinquency within a reasonable amount of time

Example: If a debtor proposes to sell nonsecurity property and submit the proceeds to FSA to resolve the delinquent FLP debt, FSA may require a copy of the sales contract and/or loan closing documents.

- provide SED with sufficient documentation to make a decision concerning acceptance or rejection of the ARA request
- notify the debtor of FSA's decision within 45 calendar days
- ensure that a copy of ARA and any correspondence are maintained in the borrower's case file.