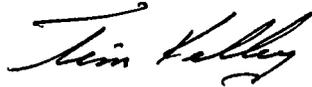


For: County Offices

Direct Loan Making-Electronic Funds Transfer (EFT)

Approved by: State Executive Director



1 Overview

A Background

Legislation requires Federal agencies to disburse funds by electronic funds transfer. Payments are made by Financial Electronic Data Interchange (FEDI) through the Automated Clearing House (ACH) network. Instead of receiving paper checks, U. S. Treasury funds are directly deposited into the closing agent's or applicant's/borrower's bank account. This notice replaces MO Notice FLP-271 which expired September 1, 2006.

Unless a waiver is in place, loan advances will be made by EFT.

B Purpose

This notice provides procedures to verify and/or establish an EFT account (lender routing and account number) for loan closing agents and loan applicants.

C Contact

- Any questions concerning this Notice should be directed to the Farm Loan Programs Section in the State Office.

D Filing Instructions

A copy of this Notice should be filed preceding Instruction 1902-A.

Disposal Date October 1, 2008	Distribution Farm Loan Teams, County Offices, AFLSs, DDs, CORs
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2 Implementation

A Procedures

See attachment Exhibit A for a step by step process to establish an EFT account.

B Funds Transfer

With each Federal payment received, the financial institution will also receive an addendum containing information that identifies the transmission as a loan disbursement, and also which borrower's account the money should be applied to. The CCD Plus ACH payment format is used to transmit the payment and addenda records to the financial institution.

C Frequently Asked Questions

See attached Exhibit B for EFT Frequently Asked Questions.

ELECTRONIC FUNDS TRANSFER (EFT)

Exhibit A

1. The EFT system used by Farm Programs is not connected with the EFT system used for Farm Loan disbursements. They are two separate systems; therefore, the banking information must be entered into each system.
2. Include a SF-3881, payment enrollment form, which is available on the Intranet FFAS employee forms online web site, in the application package. If the applicant has completed SF-1199A for direct deposit of Farm Program disbursements, the borrower does not have to complete SF-3881. Verify the information on SF-1199A before entering into the EFT system.
3. When a closing agent is to be used, the county office should begin collecting banking information early in the process from the closing agent and enter the data in the EFT system.
4. To update, access the NITC Screen and choose the EFT option.
5. Select Option 1, Update Payee Details, to input the Payee Tax ID, Type and Name. The bank account detail screen can be accessed from this screen. Entering the bank account information will trigger the zero dollar pre-note process to verify the accuracy of the information entered. If the pre-note has not been returned as invalid within 14 days, the system will automatically change the Pre-Note status to "A". If the bank returns the pre-note as invalid, the St. Louis Finance Office will contact the county office. If the 14 days does not meet your disbursement need, you may contact Carolyn Lane in the St Louis Finance Office at 314-539-3481 for a manual pre-note to be accomplished. When a manual pre-note is accomplished the Pre-Note Status will be changed to "V".
6. Option 5, Update PLAS Payment Profile Detail, must be accomplished prior to the 1C transaction processing to disburse the funds. The PLAS Payment Profile can be entered after you have established the Payee Detail and Bank Account and processed the 1A transaction to obligate your loan. You must have the correct fund and loan number to update the PLAS Payment Profile. The EFT System is on-line real time so you can update the PLAS Payment Profile the same day as the 1C transaction, if necessary. The state and county code, borrower ID, fund code, and loan number entered in the PLAS Payment Profile must match the same data on the 1C transaction.
7. Option 8, List Select Active Financial Institution, is a monthly updated file provided by Treasury of all banks participating in EFT disbursement via Treasury. The data includes the valid bank routing number, bank name, address, and phone number. You can check the accuracy of the bank routing number prior to establishing the bank information in the EFT system.
8. Arrange a loan closing date with the borrower in the office or with the closing agent.

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9. If a closing agent is used to close the loan, process the 1C transaction to disburse the funds into the closing agent's bank account by the scheduled loan closing date. For loan closings in the county office, the legal documents should be signed before ordering the funds. Process the 1C transaction to order the funds, 1F transaction to close the loan, and the 8N transaction
10. Interest will begin accruing as of the date of disbursement or date of loan closing which ever is most advantageous to the borrower. There have been no changes made to transactions processed through ADPS. If a loan is closed on the 28th of the month and the 1C transaction processed on the 28th, the interest will start accruing on the 30th when the funds are disbursed.
11. For subsequent disbursements on a loan, the funds will be in the borrower's bank account within 2 days.

EFT FREQUENTLY ASKED QUESTIONS

Exhibit B

1. Is the Farm Loan EFT system connected to the Farm Program EFT system?

No, they are two separate systems; therefore, the information must be entered in each system.

2. When should I obtain the bank account and payee detail information?

Include a SF-3881 payment enrollment form, which is available on the Intranet FFAS employee forms online web site, in the application package. Established borrowers should be contacted to obtain banking information, if banking information is not already on file in the County Office. Verify the banking information on file before entering in the EFT system.

3. What payee types are associated to direct loan borrowers?

- Borrower – Payment disbursed directly to borrower bank account.
- Closing Agent- Payment disbursed to bank account of closing agent. Usually used for Farm Ownership loans.
- Designee- Payment disbursed to third party on behalf of borrower.

4. How do I update the payee detail and bank information?

Access the NITC Screen and choose the EFT option. Select Option 1, Update Payee Details, from the main menu to input the Payee Tax ID, Type and Name. The bank account detail screen can be accessed from this screen. Entering the bank account information will trigger the zero dollar pre-note process to verify the accuracy of the information entered.

5. Why do I have to wait 14 calendar days for the system to validate the pre-note?

Per National Automated Clearing House Association (NACHA) rules, which regulate all ACH transactions, the bank has 6 business days to verify the banking information. The remaining 4 business days allows time for Treasury to return the information to the agency. The system changes the pre-note status to "A" after 14 calendar days if no information has been received from Treasury.

6. Do I have to wait the 14 calendar days to disburse funds?

No. The intent of the pre-note process is not to delay disbursement but to ensure the accuracy of the banking information. If the 14 days does not meet your disbursement needs, you may contact the Carolyn Lane in the St. Louis Finance Office at 314-539-3481 for a manual pre-note to be accomplished. When a manual pre-note is accomplished the Pre-Note Status will change to "V".

7. When can I update Option 5, Update PLAS Payment Profile Detail, to attach the borrower information to the bank account?

The PLAS Payment Profile can be entered after you have established the Payee Detail and Bank Account and processed the 1A transaction to obligate your funds. You must have the correct fund code and loan number to update the PLAS Payment Profile. Be sure to input "A" for Add at **Option** at the bottom of the screen to update your loan information. You do not have to wait for the pre-note to be validated to attach the PLAS Payment Profile to the bank account. The update must be accomplished prior to the processing of the 1C transaction to disburse the funds. The EFT System is on-line real time so you can update the EFT System the same day as the 1C transaction, if necessary. Call the St. Louis Finance for manual validation of the pre-note, if necessary.

8. How do I change the Payee Detail information?

Payee Detail information can be changed from main menu Option 1, Update Payee Detail Screen, or modified from the Update PLAS Payment Profile screen (PP).

9. How do I change the Payee Account information?

Payee Account Information can be changed from the Update Account Detail Screen (AD) or modified from the Update PLAS Payment Profile (PP) Screen.

10. What are the Pre-Note Status codes?

- P- Initial entry of banking information.
- S- Zero dollar pre-note submitted to bank.
- Assumed valid is updated in the nightly update on the 14th day after submission, if no return is received from Treasury.
- V- Manually pre-noted in St. Louis Finance Office.

A pre-note is generated upon initial entry of the banking information and when a change is made to the banking information.

11. Can I delete the banking information from the EFT System?

If a PLAS Payment Profile is attached to a bank account, it must be deleted prior to deleting the bank account information. If the bank account will no longer be used for disbursement, it should be deleted. The banking information will be systematically deleted after 3 years if there is no activity on the account.

12. What is the difference between ACH and Wire Transfer?

Automated Clearing House is an allowable EFT method for disbursement through Treasury. The EFT system will disburse the funds via ACH on the second business day following the update of the check request transaction (1C). Verify the bank account information received from Closing Agents will accept an ACH disbursement. Many Closing Agents have provided us wire bank account information in error. Wire transfer is also an allowable EFT method for same day disbursement through Treasury. St. Louis Finance Office handles requests for wire transfers manually.

13. How can I verify the method of disbursement after I update the 1C transaction?

The Unclosed (UN) Screen will display the method of disbursement. The check status code field will display "E" for ACH disbursement or "P" for paper check disbursement.

14. How do I verify the date of disbursement?

The Unclosed (UN) Screen will display the date of disbursement. For electronic disbursement, the date is when the funds will be deposited in the bank account. For paper check disbursement, the date is the date of the check and the date of mailing.

15. When does interest begin accruing on a borrower's disbursement?

On an initial disbursement, interest will begin accruing as of the date of loan closing or date of disbursement whichever is most advantageous to the borrower. Subsequent disbursements accrue interest as of the date of disbursement.

16. What should I do if the bank says the funds have not been received?

Check the UN Screen to verify the funds were transmitted electronically. Verify the bank is validating an ACH disbursement. Notify St. Louis Finance Office to validate the status of the disbursement via Treasury's on-line PACER System.

17. Why did I get a paper check?

To successfully disburse funds via EFT, the following must be accomplished prior to processing the 1C- Check Request Transaction:

- Update payee detail information.
- Establish the bank account data.
- Update the PLAS Payment Profile (Data entered must match borrower PLAS Data. The system does not validate accuracy of the data entered).

The pre-note must be validated systematically (A) or manually (V) and the PLAS Payment Profile attached to the bank account for the funds to disburse EFT. If the pre-note has not been validated and the PLAS Payment Profile attached, Treasury will disburse a paper check.

18. Whose name and phone number should be entered for contact?

The name and phone number of the contact person in the servicing office.