

For: Cotton State Offices and CMA's

**Redeeming CMA Upland Cotton Loan Collateral in the
Centralized Cotton Redemption (CCR) System**

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

CCR software has been revised to allow merchants to redeem Form G loan collateral if authorized by CMA that pledged the cotton as loan collateral. Previously, CCR redemptions were limited to Form A loans disbursed by County Offices and participating LSA's.

B Purpose

This notice informs CMA's that:

- the CCR process has been revised to enable merchants to redeem Form G cotton loans subject to CMA authorization
- for this new process to be used by merchants, CMA's must authorize CCC to allow their loan cotton to be redeemed via the CCR process
- CCC will not allow use of CCR for any CMA loan cotton unless specific authorization is provided by CMA.

C Contact

CMA's and State Offices shall direct questions about this notice to Shannon Fulghem by:

- e-mail to shannon.fulghem@kcc.usda.gov
- telephone at 816-926-1533.

Disposal Date	Distribution
July 1, 2010	Cotton State Offices; State Offices relay to Cotton CMA's

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2 CMA Authorization of CCR

A General Authorization

For CMA loan collateral to be available for redemption via CCR by a merchant, CMA's must first notify and authorize CCC to allow these transactions. This one-time notification is needed **several days** in advance of any merchant submitting a CCR redemption transaction for CMA bales.

CMA's may notify CCC of this general authorization by contacting Shannon Fulghem by e-mail to **shannon.fulghem@kcc.usda.gov**. CMA's that authorize CCR redemptions of their loan cotton will be notified individually when CCR can process redemptions of their loan bales.

After CMA's authorize their loan cotton to be redeemed using CCR, COPS will default the electronic agent designation (EAD) status indicator for their loan bales of all crop years to "Y".

CMA's granting merchants this redemption alternative may still redeem their loan cotton in the usual manner using ACRS.

B Bale Authorization Using EAD Process

CMA's must additionally identify the merchant authorized to redeem specific bales via CCR by submitting a file through the EWR Provider system establishing the merchant as the designated electronic agent.

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3 Processing Loan Redemptions Using CCR

A CCR System Modifications

The CCR system modifications providing merchants the ability to redeem Form G cotton loans include the following:

- identifying CMA's authorizing use of the CCR redemption process for specified bales
Note: This is a one-time authorization that will remain in effect until cancelled by CMA.
- releasing CMA bales to the current EAD holder rather than to CMA
- creating repayment invoices in a format that can be processed by ACRS and CMA to liquidate the loan record
- rejecting bales with ACRS or COPS errors; bales must **not** contain any ACRS or COPS errors
- rejecting bales with zero repayment value; sending an e-mail notification instructing CMA to process redemption in the normal manner in ACRS
- issuing any resulting refunds to the entity that redeemed the bales
- allowing Form A and Form G bales to be on the same invoice.

B EAD Status and Holder ID

Each loan bale **must** have the following to be redeemed in CCR system:

- EAD indicator set to "Y"
- EAD holder ID identifying the merchant authorized to redeem the cotton.

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3 Processing Loan Redemptions Using CCR (Continued)

C Redemption Process

The CCR process for Form G cotton will occur according to the following.

Step	Action
1	EAD indicator is defaulted to "Y" for all cotton processed by participating CMA's.
2	EAD holder ID will be accepted from Provider and updated in COPS.
3	Merchant submits request to redeem cotton to CCR.
4	Invoice is created providing the calculated repayment amount.
5	COPS generates email to CMA advising of pending repayment.
6	Merchant wires required funds.
7	Wire transfer is recorded in COPS and EWR's are released to merchant.
8	COPS sends "C/N" transaction file to ACRS for processing.
9	COPS generates download file of CMA redeemed bales.
10	COPS generates email advising CMA that EWR's have been released and download file is ready for processing.
11	CMA retrieves download file from COPS and liquidates loan in their system.

D Future System Enhancement

Efforts are underway to revise CCR to include ELS bales. When that revision is operational, CMA's will be able to identify ELS loan collateral for CCR redemption.