

For: State and County Offices

**Resolving Questionable Loans and Loan Deficiency Payments (LDP's)
Obtained by Cooperative Marketing Associations (CMA's)**

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A

Background

Cooperatives approved to be CMA's for CCC obtain loans and LDP's on behalf of members. Some CMA's are voluntarily reporting loan or LDP quantities and amounts to administrative County Offices to ensure that they are making loans and LDP's to eligible members. Loan and LDP quantities and amounts may be questioned by the County Office because:

- the producer may have obtained LDP on CCC-709 at the County Office and another LDP on the same quantity through CMA
- the producer may be ineligible
- CMA is using incorrect crop shares
- the LDP quantity obtained through CMA exceeds the reasonable estimate of yield quantity established by COC.

1-CMA, paragraph 70 provides policy to guide CMA's and County Offices on repaying ineligible volumes and excess benefits. However, the policy does not fully address the situation where a quantity exceeds the reasonable yield set by COC.

B

Purpose

This notice provides guidance to CMA's and County Offices to resolve questionable loan and LDP quantities in the case where the quantity exceeds the reasonable yield set by COC.

Disposal Date	Distribution
February 1, 2002	State Offices; State Offices relay to County Offices

Notice CMA-58

2 COC Established Yields

A

Background

8-LP, subparagraph 132 D provides that COC's shall:

- annually determine reasonable estimates of yield for each commodity based on crop and weather conditions in the county
- document determinations in COC minutes
- review questionable applications.

8-LP, subparagraph 132 E further provides that:

- if the quantity offered for loan or LDP is not reasonable based on the COC established yield, County Offices shall not approve the loan or LDP for a quantity exceeding the quantity COC determines could have been reasonably produced on the eligible acreage
 - if the producer is not satisfied with the maximum quantity, give the producer appeal rights to COC.
-

B

CMA's Are Producers

For loan and LDP purposes, CMA's are considered to be the producer because the CMA obtains the loan or LDP. Therefore, CMA's and their members shall be subject to the same controls that producers receiving benefits from a County Office are subject to.

Notice CMA-58

3 Action

A Administrative County Office Action

When CMA's submit loan and LDP volume reports to administrative County Offices for review, County Offices shall:

- review reports as time permits
 - resolve problems with CMA as directed by the State Office
 - when cases involve quantities that exceed COC established yields:
 - require CMA to provide satisfactory production evidence for the CMA member quantity that is questioned
 - issue a determination letter specifying the ineligible quantity with appeal rights to CMA, not the CMA member, when COC determines that the quantity for loan or LDP is not reasonable
 - notify the service County Office of the ineligible quantity, loan or LDP number, and the warehouse receipt number, if applicable.
-

B CMA Action

CMA's submitting loan and LDP quantity data to administrative County Offices for review shall:

- provide production evidence when requested for quantities that exceed COC established yields
 - in the case of grain and rice loan and LDP overpayments, pay refunds at the direction of a demand letter from the service County Office.
-

Continued on the next page

Notice CMA-58

3 Action (Continued)

C

Service County Office Actions

When notified of ineligible loan and LDP quantities, CMA service County Offices shall:

- reverse applicable loan or LDP transactions in APSS
- authorize the splitting of warehouse receipts for applicable loans or LDP's
- deduct ineligible quantities for each loan or LDP from the original loan or LDP quantity to calculate a new loan or LDP quantity
- re-enter the correct loan or LDP information as a manual transaction

Note: Receivable amounts will be created.

- issue a demand letter to CMA for the receivable amounts
 - collect the receivable amounts plus interest from CMA
 - not consider the transaction to be a loan or LDP violation.
-

D

State Office Action

State Offices shall:

- coordinate resolving loan and LDP quantities questioned by County Offices
 - contact the Price Support Division (PSD) for guidance on problem cases
 - report cases involving suspected violations of loan and LDP terms and conditions to PSD.
-