

For: State and County Offices

New Upland Cotton Policy for Commodity Certificate Exchange Transactions and Corrections Resulting From Cotton Receipts Tracking System (CRTS) Malfunction

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

**A
Background**

The malfunction of CRTS during the week of November 13, 2001, resulted in processing delays for many cotton loan and loan redemption transactions. These delays had the unintended effect of substantially reducing benefit levels sought by producers at the time of the transaction request.

Any cotton loan transaction, including redemptions by cash or commodity certificate exchange, that had been processed through the System 36 before the November malfunction of CRTS is not affected by this notice.

**B
Purpose**

This notice provides County Offices with:

- new policy and instructions for processing requests for upland cotton loans for immediate commodity certificate exchange based on the date of the request rather than the date of processing
- procedures for processing or correcting upland cotton loan, loan redemption, or commodity certificate exchange requests that, as a result of the CRTS malfunction, were either not processed or were processed based on rates effective after the date of the transaction request.

| | |
|---|--|
| <p>Disposal Date</p> <p>December 1, 2002</p> | <p>Distribution</p> <p>State Offices; State Offices relay to County Offices and LSA's</p> |
|---|--|

Notice CN-929

2 New Policy for Loans for Immediate Commodity Certificate Exchange

A New Policy for Immediate Commodity Certificate Exchange

County Offices shall use the date of a producer's application for an upland cotton loan for immediate exchange for commodity certificates as the date for establishing the loan repayment rate and value of the commodity certificate for this exchange.

The date of this application shall be the date (or the later of multiple dates) entered on CCC-694-2, item 8.

Note: Producers or producers' agents are not allowed to lock in loan repayment rates for regular loans. The repayment rate for regular loans to be subsequently repaid by cash, or for which the loan collateral is subsequently exchanged for a commodity certificate, shall continue to be the rate in effect on the date that the request for repayment or commodity certificate exchange and funds are presented to CCC.

B Accepting Requests for Immediate Commodity Certificate Exchange for Cotton Loan Collateral

The following process shall be used to accept and process applications received on or after November 13 for cotton loans requested for immediate exchange of the collateral with a commodity certificate. All loan eligibility requirements for a cotton loan must be met, including making CCC holder of warehouse receipts for any commodity certificate exchange to be processed.

County Offices shall accept the following 2 forms, completed in the County Office or in the presence of an approved cotton clerk, as application for an upland cotton loan for immediate commodity certificate exchange:

- signed and dated CCC-Cotton A-5
 - signed and dated CCC-694-2 that includes the following in item 9:
 - "I acknowledge that this request for an immediate exchange of loan collateral for a commodity certificate, to be applicable to the attached list of cotton bales, is an irrevocable request that cannot be altered or withdrawn under any circumstance."
 - the entity (and Holder ID if applicable) to whom the cotton loan collateral is to be released.
-

Continued on the next page

Notice CN-929

2 New Policy for Loans for Immediate Commodity Certificate Exchange (Continued)

C

Processing Requests

County Offices shall use the date (or the later of multiple dates) entered under CCC-694-2, item 8 as the date for establishing the loan repayment rate and value of the commodity certificate for the loan collateral when the loan request and commodity certificate exchange is processed even if the transaction is processed on a later date.

Requests may be made through a cotton clerk only if both of the following conditions exist:

- the loan funds are not advanced by the clerk
- the date the application forms (CCC Cotton A-5 and CCC-694-2) are received from the clerk at the County Office shall be the date for establishing the loan repayment rate and the value of the commodity certificate.

The “date documents received” shall be determined in the normal manner, namely the later of the following:

- application date
 - the date CCC was made holder of the receipts.
-

D

Lien Search or Certification

Loans requested for immediate commodity certificate exchanges are not subject to:

- lien searches
- producers certification of lien holders.

Note: County Offices must complete lien searches and obtain lien waivers in the normal manner for loans not immediately exchanged with commodity certificates for the entire loan quantity.

Notice CN-929

3 Processing Applications Affected by CRTS Malfunction

A

**Corrective
Actions Based on
Application
Type, Date, and
Processing Status**

Upland cotton **loans** requested for immediate exchange for commodity certificate exchange that were **requested before 4 p.m. Eastern time November 8, 2001**, but not processed because of workload and prior policy shall be processed based on the AWP (21.29 cents per pound) effective at 5 p.m. Eastern time November 8.

Cotton **loans, cash loan repayments, or commodity certificate exchange** transactions that were:

- **requested and processed before November 13, 2001**, shall not be corrected because of the CRTS malfunction. The AWP rate is the rate effective on the date of processing for these transactions because they were unaffected by the CRTS malfunction
 - **requested before, but processed after November 13, 2001**, shall be corrected to reflect the AWP rate on the date of the transaction request
 - **requested on or after November 13, 2001**, shall be processed or corrected to reflect the AWP rate on the date of the transaction request.
-

B

**Documenting
Corrected
Transactions**

If a repayment transaction has not already been processed using the incorrect AWP, the County Office shall:

- reverse the repayment transaction that was processed using the incorrect AWP
 - re-enter the repayment transaction using AWP in effect on the date the repayment or exchange was requested
 - refund any overpayment to the person redeeming the loan.
-

Continued on the next page

Notice CN-929

3 Processing Applications Affected by CRTS Malfunction (Continued)

B Documenting Corrected Transactions (Continued)

If normal documentation (CCC-694-2 and CCC Cotton A-5) was not completed on the date of request, but the County Office has a bale list, payment, or other incomplete documentation to validate the date the transaction was requested, the County Office shall:

- enter into the loan file a written, signed, and dated statement attesting to the circumstances under which such request occurred
- process the request according to subparagraph A.

To obtain a commodity certificate exchange for cotton loan collateral, including those corrected under this notice, a producer must submit:

- CCC-694-2, amended according to subparagraph 2 B signed and in the County Office or in the presence of an approved cotton clerk, and dated to reflect the date of the original transaction request
 - CCC Cotton A-5.
-

4 Loan Disbursements and Certificate Purchase for Commodity Certificate Exchange

A Disbursing Loan Proceeds and Producer Refund for Immediate Commodity Certificate Exchanges

County Offices shall disburse the loan and producer refund as follows for new transactions and those affected by the CRTS malfunction:

- issue the entire loan proceeds to CCC as “other payee”
- process a commodity certificate redemption using the loan proceeds check issued to CCC
- issue a refund to the producer for the difference between the amount of the loan proceeds and the amount of the commodity certificate value.

For multiple producers:

- record the **smaller** check first
 - disburse the amount to be refunded according to producer shares.
-