

For: State and County Offices, and LSA's

**Reducing Upland Cotton Marketing Assistance Loan (MAL) Storage Credit
Because of Applicant-Delayed Loan Disbursement**

Approved by: Acting Deputy Administrator, Farm Programs



1 Overview

A Background

Regulations for the upland cotton loan program provide that CCC will pay warehouse storage charges during the period the cotton was pledged for loan if the loan is eligible to be repaid at a rate less than the loan rate plus charges and interest. CCC pays these storage charges by crediting the accrued storage to the amount due when the loan is repaid.

CCC starts accruing storage charge credits from the date that all loan documents are received rather than from the date the loan note is signed. This policy is appropriate because, due to frequent work-load pressures, delays occur from when CCC is made holder of the bales to when the loan is disbursed. Effectively, CCC pays storage for the period of time that it is holder of the electronic warehouse receipts (EWR's).

Some producers are abusing this CCC policy to obtain excessive storage credits. This occurs when a producer applies for MAL and then does not sign the note and security agreement, after being notified that it has been prepared, for an extended period. As a result of these delays by the producer, CCC pays excessive storage credit.

B Purpose

This notice provides CED's new authority to amend or void upland cotton loan applications if the producer fails to sign the loan note and security agreement within 15 calendar days from notification that it is ready for signature.

Disposal Date	Distribution
February 1, 2006	State Offices; State Offices relay to County Offices and LSA's

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2 Policy About Date Documents Received and Delinquent Signature

A Date Documents Received

There is no change to current instructions that establish the date documents are received. These instructions are provided in 7-CN, subparagraph 182 B. The date documents received is the later of:

- the date of receipt of a signed CCC Cotton A-5 and all required documents
- the date CCC was made holder of EWR's or received paper warehouse receipts.

B Delinquent Applicant Signature

A loan applicant is considered delinquent in signing CCC Cotton A (note and security agreement) if the applicant does not sign the note within 15 calendar days of being notified that the note is available for signature.

3 Authority for Preventing Excessive Storage Credits

A New CED Authority and Procedure

When CED determines that a loan applicant is delinquent in signing CCC Cotton-A, CED is authorized to either:

- void the loan application
- amend the date documents received in loan software to be the date the applicant signs the CCC Cotton-A.

CED may exercise this authority regardless of whether the loan documents were:

- printed and await applicant signature
- **not** printed in advance of the applicant arriving to sign.

Example: Producer signs CCC Cotton A-5, provides required documentation, and CCC is holder of EWR's on November 1. Therefore, the original date documents received is November 1. County Office prepares loan and notifies producer on November 5. If the producer signs CCC Cotton A:

- before November 20, disburse the loan upon signature with original date documents received
- after November 20, and CED had determined the applicant was delinquent in signing, re-enter the loan using the date the applicant signed CCC Cotton A as the date documents received.

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4 Action

A County Office Action

County Offices shall:

- send written notification of this new policy to loan applicants who are delinquent in signing loan notes
- implement this authority on a case-by-case basis only if the delinquent applicant has been provided 15-calendar-day advance notice.

B PSD Action

PSD will revise CCC Cotton A-5, Part B, "Certification" to include the following statement:

(4) I agree that if I do not sign the loan note and security agreement within 15 calendar days from the date entered in Item 20 of this application that the application may be voided or the date documents received may be amended."

Adding this statement establishes evidence of notification of the producer.