

For: State and County Offices

Screening Process for FLP Treasury Offset Calendar Year 1998

Approved by: Acting Deputy Administrator, Management



1 Overview

A

Background

The Debt Collection Improvement Act (DCIA) of 1996 requires that delinquent debtors be referred to the Treasury Offset Program (TOP) for administrative offset of Federal government payments, including the following:

- income tax refunds
- Federal salary pay, including military pay
- Federal retirement, including military retirement pay
- contractor or vendor payments
- certain Federal benefit payments, such as Social Security, Railroad Retirement (other than tier 2), and Black Lung (part B) benefits, (when regulations are published)
- other Federal payments that are not exempt from offset.

FLP delinquent debtors 90 days or more past due must be screened for eligibility for TOP referral and certified to TOP by December 18, 1998. Once certified, a debtor **must** remain until a delinquency no longer exists.

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Disposal Date October 1, 1999	Distribution State Offices; State Offices relay to County Offices
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1 Overview (Continued)

B

Purpose

This notice provides:

- guidance on determining eligibility for Treasury offset
 - instructions for deleting debtors on the IRS offset update screens.
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C

Contacts

Questions should be addressed as follows:

- County Offices shall contact the State Office
 - State Offices shall contact 1 of the following offices:
 - for questions about FLP procedures, LSPMD
 - for questions about the screening process, Loan Operations Division, Program Reporting Branch at 314-539-2494.
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2 St. Louis Finance Office Responsibility

A

Debtors Selected for IRS Offset Screen

The St. Louis Finance Office will make the IRS offset online screens available to State and County Offices no later than the week of October 26, 1998. All delinquent debtors 90 days past due and not flagged "BAP" or "SAA", who are at least \$25 delinquent, will be reflected on the screens. Chargeoff debtors not released from liability (class of writeoff code = 5) are also included. Report Code 540, as of September 30, 1998, was used to determine eligibility for debtors appearing on the screen.

Debtors flagged "51-S" have been included for the first time this year. Debtors who have requested servicing under FmHA Instruction 1951-S are **eligible** for offset until a repayment plan has been approved by FSA.

Note: Additional debtors or loans cannot be added. This capability is under development, as is capturing judgments and delinquent leases.

2 St. Louis Finance Office Responsibility (Continued)

B

Letters to Debtors

On October 19, 1998, the St. Louis Finance Office will send Treasury offset letters to all debtors listed on the offset screens. See Exhibit 1 for a copy of the letter. These letters provide the 60-day due process required under DCIA. Because of the limited number of days remaining to notify debtors of Treasury offset, the initial screening process in RD Instruction 1951-C, 1951.123 will not be completed.

3 County Office Responsibility

A

Screening Process

During the week of October 26, 1998, servicing officials will be provided access to the IRS offset online screen. Servicing officials have until COB December 4, 1998, to:

- review the online screens and determine whether any debtor's loans are ineligible for Treasury offset
- review Exhibit 2 for delete codes which will be programmatically generated based on the status of the debtor's account as of December 4, 1998

Note: No servicing office action is needed for debtors who fit the delete code criteria in Exhibit 2.

- enter a delete code for each loan which is ineligible, based on criteria in Exhibit 3. Do not use codes which are not in Exhibit 3.

For debtors whose files are being handled in another office, contact that office for a determination of eligibility.

If the servicing official is not able to access his or her debtors and the servicing official is aware that there should be debtors on the screens, contact the State Office.

Note: Each loan must be reviewed because the 10-year statute of limitations for collection by offset is by loan.

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3 County Office Responsibility (Continued)

B

How to Access Screens

County Offices can view and/or delete debtor loans from the IRS offset online screens as follows.

- On the Online Subsystem Selection Menu, select “IRSOFFST”. The Borrowers Selection Menu will be displayed.
- On the Borrowers Selection Menu, enter 1 of the following to view all debtors by servicing office or to view an individual debtor by case number.
 - ENTER “2” in the “Enter Option” field to view debtors by State and county. Enter the 2-digit non-FIPS State code (former FmHA code) in the “Enter State” field. Enter all 5 digits of the FSA servicing office mail code, which is the 2-digit non-FIPS State code and the 3-digit servicing office code, and PRESS “Enter”.
 - ENTER “3” in the “Enter Option” field to view debtors by case number. Enter all 5 digits of the FSA servicing office mail code, which is the 2-digit non-FIPS State code (former FmHA code) and the 3-digit servicing office code, in the “Enter State and County” field. Enter the entire 15-digit debtor case number in the “Enter Case Number” field and PRESS “Enter”. The loans for the debtor requested will be displayed if the debtor is within the requestor’s servicing jurisdiction.
 - ENTER “4” in the “Enter Option” field to return to the Online Subsystem Selection Menu and PRESS “Enter”.

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3 County Office Responsibility (Continued)

C

Deleting Debtors After accessing debtors through option 2 or 3 on the Borrowers Selection Menu, follow these steps to delete a loan (**and any cost item related to the loan**) if ineligible for offset.

Step	Action
1	Input the applicable delete code from Exhibit 3 in the "DLT CDE" field on the line for the loan number to be deleted. Input any delete codes needed for all debtors and their loans displayed on the page of the screen.
2	PRESS "Enter". Note: "Enter" must be pressed for each page if a delete code has been entered. If "PF8" or "PF7" is pressed without pressing "Enter" first, the delete code will not be processed.
3	Once "Enter" has been pressed, "Borrower(s) Processed" will be displayed on the bottom left of the screen.
4	Continue this process for all pages displayed for the requested servicing office or debtor.
5	To verify the delete codes have processed, PRESS "Clear", then PRESS "Enter". The delete codes will be displayed in the loan line under the "Delete Code" column which is left of the center of the screen. The current date will be displayed in the "Delete Date" column in the center of the screen.

Debtors remaining after screening should be in 1 of the following categories:

- loans at least 90 days past due, with no approved repayment plan
- account not in bankruptcy
- loan charged off.

Note: Before COB December 4, 1998, the delete code previously entered may be changed by inputting "00" if the debtor becomes eligible for offset, or by entering a new delete code. Any debtor loans that have no delete code input by COB December 4, 1998, or generated in the update process immediately following, will be referred to Treasury for offset of any applicable Federal payments due the debtor. A debtor may be deleted from Treasury offset after December 4, 1998, with FmHA 1951-43.

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4 State Office Responsibility

A Accessing Screens

For the first time, State Offices will be able to delete online. This change was made to allow State Offices to delete the problem accounts they service, if necessary.

State Offices can access the IRS offset screens as follows:

- select “IRSOFFST” from the Online Subsystem Selection Menu
- ENTER “1” in the “Enter Option” field to view all debtors in the State selected
- enter the 2-digit non-FIPS State code in the “Enter State” field and PRESS “Enter”. All debtors within the State will be displayed. Follow the steps in subparagraph 3 C to delete any applicable loans.

To view a specific County Office's screens, follow the steps in subparagraph 3 B for option 2.

To delete a specific debtor, follow the steps in subparagraph 3 B for option 3.

B Verifying Screening Process

State Offices must follow up with servicing offices to ensure that the screening process has been completed by the December 4, 1998, deadline. To verify that the screening has been completed, view each servicing office screen for delete codes other than “00”. If this field is “00” for all debtors in the servicing office, there may be no debtors who are ineligible or the delete codes have not been processed. Contact servicing offices that have no delete codes on the debtor loans to verify that the screening has been completed, and that no access problems exist.

Treasury Offset Letter



United States
Department of
Agriculture

October 19, 1998

Dear Debtor:

Farm and Foreign
Agricultural
Services

Our records indicate that you are more than 90 days past due on debt owed to the U.S. Department of Agriculture, Farm Service Agency (FSA). On September 30, 1998, the debt included the delinquent loans listed on the back of this letter.

Farm Service
Agency

The following options are available to you for settling this debt:

Kansas City
Management
Office
P.O. Box 200003
St. Louis,
Missouri
63120-0003

- Pay the delinquent debt outstanding on your loans at your local servicing office not later than November 23, 1998.
- Make settlement arrangements with your local servicing office. If immediate payment would create a serious financial hardship, you may request consideration of a written repayment agreement with FSA. This request must be submitted in writing before November 23, 1998, and must state the specific repayment terms desired.

To verify that immediate repayment of the delinquency would cause serious hardship, signed financial statements must be provided with any settlement or installment request. The financial statements must list all income and expenses and also include a balance sheet listing all assets and liabilities.

- Inform your servicing office of any bankruptcy proceedings. Debtors who have filed for bankruptcy, and for whom an automatic stay is in effect, may not be subject to the following collection actions. If this provision applies, please submit written proof of the bankruptcy proceedings to your local servicing office by November 23, 1998.

If the delinquent debt is not involved in a bankruptcy proceeding and is not paid in full or settled by November 23, 1998, the United States Treasury Department will be notified to collect the delinquent amount by offset from the following Federal government payments due you, if applicable:

- income tax refunds;
- Federal salary pay, including military pay;
- Federal retirement, including military retirement pay;
- contractor/vendor payments;
- certain Federal benefit payments, such as Social Security, Railroad Retirement (other than tier 2), and Black Lung (part B) benefits (when regulations are published); and
- other Federal payments, including certain loans to you, that are not exempt from offset.

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Treasury Offset Letter (Continued)

The debt may also be collected through administrative wage garnishment. The amount collected will include the delinquent principal, any accrued interest, as well as collection costs. The debt may also be referred to both consumer and commercial credit bureaus, and may be referred to a collection agency or the USDA Office of General Counsel for possible litigation.

You have the right to obtain a copy of the records for the listed delinquent debt. To obtain a copy of the records, send a written request to your local servicing office. Please provide your social security number or employer identification number and your complete mailing address with the request.

You have the right to a review of the validity of the delinquent debt amount. Any request for review must be made in writing to your local servicing office by November 23, 1998. Please explain the reason for any challenge. Include any written evidence available to support your position. The information provided will be reviewed. You will be notified in writing of a determination.

Additional interest is accruing daily on this delinquent debt. The total due will continue to increase until the delinquency is paid or settled. If a recent payment has been made on the delinquency, the payment may not be reflected in the total shown due.

If a joint Federal income tax return is filed, and your spouse is not responsible for this debt, please contact your local Internal Revenue Service office before filing your return to learn how to protect your spouse's share of the refund.

For further information, please call our toll-free number, (800)428-9643.

Sincerely,

LESTER R. FLANDERMEYER
Deputy Director, Finance

IRS Offset Programmatic Delete Codes

Code	Description
02	Account has a "BAP" flag.
08	Account has a "SAA" flag.
13	A cost item reversal put a Z99 paid code on the account. Transaction code 4A or 4D put a Z97 paid code on the account.
17	Loan is current or paid in full by cash payment.
19	Loan is satisfied by other than those reasons in codes 13, 17, and 38.
38	Account has been written off with a class of writeoff code other than "5".

IRS Offset Online Screen Delete Codes

Code	Description
01	<p>Account has been referred to OGC or Department of Justice for foreclosure and collection by offset would jeopardize the litigation under State law.</p> <p>Note: Existence of a foreclosure action pending flag is not a determining factor. Remove any erroneous flag.</p>
02	<p>Loan has been discharged in bankruptcy and debtor is no longer liable, or is under the jurisdiction of a bankruptcy court and the debt has not been reaffirmed.</p> <p>Note: Existence of a bankruptcy action pending flag is used as a determining factor in the programmatic screening. Remove any erroneous flag.</p>
07	<p>Debtor was indebted to FSA before entering full-time active duty military service and is serviced according to RD Instruction 1950-C.</p>
08	<p>Loan is current under a Subject to Approved Adjustment (SAA).</p> <p>Note: SAA is a bankruptcy reorganization plan or debt settlement adjustment. Debtors who are delinquent in a reorganization plan will be ineligible for offset if still under court jurisdiction.</p>
09	<p>Loan is past the 10-year statute of limitations to collect by offset.</p>
16	<p>Repayment plan has been approved by FSA.</p>