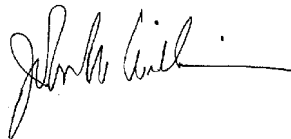


For: KCMO and State and County Offices

1999 Calendar Yearend Reminder Concerning FLP Payment Activity

Approved by: Acting Deputy Administrator, Management



1 Overview

A

Purpose

This notice provides:

- critical dates related to yearend processing of:
 - FLP payment activity
 - year 2000 (Y2K) contingency plans
- processing information for all calendar yearend reports and statements mailed to:
 - Servicing Offices
 - FLP borrowers.

Note: No other information about FLP calendar yearend will be provided.

B

Contact

State Offices shall direct questions about this notice to St. Louis/KCMO Finance Office (SLKCFO), Loan Operations Division, Reporting Branch, at 314-539-2494.

<p>Disposal Date</p> <p>December 1, 2000</p>	<p>Distribution</p> <p>KCMO and State Offices; State Offices relay to County Offices</p>
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Notice FI-2407

2 SLKCFO Action

A

Suspending Transactions

As of **COB, December 28, 1999**, the ability to process the following transactions on the Automated Discrepancy Processing System (ADPS) will be suspended:

- Transaction Code (TC) 4A, Change in Case Number and Loan Number
- TC 4D, Change in Case Number, Name, and Address
- TC 4F, Change in Loan Number
- TC 4G, Assumption Agreement - Same Rates and Terms.

SLKCFO will resume processing these transactions effective **January 10, 2000**. Look for daily screen messages on ADPS.

B

Preparing FmHA 1951-9 and IRS Forms

By **January 31, 2000**, SLKCFO will prepare and mail the following forms to:

- all FLP borrowers and Servicing Offices, according to Exhibit 1:
 - FmHA 1951-9, Annual Statement of Loan Account
 - IRS 1098, Mortgage Interest Statement
 - applicable FLP borrowers, according to Exhibit 2:
 - IRS 1099-A, Acquisition or Abandonment of Secured Property
 - IRS 1099-C, Cancellation of Debt
 - IRS 1099-G, Certain Government and Qualified State Tuition Program Payments
 - IRS 1099-INT, Interest Income
 - IRS 1099-MISC, Miscellaneous Income.
-

Continued on the next page

Notice FI-2407

2 SLKCFO Action (Continued)

C Y2K Contingency Plan

The Program Loan Accounting System (PLAS) has been tested in preparation for the century date change, and necessary corrections to PLAS have been made to ensure PLAS will function properly in January 2000. No significant down time or problems are anticipated after the first of the year.

In the unlikely event problems are encountered, a St. Louis Y2K Business Continuity Contingency Plan (Y2K Contingency Plan) has been developed. See Exhibit 3. Implementation of the Y2K Contingency Plan would impact all critical cash dates in this notice.

Because of the need to perform essential computer backups, the data on the December financial and management reports will be as of COB, December 28, 1999. December 28, 1999, will be used as the calendar yearend borrower reporting date, only if the Y2K Contingency Plan is implemented.

If the Y2K Contingency Plan is necessary, FmHA 1951-9 will reflect a statement date of December 31, 1999. However, the data on FmHA 1951-9 and IRS forms will be as of COB, December 28, 1999.

If the Y2K Contingency Plan is not needed, any data processed to the PLAS database by noon, January 8, 2000, with an effective date of December 31, 1999, or before, will be reflected on the calendar year 1999 FmHA 1951-9 and IRS forms.

D FLP Collections Entered on the System 36

By **December 30, 1999**, State and County Offices that use the System 36, Cash Receipts Application, shall transmit all FLP payments recorded with December 1999 dates of credit to KCMO. These payments are scheduled to be included on FmHA 1951-9 for calendar year 1999, unless the Y2K Contingency Plan is implemented.

Note: See 3-FI for instructions on how to process FLP payments to the Cash Receipts Application.

Continued on the next page

Notice FI-2407

2 SLKCFO Action (Continued)

E

**FLP Payments
Mailed to the
Wholesale
Lockbox**

By **January 5, 2000**, the wholesale lockbox payments must be received for all FLP payments that are to be included on FmHA 1951-9 for calendar year 1999. Payment data with 1999 dates of credit that are not received by the cutoff date, January 5, 2000, will be recorded on next year's statements. Under the Y2K Contingency Plan, any payment not processed by December 28, 1999, will appear on next year's statement.

F

**Maturing of
Accounts**

The maturing of the January 1, 2000, installments for annual payment borrowers is scheduled for the week of January 14, 2000. The Account Information (AI) status screen, accrued as of the date of the 4M maturing transaction, and the online history screen may be used for documentation.

G

**Availability of
Terminals**

Terminals will be available for entering transactions according to the following table.

Date	Transaction
January 3 through January 7, 2000 (6 a.m. to 6 p.m. c.t), January 8, 2000 (6 a.m. - Noon c.t.)	Provides additional time for initial transaction entry and discrepancy correction before preparing the annual statements.
January 10, 2000	No update to PLAS is scheduled for the evening of January 10, 2000. Transactions recorded through the terminals on January 10 will be scheduled for update on the evening of January 11, 2000.

Continued on the next page

Notice FI-2407

2 SLKCFO Action (Continued)

H

Acquisitions or Abandonment

State and County Offices shall use FmHA 1992-6 as a substitute for IRS 1099-A. The FLP borrower receives 1 copy and SLKCFO shall receive the other copy no later than **January 5, 2000**. The SLKCFO copy is used to create the tape that reports IRS 1099-A data to IRS in February 2000. It is critical that all spaces on FmHA 1992-6 be completed. All incomplete forms will:

- not be included
- be returned to the Servicing Office for correction.

By January 31, 2000, IRS 1099-A will be mailed to FLP borrowers whose secured property was acquired during calendar year 1999. See Exhibit 2.

I

Debt Cancellation

By January 31, 2000, IRS 1099-C will be mailed to applicable FLP borrowers. See Exhibit 2.

J

Grants

For tax year 1999, all grant recipients will receive IRS 1099-G. By January 31, 2000, IRS 1099-G will be mailed to grant recipients with valid addresses recorded on PLAS. IRS 1099-G, generated with invalid addresses, will be mailed to the appropriate Servicing Office to distribute immediately to the grant recipients. See Exhibit 2.

K

Interest Income

By **January 31, 2000**, SLKCFO will manually prepare and mail IRS 1099-INT to report interest paid to borrowers who had program payments offset in error under the Internal Administrative Offset Program. See Exhibit 2.

L

Miscellaneous Income

By **January 31, 2000**, SLKCFO will manually prepare and mail IRS 1099-MISC to each individual who received an FSA payment in a discrimination claim settlement. See Exhibit 2.

Continued on the next page

Notice FI-2407

2 SLKCFO Action (Continued)

M

Default Charges and Credits

Loans dated before July 1, 1973, are subject to default charges. If a loan subject to these charges is delinquent on January 1, 2000, and remains delinquent on April 1, 2000, it will be analyzed to determine whether default charges should be established. A printout of the online history screen reflecting the 3C and 1R transactions, along with the AI status screen accrued as of the effective date of the 3C/1R transaction, may be used for documentation. If a final payment is to be collected on a loan of this type between April 1, 2000, and the date the default is processed to the account, contact the appropriate loan servicing team in SLKCFO to determine the unpaid loan balances.

N

Corrections

Corrections to initial calendar yearend IRS reporting will be issued quarterly in year 2000. Accounting activity not included on calendar yearend IRS reporting, because of cutoff dates, will be reflected on first quarter correction forms.

Note: There is no correction process for FmHA 1951-9s.

FmHA 1951-9

A**Introduction**

SLKCFO will prepare FmHA 1951-9 for calendar year 1999. FmHA 1951-9s are produced in the following 2 segments:

- borrower
- Servicing Office.

Both segments have 2 copies. The segments are distributed as follows.

- Two white copies of FmHA 1951-9 are printed for the borrower segment. One white copy is sent directly to the borrower, and the other white copy is sent to the Servicing Office, for filing in the borrower's folder.
- One white and 1 green copy of FmHA 1951-9 are printed for the Servicing Office segment. The Servicing Office segment contains FmHA 1951-9 for borrowers with the special conditions in subparagraph C. Both copies are sent to the Servicing Office for review and distribution of the white copy to the borrower, when appropriate. The green copy shall be filed in the borrower's folder.

Note: Any borrower FmHA 1951-9 that is returned to SLKCFO as undeliverable will be mailed to the Servicing Office or State Office for address correction and distribution to the borrower.

Continued on the next page

FmHA 1951-9 (Continued)

B

Explanation of FmHA 1951-9 Items

The following table provides an explanation of selected items on FmHA 1951-9, assuming the normal calendar yearend processing dates are used. Refer to subparagraph 2 C, if applicable.

Item	Explanation
Total Loan Payments	Total cash payments applied to interest and principal for each FLP loan during calendar year 1999. This amount does not include noncash applications or payments for 1999 processed after January 8, 2000.
Total Paid on All Loans This Year	Total cash payments applied to interest and principal for all FLP loans during calendar year 1999. This amount does not include noncash applications or payments for 1999 processed after January 8, 2000.
Loan Activity	Total loan activity processed during calendar year 1999.
Loan Balance	<p>Unpaid interest and principal balances as of December 31, 1999.</p> <p>Unpaid interest includes:</p> <ul style="list-style-type: none"> • unpaid interest on advances • noncapitalized interest • deferred interest • deferred noncapitalized interest • installment set-aside interest. <p>Unpaid principal includes any balance due on advances by FSA, as well as any installment set-aside principal, and 1 percent insurance charge, if applicable.</p>
Minimum Amount Due	The loan's payment status plus the next scheduled installment amount.
Due Date	The date of the next installment due.
Payment Status	The amount the loan is ahead or behind schedule as of December 31, 1999.
Interest Paid	This field is highlighted on the form and is the amount of cash payments applied for prior years and 1999. The amount may be negative for certain loans that have payments reversed from the account.
Taxes Paid	This includes all taxes paid by FSA and charged to the borrower's account.

Continued on the next page

FmHA 1951-9 (Continued)

B
Explanation of
FmHA 1951-9
Items
(Continued)

Item	Explanation
Borrower Activity	The total activity for all loans.
Borrower Balance	This is total unpaid interest and principal balances for all loans as of December 31, 1999.
Mortgage Interest (1098 Section)	<p>The mortgage interest paid amount, reported to IRS on IRS 1098, will be provided to all individual-type borrowers for each loan secured by real estate that had interest payments applied to the account during the calendar year. The interest paid amount only reflects payments applied to the account with 1999 dates of credit. The "Refund of Overpaid Interest" field reflects a refund or credit of a prior year's overpayment of interest, the amount of interest reported in a prior year or years that was reversed off the account during calendar year 1999.</p> <p>Any transactions processed after the calendar yearend processing date, which affect the 1999 interest amount, could result in a corrected IRS 1098. Changes to the amount or amounts previously reported for calendar year 1998 and 1997 may also result in a correction. The quarterly corrected IRS 1098 may require the borrower to file an amended tax return. If borrowers request assistance for filing their tax returns, advise them to contact a tax consultant.</p>

Note: Cash advances dated January 2000 may appear on FmHA 1951-9 because of the multiple advance features of the loan disbursement system.

Continued on the next page

FmHA 1951-9 (Continued)

C**Reviewing
FmHA 1951-9**

After receiving the green and white copy of FmHA 1951-9, the Servicing Office shall review FmHA 1951-9's that reflect the following conditions:

- write-offs
- acquired property
- judgment
- foreclosure action pending
- court action pending
- bankruptcy action pending
- subject to approved adjustment
- collection only
- under 1951-S servicing (1951-S) special disaster installment set-aside (1951-T)
- no address available on our files.

Note: Mail the white copy of FmHA 1951-9 to the borrower, if appropriate, after reviewing each case.

IRS Forms

A
Explanation of
IRS Forms

Servicing Offices will receive lists, for the year ending December 31, 1999, of FLP borrowers reported on IRS 1099-A, IRS 1099-C, IRS 1099-G, and copies of IRS 1099-INT and IRS 1099-MISC

Note: SLKCFO shall report this information to IRS and to the borrower.

IRS Form	Explanation
1099-A	<p>Will be provided to IRS for FLP borrowers:</p> <ul style="list-style-type: none"> • whose secured property was acquired as a full or partial satisfaction of their debt during calendar year 1999 • reported on FmHA 1992-6 during calendar year 1999. <p>Servicing Offices will receive a list identifying each borrower and the unpaid principal and market value reported to IRS.</p>
1099-C	<p>Will be provided for each loan that had a discharged debt through a writeoff, shared appreciation write-down, net recovery buyout, or writeoff of a lease account during calendar year 1999. Writeoffs processed with a class of writeoff code of 5 (chargeoff - borrower not released from liability) are not reported to IRS. The total amount of debt canceled with an effective date in 1999 will be reported on IRS 1099-C. The amount includes:</p> <ul style="list-style-type: none"> • principal discharged from the note and advance • interest discharged from the note and advance • noncapitalized interest • deferred interest • deferred noncapitalized interest. <p>Servicing Offices will receive Field Office lists of IRS 1099-C for reporting year 1999, which identifies each borrower and the amount of discharged debt reported to IRS.</p>
1099-G	<p>Will be provided to all recipients of grant funds during calendar year 1999. Grant disbursements with 1999 check dates will be reported. Servicing Offices will receive a list that identifies each grant recipient and the disbursed amount reported to IRS.</p>
1099-INT	<p>Will be provided to IRS for FLP borrowers that received interest income on refunds made under Internal Administrative Offset. A copy will be mailed to the borrower and the local Servicing Office. To receive IRS 1099-INT, a borrower must have a type of applicant code (APCD on the ADPS MI status screen) of 1 (Individual) or 2 (Partnership), and interest paid of \$10.01 or more.</p>
1099-MISC	<p>Will be provided to IRS for individuals who received payments from FSA for a nonclass action, civil rights settlement. A copy will be mailed to the individual and the local Servicing Office.</p>

Continued on the next page

IRS Forms (Continued)

B**Corrections**

All activity processed after the calendar yearend processing date, which affects amounts initially reported to IRS, could result in the generation of corrected IRS 1098, IRS 1099-A, IRS 1099-C, or IRS 1099-G. The corrected IRS form may require the borrower to file an amended tax return. If borrowers request assistance in filing their return, advise them to contact a tax consultant.

Y2K Procedures for Calendar Yearend 1999

A**Introduction**

The Y2K Contingency Plan was developed to ensure the continuity in program service during the transition from year 1999 to year 2000. In support of the Y2K Contingency Plan, this exhibit provides information about the:

- information hotline
- Field Office action
- processing of critical loan obligations
- processing of critical check requests.

Critical obligations and check requests are the only transactions that will be processed manually. All other servicing actions will be suspended until Field Offices are informed that systems are operational.

B**Y2K Information Line**

In the unlikely event that problems are encountered with the automated systems in January 2000, a dedicated telephone line for updating Field Offices on the status of the computer systems has been established. **Field Offices may call 314-539-6294 to determine the status of the automated systems 24 hours a day.**

The message on the information line will inform the Field Office of the following:

- the automated systems that are correctly operating
- the automated systems that are having problems
- the anticipated time for correcting the system problem
- when manual procedures for obligations and check requests are to be implemented.

Note: No manual procedures are to be implemented until the message on the information line instructs the Field Office to do so. The instructions for manual processes are in subparagraph E.

If the message indicates the automated systems are operating normally. Field Offices are encountering problems, Field Offices need to follow the normal operating procedures for reporting problems.

Continued on the next page

Y2K Procedures for Calendar Yearend 1999 (Continued)

C

**Field Office
Action Before
January 1, 2000**

Field Offices should encourage borrowers to make payments early in December 1999. To ensure that a payment will be reflected on the 1999 annual statement, payments must be entered into System 36, Cash Receipts Application, no later than December 23, 1999, and be updated to the borrower's account no later than December 28, 1999.

D

**Field Office
Actions After
January 1, 2000**

After January 1, 2000, Field Offices shall review all information received through the terminal and paper reports to ensure that no data corruption has been encountered and automated systems are functioning normally. Although the automated systems are operating, undetected problems may have occurred. Field Office input is critical in detecting errors. If any suspicious or missing data is identified, follow the normal operating procedures for reporting problems.

E

**Manual
Procedures for
Y2K System
Problems**

No manual procedures are to be implemented unless the message on the Y2K Information Line instructs system users that they may do so. The only transaction that may be processed manually are obligations, deobligations, disbursements, and disbursement cancellations.

Even though permission may be obtained to submit the transaction manually, use the following manual procedures on an as-needed basis since staffing levels are limited.

Manual Function	Procedure
Requests for Obligations and Deobligation	<p>Field Offices shall FAX or mail the appropriate, properly completed, and signed loan and/or grant obligation/deobligation request forms to Financial Control Branch (FCB). Each form should include the name, telephone number, FAX number, and e-mail address of a point of contact for FCB reference purposes.</p> <p>FCB will FAX or e-mail confirmation notices to requesters about obligations funded or deobligated manually. Do not assume an obligation has been funded unless the requesting office has received written confirmation from FCB.</p> <p>Note: Field Offices will not be able to inquire on the status of each obligation or deobligation request.</p>

Continued on the next page

Y2K Procedures for Calendar Yearend 1999 (Continued)

E
Manual
Procedures for
Y2K System
Problems
(Continued)

Manual Function	Procedure
Requests for Disbursements	<p>Disbursement requests must be made through State Offices. State Offices shall determine the urgency and priority of the request and should FAX or mail the request to FCB. The request must be received by FCB no later than 12:30 p.m. c.t. The request must include:</p> <ul style="list-style-type: none"> • borrower name • case number • amount of loan • type of assistance • undisbursed balance • check request amount • payee name • bank routing number • payee bank account number • name and telephone number of the person sending the request
Request for Disbursement Cancellation	<p>Follow the normal procedures to return monies. Mail or fax a copy of FmHA 1940-10 to FCB.</p> <p>Note: FAX to 314-539-6910 or mail to Mail Code: FC-521.</p>

F
SLKCFO
Responsibility

If manual procedures are used, FCB will track the action requests using a stand-alone PC application. These transactions will be entered into the automated system by FCB before normal automated processing can occur. This will be coordinated by FCB with the Computer Resources Branch.

G
Manual
Procedure
Contacts

If there are any questions about manual procedures, Field Offices shall contact:

- Liz Johnston, primary contact, at 314-539-2478
- Greg Thebeau, alternate contact, at 314-539-6944.
