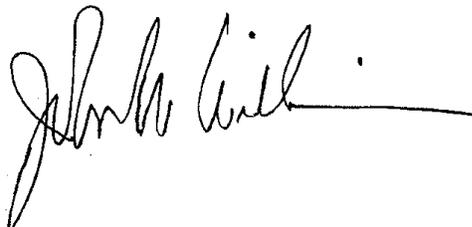


For: KCFO and State and County Offices

**2000 Calendar Yearend Processing Reminder
Concerning Farm Loan Program (FLP) Payment Activity**

Approved by: Deputy Administrator, Management



1 Overview

A

Purpose

This notice provides:

- critical dates concerning yearend processing of FLP payment activity
- 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 the St. Louis Finance Office, Loan Operations Division, Reporting Branch, at 314-539-2494.

<p>Disposal Date</p> <p>December 1, 2001</p>	<p>Distribution</p> <p>KCFO and State Offices; State Offices relay to County Offices</p>
---	---

Notice FI-2464

2 St. Louis Finance Office/Field Office Actions

A

Suspending Transactions

As of **close of business, December 27, 2000**, 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.

The St. Louis Finance Office will resume processing these transactions effective **January 10, 2001**. Look for daily screen messages on ADPS.

B

Preparing FmHA 1951-9 and IRS Forms

By **January 31, 2001**, the St. Louis Finance Office 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-2464

2 St. Louis Finance Office/Field Office Actions (Continued)

C

**FLP Collections
Entered on
System 36**

By **December 29, 2000**, State and County Offices that all now use the System 36, Cash Receipts Application, shall transmit all FLP payments recorded with December 2000 dates of credit to the St. Louis Finance Office. These payments are scheduled to be included on FmHA 1951-9 for calendar year 2000.

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

D

**Maturing of
Accounts**

The maturing of the January 1, 2001, installments for annual payment borrowers is scheduled for January 19, 2001. 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.

E

**Availability of
Terminals**

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

Date	Transaction
January 2 through January 5, 2001 (6 a.m. to 6 p.m. c.t), January 6, 2001 (6 a.m. - noon c.t.) January 8, 2001 (6 a.m. - noon c.t.)	Provides additional time for initial transaction entry and discrepancy correction before preparing the annual statements.
January 10, 2001	No update to Program Loan Accounting System (PLAS) is scheduled for the evening of January 9, 2001. Transactions recorded through the terminals on January 9 will be scheduled for update on the evening of January 10, 2001.

Continued on the next page

Notice FI-2464

2 St. Louis Finance Office/Field Office Actions (Continued)

F

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 the St. Louis Finance Office shall receive the other copy no later than **January 3, 2001**. The St. Louis Finance Office copy is used to create the tape that reports IRS 1099-A data to IRS in February 2001. 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, 2001, IRS 1099-A will be mailed to FLP borrowers whose secured property was acquired during calendar year 2000. See Exhibit 2.

G

Debt Cancellation

By January 31, 2001, IRS 1099-C will be mailed to applicable FLP borrowers. See Exhibit 2.

H

Grants

For tax year 2000, all grant recipients will receive IRS 1099-G. By January 31, 2001, 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.

I

Interest Income

By **January 31, 2001**, the St. Louis Finance Office will 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.

J

Miscellaneous Income

By **January 31, 2001**, the St. Louis Finance Office will prepare and mail IRS 1099-MISC to each individual who received an FSA payment in a nonclass action discrimination claim settlement. See Exhibit 2.

Continued on the next page

Notice FI-2464

2 St. Louis Finance Office/Field Office Actions (Continued)

K

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, 2001, and remains delinquent on April 1, 2001, 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, 2001, and the date the default is processed to the account, contact the appropriate loan servicing team in the St. Louis Finance Office to determine the unpaid loan balances.

L

Corrections

Corrections to initial calendar yearend IRS reporting will be issued quarterly in year 2001. 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 1951-9's.

FmHA 1951-9

A**Introduction**

The St. Louis Finance Office will prepare FmHA 1951-9 for calendar year 2000. FmHA 1951-9's 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 the St. Louis Finance Office 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.

Item	Explanation
Total Loan Payments	Total cash payments applied to interest and principal for each FLP loan during calendar year 2000. This amount does not include noncash applications or payments for 2000 processed after January 8, 2001.
Total Paid on All Loans This Year	Total cash payments applied to interest and principal for all FLP loans during calendar year 2000. This amount does not include noncash applications or payments for 2000 processed after January 8, 2001.
Loan Activity	Total loan activity processed during calendar year 2000
Loan Balance	<p>Unpaid interest and principal balances as of December 31, 2000.</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, 2000.
Interest Paid	This field is highlighted on the form and is the amount of cash payments applied for prior years and 2000. 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, 2000.
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 2000 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 2000.</p> <p>Any transactions processed after the calendar yearend processing date, which affect the 2000 interest amount, could result in a corrected IRS 1098. Changes to the amount or amounts previously reported for calendar year 1999 and 1998 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 2001 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 for the Servicing Office Segment, 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)
- 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, 2000, 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: The St. Louis Finance Office 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 2000 • reported on FmHA 1992-6 during calendar year 2000. <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 2000. 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 2000 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 2000, 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 2000. Grant disbursements with 2000 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 who 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.
