

For: KCFO and State and County Offices

2003 Calendar Year-End Critical Information About FLP Payment Activity

Approved by: Deputy Administrator, Management



1 Overview

A Purpose

This notice provides:

- critical dates related to year-end processing of FLP payment activity
- processing information for all calendar year-end reports and statements mailed to:
 - Servicing Offices
 - all borrowers.

Note: No other information about FLP calendar year-end will be provided.

B Contact

State Offices shall direct questions about this notice to KCFO/St. Louis, Loan Operations Division, Program Reporting Branch, at 314-539-2494.

Disposal Date December 1, 2004	Distribution KCFO and State Offices; State Offices relay to County Offices
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Notice FI-2610

2 KCFO/St. Louis Action

A Suspending Transactions

As of **COB, December 30, 2003**, 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.

KCFO/St. Louis will resume processing these transactions effective January 21, 2004. Look for daily screen messages on ADPS.

B Preparing FmHA 1951-9 and IRS Forms

By **January 31, 2004**, KCFO/St. Louis will prepare and mail the following forms to:

- all FLP borrowers and Servicing Offices, according to Exhibit 1
 - FmHA 1951-9
 - 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 Payments
 - IRS 1099-INT, Interest Income
 - IRS 1099-MISC, Miscellaneous Income.

C FLP Collections Entered on the AS400/System 36

By December 31, 2003, State and County Offices that use the AS400/System 36, Cash Receipts Application, shall transmit all FLP collections recorded with dates of credit prior to January 1, 2004. These collections are scheduled to be included on FmHA 1951-9 for calendar year 2003.

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

Collection data with 2003 dates of credit, which are not processed to ADPS by the January 13, 2004, cutoff date, will be recorded on the 2004 statements.

IRS Form 1098 will reflect this collection data in the 1st quarter correction process scheduled for April 2004.

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2 KCFO/St. Louis Action (Continued)

D Availability of Terminals

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

Date	Transaction
December 31, 2003	No update to PLAS or GLS is scheduled for the evening of December 31, 2003. Transactions recorded through the terminals on December 31, 2003, will be scheduled for update on the evening of January 2, 2004.
Terminals will be available Mondays through Fridays 6 a.m. to 6 p.m. CST. Terminals will be available weekends from January 3-31, 2004, 6 a.m. to 3:00 p.m. CST.	Provides additional time for initial transaction entry and discrepancy correction before preparing the annual statements.
January 14, 2004	No update to PLAS or GLS is scheduled for the evening of January 14, 2004. Transactions recorded through the terminals on January 14, 2004, will be scheduled for update on the evening of January 15, 2004.

E Acquisitions or Abandonment

State and County Offices shall use FmHA 1992-6 as a substitute for IRS 1099-A, when they become aware of an abandonment and the acquisition will **not** be processed within 6 months. The FLP borrower receives 1 copy and KCFO/St. Louis shall receive the other copy no later than **January 8, 2004**. The KCFO/St. Louis copy is used to create the tape that reports IRS 1099-A data to the IRS in February 2004. 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, 2004**, IRS 1099-A will be mailed to FLP borrowers whose secured property was acquired during calendar year 2003. See Exhibit 2.

F Debt Cancellation

IRS 1099-C will be mailed to applicable FLP borrowers by **January 31, 2004**. See Exhibit 2.

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2 KCFO/St. Louis Action (Continued)

G Grants

For tax year 2003, all grant recipients will receive IRS 1099-G. By January 31, 2004, 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 State Office to be distributed immediately to the grant recipients. See Exhibit 2.

H Interest Income

By **January 31, 2004**, KCFO/St. Louis will manually prepare and mail IRS 1099-INT to borrowers for interest paid when program payments were offset in error under the Internal Administrative Offset Program. See Exhibit 2.

I Miscellaneous Income

By **January 31, 2004**, KCFO/St. Louis will manually prepare and mail IRS 1099-MISC to each individual who received an FSA payment in a non-class action discrimination claim settlement. See Exhibit 2.

J Default Charges and Credits

Loans dated before July 1, 1973, are subject to default charges. Loans subject to these charges that are delinquent on January 1, 2004, and remain delinquent on April 1, 2004, will be analyzed to determine whether default charges should be established. The loans are programmatically defaulted, if appropriate, in mid-April. 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, 2004, and the date the default is processed to the account, contact the appropriate loan servicing team in KCFO/St. Louis to determine the unpaid loan balances.

K Corrections to IRS Forms

Corrections to initial calendar year-end IRS reporting will be issued in the month after the end of each quarter in calendar year 2004. Accounting activity not included on calendar year-end 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. Any 2003 and previous year corrections processed to the borrowers' account after the cutoff date, will be reflected on the 2004 FmHA 1951-9.

FmHA 1951-9**A Introduction**

KCFO/St. Louis will prepare FmHA 1951-9 for calendar year 2003. 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.

- 2 white copies are printed for the borrower segment. One copy is mailed:
 - directly to the borrower
 - to the applicable Servicing Office, for filing in the borrower's folder.
- 1 white and 1 green copy are printed for the Servicing Office segment.

Note: The Servicing Office segment contains FmHA 1951-9's for borrowers with the special conditions shown in Exhibit 1, subparagraph C. Both copies are sent to the Servicing Office for review.

- **white copy is to be distributed to the borrower, if appropriate**
- green copy shall be filed in the borrower's folder.

Any borrower FmHA 1951-9 that is returned to KCFO/St. Louis as undeliverable will be mailed to the Servicing Office or State Office for address correction on ADPS and distribution to the borrower.

FmHA 1951-9 (Continued)

B Explanation of FmHA 1951-9 Items

The following table provides an explanation of selected items on FmHA1951-9.

Item	Explanation
Total Loan Payments	Total cash payments applied to interest and principal for each FLP loan during calendar year 2003. This amount does not include noncash applications or payments for 2003 processed after January 13, 2004 .
Total Paid on All Loans This Year	Total cash payments applied to interest and principal for all FLP loans during calendar year 2003. This amount does not include noncash applications or payments for 2003 processed after January 13, 2004 .
Loan Activity	Total loan activity processed during calendar year 2003.
Loan Balance	<p>Unpaid interest and principal balances as of December 31, 2003. 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, 2003.
Interest Paid	This field is highlighted on the form and is the amount of cash payments applied for prior years and 2003. 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.
Borrower Activity	The total activity for all loans.
Borrower Balance	This is the total unpaid interest and principal balance for all loans as of December 31, 2003.

FmHA 1951-9 (Continued)

B Explanation of FmHA 1951-9 Items (Continued)

<p>Mortgage Interest (1098 Section)</p>	<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 2003 dates of credit.</p> <p>Any transactions processed after the calendar year-end processing date, which affect the 2003 interest amount, could result in a corrected IRS 1098. Changes to the amount or amounts previously reported for calendar year 2002 and 2001 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>
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Note: Cash advances dated January 2004 may appear on FmHA 1951-9 because of the multiple advance features of the loan disbursement system.

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:

- currently not collectible
- write-offs
- acquired property
- judgment
- foreclosure action pending
- court action pending
- bankruptcy action pending
- subject to approved adjustment
- collection only
- no address available in KCFO/St. Louis files.

Note: Mail the white copy of FmHA 1951-9 from the Servicing Office segment 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, 2003, 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: KCFO/St. Louis shall report this information to IRS and to the borrower.

IRS Form	Explanation
1099-A	<p>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 2003 • reported on RD 1992-6 during calendar year 2003. <p>Servicing Offices will receive a list identifying each borrower and the unpaid principal and market value reported to IRS.</p>
1099-C	<p>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 2003. Writeoffs processed with a class write-off code of 5, “currently not collectible (CNC) - borrower not released from liability”, and equity receivable writeoffs are not reported to IRS. The total amount of debt canceled with an effective date in 2003 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 a list that identifies each borrower and the amount of discharged debt reported to IRS.</p>
1099-G	<p>Provided to all recipients of grant funds during calendar year 2003. Grant disbursements with 2003 check dates will be reported. Servicing Offices will receive a list that identifies each grant recipient and the disbursed amount reported to IRS.</p>

IRS Forms (Continued)

A Explanation of IRS Forms (Continued)

IRS Form	Explanation
1099-INT	Provided to IRS for FLP borrowers who received interest income on refunds made under Internal Administrative Offset. Copy will be mailed to the borrower and the local Servicing Office. To receive IRS 1099-INT, 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.
1099-MISC	Provided to IRS for individuals who received payments from FSA for a non-class action, discrimination claim settlement. Copy will be mailed to the individual and the local Servicing Office.

B Corrections

All activity processed after January 13, 2004, 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.