

For: State and County Offices

**Automatic Printing of First Demand Letter
Generated in the Common Receivable System (CRS)**

Approved by: Deputy Administrator, Management



1 Overview

A Background

The Debt Collection Improvement Act of 1996 requires timely and efficient collection of debts owed to the Federal Government. FSA policy states a debtor shall be sent a First Demand Letter for farm program debts that are still unpaid 31 calendar days after the Initial Notification Letter was sent. Currently, the CRS "Prepare a First Demand Letter" function allows the user to select eligible receivables and generate First Demand Letters.

To ensure the timely generation of First Demand Letters, the "Print First Demand Letter" option will be invoked automatically during SCOAP start-of-day processing. The software will be included in County Release No. 561, which should be available in County Offices on or about April 18, 2005.

The First Demand Letter has also been revised to include new text.

B Purpose

This notice:

- advises field offices that First Demand Letters will be automatically printed during start-of-day processing on Wednesdays
- provides instructions for handling the First Demand Letters
- includes an example of the revised First Demand Letter (Exhibit 1).

Disposal Date	Distribution
May 1, 2006	All FSA Offices; State Offices relay to County Offices

Notice FI-2685

1 Overview (Continued)

C Contact

If there are questions about this notice, State Offices shall contact the appropriate office as follows.

Issue	Contact
Software-related problems	National Help Desk at 800-255-2434 or 816-926-1552.
Policies and procedures in this notice	For policy questions, Barbara Nowell by: <ul style="list-style-type: none">• e-mail at Barbara_Nowell@wdc.usda.gov• telephone at 703-305-1433. For procedure questions, Robin Crouthamel by: <ul style="list-style-type: none">• e-mail at Robin.Crouthamel@kcc.usda.gov• telephone at 816-926-1613.

2 Action

A Automatic Printing and Mailing of First Demand Letters

Receivables are eligible for a First Demand Letter 31 calendar days after the date of the Initial Notification Letter unless the producer appeals the debt or the debt is involved in bankruptcy or litigation. First Demand Letters will automatically be printed during Wednesday start-of-day processing.

Note: First Demand Letters for 03DCP (basis reason code 10 320) receivables will not be generated and printed automatically until October 2005.

If the user does not want to wait for the automatic generation and printing during Wednesday's start-of-day processing, the user may generate and print a First Demand Letter for an eligible receivable using the menu option.

After the First Demand Letters are printed, review the generated letters and verify the validity of the receivables before mailing the letters.

Important: If there are any problems with the start-of-day First Demand Letter process, it is imperative that the user contact the National Help Desk immediately. Files containing the current demand letter data will only be available until the following Wednesday start-of-day when the next demand letter process is executed.

2 Action (Continued)

B Invalid Receivables

If the receivable is invalid, (the receivable is incorrect or was established in error), and a First Demand Letter should not be sent to the debtor, the County Office shall:

- take immediate corrective action to resolve the invalid receivable
- see 67-FI, Part 11, or contact the Help Desk for help to resolve the invalid receivable.

Note: Upcoming CRS software will invoke the "Transfer to Claims" process to automatically transfer a receivable to claim status 31 calendar days after the First Demand Letter is generated. To avoid transferring invalid receivables to claim status and subsequently being referred to Treasury in error, corrective action must be taken promptly.

C Receivables and Claims in Appeal, Bankruptcy, or Litigation

If the debt is in appeal, the First Demand Letter should not be sent unless the outcome of the first level of appeal is decided in favor of FSA. A manual First Demand Letter should then be sent. However, since there is not an indicator in CRS to identify receivables that are in appeal, a letter will print. Offices shall:

- **not** mail the letter
- mark the letter "NOT SENT" and file it in the Claim Document File.

Receivables should be transferred to ACS 31 calendar days after the First Demand Letter is generated, even if it was not mailed. If the debt is in appeal, use the "Refer a Claim" option to flag the claim as in appeal status. This will prevent the debt from being referred to Treasury before a decision is made on the appeal.

If the decision at the first level of appeal indicates the producer owes the debt, send a manual First Demand Letter to the debtor.

- If the debt is in **CRS**, issue a manual First Demand Letter and use the "Record a Manual First Demand Letter" option to correct the First Demand Letter date.
- If the debt is in **ACS**, use the "Refer a Claim" option to refer the claim back to the local office. Issue a manual First Demand Letter and use the "Adjust a Claim" option to change the interest start date to the date of the manual First Demand Letter. In addition, use the "Adjust a Claim" option to change the First Demand Letter date to the actual letter date.

Notice FI-2685

2 Action (Continued)

C Receivables and Claims in Appeal, Bankruptcy, or Litigation (Continued)

A First Demand Letter will not be generated and printed for a debt with a bankruptcy flag in the producer name and address file. A report will print with the demand letters listing bankrupt producers who will not receive a First Demand Letter. Continue to review the status of the receivable/claim. Send a manual First Demand Letter if the bankruptcy is dismissed.

If the debt is involved in litigation, consult with OGC before sending the First Demand Letter.

Example of Revised First Demand Letter

The following is an example of the revised First Demand Letter.

Customer Name
Customer Address

Dear Customer Name:

By letter dated (1) _____, we notified you that a determination had been made that you owe (2) _____, plus interest, as applicable. See attached Statement of Outstanding Debt. The debt is past due. Late payment interest will accrue on your debt at the rate of (3) ___% per annum from the date of this letter until the debt is paid or otherwise resolved. FSA/CCC will waive late payment interest on your debt (or any part of your debt) that is paid in the next 30 days. If payment in full is not made within 90 days of the date of this letter, an additional 3 percent interest will be assessed on the unpaid balance of the debt retroactively from the date of this letter.

If you are unable to pay the debt in full now, you may qualify for a mutually acceptable installment agreement. If payment in full or settlement arrangements are not made within 60 days from the date of this letter, the debt will be referred to the Department of Treasury. The Department of Treasury will offset all eligible Federal payments due you, including tax refunds and social security payments. If the debt is not resolved, you may be ineligible for additional Federal financial assistance in the form of a loan, loan guarantee, or loan insurance.

Because this debt may be collected by offset of your federal income tax refunds, you may present, within 60 days from the date of this letter, evidence that all or part of the debt is not past due or legally enforceable. To do so, please submit to this office a written explanation of your position that the debt or part of the debt is not past due or legally enforceable, and include documentation to support your position.

Under Federal law and regulations, the following additional actions may be taken by USDA and the Department of Treasury to collect delinquent debts:

- assessment of interest, administrative costs, and penalties
- administrative garnishment of wages
- offset of CCC and FSA payments
- reporting the debt to credit reporting agencies
- referral of the debt to private collection agencies and Treasury-designated collection centers
- referral of the debt to agency counsel or the Department of Justice for litigation
- reporting of the debt to the Internal Revenue Service if the debt, or any part of the debt, is discharged.

If you recently filed bankruptcy, notify this office at once, in writing. Provide proof of the bankruptcy filing. The debt will then be resolved according to bankruptcy law.

Please pay your debt now. Make your check payable to "USDA" and send it to this office at the above address. If you remit a check as payment, it may be converted to an Electronic Funds Transfer (EFT) from your account. The check will be voided and destroyed within 14 days of receipt. For additional information, please visit the Farm Service Agency's web site at <http://www.fsa.usda.gov/pas/pcnotice.htm>.

Please contact this office at (4) _____ if you have any questions. We want to work with you to resolve this debt and to discuss repayment options, if necessary. If this debt is not resolved within 60 days from the date of this letter, the Kansas City Finance Office will take additional collection action.

Please disregard this letter if you have already paid this debt.

Sincerely,

Attachment