

For: State and County Offices

Quarterly Screening Process for the Farm Loan Programs (FLP) Treasury Offset Program (TOP)

Approved by: Deputy Administrator, Management



1 Overview

A Background

The Debt Collection Act, as amended by the Debt Collection Improvement Act of 1996, requires that delinquent debtors be referred to TOP for administrative offset of Federal government payments. This notice covers the 2-step process required to certify FSA **direct** FLP delinquent borrower/co-borrower debts to Treasury for offset on an ongoing, quarterly basis.

B Purpose

This notice provides:

- guidance on the TOP offset process
- guidance on determining eligibility for referring debts for borrowers/co-borrowers to Treasury for TOP offset
- instructions for deleting:
 - borrowers/co-borrowers on the TOP offset update screens
 - co-borrowers in Management of Agricultural Credit (MAC)
- guidance for refunding co-borrower offsets.

Disposal Date

July 1, 2006
8-3-05

Distribution

State Offices; State Offices relay to County Offices

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1 Overview (Continued)

C Contacts

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact:
 - Loan Servicing and Property Management Division at 202-720-1653 for FLP procedures
 - Loan Operations Division (LOD), Program Reporting Branch (PRB) at 314-539-2494 for TOP quarterly process.

2 TOP Screens and Process

A TOP Screen Format

The Borrowers Eligible for TOP Offset Screen and the Borrowers Eligible for TOP Offset/Certified Screen now accommodate co-borrower information.

- The “ST CTY TIN” field is the primary borrower’s case number.
- The “TIN” field will reflect the tax identification number (TIN) for the primary borrower or co-borrower.
- The “CO” field will reflect a co-borrower’s permanent alphabet letter (A-Z) or number (1-9) as a unique identifier. Co-borrower information is being picked up from MAC and Service Center Information Management System (SCIMS). It is critical that all co-borrowers’ names, addresses, and TIN’s be updated in MAC and SCIMS on an ongoing basis.
- In the “Case Number” line, under the “NAME” column:
 - the borrower’s name will be displayed if there are no co-borrowers selected or if both borrower and co-borrower are selected
 - the co-borrower’s name will be displayed if only the co-borrower is selected.
- For each co-borrower loan selected, the co-borrower’s name will be displayed between TIN and the loan number.
- The “FLG” field is on both screens located above “DELETE DATE”.
 - “S” will display if the account has an SAA flag.
 - “F” will display if the account has an FAP flag.

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2 TOP Screens and Process (Continued)

B Debtors Reflected on Borrowers Eligible for Top Offset Screens

The weekly RC 540 and its parts will be used on an ongoing basis to select and update delinquent loans eligible for offset. The selection process is usually run the last week of the quarter. See Exhibit 1 for the schedule of when screens will be made available to State and County Offices.

The screens will reflect all delinquent loans for:

- borrowers/co-borrowers who are not at TOP and fall into 1 or more of the following categories:
 - 90 calendar days past due
 - at least \$25 delinquent
 - not flagged BAP

Note: Loans listed will include apple loans, Bureau of Reclamation loans, debts classified currently not collectible (CNC), and accounts flagged “subject to approved adjustment” (SAA).

- debtors/co-debtors who have:
 - employee defalcations
 - judgments not currently certified
 - delinquent equity receivables or loan suspensions
 - delinquent leases
 - third party judgments, both borrower and third parties (if they are in MAC as co-borrowers).

Note: Accounts flagged SAA will be selected for TOP offset review. If the loan is not eligible for TOP offset because of a bankruptcy plan, State Offices must delete the loan and can then process a BAP flag on an account with an SAA flag to prevent future TOP selection.

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2 TOP Screens and Process (Continued)

B Debtors Reflected on Borrowers Eligible for Top Offset Screens (Continued)

When a co-borrower is no longer eligible for TOP (such as individual bankruptcy, release from liability, deceased, etc.), delete the loan on the TOP screens with the appropriate code and code the co-borrower loan in MAC. There is a new co-borrower liability field in MAC titled "CO-APP-LIAB-STAT". The following codes are available:

- "1" - Released of Liability
- "2" - Deceased
- "3" - Bankruptcy Action Pending
- "4" - Bankruptcy Discharged.

This will prevent selection for TOP without removing the legitimate co-borrowers from MAC. If the co-borrower later becomes eligible for TOP, such as bankruptcy is dismissed, remove or change the code as appropriate.

Loans will be selected each quarter, even if manually deleted in a prior quarter, if the loan continues to appear delinquent on the Automated Discrepancy Processing System (ADPS) and no circumstance would generate a programmatic delete. Specific examples are ineligible judgment loans, SAA loans, loans involved in bankruptcy with no BAP flag on the account, and loans related to a settlement agreement or a problem case being worked by the Finance Office where ADPS transactions have not been processed. See Exhibits 2 and 3 for a description of the programmatic delete codes and the manual delete codes available for State Office use. New manual delete code "10" has been added to be used to delay selection of a loan when the loan is being serviced.

To accommodate selection of third party judgment loans, the third party's name, address, and TIN must be entered as a co-borrower in MAC for the judgment loan. The TOP selection process will bring in all loans, and the loans for the primary borrower and any original co-borrowers should be deleted, if appropriate. This will leave only the third party's debt in TOP.

Debtors who have requested servicing under FmHA Instruction 1951-S are eligible for offset until a settlement or repayment plan has been approved by FSA.

Debtors, whose delinquent debts are being collected through salary offset, may have the collections coming through the TOP offset collection process. Salary offset information will be provided in a future notice.

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2 TOP Screens and Process (Continued)

C TOP Certification

At the end of each quarter, the TOP screens will be taken out of service and all debts not deleted on the Borrowers Eligible for TOP Offset Screen will be certified to Treasury for offset. The Borrowers Certified for Treasury Offset Report will be mailed to State and County Offices within the first 2 weeks after certification. Borrowers/co-borrowers displayed on this report will be moved to the Borrowers Eligible for TOP Offset/Certified Screen for weekly update capability. See Exhibit 1 for a tentative timeframe for the quarterly referral process. If changes to the timeframe are needed, a message will be:

- displayed on the ADPS Message Screen
- e-mailed to the TOP coordinators in each State Office.

D TOP Weekly Update

All loans on the Borrowers Eligible for TOP Offset/Certified Screen will be available for review and manual deletion on an ongoing weekly basis. LOD/PRB and State Offices have delete capability, and local County Offices and LOD loan servicing branches have view capability. State Offices are responsible for processing all deletions. The weekly RC 540 and its parts will be used to programmatically update or delete certified borrower loan information at TOP each weekend. The screens will be taken down by 2:30 p.m. c.t. on Fridays and made available on Mondays as soon as the weekly update has been approved.

E TOP Refund Changes

Since the advent of co-borrower referrals to TOP and subsequent offsets affecting borrowers, co-borrowers, and related parties, the requirements for completing FSA-1956-22 have been modified.

A refund must now be made to the exact person who was offset. LOD/PRB will determine whether the refund will be manual or programmatic.

Note: If the account has a co-borrower displayed on ADPS and a programmatic refund is processed, both the borrower's and co-borrower's names will be reflected on the check.

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2 TOP Screens and Process (Continued)

E TOP Refund Changes (Continued)

The following information must be provided in FSA-1956-22, item 16B:

- name of the person or persons to whom the check should be made payable
- address where the check should be mailed

Note: The manual co-borrower refund can be sent directly to the co-borrower's address; however, this is discouraged because the County Office then has no confirmation the refund was received. It is critical to specify where the check must be sent.

- effective date the borrower/co-borrower was no longer eligible for offset; that is, the date of bankruptcy filing, date paid current, repayment agreement date, etc.; and specify which person was involved.

All FSA-1956-22 refund requests must be FAXed to LOD/PRB at 314-539-6266.

When completing FSA-1956-22 for a borrower/co-borrower who has a monthly offset occurring or the amount of the offset is unknown, and the offset needs to be refunded, enter the following in item 16B, "Refund all offsets after xx/xx/xx." The date specified should be the date the loan was no longer eligible for offset; that is, the bankruptcy filing date, date SED signed the settlement agreement, etc. The amount of the offset on ADPS online history is the amount of the offset taken by Treasury minus any TOP and/or salary offset fees.

3 County Office Responsibility

A Screening

On an ongoing basis, local County Offices will be provided view-only access to the TOP offset online screens. Since County Offices do not have the authority to delete loans on the TOP offset online screens, County Offices must:

- review the Borrowers Eligible for TOP Offset Screen and determine whether each debtor has a loan or loans that make the debtor eligible to receive a 60-calendar-day due process notification, or be referred to TOP for offset

Note: It is imperative that borrowers/co-borrowers on the Borrowers Eligible for TOP Offset Screen are reviewed for TOP offset letter eligibility during the last week of each quarter and the first week of the following quarter. See Exhibit 1.

- review the Borrowers Eligible for TOP Offset/Certified Screen on an ongoing basis to determine whether any loans need to be removed from TOP

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3 County Office Responsibility (Continued)

A Screening (Continued)

- review Exhibit 2 for delete codes that will be programmatically generated based on the ADPS status of the debtor's account

Note: No County Office action is needed for debtors who meet the delete code criteria in Exhibit 2.

- FAX all FSA-1956-22's and supporting documentation to the State Office if a loan needs to be recalled from cross-servicing or deleted, or a refund is needed, based on criteria in Exhibit 2 or 3
- verify the accuracy of any flags on the debtor's account and correct, if necessary
- remove ineligible co-borrowers from TOP eligibility by accessing the new co-borrower liability field in MAC named "CO-APP-LIAB-STAT", and entering the appropriate code.

B Accessing Borrower/Co-Borrower Accounts

County Offices can view borrower/co-borrower loans on the TOP offset screens according to Exhibit 4.

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

If the County Office is unable to access any borrowers/co-borrowers and the servicing official is aware that there should be debtors on the screens, contact the State Office.

4 State Office Responsibility

A Screening

On an ongoing basis, State Offices will be provided access to both of the TOP offset screens. The responsibility for deleting loans now rests with the State Office; however, the screening process is the responsibility of both the State Office and the local County Office.

FAX FSA-1956-22 to LOD/PRB at 314-539-6266 only if a refund is needed or a loan needs to be recalled from cross-servicing. If a refund is for a co-borrower, include all co-borrower information specified in subparagraph 2 E.

Delete codes can no longer be changed or removed at any time. Loans deleted in error will be picked up for screening in the next selection process. See Exhibit 1 for the deadlines for entering delete codes.

4 State Office Responsibility (Continued)

A Screening (Continued)

State Offices will enter a delete code for each loan that is ineligible, based on criteria in Exhibit 3. **Do not use codes that are not included in Exhibit 2 or 3.** Delete code information is tracked and used for congressional reporting.

Notes: No State Office action is needed for debtors who meet the delete code criteria in Exhibit 2.

If there is a suspend code on an account (“ZSPC” on the ADPS AI Screen), it will prevent a TOP borrower/co-borrower from being deleted programmatically, even if there is a fully paid code on the loan.

State Offices that transfer loans to a spouse must correct the borrower/co-borrower in MAC and the basic borrower information file, as appropriate.

Judgment loans must be carefully reviewed before determining TOP eligibility. The Department of Justice (DOJ) is responsible for referring the debt to TOP when DOJ has jurisdiction. In some cases, DOJ may request that FSA refer the debt on DOJ’s behalf.

CNC loans must be carefully reviewed before determining TOP eligibility. If any nonjudgment CNC loan is past the 10-year statute of limitations, as defined by OGC, or becomes ineligible for other reasons, input the proper delete code and notify LOD/PRB immediately by FAXing FSA-1956-22 to 314-539-6266.

CAP, FAP, and SAA flagged loans are included on the screens. The presence of 1 of these flags on the account is not a determining factor to whether a debtor should be deleted. Review the debtor file to determine eligibility, as follows:

- CAP flagged accounts should be deleted with code “03” only if legal action other than bankruptcy or foreclosure prohibits offset

Note: Loans involved in a discrimination lawsuit remain eligible for offset pending the outcome of the lawsuit, except where OGC has advised that the debt shall not be referred, but are not eligible for cross-servicing.

- FAP flagged accounts should be deleted with code “01” only if administrative offset could jeopardize litigation under the State law
- SAA flagged accounts should be deleted with code “02” only if the account is under bankruptcy protection. Accounts set up under an adjustment offer that are now delinquent are eligible for offset. Accounts set up under an adjustment offer that are on schedule should have all loans deleted from TOP.

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4 State Office Responsibility (Continued)

B Accessing Debtor/Co-Debtor Accounts

State Offices:

- will have online capability to delete loans serviced by their local County Offices
- can access the TOP offset screens as described in Exhibit 4.

C Deleting Debtors/Co-Debtors

After accessing debtors through option 1, 2, 3, or 4 on the Borrowers Selection Menu, delete a loan and any cost item related to the loan according to the following table if ineligible for offset.

Step	Action
1	<p>For options 1 and 2, input all deletion codes needed for all borrower/co-borrower loans displayed on that page of the screen before pressing “Enter”.</p> <p>Note: Borrowers and co-borrowers are not necessarily eligible for deletion for the same reason or at the same time. Discretion is advised.</p> <p>For options 3 and 4, input the applicable delete code from Exhibit 3 in the “DLT CDE” field on the line for the loan number to be deleted. If all of a borrower’s/co-borrower’s loans are to be deleted, input a delete code for each loan.</p>
2	<p>PRESS “Enter”.</p> <p>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.</p> <p>Once “Enter” has been pressed, “Borrower(s) Processed” will be displayed on the bottom left of the screen. The current date will be displayed in the “Delete Date” column in the center of the screen. To verify the deletion codes have processed, ENTER “5” to return to the Subsystem Selection Menu and PRESS “Enter” again. The deletion codes will be displayed in the loan line under the “Delete Code” column, which is left of the center on the screen.</p>
3	<p>Continue this process for all pages displayed for the requested State or County Office or for the requested debtor.</p>

Timeframe for Quarterly Referral to TOP

Process	Dates
FY 2005 4th Quarter TOP Referral	
New Selection *	June 25, 2005
Critical pre-letter screening	June 28, 2005, to July 8, 2005
Finance Office mails 60-day due process letters	July 12, 2005
Pre-certification screening	July 12, 2005, to September 16, 2005
Certification **	September 17, 2005
FY 2006 1st Quarter TOP Referral	
New Selection *	September 24, 2005
Critical pre-letter screening	September 27, 2005, to October 7, 2005
Finance Office mails 60-day due process letters	October 12, 2005
Pre-certification screening	October 12, 2005, to December 16, 2005
Certification **	December 17, 2005
FY 2006 2nd Quarter TOP Referral	
New Selection *	December 17, 2005
Critical pre-letter screening	December 20, 2005, to January 6, 2006
Finance Office mails 60-day due process letters	January 10, 2006
Pre-certification screening	January 10, 2006, to March 17, 2006
Certification **	March 18, 2006
FY 2006 3rd Quarter TOP Referral	
New Selection *	March 25, 2006
Critical pre-letter screening	March 28, 2006, to April 7, 2006
Finance Office mails 60-day due process letters	April 11, 2006
Pre-certification screening	April 11, 2006, to June 16, 2006
Certification **	June 17, 2006
FY 2006 4th Quarter TOP Referral	
New Selection *	June 24, 2006
Critical pre-letter screening	June 27, 2006, to July 7, 2006
Finance Office mails 60-day due process letters	July 11, 2006
Pre-certification screening	July 11, 2006, to September 15, 2006
Certification **	September 16, 2006

* This includes all debts that appear eligible on ADPS, even if deleted in prior quarterly process.

** Loans with no delete code are moved from the "Borrower Eligible (N)" screens to the "Certified (Y)" screens.

TOP Offset Programmatic Delete Codes

Code	Description
02	Account has a "BAP" flag or Collection Only Code = 8 (nonjudgment loans only).
13	<ul style="list-style-type: none"> • 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. • Equity receivable record is suspended or amortized.
17	Loan is current or paid in full by cash payment.
19	<ul style="list-style-type: none"> • Loan is satisfied by other than those reasons in codes "13", "17", and "38". • No address or invalid address.
38	Account has been written off with a class of write-off code other than "5".

Note: If the account status on ADPS generates a delete code, both the borrower and co-borrower loans will be programmatically deleted using the same delete code.

TOP Offset Manual Online Screen Delete Codes

Code	Description
01	Account has been referred to OGC or DOJ for foreclosure, and collection by offset would jeopardize the litigation under the State law. Note: Existence of a foreclosure action pending flag is not a determining factor. Remove any erroneous flag.
02	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. Note: Existence of a bankruptcy action pending flag and Collection Only Code = 8 (for nonjudgment loans) are used as determining factors in the programmatic screening. Remove any erroneous flag or code.
03	Legal action, other than bankruptcy or foreclosure, prohibits offset. Note: Loans involved in a discrimination lawsuit remain eligible for offset pending the outcome of the lawsuit, except where OGC has advised that the debt shall not be referred.
04	Judgment loan ineligible for TOP and cross-servicing.
07	Soldiers and sailors exemption.
09	Loan is past the 10-year statute of limitations to collect by offset.
10	Loan is being serviced. Hold for next selection.
16	Repayment plan has been approved by FSA.

Notes: Delete code “17” may be used if either of the following occurs:

- the timing of cash applications on ADPS would not generate a delete code in time, and the debtor is eligible for deletion
- the loan is paid in full, but there is a suspend code on the account (“ZSPC” on the ADPS AI Screen is greater than zero).

Note: A suspend code prevents a programmatic delete.

Generally, it is not necessary to delete a deceased borrower. However, if it is necessary, use either of the following:

- delete code “13” if the debt will be moved to a co-borrower
- delete code “38” if the debt will be debt settled.

Accessing TOP Offset Screens

County Offices can view and State Offices can modify borrower/co-borrower loans by selecting “TOPOFFST” on the Online Submenu Selection Menu. A borrower/co-borrower could have loans on both the “Y” and “N” screens, depending on the status of each loan on ADPS. However, an individual loan for either a borrower or co-borrower can only be on 1 of the screens.

From the Borrower Select Menu, use the applicable option.

Option	Authorized Users	Action
1	State Office	<p>Enter the 2-digit non-FIPS State code (former FmHA State code) in the “ENTER STATE” field.</p> <p>In the “VIEW CERTIFIED BORROWERS” field, enter either of the following:</p> <ul style="list-style-type: none"> • “Y” if the Borrowers Eligible for TOP Offset/Certified Screen is needed • “N” if the Borrowers Eligible for TOP Offset Screen is needed. <p>PRESS “Enter”. All borrower/co-borrower loans on that screen for the State will be displayed.</p>
2	State and County Offices	<p>Enter the 2-digit non-FIPS State code (former FmHA State code) in the “ENTER STATE” field.</p> <p>Enter all 5 digits of the FSA servicing office mail code in the “ENTER STATE AND COUNTY” field.</p> <p>In the “VIEW CERTIFIED BORROWERS” field, enter either of the following:</p> <ul style="list-style-type: none"> • “Y” if the Borrowers Eligible for TOP Offset/Certified Screen is needed • “N” if the Borrowers Eligible for TOP Offset Screen is needed. <p>PRESS “Enter”. All borrower/co-borrower loans on that screen for the specified county will be displayed.</p>

Accessing TOP Offset Screens (Continued)

Option	Authorized Users	Action
3	State and County Offices	<p>Enter the entire 15-digit case number in the “ENTER CASE NUMBER” field.</p> <p>In the “VIEW CERTIFIED BORROWERS” field, enter either of the following:</p> <ul style="list-style-type: none"> • “Y” if the Borrowers Eligible for TOP Offset/Certified Screen is needed • “N” if the Borrowers Eligible for TOP Offset Screen is needed. <p>PRESS “Enter”. All loans on that screen associated with the requested case number (borrower and/or co-borrower) will be displayed.</p>
4	State and County Offices	<p>Enter the 9-digit TIN for the primary borrower.</p> <p>In the “VIEW CERTIFIED BORROWERS” field, enter either of the following:</p> <ul style="list-style-type: none"> • “Y” if the Borrowers Eligible for TOP Offset/Certified Screen is needed • “N” if the Borrowers Eligible for TOP Offset Screen is needed. <p>PRESS “Enter”. All borrower/co-borrower loans on that screen for the specified borrower TIN will be displayed.</p> <p>Note: Do not enter a co-borrower TIN because this will display a “Borrower Not Found” message. Entering the borrower TIN will display any co-borrowers entered in MAC.</p>
5	State and County Offices	<p>PRESS “Enter” to be returned to the Online Submenu Selection Menu.</p>
6 - 12	Finance Office	<p>Enter applicable code to enable or disable the TOP screens as needed.</p>