

For: State and County Offices

Quarterly Screening Process for 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 (DCIA) 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, including additions and modifications to the manual delete codes
- guidance on determining eligibility for referring debts for borrowers/co-borrowers to Treasury for TOP offset
- instructions for deleting:
 - borrower/co-borrowers on the TOP offset update screens
 - co-borrowers in Management of Agricultural Credit (MAC)
- guidance for refunding co-borrower offsets.

Disposal Date	Distribution
July 1, 2007	State Offices; State Offices relay to County Offices

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1 Overview (Continued)

C Contacts

The following table provides contacts if you have questions about this notice.

IF located in a...	THEN contact...
County Office	State Office.
State Office	<ul style="list-style-type: none">• LSPMD at 202-720-1653 for FLP procedures• Loan Operation Division (LOD), Program Reporting Branch (PRB) at 314-539-2494 for TOP quarterly process.

2 TOP Screens and Process

A TOP Screen Information

The Borrowers Eligible for TOP Offset and Borrowers Eligible for TOP Offset/Certified Screens display the following borrower and co-borrower information:

- “ST CTY TIN” field is the primary borrower’s case number
- “TIN” field is the tax identification number (TIN) for the primary borrower or co-borrower
- “CO” field reflects a co-borrower’s permanent alphabet letter (A-Z) or number (1-9) as a unique identifier

Note: Co-borrower information is being picked up from MAC and Service Center Information Management System (SCIMS). It is critical that all co-borrower’s names, addresses, and TIN’s be updated in MAC/SCIMS on an ongoing basis.

- in the case number line, under the “Name” column the:
 - borrower’s name is displayed if there are no co-borrowers selected or if both borrower and co-borrower are selected
 - co-borrower’s name is displayed if only the co-borrower is selected.
- for each co-borrower loan selected, the co-borrower’s name is displayed between the TIN and the loan number
- the “FLG” field is on both screens located above “Delete Date”:
 - “S” is displayed if the account has an SAA flag
 - “F” is displayed 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 report 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. The screens will be made available to State and County Offices according to the schedule shown in Exhibit 1.

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
 - have “collection only code = 8 (non-judgment loans only)”

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 (TPJ's), 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 a loan is **not** eligible for TOP offset because of a bankruptcy plan, State Offices must delete the loan and then process a **BAP** flag on the account with an SAA flag to prevent future TOP selection.

2 TOP Screens and Process (Continued)

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

When a borrower/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.

Co-borrower who is deleted on the TOP screen **must** be coded in MAC. There is a 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 when a 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.

To accommodate selection of 3rd party judgment loans, the 3rd 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 3rd 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 Federal Salary Offset, may have the collections coming through the TOP offset collection process.

2 TOP Screens and Process (Continued)

C Delete Code Modifications and Additions

Because of changes in the information required by the quarterly reporting of debt collection activities on the Treasury Report on Receivables Due From the Public (TROR), the following changes are being made to the manual delete codes (see Exhibit 3):

- “03” - title is being changed to “Being handled by Agency attorney”
- “04” - title is being changed to “Type of judgment ineligible for offset”
- “05” - (new) will be used to identify judgment debts that are being serviced and/or sent to TOP by DOJ; the title will be “Being serviced by DOJ”
- “06” - (new) will be used to identify loans that are ineligible because of a temporary forbearance such as a disaster designation; the title will be “Forbearance due to disaster designation”.

Note: See subparagraph 4 A for guidance on how these codes should be used in the screening process.

D 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.

E 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. The LOD/PRB and State Offices have delete capability and County Offices and LOD Loan Servicing Branches have view capability.

State Offices are responsible for processing all delete codes. The weekly RC 540 REPORT 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.

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2 TOP Screens and Process (Continued)

F TOP Refund

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.

Refunds **must** be made to the exact persons who were offset. LOD/PRB will determine whether the refund will be manual or programmatic.

The following information **must** be provided on 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: Manual refunds can be sent directly to the borrower/co-borrower's address; however, this is discouraged because then the County Office has no confirmation the refund was received. It is critical to specify where the check must be mailed.

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

Note: All FSA-1956-22 refund requests **must** be faxed to LOD/PRB **only** at 314-539-6266.

When completing FSA-1956-22's for borrowers/co-borrowers that have monthly offsets occurring or the amount of the offsets is unknown and the offsets need to be refunded, enter the following in item 16A, "Refund all offsets after xx/xx/xx". The date specified should be the date the loans were no longer eligible for offset, such as 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 Federal salary offset fees. It is **not** necessary to wait to FAX the FSA-1956-22 until the offset appears on ADPS.

3 County Office Responsibility

A Screening

On an ongoing basis, County Office staff (Federal and non-Federal with ADPS access), 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 Screens 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 this screen are reviewed for TOP offset letter eligibility during the last week of each quarter and the first week of the following quarter (see timeline in Exhibit 1).

- review the Borrowers Eligible For TOP Offset/Certified Screens on an ongoing basis to determine whether any loans need to be removed from TOP
- 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 deleted, recalled from cross servicing, or a refund is needed, based on criteria in Exhibits 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 co-borrower liability field in MAC named "CO-APP-LIAB-STAT", and entering the appropriate code.

Note: This action will keep co-borrowers from being selected in subsequent quarters, but will **not** programmatically delete the loan from TOP screens. Ineligible co-borrowers **must** still be deleted by the State Office in the current quarter.

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3 County Office Responsibility (Continued)

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 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 F.

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 deadlines for entering delete codes.

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** in Exhibits 2 or 3. Delete code information is tracked and used for Congressional reporting.

Note: 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. DOJ is responsible for referring the debt to TOP when DOJ has jurisdiction. Do **not** refer a judgment under DOJ jurisdiction. If the loan needs to be deleted, use delete code “05.”

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4 State Office Responsibility (Continued)

A Screening (Continued)

CNC loans must be carefully reviewed before determining TOP eligibility. If any non-judgment CNC loan is past the 10-year statute of limitations (SOL), as determined 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.

Note: Do **not** delete debtors because the SOL expires when funds are being received through TOP as Federal salary offsets. These debts can be collected in-full through salary offset provided that the salary offset was initiated before the 10-year SOL expires. FSA **cannot** enforce collection through other offsets, such as income tax returns, once the 10-year SOL expires.

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 as 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 the debt is being handled by an agency attorney

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.

Note: 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 using delete code “17”.

B Accessing Debtor/Co-debtor Accounts

State Offices:

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

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4 State Office Responsibility (Continued)

C Deleting Debtors/Co-Debtors

After accessing debtors through Borrowers Selection Menu, option 1, 2, 3, or 4, 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 delete codes needed for all borrower/co-borrower loans displayed on that page of the screen, then PRESS “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: User must PRESS “Enter” for each page if a delete code has been entered. If user presses “PF8” or “PF7” without pressing “Enter” 1st, the delete code will not be processed.</p> <p>After user presses “Enter”, “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 delete codes have processed, ENTER “5” to return to Subsystem Selection Menu, PRESS “Enter” again. The deletion codes will be displayed in the loan line under the “Delete Code” column that 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

The following table provides the TOP quarterly referral timeframe.

Process	Dates
FY 2006 4th Quarter TOP Referral	
New selection.*	June 24, 2006
Critical pre-letter screening.	June 27, 2006 to July 7, 2006
FO mails 60-calendar-day due process letters.	July 11, 2006
Pre-certification screening.	July 11, 2006 to September 15, 2006
Certification.**	September 16, 2006
FY 2007 1st Quarter TOP Referral	
New selection.*	September 23, 2006
Critical pre-letter screening.	September 26, 2006 to October 6, 2006
FO mails 60-calendar-day due process letters.	October 10, 2006
Pre-certification screening.	October 10, 2006 to December 15, 2006
Certification.**	December 16, 2006
FY 2007 2nd Quarter TOP Referral	
New selection.*	December 16, 2006
Critical pre-letter screening.	December 19, 2006 to January 5, 2007
FO mails 60-calendar-day due process letters.	January 9, 2007
Pre-certification screening.	January 9, 2007 to March 16, 2007
Certification.**	March 17, 2007
FY 2007 3rd Quarter TOP Referral	
New selection.*	March 24, 2007
Critical pre-letter screening.	March 27, 2007 to April 6, 2007
FO mails 60-calendar-day due process letters.	April 10, 2007
Pre-certification screening.	April 10, 2007 to June 15, 2007
Certification.**	June 16, 2007
FY 2007 4th Quarter TOP Referral	
New selection.*	June 23, 2007
Critical pre-letter screening.	June 26, 2007 to July 6, 2007
FO mails 60-calendar-day due process letters.	July 10, 2007
Pre-certification screening.	July 10, 2007 to September 14, 2007
Certification.**	September 15, 2007

* 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) Screen to the Certified (Y) Screen.

TOP Offset Programmatic Delete Codes

The following table provides TOP offset program delete codes.

Code	Description
02	Account has a "BAP" flag or Collection Only Code = 8 (non-judgment 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 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. • Suspension loan amortized.
38	Account has been written off with a class of CWC 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

The following table provides TOP offset manual delete codes.

Code	Description
01	Account has been referred to OGC or DOJ for foreclosure and collection by offset would jeopardize the litigation under State law. Note: Existence of a “foreclosure action pending” flag is not a determining factor. Remove any erroneous flags.
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 non-judgment loans) are used as determining factors in the programmatic screening. Remove any erroneous flags or codes.
03	Being handled by agency attorney. Note: Loans involved in a discrimination lawsuit remain eligible for offset pending the outcome of the lawsuit.
04	Type of judgment ineligible for offset.
05	Being serviced by DOJ.
06	Forbearance because of disaster designation.
07	Soldiers and sailors exemption.
09	Loan is past the 10-year SOL to collect by offset.
10	Loan is being corrected. Hold for next selection.
16	Repayment plan has been approved by FSA.

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

- 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).

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. On the Online Submenu Selection Menu, CLICK “TOPOFFST” to view/modify borrower/co-borrower loans. 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 from the following table.

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

Accessing TOP Offset Screens (Continued)

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