

For: FSC and State and County Offices

2007 Calendar Yearend Critical Information About FLP Direct and Guaranteed Activity

Approved by: Acting Associate Administrator for Operations and Management



1 Overview

A Purpose

This notice provides the following:

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

Note: No other information about FLP calendar yearend will be provided.

B Contact

State Offices shall direct questions about this notice to the Financial Services Center (FSC), Farm Loan Operations Office (FLOO) (St. Louis), Program Reporting Group (PRG) at 314-539-2494.

Disposal Date	Distribution
December 1, 2008	FSC and State Offices; State Offices relay to County Offices

Notice FI-2822

2 FSC, FLOO Action

A Suspending Transactions

As of **COB, December 26, 2007**, the ability to process the following transactions on the Automated Discrepancy Processing System (ADPS) for direct and guaranteed loans 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
- TC K4, Equity Agreement Matured.

FSC, FLOO will resume processing these transactions effective **January 10, 2008**. Look for daily screen messages on ADPS.

B Preparing FSA-2065 and IRS Forms

The Annual Statement of Loan Account form number has been changed from RD 1951-9 to FSA-2065, effective December 31, 2007.

By January 31, 2008, FSC, FLOO will prepare and mail the following forms to:

- all FLP borrowers and Servicing Offices, according to Exhibit 1:
 - FSA-2065, 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 Payments
 - IRS-1099-INT, Interest Income
 - IRS-1099-MISC, Miscellaneous Income.

According to National Office request, the USDA FSA Automated System Telephone Number (1-888-518-4983) has been placed on FSA-2065, as well as all IRS forms. This telephone number replaces PRG's direct telephone number.

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2 FSC, FLOO Action (Continued)

C FLP Collections Entered on the AS400/System 36

By December 31, 2007, State and County Offices that use the AS400/System 36, Cash Receipts Application, shall transmit all FLP payments recorded with dates of credit **before** January 1, 2008. **These payments are scheduled to be included on FSA-2065 for calendar year 2007 if processed to the borrower's account by January 8, 2008.**

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

Payment data with 2007 dates of credit, which are not processed to ADPS by the January 8, 2008, cutoff date, will be recorded on the 2008 statements. IRS-1098 will reflect this payment data in the first quarter correction process scheduled for April 2008. Corrected FSA-2065's are not issued.

D Availability of ADPS Terminals

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

Date	Transaction
Terminals will be available December 31, 2007, 6 a.m. to 2 p.m. c.s.t.	Provides additional time for initial transaction entry and discrepancy correction before preparing the annual statements.
Terminals will be available Monday through Friday, 6 a.m. to 6 p.m. c.s.t., including the cutoff day.	
Terminals will be available January 8, 2008, 6 a.m. to 6 p.m. c.s.t.	
Wednesday, January 9, 2008	No update to the Program Loan Accounting System (PLAS) or Guaranteed Loan System is scheduled for the evening of January 9, 2008. Transactions recorded through the ADPS terminals after January 8, 2008, will be scheduled for update on the evening of January 10, 2008.

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2 FSC, FLOO Action (Continued)

E Acquisitions or Abandonments

State and County Offices shall use FSA-2585 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 FSC, FLOO shall receive the other copy no later than **January 3, 2008**. The information on the FSC, FLOO copy is data converted and merged with the IRS-1099-A acquisition data reported to IRS in February 2008. It is critical that all spaces on FSA-2585 be completed. All incomplete forms will:

- **not** be included in the 2007 reporting to IRS
- be returned to the Servicing Office for correction.

By **January 31, 2008**, IRS-1099-A will be mailed to FLP direct borrowers whose secured property was acquired during calendar year 2007. See Exhibit 2.

F Debt Cancellation

By **January 31, 2008**, IRS-1099-C will be mailed to applicable FLP direct and guaranteed loan borrowers. See Exhibit 2.

G Grants

For tax year 2007, all grant recipients will receive IRS-1099-G. By January 31, 2008, 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 distribute immediately to grant recipients. See Exhibit 2.

H Interest Income

By **January 31, 2008**, FSC, FLOO will manually prepare and mail IRS-1099-INT to FLP direct and guaranteed borrowers for interest paid when program payments were offset in error under the Internal Administrative Offset Program and a refund was issued. See Exhibit 2.

I Miscellaneous Income

By **January 31, 2008**, FSC, FLOO will manually prepare and mail IRS-1099-MISC to each individual who received an FSA payment in a nonclass action discrimination claim settlement. See Exhibit 2.

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2 FSC, FLOO Action (Continued)

J 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, 2008, and remains delinquent on April 1, 2008, it 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, 2008, and the date the default is processed to the account, contact the appropriate loan servicing technician in FSC, FLOO to determine the unpaid loan balance.

K Corrections to IRS Forms

Corrections to initial calendar yearend IRS reporting will be issued in the month **after** the end of each quarter in calendar year 2008. 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 FSA-2065's. Any 2007 and previous years' corrections processed to the borrower's account after the cutoff date will be reflected on 2008 FSA-2065.

Completing FSA-2065

A Introduction

FSC, FLOO, PRG shall prepare FSA-2065 for calendar year 2007. FSA-2065'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 FSA-2065 are printed for the Borrower Segment. One white copy is mailed directly to the borrower. The other white copy is mailed to the applicable Servicing Office for filing in the borrower's folder.
- One white and 1 green copy of FSA-2065 are printed for the Servicing Office Segment. The Servicing Office Segment contains FSA-2065's for borrowers with the special conditions shown in subparagraph D. Both copies are sent to the Servicing Office for review. **The white copy is to be distributed to the borrower, if appropriate. Use a nonwindow envelope if mailing to the borrower.** The green copy shall be filed in the borrower's folder.
- Copies of statements that the Servicing Office receives for their files will be in alphabetical order for their convenience.

B PLAS Interface With the Service Center Information Management System (SCIMS)

A new process was implemented in September 2005 to programmatically update PLAS names and addresses with SCIMS names and addresses. All open loans, without suspend codes, judgments, 2004 and 2005 Currently Not Collectible (CNC) loans, and new obligations' name and address fields on PLAS were updated to reflect the names and addresses in SCIMS. PLAS names and addresses are continually being updated by SCIMS, as applicable.

SCIMS addresses are now being used for the mailing of FSA-2065's and IRS forms. Servicing Office diligence in keeping SCIMS current will help:

- ensure the timely delivery of these very important mailings to borrowers
- reduce FSA operating costs.

If a borrower calls after FSA-2065's have been mailed at the end of January 2008, stating that they have not received their annual statement, verify their address in SCIMS and update accordingly. The Servicing Office should then provide a copy of the annual statement to the borrower.

Completing FSA-2065 (Continued)

B PLAS Interface With the Service Center Information Management System (SCIMS) (Continued)

Any borrower’s copy of FSA-2065 that is returned to FSC, FLOO as undeliverable will be mailed to the Servicing Office or State Office for address correction in SCIMS and distribution to the borrower.

Additionally, because of the SCIMS to PLAS name and address conversion, co-borrower names **do not** appear on FSA-2065’s and IRS forms of the aforementioned updated loan types. However, co-borrower names may appear on statements in which the loan name and address was not updated with the SCIMS data.

C Explanation of FSA-2065 Items

The following table provides an explanation of selected items on FSA-2065.

Item	Explanation
FYLN	This Final Year of Loan (FYLN) legend appears above the Date of Loan. FYLN for advance loans and judgment loans will be the 2-digit year from the Date of Loan.
Total Loan Payments	Total cash payments applied to interest and principal for each FLP loan during calendar year 2007. This amount does not include noncash applications or payments for 2007 processed after January 8, 2008 .
Total Paid on All Loans This Year	Total cash payments applied to interest and principal for all FLP loans during calendar year 2007. This amount does not include noncash applications or payments for 2007 processed after January 8, 2008 .
Loan Activity	Total loan activity processed during calendar year 2007.
Loan Balance	<p>Unpaid interest and principal balances as of December 31, 2007.</p> <p>Unpaid interest includes the following:</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, equity record balances, and 1 percent insurance charge, if applicable.</p>

Completing FSA-2065 (Continued)

C Explanation of FSA-2065 Items (Continued)

Item	Explanation
Next Amount Due	<p>The loan’s next scheduled installment amount. “ALL DUE” will be displayed if 1 of the following occur:</p> <ul style="list-style-type: none"> • the loan is fully matured • the loan is FYLN • the Total Payoff (TPOF) is less than the next installment due amount • there is an ACL flag.
Date Due	<p>The date of the next installment due. No date will be displayed in the “Date Due” field if there is an ACL flag on the account.</p>
Payment Status	<p>If behind schedule, the amount the loan is behind schedule as of December 31, 2007. If on schedule or ahead of schedule, it will simply state “On Schedule” and no amount. If account is flagged “ACL”, no payment status will be reflected.</p>
Interest Paid	<p>This field is highlighted on FSA-2065 and is the amount of cash payments applied for prior years and 2007. The amount may be negative for certain loans that have payments reversed from the account.</p>
Taxes Paid	<p>This includes all taxes paid by FSA and charged to the borrower’s account.</p>
All Loan Activity	<p>The total activity for all loans.</p>
Borrower Balance	<p>This is the total unpaid interest and principal balance for all loans as of December 31, 2007.</p>
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 who had interest payments applied to the account during the calendar year. The interest paid amount only reflects payments applied to the account with 2007 dates of credit.</p> <p>Any transactions processed after January 8, 2008, which affect the 2007 interest amount, could result in a corrected IRS-1098. Changes to the amount or amounts previously reported for calendar year 2006 and 2005 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 2008 may appear on 2007 FSA-2065’s because of the multiple advance features of the loan disbursement system.

Completing FSA-2065 (Continued)**D Reviewing FSA-2065**

After receiving the green and white copy of FSA-2065 for the Servicing Office Segment, the Servicing Office shall review FSA-2065's that reflect the following conditions:

- CNC
- accelerated
- write-offs
- acquired property
- all judgments
- foreclosure action pending
- court action pending
- bankruptcy action pending
- subject to approved adjustment
- collection only
- no address available on the SCIMS files.

Note: Mail the white copy of FSA-2065 from the Servicing Office Segment to the borrower in a nonwindow envelope, if appropriate, after reviewing each case.

Completing IRS Forms

A Explanation of IRS Forms

Servicing Offices will receive lists, for the year ending December 31, 2007, of FLP borrowers reported on IRS-1099-A, IRS-1099-C, IRS-1099-G, and copies of IRS-1099-INT and IRS-1099-MISC, as applicable.

Note: FSC, FLOO shall also report this information to IRS and the borrower.

IRS Form	Explanation
1099-A	<p>Will be provided to IRS and the affected 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 2007 • reported on FSA-2585 during calendar year 2007. <p>Servicing Offices will receive a list identifying each borrower and the unpaid principal and market value reported to IRS and the borrower.</p>
1099-C	<p>Will be provided for each guaranteed loan loss eligible for offset and each direct loan that had a discharged debt through a write-off, shared appreciation write-down, net recovery buyout, or write-off of a lease account during calendar year 2007. Write-offs processed with a class of write-off code of 5, which are CNC (borrower not released from liability), and equity receivable write-offs are not reported to IRS. The total amount of debt canceled with an effective date in 2007 will be reported on IRS-1099-C. The amount includes the following:</p> <ul style="list-style-type: none"> • guaranteed loan loss principle and interest written off • 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 and the borrower.</p>
1099-G	<p>Will be provided to all recipients of grant funds during calendar year 2007. Grant disbursements with 2007 check dates will be reported. Servicing Offices will receive a list that identifies each grant recipient and the disbursed amount reported to IRS and the borrower.</p>

Completing IRS Forms (Continued)

A Explanation of IRS Forms (Continued)

IRS Form	Explanation
1099-INT	Will be provided to IRS for FLP direct and guaranteed loan borrowers who received interest income on refunds made under the Internal Administrative Offset Program. 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.
1099-MISC	Will be provided to IRS for individuals who received payments from FSA for a nonclass action, discrimination claim settlement. A copy will be mailed to the individual and the local Servicing Office.

B Corrections

All activity processed after January 8, 2008, 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.