

For: FSA Offices

**Approved Methods to Pay Uniform Commercial Code (UCC) Fees**

Approved by: Associate Administrator for Operations and Management



**1 Overview**

**A Background**

According to OMB Circular A-123 findings and corrective action recommendations, FMD has developed a process to:

- centralize all Farm Programs (FP) payments through the National Payment Service (NPS), including System 36 initiated payments
- eliminate CCC-184 stock from all offices.

Payments made by check will be printed and mailed by the Department of Treasury while automated clearing house payments will continue to be processed by FRB in Minneapolis, Minnesota. Payment centralization is anticipated to be completed in August 2008. When centralization is complete, CCC-184's will **no** longer be available in County Offices to pay UCC filing fees and lien searches. NPS implementation will **not** impact existing procedures for FLP.

**Note:** FMD will provide additional information for unused CCC-184 disposition in a future FI notice after centralization is complete.

The FSFL Program requires:

- UCC's to be filed on the loan collateral before loan approval
- lien searches conducted on all applicants before loan approval
- another lien search to be completed **before** loan disbursement.

The marketing assistance loan (MAL) and commodity loan programs require:

- UCC's to be filed on collateral for farm-stored loans, regardless of the loan amount
- lien searches to be conducted according to 8-LP, subparagraphs 403 A and B.

**Note:** FLP requirements for UCC filings and lien searches are addressed in FLP handbooks.

Disposal Date	Distribution
January 1, 2009	All FSA Offices; State Offices relay to County Offices

## Notice FI-2848

### 1 Overview (Continued)

#### A Background (Continued)

The methods used to pay for UCC filing fees and lien searches are based on arrangements that State and/or County Offices have made with the Secretary of State (SOS) or appropriate recording official's office according to State law.

#### B Purpose

This notice informs State and County Offices of procedures available for payment of SOS and county courthouse fees through using monthly invoicing, prepaid accounts, or contracts with third party processors.

#### C Contact

If there are questions about this notice:

- County Offices shall contact the State Office
- State Offices shall contact Jackie Pickens, FMD, at 703-305-1310.

### 2 Authorized Methods for Paying UCC Fees

#### A Selecting Method and Procedures

SED's, in consultation with the Administrative Officer, Farm Loan Chief, and the applicable State Office FP Specialist, may choose 1 of the methods and procedures in subparagraph B for implementation in all offices within their jurisdiction. SED's shall consider the following when making a selection:

- costs to FSA/CCC, as well as loan applicants and borrowers, when applicable
- timelines in recording lien instruments and obtaining searches.

#### B Methods and Procedures Available

The following 3 methods and procedures shall be used to pay for UCC filing fees and lien searches:

- prepaid account with SOS where SOS draws down the prepaid amount to pay for UCC transactions requested and authorized according to paragraph 3
- monthly invoicing by SOS where transactions are paid after the service is provided, as authorized by paragraph 4
- contract with a third party contractor where payment is made to the contractor after transactions are completed, as authorized by paragraph 5.

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### 2 Authorized Methods for Paying UCC Fees (Continued)

#### B Methods and Procedures Available (Continued)

FLP loan applicants or borrowers may still submit checks payable to SOS and/or county recorder for payment of filing fees. UCC continuation fees may be vouchered according to 1-FLP, Part 7.

**Notes:** Government purchase cards shall **not** be used to pay UCC filing fees or lien searches.

These processes may be centralized in the State Office or may be decentralized into each County Office depending on what SOS will allow and what is most cost-efficient for the State Office.

Procedures requiring unique software installation that will reside on State or County Office computer systems shall **not** be installed without prior approval from the Interoperability Lab. The web site at <http://servicecenter.kcc.usda.gov> provides:

- software certified for installation on XP workstations under the Common Computing Environment
- guidance for submitting applications for certification testing.

### 3 Establishing and Managing Prepaid Accounts

#### A Process Overview

The most common payment option offered by States with electronic capabilities is establishing a prepaid account with SOS. Using this account requires that States obtain approval by Controller, CCC, to use CCC funds to establish a prepaid account with SOS. An overview of the process for using and replenishing the prepaid account is in this table.

Step	Action
1	The FSA office requests a service from SOS.
2	SOS draws the search and filing charges from the prepaid account as the services are completed.
3	SOS provides a summary of charges to the State at least monthly.
4	The State or local FSA office has a reconciliation process in place to ensure that all charges to the account are appropriate and identify which funding source should be charged.
5	Based on the reconciliation, the State or local FSA office periodically replenishes the account from the appropriate funding source. This ensures that the prepaid account is timely replenished and that the appropriate funding source is being used to pay for the various loan program charges.
	<b>Note:</b> The "UCC" account is used only to initially establish the account. After the account is established, the appropriate program code should be used to replenish the account.

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### 3 Establishing and Managing Prepaid Accounts (Continued)

#### B Requesting Approval to Establish Prepaid Accounts

A prepaid account can be established using CCC funds to pay for fees charged by SOS for both FP and FLP activities only after authorization is received from Controller, CCC. SED shall request approval of funding to establish a prepaid account by submitting a completed CCC-41. The amount authorized for the prepaid accounts should be equal to 2 months of anticipated costs. At a minimum, SED should consider the following information when determining the level of funding needed for prepaid accounts:

- average number of filings and searches per month by program; that is, FLP's, apple loans, MAL's, sugar commodity loans, farm storage facility loans, sugar storage facility loans, and other programs, as authorized
- average cost of filings and searches per month
- costs associated with establishing prepaid accounts and related users.

Funding will be approved at the State level. However, the State can determine the number of accounts to be established. The following are 2 approaches to opening prepaid accounts within a State:

- 1 prepaid account per State
- multiple prepaid accounts within the State with:
  - 1 prepaid account at the State Office and selected County Offices that conduct business directly with SOS
  - each County Office with its own prepaid account, as requested by SOS.

**Note:** Separate accounts should **not** be established for FP and FLP.

#### C Handling Existing Prepaid Accounts

SED's shall:

- request approval for any prepaid account established before this notice was issued (according to subparagraph B), if not already approved
- close or reduce any accounts exceeding the amounts authorized by Controller, CCC
- if separate accounts have been set up for FP and FLP, close **1** account.

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### 3 Establishing and Managing Prepaid Accounts (Continued)

#### D Submitting CCC-41's to Controller, CCC

SED's shall:

- determine the funding amount that should be established in the State

**Note:** The amount authorized for the prepaid account should be equal to 2 months of anticipated costs for the State.

- complete CCC-41 (Exhibit 1)
- submit CCC-41 and a copy of any prepaid account agreement required by SOS to Controller, CCC using either of the following methods:
  - e-mail to [jackie.pickens@wdc.usda.gov](mailto:jackie.pickens@wdc.usda.gov)
  - FAX to Jackie Pickens at 703-305-1144.

#### E Approving CCC-41's by Controller, CCC

Controller, CCC will notify SED in writing of the funding level authorized. Once the Controller notifies SED of the funding amount authorized, the prepaid accounts may be established by direct deposit using CCC program code "UCC".

#### F Replenishing the Prepaid Account

State or County Offices, as applicable, shall replenish prepaid accounts after reconciling the invoice provided by SOS or vendor. Use program codes according to:

- 1-FI, Exhibit 5 for FP
- 1-FLP, Part 7 and Exhibit 26 for FLP.

**Note:** Program code "UCC" is used if the State Office issues the payment.

### 4 Monthly Invoicing by SOS

#### A Process Overview

This process allows SOS' to submit a monthly invoice to FSA/CCC for activity processed in the prior month. The invoice shall identify the requests for services processed and be reconciled to identify which program (FLP or FP) incurred the cost. The State, or local office, shall pay the invoice using the appropriate funding source based on the verification of the type of loans using SOS services.

**4 Monthly Invoicing by SOS (Continued)**

**B No Prior Authorization Required**

Specific Controller, CCC authorization is **not** required to use this payment method because existing authorities are already available and allow immediate implementation of this method.

**5 Contract With a Third Party Processor**

**A Process Overview**

A method often used by the private sector is:

- consolidating procurement of lien services into a single processing unit with expertise in perfecting liens in all States
- having Field Offices request the desired services through that processing unit.

The processing unit (contractor) would work with the respective SOS to:

- obtain the necessary UCC service
- pay for the service
- notify the requesting office
- charge the cost to the requesting office.

The method:

- provides a single approach for FSA/CCC to obtain the needed UCC services without concern about the individual SOS rules or processes
- requires the contractor to establish a relationship with each SOS to process lien searches and file UCC documents.

The contractor charges a service fee for the search and filing in addition to the respective fees charged by SOS. This method should be given consideration in States where other alternatives are **not** available.

**B No Prior Authorization Required**

Prior authorization is **not** required to use this method of payment because existing authorities are already available and allow immediate implementation of this method.

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### 5 Contract With a Third Party Processor (Continued)

#### C State Responsibility

Contracts shall be:

- solicited and administered by a warranted contracting officer according to the Federal Acquisition Regulations
- paid from the appropriate funding sources according to subparagraph 6 A.

### 6 CCC-42's

#### A State Office Responsibilities

SED's shall issue a directive providing guidance on the method and procedures selected for implementation, addressing at a minimum, the following:

- using the appropriate FP or FLP funding source for replenishment/payment
- monitoring and reconciling requests and payments using CCC-42 (Exhibit 2) according to subparagraphs B through D

**Note:** Alternate methods should be discontinued upon issuance of this notice.

- designating State and County Office employees responsible for tracking, reconciliation, and payment.

State or County Offices, as applicable, shall:

- do 1 of the following:
  - replenish the prepaid account
  - pay the invoice as billed by SOS
  - pay the third party vendor
- issue payments for the appropriate FP/FLP using appropriate system and program code as applicable.

**Note:** See:

- 1-FI, Exhibit 5 for FP
- 1-FLP, Exhibit 26 for FLP.

6 CCC-42's (Continued)

**B Recording Requested UCC Filings and Searches**

The designated State or County Office employee, as applicable, shall track the UCC filings and searches requested **each day**. This shall include, at a minimum, the following:

- borrower's last and first name
- program name
- loan number and/or case number
- UCC action requested; that is, filing or search type
- cost of the activity.

**C Recording SOS or Contractor Invoices**

**At least once a month**, the designated State or County Office employee should track the UCC filings and searches invoiced by SOS or contractor. This shall include, at a minimum, the following:

- invoice number for the month by SOS or contractor
- amount billed for each action on the invoices.

The designated State or County Office employee should contact SOS or contractor if a:

- filing or lien search record was **not** invoiced by SOS or contractor
- cost incurred did **not** match the amount invoiced by SOS or contractor.

**D Processing Replenishment/Payment of Completed UCC Filings and Searches**

After recording the SOS or contractor invoice, the designated State or County Office employee shall:

- verify that completed actions and charges correspond to requested actions and projected costs
- replenish the prepaid account or process payment to SOS or contractor, as appropriate:
  - using electronic funds transfer (EFT) with the appropriate program code from 1-FI, Exhibit 5:
    - subparagraph B for State Office-issued payments
    - subparagraph G for FP
  - according to 1-FLP, Part 7 and Exhibit 26 for FLP.

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### 6 CCC-42's (Continued)

#### D Processing Replenishment/Payment of Completed UCC Filings and Searches (Continued)

**At least once a month**, the designated State or County Office employee should track the UCC filings and searches replenished to a prepaid account or payments made to SOS or contractor. This shall include, at a minimum, the following:

- date of replenishment or payment
- appropriate program that incurred the charge
- reference number for replenishment or payment.

#### E Web Site for CCC-41 and CCC-42

Electronic copies of CCC-41 and CCC-42 are available from the FFAS Employee Forms Online web site at <http://165.221.16.90/DAM/ffasforms/forms.html>.

CCC-41, UCC Filing and Search Request for Approval to Establish Prepaid Account

The following is an example of CCC-41.

This form is available electronically.			
<b>CCC-41</b> U.S. DEPARTMENT OF AGRICULTURE (11-05-03) Commodity Credit Corporation  <b>UCC FILING AND SEARCH REQUEST FOR APPROVAL TO ESTABLISH PREPAID ACCOUNT</b>	1A. STATE OFFICE NAME	1B. STATE CODE	2. PREPARED DATE (MM-DD-YYYY)
<b>INSTRUCTIONS:</b> State Offices shall complete this form and submit to Controller, CCC. A copy of any agreement to be executed by FSA and the Secretary of State (SOS) shall be attached.			
3. Total amount required to cover Farm Program (FP) and Farm Loan Program (FLP) UCC filing and search fees for two months. (Projected yearly cost divided by 6.)		\$	
4. Enter below the average number and average cost of UCC filings and searches requested by FP and FLP.			
A.		B.	C.
Description of UCC Filings and Searches		FP	FLP
(1) Average number of UCC filings per month:			
(2) Average number of UCC searches requested per month:			
(3) Average cost of UCC filing:			
(4) Average cost of UCC search:			
5. Costs associated with establishing the prepaid account (Enter a the dollar amount for the type of costs for (1) through (4) below:)			
A.	B.	A.	B.
Type of Cost	Amount of Cost	Type of Cost	Amount of Cost
(1) One time fee	\$	(3) Recurring fee	\$
(2) Annual fee	\$	(4) Other fee	\$
5C. Give explanation of recurring or other fees:			
6. Describe the state's established procedures for filing and searching UCC documents:			
7. Describe the reconciliation process that will be implemented. A sample format must be attached if CCC-42 will not be utilized.			
8. Indicate in the checkbox(es) below, the documents which are attached to Form CCC-41.			
<input type="checkbox"/> A copy of the SOS account agreement. <input type="checkbox"/> Form CCC-42, UCC Filing and Search Charge Tracking Report. <input type="checkbox"/> Other monthly tracking and reconciliation process that is similar to CCC-42.			
9A. Submitted by SED (Type name)		9B. Signature of Submitted by SED	
		9C. Date (MM-DD-YYYY)	
10A. Signature of Controller		10B. Controller's Approval or Disapproval	
		<input type="checkbox"/> Approved <input type="checkbox"/> Disapproved	
		10C. Date (MM-DD-YYYY)	

CCC-42, UCC Filing and Search Charge Tracking Report

A Instructions for Completing CCC-42

Complete CCC-42 according to this table.

Item	Instruction
1	Enter the name of the State or County Office that: <ul style="list-style-type: none"> <li>• replenishes the prepaid account for filing and search fees</li> <li>• pays the SOS' office or third party contractor for filing and lien search fees.</li> </ul>
2	Enter the State and county code.
3	Enter FY reported.
4A	Enter the date the filing or search action was requested.
4B	Enter the name of the borrower, last name first, for whom the filing or search was requested.
4C	ENTER "X" in the applicable program column.
4D	Enter the loan/case number of the borrower for whom the filing or search was requested.
4E	ENTER "X" in the "Filing" or "Search" column, as appropriate.
4F	Enter the filing or search fee.
5A	Enter the invoice number, date of invoice or billing statement, or other information from the invoice or billing statement submitted by the SOS' office.
5B	Enter the total cost charged for the UCC filing or search.  <b>Note:</b> Total cost shall include the fee charged for the transaction plus any copy fees or other associated fees.
6A	Enter the date funds were remitted to replenish the prepaid account or to pay for UCC filings and searches.
6B	Enter the program or system code from which payment was made.
6C	Enter EFT payment number.
6D	Enter the amount of payment.

CCC-42, UCC Filing and Search Charge Tracking Report (Continued)

B Example of CCC-42

The following is an example of CCC-42.

This form is available electronically.

**CCC-42** (11-06-03) U.S. DEPARTMENT OF AGRICULTURE  
Commodity Credit Corporation

PAGE \_\_\_\_\_ OF \_\_\_\_\_

**UCC FILING AND SEARCH CHARGE TRACKING REPORT**

1. NAME OF STATE OR COUNTY OFFICE

2. STATE AND COUNTY CODE

3. FISCAL YEAR PREPARED

**INSTRUCTIONS:** The designated State or County Office employee shall complete Item 4 at the time a search or filing action is requested. Items 4 and 5 will be completed at least once each month. Complete Item 6 after replenishment/payments.

4. REQUESTED UCC FILINGS AND SEARCHES						5. BILLING REGISTER		6. UCC FILINGS AND SEARCHES REPLENISHMENT/PAYMENT					
A. DATE (MM-DD-YYYY)	B. BORROWER'S NAME (Last, First)	C. PROGRAM (Checkmark)		D. LOAN/CASE NUMBER	E. UCC ACTION (Checkmark)		F. COST OF ACTIVITY \$	A. IDENTIFIER (Invoice No.)	B. AMOUNT BILLED \$	A. DATE OF PAYMENT (MM-DD-YYYY)	B. PROGRAM OR SYSTEM CODE	C. CHECK PAYMENT No.	D. PAYMENT AMOUNT \$
		FP	FLP		Filing	Search							