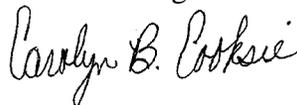


For: State and County Offices

Servicing Department of Justice (DOJ) Judgment Debts

Approved by: Deputy Administrator, Farm Loan Programs



1 Overview

A Background

The Debt Collection Improvement Act of 1996 requires FSA to refer eligible debt to the Department of Treasury (Treasury) for possible collection through the Treasury Offset Program (TOP) and the cross-servicing program.

This notice applies to accounts on which FSA has obtained a judgment. It does **not** apply:

- if FSA has requested a judgment, but court action is still pending
- to foreclosure judgments.

B Purpose

This notice:

- provides guidance to State and County Offices about servicing, monitoring, and canceling judgment debts
- continues the policy established in previous notices.

C Contact

Direct any questions about this notice to Mary Durkin, LSPMD at 202-720-1658.

Disposal Date	Distribution
October 1, 2008	State Offices; State Offices relay to County Offices

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2 Monitoring Judgment Debts

A Monitor Status

State Offices shall monitor the status of all judgments with DOJ, including the U.S. Attorneys' Office, to determine whether:

- any collections have been made on the judgment in the last 12 months (deficiency judgments and judgments on promissory notes **only**)
- the account has been referred to Treasury for TOP and/or cross-servicing.

B Request Return

State Offices shall request that DOJ return judgments if **no** collections have been made by DOJ in the last 12 months.

3 Servicing Judgment Debts Retained by DOJ

A Internal Administrative Offset

Under FSA and CCC offset regulations at 7 CFR Sections 792.7 and 1403.7, DOJ is **not** entitled to priority in requesting offset of FSA Farm Program payments. To achieve the greatest recovery on judgment debt, it is the policy of FLP to use its priority under these regulations whenever possible and appropriate. Therefore, State and County Offices shall:

- determine if the borrower will receive Farm Program payments and request written DOJ concurrence to pursue collection of these monies as applicable
- pursue internal administrative offset according to RD Instruction 1951-C **after** obtaining DOJ concurrence
- notify DOJ of all administrative offset collections received and applied to the judgment accounts.

B TOP Referral

DOJ is responsible for referring judgment debts under its control to TOP and it is DOJ's policy to do so while DOJ is pursuing collection of the debt. If the debt is selected for TOP during FSA's TOP referral process, the debt **must** be deleted from the TOP Eligible Screens at the end of each quarter using delete code "05". When DOJ returns the case to FSA, DOJ withdraws the debt from TOP, and it is FSA's responsibility to refer the debt to TOP. See Notice FI-2806 for further information. If the U.S. Attorney's Office requests FSA to refer debts to TOP on DOJ's behalf, then contact Mary Durkin at 202-720-1658.

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4 Servicing Judgment Debts Returned by DOJ

A Servicing Accounts Returned by DOJ

Service accounts returned by DOJ according to the following table.

IF the judgment has...	THEN...
<p>not expired</p>	<ul style="list-style-type: none"> • pursue internal administrative offset according to RD Instruction 1951-C, if collection of Farm Program payments is possible • refer the account to Treasury for TOP offset and/or cross-servicing, if appropriate; State Offices shall: <ul style="list-style-type: none"> • classify the account as currently not collectible by processing transaction code “3K” with a class of writeoff code of “5”, except for employee defalcations and third party judgments • submit FSA-1956-21 to FLOO, Program Reporting Group by FAX at 314-539-6266. <p>Notes: In cases where an acceptable debt settlement offer is received from the debtor before referral to cross-servicing, the State Office may process it according to paragraph 5.</p> <p>Referral of the debt to cross-serving is required unless any of the exceptions under 31 CFR 285.12 apply.</p>
<p>expired (20 years from the date of judgment, unless renewed. If the U.S. Attorney states the judgment expired after 10 years, then consult your Regional OGC to determine if the judgment can be revived).</p>	<p>cancel the debt according to paragraph 5.</p> <p>Note: Insert applicable documentation from subparagraph 5 B in RD 1956-1, Part VIII.</p>

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5 Debt Settlement

A RD Instruction 1956-B

Currently, RD Instruction 1956-B does not address the cancellation, compromise, or adjustment of judgment debts. New regulations are being developed to provide guidance on debt settling judgment debts. Before the publication of the regulation, judgment debts shall be canceled, compromised, or adjusted similarly to RD Instruction 1956-B, Sections 1956.66, 1956.67, 1956.68, 1956.70, or Exhibit B that authorize canceling, compromising, and adjusting nonjudgment debts.

B RD 1956-1 Documentation

Insert the following information, as appropriate, in RD 1956-1, Part VIII.

- The U.S. Attorney's file is closed.
- The judgment has expired (20 years after the judgment date, and the judgment is not renewed. If the U.S. Attorney states that the judgment expired after 10 years, then see subparagraph 4 A).
- The debt was returned from cross-servicing as uncollectible.
- The debt settlement amount offered by the debtor is acceptable based on the verified assets, debts, income, and expenses.
- The debtor is unable to pay any part of the debt and has no reasonable prospect of being able to pay any part of the debt.

C Releasing Judgment Lien by DOJ

The State Office shall send notice to their U.S. Attorney's Office that it has canceled the debt that is the subject of a judgment lien (from a deficiency judgment or a judgment on the promissory note). The notice should request that this judgment lien be released.