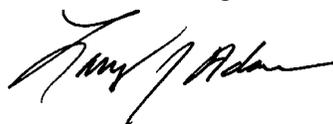


**For:** State and County Offices

**Farm Storage Facility Loan (FSFL) Reminders**

**Approved by:** Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

In preparation for FY 2007, certain FSFL program provisions must be followed to ensure that future problems are prevented.

**B Purpose**

This notice provides State and County Offices with guidance and procedures to follow for:

- interpreting the amount printed on the 45-calendar-day repayment notification letters that automatically generate during start-of-day
- entering data into the automated FSFL system for installment repayment dates
- delinquent FSFL's
- entering data into the System 36 for:
  - application fees
  - CCC-185 applications
  - credit report, lien search, and uniform commercial code (UCC) fees
  - depositing reimbursable fees
  - FSFL applications for the new FY.

<b>Disposal Date</b>	<b>Distribution</b>
February 1, 2007	State Offices; State Offices relay to County Offices
10-13-06	

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### 1 Overview (Continued)

#### C Contact

State specialists with questions about this notice shall contact DeAnn Allen, PSD, by either of the following:

- email at [deann.allen@wdc.usda.gov](mailto:deann.allen@wdc.usda.gov)
- telephone at 202-720-9889.

### 2 Installment Notification Letters

#### A Annual Installment Notification Letters

The annual installment notification letter automatically prints at start-of-day, 45 calendar days **before** the installment due date. The automated FSFL system:

- adds the principal amount due for the current installment to any unpaid principal from the last installment
- calculates interest on the entire unpaid principal through the installment due date
- includes this amount on the annual installment notification letters.

County Offices are reminded **not** to change the amount that prints on the letters, except in situations where the initial loan was over disbursed and the over disbursement was immediately repaid. Although the amounts on the letter may differ from the amounts on the amortization schedule printed at loan disbursement, they are correct. Differences in the amounts are usually because of the annual installment payment being made on a date other than the actual due date.

**Example:** An FY 2003 FSFL was disbursed on November 4, 2003, for \$87,154.00. The 1st installment payment was made on October 26, 2004. Since the installment payment was received 9 calendar days **before** the installment due date, \$62.08 of the payment was applied to the 2nd installment principal. Interest on the 2005 annual notification and reminder letter is computed from October 27, 2004, through November 4, 2005, (374 calendar days) and the total amount due is \$14,117.52. This amount is more than the annual amount on the amortization schedule since there were more days of interest due.

If the annual installment payment is made early, County Offices shall:

- **not** re-compute the amount due because of the payment date
- collect the amount on the notification letter

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### 2 Installment Notification Letters (Continued)

#### A Annual Installment Notification Letters (Continued)

- compute the amount due using the installment repayment inquiry and the installment due date, and **not** the repayment date, **only if** the borrowers request to make a payment **before** the annual installment notification letter is printed.

**Note:** This repayment shall then be entered into System 36 using the lump sum option and the repayment date.

### 3 FSFL System Reminders and Procedure

#### A Entering Repayment Dates in Automated FSFL System

Interest on FSFL's is computed according to the following:

- on unpaid principal beginning the day after disbursement through the date the 1st payment is made
- from the day after the 1<sup>st</sup> repayment date through the next repayment date with any outstanding balance added to the next annual payment.

Installment principal balances result when installments are paid **after** the due date and County Offices process repayments using the receipt date as the date of repayment.

County Offices shall:

- follow the chart in 1-FSFL, subparagraph 361 C to determine the repayment date to enter into the automated FSFL system

**Note:** Policy states that the County Office shall use the installment due date as the repayment date on payments received within 15 calendar days after the due date. This will eliminate the creation of small installment principal balances owed on many FSFL's.

- recompute the payment using the date the installment was received as the repayment date and collect additional interest if the installment repayment is received more than 15 calendar days **after** the due date
- **not** recompute the amount owed if the annual installment payment is made early but shall collect the amount on the annual notification letter

## Notice FSFL-38

### 3 FSFL System Reminders and Procedure (Continued)

#### A Entering Repayment Dates in Automated FSFL System (Continued)

- **not** pursue collection if the amount owed is \$25 or less, as this amount will automatically be included in the amount owed on the next installment notification letter.

**Note:** The FSFL Repayment Receipt will contain the statement, “The principal balance **after** this repayment is current”, until the day **after** the due date. The software does **not** look at the amortization schedule to determine the loan status until this time. County Offices shall follow 1-FSFL, subparagraph 414 G to print the Repayment Status Report to check the status of all FSFL’s.

### 4 Delinquent Loans

#### A Delinquent Loan Installment Policy

If FSFL installments are **not** paid by the due date, County Offices are reminded to follow procedure in 1-FSFL, subparagraph 150 D which includes:

- mailing the 1st demand letter to contact borrower and all co-borrowers on the day **after** the due date
- mailing 2 subsequent demand letters at 30-calendar-day intervals if the entire annual installment plus interest to the repayment date is **not** paid.

County Offices shall do the following to ensure that delinquent FSFL amounts are set-off:

- set the “Other Agency Claim” flag, according to Notice FI-2760, the day **after** the FSFL installment due date on all borrowers listed on the delinquent loan
- ensure that all County Office employees are checking into the reason for the “Other Agency Claim” flag when processing payments to delinquent FSFL borrowers through System 36
- make certain that the County Office employee certifying payments made through the National Payment Service (NPS) is aware of the delinquent FSFL installment payment and setting-off the total installment amount plus interest to date.

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### 4 Delinquent Loans (Continued)

#### A Delinquent Loan Installment Policy (Continued)

FSFL's are delinquent for Debt Collection Improvement Act of 1996 (DCIA) purposes if the full annual installment plus interest to the repayment date is **not** paid within 90 calendar days **after** the due date. As DCIA applies to both marketing assistance loans (MAL's) and LDP's, borrowers more than 90 calendar days delinquent on the full FSFL annual installment payments are ineligible for MAL's and LDP's until their FSFL debt is made current.

### 5 Entering Data into the Accounting System

#### A FSFL Application Fees

Deposit the \$45 application fee using code "**XXFSFLFEES**". This program code applies **only** to the FSFL application fee.

FSFL application fees must be processed using the same FY for both of the following:

- application fee deposit
- FY included in the application number.

**Note:** The FY included in the application **must equal the FY** of the 1st COC "Approved Pending Funding" date.

#### B CCC-185 Applications

CCC-185 applications entered in the FSFL system and **not** approved by September 30, 2006, must be canceled and re-entered as FY 2007 applications **after** September 30, 2006. The FY on the application must always match the FY in which the application is approved. County Offices shall follow 1-FSFL, subparagraph 317 B and the following steps to assign an FY 2007 number:

- delete FY 2006 loan and re-enter CCC-185 data for FSFL using an FY 2007 number for those FSFL's not approved by COC by September 30, 2006
- enter FY 2007 for FSFL's that COC will approve funding **after** September 30, 2006.

**Note:** If the application fee code does **not** match the loan application year, the fee code can be corrected in accounting by modifying the code from "**06FSFLFEES**" to "**07FSFLFEES**". If a "Y" was originally entered in the "Special Date" field, access is blocked for this modification.

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### 5 Entering Data into the Accounting System (Continued)

#### C Paying FSFL Fees

Fees paid by CCC shall be processed using the FY in which the fees were paid. These fees include the following:

- credit reports
- lien searches on collateral
- recording fees or continuations for financing statements on collateral.

For FSFL fees that were paid:

- **before** October 1, 2006, the code will be **“06FSFLRF”**
- **after** September 30, 2006, the code will be **“07FSFLRF”**.

**Note:** For filing UCC-1 continuations, the code for fees paid **before** October 1, 2006, will be 06FSFLRF. For those UCC-1 continuation fees paid for **after** September 30, 2006, the code will be 07FSFLRF.

#### D Depositing Reimbursable Fees

The program code for depositing reimbursable fees paid for by the County Office and reimbursed by the applicant is **“XXFSFLAME”**, where **“XX”** equals the last 2 digits of the FY the fee was paid.

### 6 FY 2007 Funds Availability

#### A Availability of Funds

FY 2007 funding requests for FSFL's approved by COC's **after** September 30, 2006:

- shall be approved in the FSFL software and transmitted
- will be held at NITC until FY 2007 funds are available.