

For: State and County Offices

FSFL Program Reminders

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

1-FSFL (Rev. 1) will:

- be issued within the next few months
- incorporate all FSFL policies authorized by FSFL regulations effective on August 17, 2009.

Note: PSD has received numerous questions about these policies and some procedural issues.

Recent changes for processing FSFL payments through NPS and implementation of the National Receipts and Receivable System (NRRS) impact both the FSFL disbursement process and recording FSFL payments.

B Purpose

This notice reminds State and County Offices of procedures to follow for:

- FSFL disbursements and repayments resulting from software changes
- depositing other FSFL remittances
- entering facility codes for the new commodities
- requesting FSFL credit reports
- addressing the purpose of FSFL collateral
- previously approved and disbursed FSFL's limited by regulations
- FSFL demand letters and updating "Other Agency Debt" flag.

Disposal Date	Distribution
August 1, 2010	State Offices; State Offices relay to County Offices
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1 Overview (Continued)

C Contacts

For questions about this notice, State Offices shall contact the following for:

- **automation**, Stacy Carroll by either of the following:
 - e-mail to **stacy.carroll@wdc.usda.gov**
 - telephone at 202-690-8037
- **policy**, DeAnn Allen by either of the following:
 - e-mail to **deann.allen@wdc.usda.gov**
 - telephone at 202-720-9889.

2 FSFL Closings and Disbursements

A FSFL Closings and Disbursement Options

The process for closing FSFL's and disbursing FSFL proceeds changed with check centralization in December 2008.

The following 2 options are available for closing and disbursing FSFL's:

- closing then **immediately** requesting FSFL disbursement with FSFL proceeds made out to contact borrower **only** (disbursement option 1)
- submitting the request for a check and closing FSFL once the Treasury check is received in the County Office (disbursement option 2).

These are the **only** 2 options available for FSFL disbursements and FSFL closing. **No other disbursement options are authorized.**

See 1-FSFL, paragraph 348 for additional information.

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2 FSFL Closings and Disbursements (Continued)

B Disbursement Option 1 – Closing FSFL’s Followed by Immediately Submitting Payment Request

Disbursement option 1 is for FSFL’s that will be closed and followed **immediately** by the payment request. This option is used when the disbursement proceeds will be made **only** to the contact borrower. County Offices will transmit the payment request to NPS. NPS will issue FSFL transaction statements.

County Offices shall follow the instructions in 1-FSFL, paragraph 349.

Note: Before beginning disbursement option 1, County Offices are reminded to review the step/action tables in 1-FSFL, paragraph 349. The steps **must** be completed according to the instructions given or problems with the closing may be encountered. These problems may require the assistance of the Help Desk. The assistance of the Help Desk and FSFL programmers is taking up valuable resources that could be used for other FSFL-related changes.

C Disbursement Option 2 – Submitting Payment Requests Before FSFL Closing

Disbursement option 2 is for FSFL’s when the disbursement **must** be made to multiple parties, including lien holders or contractors. The Treasury checks will be mailed to the County Office where CCC-186 will be prepared and FSFL closed. The County Office will enter FSFL closing date; interest on FSFL will start on that date.

County Offices shall follow the instructions in 1-FSFL, paragraph 350.

Note: Before beginning disbursement option 2, County Offices are reminded to review the step/action tables in 1-FSFL, paragraph 350. The steps **must** be completed according to the instructions given or problems with the closing may be encountered. These problems may require the assistance of the Help Desk. The assistance of the Help Desk and FSFL programmers is taking up valuable resources that could be used for other FSFL-related changes.

On 1-FSFL, subparagraph 350 C, step 6, **Screen VFC10010**, and Exhibit 13, the joint payment indicator on Screen VFC10010 **must** be “Y” to allow the Treasury check to be made payable to the borrower and vendor. If the joint payment indicator is “N”, the Treasury check will be made payable to the borrower **only**. The payee information for the payables indicated with a “Y” will be entered in NPS.

3 FSFL Remittances

A Entering FSFL Repayments Since the Implementation of NRRS

Since the implementation of NRRS in September 2009, County Offices **must** enter FSFL installment repayments in **both** the FSFL repayment software according to 1-FSFL, paragraph 361, and in NRRS, according to the current FI procedure.

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3 FSFL Remittances (Continued)

A Entering FSFL Repayments Since the Implementation of NRRS (Continued)

Employees entering the installment payment remittance in NRRS shall make certain that the correct program code is used. In NRRS, the collection type shall be “Price Support Farm Storage Facility Loans” and the program code will be the “FY” of the loan followed by “FSFL”.

Example: The County Office receives the annual installment payment for FSFL 2005/00003. The repayment is entered into the FSFL repayment software, and the remittance is entered in NRRS under the collection type “Price Support Farm Storage Facility Loans” and program code “05FSFL”.

B Depositing other FSFL Remittances

The **only** remittances to be deposited under program code “**XXFSFLFEES**”, is the \$100 FSFL application fee. For fees paid for by the County Office and reimbursed by the applicant, program code “**XXFSFLAME**” **must** be used.

Notes: The FSFL application fee increased to \$100 on August 17, 2009, for all FSFL’s including loan assumptions.

“XX” equals the last 2 digits of FY the fee was paid.

Examples of reimbursable fees paid for by the County Office and reimbursed by the applicant or borrower where program code “**XXFSFLAME**” is used may include, but are **not** limited to the following:

- filing:
 - a severance agreement
 - a discharge of a severance agreement
 - and recording a subordination agreement related to a lien on real estate
 - a release or discharge of a lien on real estate
- terminating a financing statement using UCC document.

Examples: The \$100 check for a 2010 FSFL application fee is deposited in NRRS under collection type “Miscellaneous” and program code “10FSFLFEES”.

A producer submits a \$25 check to the County Office on January 14, 2010, to reimburse the County Office for discharging a severance agreement. This check is deposited in NRRS under collection type “Miscellaneous” and program code “10FSFLAME”.

See 1-FSFL, paragraphs 291 and 293.

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4 Identifying FSFL's for New Commodities

A New FSFL Commodities

FSFL regulations, effective August 17, 2009, added the following commodities as eligible for FSFL:

- hay
- renewable biomass
- cold storage facilities for FAV's.

B Facility Codes for New FSFL Commodities

To identify the number and locations of FSFL's for new FSFL commodities, County Offices are to use the following facility codes, on Screen VFA10500, when entering the application into the FSFL software:

- "7" for all structures to store **hay**
- "A" for all structures to store **renewable biomass**
- "B" for all cold storage structures to store **FAV's**.

Example: For a hay structure, enter **only** facility type code "7".

Note: The **only** way PSD has to monitor the number of FSFL's for new eligible commodities is through these codes.

5 FSFL Credit Report Reminders

A FSFL Credit Report Contact

The FSFL Program has secured a national contract for requesting FSFL credit reports. This contract is **only** to be used for the credit reports required for FSFL.

B FSFL Credit Report Reminders

Designated County Office employees requesting FSFL credit reports shall:

- make certain the **correct** legal name and address is entered for **each** credit report requested; CCC is charged for each request submitted even if the information is not correct, including typographical errors
- **only** CLICK "**submit**" **once** when requesting any type of credit report
- turn off pop-up blockers **before** going on the designated site to request an FSFL credit report.

See 1-FSFL, paragraph 45 for additional information.

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6 Purpose of FSFL Structures

A Intent of FSFL Program

The intent of the FSFL Program is to provide on-farm storage to producers to store the eligible facility loan commodities they produce. FSFL collateral **must** be used for the purpose for which the storage facility was constructed for the **entire** FSFL term.

B FSFL Structure Once Stored FSFL Commodities Marketed

The purpose of an FSFL structure is for storing an FSFL eligible commodity. After the stored commodity has been marketed, the facility may, with **prior** approval, be used by the borrower to **temporarily** store their other agricultural-related items until the next harvest season.

An FSFL borrower **must**:

- submit a written request to the County Office for approval to store anything other than an eligible FSFL commodity in the structure
- have written approval from CED **before** storing anything other than an eligible FSFL commodity in the structure
- notify the County Office servicing FSFL within 5 workdays that another agricultural-related item is stored in the FSFL structure.

COC's shall closely monitor FSFL structures temporarily storing other agricultural-related items to insure that the structure is used for the purpose for which it was constructed for a good portion of every year during the FSFL term.

7 Approved FSFL's With Loan Proceeds Disbursed

A Approved and Disbursed FSFL's

Notice FSFL-64, paragraph 2:

- addressed FSFL's where CCC-185 was submitted, approved, and disbursed under the policy in effect before August 17, 2009, and when FSFL was limited because of the \$100,000 maximum per borrower
- allowed a producer to submit a new CCC-185 for the difference in the total cost of the structure and the initial FSFL amount.

The borrower may request another FSFL to cover the additional construction costs because of the increased limit.

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7 Approved FSFL's With Loan Proceeds Disbursed (Continued)

A Approved and Disbursed FSFL's (Continued)

The table in Notice FSFL-64, paragraph 2 is still applicable. But effective with this notice, the request for additional loans and all required additional documentation **must** be submitted to the County Office by June 25, 2010, and forwarded to STC for referral to DAFP by July 26, 2010, to be considered under this provision.

B CCC-185's

Any CCC-185's referred to under this paragraph and submitted after the dates in the preceding paragraph may be referred by STC to DAFP for approval under 1-FSFL, paragraph 276.

8 Delinquent FSFL Installment Payments

A FSFL Demand Letters for Delinquent Installment Payments

Demand letters for delinquent FSFL installment payments will **not** be processed through NRRS. FSFL demand letters **must** be prepared by the County Office.

NRRS takes over the demand letter function for FSFL **only** when the **entire** loan has been liquidated and a balance remains. Until that time, County Offices **must** prepare their own demand letters according to 1-FSFL, subparagraphs 150 D and F.

B "Other Agency Debt" Flag

On the day after the installment due date, County Offices **must** set "Other Agency Debt" flag in the borrower's profile through FSA, Financial Services. This will remind the County Office to offset any payment due the borrower to apply to the delinquent FSFL.

See 1-FSFL, subparagraph 150 K.