

For: State and County Offices

Policy and Procedure Change for Locking in Repayment Rates

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

8-LP, Amendment 2, issued on October 19, 1999, provided new policy and procedure for locking in repayment rates. This new policy removed the lock-in provision from CCC-681-1 and placed the lock-in provision on new form, CCC-697.

8-LP, Amendment 3, issued on October 22, 1999, clarified policy and procedure issued in Amendments 1 and 2.

B

Purpose

This notice provides State and County Offices:

- notification of new policy for locking in repayment rates provided in 8-LP, Amendment 2
- notification that the lock-in procedure applies to 1998 and subsequent crop year commodity loan repayments
- that CCC-697 requests are not acceptable until a loan has been disbursed
- repayment due dates and repayment rates when CCC-681-1 and CCC-697 are authorized at the same time
- with an example of determining the lock-in repayment rate when multiple CCC-697's for 1 loan have been requested.

Disposal Date	Distribution
October 1, 2000	State Offices; State Offices relay to County Offices

Notice LP-1706

2 New Policy Information

**A
8-LP,
Amendment 2**

The policy and procedure for the new lock in repayment rate provision is provided in 8-LP, Amendment 2.

The request for locking in a repayment rate is no longer available on CCC-681-1 but will be available under a new form, CCC-697.

**B
Applicable Crop
Years**

The lock-in procedure is applicable to loan repayments received for 1998 and subsequent crop year loans after receipt of 8-LP, Amendment 2.

**C
Repayment Due
Dates and Rates**

Repayment rates and amounts are determined when the repayment is received in the County Office.

When a producer requests CCC-681-1 and CCC-697, the repayment for quantity delivered under CCC-681-1 is due in the County Office the earlier of the following:

- CCC-697 expiration date
- 15th calendar day grace period after the CCC-681-1 expiration date.

For these repayments, the repayment rate is the locked-in rate shown on CCC-697.

If the repayment is not received in the County Office by the above determined due date, the repayment rate for any quantity delivered during the CCC-681-1 authorization period is principal plus interest.

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2 New Policy Information (Continued)

D

**CCC-697
Requests Before
Loan
Disbursements**

CCC-697 can be requested only if a loan has been disbursed. Until a loan has been disbursed, there is no loan on which to request a lock-in repayment rate.

E

**Providing 8-LP
Amendments**

State Offices shall provide County Offices with 8-LP, Amendment 2 and Amendment 3, as soon as possible for implementation of the new repayment rate lock-in policy.

F

**Repayment Rate
Example**

This is an example of determining the repayment rate under the new procedure for a 1999 crop loan with a maturity date of March 31, 2000, and outstanding loan quantity of 5,000 bushels.

CCC-697 Approval Date	CCC-697 Expiration Date	Quantity Locked In (bu.)	Locked In Rate
11-15-99	1-13-00	1,000	\$1.70
11-20-99	1-18-00	1,000	\$1.65
11-25-99	1-23-00	1,000	\$1.60
11-30-99	1-28-00	1,000	\$1.55
12-5-99	2-2-00	1,000	\$1.50

On January 20, 2000, the producer repays 1,500 bu. The repayment rate is \$1.60 for 1,000 bu., and \$1.55 for 500 bu. The repayment rates of \$1.70 rate and \$1.65 are not applicable because the CCC-697's expired on January 13, 2000, and January 18, 2000, respectively. The 500 bu., must be repaid at \$1.55 instead of \$1.50 because the repayment rate is applied to the oldest outstanding CCC-697.

If the same producer repays the balance of the loan or 3,500 bu. on January 31, 2000, the repayment rate is \$1.50 for 1,000 bu. The remaining 2,500 bu., is repaid at the smaller of principal plus interest or the repayment rate in effect on the date of repayment, which is January 31, 2000.
