

For: CMA's, LSA's, and State and County Offices

Clarifications for Barring Federal Debtors

Approved by: Deputy Administrator, Farm Programs



1 Overview

A

Background

The Debt Collection Improvement Act of 1996 (DCIA) provides that a person owing a delinquent non-tax debt to the Federal Government is ineligible for Federal financial assistance including direct loans, other than disaster loans, or loan insurance or guarantee.

Notice LP-1730 provided policies and procedures for barring Federal debtors from obtaining commodity loans and LDP's. On March 30, 2000, several questions were raised during conference calls held with State Offices.

Claim status is an FSA or CCC debt which is the same as what other agencies' consider delinquent non-tax Federal debts.

A delinquent non-tax Federal debt is a debt, other than taxes, that has not been paid by either of the following:

- payment date
- end of any grace period contractually provided.

The date of delinquency is the :

- payment due date for an installment payment
- date of the notice mailing for an administrative debt.

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<p>Disposal Date</p> <p>May, 1, 2001</p>	<p>Distribution</p> <p>State Offices; State Offices relay to County Offices and FAX to CMA's and LSA's</p>
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Notice LP-1738

1 Overview (Continued)

B

Purpose

This notice:

- clarifies that producers with delinquent FSA non-tax debt, may not obtain Farm Storage Facility Loans (FSFL), commodity loans, and LDP's if the producer's debt is in claim status
 - provides additional resources
 - provides general questions and answers (Exhibit 1).
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2 Action

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State Office Action

State Offices shall notify County Offices immediately of the contents of this notice clarifying that producers with FSA administrative debts that are in claim status, are not eligible for FSFL, loans, or LDP's. This is in addition to **all** other delinquent non-tax Federal debts, such as student direct and guaranteed loans and small business HUD loans.

B

County Office Action

County Offices shall:

- immediately notify producers of the DCIA change
- not approve FSFL, loans, or LDP's to producers who are in claim status within ACS
- not approve loans or LDP's to producers that they know have other delinquent non-tax Federal debts.

For loan and LDP applications, as part of the eligibility determinations, County Offices shall:

- access the Credit Alert Interactive Voice Response System (CAIVRS)
 - review tickler reports.
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Questions and Answers

Questions and Answers
<p>What prompted the change to deny loans and LDP's to delinquent Federal debtors?</p> <p>This change was prompted by DCIA. The Department of Treasury published the final rule on December 8, 1998, in the FR making the rule effective on January 7, 1999.</p>
<p>If a producer wishes to use loan or LDP proceeds to cover part or all of his delinquency, can a loan or LDP be issued?</p> <p>No, if a producer is delinquent, the producer is not eligible for a loan or LDP.</p>
<p>Are producers who enter into a payment agreement eligible for loans and LDP's if the producer is current on the payment agreement?</p> <p>Yes. The producer must be up to date on the payment agreement.</p>
<p>If a producer is delinquent in the payment agreement, can a loan or LDP be issued?</p> <p>No. The producer is ineligible for the loan or LDP.</p>
<p>If a producer is delinquent on an EM loan, would the producer be allowed to obtain a commodity loan or LDP?</p> <p>Yes. EM loans are emergency loans for disaster purposes which are excluded.</p>
<p>Will this affect a producer who is applying for loans under the Farm Storage Facility Loan Program?</p> <p>Yes. They will be ineligible for a loan if they are delinquent on a non-tax Federal debt.</p>
<p>Can we continue to collect receivables through administrative off-set from any CCC or FSA payments while the producer is in the initial notification and demand letter stage?</p> <p>Yes, continue to act according to the contents of the letter. Once the debt is transferred to claims, no offset will be permitted from the loan or LDP proceeds.</p>

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Questions and Answers (Continued)

Questions and Answers

If a producer requests CCC-709 before harvest and it is discovered that the producer is delinquent on a Farm Credit Loan, before LDP is paid and the producer brings the Farm Credit Loan current, is CCC-709 still valid?

Yes, CCC-709 may be honored based on date of the application if the producer has removed the delinquency before disbursement. The LDP rate will be the rate in effect on the date of delivery or harvest for fed commodities. However, if the producer requests the payment under CCC-709 provisions and does not satisfy the debt, LDP cannot be made. All LDP's must be approved and payment request made by the final loan availability date. The producer must provide proof that the delinquent Federal debt has been resolved before the County Office can approve the LDP application.

If a producer has filed CCC-666 LDP and it is discovered on the CAIVRS report that the producer is delinquent on a non-tax Federal debt, is CCC-666 LDP still valid?

Yes, CCC-666 LDP may be honored based on the date of the application if the producer has removed the delinquency before disbursement. The LDP rate will be the rate in effect on the date of request. However, if the producer does not satisfy the debt, then LDP cannot be made. All LDP's must be approved by the final loan availability date. The producer must provide proof that the delinquent Federal debt has been resolved before the County Office can approve the LDP application.
