

For: State and County Offices

**Policy for Returning and Releasing 2005 Sugar Loan Documents Following Full Repayment**

Approved by: Acting Deputy Administrator, Farm Programs



**1 Overview**

**A Background**

On June 23, 2006, demand letters were sent from the National Office to sugar processors requesting payment of the additional 1 percent interest on sugar loans repaid from September 15, 2004 through May 25, 2006.

These letters were the result of the February 6, 2006, decision, by the U.S. Court of Appeals for the District of Columbia Circuit, reversing the lower court’s judgment in *Holly Sugar Corporation v. Johanns*.

**B Purpose**

This notice informs State and County Offices with sugar loans of policy to follow when returning the sugar loan documents marked “Paid” and releasing UCC-1 filings when both of the following apply:

- partial repayments were made before May 26, 2006
- full repayments that may follow subsequent partial repayments are made on or after May 26, 2006.

**C Contact**

State Specialists, in States with sugar loans, with questions about this notice may contact DeAnn Allen by:

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

<b>Disposal Date</b>	<b>Distribution</b>
January 1, 2007	State Offices; State Offices relay to County Offices

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### 2 Releasing CCC-677, CCC-678 and UCC-1 Filings

#### A Current Procedure

10-SU, subparagraph:

- 111 C states that UCC-1 filings are released to the sugar processor, with the UCC-1 termination fee paid for by the sugar processor, upon full repayment of the loan or loans covered by the filing.
- 111 D states that the original copies of CCC-677 or CCC-678 shall be marked "Paid" and returned to the processor when the loan is completely liquidated through redemption.

#### B Interim Policy on 2005 Crop Year Sugar Loan Documents

State Offices shall be notified by PSD when a sugar processor has paid the amount requested in the June 23, 2006, demand letter.

For 2005 crop year sugar loans with partial repayments made before May 26, 2006, County Offices, shall **not**:

- return original CCC-677 or CCC-678 to sugar processors upon final repayment
- release UCC-1 or other security interest filings to the processor for the respective 2005 sugar loans.

Upon notification by their respective State Office that the additional 1 percent interest owed on 2005 crop year repayments has been paid and any remaining loan quantity has been paid in full, County Offices shall return original CCC-677 or CCC-678 to sugar processors and terminate UCC-1 filings for 2005 crop year sugar loans according to paragraph 111.

**Note:** Any loan documents returned or UCC-1 filings released before receiving this notice are to remain as is.

### 3 Action

#### A County Office Action

County Offices with 2005 crop year sugar loans shall follow procedure in:

- subparagraph 2 B, upon full repayment of a sugar loan with partial repayments before May 26, 2006
- 10-SU, subparagraph 111 D for sugar loans when all repayments were made on or after May 26, 2006.

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**3 Action (Continued)**

**B State Office Action**

State Offices with 2005 crop year sugar loans shall:

- ensure that County Offices follow the interim procedure in subparagraph 2 B
- notify County Offices after notification from PSD that a sugar processor has paid the amount requested in the demand letter of June 23, 2006.

**C PSD Action**

PSD shall notify respective State Office when a sugar processor has paid the amount requested in the demand letter of June 23, 2006.