

For: Tobacco State and County Offices

Maximum Discount Rate (MDR) for Tobacco Transition Payment Program (TTPP)

Approved by: Deputy Administrator, Farm Programs



1 Overview

A Background

Most TTPP payments that will be made to assignees are subject to MDR. MDR is the prime rate that is in effect on the first business day of each month, plus 2 percentage points rounded to the nearest whole number. The prime rate is in effect during the entire month and can be found at <http://federalreserve.gov/releases/h15/update>. TTPP payments that are subject to MDR will not be made if payments do **not** meet MDR.

B Purpose

This notice provides questions and answers (Exhibit 1) about the applicability of MDR.

<p>Disposal Date</p> <p>July 1, 2007</p>	<p>Distribution</p> <p>Tobacco State Offices; State Offices relay to applicable County Offices</p>
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Questions and Answers About MDR's

1. How do I verify that a transition payment meets MDR?

First, ask the TTPP contract holder to provide a copy of an agreement that details the lump-sum amount the contract holder will receive from the assignor. Next, use the Lump-Sum Calculator located on the Tobacco Information web site at www.fsa.usda.gov/tobacco to verify whether or not MDR has been met. **After** entering the information required in steps 1 through 5, the Lump-Sum Calculator will tell the contract holder if the lump-sum that has been offered is acceptable and met MDR by "Yes" or "No". If MDR is met, then the contract holder may accept the assignment contract.

2. Why should I need to know the net amount the contract holder will receive?

In some cases, TTPP contract holders may have paid other charges, such as processing fees to an assignor or successor ("Other Charges"). Payments of other charges affect the lump-sum shown by the Lump-Sum Calculator. The lump-sum amount input into the Lump-Sum Calculator should equal the net amount of the lump-sum the contract holder will receive; that is, the proposed lump-sum payment less other charges.

3. When does MDR apply?

MDR applies when assignments exist on transfers to Successors-In-Interest (CCC-962).

4. When does MDR not apply?

MDR does **not** apply when assignments exist:

- on loans, including FSA farm loans, of 1-year duration (CCC-959)
- on loans, notes, or other obligations that were executed **before** October 22, 2004 (CCC-959)
- on successor contracts between family members (CCC-971)
- on successor contracts between a contract holder and a person who purchased tobacco quota or allotment **before** October 22, 2004 (CCC-971)
- on successor contracts between deceased contract holders and their beneficiaries (CCC-971)
- on successor contracts between an entity and its members upon dissolution of the entity (CCC-971).

5. When do the spot check procedures in Notice TB-1165 apply?

Spot check procedures apply to multi-year assignments.

6. Who can State Offices contact if there are additional questions about MDR?

State Offices may contact Wallace Nuttycombe at 800-273-2331.