

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

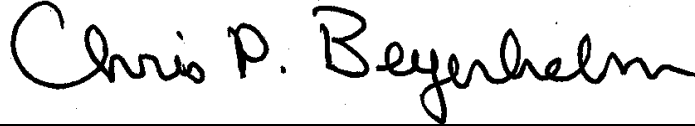
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**Guaranteed Loan Making and Servicing  
2-FLP (Revision 1)**

**Amendment 6**

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**Approved by:** Acting Deputy Administrator, Farm Loan Programs



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**Amendment Transmittal**

**A Reasons for Amendment**

Subparagraph 66 I has been amended to clarify the need for full legal names for entity members.

Subparagraphs 67 B and C have been amended to remove references to FSA-2014 and FSA-2015.

Subparagraph 73 C has been added to include lenders' requirements for electronic reporting.

Subparagraph 97 D has been amended to update the nondiscrimination statement.

Subparagraph 108 C has been amended to provide DLS Customer Profile screens may be printed to document verification of current/past debts and prior debt forgiveness.

Subparagraph 183 B has been amended to update appraisal report requirements.

Subparagraph 226 B has been amended to remove Conditional Commitment language.

Subparagraph 227 B has been amended to provide that FSA-2221 will not be executed by FSA before verification of the obligation of OL funds with IA.

Subparagraph 229 A has been amended to clarify when IA claim is denied the lender will be provided notification, with a copy to the applicant.

Subparagraph 248 C has been added to clarify requirements for refund of the guarantee fee.

Subparagraph 266 C has been amended to provide consistency with LINC.

Exhibits 17, 18, 19 and 20 have been amended to update the nondiscrimination statement.

**Amendment Transmittal (Continued)**

<b>Page Control Chart</b>		
<b>TC</b>	<b>Text</b>	<b>Exhibit</b>
	5-5, 5-6 5-27, 5-28 7-7, 7-8 8-3, 8-4 8-13 through 8-30 8-145 through 8-164 9-9 through 9-12 9-17 , 9-18 10-15, 10-16 11-13, 11-14	1, pages 1-4 page 5 17, pages 1-4 page 5 (remove) 18, pages 1-4 page 5 19, pages 1, 2 20, pages 1, 2

**66 Requirements for Loans of \$125,000 or Less (7 CFR 762.110) (Continued)****E Cash Flow Budget**

The lender should submit a cash flow budget as described in Exhibit 2. If significant changes are expected in the operation during the life of the loan, more than 1 cash flow budget may need to be developed.

**F Description of Farmed Land**

A description of the location of each tract of land to be farmed by the applicant should be provided. This may be by FSA farm number, legal description, plat map, or other identifying method. This may be included as part of the loan narrative.

**G Credit Report**

A credit report on the applicant's credit history must be provided. In addition, lenders should consider any other pertinent information concerning the applicant's credit history. CLP lenders are not required to submit the credit report to the agency.

**H Environmental Information**

Borrowers are required to have a current AD-1026 on file with FSA. Lenders should remind borrowers that an AD-1026 must be executed with FSA, if an AD-1026 is not already on file.

FSA can conduct its environmental review in most cases without additional information from the lender. However, occasionally additional information is needed, and until this information is received, the application is not complete, and the loan processing timeframe does not start. Situations needing additional information often involve wetland determinations, potential historical or archaeological sites, or construction of major confinement livestock facilities. The review is FSA's responsibility to conduct. However, the information to complete this review is part of a complete application.

**I Additional Requirements for Entity Applicants**

Entity applicants must submit additional information for each entity member. The application must contain the following information about each entity member:

- \*--full legal name--\*
- address
- Social Security number
- percent ownership interest in the entity
- current balance sheet.

**67 Requirements for Loans Over \$125,000 (7 CFR 762.110)**

**A Application Package**

**A complete application package for a guaranteed loan over \$125,000 will consist of the items in paragraph 66, plus subparagraphs B through G.**

**B Verification of Income**

\*--Nonfarm and “other farm” income should be documented using the same documentation the lender uses for its nonguaranteed loans.

**C Verification of Debts Over \$1,000**

Verification can be documented using the same documentation the lender uses for its--\* nonguaranteed loans.

**D Financial History**

The financial history should support cash flow projections and include 3 years of income and expenses and 3 years of balance sheets.

**E Production History**

The application should include **3 years of production history (SEL only)**.

**F Proposed Loan Agreements**

Any proposed nontypical agreements between the lender and the borrower should be explained in the narrative.

**G Development Plans**

**If construction or development is planned, a copy of the plans, a copy of the specifications, and a development schedule is needed.**

## 73 Filing Applications Electronically

### A Registering to Submit Applications

Lenders may submit applications electronically through USDA's Online Services web site. Lenders interested in filing electronically must first register. An explanation of the registration process, along with the necessary form, can be found by either of the following:

- at <http://www.sc.egov.usda.gov>, CLICK "Register"
- contacting any USDA Service Center.

Currently, registration is limited to individuals; lenders cannot be registered as organizations. However, persons representing lenders may register as an individual, and then may electronically sign and submit applications on behalf of the lender.

### B Submitting Applications

Once a lender's representative has registered and received a user ID and password, the representative may submit applications electronically. Go to <http://www.sc.egov.usda.gov>, CLICK "eForms", sign in, and follow the instructions to find, complete, and submit forms. Other electronic documents needed for a complete application may be attached to the application form and submitted to FSA.

If the lender submits the application electronically and all the required electronic signatures are not obtained, the application will be processed. However, the original, completed Application for Guarantee or Preferred Lender Application, with appropriate applicant signatures, must be provided to FSA before FSA will issue the guarantee.

### \*--C Lender Requirements for Electronic Reporting

Information supplied by lenders through the USDA LINC web site meets the submission requirements. Lenders are not required to submit hard copies of information, such as loan closing reports or status reports.

Lenders must complete the following requirements to participate in electronic reporting through the USDA LINC web site.

- Each lender employee who participates in electronic reporting must create a Level 2 eAuthentication ID and password at [www.eauth.egov.usda.gov](http://www.eauth.egov.usda.gov).
- Level 2 security provides users with the ability to conduct official electronic business transactions with USDA agencies through the Internet. If a lender's employee presently has a Level 2 eAuthentication ID/account with any USDA agency, then a second account is not needed.
- Lenders are responsible for ensuring that all employees who will have access to electronic reporting adhere to the requirements in FSA-2201.--\*

## 73 Filing Applications Electronically

**\*--C Lender Requirements for Electronic Reporting (Continued)**

- Each lender must designate an employee as their Security Administrator who will have the authority and responsibility of granting access to other employees designated by the lender to use FSA's electronic reporting applications. The Security Administrator can have authority over all of the lender's portfolio as a Lender Administrator or can be limited to a single branch as a Branch Administrator. The Security Administrator will be the point of contact for FSA for maintaining the lender employees' eAuthentication ID's in AASM. A lender can choose to designate additional Security Administrators to act as a backup for the primary Security Administrator.

After the Security Administrators are designated and the requirements have been fulfilled, the lender shall have the Security Administrator contact FSA with his/her eAuthentication ID and lender information to be validated and entered into AASM.

Once Security Administrators are validated in the system, they will receive an e-mail confirmation validating their authorization and authority to add additional lender employees to AASM. Additional lender employees may be added by logging into the USDA LINC web site at <https://usdalinc.sc.egov.usda.gov/>.

**Note:** The e-mail confirmation is sent to the e-mail address the Security Administrator entered when creating the eAuthentication account.

The following types of roles can be assigned to lender employees in AASM by the Security Administrator.

- "Representative" is an employee that the lender designates and authorizes to input electronic data through the USDA LINC website. The Security Administrator can authorize access for the entire portfolio as a Lender Representative or limit access to a specific branch as a Branch Representative.
- "Viewer" is an employee that the lender authorizes to view loan data and has view only capabilities of all transactions in the USDA LINC site. The Security Administrator can authorize access for the entire portfolio as a Lender Viewer or limit access to a specific branch as a Branch Viewer.

**Note:** FSA does not add or maintain any roles for lenders' employees.--\*

**74-82 (Reserved)**

97 Incomplete Application (7 CFR 762.110(e)) (Continued)

D Example of Second Notification Letter

The following is an example of a second notification letter.

\*--

Date: \_\_\_\_\_

Dear \_\_\_\_\_:

Your application on behalf of *(insert name of borrower/applicant)* for Farm Service Agency loan guarantee assistance is still incomplete. We must receive the following information before we can finish processing this request:

*(Insert list of items necessary to complete application.)*

If you do not submit this information or contact this office by *(insert date 10 calendar days from date of letter)*, your application will be withdrawn without further notice.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

*The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, generic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.*

Sincerely,

\_\_\_\_\_  
(Title)

--\*

**97 Incomplete Application (7 CFR 762.110(e)) (Continued)**

**E Automatic Withdrawal of Application**

**If the lender does not provide the information needed to complete its application by the deadline established in an Agency request for the information, the application will be considered withdrawn by the lender.**

**98-107 (Reserved)**



## 108 General Eligibility Requirements for OL and FO (7 CFR 762.120) (Continued)

## C No Agency Loss (Continued)

A borrower who has successfully completed a bankruptcy reorganization plan will be considered to be current on the plan.

All debt forgiveness actions that are part of 1 transaction and occur on or about the same date are normally considered 1 occasion of debt forgiveness, regardless of the number of loans involved. Since debt forgiveness on direct loans and guaranteed loans are always considered separate transactions, concurrent forgiveness on direct and guaranteed loans are separate occasions. A single loan may have debt forgiveness on more than 1 occasion, when, for example, a borrower received a writedown and the loan was later liquidated at a loss.

A lender should contact the local FSA office if it is unsure of an applicant's eligibility.

**Note:** The authorized agency official shall verify and document previous loss to the government, or debt forgiveness, for each applicant and all individuals who will sign the promissory note. SSN or tax ID number for each will be entered into the following databases to document eligibility. Screen prints of the information used as the basis for the eligibility determination will be placed in the case file.

- \*--DLS Customer Profile (printer friendly version) verification of both current/past debts and any prior debt forgiveness.--\*
- The View Loan Screen in GLS will be used to verify previous debt forgiveness for guaranteed loans. At the Loan List Screen, enter the tax ID number or name of the applicant and each individual who will sign the promissory note. The Loan List Screen will be displayed with previous and current loan information for the individuals entered. Detail information for a specific loan can be accessed by selecting the View Loan Screen from the "Action" drop-down box and clicking on the loan number hyperlink.

**108 General Eligibility Requirements for OL and FO (7 CFR 762.120) (Continued)****D Delinquency on Federal Debt**

**The applicant, and anyone who will execute the promissory note, is not delinquent on any Federal debt, other than a debt under the Internal Revenue Code of 1986. Any debt under the Internal Revenue code of 1986 may be considered by the lender in determining cash flow and credit worthiness.**

Federal debt not paid within 90 days of the due date is considered delinquent.

The applicant may be considered eligible if the delinquency will be remedied by the date of loan closing. Unless otherwise prohibited, applicants may use loan funds to cure delinquencies. Federal debt includes, but is not limited to, student loans, CCC loans, FSA direct loans, VA loans, and SBA loans. FSA-guaranteed loans are not Federal debts.

Loans that are made, using the following, become a delinquent Federal debt upon the payment of a final loss claim:

- FSA-1980-25 or FSA-1980-28 with the July 20, 2001, or later revision date
- Application for Guarantee or Preferred Lender Application.

**E Outstanding Recorded Judgments**

**The applicant, and anyone who will execute the promissory note, has no outstanding unpaid judgments obtained by the United States in any court. Such judgments do not include those filed as a result of action in the United States Tax Courts.**

Applicants must provide evidence that all Federal judgments have been released or paid in full to be eligible for guaranteed loans. Loan funds will not be used to pay Federal judgments. Questions by FSA employees about outstanding judgments should be directed to OGC.

110 Specific Requirements for FO's (7 CFR 762.120(j)) (Continued)

C Life Estates

FO's may be guaranteed under some circumstances when life estates are involved.

A guaranteed FO can be made to:

- both the life estate holder and the remainderman, if:
  - both have a legal right to occupy and operate the farm
  - both are eligible for the loan independently
  - both parties sign the note and lien instrument
- just the remainderman, if:
  - the remainderman has a legal right to occupy and operate the farm
  - the lien instrument is signed by the remainderman, life estate holder, and any other party having any interest in the security
- just the life estate holder, if:
  - there is no restriction placed on a life estate holder who occupies and operates a farm
  - the lien instrument is signed by the life estate holder, remainderman, and any other party having any interest in the security.

**111 Eligibility Requirements for Entity Applicants (7 CFR 762.120(k))**

**A Individual Ownership Interest Requirement**

**Each entity member's ownership interest may not exceed the family farm definition limits.**

**B Entity Ownership of Large Farms**

**The collective ownership interest of all entity members may exceed the family farm definition limits only if the following conditions are met:**

- **all of the entity members are related by blood or marriage**
- **all of the members are or will be operators of the entity**
- **the majority interest holders of the entity must meet the requirements of paragraphs 108 F, H, I, and 109 and 110 of this section.**

The majority interest holders of the entity must meet the following requirements:

- the entity member is a citizen of the United States or an alien lawfully admitted to the United States for permanent residence
- the entity member, in past dealings with FSA, must not have provided FSA with false or misleading documents or statements
- the entity member has an acceptable credit history
- the entity members meet the requirements of paragraph 109 or 110.

**C Domestic Farmer**

**The entity must be controlled by farmers engaged primarily and directly in farming in the United States after the loan is made.**

**D Entity Member Requirement**

**The entity members are not themselves entities.**

**112-121 (Reserved)**

**183 Real Estate Appraisals (7 CFR 762.127(d))****A Techniques**

**Real estate appraisals must be completed in accordance with the Uniform Standards of Professional Appraisal Practices.**

Appraisals, regardless of the size of the transaction, must be completed according to USPAP. This refers to the development of the appraisal as well as the report format.

**B Reports**

**Appraisals may be either a complete or limited appraisal provided in a self-contained or summary format. Restricted reports as defined in the Uniform Standards of Professional Appraisal Practices are not acceptable.**

\*--Generally, the 3 approaches to value are required when all are necessary to produce credible assignment results. Appraisal development may however be limited in nature as established in the scope of work. An appraisal that has been limited in scope might result in an exclusion of 1 or more of the approaches to value, if deemed unnecessary or not representative. An example of this might be the exclusion of the cost approach to value when appraising cropland where there are no improvements or when the improvements are functionally obsolete and have no remaining contributory value.

The appraisal report may be either a self-contained or summary format. The self-contained report contains all of the information significant to the property. A summary report contains the same information as a self-contained report, but it is presented in less detail, with detailed supportive information maintained within the appraisers work file. Restricted reports are normally only for internal use, may be simply a letter of value, have limited information, and are not acceptable for guarantee requests.--\*

183 Real Estate Appraisals (7 CFR 762.127(d)) (Continued)

**C Appraiser Qualifications**

**On loan transactions of \$250,000 or less, the lender must demonstrate to the Agency's satisfaction that the appraiser possesses sufficient experience or training to estimate the market values of agricultural property.**

An appraiser's qualifications can be demonstrated through their years of experience, number of appraisals performed, and any relevant education or training. For appraisers not certified by a State licensing body, the lender must submit the appraiser's resume to the authorized agency official for review and approval.

**On loan transactions greater than \$250,000, which includes principal plus accrued interest through the closing date, the appraisal must be completed by a state certified general appraiser. A loan transaction is defined as any loan approval or servicing action.**

184-194 (Reserved)

**225 Application Requirements (7 CFR 762.150(a))****A Applying for IA**

In addition to the loan application items required by Part 5, to apply for IA, requests from all lender types must include:

- a current balance sheet (including entity members), with supporting schedules
- a completed cash flow budget, according to subparagraph 224 B
- an IA “needs test” according to subparagraph 224 B (included in Application for Guarantee, Part G or the loan narrative).

**Notes:** See subparagraph 224 B for more details of the feasible plan requirements. All applications for IA where FSA-1980-64’s were not effective (loan closed and FSA-1980-64’s executed by the lender) before June 8, 2007, will need to meet the requirements as set forth in this handbook. Applications not meeting the new criteria will be denied according to paragraph 229.

IA can be applied to each loan, only to 1 loan, or any distribution the lender selects; however, IA is only available on as many loans as necessary to achieve a feasible plan.

**B Lender Procedures**

Lenders will follow their own internal procedures concerning the completion of monthly cash flow budgets for lines of credit.

226 Evaluating and Approving or Denying IA Requests

**A Evaluating IA requests**

\*--Applications for IA will be evaluated according to Part 8. Additionally, FSA shall--\* determine whether or not all applicable requirements of this Part have been met. The approval official shall check that:

- all mathematical computations are accurate
- the loan and applicant are eligible (paragraph 224).

**B Approving IA Requests**

\*--IA may be approved only on new guaranteed OL's. FSA-2221 will not be executed on--\* any guaranteed loan that was not originally obligated with IA.

If the approval official determines that IA can be approved, the approval official shall do the following.

Step	Action
1	Prepare FSA-2231. FSA-2231 is used to obligate FSA funds including IA: <ul style="list-style-type: none"> <li>• for new loans</li> <li>• when the term of IA is to be extended.</li> </ul>
2	Execute FSA-2231.
3	Verify that the obligation of funds has been completed on GLS. Place a printout of the GLS screen in the case file.  * * *
4	For requests to extend the term of IA on existing guaranteed loans, the approval official will notify the lender in writing, using the following guide letter, that the request has been approved.



226 Evaluating and Approving or Denying IA Requests (Continued)

**B Approving IA Requests (Continued)**

Date: \_\_\_\_\_

Dear \_\_\_\_\_:

This letter extends the Interest Assistance Agreement for *(insert name of borrower)*, on loan number *(insert loan number from FSA-2221, Part A, item 7)* in the original principal amount of *(insert principal amount from FSA-2221, Part A, item 6)*. The Interest Assistance Agreement, scheduled to expire on *(insert date from FSA-2221, Part B, item 1b)*, is hereby extended until *(insert expiration date)*. This extension is made in accordance with Part B, item 1, of that Interest Assistance Agreement, and all conditions contained in the Interest Assistance Agreement remain in effect.

If you have any questions, please contact this office.

Sincerely,

\_\_\_\_\_  
*(title)*

**C Denying IA Requests**

If the applicant is found ineligible or the request cannot be approved for other reasons, the approval official shall notify the applicant, with a copy to the lender, according to paragraph 229.

227 IA Closing (7 CFR 762.150(h), (i))

**A Closing Requirements**

Guaranteed loans will be closed according to paragraph 247.

**Note:** If the lender indicates 360/365 accrual method on the promissory note on FSA-2236, item 28, ENTER “365”.

- **The lender and borrower must execute an interest assistance agreement as prescribed by the Agency.**

**The lender may select at the time of loan closing the date they \* \* \* wish to receive an interest assistance payment. That date will be included in the interest assistance agreement.**

**B Executing FSA-2221**

FSA, lender, and borrower shall execute FSA-2221 and provide the original to the lender.

**\*--Note:** In no case will FSA-2221 be executed by FSA before verification of the obligation of OL funds with IA.--\*

**228 Request for IA Payment or Continuation (7 CFR 762.150(i)) (Continued)****G Continuation of Beginning Farmer Agreements Beyond Original 5-Year Period**

See subparagraph:

- 224 I for continuing eligibility requirements for beginning farmers
- 230 D for specific actions necessary to obligate additional funds when additional years of IA is authorized.

If a beginning farmer receives multiple IA loans in subsequent years the lender will submit the needs test for all loans in the fifth year of the first loan closed.

To request continuation of an additional 5 years of IA for beginning farmers, lenders will submit the applicable portion of Application for Guarantee. Borrowers must meet the requirements of subparagraph 224 A and lenders will meet the requirements of subparagraph 225 A.

**Note:** Only the portion of the Application for Guarantee applicable to IA will need to be completed. All requests should be provided to FSA within 60 calendar days before expiration of the FSA-2221. Failure to request continuation will result in termination of the FSA-2221 upon its expiration.

IA requests for continuation will be evaluated to determine if the eligibility and application requirements of subparagraphs 224 A and 225 A have been met.

If the request for continuation of IA is denied, applicants and lenders will be notified according to subparagraph 229 A.

**228 Request for IA Payment or Continuation (7 CFR 762.150(i)) (Continued)**

**H FSA Review of Request for IA Payment**

Review IA payment requests according to the following.

<b>Step</b>	<b>Action</b>
1	FSA will review the claim and the supporting documentation within 3 workdays of receipt. If the information and the supporting documentation is not complete and correct, the reviewing official will notify the lender in writing of the actions needed to correct the request.
2	For IA agreements dated before June 8, 2007, the reviewing official shall document a comparison of actual and projected income and expenses. Any major differences from previous projections to actual performance as well as major changes from the previous year's balance sheet should be noted and discussed with the lender before a determination is made whether IA can be approved for the upcoming year. For IA agreements signed on or after June 8, 2007, proceed to step 3.
3	The authorized agency official shall complete the appropriate portion of FSA-2222 to reflect the amount of IA approved for the coming year.
4	A copy of FSA-2222 will be returned to the lender for attachment to the original FSA-2221 or FmHA-1980-64, FSA-1980-64, or RD-1980-64 for loans made before June 8, 2007.

**229 Notification of Adverse Action**

**A Notification of FSA Action**

The applicant will be notified in writing, with a copy to the lender, of all FSA decisions in which a request for IA or a request for continuation of IA is denied. The lender will be notified in writing, with a copy to the applicant, when a lender's claim for an IA payment is denied. The notification letter will provide specific reasons for the decision and appeals will be handled according to 1-APP.

**247 Actions Before Issuing the Loan Guarantee (7 CFR 762.130) (Continued)****B FSA Actions**

Once FSA receives the information from the lender detailed in subparagraph A, the authorized agency official must take the following actions before executing the Loan Guarantee to guarantee the loan.

- Review the Conditional Commitment to ensure that the loan closed according to the agreed conditions.
- Review the executed loan agreement and promissory note and compare with the Conditional Commitment to ensure consistency with the agreed upon terms and personal liability of entity members.
- Review the lender's proposed marketing plans to the secondary market. If the lender is proposing to sell the loan or a portion of the loan into the secondary market, documents should be checked to ensure consistency before sale. The authorized agency official should take additional care to review the Conditional Commitment, the Loan Guarantee, the loan agreement, and promissory notes to ensure the following:
  - principal amount and interest rate are consistent
  - closing date on the note and guarantee are consistent
  - borrower's name, lender's name, and FSA contact information are consistent on all documents.
- For loans involving construction, review the lender's proposed plans for construction inspections and how they intend to ensure that the project is completed according to agreed upon terms.

**248 Issuing the Loan Guarantee****A Action**

Once the requirements of paragraph 247 have been met, the authorized agency official may prepare and issue the Loan Guarantee. The original Loan Guarantee should be provided to the lender to be attached to the original note. A conformed copy, or signed and dated photocopy, with copies of the note should be kept by FSA in the loan docket.

**B Documents To Be Transmitted to FSC, FLOO**

\*--The guarantee fee will be processed through the System 36, under Miscellaneous Code 30. See 3-FI for additional guidance. The authorized agency official shall make every attempt to review the closing documents before processing the guarantee fee. However, FSA shall adhere to the timeframes in 3-FI to process the fee even in situations when the authorized agency official is not able to review the closing documents timely. The Loan Closing Transaction shall be input through GLS Add Loan Screen.

**C Refund of Guarantee Fee**

The guarantee fee is not refundable once the Loan Guarantee has been issued and loan funds disbursed. However, if the fee was processed before reviewing closing documents and it is later determined that the guarantee cannot be issued, the fee may be refunded to the lender.

The authorized agency official will forward a memorandum to the State Office with the reasons FSA was not able to issue the Loan Guarantee and request that the fee be refunded. If approved, the State Office will FAX the memorandum to FSC, FLOO, requesting that the fee be refunded.

A request for a guarantee fee refund for any other reason shall be forwarded to the National Office for approval.--\*

**249 Deobligation of Loan Funds****A Deobligation of Funds**

Under certain circumstances, the authorized agency official may need to consider a deobligation of loan funds. If the conditions for the loan or LOC cannot be met after completing the appeal process, the authorized agency official must execute FSA-2072 to cancel the actual obligation.

**B FAXing FSA-2072**

FSA-2072 should be FAXed to the State Office that will process the cancellation or deobligation through GLS.

**266 Lender Reporting Requirements (7 CFR 762.141)****A Overview**

This section covers the general reporting requirements for all lenders. These reporting requirements are not tied to any specific servicing action. Many servicing actions require additional reports and updates from lenders, which this paragraph does not cover. See Exhibit 12 for a checklist of all lender reporting requirements.

**B General Reporting Requirements**

**Lenders are responsible for providing the local Agency credit officer with all of the following information on the loan and the borrower:**

- **When the guaranteed loan becomes 30 days past due, and following the lender's meeting or attempts to meet with the borrower, all lenders will submit the appropriate Agency form showing guaranteed loan borrower default status. The form will be resubmitted every 60 days until the default is cured either through restructuring or liquidation.**
- **All lenders will submit the appropriate guaranteed loan status reports as of March 31 and September 30 of each year.**
- **PLP lenders will submit additional reports as required in their Lender's Agreement.**
- **A lender receiving a final loss payment must complete and return an annual report on its collection activities for each unsatisfied account for 3 years following payment of the final loss claim.**

Lenders shall submit FSA-2248 to comply with the requirement to report borrower defaults. This report is used first to notify FSA that a loan is in default, second, as a progress report on the lender's attempt to make the loan current again, and third, once a loan is brought current, as a means to notify FSA of the new loan terms and conditions. See Part 12 for more details on this reporting requirement.

Lenders should submit FSA-2241 to comply with the requirement to submit a semi-annual loan status report. This report provides an update on the borrower's progress on loan payback and the loan's terms and conditions.

Lenders should submit FSA-2261 to satisfy the requirement for an annual report on collection activities. See Part 14 for more details on this reporting requirement.

## 266 Lender Reporting Requirements (7 CFR 762.141) (Continued)

**C FSA Monitoring of Lender Reports**

\* \* \*

- \*-If not received through LINC, the authorized agency official will enter information from--\* FSA-2241 into GLS when FSA-2241 is received from the lender. Lenders will be required to update loan information on loans that have a status report record created in GLS or displayed on FSA-2241 mailed to the lenders. Status reports will not be required to be updated until the next reporting period for loans that do not have a status report record created or that are not
- \*-displayed on the mailed FSA-2241. If the lender is not sending these reports in a timely manner, the authorized agency official should document attempts to obtain the reports and communicate problems to SED.

The authorized agency official should review the information to determine whether it--\* indicates that the loan is in good standing. If the principal balance has not been reduced in over a year, the accrued interest balance appears inordinately large, the interest rate does not comply with the promissory note, or other concerns, the issue should be discussed with the lender. If necessary, the discussion should be followed by a letter requesting that the account be corrected and a new FSA-2241 submitted.

An indication on FSA-2241 that the loan is past due will not place the account in default in FSA's records. If the lender has indicated that an account is past due, and FSA-2248 has not been submitted, the authorized agency official shall contact the lender and request that FSA-2248 be submitted if the account will not be brought current within a few days.

Entering information from FSA-2248, which shows a loan has been brought to a current status, will remove that loan from a delinquency status; however, it will not change the amount the loan payments are shown as Ahead/Behind. The authorized agency official will prepare an updated FSA-2241, using the information from FSA-2248, and process into GLS. If the information on FSA-2241 shows the loan as current, and the amount Ahead/Behind is shown as zero, the management reports will reflect the correct status of the loan.

See:

- Part 12 for other FSA-2248 actions
- Part 14 for FSA-2261 actions.



## Reports, Forms, Abbreviations, and Delegations of Authority

### Reports

None

### Forms

This table lists all forms referenced in this handbook.

<b>Number</b>	<b>Title</b>	<b>Display Reference</b>	<b>Reference</b>
AD-1026	Highly Erodible Land Conservation and Wetland Conservation Certification		66, 208
FEMA-81-93	Standard Flood Hazard Determination Form		138
FmHA-449-34	Loan Note Guarantee		267, 281
FmHA-1980-64	Interest Assistance Agreement		224, 228, 230
FSA-1940-3	Request for Obligation of Funds Guaranteed Loans		226, 230
FSA-1980-25	Application For Guarantee		108, 286, 360, 361, 363
FSA-1980-27	Loan Guarantee		364, 376
FSA-1980-28	Preferred Lender Application For Guarantee		108, 360, 361, 363
FSA-1980-36	Assignment of Guarantee		375
FSA-1980-64	Interest Assistance Agreement		224, 228, 230
FSA-2014	Verification of Income		152
FSA-2015	Verification of Debts and Assets		152
FSA-2028	Security Agreement		50, 280
FSA-2072	Cancellation of U.S. Treasury Check and/or Obligation		249

## Reports, Forms, Abbreviations, and Delegations of Authority (Continued)

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2201	Lender's Agreement		Text
FSA-2202	USDA-FSA Certified Lender Sticker		50
FSA-2203	Preferred Lender Sticker		53
FSA-2211	Application for Guarantee		Text
FSA-2212	Preferred Lender Application for Guarantee		Text
FSA-2221	Interest Assistance Agreement		Text
FSA-2222	Request for Interest Assistance Payment		228, 326
FSA-2231	Request for Obligation of Funds Guaranteed Loans		226, 230, 244
FSA-2232	Conditional Commitment		Text
FSA-2233	Lender Certification		247
FSA-2235	Loan Guarantee		Text
FSA-2236	Guaranteed Loan Closing Report		227, 247, 249, 286
FSA-2241	Guaranteed Farm Loan Status Report as of		250, 266, 355, 376, Ex. 12
FSA-2242	Assignment of Guarantee		373-375, Ex. 12
FSA-2243	Notice of Substitution of Lender (Transaction 4034)		287
FSA-2244	Guaranteed Loan Status Update Adjustment (Transaction 4048)		288
FSA-2245	Modification of Loan Guarantee		281, 313, 326, Ex. 12
FSA-2246	Notification of Transfer and Assumption of a Guaranteed Loan Transaction Code 4037		281
FSA-2247	Guaranteed Loan Borrower Adjustments		281, 284, 288
FSA-2248	Guaranteed Farm Loan Default Status Report		Text, Ex. 12
FSA-2249	Request for Restructuring Guaranteed Loans		313

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Forms (Continued)

Number	Title	Display Reference	Reference
FSA-2250	FSA Purchase of a Guaranteed Loan Portion		375
FSA-2251	Lender's Guaranteed Loan Payment to USDA		376
FSA-2252	Farm Loan Programs Guaranteed Writedown Worksheet		328, Ex. 12
FSA-2253	Shared Appreciation Agreement for Guaranteed Loans		181, 288, 328, 341, Ex. 12
FSA-2254	Guaranteed Loan Report of Loss		136, 288, 328, 342, Part 14, 376, Ex. 12
FSA-2254A	Supplemental Loss Form		359, 360, 376
FSA-2261	Report on Collection Activities on Liquidated Accounts		266, 362, Ex. 12
FSA-2262	Notice of Liquidation Responsibility		362
FSA-2291	Lender's Processing Checklist		65, 95
FSA-2292	Guaranteed Loan Processing Checklist		65
FSA-2293	Annual File Review Checklist for SEL and CLP Lenders		267
FSA-2294	Debt Writedown Review Checklist		329
FSA-2295	Guaranteed Estimated Loss Review Checklist for SEL and CLP Lenders		342, 359
FSA-2296	Guaranteed Loan Final Loss Review Checklist		360
IRS-1099-C	Cancellation of Debt		362
IRS-8379	Injured Spouse Claim and Allocation		Ex. 17, 18
RD 1951-C-1	Notice of Intent to Collect by Administrative Offset		376
RD 1956-1	Application for Settlement of Indebtedness		363
RD-1980-64	Interest Assistance Agreement		224, 228, 230
UCC1	Financing Statement		364
W-2	Wage and Tax Statement		152

## Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

## Abbreviations Not Listed in 1-CM

The following abbreviations are not listed in 1-CM.

<b>Approved Abbreviation</b>	<b>Term</b>	<b>Reference</b>
AASM	Application Authorization Security Management	73
ACT	Consolidated Farm and Rural Development Act	1, 108
ADPB	average daily principal balance	228, Ex. 10
CAFO	Concentrated Animal Feeding Operation	358, Ex. 15
CLP	Certified Lender Program	Text
CMS	Credit Management System	Text
DCIA	Debt Collection Improvement Act of 1996	363, Ex. 17, 18
ECOA	Equal Credit Opportunity Act	31, 210
EE	economic emergency loan	108, Ex. 2
EFT	Electronic Funds Transfer	228, 360
EL	emergency livestock loan	108
EM	emergency loans	108, 138, 244
EO	economic opportunity loan	108
FmHA	Farmers Home Administration	108, Part 9, Part 11, 360
FLOO	Farm Loan Operations Office, St. Louis, Missouri	Text, Ex. 10
FO	farm ownership loan	Text, Ex. 2
FSC	Financial Services Center	Text, Ex. 10, 21
GLS	Guaranteed Loan System	Text, Ex. 10
IA	interest assistance	18, Parts 9, 11-15, Ex. 10
IAO	Internal Administrative Offset	363, Ex. 2, 17, 18
INA	Immigration and Nationality Act	Ex. 7

Reports, Forms, Abbreviations, and Redelegations of Authority (Continued)

Abbreviations Not Listed in 1-CM (Continued)

Approved Abbreviation	Term	Reference
LINC	Lender Interactive Network Connection	73, 266
LOC	line of credit	Text
OL	operating loan	Text
PLP	Preferred Lender Program	Text, Ex. 12
PRWORA	Personal Responsibility and Work Opportunity Reconciliation Act of 1996	Ex. 7
RHF	Rural Housing for farm service buildings	108
RL	recreation loan	108
SAA	Shared Appreciation Agreement	286, 288, Ex. 2
SEL	Standard Eligible Lender	Text, Ex. 12
SW	soil and water loan	49, 50, 52, 108, 244, 326, Ex. 2
TOP	Treasury Offset Program	363, Ex. 2, 17, 18, 21
USCIS	U.S. Citizenship and Immigration Services	Ex. 7, 8
USPAP	Uniform Standards of Professional Appraisal Practice	181, 183, Ex. 2, 15

Redelegations of Authority

This table lists the redelegations of authority in this handbook.

Redelegation	Reference
Administering handbook provisions	20



**Demand for Payment, Notice of Intent to Collect by Non-Centralized Administrative Offset, Including Internal Administrative Offset, Centralized Offset, and Other Applicable Debt Collection Methods**

\*--Note: Exhibit17 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK “FFAS Employee Forms/Publications Site” and CLICK “Find Current Forms Using Our Form Number Search”. For “Form Number”, ENTER “2-FLP Exhibit 17”.

2-FLP, Exhibit 17

(Use Agency Letterhead format with local return address.)

**Demand for Payment, Notice of Intent to Collect by Non-Centralized Administrative Offset, Including Internal Administrative Offset, Centralized Offset, and Other Applicable Debt Collection Methods**

[ Date]

Dear [ Borrower]

This is to inform you that as a result of a final loss claim that the U.S. Department of Agriculture (USDA), Farm Service Agency (FSA) paid on your behalf, you now have a delinquent Federal debt.

The final loss claim is based on the following guaranteed loans: (Complete as necessary from Borrower Loan Records).

<u>Date of Loan</u>	<u>Lender</u>	<u>FSA ID Number</u>	<u>Loan Amount</u>
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The amount of the final loss claim paid on your behalf which you owe is \$\_\_\_\_\_. Interest will accrue at the note rate of the guaranteed loan on the date the final loss claim was paid (\_\_\_\_%). The amount due will increase as interest accrues at the annual rate indicated.

FSA will use:

- Centralized offset from the U.S. Department of Treasury’s Treasury Offset Program (TOP),
- Non-centralized administrative offset between FSA and USDA payment authorizing agencies including, but not limited to, internal administrative offset (IAO) of payments made by FSA, and
- The other debt collection actions described in this notice to collect the debt you owe FSA.

--\*

**Demand for Payment, Notice of Intent to Collect by Non-Centralized Administrative Offset, Including Internal Administrative Offset, Centralized Offset, and Other Applicable Debt Collection Methods (Continued)**

\*--

2-FLP, Exhibit 17

**Demand for Payment**

To avoid debt collection actions you must either comply with this demand for payment of your delinquent federal debt or successfully dispute that debt (see instructions under Debtors' Rights). To repay your debt, send a check or money order, for the full amount of the debt to [ Insert Service Center Name and address]. Please include your account number on your payment. The payment must be received no later than [ Date] to avoid non-centralized administrative offset. To avoid centralized offset and other debt collection actions, payment must be received no later than [ Date] .

**Debt Collection Actions**

- If the delinquent debt is not paid in full, or
- Timely resolved by the actions explained in this notice,

then USDA agencies will be notified to collect the debt by non-centralized administrative offset. Treasury also will be notified to collect by centralized offset from the following Federal Government sources or other private payments due you, if applicable:

- TOP (To obtain income tax refunds, contract or vendor payments, certain Federal benefit payments, such as Social Security, other than Supplemental Security Income, Railroad Retirement (other than tier 2), and Black Lung (part B) benefits and other Federal payments, including certain loans to you, that are not exempt from offset)
- Federal salary pay, including military pay (through Treasury's centralized computer matching program, not to exceed 15 percent of disposable pay)
- Federal retirement and disability pay, including military retirement pay (from the Office of Personnel Management, in most cases not to exceed 50 percent of the net annuity).

**Ineligibility for Federal Assistance**

If you do not resolve your delinquent Federal debt within the time frames provided in this notice, you will be ineligible to receive future Federal financial assistance including loans (except disaster loans), loan guarantees and loan insurance.

**Disclosure**

Your delinquent debt also will be disclosed to commercial credit reporting bureaus. To avoid this action you must either repay your debt immediately, propose an acceptable repayment agreement or request an appeal within the time frames provided in this notice.

--\*



**Demand for Payment, Notice of Intent to Collect by Non-Centralized Administrative Offset,  
Including Internal Administrative Offset, Centralized Offset, and Other Applicable Debt  
Collection Methods (Continued)**

\*--

2-FLP, Exhibit 17

**Non-Centralized Administrative Offset**

FSA intends to take any future payment that you are to receive from your participation in any USDA program or contract (this includes any FSA program or contract). The amount to be offset also will include any payments to other entities equal to your *pro rata* share in the entities if FSA has a legally enforceable right under state law or otherwise to pursue entity payments. FSA intends to begin administrative offset **31** calendar days after receipt of this notice, unless you resolve the debt with the options set out in this notice.

**Centralized Offset**

Your delinquent debt will be referred to Treasury for TOP and for centralized salary offset computer matching as required by the Debt Collection Improvement Act of 1996 (DCIA), 31 U.S.C. 3716, the Federal Claims Collection Standards, and Department of Treasury regulations if the debt is not satisfied by non-centralized administrative offset of payments within USDA. Under DCIA, Federal debts over 180 days delinquent must be referred to Treasury for such collection.

**Litigation**

FSA intends to enforce collection by referring the debt to the Department of Justice to initiate litigation if you fail to pay or otherwise resolve the debt.

**Debtors' Rights**

You have the right to inspect and copy Agency records, to make other arrangements for repaying your debt and to request an appeal of this demand for payment to the National Appeals Division (NAD).

**Access to Agency Records of the Debt**

You may inspect and copy your FSA file regarding this debt by notifying your local servicing office indicated above in writing within **20 calendar days** from the date of receipt of this notice. In response, FSA will notify you regarding a time and place for your review. At your request, one copy of the documents regarding this debt will be provided at FSA expense.

**Opportunity to Propose a Repayment Agreement**

At any time within **20 calendar days** of the date of receipt of this notice, you may present a written agreement to repay the debt as an alternative to non-centralized administrative offset. Your proposed repayment agreement must document your ability to pay the delinquent Federal debt within a short period of time. A written repayment plan for paying the delinquent Federal debt may be accepted by FSA in lieu of collection of the debt through non-centralized administrative offset.

--\*

**Demand for Payment, Notice of Intent to Collect by Non-Centralized Administrative Offset,  
Including Internal Administrative Offset, Centralized Offset, and Other Applicable Debt  
Collection Methods (Continued)**

\*--

2-FLP, Exhibit 17

**Right to Appeal to NAD**

You have the right to appeal this demand for payment to NAD in accordance with regulations published at 7 C.F.R. part 11. The issues under appeal will be limited to the existence of the debt, and the amount of the debt. If you wish to appeal this demand for payment, your written request for appeal must be postmarked no later than **30 calendar days** from the date you received this notice. Send the request for appeal to the office of the Area Supervisor, National Appeals Division, [ Insert NAD Address] [ NAD address continuation] .

The request for appeal must include a copy of this notice and a statement explaining why you think the demand for payment is incorrect. The request should also include your name, address, and phone number. NAD will advise you of the time and place of any hearing and of any procedural requirements. A copy of your request for appeal and any attachments should be sent to your servicing office indicated above. When you request a NAD appeal, there will be an immediate stay of the non-centralized administrative offset and referral for centralized offset until the NAD reviewing official issues a final written decision.

Please do not delay action to pay your delinquent Federal debt or exercise the rights offered in this notice. Your delinquent Federal debt will have a negative impact on your ability to obtain other credit. No additional advance notice will be forthcoming before referral of your debt to Treasury for TOP. If a Federal income tax return is filed, and your spouse is not responsible for this debt, please contact your local IRS office before filing your return to learn how to protect your spouse's share of the refund.

Otherwise, you can obtain IRS information at <http://www.irs.gov> , including IRS Form 8379, if applicable. You should advise your local servicing office indicated above if you or another person liable for the debt files bankruptcy. If you have any questions about FSA's procedures, please call your local servicing office at [ Insert phone numer] or write FSA at the address indicated above.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

Sincerely,

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Farm Service Agency  
United States Department of Agriculture

The U.S. Department of Agriculture prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.

--\*

**Demand for Payment, Notice That Non-Centralized Administrative Offset, Including Internal Administrative Offset, Has Been Taken and Will Continue, and Intent to Collect by Centralized Offset and Other Applicable Debt Collection Methods**

\*--Note: Exhibit 18 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK "FFAS Employee Forms/Publications Site" and CLICK "Find Current Forms Using Our Form Number Search". For "Form Number", ENTER "2-FLP Exhibit 18".

2-FLP, Exhibit 18

(Use Agency Letterhead format with local return address.)

**Demand for Payment, Notice That Non-Centralized Administrative Offset, Including Internal Administrative Offset, Has Been Taken and Will Continue, and Intent to Collect by Centralized Offset and Other Applicable Debt Collection Methods**

[ Date]

Dear [ Borrower]

This is to inform you that as a result of a final loss claim that the U.S. Department of Agriculture (USDA), Farm Service Agency (FSA) paid on your behalf, you now have a delinquent Federal debt.

The final loss claim is based on the following guaranteed loans: (Complete as necessary from Borrower Loan Records).

<u>Date of Loan</u>	<u>Lender</u>	<u>FSA ID Number</u>	<u>Loan Amount</u>
---------------------	---------------	----------------------	--------------------

The amount of the final loss claim paid on your behalf which you owe is \$\_\_\_\_. Interest will accrue at the note rate of the guaranteed loan on the date the final loss claim was paid (\_\_\_\_%). The amount due will increase as interest accrues at the annual rate indicated.

FSA has taken non-centralized administrative offset, including internal administrative offset (IAO). FSA will continue to use:

- Centralized offset from the U.S. Department of Treasury's Treasury Offset Program (TOP),
- Non-centralized administrative offset between FSA and USDA payment authorizing agencies including, but not limited to, internal administrative offset (IAO) of payments made by FSA, and
- The other debt collection actions described in this notice to collect the debt you owe FSA.

--\*

**Demand for Payment, Notice That Non-Centralized Administrative Offset, Including Internal Administrative Offset, Has Been Taken and Will Continue, and Intent to Collect by Centralized Offset and Other Applicable Debt Collection Methods (Continued)**

\*--

2-FLP, Exhibit 18

In accordance with 31 C.F.R. 901.3(b)(4), FSA determined non-centralized administrative offset must be exercised immediately against any amounts payable to you. This is because FSA has determined that there was insufficient time before payment to allow for prior notice and opportunity for appeal. [ Insert a narrative justification]  
[ Narrative continuation]

The payment collected was \$ [ Amount ] that you were to receive from [ Insert payment type]. The offset amount will include any payments to other entities equal to your *pro rata* share in the entities if FSA has a legally enforceable right under state law or otherwise to pursue entity payments. FSA also intends to continue offset from your participation in any Federal program or contract until you pay your Federal debt in full or the debt is otherwise resolved by actions explained in this notice.

**Demand for Payment**

To avoid further debt collection actions you must either comply with this demand for payment of your Federal debt or successfully dispute that debt (see instructions under Debtors' Rights). To repay your debt, send a check or money order, for the full amount minus offset amount taken of the debt to [ Insert Service Center Name and address ] .

Please include your account number on your payment. The payment must be received no later than [ Date ] to avoid continued non-centralized administrative offset. To avoid centralized offset and other debt collection actions, payment must be received no later than [ Date ] .

**Debt Collection Actions**

- If the delinquent debt is not paid in full, or
- Timely resolved by the actions explained in this notice,

then USDA agencies will continue to collect the debt by non-centralized administrative offset. Treasury also will be notified to collect by centralized offset from the following Federal Government sources or other private payments due you, if applicable:

- TOP (To obtain income tax refunds, contract or vendor payments, certain Federal benefit payments, such as Social Security, other than Supplemental Security Income, Railroad Retirement (other than tier 2), and Black Lung (part B) benefits and other Federal payments, including certain loans to you, that are not exempt from offset)
- Federal salary pay, including military pay (through Treasury's centralized computer matching program, not to exceed 15 percent of disposable pay)
- Federal retirement and disability pay, including military retirement pay (from the Office of Personnel Management, in most cases not to exceed 50 percent of the net annuity).

--\*

**Demand for Payment, Notice That Non-Centralized Administrative Offset, Including Internal Administrative Offset, Has Been Taken and Will Continue, and Intent to Collect by Centralized Offset and Other Applicable Debt Collection Methods (Continued)**

\*--

2-FLP, Exhibit 18

**Ineligibility for Federal Assistance**

If you do not resolve your delinquent Federal debt within the time frames provided in this notice, you will be ineligible to receive future Federal financial assistance including loans (except disaster loans), loan guarantees and loan insurance.

**Disclosure**

Your delinquent debt also will be disclosed to a commercial credit reporting bureau. To avoid this action you must either repay your debt immediately, propose an acceptable repayment agreement or request an appeal within the time frames provided in this notice. See the instructions above for immediate repayment and the instructions below for other rights.

**Non-Centralized Administrative Offset**

FSA intends to take any future payment that you are to receive from your participation in any USDA program or contract (this includes any FSA program or contract). The amount to be offset also will include any payments to other entities equal to your *pro rata* share in the entities if FSA has a legally enforceable right under state law or otherwise to pursue entity payments. Non-Centralized administrative offset has been exercised as explained on page 1 of this notice and will continue to be exercised unless you resolve the debt with the options set out in this notice.

**Centralized Offset**

Your delinquent debt will be referred to Treasury for TOP and for centralized salary offset computer matching as required by the Debt Collection Improvement Act of 1996 (DCIA), 31 U.S.C. 3716, the Federal Claims Collection Standards, and Department of Treasury regulations if the debt is not satisfied by non-centralized administrative offset of payments within USDA. Under DCIA, federal debts over 180 days delinquent must be referred to Treasury for such collection.

**Litigation**

FSA intends to enforce collection by referring the debt to the Department of Justice to initiate litigation if you fail to pay or otherwise resolve the debt.

**Debtors' Rights**

You have the right to inspect and copy FSA records, to make other arrangements for repaying your debt and to request an appeal of this demand for payment to the National Appeals Division (NAD).

--\*

**Demand for Payment, Notice That Non-Centralized Administrative Offset, Including Internal Administrative Offset, Has Been Taken and Will Continue, and Intent to Collect by Centralized Offset and Other Applicable Debt Collection Methods (Continued)**

\*--

2-FLP, Exhibit 18

**Access to Agency Records of the Debt**

You may inspect and copy your FSA file regarding this debt by notifying your local servicing office indicated above in writing within **20 calendar days** from the date of receipt of this notice. In response, FSA will notify you regarding a time and place for your review. At your request, one copy of the documents regarding this debt will be provided at FSA expense.

**Opportunity to Propose a Repayment Agreement**

At any time within **20 calendar days** of the date of receipt of this notice, you may present a written agreement to repay the debt as an alternative to non-centralized administrative offset. Your proposed repayment agreement must document your ability to pay the delinquent Federal debt within a short period of time. A written repayment plan for paying the delinquent Federal debt may be accepted by FSA in lieu of collection of the debt through non-centralized administrative offset.

**Right to Appeal to NAD**

You have the right to appeal this demand for payment to NAD in accordance with regulations published at 7 C.F.R. part 11. The issues under appeal will be limited to the existence of the debt, and the amount of the debt. If you wish to appeal this demand for payment, your written request for appeal must be postmarked no later than **30 calendar days** from the date you received this notice. Send the request for appeal to the office of the Area Supervisor, National Appeals Division, [ Insert NAD Address]  
[ NAD address continuation] .

The request for appeal must include a copy of this notice and a statement explaining why you think the demand for payment is incorrect. The request should also include your name, address, and phone number. NAD will advise you of the time and place of any hearing and of any procedural requirements. A copy of your request for appeal and any attachments should be sent to your servicing office indicated above. While you will not avoid immediate offset of payment if you appeal, if you prevail on appeal, FSA will return the offset with interest and discontinue any future offsets unless you are re-notified.

Please do not delay action to pay your delinquent Federal debt or exercise the rights offered in this notice. Your delinquent Federal debt will have a negative impact on your ability to obtain other credit. No additional advance notice will be forthcoming before referral of your debt to Treasury for TOP. If a Federal income tax return is filed, and your spouse is not responsible for this debt, please contact your local IRS office before filing your return to learn how to protect your spouse's share of the refund.

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**Demand for Payment, Notice That Non-Centralized Administrative Offset, Including Internal Administrative Offset, Has Been Taken and Will Continue, and Intent to Collect by Centralized Offset and Other Applicable Debt Collection Methods (Continued)**

\*--

2-FLP, Exhibit 18

Otherwise, you can obtain IRS information at <http://www.irs.gov>, including IRS Form 8379, if applicable. You should advise your local servicing office if you or another person liable for the debt files bankruptcy. If you have any questions about FSA's procedures, please call your local servicing office at [Insert phone number] or write FSA at the address indicated above.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

Sincerely,

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Farm Service Agency  
United States Department of Agriculture

*The U.S. Department of Agriculture prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.*

--\*





**Notice to a Non-Debtor Entity of Intent to Collect by Non-Centralized Administrative Offset,  
Including Internal Administrative Offset From an Entity Member**

\*--Note: Exhibit 19 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK "FFAS Employee Forms/Publications Site" and CLICK "Find Current Forms Using Our Form Number Search". For "Form Number", ENTER "2-FLP Exhibit 19".

2-FLP, Exhibit 19

(Use Agency Letterhead format with local return address.)

**Notice to a Non-Debtor Entity of Intent to Collect by Non-Centralized  
Administrative Offset, Including Internal Administrative  
Offset From an Entity Member**

[ Date]

Dear [ Non-debtor entity name] :

[ Insert Name of Borrower ], who is a member of your entity had a final loss claim paid on their behalf in the amount of \$ [ Amount ] by the Farm Service Agency (FSA). FSA's payment makes this amount a Federal debt of your entity member. This notice notifies you that the debt is now delinquent. FSA intends to take by pro-rata non-centralized administrative offset your entity member's percentage share of any payments your entity is to receive from participation in any USDA program or contract (this includes any FSA program or contract). FSA will use non-centralized administrative offset of [ Percent ] of the payments made to collect the debt owed to FSA until either the entity member pays the delinquent Federal debt in full, submits a repayment plan acceptable to FSA or you or the debtor successfully disputes the debt through an appeal before the National Appeals Division (NAD). On [ Insert Date ] the debtor was notified of the opportunity to inspect and copy FSA records related to the debt, propose a written repayment agreement, and request a NAD appeal.

The amount due on the Federal debt will increase as interest accrues at the note rate of the guaranteed loan on the date the final loss claim was paid ([ In. rate ]%).

You have the right to appeal this notice to NAD in accordance with regulations published at 7 C.F.R. part 11. When you request a NAD appeal, there will be an immediate stay of pro-rata offset until the NAD reviewing official issues a final written decision. The issue under appeal will be limited to the percentage share which the debtor has in your entity and whether the percentage to be offset is correct. If you appeal this notice, your written request for appeal must be postmarked no later than 30 calendar days from the date you receive this notice. Send the request for appeal to the office of the Area Supervisor, National Appeals Division, [ Insert NAD Address ]

[ NAD continued]

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**Notice to a Non-Debtor Entity of Intent to Collect by Non-Centralized Administrative Offset,  
Including Internal Administrative Offset From an Entity Member (Continued)**

\*--

2-FLP, Exhibit 19

The request for appeal must include a copy of this notice and a statement explaining why you think the notice is incorrect. The request should include your name, address, and phone number. NAD will advise you of the time and place of any hearing and of any procedural requirements. A copy of your appeal request and any attachments should be sent to this office.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

Sincerely,

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Farm Service Agency  
United States Department of Agriculture

*The U.S. Department of Agriculture prohibits discrimination in all its programs and activities on the basis of race, color, national origin, age, disability, and where applicable, sex, marital status, familial status, parental status, religion, sexual orientation, genetic information, political beliefs, reprisal, or because all or part of an individual's income is derived from any public assistance program. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA's TARGET Center at (202) 720-2600 (voice and TDD). To file a complaint of discrimination, write to USDA, Director, Office of Civil Rights, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, or call (800) 795-3272 (voice) or (202) 720-6382 (TDD). USDA is an equal opportunity provider and employer.*

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**Notice to a Non-Debtor Entity That Non-Centralized Administrative Offset, Including Internal Administrative Offset From an Entity Has Been Exercised and Will Continue**

\*--Note: Exhibit 20 is available in a fillable format at <http://intranet.fsa.usda.gov>. CLICK "FFAS Employee Forms/Publications Site" and CLICK "Find Current Forms Using Our Form Number Search". For "Form Number", ENTER "2-FLP Exhibit 20".

2-FLP, Exhibit 20

(Use Agency Letterhead format with local return address.)

**Notice to a Non-Debtor Entity That Non-Centralized Administrative Offset, Including Internal Administrative Offset From an Entity Has Been Exercised and Will Continue**

[ Date]

Dear [ Non-debtor entity name] :

[ Insert Name of Borrower], who is a member of your entity had a final loss claim paid on their behalf in the amount of \$ [ Amount] by the Farm Service Agency (FSA). FSA's payment makes this amount a Federal debt of your entity member. This notice notifies you that the debt is now delinquent. FSA has exercised and intends to continue to exercise non-centralized pro-rata administrative offset of your entity member's percentage share of any payments that the entity is to receive from participation in any USDA program or contract (this includes any FSA program or contract). FSA used non-centralized administrative offset of [Percent] percent of the payments made to collect the debt owed to FSA until either the entity member pays the delinquent Federal debt in full, submits a repayment plan acceptable to FSA or you or the debtor successfully disputes the debt through an appeal before the National Appeals Division (NAD).

FSA has determined that offset must be exercised immediately against the delinquent member's percentage amount that is payable to the entity. This is because FSA has determined that there was insufficient time before payment or disbursement to the entity to allow for prior notice and opportunity for appeal. [ Insert a narrative justification]  
[ Narrative continuation]

The payment collected was \$ [ payment] that the entity member was to receive from [ Insert payment source]. While you will not avoid immediate offset of the payment if you appeal, if you prevail on appeal, FSA will return the offset with interest and discontinue any future offsets unless you are re-notified.

FSA also intends to take the entity member's percentage share of any future entity payments or disbursements that the entity is to receive from any USDA program or contract until either the entity member pays the Federal debt in full, submits a repayment plan acceptable to FSA, or you or the entity member successfully disputes the debt through an appeal before the National Appeals Division (NAD). The amount due on the Federal debt will increase as interest accrues at the note rate of the guaranteed loan on the date the final loss claim was paid ([ Int. rate] %). On [ Date] the debtor was notified of the opportunity to inspect and copy FSA records related to the debt, propose a written agreement to repay the debt, and request an appeal before NAD.

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**Notice to a Non-Debtor Entity That Non-Centralized Administrative Offset, Including Internal Administrative Offset From an Entity Has Been Exercised and Will Continue (Continued)**

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2-FLP, Exhibit 20

You have the right to appeal this notice to NAD in accordance with regulations published at 7 C.F.R. Part 11. The issues under appeal will be limited to the correctness of FSA's determination that there was insufficient time before the USDA payment to provide prior notice and the opportunity to appeal, the percentage share which the debtor has in your entity, and whether the percentage offset was correct.

If you appeal this notice, your written request for appeal must be postmarked no later than 30 calendar days from the date you receive this notice. Send the request for appeal to the office of the Area Supervisor, National Appeals Division, [Insert NAD Address]  
[NAD address continued]

The request for appeal must include a copy of this notice and a statement explaining why you think the notice is incorrect. The request should include your name, address, and phone number. NAD will advise you of the time and place of any hearing and of any procedural requirements. A copy of your appeal request and any attachments should be sent to this office.

The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The Federal agency that administers compliance with this law is the Federal Trade Commission, Equal Credit Opportunity, Washington, D.C. 20580.

Sincerely,

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Farm Service Agency  
United States Department of Agriculture

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