

For: FSC and State and County Offices

2008 Calendar Yearend Critical Information About FLP Direct and Guaranteed Activity

Approved by: Acting Associate Administrator for Operations and Management



1 Overview

A Purpose

This notice provides:

- critical dates related to yearend processing of FLP payment activity
- processing information for all calendar yearend reports and statements mailed to:
 - Servicing Offices
 - all borrowers.

Note: No other information about FLP calendar yearend will be provided.

B Contact

State Offices shall direct questions about this notice to the Financial Services Center (FSC), Farm Loan Operations Office (FLOO), Program Reporting Group (PRG) at 314-539-2494.

Disposal Date June 1, 2009	Distribution FSC and State Offices; State Offices relay to County Offices
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2 FSC, FLOO Action

A Suspending Transactions

As of **COB, December 30, 2008**, the ability to process the following transactions on the Automated Discrepancy Processing System (ADPS) and Guaranteed Loan System (GLS) for direct and guaranteed loans will be suspended:

- Transaction Code (TC) 4A, Change in Case Number and Loan Number
- TC 4D, Change in Case Number, Name, and Address
- TC 4F, Change in Loan Number
- TC 4G, Assumption Agreement - Same Rates and Terms
- TC K4, Equity Agreement Matured.

FSC, FLOO will resume processing these transactions on **January 13, 2009**. Look for daily screen messages on ADPS.

B Preparing FSA-2065's and IRS Forms

By January 31, 2009, FSC, FLOO will prepare and mail the following forms to:

- all direct FLP borrowers and Servicing Offices, according to Exhibit 1:
 - FSA-2065, Annual Statement of Loan Account
 - IRS 1098, Mortgage Interest Statement
- applicable FLP borrowers, according to Exhibit 2:
 - IRS 1099-A, Acquisition or Abandonment of Secured Property
 - IRS 1099-C, Cancellation of Debt
 - IRS 1099-G, Certain Government Payments
 - IRS 1099-INT, Interest Income
 - IRS 1099-MISC, Miscellaneous Income.

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2 FSC, FLOO Action (Continued)

C FLP Collections With 2008 Dates of Credit

By December 31, 2008, State and County Offices shall transmit all FLP payments with 2008 dates of credit before January 1, 2009. These payments are scheduled to be included on FSA-2065 for calendar year 2008, if processed to the borrower's account by January 9, 2009.

Note: See 3-FI for instructions on how to process FLP payments to the Cash Receipts Application.

Payment data with 2008 dates of credit, which are not processed to ADPS by the January 9, 2009, cutoff date, will be recorded on the 2009 statements. IRS 1098 will reflect this payment data in the first quarter correction process scheduled for April 2009. Corrected FSA-2065's are not issued.

D Availability of ADPS Terminals

ADPS terminals will be available from 6 a.m. to 6 p.m. c.s.t, Monday through Friday for entering transactions except as follows.

Date Terminals Will Be Available	Transaction
Wednesday, December 31, 2008, 6 a.m. to 3 p.m. c.s.t.	Provides additional time for initial transaction entry and discrepancy correction before preparing the annual statements.
Friday, January 9, 2009, 6 a.m. to 7 p.m. c.s.t.	
Monday, January 12, 2009, 6 a.m. to 6 p.m. c.s.t.	Transactions recorded through the terminals after January 9, 2009, will be scheduled for update on the evening of January 12, 2009.

E Acquisitions or Abandonments

State and County Offices shall use FSA-2585 as a substitute for IRS 1099-A, when they become aware of an abandonment and the acquisition will not be processed within 6 months. The FLP borrower receives 1 copy and FSC, FLOO shall receive the other copy no later than January 2, 2009. The information on the FSC, FLOO copy is data converted and merged with the IRS 1099-A acquisition data reported to IRS in February 2009. It is critical that all spaces on FSA-2585 be completed. All incomplete FSA-2585's will:

- not be included in the 2008 reporting to IRS
- be returned to the Servicing Office for correction.

By January 31, 2009, IRS 1099-A will be mailed to FLP direct borrowers whose secured property was acquired during calendar year 2008 (see Exhibit 2).

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2 FSC, FLOO Action (Continued)

F Debt Cancellation

By **January 31, 2009**, IRS 1099-C will be mailed to applicable FLP direct and guaranteed loan borrowers (see Exhibit 2).

G Grants

For tax year 2008, all grant recipients will receive IRS 1099-G. By **January 31, 2009**, IRS 1099-G will be mailed to grant recipients with valid addresses recorded in the Program Loan Accounting System (PLAS). IRS 1099-G's, generated with invalid addresses, will be mailed to the appropriate State Office to distribute immediately to the grant recipients (see Exhibit 2).

H Interest Income

By **January 31, 2009**, FSC, FLOO will manually prepare and mail IRS 1099-INT to FLP direct and guaranteed borrowers for interest paid when program payments were offset in error under the Internal Administrative Offset Program and a refund was issued (see Exhibit 2).

I Miscellaneous Income

By **January 31, 2009**, FSC, FLOO will manually prepare and mail IRS 1099-MISC to each individual who received an FSA payment in a nonclass action discrimination claim settlement (see Exhibit 2).

J Corrections to IRS Forms

Corrections to initial calendar yearend IRS reporting will be issued in the month **after** the end of each quarter in calendar year 2009. Accounting activity **not** included on calendar yearend IRS reporting, because of cutoff dates, will be reflected on first quarter correction forms.

Note: There is **no** correction process for FSA-2065's. Any 2008 and previous years' corrections processed to the borrower's account after the cutoff date will be reflected on 2009 FSA-2065's.

Completing FSA-2065's

A Introduction

FSC, FLOO, PRG will prepare FSA-2065's for calendar year 2008. FSA-2065's are produced in the following 2 segments:

- Borrower
- Servicing Office.

Both segments have 2 copies. The segments are distributed as follows.

- Two white copies of FSA-2065 are printed for the borrower segment. One white copy is mailed directly to the borrower. The other white copy is mailed to the applicable Servicing Office for filing in the borrower's folder.
- One white and 1 green copy of FSA-2065 are printed for the Servicing Office segment. The Servicing Office segment contains FSA-2065's for borrowers with the special conditions shown in Exhibit 1, subparagraph D. Both copies are sent to the Servicing Office for review. **The white copy is to be distributed to the borrower, if appropriate. Use a nonwindow envelope if mailing to the borrower.** The green copy shall be filed in the borrower's folder.
- Copies of statements that the Servicing Office receives for their files will be in alphabetical order for their convenience.

B PLAS Interface with the Service Center Information Management System (SCIMS)

PLAS names and addresses are programmatically updated with SCIMS names and addresses. All open loans, without suspend codes, judgments, Currently Not Collectible (CNC) loans, and new obligations' name and address fields on PLAS were updated to reflect the names and addresses in SCIMS. PLAS names and addresses are continually being updated by SCIMS, as applicable.

SCIMS addresses are being used for mailing FSA-2065's and IRS forms. Servicing Office diligence in keeping SCIMS current will help:

- ensure the timely delivery of these very important mailings to borrowers
- reduce FSA operating costs.

If a borrower calls after FSA-2065's have been mailed at the end of January 2009, stating that they have **not** received their annual statement, verify their address in SCIMS and update accordingly. The Servicing Office should then provide a copy of the annual statement to the borrower.

Completing FSA-2065's (Continued)

B PLAS Interface with the Service Center Information Management System (SCIMS) (Continued)

Any borrower's copy FSA-2065 that is returned to FSC, FLOO as undeliverable will be mailed to the Servicing Office or State Office for address correction in SCIMS and distribution to the borrower.

Additionally, because of the SCIMS to PLAS name and address conversion, co-borrower names **do not** appear on FSA-2065's and IRS forms of the aforementioned updated loan types. However, co-borrower names may appear on statements in which the loan name and address was **not** updated with the SCIMS data.

C Explanation of FSA-2065 Items

The following table provides an explanation of selected items on FSA-2065.

Item	Explanation
FYLN	This Final Year of Loan (FYLN) legend appears above the Date of Loan. FYLN for advance loans and judgment loans will be the 2-digit year from the Date of Loan.
Total Loan Payments	Total cash payments applied to interest and principal for each FLP loan during calendar year 2008. This amount does not include noncash applications or payments for 2008 processed after January 9, 2009 .
Total Paid on All Loans This Year	Total cash payments applied to interest and principal for all FLP loans during calendar year 2008. This amount does not include noncash applications or payments for 2008 processed after January 9, 2009 .
Loan Activity	Total loan activity processed for calendar year 2008.
Loan Balance	<p>Unpaid interest and principal balances as of December 31, 2008. Unpaid interest includes:</p> <ul style="list-style-type: none"> • deferred interest • deferred noncapitalized interest • installment set-aside interest • noncapitalized interest • unpaid interest on advances. <p>Unpaid principal includes any balance due on advances by FSA, as well as any installment set-aside principal, equity record balances, and 1 percent insurance charge, if applicable.</p>

Completing FSA-2065's (Continued)

C Explanation of FSA-2065 Items (Continued)

Item	Explanation
Next Amount Due	<p>The loan's next scheduled installment amount. "ALL DUE" will be displayed if 1 of the following occur:</p> <ul style="list-style-type: none"> • loan is fully matured • loan is FYLN • total payoff (TPOF) is less than the next installment due amount • there is an accelerated (ACL) flag.
Date Due	<p>The date of the next installment due. No date will be displayed in the "Date Due" field if there is an ACL flag on the account.</p>
Payment Status	<p>If behind schedule, the amount the loan is behind schedule as of December 31, 2008. If on schedule or ahead of schedule, it will simply state "On Schedule" and no amount. If account is flagged "ACL", no payment status will be reflected.</p>
Interest Paid	<p>This field is highlighted on FSA-2065 and is the amount of cash payments applied to interest during prior years and 2008. The amount may be negative for certain loans that have payments reversed from the account.</p>
Taxes Paid	<p>This includes all taxes paid by FSA and charged to the borrower's account.</p>
All Loan Activity	<p>The total activity for all loans.</p>
Borrower Balance	<p>This is the total unpaid interest and principal balance for all loans as of December 31, 2008.</p>
Mortgage Interest (1098 Section)	<p>The mortgage interest paid amount, reported to IRS on IRS 1098, will be provided to all individual-type borrowers for each loan secured by real estate who had interest payments applied to the account during the calendar year. The interest paid amount only reflects payments applied to the account with 2008 dates of credit.</p> <p>Any transactions processed after January 9, 2009, which affect the 2008 interest amount, could result in a corrected IRS 1098. Changes to the amount or amounts previously reported for calendar year 2007 and 2006 may also result in a correction. The quarterly corrected IRS 1098 may require the borrower to file an amended tax return. If borrowers request assistance for filing their tax return, advise them to contact a tax consultant.</p>

Note: Cash advances dated January 2009 may appear on 2008 FSA-2065's because of the multiple advance features of the loan disbursement system.

Completing FSA-2065's (Continued)**D Reviewing FSA-2065's**

After receiving the green and white copy of FSA-2065 for the Servicing Office segment, the Servicing Office shall review FSA-2065's that reflect the following conditions:

- accelerated
- acquired property
- all judgments
- bankruptcy action pending
- CNC
- collection only
- court action pending
- foreclosure action pending
- no address available on the SCIMS files
- subject to approved adjustment
- writeoffs.

Note: Mail the white copy of FSA-2065 from the Servicing Office segment to the borrower in a nonwindow envelope, if appropriate, after reviewing each case.

Completing IRS Forms

A Explanation of IRS Forms

Servicing Offices will receive reports for the year ending December 31, 2008, of FLP borrowers reported on IRS 1099-A, IRS 1099-C, IRS 1099-G, and copies of IRS 1099-INT and IRS 1099-MISC, as applicable.

Note: FSC, FLOO shall also report this information to IRS and the borrower.

IRS Form	Explanation
1098	This is the Mortgage Interest Statement that is attached to the FSA-2065 for the annual yearend reporting. See Exhibit 1, subparagraph C for additional information.
1099-A	<p>Will be provided to IRS and the affected FLP borrowers:</p> <ul style="list-style-type: none"> • whose secured property was acquired as a full or partial satisfaction of their debt during calendar year 2008 • reported on FSA-2585 during calendar year 2008. <p>Servicing Offices will receive Report Code (RC) 960, which identifies each borrower and the unpaid principal and market value reported to IRS and the borrower.</p>
1099-C	<p>Will be provided for each guaranteed loan loss eligible for offset and each direct loan that had a discharged debt through a writeoff, shared appreciation write-down, net recovery buyout, or writeoff of a lease account during calendar year 2008. Writeoffs processed with a class of writeoff code of 5, which are CNC (borrower not released from liability), and equity receivable writeoffs are not reported to IRS. The total amount of debt canceled with an effective date in 2008 will be reported on IRS 1099-C. The amount includes the following:</p> <ul style="list-style-type: none"> • deferred interest • deferred noncapitalized interest • guaranteed loan loss principal and interest written off • interest discharged from the note and advance • noncapitalized interest • principal discharged from the note and advance. <p>Servicing Offices will receive RC 970, which identifies each borrower and the amount of discharged debt reported to IRS and the borrower.</p>
1099-G	<p>Will be provided to all recipients of grant funds during calendar year 2008. Grant disbursements with 2008 check dates will be reported. Servicing Offices will receive RC 980, which identifies each grant recipient and the disbursed amount reported to IRS and the borrower.</p>

Completing IRS Forms (Continued)

A Explanation of IRS Forms (Continued)

IRS Form	Explanation
1099-INT	Will be provided to IRS for FLP direct and guaranteed loan borrowers who received interest income on refunds made under the Internal Administrative Offset Program. A copy will be mailed to the borrower and the local Servicing Office. To receive IRS 1099-INT, a borrower must have a Type of Applicant Code (APCD on the ADPS MI status screen) of “1”, “Individual” or “2”, “Partnership”, and interest paid of \$10.01 or more.
1099-MISC	Will be provided to IRS for individuals who received payments from FSA for a nonclass action, discrimination claim settlement. A copy will be mailed to the individual and the local Servicing Office.

B Corrections

All activity processed after January 9, 2009, which affects amounts initially reported to IRS, could result in the generation of corrected IRS 1098, IRS 1099-A, IRS 1099-C, or IRS 1099-G. The corrected IRS form may require the borrower to file an amended tax return. If borrowers request assistance in filing their tax return, advise them to contact a tax consultant.