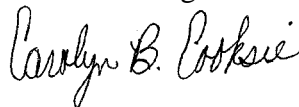


For: State and County Offices

**Verifying Previous Debt Forgiveness for Direct and Guaranteed Loans**

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



**1 Overview**

**A Background**

Consolidated Farm and Rural Development Act (CONACT), Section 373 states that FSA generally may not provide certain assistance, if the applicant or anyone who will execute the promissory note, has previously received debt forgiveness. Consult applicable loanmaking regulations to determine if previous debt forgiveness restrictions are applicable to individual program eligibility.

**Note:** Debt forgiveness is defined as having caused the Agency a loss on all or a portion of any direct or guaranteed loan made under the authority of the CONACT by debt writedown, writeoff, compromise, adjustment, reduction, charge-off by provisions of CONACT, Section 331, discharge in bankruptcy, or through any payment of a guaranteed loss claim. The Agency will not consider the following as debt forgiveness for loanmaking purposes:

- debt reduction through a conservation easement or contract
- any debt written off as part of the resolution of a discrimination complaint against the Agency, including debt written off in conjunction with the Pigford v. Johanns Consent Decree
- prior debt forgiveness that has been repaid in its entirety.

**B Purpose**

This notice:

- provides guidance and instructions to aid County Offices in researching and verifying if an applicant has received debt forgiveness
- obsoletes Notice FLP-398.

<b>Disposal Date</b>	<b>Distribution</b>
December 1, 2006	State Offices; State Offices relay to County Offices

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### 1 Overview (Continued)

#### C Contact

State Offices shall direct questions about this notice to Connie Holman, LMD at 202-690-0595.

### 2 Applicant Certification

#### A Direct Loans

All direct borrowers must self-certify on FSA 410-1, item 20B, that FSA has not forgiven any part of their debt through the following:

- writedown
- writeoff
- compromise
- adjustment
- reduction
- charge-off
- bankruptcy
- debt settlement.

#### B Guaranteed Loans

Applicants for guaranteed loans shall self-certify on:

- FSA 1980-25:
  - item 15, whether or not previously received FSA direct or guaranteed loans have been paid in full

**Note:** Applicants are required to provide details in item 16, if the loans have **not** been paid in full

- item 17, whether the applicant or any entity member has ever been in receivership, been discharged in bankruptcy or filed a petition for bankruptcy

**Note:** Applicants are required to provide details in item 18, if they answer “yes” to item 17.

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### 2 Applicant Certification (Continued)

#### B Guaranteed Loans (Continued)

- FSA 1980-28:
  - item 14, whether or not previously received FSA direct or guaranteed loans have been paid in full

**Note:** Applicants are required to provide details in item 15, if the loans have **not** been paid in full.

- item 16, whether the applicant or any entity member has ever been in receivership, been discharged in bankruptcy or filed a petition for bankruptcy.

**Note:** Applicants are required to provide details in item 17, if they answer “yes” to item 16.

### 3 County Office Responsibilities

#### A General

For direct or guaranteed loan applications, loan approval officials shall verify:

- information provided by applicants on FSA applications
- that no individuals who will sign the promissory note have received any previous debt forgiveness on direct and guaranteed loans.

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**3 County Office Responsibility (Continued)**

**B Verifying Direct Loans Losses**

Loan approval officials shall use the Current/Past Debt Inquiry System (CPDIS) in the Automated Discrepancy Processing System (ADPS) to enter the Social Security number (SSN) or tax identification (Tax ID) number for the applicant and each individual who will sign the promissory note.

<b>IF...</b>	<b>THEN...</b>
the applicant's SSN or Tax ID is not found in CPDIS	a screen print of the page will be placed in position 3 of the case file.
the applicant's SSN or Tax ID shows a previous debt in CPDIS	refer to the list of paid codes provided in Exhibit 1.
the paid code indicates debt forgiveness	<p>access ADPS online borrower detail history to determine the type, date, and amount of the debt forgiveness and if the debt forgiveness has been paid in full. The information is <b>not</b> available in the summary history. History is available from 1989 to present. If the debt forgiveness was a writedown, the "Equity Recapture" Screen and online history must be accessed to determine the type, date, amount of the debt forgiveness, and if the debt forgiveness has been paid in full. If an equity record exists, the borrower online history should be reviewed for partial writedowns.</p> <p><b>Note:</b> A screen print of each page will be placed in position 3 of the case file.</p>
it is determined that the applicant or any individual who will sign the promissory note has received debt forgiveness that has not been paid in full	<p>review appropriate program regulations to determine if the type and date of the debt forgiveness makes the applicant ineligible for the type of assistance requested.</p> <p><b>Note:</b> Exceptions for emergency loans still apply.</p> <p><b>Example:</b> Debt writedown does <b>not</b> automatically make an applicant ineligible for an annual operating loan; however, the same applicant would be ineligible for a term loan.</p> <p>The loan approval official should document all findings in the case file.</p>

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### 3 County Office Responsibility (Continued)

#### C Verifying Guaranteed Loans Losses

Loan approval officials shall access the View Loan Screen in GLS 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 display 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 to validate the information provided on FSA 1980-25 or FSA 1980-28.

**Note:** A screen print of the View Loan Screen should be placed in the case file.

## Direct Loans Fully Paid Codes

The following table provides the fully paid codes for direct loans.

Code	Description
A00	Judgment – Operating Loans
A03	Judgment – Farm Ownership Loans or Recreation Loans
A07	Judgment – Soil and Water Loans
C00	Acquired Property – Operating Loans
C03	Acquired Property – Farm Ownership Loans or Recreation Loans
C07	Acquired Property – Soil and Water Loans
D00	Defalcation – Operating Loans
D03	Defalcation – Farm Ownership Loans
D07	Defalcation – Soil and Water Loans
E00	Conservation Contract – Operating Loans
E03	Conservation Contract – Farm Ownership Loans or Recreation Loans
E07	Conservation Contract – Soil and Water Loans
F05	Suspension
G00	Other Reason (Extra Payment) – Operating Loans
G04	Sale of Farm Outside Program – Farm Ownership Loans
G07	Other Reason (Extra Payment) – Soil and Water Loans and Farm Ownership Loans
H07	Refinancing – Farm Ownership Loans and Soil and Water Loans
I00	Lost Remittance – Operating Loans
I07	Lost Remittance – Farm Ownership Loans and Soil and Water Loans
M00	3M Cancellations – Operating Loans
Q00	Net Recovery Buyout/Shared Appreciation Writedown – Operating Loans
Q03	Net Recovery Buyout/Shared Appreciation Writedown – Farm Ownership Loans
Q07	Net Recovery Buyout/Shared Appreciation Writedown – Soil and Water Loans
R00	Any Other Reason (Regular Payment)
R07	Income and Any Other Reason (Regular Payment) – Farm Ownership Loans and Soil and Water Loans
R10	Paid in Full – All Loans
S00	Writeoff (Other than PL 878) – Operating Loans (See <b>Notes</b> on page 2.)
S03	Writeoff – Recreation Loans
S07	Writeoff – Farm Ownership Loans and Soil and Water Loans (See <b>Notes</b> on page 2.)
T04	Credit Sale Reversal
T05	Assumption Agreement – Soil and Water Loans and Recreation Loans
T05	Sale of Farm Inside Program or Assumption Agreement – Farm Ownership Loans
T15	Suspension Amortization
W00	Writeoff (PL 878)
Y01	Refinanced– Farm Ownership Loans, Operating Loans and Soil and Water Loans
Y02	Subsequent Loan (Not currently used except for reporting purposes) – Farm Ownership Loans
Y06	Refinanced with Direct FP Loan (Not currently used except for reporting purposes) – Farm Ownership Loans
Z97	Case Number Change – All Loans
Z98	Assumption Agreement, Same Rates and Terms – All Loans
Z99	Paid in Full or Returned Check

**Direct Loans Fully Paid Codes (Continued)**

**Notes:** Debt writedown or writeoff provided as part of the resolution of a discrimination complaint against the Agency is coded S00 and S07 depending on the type of loans involved. However, these codes are not used exclusively for this purpose. Therefore, loan approval officials **must** determine if the writedown or writeoff was received as the result of a discrimination complaint. Debt writedown or writeoff resulting from resolution of a complaint under Pigford v. Johanns will be verified by accessing the ADPS Civil Rights database. Debt writedown or writeoff resulting from resolution of other discrimination complaints must be verified by a review of the case file or documentation provided by the applicant. Any writedown or writeoff that was not provided in connection with the resolution of a discrimination complaint will be considered debt forgiveness when determining eligibility.

See ADPS Manual, Chapter 22 for further information regarding the ADPS Civil Rights database.