

United States
Department of
Agriculture



Risk
Management
Agency



Product
Administration and
Standards Division

FCIC 24050 (06-2007)

2008 INELIGIBLE TRACKING SYSTEM HANDBOOK

2008 and Succeeding Crop Years

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**UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250**

FEDERAL CROP INSURANCE CORPORATION DIRECTIVE	NUMBER: 24050
SUBJECT: INELIGIBLE TRACKING SYSTEM HANDBOOK FOR THE 2008 AND SUCCEEDING CROP YEARS	DATE: 6/22/07
	OPI: Product Administration and Standards Division
	APPROVED: /s/ Tim B. Witt Deputy Administrator, Product Management

THIS HANDBOOK CONTAINS THE OFFICIAL FCIC-APPROVED INSTRUCTIONS FOR THE INELIGIBLE TRACKING SYSTEM FOR 2008 AND SUCCEEDING CROP YEARS.

THE INSTRUCTIONS IN THIS HANDBOOK ARE EFFECTIVE UPON ISSUANCE AND ARE NOT RETROACTIVE TO ANY 2007 CROP YEAR DETERMINATIONS.

SUMMARY OF CHANGES

The following list contains significant changes to this handbook, as determined by us. It may not represent all changes made; minor changes and corrections are not included in this listing. All changes made to this handbook are applicable regardless of whether or not they are listed.

Major Changes: See changes or additions in text, which have been highlighted. References to company or reinsured company have been changed to Approved Insurance Provider (AIP) throughout the text of this handbook.

Significant changes for crop year 2008:

1. Section 3: Modified definitions of applicant, catastrophic risk protection endorsement (CAT), delinquent debt, Farm Service Agency (FSA), person, SSN, and substantial beneficial interest; added definitions of AIP, contract, Data Acceptance System (DAS), insured, and policy; removed definitions of actively engaged in farming, insurance provider, and reinsured company to be consistent with those definitions contained in the applicable policy provisions, FCIC regulations and other FCIC/Risk Management Agency (RMA) publications.

DISTRIBUTION: RMA Deputy Administrators, Directors, Washington D.C. and Kansas City; RMA Regional and Risk Compliance Offices; National Appeals Division (NAD); Approved Insurance Providers, and National Crop Insurance Services (NCIS).

Summary of Change

2. Section 6A(2)(b): Clarified that debt must be paid or scheduled installment payment agreement approved on or prior to the termination date.
3. Section 6B: Updated to include Type 65 record and the correct title of the Type 60 record.
4. Section 6C(1): Removed statement that RMA will verify that a person certified as ineligible has met one or more of the criteria for ineligibility.
5. Section 6C(2): Clarified that members of an ineligible general partnership or joint operation/joint venture/co-ownership are ineligible.
6. Section 6D: Included sequence of events upon receipt of a certification of ineligibility due to conviction of a controlled substance violation.
7. Section 7A: Removed distinction between FCIC and Reinsured debt.
8. Section 7B(1): Clarified that if the person believes RMA has listed them on the Ineligible Tracking System (ITS) in error, they may submit an appeal to the National Appeals Division (NAD).
9. Section 8E: Clarified effective dates of ineligibility.
10. Section 8F: Identified previously included language as a separate subsection and re-numbered succeeding subsections.
11. Section 8G: Clarified time period for ineligibility for delinquent debts and controlled substance violations.
12. Section 8J: Clarified that all members of a joint operation/joint venture/co-ownerships become ineligible upon the joint operation/joint venture/co-ownership becoming ineligible.
13. Section 8K: Clarified if only part of the share of the policy is transferred, transferee is only responsible for the premium for that portion of the share of the policy.
14. Section 8L: Clarified that spouse must meet requirements in FCIC-18010, Crop Insurance Handbook, to be considered separate from ineligible spouse and that all of the requirements must be met for the minor child to be considered a separate person from the parent with respect to the separate farming operations.
15. Section 8M: Added joint operation/joint venture/co-ownership.
16. Section 8N: Clarified that an ineligible person with a substantial beneficial interest (SBI) in an applicant or insured must be reported and the share of the applicant or insured reduced commensurately.

Summary of Change

17. Section 8P: Added clarification that ineligible SBI holders for trusts impact the eligibility of trusts and that revocable trusts are considered the same as the grantor of the trust. Renumbered subsequent paragraphs.
18. Section 8Q: Clarified that in the event the insured defaults on a payment for a scheduled installment payment agreement, ineligibility is established effective on the termination date determined under the applicable policy provisions in effect at the time the scheduled installment payment agreement was entered. Updated example as well.
19. Section 9: Added new section for effect of termination. Renumbered subsequent sections.
20. Section 10B: Added exception for some crops, which allow applications to be submitted after the sales closing date with a waiting period for insurance attachment.
21. Section 10C: Clarified that the effective date of ineligibility will be the termination date determined under the applicable policy provisions in effect at the time the scheduled installment payment agreement was entered for failing to comply with any approved scheduled installment payment agreement.
22. Section 13A(3): Clarified that the Type 60 Record, or Type 60 and 65 Record, if applicable, must be submitted within 7 days of failure to make payments under a scheduled installment payment agreement, but no later than 21 days after such date. Numbered subparagraphs for clarification.
23. Section 13A(4): Clarified that requests to delete CAT 60/65 records must be submitted to Product Analysis and Accounting Division (PAAD) with appropriate documentation.
24. Section 13A(8): Clarified that supporting documentation regarding a determination of delinquent debt or its resolution must be maintained for a period of seven years in accordance with the Standard Reinsurance Agreement Section IV G 6.
25. Section 13B(8): Clarified that RMA will provide Notice of Ineligibility to persons convicted of a controlled substance violation.
26. Section 13B(19): Clarified that RMA PAAD will review AIP operations to determine compliance with provisions of Subpart U and this procedure as part of the financial review process.
27. Exhibit 1: Modified guide letter to indicate that a review that is not resolved by the termination date does not delay a person's name from being placed on the ineligible list and included requirement that scheduled installment payment agreements must be executed on or before the crop termination date.

Summary of Change

28. Exhibit 2: Modified guide letter to include requirement that scheduled installment payment agreements must be executed on or before the crop termination date.
29. Exhibit 3: Modified guide letter to indicate disagreement may be resolved in accordance with the terms of the policy and removed reference to rules of the American Arbitration Association.
30. Exhibit 4: Modified guide letter to include requirement that scheduled installment payment agreements must be executed on or before the crop termination date and removed grace period.
31. Exhibit 5: Modified terms of the scheduled installment payment agreement guide to indicate payment must be made on or before, or postmarked on or before the scheduled due date.
32. Exhibit 6: Modified guide letter by removing reference to rules of the American Arbitration Association, indicating disagreement may be resolved in accordance with the terms of the policy.
33. Exhibit 7: Modified example letter sent by RMA for partners of indebted partnerships and removed reference to rules of the American Arbitration Association, indicating disagreement may be resolved in accordance with the terms of the policy.
34. Exhibit 8: Added example letter for notice of ineligibility for spouses of indebted persons and renumbered subsequent Exhibits.
35. Exhibit 9: Modified example letter sent to persons convicted of controlled substance violation.
36. Exhibit 10: Modified example letter sent to persons disqualified, suspended or debarred.
37. Exhibit 11: Added example letter sent by RMA to persons who are ineligible due to failure to pay CAT administrative fees.
38. Exhibit 12: Added example letter sent by RMA to partners of partnerships who are ineligible due to failure to pay CAT administrative fees.
39. Exhibit 13: Added example letter sent by RMA to spouses of persons who are ineligible due to failure to pay CAT administrative fees.

INELIGIBLE TRACKING SYSTEM HANDBOOK

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1 PURPOSE AND OBJECTIVE

To provide instructions for the administration of the Ineligible Tracking System (ITS). ITS contains records submitted to it primarily by Approved Insurance Providers (AIPs) for persons who are not eligible to participate in any crop insurance programs insured or reinsured by Federal Crop Insurance Corporation (FCIC) administered under the Federal Crop Insurance Act (Act).

The Risk Management Agency (RMA) maintains the ITS to aid AIPs in identifying ineligible persons. ITS may not contain the names of all ineligible persons; however, that does not change the ineligible status for such person(s). Federal crop insurance coverage is not available to these persons until their eligibility is reinstated in accordance with applicable policy provisions and regulations.

2 CANCELLATION

A **Effective Date**: Upon approval for the 2008 crop year.

B **Replaces**: The FCIC 24050 dated June 2007, replaces and rescinds the following issuance system and individual directive published as:

(1) Handbooks and Amendments: FCIC 24050 (3/01)

(2) Conversion of the above issuance will take place upon receipt of this handbook.

3 DEFINITIONS FOR INELIGIBLE ADMINISTRATION AND ITS

The following definitions are applicable to this handbook and the administration of ineligibility and the ITS.

Act – The Federal Crop Insurance Act, as amended (7 U.S.C. 1501 et seq.).

Applicant – A person who has submitted an application for insurance coverage under the authority of the Act.

Approved Insurance Provider (AIP) - A legal entity, including the Company, which has entered into a Standard Reinsurance Agreement with FCIC and has an approved Plan of Operations under section IV.F.2 of the Standard Reinsurance Agreement (SRA) for the applicable reinsurance year.

Authorized person – Any current or past officer, employee, elected official, general agent, agent, contractor, or loss adjuster of FCIC, the AIP, or any other government agency whose duties require access to the Ineligible Tracking System to administer the Act.

CAT – The catastrophic risk protection endorsement which is the part of the policy that contains provisions of insurance that are specific to catastrophic risk protection.

Contract– See “Policy.”

Controlled substance – Any prohibited drug-producing plants including, but not limited to, cacti of the genus (lophophora), coca bush (erythroxyton coca), marijuana (cannabis sativa), opium poppies (papaver somniferum), and other drug-producing plants, the planting and harvesting of which is prohibited by Federal or state law.

Data Acceptance System (DAS) – Any electronic data processing (EDP) system that receives, and accepts or rejects, AIP-submitted data for eligible crop insurance contracts.

Debt – An amount of money which has been determined by an appropriate agency official to be owed, by any person, to FCIC or an AIP under any program administered under the Act based on evidence submitted by the AIP. The debt may have arisen from an overpayment, premium non-payment, administrative fee non-payment, interest, penalties, or other causes.

Under a transfer of right to indemnity the requirement to pay premium and administrative fees applies to both the transferor and transferee.

Debtor – A person who owes a debt and that debt is delinquent.

Delinquent debt – Any administrative fees or premiums for insurance issued under the authority of the Act, and the interest on those amounts, if applicable, that are not postmarked or received by the AIP or its agent on or before the termination date unless the person has entered into an agreement acceptable to the AIP to pay such amounts or has filed for bankruptcy on or before the termination date; any other amounts due to the AIP for insurance issued under the authority of the Act (including, but not limited to, indemnities, prevented planting payments or replanting payments found not to have been earned or that were overpaid), and the interest on such amounts, if applicable, which are not postmarked or received by the AIP or its agent by the due date specified in the notice to the person of the amount due; or any amounts due under an agreement with the person to pay the debt, which are not postmarked or received by the AIP or its agent by the due dates specified in such agreement.

EIN – An Employer Identification Number as required under section 6109 of the Internal Revenue Code of 1986.

FCIC – The Federal Crop Insurance Corporation, a wholly owned government corporation within the United States Department of Agriculture (USDA).

FSA – The Farm Service Agency, an agency of the USDA, or a successor agency.

Ineligible person – A person who is denied participation in any program administered by FCIC under the Act.

Insured – The named person as shown on the application accepted by the AIP. This term does not extend to any other person having a share or interest in the crop (for example, a partnership, landlord, or any other person) unless specifically indicated on the accepted application.

Minor – Any person under 18 years of age. Court proceedings conferring majority on an individual under 18 years of age will result in such persons no longer being considered as a minor.

Person – An individual, partnership, association, corporation, estate, trust or other legal entity and wherever applicable, a State or a political subdivision or agency of a State. “Person” does not include the United States Government or any agency thereof.

Policy – The agreement between the producer and the AIP to insure an agricultural commodity and consisting of the accepted application, the Basic Provisions, the Crop Provisions, the Special Provisions, other applicable endorsements or options, the actuarial documents for the insured agricultural commodity, the Catastrophic Risk Protection Endorsement, if applicable, and the applicable regulations published at 7 Code of Federal Regulations (CFR) Chapter IV. Insurance for each agricultural commodity in each county will constitute a separate policy.

Policyholder – An applicant whose completed application for insurance has been accepted by FCIC or an AIP.

Reinsurance agreement – An agreement between two parties by which an insurer cedes to a reinsurer certain liabilities arising from the insurer’s sale of insurance policies.

Scheduled installment payment agreement – An agreement between a person and FCIC or the AIP to satisfy financial obligations of the person under conditions which modify the terms of the original debt.

Settlement – An agreement between a person and FCIC or the AIP to resolve a dispute arising from a debt or other administrative determination.

SSN – An individual’s Social Security Number as required under section 205(c)(2)(C)(iii) of the Social Security Act.

Standard Reinsurance Agreement (SRA) – The primary reinsurance agreement between the AIP and FCIC.

Substantial beneficial interest (SBI) – An interest held by any person of at least 10 percent in the applicant or the insured. The spouse of any individual applicant or individual insured will be considered to have a SBI in the applicant or insured unless the

spouses can prove they are legally separated or otherwise legally separate under state law. Any child of an individual applicant or individual insured will not be considered to have a SBI in the applicant or insured unless the child has a separate legal interest in such insured. For example, there are two partnerships that each have a 50 percent interest in the applicant or insured and each partnership is made up of two individuals, each with a 50 percent share in the partnership. In this case, each individual would be considered to have a 25 percent interest in the applicant or insured, and both the partnerships and the individuals would have a SBI in the applicant or insured (The spouses of the individuals would not be considered to have a SBI unless the spouse was one of the individuals that made up the partnership). However, if each partnership is made up of six individuals with equal interests, then each would only have an 8.33 percent interest in the applicant or insured and although the partnership would still have a substantial beneficial interest in the applicant or insured, the individuals would not for the purposes of reporting under the terms of the policy.

System of records – Records established and maintained by FCIC and FSA containing SSN or EIN data, name, address, city and State, applicable policy numbers, and other information related to Federal crop programs as required by FCIC, from which information is retrieved by a personal identifier including the SSN/EIN, name, or other unique identifier of a person.

4 INELIGIBLE TRACKING SYSTEM (ITS)

The ITS is a system designed to identify producers who are ineligible to participate in any program administered by the Risk Management Agency (RMA) under the Federal Crop Insurance Act (Act), as amended, including the catastrophic risk protection (CAT) and additional coverage programs and private insurance products authorized under 508(h) of the Act and reinsured by FCIC. Affected persons will be provided an opportunity to resolve or dispute a delinquent debt, or to contest the findings of an administrative proceeding, before a determination of ineligibility will be made by the AIP. These include reconsideration, mediation, appeal rights (for Federal policies), and arbitration (for reinsured policies, if provided for in the applicable policy).

5 CRITERIA FOR INELIGIBILITY

A person shall be determined to be ineligible to participate in all programs insured or reinsured by FCIC if the person meets one or more of the following criteria:

- A **Has a delinquent debt** with FCIC or **an AIP**.
 - (1) A delinquent debt is limited to a debt arising from programs under the Act which:
 - (a) **I**s not paid on or prior to the termination date or other due dates contained in an agreement or other notification,

- (b) **Must be verifiable, and**
- (c) **May be from crop years prior to the effective date of 7 CFR part 400, Subpart U.**

(2) A delinquent debt does not include:

- (a) CAT administrative fees through the 1998 crop year for all crops, except:
 - (i) **For raisins, for the 1997 and prior crop years, and**
 - (ii) **For Arizona, California and Texas citrus, for the 1999 and prior crop years,**
- (b) **A debt that is discharged in bankruptcy, or**
- (c) **A debt that is not legally collectable (including an insured who has filed a petition to have the debt discharged in bankruptcy).**

B Has been convicted of violating the controlled substance provisions of the Food Security Act of 1985, as amended.

C Is disqualified, suspended, or debarred under the Act and applicable regulations.

6 DETERMINATION AND NOTIFICATION OF INELIGIBILITY

Any person certified to RMA as having met any of the criteria for ineligibility in accordance with 7 CFR part 400, Subpart U, 7 CFR part 457 and the requirements of this procedure will be identified as ineligible by RMA.

A A person must be given notice and an opportunity for review [see Section 7] of the reasons program eligibility may be denied BEFORE data justifying ineligibility is certified to RMA:

- (1) For disqualification, debarment, suspension and controlled substance violations, notice and review requirements (including reconsiderations, mediation, **arbitration**, or appeals) **are met** before the person's name **is submitted** to RMA for ineligibility purposes. There are no additional **notification** and review requirements under Subpart U. This procedure must be met before a person is notified by RMA **of ineligibility** and placed on ITS.
- (2) For debt, a notice must be provided to the person prior to the termination date or other due date (e.g., overpaid indemnity notice) **by the AIP** at the

person's last known address. The Notice of Debt [see Exhibits 1 – 4] will advise the person:

- (a) **O**f the current amount of debt owed.
 - (b) **T**hat if the debt is not paid or a scheduled installment payment agreement is not approved **by the AIP on or prior to** the termination date, the policy will terminate,
 - (c) **T**hat the person will be ineligible for the next crop year for any crop on which the termination date has not passed and on all crops in subsequent crop years until eligibility is reinstated, and
 - (d) **T**hat the person will be certified to RMA as a debtor for ineligibility purposes.
- (3) The person will be allowed 30 days from the date of the Notice of Debt to challenge the debt and to request a review according to the terms of the policy. [See section 7A]
 - (4) All documentation and evidence supporting the delinquent debt will be maintained by the **AIP** and/or RMA, if an FCIC debt, (**see [section 13A(8)] for retention requirements**). Such documentation and evidence will be made available to RMA on request. [See section **13A(7).**]
- B** **Submitting electronic records to ITS** is the **AIP's** CERTIFICATION that all requirements under these procedures have been met (see **Appendix III for Ineligible Producer Input Record** (Type 60 record) **and CAT Fee Receivable Record** (Type 65 record) requirements).
- C** **Upon receipt of a certification** of a debtor, disqualification, debarment, or suspension, RMA will take the following actions:
- (1) Request supporting documentation, if needed (see section **13A(7)**), and
 - (2) Issue a Notice of Ineligibility to the person (and the notifying **AIP**, if ineligibility is for delinquent debt) at the person's last known address. Members of an ineligible **general** partnership **or joint operation/joint venture/co-ownership** are ineligible and will also be notified. The Notice of Ineligibility [see Exhibits 6 – **8 and 10 – 13**] will:
 - (a) **L**ist the criteria upon which ineligibility has been based,
 - (b) **C**ontain a brief statement of the facts to support ineligibility,
 - (c) **S**tate the time period of ineligibility,

- (d) Advise the person of the rights to appeal the ineligibility [see section 7], and
- (e) Advise the person that any insured in which he or she has a substantial beneficial interest (SBI) will be affected by having the premium and coverage reduced by the amount of the ineligible person's interest in that policy.

Failure to receive the Notice of Ineligibility by the person does not limit the enforcement of ineligibility or extend the deadline for filing an appeal determined by using a reasonable receipt date for the notice.

D Upon receipt of a certification of ineligibility due to conviction of controlled substance violations, RMA will issue a Notice of Ineligibility to persons convicted of controlled substance violations [see Exhibit 10]. Documentation certifying a controlled substance violation shall be provided to RMA. Sequence of events as follows:

- (1) AIP receives signed court order for conviction of producer.
- (2) AIP faxes a copy of court order to RMA Financial Accounting and Operations Branch (FAOB).
- (3) FAOB will research the policyholder database to verify crop, sales closing date of crop, crop year and ineligible/eligible dates.
- (4) FAOB will prepare manual entry of ineligible person data.
- (5) FAOB will mail ineligibility notification letter with applicable appeal rights to the producer.

7 REVIEWS

A BEFORE a person is certified as ineligible:

- (1) For debt:
 - (a) If the debt is an AIP policy debt and the person disputes the debt, the person may submit a request for a review to the AIP or seek arbitration (if permitted by the policy).

Binding arbitration that is not resolved before the termination date does not relieve the person of the requirement to pay the debt by the termination date and will not delay a person being certified to

RMA, listed as ineligible, and issued a Notice of Ineligibility by RMA.

- (b) AIP decisions cannot be appealed to NAD unless notification and review requirements have not been met [see 7B].

- (2) For disqualification, debarment, or suspension and controlled substance violations:

There are no review requirements under this item. [See section 6A(1).]

B AFTER a person is certified to RMA as ineligible and listed as ineligible by RMA:

- (1) If the person believes he or she has been listed **IN ERROR**, the person may submit an appeal to NAD.

- (a) The person may be an FCIC or AIP policyholder.

- (b) The person must have been listed incorrectly because:

1 Of an error, or

2 RMA or the AIP failed to comply with the requirements of [section 6A(2) – (3)].

Failure to meet these requirements does not prevent termination of insurance under the terms of the policy. It only limits a timely determination of ineligibility.

- (c) Any appeal of ineligibility must be submitted to NAD within 30 days of the date of receipt of the Notice of Ineligibility. [See section 6C.]

- (d) A person who is listed as ineligible cannot appeal to NAD contesting ineligibility based solely on debt unless [(1)(b) above] applies. Any challenge to debt must be made under [section 7A].

- (e) A person whose ineligibility is based on a conviction for a controlled substance violation or disqualification, debarment, or suspension may appeal to NAD if [(1)(b)(i) above] applies.

- (f) A request for appeal will not cause the removal of person from ITS.

- (g) Pending resolution of the appeal:

- 1** All policy provisions and responsibilities (e.g., filing applicable reports, giving notice of damage, etc.) of the person and **AIP** will apply to assure all determinations necessary to establish premium, liability, any indemnity, etc., under the policy can be made.
 - a** No payment or indemnity will be made while the appeal is pending.
 - b** If an appeal is **found in favor of appellant**, RMA will remove **them** from ITS.
 - c** The person will be entitled to all applicable insurance benefits for any affected crop effective with the beginning of the crop year insurance coverage was denied due to being listed as ineligible provided conditions in (g)**1** are met.
- 2** See [sections **13A(3)(f)** and **B(9)**] for **AIP and RMA** responsibilities regarding appeals that reestablish eligibility and coverage.

8 EFFECT OF INELIGIBILITY

- A **The effect of ineligibility** is to deny reinsurance, premium subsidies, and other benefits under the Act for persons meeting any of the three ineligibility criteria.
- B **All persons submitting** an application or who are currently insured under the Act are subject to verification of their eligibility status.
- C **A person's eligibility** is not affected by 7 CFR part 400, Subpart U prior to the effective date of its publication in the Federal Register.
- D **A person with** a current delinquent debt from any prior crop year that remains unpaid after the effective date of Subpart U is subject to ineligibility determinations as stated in Subpart U and these procedures. The debtor must be certified to ITS [section **13A**] once regulatory and procedural requirements are met.
- E **Ineligibility is effective** (i.e., the date of ineligibility) for the person on the:
 - (1) **Date that a policy was terminated for an unpaid premium, administrative fee, or any related interest owed;**

- (2) Date payment is due contained in any notification of indebtedness for any overpaid indemnity, prevented planting payment or replanting payment if the amount owed, including any related interest owed, as applicable, is not paid on or before the due date;
- (3) Termination date determined under the applicable policy provisions in effect at the time the scheduled installment payment agreement is entered.

For example, for scheduled installment payment agreements entered into on or after August 31, 2004, (2005 Common Crop Insurance Policy-Basic Provisions in effect) the termination date for the crop year prior to the crop year in which a scheduled payment is due and the amount owed is not paid is applicable. Insured enters scheduled installment payment agreement on March 14, 2005, and does not make the scheduled payment due on or before July 1, 2006. The applicable termination date would be March 15, 2006;

- (4) Termination date the policy was or would have been terminated if the bankruptcy petition is dismissed before discharge;
- (5) Beginning of the crop year in which the person is convicted of a controlled substance violation, effectively the earliest termination date applicable under any policy (e.g., the effective date for ineligibility is the earliest termination date for the 2008 crop year for a person convicted of a controlled substance violation in the 2008 crop year); or
- (6) The date specified in a notification of disqualification, debarment, or suspension.

If the termination date specified falls on a Federal legal holiday or weekend, the next business day will apply for purposes of determining if the debt is delinquent. This applies to the date of postmark as well as the date payment is received. The published termination date (in the Actuarial Data Master (ADM)) will NOT be changed and will be the date of ineligibility if the person is determined a debtor and ineligible for crop insurance programs administered by FCIC under the Act.

For example: The termination date of September 30, 2006, falls on a Saturday. The AIP may accept payments on the next business day of October 2, 2006. If the producer does not pay by October 2, 2006, the ineligible record sent to RMA must have a debt delinquency date of September 30, 2006. When determining eligibility on policies with a September 30, 2006, termination date, the postmark date for payments mailed will also be extended to the next business day of October 2, 2006.

F The applicable date for ineligibility applies to the person, not to the specific crop to which the delinquent debt, controlled substance violation, or disqualification,

debarment, or suspension pertains. However, program benefits may not cease immediately for all insured crops.

- (1) Benefits will continue for any crop for which the termination date is prior to the date of ineligibility and will continue to the end of the insurance period for that crop. Benefits will be denied for such crop on the next termination date for that crop provided eligibility has not been reinstated. Exception: Benefits are denied immediately for a producer convicted of controlled substance violations or whose petition for bankruptcy is dismissed for cause during the crop year effective with the crop year of conviction or dismissal irrespective of any applicable crop termination date or whether insurance has already attached to the crop.
- (2) Benefits will be denied immediately for **any** insured crop for which the termination date has not passed prior to the date of ineligibility, and includes any prevented planting coverage applicable for a person insured the previous crop year.

Example 1: **Producer A** insures his **2007** wheat and corn. When the **AIP** transmits data to RMA for fall wheat on October 15, **2007**, the **insured** is eligible for **2008** wheat coverage. **Producer A** fails to pay the premium for **2007** corn and is terminated March 15, **2008**. On March 21, **2008**, the **AIP** transmits to ITS a Type 60 record certifying **Producer A** as a debtor for corn. A Notice of **Ineligibility** is mailed to **Producer A** and his name is added to ITS. The effective date of ineligibility is the March 15 termination date. Insurance data for any crop with a termination date of March 15, **2008**, or later, will be rejected by DAS. All insurance data for the **2008** wheat will be accepted. **Producer A** will be ineligible for wheat coverage beginning with the **2009** crop year and corn coverage beginning with the **2008** crop year.

Example 2: **Producer B** owes **AIP A** for **2007** corn and is terminated March 15, **2008**. **Producer B** submits an application for insurance for **2008** corn to **AIP B** on March 15, **2008**, and **Appendix III** Type 10 **entity** and Type 14 **policy** records are transmitted on March 21, **2008**, and are accepted by DAS. A Type 60 record certifying **Producer B** as a debtor is transmitted by **AIP A** to ITS on March 22, **2008**, and **Producer B** is added to ITS. **AIP B** submits the Type 11 **acreage record** data on June 15, **2008**, which is rejected because of the ineligible status.

All previously submitted data accepted by DAS for **affected** crops must be deleted [see section **13A(5)**]. The application is rejected by the **AIP B** in accordance with the provisions of the policy and any payments of indemnities made prior to rejecting the application must be repaid.

G **The time period** for ineligibility for:

- (1) **Delinquent debt** is from the date of ineligibility until:

- (a) The debt is paid **in full**;
 - (b) A petition to have debts discharged in bankruptcy is filed (dismissal of the bankruptcy petition before discharge will terminate all policies in effect retroactive to the date the policy would have been terminated); or
 - (c) A scheduled installment payment agreement is executed to pay any amount owed and make payments in accordance with the agreement,
- (2) **A controlled substance violation** is **from the beginning of** the crop year of conviction and the four subsequent consecutive crop years, or
 - (3) **Disqualification, debarment, or suspension** is from the date the order of disqualification, debarment, or suspension is signed until the period specified in the order has expired. This period may vary based on coverage plan (CAT or additional).

H **The ineligibility of a general partnership** applies to the individual members of the general partnership.

I **Individual members** (substantial beneficial interest holders) of a corporation or other business entity (excluding general partnerships **and joint operations/joint ventures/co-ownerships**) are not individually ineligible based on the ineligibility of the corporation or other business entity.

J **Because all members of a joint operation/joint venture/co-ownership** must sign the application or give an authorized representative authority to sign, the ineligibility of a joint operation/joint venture/co-ownership applies to all members of the joint operation/joint venture/co-ownership.

K **The transferor and transferee** under the transfer of right to indemnity are **both** responsible for payment of the premium and administrative fees. Both will be ineligible if **any** amount is not paid by the applicable termination date. **If only** part of the share of the policy is transferred, transferee is only responsible for the premium for that portion of the share of the policy.

L **The spouse and minor children** of an individual are considered to be the same as the individual except:

- (1) **A spouse may be considered a separate person** if the spouse **has** a separate and distinct farming operation, **as specified in FCIC-18010, Crop Insurance Handbook, Exhibit 32**. Transfers of interest between spouses

within the farming operation will not be considered a separate farming operation.

- (2) A minor child who **has** a separate farming operation will be a separate person with respect to the separate farming operation if **all of the following are met:**
- (a) Parent or other entity in which the parent has a substantial beneficial interest does not have any interest in the minor's separate farming operation or in any production from such operation,
 - (b) Minor has established and maintained a separate household from the parent,
 - (c) Minor personally carries out the farming activities with respect to the minor's farming operation, and
 - (d) Minor establishes separate accounting and recordkeeping for the minor's farming operation.

An individual shall be considered to be a minor until the age of 18 is reached, unless court proceedings confer majority status on an individual under 18 years of age.

- M **If an ineligible person** (including individual members of a general partnership or joint operation/joint venture/co-ownership) is the sole insured, the data for the applicant or insured will be rejected by DAS.
- N **If an ineligible applicant or insured** is a corporation, general partnership, or other business entity, the policy will be rejected by DAS. **If an ineligible person has a substantial beneficial interest in the applicant or insured, that person must be reported and the share of the applicant or insured reduced commensurately. If the share of the applicant or insured with the ineligible person is not reduced commensurately, the policy will be rejected by DAS.**
- O **If the applicant or insured** is a corporation, general partnership, or other business entity that was created to conceal the interest of a person in the farming operation to evade the ineligibility determination of a person with a substantial beneficial interest in the applicant or insured, the applicant or insured is not eligible for insurance.
- P **If it is determined that a trust or estate** is managed, operated by an executor, or administered by a person who is ineligible, that person's ineligibility will not affect eligibility of the trust or estate. The trust or estate is a separate entity and those that manage, operate, or administer have no immediate interest. **However,**

ineligible SBI holders for trusts impact the eligibility of a trust. Revocable trusts are considered to be the same as the grantor of the trust for ineligibility purposes.

- Q** Insureds who enter a scheduled installment payment agreement with the AIP, signed and approved by both parties, on or before the termination date are eligible for programs administered by FCIC under the Act. Insurance coverage is available in accordance with the policy. In the event the insured defaults on a payment, ineligibility is established effective on the date determined under the applicable policy provisions in effect at the time the scheduled installment payment agreement was entered.

For example, an insured with a crop termination date of March 15, 2006, is indebted and enters a scheduled installment payment agreement that is signed and approved by both parties (insured and AIP) on or before the crop termination date (2005 Common Crop Insurance Policy-Basic Provisions in effect at that time). The payments are due on the first of each month beginning April 1. The May 1 payment is not received or postmarked by May 1, 2007, as scheduled. Ineligibility is established on the termination date for the crop year prior to the crop year in which the payment was due (March 15, 2007). Prior to the defaulted payment agreement, new applications for corn and soybeans were accepted by March 15, 2007, the sales closing date. The corn and soybean policies will be terminated as of their respective termination dates for the prior crop year. Any new application for a crop will be rejected if the debt is not resolved prior to termination date.

9 EFFECT OF TERMINATION

A Termination will be effective on:

- (1) For a policy with unpaid administrative fees or premiums, the termination date immediately subsequent to the billing date for the crop year;
- (2) For a policy with other amounts due, the termination date immediately following the date the debt becomes delinquent;
- (3) For each policy on which insurance has attached before the insured became ineligible, the termination date immediately following the date the insured became ineligible;

For example, wheat has a sales closing date of September 30, 2006, and a termination date of November 30, 2007. The insured does not pay the premium for the 2007 crop year by the termination date of November 30, 2007. The insured planted wheat prior to November 30, 2007. Since insurance attached prior to the termination date, the wheat policy cannot be terminated for the 2008 crop year. All other policies with a termination date after November 30, 2007, would be terminated if the debt still existed on their respective termination dates. The wheat policy would

be terminated for the 2009 crop year, if the insured remained ineligible at that time.

- (4) For execution of an agreement to pay any amounts owed and failure to make any scheduled payment, the date determined in accordance with the applicable policy provisions in effect on the date the scheduled installment payment agreement is entered.

For example, for scheduled installment payment agreements entered into after August 31, 2004, (2005 Common Crop Insurance Policy-Basic Provisions in effect at that time) the termination date for failure to pay any amounts owed will be the termination date for the crop year prior to the crop year in which the insured failed to make the scheduled payment; or

- (5) For dismissal of a bankruptcy petition before discharge, the termination date the policy was or would have been terminated.

B **For all policies terminated**, any indemnities, prevented planting payments or replanting payments paid subsequent to the termination date must be repaid.

C **Once the policy is terminated**, it cannot be reinstated for the current crop year unless the termination was in error. Failure to timely pay because of illness, bad weather, or other such extenuating circumstances is not grounds for reinstatement in the current year. Exception: Some crops, such as Nursery, allow applications to be submitted after the sales closing date with a waiting period for insurance attachment. In those instances, the person would be able to participate in that crop program in the crop year eligibility is regained, if a new application is submitted and all other criteria met. This is considered a new policy, not a policy being reinstated.

10 REINSTATEMENT OF ELIGIBILITY

A **Eligibility may** be reinstated:

- (1) **On the date the delinquent debt is paid**, bankruptcy is filed and the debt is not legally collectable, the debt is discharged in bankruptcy, or a scheduled installment payment agreement is approved by RMA or the **AIP**, as applicable,
- (2) **For the fifth consecutive crop year** following the crop year of conviction for a controlled substance violation,
- (3) **After the period contained** in an order of disqualification, debarment, or suspension has ended and the payment of all applicable penalties and overpayments have been made,

- (4) If the person should not have been made ineligible (the result of a NAD determination under [section 7B]), insurance coverage will be reinstated effective with the beginning of the crop year for affected crops.

- B** Following the reinstatement of eligibility for any reason (except as provided in [(4) above]), the person may obtain insurance coverage only by submitting a new application for any crop that was terminated or any new crop. Application for insurance coverage must be made by the applicable sales closing for each crop to be insured. When reinstatement of eligibility occurs after the applicable crop sales closing date for the crop year, the person may not participate in that crop program until the following crop year. A crop policy cannot be reinstated for the crop year if the payment is made any time after sales closing for the crop(s).
Exception: Some crops, such as Nursery, allow applications to be submitted after the sales closing date with a waiting period for insurance attachment. In those instances, the person would be able to participate in that crop program in the crop year eligibility is regained, if a new application is submitted and all other criteria met. This is considered a new policy, not a policy being reinstated.
- C** Reinstatement of eligibility under an approved scheduled installment payment agreement requires the person to make all payments in accordance with the agreement. Failing to comply with the agreement will result in an immediate determination of ineligibility and does not require notification under [Section 6A] or another Notice of Ineligibility. The effective date of ineligibility will be the termination date determined under the applicable policy provisions in effect at the time the scheduled installment payment agreement was entered. Denial of benefits will be established as provided in [Section 8].

11 CLAIM PENDING

- A** An insured may have a claim for an indemnity pending at the time of the termination date. A pending claim does not affect the obligation of the insured to pay the premium by the termination date to maintain eligibility for crop insurance coverage.
- B** The AIP will terminate insurance coverage on the termination date on the basis that the premium is delinquent without regard to a pending indemnity.
- C** When a claim which results in a payable indemnity was signed by the producer prior to the crop termination date and satisfies the outstanding insurance debt:
- (1) Eligibility will be reinstated effective with the beginning of the crop year for the affected crop(s) and,
 - (2) Crop insurance coverage will be effective provided all policy provisions and responsibilities (e.g., filing applicable reports, giving notice of damage, etc.) have been met.

12 ADMINISTRATION AND MAINTENANCE

- A **RMA, Product Analysis and Accounting Division (PAAD)**, will maintain ineligible producer data in a system of records in accordance with the Privacy Act and 7 CFR part 400, Subparts Q and U. This system contains identifying information of the ineligible person including, but not limited to:
- (1) **Name**,
 - (2) **Address**,
 - (3) **Telephone number**,
 - (4) **SSN, EIN, or assigned identification number**,
 - (5) **Reason** for ineligibility, and
 - (6) **Time period** for ineligibility.
- B **Information** within the system may be used by, but not limited to:
- (1) **Federal agencies**,
 - (2) **RMA and FSA employees**,
 - (3) **Contractors**, and
 - (4) **AIPs and their personnel** who require such information in the performance of their duties in connection with any program administered under the Act.
- C **The information may be furnished** to other users including, but not limited to:
- (1) **RMA contracted agencies**,
 - (2) **Credit reporting agencies** and collection agencies,
 - (3) **In response to judicial orders** in the course of litigation, and
 - (4) **Other users** as may be appropriate or required by law or regulation.
- D **The individual data** will be made available through an RMA inquiry system to ITS or electronic files for programs administration by FCIC under the Act. Such information must be protected from unauthorized disclosure. Unauthorized use or disclosure of information contained in ITS by authorized persons may result in regulatory or statutory penalties.

- E **All persons applying for** or renewing policies for programs administered by FCIC under the Act will be subject to validation of their eligibility status using ITS. Applications or benefits approved and accepted are considered approved or accepted subject to review of eligibility status.

13 RESPONSIBILITES

A **AIPs must:**

- (1) **Provide notification of debt** to the person prior to the termination date for the indebted crop,
- (2) **Meet all requirements** of section 6A(2) and (3) prior to certifying a debtor to ITS,
- (3) **Transmit a Type 60 Record or Type 60 and 65 Record, if applicable, to the ITS certifying a debtor (within 7 days after the applicable ineligibility date (see section 8E), but not later than 21 days after such date or within 7 days of failure to make payments under a scheduled installment payment agreement, but no later than 21 days after such date) for affected persons including all substantial beneficial interest holders for general partnerships and joint operations/joint ventures/co-ownerships.**
 - (a) Ineligible transferees and transferors (under transfer of right to indemnity) are both transmitted and certified in the same manner as other policy debtors.
 - (b) **FAILURE TO TIMELY CERTIFY DEBTORS IN ACCORDANCE WITH THESE PROCEDURES MAY RESULT IN A DELAY IN DENYING PROGRAM BENEFITS TO THE PERSON.**
 - (c) Days are calendar days.
 - (d) If the termination date specified falls on a **Federal legal** holiday or weekend, the next business day will apply only for purposes of determining if the debt is delinquent. The **published termination date** in the Actuarial Data Master (ADM) will **NOT** be changed and **will be the date of ineligibility** if the person is determined a debtor and ineligible for programs administered by FCIC under the Act.
 - (e) If the date of ineligibility falls on a weekend or **Federal legal** holiday, the next business day will apply for determining the record submission deadline. If the resulting 21st calendar day also

falls on a weekend or Federal legal holiday, the next business day will be the deadline.

(f) The Type 60 Record will be used to:

- 1 Initially establish ineligibility.
- 2 Reestablish eligibility by resolution of the delinquent debt (through full payment, a bankruptcy filing and the debt is not legally collectible, discharging the debt in bankruptcy, approval of a scheduled installment payment agreement, or a favorable appeal decision), or

When a specific time limit is set for ineligibility (for example, a controlled substance violation), ITS will automatically restore eligibility at the end of the time limit.

- 3 Reestablish ineligibility if the person fails to complete payments under a scheduled installment payment agreement or dismissal of a bankruptcy for cause [see section 8E].

(g) **Type 60 Records for items (f)2 above must be submitted to ITS within 7 days (if possible, but no later than 21 days) after the date of a resolution of the delinquent debt or notification of dismissal of a bankruptcy for cause. Type 60 Records for scheduled installment agreements must be submitted to ITS within 7 days (if possible, but no later than 21 days) after the date of the failure to make payments under a payment agreement.**

- (4) Delete any incorrect Type 60 Record within 7 days of initial transmission. Any deletions required after 7 days must be submitted with documentation to the Product Analysis and Accounting Division (PAAD). **Requests to delete CAT Type 60 and/or 65 records must be submitted to PAAD with appropriate documentation.**
- (5) Submit a Type 49 Record deleting any **insured** data submitted prior to a determination of ineligibility effective for the current crop year.
- (6) Verify the eligibility status of applicants and **insureds**.
- (7) Send documentation and evidence of the person's delinquent debt and documentation related to the notification of debt **to (FAOB), upon request. Such documentation and evidence** may include:
 - (a) **The application, acreage reports, claims, and all correspondence,**

- (b) **B**illing statements,
 - (c) **P**re-termination letters,
 - (d) **R**esponses to **pre-termination and** demand letters, and
 - (e) Notice of Debt.
- (8) Maintain supporting documentation regarding a determination of delinquent debt or its resolution for a period of **seven years after establishment, unless the debt is satisfied or is discharged through bankruptcy, in accordance with the Standard Reinsurance Agreement IV G6.**
- (9) **N**otify **applicable RMA Regional Compliance office** of suspected controlled substance violations and suspected cases of fraud, misrepresentation, or use of a material scheme or device relating to **an insured's policy.**
- (10) Maintain security of data files, records and reports in accordance with the Privacy Act and 7 CFR part 400, Subpart Q.

B **PAAD** shall:

- (1) Develop, test, and maintain the record descriptors, database, and data processing requirements and programming for ITS.
- (2) Assure ITS is properly defined in the System of Records.
- (3) Assure proper security is maintained for access to the database.
- (4) Validate ineligibility criteria are met.
- (5) Generate, review, and distribute Notices of Ineligibility.
- (6) Administer appeals including:
 - (a) **C**ontacting the **AIP** for documentation whenever a person files a request for an appeal relating to being placed on the ITS, and
 - (b) **U**pside ITS with appropriate data indicating eligible or ineligible status at the completion of the appeal.
- (7) Provide a Notice of Debt to FCIC debtors and certify ITS records for FCIC debtors.

- (8) Provide a Notice of Ineligibility to persons convicted of controlled substance violations or disqualified, debarred or suspended.
- (9) Process eligibility reinstatements and delete AIP ITS records per written request. Delete requests are submitted to FOAB for additional coverage policies (after 7-day period) and all Type 60/65 record CAT delete requests are submitted to FOAB.
- (10) Maintain ITS records for FCIC debtors, persons convicted of controlled substance violations or disqualified, debarred, or suspended.
- (11) Maintain AIP records which are requested by RMA and submitted as documentation and evidence of delinquent debt as related to Notice of Ineligibility.
- (12) Prepare reports as requested.
- (13) Modify or define ITS requirements for DAS processing that will be specified in Appendix III.
- (14) Provide assistance to AIPs, RMA offices, and others, as needed.
- (15) Transmit ineligible producer file (Type 61 records) to AIPs.
- (16) Respond to inquiries regarding ITS errors.
- (17) Reject DAS records that are identified as ineligible.
- (18) Amend the Appendix III, DAS Manual.
- (19) Review AIP's operations to determine compliance with the provisions of Subpart U and this procedure as part of the financial review process.

C Product Administration and Standards Division (PASD) shall:

- (1) Revise 7 CFR part 400, Subpart U as appropriate,
- (2) Update the ITS handbook, and
- (3) Provide assistance regarding Subpart U and this procedure.

D **RMA Risk Compliance Division** shall:

- (1) **Notify appropriate authorities** regarding suspected controlled substance violation (including FSA), and cases of suspected fraud, misrepresentation, and use of a material scheme or device.

EXHIBITS DISCLAIMER

The letters contained in Exhibits 6, 7, 8, 9, 10, 11, 12 and 13 are to be used exclusively by RMA in the Notice of Ineligibility.

Exhibits 1, 2, 3, 4, and 5 are provided by RMA **AS A GUIDE** for **AIPs** in the development of the letters and payment agreements used in debt notification and resolution. These letters and payment agreement should **BE REVIEWED BY THE AIPs TO DETERMINE IF THEY ARE ADEQUATE FOR THE AIP'S PURPOSES AND MODIFIED AS NECESSARY, PROVIDED ANY CHANGES CONFORM TO THE REQUIREMENTS OF 7 CFR PART 400, SUBPART U, THE CROP INSURANCE POLICY AND THIS PROCEDURE.**

**EXHIBIT 1
NOTICE OF DEBT (PRE-TERMINATION)
(For all debts except CAT fees)**

(AIP Letterhead)
MM/DD/YY

Policy Number: _____

The enclosed billing states the amount of premium, interest, administrative fees and/or other related charges which are unpaid according to our records. Also included on the billing is the termination date as stated in your policy. IF YOUR PAYMENT WAS RECENTLY MADE, PLEASE DISREGARD THE REMAINDER OF THIS LETTER.

The regulations governing your crop insurance policy provide you and (AIP name) with certain rights prior to determining that the debt is past due.

1. You have the right to a complete explanation of this debt, to inspect and copy our records related to the debt, to dispute any information in our records pertaining to the debt, and to an administrative review if you believe this is not a correct billing.
2. You may make arrangements to enter into a **scheduled installment payment** agreement on terms acceptable to you and us, if a review of your financial position supports your statement that you are unable to pay the debt in full. Requests for a **scheduled installment payment** agreement should be sent to this office at the above address. **Scheduled installment payment agreements must be executed on or before the crop termination date.**
3. The Risk Management Agency (RMA) compiles a list of persons who have been found ineligible for participation in the crop insurance program because of non-payment of premium, overpaid indemnity, administrative fees, **collection costs** and/or other related charges. The ineligible list will be used by RMA and distributed to all **approved insurance providers** reinsured by the Federal Crop Insurance Corporation (FCIC). If this debt is not paid by the crop termination date, your name will be placed on the list and future insurance coverage will be denied.

A request for review of your account must be in writing, must state the basis of your belief the billing is incorrect and must be received within 30 days of the date of this notice. The request should be addressed **to: (AIP name and address)** . A review does not take the place of, or limit your right to arbitration. **A review that is not resolved by the termination date does not delay your name from being placed on the ineligible list.**

We appreciate your business and if you have any questions, please contact your agent.

**EXHIBIT 2
NOTICE OF DEBT (PRE-TERMINATION)
(Used for CAT fees only)**

(AIP Letterhead)
MM/DD/YY

Policy Number: _____

According to our records, you have not paid crop year administrative fees and other related charges in the amount of \$ _____ under the above referenced policy number. The crop termination date, as stated in your policy, is (date). IF YOUR PAYMENT WAS RECENTLY MADE, PLEASE DISREGARD THE REMAINDER OF THIS LETTER.

The regulations governing your crop insurance policy provide you and (AIP name) with certain rights prior to determining that the debt is past due.

1. You have the right to a complete explanation of this debt, to inspect and copy our records related to the debt, to dispute any information in our records pertaining to the debt, and to an administrative review if you believe the debt is not correct.
2. You may make arrangements to enter into a scheduled installment payment agreement on terms acceptable to you and us, if a review of your financial position supports your statement that you are unable to pay the debt in full. Requests for a scheduled installment payment agreement should be sent to this office at the above address. Scheduled installment payment agreements must be executed on or before the crop termination date.
3. The Risk Management Agency (RMA) compiles a list of persons who have been found ineligible for participation in the crop insurance program because of non-payment of premium, overpaid indemnity, administrative fees, collection costs or other related charges. The ineligible list will be used by RMA and distributed to all approved insurance providers reinsured by the Federal Crop Insurance Corporation (FCIC). If this debt is not paid by the crop termination date, your name will be placed on the list and future insurance coverage will be denied.

A request for review of your account must be in writing, must state the basis of your belief the debt is incorrect and must be received within 30 days of the date of this notice. The request should be addressed to: (AIP name and address). Administrative fees that are not paid by the crop termination date will be referred to RMA, an agency of the United States Department of Agriculture, for collection.

We appreciate your business and if you have any questions, please contact your agent.

**EXHIBIT 3
NOTICE OF DEBT (OVERPAYMENT)**

(AIP Letterhead)
MM/DD/YY

We have processed the yyyy corrected crop claim for the unit(s) listed below under contract xxxxxxxx and have determined that you were overpaid \$ _____

(Unit #'s)

Brief Explanation of Cause of Debt

To prevent interest assessment, you must pay the \$ _____ balance due on this crop within thirty (30) days from the date of this letter. The balance due may include interest paid to you on the original indemnity claim. Please send your check, draft, or money order in the enclosed self-addressed envelope.

You may request that we provide you with a complete explanation of the overpaid indemnity and allow you to inspect and copy records related to the debt. For a detailed explanation or additional information concerning the overpaid indemnity, please contact AIP name at the address shown above.

If you do not agree with our decision, you have the following options:

You may seek a review of the decision by filing a written request for review within thirty (30) days from the date of this letter. Your written request must be filed with this office at the address shown above and must be submitted with any information you have regarding our decision. A review does not take the place of or limit your right to arbitration.

If you and we fail to agree on any factual determination, disagreement may be resolved in accordance with the terms of your policy.

We appreciate your immediate attention to this matter.

**EXHIBIT 4
NOTICE OF DEBT (OVERPAYMENT)
(Second Notice)**

(AIP Letterhead)
MM/DD/YY

You were sent a letter informing you that you were overpaid on contract XX-XXX-XXXXX .
As of this date, no payment has been received.

Regulations governing the Federal crop insurance program provide you and us with certain rights prior to initiating collection action.

1. You have the right to a complete explanation of the overpaid indemnity and to inspect and copy records related to the overpaid indemnity if you believe the overpaid indemnity is not correct. In our previous letter, you were given notice of your rights relating to the overpaid indemnity.

2. If you are unable to pay the debt, you may consult with our representative about arrangements for a **scheduled installment payment** agreement of the overpaid indemnity on terms acceptable to the **Approved Insurance Provider (AIP)**. Request for a **scheduled installment payment** agreement should be sent to this office at the above address. **Scheduled installment payment agreements must be executed on or before the crop termination date.**

3. If applicable, the overpaid indemnity may be referred to a collection agency. In addition, the overpaid indemnity may be referred to credit reporting agencies 60 days from the date of this letter. Information disclosed to credit reporting agencies may include your name, address, tax identification number, and the amount, history and status of your debt to the **AIP**.

4. The Risk Management Agency (RMA) compiles a list of persons who have been found ineligible for program benefits under the Federal Crop Insurance Act (Act) because of non-payment of premium or administrative fees, an overpaid indemnity, or program or controlled substance violations. The ineligible list will be used by the Federal Crop Insurance Corporation (FCIC) and all **approved insurance providers** reinsured by FCIC for the purpose of denying crop insurance coverage.

Your name will be placed on the ineligible list if the overpaid indemnity is not paid within 30 days from **(or postmarked on or by)** the date of this letter. If this debt is not paid, future benefits under the Act will be denied in accordance with your crop insurance policy. If you submit a new application for crop insurance, that application will be

rejected. If you have a substantial beneficial interest in an insured entity, the premium and coverage for the entity will be reduced by the amount of your share in the entity.

5. Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.

In order to avoid the above collection action, a check, draft, or money order in the amount of \$ _____ should be sent to the _____ (AIP name) _____, using the enclosed self-addressed envelope. In addition to monthly interest assessment, a late payment penalty assessment may begin ninety (90) days from the date of this letter. All amounts paid will be applied first to accrued penalty and interest, if applicable, then to the principal balance.

EXHIBIT 5
SCHEDULED INSTALLMENT PAYMENT AGREEMENT

(AIP Letterhead)

MM/DD/YY

 (AIP NAME)

I(we), _____ do hereby acknowledge a debt to the (AIP name) under contract _____ for the YYYY crop year. In consideration of the **Approved Insurance Provider (AIP)** agreeing to forebear immediate collection action, I(we) agree to pay \$_____ per (month, quarter, semiannual, or annual) beginning _____ and continuing each subsequent (month, quarter, semiannual, or annual) until such indebtedness plus accrued interest is paid in full.

These payments will be made to _____ **(AIP name and address)** _____. These payments are to be made by me(us) without regular billings from the **AIP**. I(we) may request and will be given a current status of my(our) debt by contacting the **AIP**.

If the **AIP** processes any indemnity claim while any debt referred to in this agreement is still outstanding, I(we) understand the indemnity will not be paid to me(us), but will be applied as payment against this debt.

If I(we) fail to make payment **on or before, or payment is not postmarked on or before,** the scheduled due date, I(we) understand that this agreement will be null and void. I(we) understand that I(we) may be ineligible for certain other USDA program benefits.

Signature _____

Date _____

Signature _____

Date _____

Approved _____

Date _____

AIP Representative

EXHIBIT 6
NOTICE OF INELIGIBILITY
AIP DEBTORS
(USDA/RMA/FCIC Letterhead)

I. Was Insured
 123 Any Street
 City, State XXXXX-XXXX

Tax Id Number: XXXXXXXXXXX

ABC Insurance Company
(555) 555-5555

The above stated **approved insurance provider (AIP)** notified this office of their determination that you are ineligible to participate in the Federal Crop Insurance Program. The reason stated was your failure to pay the (premium and/or overpaid indemnity) associated with your crop insurance policy by _____, the date stated in the policy.

The **AIP** has certified that the debt was **not paid by the termination date, or date it was due, that you were** notified that the debt is delinquent, and you **were** given the opportunity to dispute the amount and existence of the debt. Based on the terms of your policy and 7 C.F.R. §400, subpart U, after proper notification and ability to contest the debt, failure to pay these amounts when due renders you ineligible to participate in the **Federal crop insurance** program.

In accordance with the terms of the policy and 7 C.F.R. §400.681(b), this determination will affect all insurable crops on all farming operations in which you have a substantial beneficial interest. You will remain ineligible to participate from the date the debt was determined to be delinquent until the date eligibility is reinstated in accordance with 7 C.F.R. §400.682. Once reinstated, to obtain crop insurance, you must make new application for insurance in accordance with 7 C.F.R. § 400.682(d).

Since the determination that you are ineligible was made by the **AIP**, any dispute **regarding the indebtedness must be made with the AIP in accordance with the terms of your policy. If you have documentation to show that action taken to include you on the Ineligible Tracking System by the Federal Crop Insurance Corporation was in error, you may appeal in accordance with procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must be in writing and made to the National Appeals Division Regional Office, within 30 days of your receipt of this notification. Their address is (NAD Regional Office address).**

Your ineligibility for Federal crop insurance may cause you to be ineligible for other USDA program benefits.

EXHIBIT 7
NOTICE OF INELIGIBILITY
AIP DEBTORS
(Partners of Indebted Partnership)

(USDA/RMA/FCIC Letterhead)
MM/DD/YYYY

I. Was Insured
123 Any Street
City, State XXXXX-XXXX

Tax ID Number: XXXXXXXXXXX

ABC Insurance Company
(555) 555-5555

The above stated **approved insurance provider (AIP)** notified this office that you are a partner in the partnership of _____ (name of partnership) _____. The **AIP** determined the partnership is ineligible to participate in the Federal crop insurance program based on failure to pay **(premium and/or overpaid indemnity)** associated with **the crop insurance policy** by _____, the **due** date stated in the policy.

The **AIP** certified that the debt was not paid by the **termination date**, or date **it was due**, **that the partnership was notified** that the debt is delinquent, and the **partnership was given the** opportunity to dispute the amount and existence of the debt. Based on the terms of the policy and 7 C.F.R. §400, subpart U, after proper notification and ability to contest the debt, failure to pay these amounts when due renders the partnership ineligible to participate in the program. Pursuant to 7 C.F.R. §400.681(b), if the ineligible person is a partnership, all partners will be individually ineligible.

In accordance with the terms of the policy and 7 C.F.R. §400.681(b), this determination will affect **all insurable crops on** all farming operations in which you have a substantial beneficial interest. You will remain ineligible to participate from the date the debt was determined to be delinquent until the **date eligibility is reinstated in accordance with 7 C.F.R. §400.682**. Once reinstated, to obtain crop insurance you must make new application for insurance in accordance with 7 C.F.R. § 400.682(d).

Since the determination that you and the partnership are ineligible was made by the AIP, any dispute regarding the indebtedness must be made with the AIP in accordance with the terms of the partnership's policy. If you have documentation to show that action taken to include you on the Ineligible Tracking System by the Federal Crop Insurance Corporation was in error, you may appeal in accordance with procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must **be in writing** and made to the National Appeals Division (NAD) **Regional Office**, within 30 days of your receipt of this notification. **Their** address is **(NAD Regional Office address)**.

Your ineligibility for Federal crop insurance may cause you to be ineligible for other USDA program benefits.

EXHIBIT 8
NOTICE OF INELIGIBILITY
AIP DEBTORS
(Spouse of Indebted Person)

(USDA/RMA/FCIC Letterhead)
MM/DD/YYYY

I. Was Insured Tax ID Number: XXXXXXXXXX
123 Any Street
City, State XXXXX-XXXX ***ABC Insurance Company***
(555) 555-5555

The above stated approved insurance provider (AIP) notified our office that you are ineligible to participate in the Federal crop insurance program. The reason stated was the failure of your spouse to pay (premium and/or overpaid indemnity) associated with a (Crop Year) crop insurance policy, by the due date stated in the policy.

The AIP certified that the debt was not paid by the termination date, or due date, that notification was provided to your spouse stating the debt is delinquent, that your spouse was provided the opportunity to dispute the amount and existence of the debt, and you were provided an opportunity to contest that you and your spouse should be considered the same individual pursuant to 7 C.F.R. § 400.681(c)(1). Based on the terms of the policy and 7 C.F.R. §400, subpart U, after proper notification and opportunity to contest the debt, failure to pay these amounts when due renders you and your spouse ineligible to participate in any program authorized by the Federal Crop Insurance Act, as amended.

According to the terms of the policy and 7 C.F.R. §400.681, this determination will affect all insurable crops on all farming operations in which you have a substantial beneficial interest and you will remain ineligible to participate in the Federal crop insurance program from the date the debt was determined to be delinquent until the date eligibility is reinstated pursuant to 7 C.F.R. §400.682. Once reinstated, to obtain crop insurance, you must make new application for insurance in accordance with 7 C.F.R. §400.682(d).

Since the determination that you and your spouse are ineligible was made by the AIP, any dispute regarding the indebtedness must be made with the AIP in accordance with the terms your policy. If you have documentation showing that action taken to include you on the Ineligible Tracking System by the Federal Crop Insurance Corporation was in error, you may appeal in accordance with procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must be in writing and made to the National Appeals Division Regional Office, within 30 days of your receipt of this notification. Their address is (NAD Regional Office address) .

Your ineligibility for Federal crop insurance may cause you to be ineligible for other USDA program benefits.

EXHIBIT 9
NOTICE OF INELIGIBILITY
DUE TO CONTROLLED SUBSTANCE VIOLATION

(USDA/RMA/FCIC Letterhead)
MM/DD/YYYY

I. Was Insured Tax ID Number: XXXXXXXXXX
123 Any Street
City, State XXXXX-XXXX

This office has been notified that you have been convicted of a controlled substance violation that renders you ineligible for any program benefits under the Federal Crop Insurance Act (Act). On that basis, you will be ineligible for program benefits under the Act for the crop year of conviction and the succeeding four crop years.

If you are not the person that has been convicted of a controlled substance violation, you may appeal your ineligibility status in accordance with procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must be in writing and made to the National Appeals Division Regional Office, at (NAD Regional Office address) within 30 days of your receipt of this notification.

A crop insurance policy insuring a farming entity in which you have an interest of 10% or more will be affected as the premium and coverage will be reduced by the amount of your share in the policy. Furthermore, any entity that is comprised of your spouse, child, or member of your household in which you have an interest, will also be ineligible to obtain crop insurance coverage as specified above. Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.

Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.

EXHIBIT 10
NOTICE OF INELIGIBILITY
DUE TO DISQUALIFICATION/SUSPENSION/DEBARMENT

(USDA/RMA/FCIC Letterhead)
MM/DD/YYYY

I. Was Insured Tax ID Number: XXXXXXXXXX
123 Any Street
City, State XXXXX-XXXX

This office has been notified that you have been disqualified/debarred/suspended under Section 506(n) of the Federal Crop Insurance Act (Act) and 7CFR Part 400 subpart R. On this basis, you will be ineligible for any program benefits under the Act from __ (date) __ through __ (specify the period of time) __.

If you are not the person that has been disqualified/debarred/suspended, you may appeal your ineligible status in accordance with procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must be in writing and made to the National Appeals Division Regional Office (NAD Regional Office address) within 30 days of your receipt of this letter.

A crop insurance policy insuring a farming entity in which you have an interest of 10% or more will be affected as the premium and coverage will be reduced by the amount of your share in the policy. Furthermore, any entity that is comprised of your spouse, child, or member of your household in which you have an interest, will also be ineligible to obtain crop insurance coverage as specified above. Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.

Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.

EXHIBIT 11
NOTICE OF INELIGIBILITY
FCIC DEBTORS

(USDA/RMA/FCIC Letterhead)
MM/DD/YYYY

I. Was Insured	Tax ID Number: XXXXXXXXXX
123 Any Street	
City, State XXXXX-XXXX	<u>ABC Insurance Company</u> <u>(555) 555-5555</u>

The above stated approved insurance provider (AIP) notified this office of their determination that you have incurred a debt associated with unpaid catastrophic risk protection (CAT) administrative fees on a crop insurance policy reinsured under the Federal Crop Insurance Act, as amended. The AIP certified that the debt remains unpaid, that you were notified that the debt was not paid by _____, the termination date stated in your policy, and you were given the opportunity to dispute the amount and existence of the debt. Based on the terms of your policy and 7 C.F.R. part 400, subpart U, after proper notification and ability to contest the debt, failure to pay these amounts by the termination date renders you ineligible to participate in the Federal crop insurance program. If you have questions regarding the validity of these fees due us or previous payments made regarding these fees (before the stated crop termination date), please contact the above AIP.

According to the terms of the policy and 7 C.F.R. §400.681, this determination will affect all insurable crops on all farming operations in which you have a substantial beneficial interest and you will remain ineligible to participate in the Federal crop insurance program from the date the debt was determined to be delinquent until the date eligibility is reinstated pursuant to 7 C.F.R. §400.682. Once reinstated, to obtain crop insurance, you must make new application for insurance in accordance with 7 C.F.R. §400.682(d).

On the above referenced termination date, the responsibility for collection of your CAT administrative fees transferred to the Federal Crop Insurance Corporation (FCIC). Other crop insurance amounts due (i.e., premium, overpaid indemnity) are payable to the AIP. To pay the amount of CAT administrative fee of \$ _____ that is owed for the _____ crop year, remit payment by check or money order made payable to **Federal Crop Insurance Corporation** in the enclosed, **self-addressed envelope**. If the debt is not paid in full within 30 days of the above referenced crop termination date, please contact the Risk Management Agency at 816-926-7299 for your current balance due since more interest will have accrued. **Please include your Tax Identification Number on the check or money order. DO NOT SEND CATASTROPHIC ADMINISTRATIVE FEE PAYMENTS TO YOUR AIP OR YOUR AGENT.** If you fail to pay the amount of CAT administrative fees plus accrued interest that are owed FCIC within **45** days from the date of this letter, this debt may be referred to the Department of Treasury and the Department of Justice for collection.

If you have documentation to show that action taken by the FCIC to include you on the Ineligible Tracking System is in error, you may appeal your ineligibility according to procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must be in writing and made to the National Appeals Division Regional Office within 30 days of your receipt of this notification. Their address is (NAD Regional Office Address). Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.

Sincerely,
John Doe, Chief
Reinsurance Accounting and Eligibility Tracking Section

Producer XYZ
123 Any Street
City, State XXXXX-XXXX

Tax ID: XXX-XX-XXXX
Total Debt Due: \$ 307.50
Principal: \$ 300.00
Accrued Interest: \$ 7.50

Details:

Insurance Provider: ABC Insurance Company
Insurance Provider Phone #: (555)555-5555

Policy Number	Crop Year	Crop Code	Crop Name	County Name	Unpaid Principal	Interest Amount
903069	2006	0021	COTTON	Caldwell	100.00	2.50
903069	2006	0041	CORN	Caldwell	100.00	2.50
903069	2006	0081	SOYBEANS	Caldwell	100.00	2.50

EXHIBIT 12
NOTICE OF INELIGIBILITY
FCIC DEBTORS
(Partners of Indebted Partnership)

(USDA/RMA/FCIC Letterhead)

I. Was Insured	MM/DD/YYYY
Any Street	Tax Id Number: xxx xx xxxx
Anytown, Anystate xxxxx	A12 Insurance Company

The above stated Approved Insurance Provider (AIP) notified this office that you are a partner in the partnership of _____. The AIP determined the partnership is ineligible to participate in the Federal crop insurance program based on failure to pay catastrophic risk protection (CAT) administrative fees associated with the crop insurance policy by _____, the termination date as stated in the policy. A notification letter detailing the amount of administrative fees due, accrual of interest, and applicable collection procedures has been mailed to the partnership.

The AIP certified that the debt was not paid by the termination date, that the partnership was notified that the debt is delinquent, and that the partnership was given the opportunity to dispute the amount and existence of the debt. Based on the terms of the policy and 7 C.F.R. §400, subpart U, after proper notification and ability to contest the debt, failure to pay these amounts when due renders the partnership ineligible to participate in the program. Pursuant to 7 C.F.R. §400.681(b), if the ineligible person is a partnership, all partners will be individually ineligible. If you have questions regarding these fees (before the stated crop termination date), the above AIP can be contacted.

According to the terms of the policy and 7 C.F.R. 400.681(b), this determination will affect all insurable crops on all farming operations in which you have substantial beneficial interest and you will remain ineligible to participate in the Federal crop insurance program from the date the debt was determined to be delinquent until the date eligibility is reinstated in accordance with 7 C.F.R. §400.682. Once reinstated, to obtain crop insurance you must make new application for insurance in accordance with 7 C.F.R. 400.682(d).

Since the determination that you and the partnership are ineligible was made by the AIP, any dispute regarding the indebtedness must be made with the AIP in accordance with the terms of your policy. If you have documentation to show that action taken to include you on the Ineligible Tracking System by the Federal Crop Insurance Corporation was in error, you may appeal in accordance with procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must be in writing and made to the National Appeals Division (NAD) Regional Office, within 30 days upon receipt of this notification. Their address is _____ (NAD Regional Office Address) _____. Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.

EXHIBIT 13
NOTICE OF INELIGIBILITY
FCIC DEBTORS
(Spouse of Indebted Person)

(USDA/RMA/FCIC Letterhead)

	MM/DD/YYYY
I. Was Insured	Tax Id Number: xxx xx xxxx
Any Street	
Anytown, Anystate xxxxx	A12 Insurance Company

The above stated Approved Insurance Provider (AIP) notified this office of their determination that you are ineligible to participate in the Federal crop insurance program. The reason stated was the failure of your spouse to pay catastrophic risk protection (CAT) administrative fees associated with a (crop year) crop insurance policy, by the due date as stated in the policy. A notification letter detailing the amount of administrative fees due, accrual of interest, and applicable collection procedures has been mailed to your spouse.

The AIP certified that the debt was not paid by the termination date, or due date, that notification was provided to your spouse stating that the debt is delinquent, that your spouse was provided the opportunity to dispute the amount and existence of the debt, and you were provided an opportunity to contest that you and your spouse should be considered the same individual pursuant to 7 C.F.R. §400.681(c)(1). Based on the terms of the policy and 7 C.F.R. §400, subpart U, after proper notification and opportunity to contest the debt, failure to pay these amounts when due renders you and your spouse ineligible to participate in any program authorized by the Federal Crop Insurance Act, as amended. If you have any questions regarding the validity of these fees due us or previous payments made regarding these fees (before the stated crop termination date), the above AIP can be contacted.

According to the terms of the policy and 7 C.F.R. §400.681, this determination will affect all insurable crops on all farming operations in which you have substantial beneficial interest and you will remain ineligible to participate in Federal crop insurance program from the date the debt was determined to be delinquent until the date eligibility is reinstated pursuant to 7 C.F.R. §400.682. Once reinstated, to obtain crop insurance you must make new application for insurance in accordance with 7 C.F.R. 400.682(d).

Since the determination that you and your spouse are ineligible was made by the AIP, in accordance with the terms of your spouse's policy. If you have documentation showing that action taken to include you on the Ineligible Tracking System by the Federal Crop Insurance Corporation (FCIC) was in error, you may appeal in accordance with procedures found at http://www.nad.usda.gov/app_appeal.html. A request for appeal must be in writing and made to the National Appeals Division (NAD) Regional Office, within 30 days upon receipt of this notification. Their address is (NAD Regional Office Address) . Your ineligibility for Federal crop insurance may cause you to be ineligible for certain other USDA program benefits.