U.S. Department of Agriculture Farm Services Agency
Supporting Statement for Information Collection
Debt Settlement Policies and Procedures - 0560-0146
May 5, 2012

Purpose: The Farm Service Agency (FSA) and the Commodity Credit Corporation (CCC) are requesting for an extension of a currently approved information collection that is covered by the regulations, 7 CFR 792, Debt Settlement Policies and Procedures (FSA), and 7 CFR 1403, Debt Settlement Policies and Procedures (CCC).

1. Circumstances making collection of information necessary.

The Federal Claims Collection Standards provide at 4 CFR part 102 that, whenever feasible, debts owed to the United States should be collected in full in one lump sum. DCIA further emphasizes, as one of its goals, to maximize collections of delinquent debts owed to the Government by ensuring quick action is taken to enforce recovery of debts and the use of all appropriate collection tools, while ensuring that the public is fully informed of the Federal Government's debt collection policies and that debtors are fully cognizant of their financial obligations to repay amounts owed to the Federal Government. The Federal Claims Collection Standards and the DCIA also provide that if the debtor is financially unable to pay the debt in one lump sum, payment may be accepted in regular installments. In such instances agencies should obtain financial statements from debtors who represent that they are unable to pay the debt in one lump sum, and those agencies which agree to accept payment in regular installments should obtain a legally enforceable written agreement from the debtor which specifies all of the terms of the agreement. Therefore, in order to promulgate regulations consistent with the standards and directions it is necessary for FSA and CCC to provide for the collection of financial information and the completion of a settlement agreement or promissory note for those debtors who are unable to pay their debts in one lump sum.

2. How, by whom, and for what purpose is information used.

All debt settlement policies are implemented by State and County, Washington and Kansas City FSA employees who perform FSA and CCC duties.

Request for Installment Agreement: When a debt situation arises, the debtor is notified through a notification and a demand letter process describing the nature and amount of the debt. In the demand letter, the debtor is provided the opportunity to request paying the debt through installments. Installment agreements are authorized when the debtor's financial situation warrants repaying the debt in installments instead of one lump sum. The debtor's request is made by memo to their county FSA Office. After the request for installment is approved for consideration, the debtor is notified to submit a financial statement. State and County offices can enter into installment agreements of up-to 3 years. Installment agreements over 3 years must be approved by the State Executive Director (SED), the claims officer or the State Committee (STC).

Financial Statement: A financial statement is required when a debtor requests an installment agreement to settle their debt. This requirement is authorized by 7 CFR 792.6 and 7 CFR 1403.6. The financial statement must include information on the debtor's assets, liabilities, income and expenses. Based on that information a determination can be made on whether the debtor can pay the debt in one lump sum or an installment is necessary. If an installment is necessary, based on the debtor's financial situation determinations are made regarding the installment period and payment amount. Without this financial information FSA/CCC would have no method of allowing debtor's to pay their debts in installments while still ensuring that the government's financial interests are protected.

CCC-279, Promissory Note: Once an installment request has been approved, a legally enforceable written agreement incorporating the terms of payment is necessary to evidence the agreement and allow for judicial enforcement if the debtor defaults on the agreement. Therefore, the completion of and submission of a promissory note, Form CCC-279, is required.

Administrative reviews as requested by the debtor to satisfy his appeal rights (7 CFR 792.4 and 7 CFR 1403.4) are conducted by FSA officials in accordance with regulations at 7 CFR 780.

3. Use of improved information technology.

The CCC-279 is available at http://forms.sc.egov.usda.gov/eforms/mainservlet. The demand letter and the electronic form can be transmitted through email between FSA/CCC and debtors. The final promissory note form must be executed on paper due to the required original signatures. This collection process is not fully automated at this time, and continues to explore in getting a fully automated. Although the demand letter process has been automated to a large extent in the past few years, it is not fully automated to the extent that we are able to process demand letters giving the right to request review and enter into installment agreements to debtors automatically. Preparation of the Installment Agreement(s) and the subsequent Promissory Note(s) are automated in the sense that these formats have become fairly standardized, and are easily called up in the word processing arena. The use of these accepted formats reduces the burden at the County Office level, but would not reduce the burden on the producer for reading and taking action on the contents of the letters.

4. Efforts to identify duplication.

Financial Statement and promissory notes are required on a one-time only basis when a debtor requests to enter into a settlement agreement. Debtors can use up-to-date financial statement, which have been developed for other entities such as lending institutions, if available. In FSA, Debt Management Offices are the offices responsible for and tasked with handling debt collections, and the use of these procedures and formats for FSA and CCC within U.S. Department of Agriculture. Any collection of or settlement of outstanding debt owed FSA or CCC through a repayment or installment agreement are done solely through this process and through the Office of Budget and Finance (OBF), Financial Management Division (FMD), Financial Services Center (FSC) located in Kansas City, Missouri.

5. Methods to minimize burden on small business or entities.

This collection of information does not place an additional burden on small businesses or other small entities.

6. Consequence if information collection were less frequent.

The collections are required on an as needed basis when a debt occurs, and when an attempt to resolve the outstanding debt is undertaken through a process of discussion, compromise and/or installment proposals. Only 1 response for each collection applicable to the debt situation is required. If FSA and CCC could not use these methods to resolve outstanding debt, and collect these sums that are owed to the government, then these debts would remain uncollectible, the debtors would be in danger of defaulting on their debts, and the sums involved would never be collected by and for the government. These sums would have to be written off, and cause a further increase of the deficit.

7. Special circumstances.

The information collected is provided voluntarily by debtors, and the collection is conducted in a manner consistent with guidelines in 5 CFR 1320.6. There are no special circumstances that require information to be collected more often than the one time when a debtor requests to enter into a settlement/repayment agreement.

8. **Federal Register notice, summarization of comments, and consultation with persons outside the agency.**

A Federal Register notice, with a 60 day comment period was published on February 02, 2012 at 77 FR 5227-5228. One public comment was received.

That public comment was a general comment concerning the number of forms that are generally available to the public to assist them in the Agencies and CCC gathering of information pertaining to Debt Settlement Policies and Procedures.

The commenter offered advice that they felt would help streamline this Debt Settlement procedure. To wit, that the FSA and CCC should implement procedures that would allow some of the debt collection procedures (deferred payment, interest rate reduction, irregular payment schedule(s)) to be implemented at the beginning or outset of the producer-Agency loan relationship. The commenter felt that this would increase "repayment capacity" for the producer when the producer might become a debtor, and alleviate "the stigma of failure attached to the loan servicing". While these comments deserve consideration, it is also to note that when FSA and CCC enter into loan or grant relationships with a producer, the producer is not considered as a future debtor, or the loan to be a future definite failure. The initial loan transactions are conducted between FSA and CCC and the producer with a positive outlook for the life of the relationship for both parties concerned.

The consultations outside the Agency on the information collection were in the following. These individuals were directly contacted with no response received from them or no comment elicited or returned upon inquiry:

1) Randall Wuebker
   1350 Grand River Drive
   Lorimon, IA 50149

(2) Danny Dorman
   811 South State Road 168
   Lubbock, TX 79407-8613

(3) Milton Lee
   P.O. Box 180
   Bruce, MS 38915-0180

9. **Any decision to provide any payment or gift to respondents.**

There are no payment or gift offered to or provided to any prospective respondents.

10. **Confidentiality provided to respondents.**

Debt settlement matters are handled according to established FSA and CCC procedures implementing the Privacy and Freedom of Information Act of 1974 and OMB Circular A-130, Responsibilities for the Maintenance of Records about Individuals by Federal Agencies.

11. **Questions of a sensitive nature.**

This information collection does not contain any sensitive data.

12. **Estimates of Burden.**

(See a breakdown for the burden of each item on the attached FSA-85-1.)

Based on past debt collection activists, an average of 100 individuals will request to pay debts by installment, submit financial statements and execute a CCC-279, Promissory Note. The financial statement will require about 30 minutes to complete. The promissory note and installment agreement will each require about 15 minutes each to execute, for a total of about another 30 minutes. Thus, there is a paperwork burden of about 60 minutes, or one hour per total package per respondent.

There is also an estimated travel time for the respondents to go and get to the designated Farm Service Agency (FSA) office to complete the package of about one hour.

Thus the total burden time would be 2 hours for each respondent.

Estimated cost to the public (respondents): $4200.00.

This figure represents the approximately 100 respondents spending about one (1) hour each on preparation and execution of the package (financial statement, installment agreement and promissory note) plus one hour additional for travel and communication time (by phone, fax or computer) with the FSA Office (County and/or Kansas City). This is a total of 2 hours burden hours per respondent times an average hourly wage of $21 (equivalent to an average GS-5(5) administrative assistant who prepares the documents) times 100 respondents:

2 hours x $21 an hour x 100 respondents = $4,200.00

13. **Total annual cost burden to respondents or record keepers.**

There are no capital and start-up, or ongoing operation and maintenance costs associated with this information collection.

14. **Provide estimates of annualized cost to the Federal government.**

The total annualized cost to the Federal Government (record keepers) is $2325.00.

Printing and Distribution:	$225.00
Program Development:	$ 0.00 (Program is already developed and in operation.)
Program Administration:	$2015.00 The County FSA Office employee (average GS-5 (5)) spends approximately 1 hour per debtor (100) preparing documents for a total of 100 hours.

Average wage of a county office employee (GS-5 (5)) is about $21.00 x 100 hours equals $2100.

15. **Reasons for changes in burden.**

There is no change in burden from the last OMB approval.

16. **Tabulation, analysis and publication plans.**

The information collected is for the performance of the Agency's functions in administering debt management activities, and is not intended for publication.

17. **Reasons display of expiration date of OMB approval is inappropriate.**

The agency is seeking approval to not display the OMB expiration date on the forms associated with this information collection since the forms do not change and it is not cost effective for Forms officer to change the expiration date every three years to post or reprint/distribute new version form.

18. **Exceptions to 83-1 certificate statement.**

There are no exceptions to OMB 83-1 certification statement.

19. **How is this information collection related to the Customer Service Center?**

If a producer/debtor is attempting to work out a compromise and payment plan for the repayment of the producer's/debtor's debt to USDA (FSA or CCC), the producer/debtor would be contacting the Customer Service Center to ascertain what needs to be done. The producer or debtor would receive this information from the FSA/CCC agent at the Customer Service Center. The producer or debtor could then submit his written request for a compromise/repayment plan, along with his earnings statement to the Customer Service Center. The producer or debtor might then have to appear in person at the Customer Service Center (or the FSA County or State Office) to fill out the Promissory Note in completing the compromise/repayment agreement. At other times, the producer or debtor may accomplish the final execution through mail, if the producer or debtor desires to complete the process that way.