



United States  
Department of  
Agriculture

June 12, 2007

Risk  
Management  
Agency

TO: AIP Accounting/Finance Representatives

6501 Beacon Drive  
Kansas City,  
MO 64133-4676

FROM: Dave Wright, Chief /s/ *Dave Wright*  
RMA, Financial & Accounting Operations Branch

SUBJECT: Clarification of Interest Assessment on Unpaid CAT Fees Reported to RMA

It has come to our attention that there is inconsistency among companies when reporting interest on unpaid CAT fees. For clarification, the Code of Federal Regulations chapter 7 (7CFR) 457.8, states "Interest will accrue at the rate of 1.25 percent simple interest per calendar month, or any portion thereof, on any unpaid amount owed to us or on any unpaid administrative fees owed to FCIC."

AIPs are responsible for calculating and collecting interest on CAT fees in accordance with the above citation beginning 30 days after the premium billing date until termination date. Once a policy has been terminated for an unpaid CAT fee and has been reported to RMA through the Ineligible Tracking System (ITS), it becomes a Federal debt. Both the ITS type 60 and 65 records should be transmitted to RMA within 7 to 21 days after the applicable crop termination date. Only the principle amount should be reported to RMA on the type 65 record. A change has been made to the type 65 record field edit description in Appendix III explaining that only the unpaid fee amount (and not the accrued interest) should be reported in the "uncollected fee amount" field. RMA will calculate interest on a monthly basis on any unpaid CAT fees beginning on the termination date and will continue until the debt is satisfied.

Effective immediately, all inquiries regarding amounts due on CAT policies that have been terminated and reported to RMA, should be forwarded to RMA since the insured may have previously received a letter with an amount due that has subsequently accrued additional interest. Any questions an insured may have regarding the validity of the CAT fee or payments made prior to the crop termination date should be handled by the company; therefore, the company name and contact phone appears on letters mailed to insureds.



The Risk Management Agency Administrators  
And Oversees All Programs Authorized Under  
The Federal Crop Insurance Corporation

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Even though ineligible notification letters sent to insureds after termination state that payment on Federal debt should be remitted directly to RMA, some insureds opt to make payment directly to the AIP or their agents. If the AIP receives payment for Federal debt, the company must send a type 12 record using payment type code of “02” for the entire amount received (including interest). The type 12 record should be sent within 7 days of receipt of payment since the debt may be referred to Treasury for cross servicing. When an insured is referred to Treasury for cross servicing, any amounts due to the insured from any Federal agency (e.g. tax refunds, social security checks, federal salaries, etc.) will be reduced by the Federal debt that includes CAT fees and accrued interest.

Clarification included in this notice has also been incorporated into narrative located in the “Reporting Requirements of AIPs Operating Under the Standard Reinsurance Agreement (SRA)” section of the Appendix III.

Any further question concerning this issue should be directed to Kristen Kraft at 816-926-7634 or to Calvin Brewer at 816-926-7030 or via email to [kristen.kraft@rma.usda.gov](mailto:kristen.kraft@rma.usda.gov) or to [calvin.brewer@rma.usda.gov](mailto:calvin.brewer@rma.usda.gov) .