

Form RD 1940-10 (Rev. 10-94)		UNITED STATES DEPARTMENT OF AGRICULTURE RURAL DEVELOPMENT	
CANCELLATION OF U.S. TREASURY CHECK AND/OR OBLIGATION			
INSTRUCTIONS: TYPE IN CAPITALIZED ELITE TYPE IN SPACES MARKED (). See FML.			
1. CASE NUMBER 0 0		2. DESCRIPTION OF ASSISTANCE	3. FUND CODE
5. BORROWER NAME		6. VENDOR NAME	
7. AMOUNT TO BE CANCELLED 		8. TREASURY CHECK DATE -	9. TREASURY CHECK NO.
10. FISCAL YEAR 		11. FULL OR PARTIAL CANCELLATION P = Partial F = Full	
12. CANCELLATION ACTION NOTICE		13. LOAN COST CHECK	
a. Loan or Grant Check and/or Obligation (Insured Type) 1 = Cancel Advance Only - Advance will be reordered 2 = Cancel Obligation and Advance = Equal Amounts (Advance will not be reordered) 3 = Cancel Obligation Only b. Loan Cost Check 1 = Taxes 2 = Insurance 3 = Advertising 4 = Other (Specify) _____ c. Other 1 = Guaranteed Loan Obligation 2 = Guaranteed Loan and Interest Rate Buydown Obligation 3 = Guaranteed Interest Rate Buydown Obligation 4 = Other (Specify) _____ 5 = Guaranteed Loan with Interest Assistance 6 = Guaranteed - Interest Assistance Only		a. Transaction Code b. Purchase Order Number c. Invoice Number 	
		14. GUARANTEED LOAN INTEREST RATE BUYDOWN	
		Date of Obligation -	
		Term of Interest Rate Buydown	
		Interest Rate Buydown	
		15. FARMER PROGRAM INTEREST ASSISTANCE	
		a. Revised Computation Loan Amount 	
		b. Interest Assistance Rate 	
		c. Term of Interest Assistance 	
		d. Date of Obligation -	
16. REMARKS			
17. SIGNATURE OF RURAL DEVELOPMENT REPRESENTATIVE		18. TITLE	19. DATE
FINANCE OFFICE USE ONLY			
20. ADVANCE CODE	21. FY	22. O&E CODE	23. OBLIGATION DATE -
			24. DEPOSIT DATE -

Position 2

Form RD 1940-10 (Rev. 10-94)

(see reverse)

PROCEDURE FOR PREPARATION

: RD Instructions 1902-A, 1942-A, 1942-G, 1944-I, 1944-K, 1948-B, 1951-B, 1980-D, 2015-C, 2018-D, 2024-A, and 2033-A; FSA Transferred Instructions 1941-A, 1943-A, 1943-B, 1945-D, and 1946-A; RUS Transferred Instructions 1942-H and 1980-A.

PREPARED BY

: Initiated by applicable Rural Development or FSA servicing office.

- (For CP loans and grants, initiated by area office)
- (For B&I loans, initiated by state office)
- (For NNC loans, Technical Assistance and Training Grants, and ALMPG grants initiated by National Office)
- (For guaranteed loans, the applicable servicing office)

NUMBER OF COPIES

: Original and three.

(10-28-03) SPECIAL PN

SIGNATURES REQUIRED : Original and first copy by approving official.

PROCESSING GUIDELINES AND
DISTRIBUTION COPIES

: A. Treasury Check Cancellation Only

For checks desposited with Wholesale Lockbox Contractor, send the original Form RD 1940-10 with the check to the lockbox contractor with the Field Office Remittance Reconciliation Report. The Finance Office will process the check cancellation.

Copy is retained in borrower case file.

B. Obligation Cancellation Only

1. Unclosed Loan - Form RD 1940-10 will be processed via the Rural Development or FSA field office terminal system as a transaction code 1D, Cancellation of Loan/Grant Obligation Only.

Copy is retained in Borrower's case file.

2. Closed Loan - Form RD 1940-10 to cancel the obligation must be sent to the Finance Office for processing. Field Offices should not attempt to process the cancellation of any portion of the obligation of a closed loan.

C. Obligation and Check Cancellation

1. When an obligation and a check are being cancelled and the amounts are different, two Forms RD 1940-10 must be prepared:
 - one to cancel the check only and
 - one to cancel the amount of the obligation.

When an obligation and check are being cancelled and the amounts are the same, prepare one Form RD 1940-10 to cancel both the obligation and check.

For cancellation of Treasury Check, write on the front of the check "Not Negotiable" in red ink.

2. Distribute the check and the original Form RD 1940-10 to cancel the check as explained in item A. The Finance Office must process the check cancellation.

3. If the loan is unclosed according to automated records, process the obligation cancellation via the servicing Rural Development or FSA field office terminal system as a transaction code 1D. The borrower case file copy of Form RD 1940-10 will be used to process obligation cancellations via the Rural Development or FSA field office terminal system.

When an obligation cancellation is being processed via the Rural Development or FSA field office terminal system in conjunction with a check cancellation and the undisbursed loan balance is less than the amount of obligation being cancelled, the field office must view the undisbursed balance daily to determine when the check cancellation processes. Subsequent to the check cancellation processing, the Rural Development or FSA field office must process the obligation cancellation.

4. If the loan is closed, the Form RD 1940-10 to cancel the obligation must be sent to the Finance Office for processing.

For closed loans, prepare Form(s) RD 1940-10 in accordance with item C.1. and submit to the Finance Office in accordance with item A.

Note - If a closed loan has excess funds which have not been disbursed, the excess funds should be requested via Transaction Code 1C, Check Request. Any excess funds will be submitted on Form RD 451-2, Schedule of Remittance, as a refund. Do not use Form RD 1940-10 or attempt to cancel a portion of an obligation in cases of excess funds.

D. Distribution of Cancellation Package to Finance Office.

For Cancellation of FSA loan and grant types mail to:

USDA, FSA, St. Louis/KCMO Finance
Loan Accounting Division
P.O. Box 20003
St. Louis, MO 63120-0003

For Cancellation of Rural Development loan and grant types mail to:

USDA Rural Development
ATTN: Direct Loan and Grant Branch
P.O. Box 200011
St. Louis, MO 63120

ADDITIONAL COPIES : For association loans or grants, copy to National Office for information purposes.

: If closing instructions were issued, copy to designated attorney, regional attorney, or title insurance company representative.

: As required by state instructions, a copy to the state office or a copy is retained in area or local office when original is sent to the state office for processing

ADPS-RELATED
TRANSACTION CODES

: 1D, Cancellation of Loan/Grant-Obligation Only

: 1E, Check Cancellation-Obligation Retained (Finance Office Only)

: 1I, Judgement Cost

: 1J, Cancellation of Obligation and/or Check-Closed Loan (Finance Office Only)

: 1K, Nonrecoverable Cost

: 1L, Recoverable Loan Cost

: 1X, Acquired Property Cost

: 1Y, Loan/Grant Cancellation-Obligations and Check (Finance Office Only)

GENERAL INSTRUCTIONS

- A. This form is used to cancel loan and grant program related U.S. Treasury checks and/or obligations of funds for:
1. Loans or Grants
 - a. Check only
 - b. Check and obligation - equal amounts
 - c. Check and obligation - unequal amounts
 - d. Obligation only (insured or guaranteed)
 2. Loan cost checks
 3. Other checks (such as guaranteed loan program checks for loan subsidy, loan cost, or loss claim)
- B. This form is not used to cancel:
1. Substitute checks
 2. Administrative cost checks
- C. Separate Forms RD 1940-10 must be prepared for obligation cancellations for combination loans and grants.
- D. For Community Programs, in cases where the loan was closed and a permanent security instrument was taken for the full amount of the obligation but all of the obligation has not been advanced, this form may be used to cancel the unadvanced portion. You should advise the Finance Office, in Item 13 of Form RD 1940-10, that the final unpaid installment(s) outlined in the maturity schedule be adjusted to reflect the reduction in principal amount due to the cancellation of the unadvanced portion of the obligation. Such a cancellation should only be used in cases where bond counsel or the local counsel, as appropriate, by the issuance of a final opinion, and the Regional Attorney have determined such a procedure will not affect the validity of the security instrument.
- E. For cancellations of loan cost checks a copy of the Form RD 838-B, Invoice-Receipt Certification, must be attached to the Form RD 1940-10.

INSTRUCTIONS FOR PREPARATION

Item 1 Enter borrower’s case number. For loan cost check cancellations, where more than one borrower is involved, enter the numeric code identifying the state and the word “MULTIPLE.” For multiple borrowers, also see Item 16.

Example:

1	3	0	1	2	0	4	5	7	3	8	7	6	5	4
---	---	---	---	---	---	---	---	---	---	---	---	---	---	---

Example:

1	3	0		0		M	U	L	T	I	P	L	E
---	---	---	--	---	--	---	---	---	---	---	---	---	---

Item 2 Enter abbreviation for description of assistance for applicable Association Programs. The applicable programs and abbreviations are as follows:

Water and Waste Disposal Loans	WWDL
Water and Waste Disposal Grants	WWDG
Community Facility Loans	CF
Resource Conservation and Development Loans	RCD
Watershed Loans (PL-566)	PL-566
Flood Prevention Loans (PL-534)	PL-534
Regional Prevention Grants	RCG
Economic Development Administration Grants	EDAG
Rural Business Enterprise Grants	RBEG
National Nonprofit Corporations	NNC
Agricultural Loan Mediation Program Grants	ALMPG
Television Demonstration Grants	TDG

Example:

R	C	D
---	---	---

Item 3 Enter fund code. For grants, enter 00. (The fund code can be obtained from either Form RD 440-57, Acknowledgement of Obligated Funds/Check Request; or Form RD 451-26, Transaction Record or Unclosed Status (UN) Screen.

For loan cost check cancellation, where multiple borrowers are involved, leave blank. For multiple borrowers, also see Item 16.

Example:

4	6
---	---

Item 4 Enter loan number.

For loan cost check cancellations where multiple borrowers are involved, leave blank. For multiple borrowers, also see Item 16.

Example:

0	1
---	---

Item 5 Enter borrower’s last name (comma, no space), first name or initial (space), middle name or initial. Abbreviate when necessary.

For loan cost check cancellations where multiple borrowers are involved, leave blank. For multiple borrowers, also see Item 16.

Example:

D	O	E	,	J	O	H	N		L					
---	---	---	---	---	---	---	---	--	---	--	--	--	--	--

Item 6 Enter the vendor's name. Abbreviate when necessary. Complete this item only if a loan cost check is being cancelled:

Example:

S	T	A	T	E	F	A	R	M	I	N	S						
---	---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--

Item 7 Enter the amount of the check and/or obligation being cancelled. If an obligation and a check are being cancelled on the same Form RD 1940-10, the amounts must be equal.

For guaranteed loans: Enter the face amount of the partial or total obligation cancellation rather than percent of guaranteed amount. Refer to Item 12c for applicable cancellation code.

For guaranteed Interest Rate Buydown obligation cancellation: Enter the face amount of loan on which the Interest Rate Buydown will be cancelled.

For guaranteed Interest Assistance Only cancellations (Item 12c equals 6) enter 0.00.

For loan cost check cancellations where multiple borrowers are involved, also see Item 16.

Example: Treasury check only.

\$				1	0	0	0	0	0
----	--	--	--	---	---	---	---	---	---

Example : Treasury check and obligation - equal amounts.

\$				1	0	0	0	0	0
----	--	--	--	---	---	---	---	---	---

Example: Obligation only.

\$				2	0	0	0	0	0
----	--	--	--	---	---	---	---	---	---

Item 8 Enter the Treasury check date of the advance being cancelled. Complete this item only if a Treasury check is being cancelled.

Example:

0	8	-	0	8	-	8	1
---	---	---	---	---	---	---	---

Item 9 Enter the Treasury check number which appears on the face of the check. Complete this item only when cancelling a Treasury check.

Example:

4	0	5	7	0	3	8
---	---	---	---	---	---	---

Item 10 Enter the last 2 digits of the Fiscal Year in which the loan and/or intrest assistance/buydown was originally obligated.

Example:

9	0
---	---

Item 11 Enter the applicable obligation cancellation code.

P = Partial
F = Full

Example:

P

Item 12 Complete only one block -- a, b, or c.

a. LOAN OR GRANT CHECK AND/OR OBLIGATION (Insured Type): Enter the applicable code.

- 1 = Cancel Advance Only -- Advance Will be Reordered.
- 2 = Cancel Obligation and Advance -- Equal Amounts.
- 3 = Cancel Obligation Only.

When code 1 is entered, the Finance Office will cancel the advance equal to the amount shown in Item 7, plus the credit report if it was deducted from the loan check. The cancellation amount and any other undisbursed balance for the related obligation will remain available for requesting future advance(s).

When code 2 is entered, the Finance Office will cancel the advance equal to the amount shown in Item 7, plus the credit report fee if it was deducted from the loan check. The obligated funds will be reduced by the same amount. The cancelled funds will not be available for future advances. The only time code 2 should be entered is when the obligation and the advance cancellations are for equal amounts.

When code 3 is entered, obligated funds will be reduced by the amount shown in Item 7.

The funds will not be available for future advances.

Example:

NOTE: When an obligation and a check must be cancelled and the amounts are different, then separate Forms RD 1940-10 must be prepared to (1) cancel the advance only and (2) to cancel the obligation only.

b. LOAN COST CHECK: Enter the applicable code for which the funds were originally requested (not to be used for administrative cost checks). Also complete Item 13.

- 1 = Taxes
- 2 = Insurance
- 3 = Advertising
- 4 = Other (specify): (Enter purpose/reason for check request - i.e., legal fees, real estate commissions, caretaker fees, repairs, etc.)

Example:

c. OTHER: Enter the applicable code.

- 1 = Guaranteed Loan Obligation
- 2 = Guaranteed Loan and Interest Rate Buydown Obligation
- 3 = Guaranteed Interest Rate Buydown Obligation
- 4 = Other (specify): (Enter the type of check being cancelled - i.e., guaranteed loan program checks for loan subsidy loan cost, or less claims, etc.)
- 5 = Guaranteed Loan with Interest Assistance
- 6 = Guaranteed check original has "Interest Assistance Only"

Enter code 1 if a guaranteed loan obligation is being cancelled (includes SFH loan guarantees with interest assistance.)

Enter code 2 if a guaranteed loan obligation and corresponding interest rate buydown obligation is being cancelled and complete Item 14. (Applicable only on guaranteed operation (OL), farm ownership (FO), and soil and water (S&W) loans.)

Enter code 3 if cancelling only the interest rate buydown obligation on a guaranteed loan and complete Item 14. (Applicable only on guaranteed OL, FO, and S&W loans.)

Enter code 4 for other cancellations and specify type of cancellation such as a guaranteed Treasury check, etc.

Enter code 5 if a full guaranteed loan obligation and the the full corresponding Interest Assistance obligation (Item 11 is entered as F) are being cancelled and complete Items 7 and 10 as applicable.

Enter code 5 if a partial guaranteed loan obligation and the partial corresponding Interest Assistance obligation (Item 11 is entered as P) are being cancelled and complete Items 7, 10, and 15 as applicable.

Enter code 6 if a full Interest Assistance obligation (Item 11 is entered as F) for a guaranteed loan is being cancelled and complete Item 15 as applicable.

Enter code 6 if a partial Interest Assistance obligation (Item 11 is entered as P) for a guaranteed loan is being cancelled and complete Items 10 and 15 as applicable.

Example:

2

Item 13 Complete this Item if a loan cost check is being cancelled.

- a. Enter ADPS transaction code related to the loan check (i.e., 1I, 1K, 1L, or 1X).

The transaction code can be identified from the ADPS discrepancy screen or online history.

Example:

1	L
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- b. Enter the 12 digit purchase order number. The purchase order number will be found on the face of the check and on the Form RD 838-B used to request the check initially. This number will not appear on special scheduled checks.

Example:

6	0	6	4	K	X	4	N	0	0	0	1
---	---	---	---	---	---	---	---	---	---	---	---

- c. Enter the 20 digit invoice number. The invoice number can be found on the Form RD 838-B used to request the check initially.

Example:

R	D	1																
---	---	---	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Item 14 a. Enter the date of obligation from the Unclosed Status (UN) screen, mnemonic ZDOO if Item 12c equals 2. Enter the date of obligation from mnemonic DTOB if Item 12c equals 3.

Example:

0	2	-	0	1	-	9	0
---	---	---	---	---	---	---	---

b. Enter the applicable code for the term of interest rate buydown to be cancelled.

- 1 = One year
- 2 = Two years
- 3 = Three years
- 4 = Four years
- 5 = Five years

Example:

	3	
--	---	--

c. Enter the interest rate for buydown. (Must equal Unclosed Status (UN) screen, mnemonic BDRT.)

Example:

0	2	0	0	0	0
---	---	---	---	---	---

Item 15 Complete this item only if a guaranteed loan and/or Interest Assistance obligation is being cancelled and a code of P was entered in Item 11, and a code of 5 or 6 was entered in Item 12c.

a. Enter the revised computation loan amount. The amount the buydown computation amount should be after the de-obligation. (Must equal Unclosed Status (UN) screen, mnemonic BDCA less the amount entered in Item 7, if Item 12c is equal 5. Amount cannot exceed the amount from UN screen mnemonic BDCA, if Item 12c is equal 6.)

Example:

			4	5	9	0	0	0	0
--	--	--	---	---	---	---	---	---	---

b. Enter the correct percentage of Interest Assistance. (Finance Office Use Only)

Example:

0	4	0	0	0	0
---	---	---	---	---	---

c. Enter the term of Interest Assistance that should remain after the cancellation.

Example:

0	9
---	---

d. Enter the date of obligation from UN screen, mnemonic ZDOO if Item 12c equals 5 and Item 11 is entered as P. Enter the date of obligation from mnemonic DTOB if Item 12c equals 6, and Item 11 is entered as P.

Example:

0	2	-	0	1	-	9	0
---	---	---	---	---	---	---	---

Item 16 Enter reason for cancellation action taken by servicing office.

Enter date of obligation if cancellation is for an association type program shown in Item 2.

For cancellation of a Treasury check and obligation of funds for unequal amounts, provide the following description on both sets of Forms RD 1940-10 submitted to the Finance Office:

Example: Obligation cancellation for \$5,000.00
Check cancellation for \$3,000.00

For loan cost check cancellations, where multiple borrowers are involved, provide the following: borrower name, case number, fund code, loan number, and the applicable amount being cancelled for each borrower.

Example:	James White	13-12-0946351461	46-01	\$100.00
	Tom Sands	13-12-0465212104	41-01	\$100.00
	Bill Long	13-12-0291406238	41-01	\$150.00
	John Smith	13-12-0526298136	46-02	\$200.00

The total of these individual amounts must equal the amount in Item 7.

When cancelling or de-obligating community program loan or grant funds, enter the date the loan or grant was obligated.

Items 17 - 19 Self-explanatory.

Items 20 - 24 Fiance Office Use Only.