


## CHAPTER SIX: Credit Management

 FEDERAL CREDIT PROGRAMS are created to accomplish a variety of social and economic goals. The purpose of the Government's loan programs is to promote the Nation's welfare by making direct loans and guaranteed loans to segments of the population not adequately served by non-Federal institutions. For those unable to afford credit at the market rate, Federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For customers which private sector financial institutions consider poor credit risks, Federal credit programs guarantee the payment of these loans and absorb the cost of defaults.

Federal receivables, whether from credit programs or other non-tax sources, must be serviced and collected in an efficient and effective manner to protect the value of the Federal Government's assets and ensure proper management of the Federal Government's debt portfolio.

The Treasury, acting through the Office of Domestic Finance, works with the Office of Management and Budget to develop Federal credit policies and/or review legislation to create new credit programs or to expand or modify existing credit programs. The Financial Management Service (FMS) issues operational and procedural guidelines regarding governmentwide credit management such as "Managing Federal Receivables" and the "Guide to the Federal Credit Bureau Program." FMS, under its program responsibility for credit and debt management and as an active member of the Federal Credit Policy Working Group, assists in improving credit and debt management activities governmentwide.

"Managing Federal Receivables" provides agencies with standards, guidelines, and procedures for the successful management of all receivables activities – from initiating credit, servicing accounts and debt collection, to writing-off and closing-out accounts. The "Guide to the Federal Credit Bureau Program" provides agencies with guidelines and procedures for reporting all delinquent debts to credit reporting agencies as required by law. The Guide also encourages agencies to report debts deemed current (not delinquent) in their debt portfolios that will assist agencies to make better informed decisions when creditworthiness is a criteria for financial assistance.