ANNUAL REPORT TO THE CONGRESS

U.S. GOVERNMENT
DEBT COLLECTION ACTIVITIES
OF
FEDERAL AGENCIES

Department of the Treasury
Financial Management Service

EXECUTIVE SUMMARY

In Fiscal Year 1999,[1] increased management attention by program agencies and improved use of debt collection tools by the Department of the Treasury (Treasury), resulted in major advancements in Federal Government debt collection programs. Collections by Treasury of non-tax debt for the year totaled $2.63 billion.

Treasury Offset Program (TOP). The $572 million increase in tax refund offset collections over the previous year was the most important 1999 debt collection accomplishment. For Fiscal Year 1999, tax refund collections totaled $2.6 billion. Increases were achieved in both of the Treasury Offset Program (TOP) components: Federal non-tax debt collections increased $395 million to $1.26 billion and child support collections increased $177 million to $1.34 billion.

This significant increase in collections was achieved as a result of the successful merger of the Tax Refund Offset Program and the TOP, and is a tribute to the cooperation of the Financial Management Service (FMS), the Internal Revenue Service, the Federal Reserve System, and the federal credit agencies.

Cross-Servicing and Private Collection Agency (PCA) Collections. In Fiscal Year 1999, FMS and the PCAs under contract with FMS collected a total amount of $23.5 million. Since 1997, FMS and the PCAs have brought in $34.1 million in collections and have established $106.77 million in repayment agreements. As of September 30, 1999, PCAs under the Department of Education's (Education) debt collection contract were servicing $8 billion in delinquent student loans. From October 1, 1998, through September 30, 1999, the PCAs collected $238 million of Education's defaulted student loan debts and consolidated $299 million.

Delinquent Debt Portfolio and Referrals to Treasury. At the end of Fiscal Year 1998, the Government's outstanding guaranteed loans and non-tax receivables totaled nearly $1.2 trillion, with $60 billion of that debt considered delinquent. The DCIA specifically mandates that Federal agencies, with certain exemptions, transfer non-tax receivables more that 180 days delinquent to Treasury for collection. In Fiscal Year 1998, non-tax debt more than 180 days delinquent decreased $800 million from $47.2 billion at the end of Fiscal Year 1997 to $46.4 billion at the end of Fiscal Year 1998.

FMS and creditor agencies have worked to increase delinquent debt referrals to Treasury. The value of debts in the TOP debtor database as of September 30, 1999, totaled $70.5 billion ($23.3 billion in Federal non-tax debt and $47.2 billion child support), which is

[1] Data from agencies on the status of their receivables used in this report reflects Fiscal Year 1998 data, which is the latest verified and comprehensive data available when this report was drafted. Treasury will provide 1999 data in the 2000 report.

$11.7 billion more than in 1998. Cross-servicing referrals increased $1 billion in Fiscal Year 1999.

Other Key Accomplishments. The Department of Justice (DOJ), the Department of Health and Human Services (HHS), and the Small Business Administration (SBA) also contributed significantly to the debt collection accomplishments in 1999. DOJ collected more than $1 billion through financial litigation. HHS assisted in the collection of $15.5 billion in delinquent child support obligations. SBA completed its first loan asset sale, collecting $195 million in proceeds.

In addition to improved collections, Treasury is able to provide a more accurate report on the Government's debt portfolio, having significantly revised Treasury's Report on Receivables due from the Public (TROR).

Challenges Remaining.

FMS will continue to add payment streams, such as Federal benefit payments and Federal salary payments, into the TOP process. In addition, FMS will be implementing system enhancements to TOP in Fiscal Year 2000 that will enable Federal tax debt to be collected through IRS continuous tax levy and state tax debt to be collected through payment offset. Other challenges will be continuing to work with agencies to identify and remove any barriers to referral of eligible debts to Treasury, setting agency referral schedules, and implementing administrative wage garnishment.

BACKGROUND

The Debt Collection Improvement Act of 1996 (DCIA) directs the Secretary of the Treasury (Secretary) to report annually to Congress on the management of debt collection activities by the head of each Federal agency including the information provided to the Secretary on the status of loans and accounts receivable that are managed by the head of the agency. See 31 U.S.C. § 3719.

Federal agencies are responsible for managing their own receivables activities and must develop and implement a comprehensive receivables management plan, including a strategy for collecting delinquent debt, specifically adapted to each agency's type(s) of debt. Agencies, in accordance with the Federal Claims Collection Standards (FCCS) (4 CFR § 101-105) and the Office of Management and Budget (OMB) Circular A-129, are responsible for: implementing debt collection tools and techniques that are appropriate for the type and size of each agency's debts; maintaining receivables reporting systems and account tracking systems; and developing and implementing the capability to track and monitor key indicators of economic and portfolio performance.

Congress gave significant responsibility to Treasury under the DCIA to maximize the collection of non-tax delinquent debt owed to the Federal Government. The DCIA specifically mandates that Federal agencies, with certain exemptions, transfer non-tax debt more than 180 days delinquent to Treasury for collection. To collect these debts, Treasury applies a variety of debt collection tools, including offset of Federal payments (including tax refunds), cross-servicing, credit bureau reporting and referrals to DOJ.

Offset is a program whereby Federal payments are reduced or "offset" to satisfy a person's overdue Federal debt. A payee's name and taxpayer identification number are matched against a Treasury database of delinquent debtors for automatic offset of funds. Offset funds are then used to satisfy payment of the delinquent debt to the extent allowed by law. Current payment types subject to offset include Office of Personnel Management (OPM) retirement payments, IRS tax refunds, vendor payments, and some Federal salary payments.

Cross-servicing is a program consisting of a variety of collection tools that are applied once agencies refer their debts to Treasury or other agencies that have been designated by Treasury as debt collection centers. Currently, Treasury is the only agency to which debt referrals are made under the DCIA. Collection tools include Treasury demand letters, telephone calls to debtors, referral of debts to TOP, and the use of one or more of twelve PCAs on Treasury's contract.

ACCOMPLISHMENTS

- Collections totaled $2.63 billion in Fiscal Year 1999. Tax refund offset collections totaled $2.6 billion, which is $572 million more than last year's figures for the same time period.

- The most important debt collection accomplishment for Treasury in 1999, as well as the most challenging and successful, was the merger of the Tax Refund Offset Program with the Treasury Offset Program. The merger, which was implemented in January 1999, streamlined and improved operations by providing a single point of contact for agencies to simultaneously refer debts for both tax refund offset and other administrative offset programs.

- The value of debts in the TOP debtor database as of September 30, 1999, was $70.5 billion ($23.3 billion in Federal non-tax debt and $47.2 billion in child support obligations), which is $11.7 billion more than in 1998.

- The $2.6 billion collected through tax refund offset included increases in both the non-tax debt and the child support components of TOP. Federal non-tax debt collections were $1.26 billion, an increase of $395 million over Fiscal Year 1998.

- In Fiscal Year 1999, $1.34 billion in delinquent child support obligations were collected by tax refund offsets, which exceeds collections during Fiscal Year 1998 by $177 million. Treasury plays a significant role in collecting delinquent child support obligations owed to, or being enforced by, states and territories. Delinquent child support obligations are matched against tax refund payments and, at the State's option, against vendor and OPM retirement payments.

- HHS' Child Support Enforcement Program supports children by assisting states in locating parents, establishing paternity, and enforcing child support orders. Fiscal Year 1999 child support collections were $15.5 billion, an increase of more than seven percent over Fiscal Year 1998.

- For the fifth consecutive year, DOJ collected over $1 billion in delinquent debts owed to Federal agencies through its financial litigation program.

- Treasury designated Education a debt collection center to continue to service its own student loan debt because it successfully utilizes all appropriate debt collection tools in accordance with Government-wide regulations. Education relies heavily on PCAs to conduct its debt collection activities. As of September 30, 1999, Education’s PCAs were servicing $8 billion in delinquent student loans. From October 1, 1998, through September 30, 1999, the PCAs collected $238 million of Education’s defaulted student loan debts and consolidated $299 million.

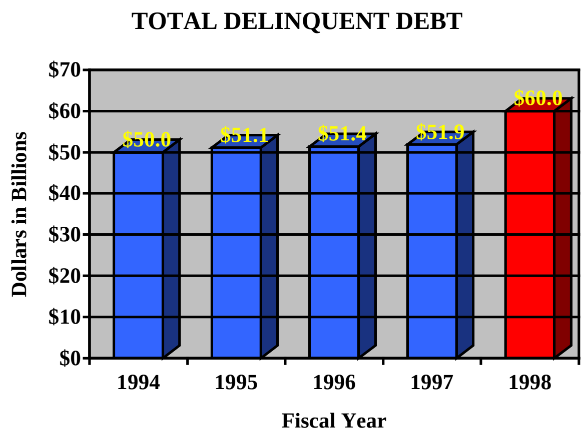
- Education converted the Office of Student Financial Assistance into the Government's first-ever Federal performance-based organization. The objective of the conversion is to improve the management of all student aid programs.

- SBA has an asset sales team in place to sell its current portfolio of direct loans and defaulted guaranteed loans in 1999, 2000, and 2001. These sales are significant events in completing the transition from emphasizing loan servicing to lender oversight at SBA. In 1999, SBA completed one loan portfolio sale with proceeds totaling $195 million.

- The major Federal housing assistance agencies -- HUD, the Government National Mortgage Association, USDA, and VA -- established a "Housing Consortium" to share improved ideas and improved practices in the management of the Federal portfolio of single-family housing loans. In 1999, the agencies agreed to test a centralized data warehouse approach to collecting and analyzing monthly status information on direct and guaranteed loans.

GOVERNMENT DEBT PORTFOLIO, COLLECTIONS AND WRITE-OFFS

At the end of 1998[2], the *Budget of the United States Government, Fiscal Year 1999*, reported nearly $1.2 trillion in outstanding guaranteed loans and non-tax receivables. Approximately five percent of that total, $60 billion, was delinquent. This is an $8.1 billion increase from $51.9 billion in 1997. Of the $60 billion in non-tax delinquent debt, $46.4 billion was delinquent more than 180 days, compared to $47.2 billion reported in Fiscal Year 1997. Of the $60 billion in non-tax delinquent debts, more than $40 billion was at the five major credit agencies: the Department of Housing and Urban Development (HUD), Education, SBA, the Veterans' Administration (VA), and the United States Department of Agriculture (USDA).



Major increases in the non-tax delinquent portfolio for Fiscal Year 1998 resulted from:

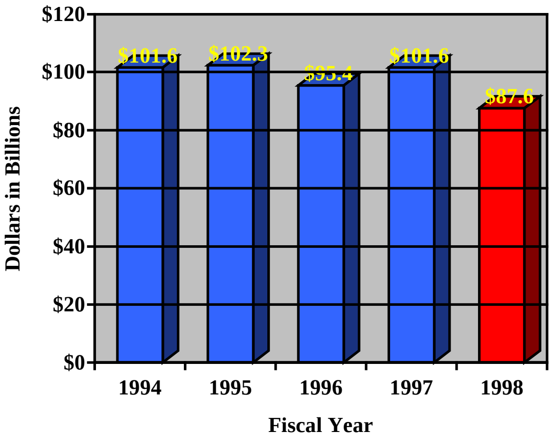
- an increase of $2.6 billion in Education's delinquent assigned guaranteed student loan portfolio, an increase of $11.2 billion in Education's direct loan receivables, and an increase of $2.6 billion in interest and late charges on defaulted student loans. These changes are, in part, attributable to Education's inclusion of short-term delinquent debt on the most recent Treasury report, large annual growth in the department's portfolio, and maturation of the direct loan assets;

- a $2.3 billion delinquency at the Federal Communications Commission (FCC) due to bankruptcy declarations by three bidders for purchase of airwave licenses; and

- an increase of $1 billion in the Medicare program delinquencies due to an increase in participation in the program.

[2] *Report on Receivables Due from the Public (TROR)* data in this report covers Fiscal Year 1998 with comparisons to 1997 data. This represents the most current data available when this report was drafted. Treasury will provide 1999 data in the 2000 report.

TOTAL COLLECTION OF RECEIVABLES

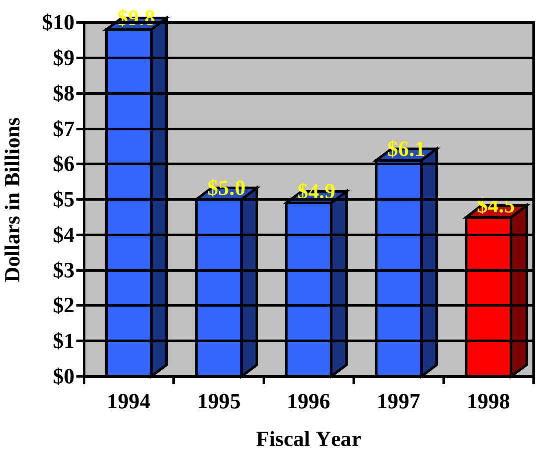


- Total collections decreased $14 billion in Fiscal Year 1998 (non-credit receivable collections decreased $11.3 billion and loan receivable collections decreased $2.7 billion).

  Non-credit collections fluctuate annually due to nonrecurring and unique circumstances. For example, in 1997 the Federal Deposit Insurance Corporation (FDIC) capitalized the Savings Association Insurance Fund (SAIF) through a one-time special assessment to achieve the fund's designated reserve ratio of $1.25 for every $100 of insured deposits. This caused a nonrecurring FDIC collection of $4 billion.

  HUD loan receivable collections were $5.2 billion in 1996, $4.2 billion in 1997 and $1.4 billion in 1998. HUD did not sell assets in 1998 which led to the $3.8 billion decrease in loan collections. HUD conducted asset sales in 1996 and 1997.

TOTAL WRITE-OFFS



- Total write-offs in Fiscal Year 1998 decreased $1.6 billion. However, the $4.5 billion in write-offs is consistent with historical trends which range from $4 to $6 billion.

  Fiscal Year 1997 contained noticeable increases due to VA and HUD loan write-offs. Fiscal Year 1994 also contained increases due to USDA, Education, and FDIC write-offs totaling $2 billion each.

  An increase in write-offs is expected once agencies implement the proposed Government-wide write-off policy to be issued by OMB. The new policy will require agencies to write off debt that is more than 2 years delinquent.

Detailed data for the 24 CFO agencies can be found on the Federal Government's *Key Indicators of Receivables and Collections Performance* in Appendices I and II.

Table I: Delinquent Debt Walkdown

Certain debts are not eligible for referral to Treasury for either offset or cross-servicing because of various exemptions permitted under the DCIA or otherwise required by law. As a result, of the $46.4 billion in debt that was more than 180 days delinquent, $29.9 billion is eligible for referral to Treasury for offset, and $6.8 of the $29.9 billion is also eligible for referral to Treasury for cross-servicing (See Table I).

In July 1999, the Department of Defense (DOD) identified a $1.3 billion delinquent debt as not eligible for referral to Treasury which reduced the amount previously reported in the *Federal Financial Management Status Report and Five Year Plan* as eligible for referral to offset from $31.2 billion to $29.9 billion and cross-servicing from $8.1 billion to $6.8 billion.

Table I: Summary Analysis of Delinquent Debt for the Federal Government
(Comparison of FY1997 and FY1998)

	Estimated Delinquent Debt ($ in billions) 1997	Estimated Delinquent Debt ($ in billions) 1998	Change from FY1997 To FY1998
Total Government	$51.9	$60.0	15.6%
Less Than 180 Days	($4.7)	($13.6)	189.4%
Delinquent Debt Over 180 Days	$47.2	$46.4	-1.7%
Debt Excluded from Offset			
In Bankruptcy	($3.4)	($3.1)	-8.8%
Foreign Debt	($3.9)	($3.6)	-7.7%
In Forbearance or In Appeals	($6.4)	($6.4)	0%
In Foreclosure	($3.6)	($2.4)	-33.3%
Other (Accelerated Debt Not Due)	($0.9)	($1.0)	11.1%
Subtotal	($18.2)	($16.5)	-9.3%
Eligible to Refer to Treasury for Offset	$29.0	$29.9	3.1%
Debt Excluded from Cross-Servicing			
Cross-Servicing Exemptions	($5.9)	($16.6)	181.4%
At DOJ	($3.9)	($4.9)	25.6%
Eligible for Internal Offset	($0.7)	($1.0)	42.9%
At Third Party	($10.4)	($0.7)	-93.3%
Other	$0.4	$0.2	-62.5%
Subtotal	($20.5)	($23.1)	12.4%
Eligible to Refer to Treasury for Cross-Servicing	$8.5	$6.8	-19.4%

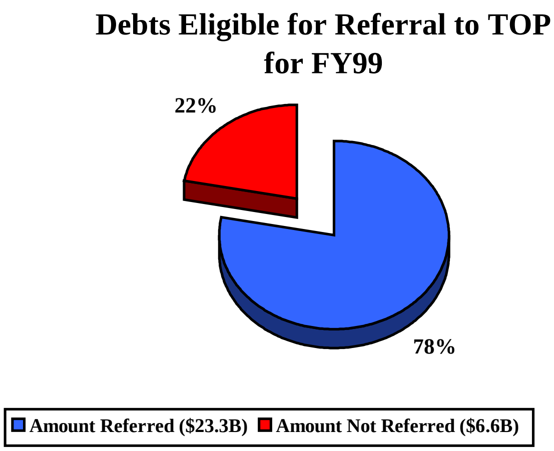
AGENCY DEBT REFERRALS

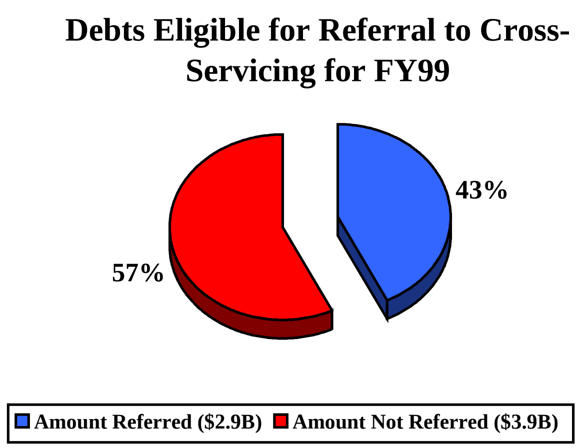
In order to improve the Government's delinquent debt portfolio and encourage Federal agencies to refer their delinquent debts to Treasury, FMS is working with creditor agencies to help them analyze their debts and better manage their delinquent debt portfolios. FMS is working with agencies to identify and resolve any barriers to referral of eligible debts to Treasury; establish agency referral schedules; develop a compliance plan and tracking mechanism; and assess the value and collectability of delinquent non-tax debt.

As part of this effort, FMS has significantly revised Treasury's Report on Receivables Due from the Public (TROR), a document that includes quarterly receivables reports from Federal agencies. The TROR is used to manage the Federal receivables portfolio, and is the basis for much of the information and statistics included in this report. TROR revisions were made not only to satisfy the requirements of the DCIA, but also to provide a more accurate report of the Government's debt portfolio. The revised TROR identifies eligible debts for referral to FMS and tracks collection efforts by agencies. The revised TROR was implemented in April of 1999 with an Internet-based application which provides on-line access to data for internal and external stakeholders.

Offset and Cross-Servicing Referrals

As of September 30, 1999, $23.3 billion, or 78%, of the amount of debts eligible for referral for offset has been referred, leaving a balance of $6.6 billion. Of the $6.8 billion eligible for referral for cross-servicing, $2.9 billion, or 43%, has been referred, leaving a balance of $3.9 billion. (As mentioned previously, DOD has identified a $1.3 billion delinquent debt that is not eligible to be referred to Treasury which has reduced the amount previously reported as eligible for referral to offset from $31.2 billion to $29.9 billion and cross-servicing from $8.1 billion to $6.8 billion.)





Increase Agency Debt Referral to Treasury

At the March 18, 1999 Federal Credit Policy Working Group (FCPWG) meeting, it was agreed that agencies should establish target dates and amounts for referral of debts more than 180 days delinquent. The 1999 goals for referral of debts by the major debt collection agencies are provided in Table II and are included in OMB's and the Chief Financial Officer (CFO) Council's Federal Financial Management Status Report and Five-Year Plan. Treasury has also requested referral schedules from all remaining CFO agencies.

Table II: Debt Referral Goals for 1999 [1]

Agency	Treasury Offset Percent of Eligible Debt to be Referred in 1999	Cross-Servicing Percent of Eligible Debt to be Referred in 1999
USDA	90%	80%
Education [2]	100%	100%
HUD [3]	28%	39%
SBA	100%	100%
VA [4]	90%	1%

[1] Table 9, Chapter 4, 1999 Federal Financial Management Status Report and Five-Year Plan
[2] Education's cross-servicing numbers only include institutional liability debt.
[3] HUD has scheduled an asset sale in the amount of $1.14 billion for 2000. HUD continues to refer Title I debts monthly, which are approximately 39 percent of its eligible debt for cross-servicing and 28 percent for offset.
[4] VA's preparation for year 2000 system changes will prevent them from referring debts electronically for cross-servicing in 1999.

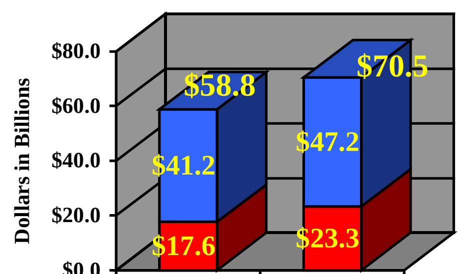
TREASURY OFFSET PROGRAM

Tax Refund Offset and Treasury Offset Program

FMS' most significant accomplishment over the past year was the successful merger of the Tax Refund Offset and the Treasury Offset Programs. In 1998, IRS and FMS jointly developed a one-year transition plan which called for a partial merger in January 1998 and a full merger in January 1999. As a result of effective collaboration and teamwork among IRS, the Federal Reserve System and FMS, the full merger was successfully completed and the first offsets began on January 18, 1999. Tax refund offsets have two components, Federal non-tax debts and child support obligations.

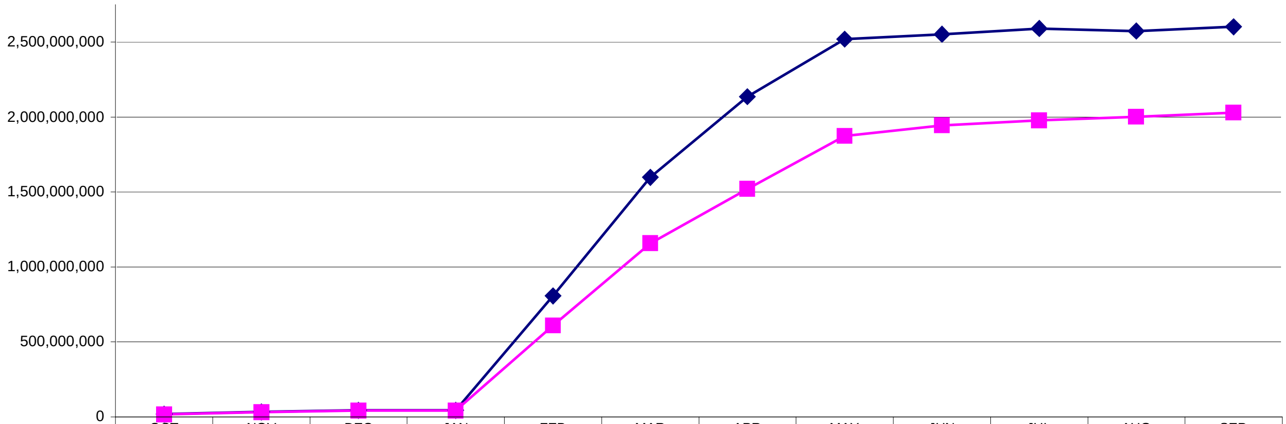
As a result of the merger, FMS' delinquent debtor database as of September 30, 1999, contained debts valued at $70.5 billion. This represents an increase of $11.7 billion from the prior year.

TAX REFUND OFFSET REFERRALS



	Sep. 98	Sep. 99
Child Support	$41.2	$47.2
Federal Non-tax Debt	$17.6	$23.3

FISCAL YEAR TO DATE
TAX REFUND OFFSET COLLECTIONS
Through September 30.1999



	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP
1999	16,314,329	31,517,873	42,589,038	42,589,038	807,384,155	1,598,234,173	2,136,270,106	2,520,283,786	2,552,516,632	2,592,353,516	2,574,111,990	2,601,859,079
1998	15,949,145	30,093,201	40,682,286	40,682,286	608,753,813	1,157,878,921	1,521,321,061	1,874,870,254	1,946,020,254	1,978,992,005	2,002,369,032	2,029,637,189

Total tax refund offset collections for Fiscal Year 1999 were $2.6 billion -- $572 million more than the amount collected during Fiscal Year 1998.

FMS attributes the dramatic increase in tax refund offset collections to a number of factors, including: 1) system enhancements FMS made that allow offset matching on both social security numbers on joint tax returns; 2) an increase in debt referrals of $11.7 billion for child support and Federal non-tax debt, from $58.8 billion in Fiscal Year 1998 to $70.5 billion in Fiscal Year 1999; 3) system flexibility that allows creditor agencies to add and update debt records on a continuous basis; and 4) an increase in the average amount and number of tax refund payments due in part to new tax credits.

Federal Non-Tax Debt Collections

As of January 1999, delinquent Federal non-tax debts are being collected through offset of tax refunds and other Federal payments under the merged TOP. In Fiscal Year 1999, Federal non-tax debt collections through offset of tax refunds totaled $1.26 billion, an increase of $395 million over Fiscal Year 1998.

Federal non-tax payment offset collections for Fiscal Year 1999 were $5,910,837, which is $2,224,524 more than total collections from the prior year which totaled $3,686,313. The payment types that are currently part of administrative offset are OPM retirement, vendor, and some Federal salary payments. Total collections through offset of non-tax payments since the inception of TOP are $10.16 million. As of September 30, 1999, 31 agencies have referred $23.3 billion to TOP, representing an increase of $5.7 billion over the previous year.

Child Support Collections

States are required to refer delinquent child support obligations for collection through tax refund offset. In Fiscal Year 1999, child support collections from tax refund offsets totaled $1.34 billion, an increase of more than $177 million over Fiscal Year 1998. As of September 30, 1999, all of the states, two territories and Washington, DC have referred $46.6 billion to TOP for offset of tax refund payments.

Executive Order 13019 directed Treasury to assist the states in collecting delinquent child support debts through offset on non-tax payments. Committed to improving the collection of delinquent child support obligations, Treasury participates in an inter-agency task force on child support collection with officials from the Office of Child Support Enforcement, HHS and DOJ. State referrals for collection through offset of non-tax payments is strictly voluntary. The challenge in the year 2000 is to increase the number of states that fully participate in offset of non-tax payments.

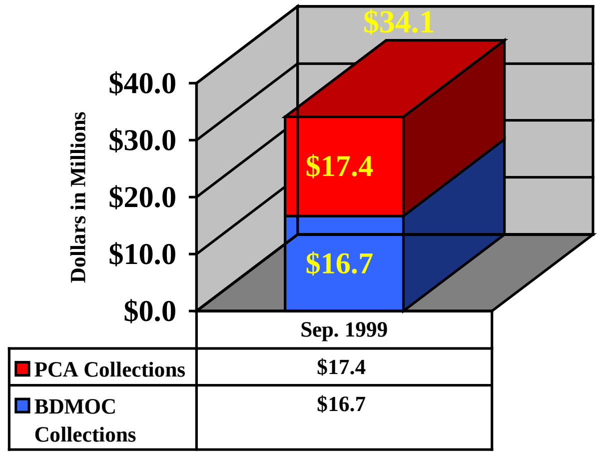
As of September 30, 1999, 30 entities (states, territories, etc.) referred debts for offset of non-tax payments. Child support collections for Fiscal Year 1999 were $1,000,492 while collections for all of 1998 were $648,280. Child support collections through offset of non-tax payments have totaled $1,682,667 million since the program's inception in May 1997. Treasury is working with those states that are not participating in non-tax payment offsets to encourage them to take advantage of this collection tool.

CROSS-SERVICING

The Cross-Servicing Program

Cross-servicing is the process whereby agencies refer Federal non-tax debts more than 180 days delinquent to Treasury for collection. Debts more than 180 days delinquent are referred to FMS' Birmingham Debt Management Operations Center (BDMOC) for cross-servicing. Within 5 days of receipt of the debt, the BDMOC sends an initial demand letter on Treasury letterhead. The BDMOC works the debt for 30 days. If the debtor is unresponsive, the debt is then referred to one of the 12 PCAs.

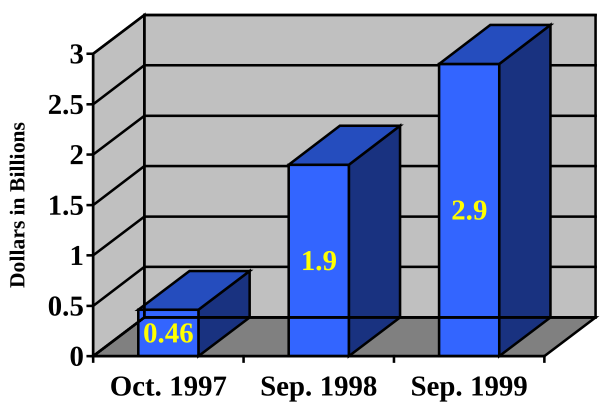
CROSS SERVICING & PRIVATE COLLECTION AGENCY (PCA) CUMULATIVE COLLECTIONS



Since 1997 when the PCA contractual arrangement was established, FMS and the PCAs have brought in $34.1 million in collections and have established $106.77 million in repayment agreements. In Fiscal Year 1999, FMS and the 12 PCAs under contract with FMS collected a total of $23.5 million. BDMOC cumulative collections through September 30, 1999, were $16.7 million and arranged repayment agreements totaled $69.77 million. As of September 30, 1999, FMS cross-servicing collections for Fiscal Year 1999 totaled $8.6 million.

Referrals to FMS through September 30, 1999, totaled over $2.9 billion, an increase of $1 billion from October 1998. The number of Federal agencies participating in cross-servicing has increased from 36 to 39 during the past year.

CROSS-SERVICING REFERRALS



Private Collection Agencies

PCAs use a variety of tools in collecting debt that has been referred to them. PCAs have the ability to locate delinquent debtors and utilize collection strategies tailored to agency-specific requirements. To ensure that an appropriate balance is maintained between the vigorous pursuit of collections and the fair and equitable treatment of debtors, FMS monitors each PCA. In addition, FMS conducts on-site reviews to ensure PCA compliance with all applicable State and Federal laws, physical and personnel security guidelines, directives pertaining to resolution of complaints and collection strategies, and system requirements. The Treasury PCA contract has been in place for almost two years and there have been no substantiated debtor complaints and collections have been steadily increasing.

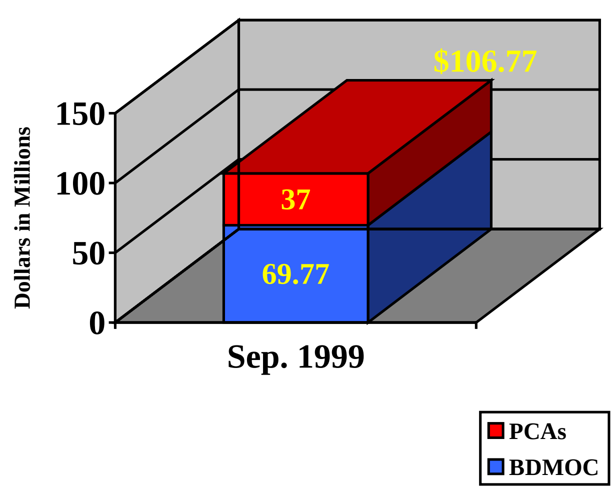
Treasury designated Education a debt collection center to continue to service its own student loan debt because it successfully utilizes all appropriate debt collection tools in accordance with Government-wide regulations. Education relies heavily on PCAs to conduct its debt collection activities. As of September 30, 1999, Education's PCAs were servicing $8 billion in delinquent student loans, and cumulative referrals to PCAs (including re-referrals) during Fiscal Year 1999 totaled $8.8 billion. From October 1, 1998, through September 30, 1999, the PCAs collected $238 million of Education's defaulted student loan debts and consolidated $299 million.

PCA Collections

PCAs collected $14.9 million of the $23.5 million collected in Fiscal Year 1999, and FMS collected $8.6 million. In February 1999, PCA collections exceeded $1 million in one month for the first time. Collections for July, August, and September 1999 totaled $1.58 million, $1.65 million and $1.73 million respectively.

In addition, repayment agreements totaling more than $37 million have been established through the collection efforts of the PCAs; when combined with the efforts of the BDMOC, this brings total repayment agreements to $106.77 million.

REPAYMENT AGREEMENTS



ASSET SALES OF NON-TAX DEBT OWED TO THE UNITED STATES

The DCIA authorized agencies to sell any non-tax debts owed to the United States that are more than 90 days delinquent, subject to the Federal Credit Reform Act of 1990. The Administration's budget policy is that agencies are required to sell any non-tax debts that are delinquent for more than one year for which collection action has been terminated if the Secretary determines that the sale is in the best interest of the United States. Agencies are: required to use competitive procedures to sell the debts; authorized to pay contractor fees for assistance in conducting the sale out of sale proceeds; required to sell the debts for cash or a combination of cash and profit participation if such an arrangement is more advantageous to the Government; and required to make the sales without recourse.

Beginning in Fiscal Year 1999, credit agencies with over $100 million in loan assets that are one year old are expected to sell loan assets with the exception of:

- loans to foreign countries or entities;
- loans in structured forbearance, when conversion to repayment status is expected within 24 months or after statutory requirements are met;
- loans that are written off as unenforceable due to death, disability, or bankruptcy;
- loans that have been submitted to Treasury for offset and are expected to be extinguished within three years; and
- loans in adjudication or foreclosure.

DEBT WRITE-OFF POLICY

FCPWG formed an Ad Hoc Committee on Write-Offs to review and revise the current write-off policy and propose changes to OMB Circular A-129 "Policies for Federal Credit Programs and Non-Tax Receivables," as appropriate for debts unlikely to be collected. The resulting report recommended that Federal agencies establish a standard to write-off delinquent debt older than 2 years. OMB Circular A-129 is currently in the process of being revised in order to reflect this new policy.

MONITOR COMPLIANCE WITH THE DCIA

The President's Council on Integrity and Efficiency (PCIE) conducted a review of non-tax delinquent Federal debt to determine the amount of non-tax delinquent debts that exists and the Federal Government's ability to collect these debts. The review evaluated each individual agency's portfolio management activities with the goal of improving the efficiency of each agency's delinquent debt reporting practices and to ensure agency compliance with the DCIA. The following agencies participated in the PCIE review: the Department of Transportation, SBA, the Social Security Administration, the National Aeronautic Space Administration, DOJ, the General Services Administration, the National Endowment for the Arts, Education, VA, Consumer Product Safety Commission, the Department of State, the Office of Personnel Management, the Department of Commerce, the Tennessee Valley Authority, the U.S. International Trade Commission, the FCC, the Railroad Retirement Board, and the Federal Trade Commission.

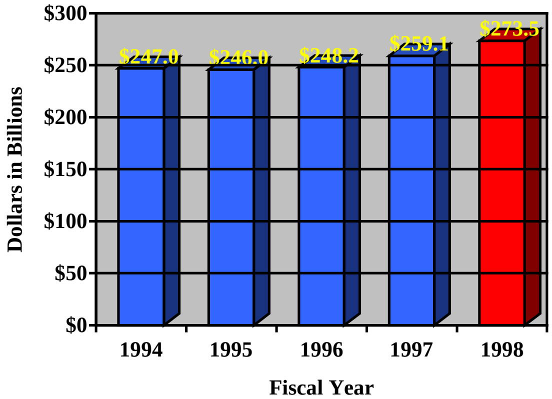
CONCLUSION

Fiscal Year 1999 ended with the Federal Government having collected $2.63 billion from payment offsets and cross-servicing arrangements, having significantly expanded the value of the debts in the TOP debtor database, and having improved the efficiency of the Government's debt collection operations. These results are mostly due to increased management attention to debt collection strategies and practices, and to improved utilization of debt collection tools. The achievements of Fiscal Year 1999 position Treasury and the Federal program agencies to turn in an even better performance in Fiscal Year 2000.

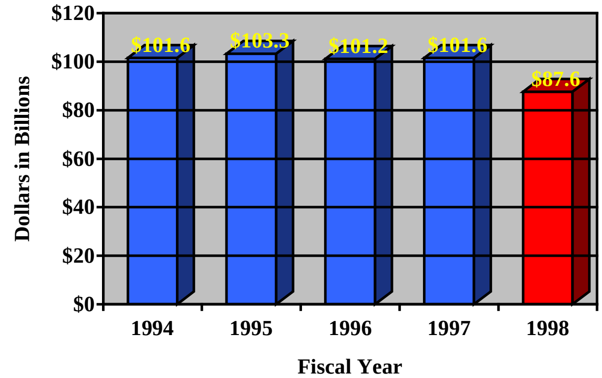
In order to sustain the momentum achieved in Fiscal Year 1999 and to increase collections in Fiscal Year 2000, FMS and Federal agencies will need to overcome a number of challenges. FMS will continue to add payment streams, such as Federal benefit payments and Federal salary payments, into the TOP process. In addition, FMS will implement system enhancements to TOP in Fiscal Year 2000 that will enable Federal tax debt to be collected through IRS continuous tax levy and state debt to be collected through payment offset. Other challenges which FMS and Federal agencies will work together to overcome include identifying and removing barriers to referral of eligible debts to Treasury, setting agency referral schedules, and implementing administrative wage garnishment.

APPENDIX I: REPORT ON RECEIVABLES DUE FROM THE PUBLIC: KEY INDICATORS OF RECEIVABLES AND COLLECTIONS PERFORMANCE

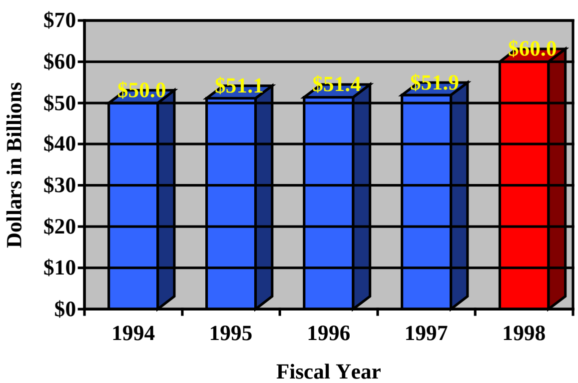
TOTAL RECEIVABLES



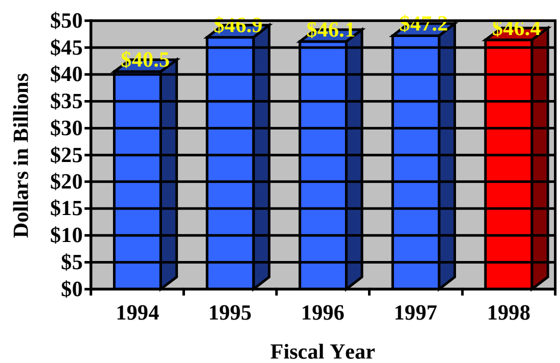
TOTAL COLLECTION OF RECEIVABLES



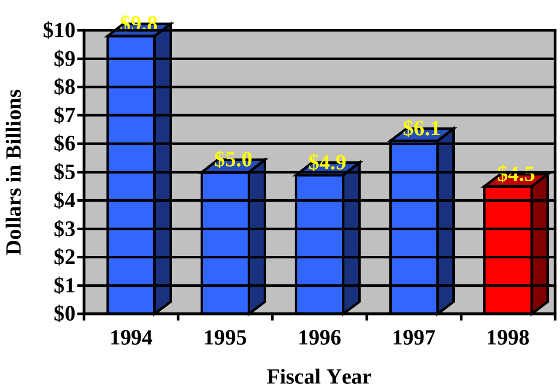
TOTAL DELINQUENT DEBT



TOTAL DELINQUENT DEBT OVER 180 DAYS



TOTAL WRITE-OFFS



APPENDIX II: FEDERAL RECEIVABLES, CONTINGENT LIABILITIES, AND DELINQUENT DEBT

Receivables and Delinquencies as of September, 1998 (Dollars in Millions) [1]

Agency	Guaranteed Loans Outstanding	Non-Credit Receivables	Loan Receivables[2]	Total Receivables	Total Delinquencies	Percent of Receivables Delinquent	Percent of Change in Delinquencies 1998 vs. 1997	Percent of Total Portfolio Delinquent
USDA	$21,477	$2,616	$101,776	$104,392	$6,371	6%	-15%	5%
DOC	$161	$30	$274	$304	$106	35%	10%	23%
DOI	$153	$4,409	$369	$4,778	$501	10%	-22%	10%
DOJ	$0	$64	$0	$64	$48	75%	0%	75%
DOL	$0	$173	$0	$173	$100	58%	12%	58%
State	$0	$155	$4	$159	$8	5%	14%	5%
Treasury	$0	$180	$2,122	$2,302	$163	7%	-35%	7%
OPM	$0	$253	$0	$253	$106	42%	18%	42%
SSA	$0	$5,727	$0	$5,727	$835	15%	12%	15%
NRC	$0	$7	$0	$7	$2	29%	0%	29%
VA	$196,357	$1,436	$2,267	$3,703	$1,572	42%	-1%	1%
GSA	$0	$46	$2	$48	$27	56%	-16%	56%
FEMA	$0	$103	$248	$351	$51	15%	89%	15%
DOT	$2,855	$244	$565	$809	$214	26%	18%	6%
AID	$11,615	$12	$13,314	$13,326	$912	7%	-3%	4%
SBA	$37,499	$0	$9,478	$9,478	$1,727	18%	-3%	4%
HHS	$0	$9,781	$558	$10,240	$5,202	51%	25%	51%
NASA	$0	$19	$0	$19	$8	42%	-43%	42%
EX/IM Bank	$24,419	$9	$9,430	$9,439	$2,594	27%	-2%	8%
HUD	$477,841	$937	$12,937	$13,874	$2,519	18%	53%	1%
DOE	$0	$6,837	$64	$6,901	$2,325	34%	0%	34%
Education	$110,322	$709	$58,667	$59,376	$28,272	48%	28%	17%
DOD	$0	$5,330	$0	$5,330	$2,684	50%	-14%	50%
EPA		$1,121	$132	$1,253	$855	68%	28%	68%
All Other	$8,204	$3,748	$17,386	$21,233	$2,801	13%	131%	10%
Total	$890,903	$43,946	$229,593	$273,539	$60,003	22%	16%	5%

1. This information was reported by Federal agencies on the Treasury Report on Receivables Due from the Public.
2. Loan receivables consist of direct loans and loans acquired as a result of claims paid on defaulted guaranteed loans.

Collections and Write-Offs as of September 30, 1998 (Dollars in Millions) [1]

Agency	Non-Credit Receivables Collected	Loan Receivables Collected [2]	Total Receivables Collected	Total Write-Offs	Percent of Change in Collections 1998 vs. 1997
USDA	$2,060	$16,074	$18,134	$519	0%
DOC	$129	$22	$151	$0	8%
DOI	$934	$18	$952	$37	-23%
DOJ	$55	$0	$55	$9	-41%
DOL	$103	$0	$103	$19	-1%
State	$106	$0	$106	$0	-2%
Treasury	$1,395	$461	$1,856	$2	-36%
OPM	$159	$0	$159	$4	-9%
SSA	$1,925	$0	$1,925	$595	-11%
NRC	$459	$0	$459	$0	0%
VA	$869	$1,369	$2,238	$219	9%
GSA	$336	$0	$336	$3	-80%
FEMA	$14	$9	$23	$2	-56%
DOT	$123	$18	$141	$34	-43%
AID	$6	$386	$392	$1	57%
SBA	$0	$1,656	$1,656	$486	1%
HHS	$13,263	$30	$13,293	$87	21%
NASA	$98	$0	$98	$0	-25%
EX/IM Bank	$65	$1,197	$1,262	$42	-34%
HUD	$2,912	$1,409	$4,321	$283	-39%
DOE	$4,188	$8	$4,196	$17	-13%
Education	$56	$3,357	$3,413	$588	33%
DOD	$8,970	$0	$8,970	$151	-12%
EPA	$475	$13	$489	$11	21%
All Other	$21,349	$1,545	$22,894	$1,395	-27%
Total	$60,048	$27,572	$87,620	$4,504	-14%

1. This information was reported by Federal agencies on the Treasury Report on Receivables Due from the Public.
2. Loan receivables consist of direct loans and loans acquired as a result of claims paid on defaulted guaranteed loans.