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JOINT FINANCIAL MANAGEMENT IMPROVEMENT PROGRAM

Federal Financial Management System Requirements

December 1993

FFMSR-5

Direct Loan System Requirements

Joint Financial Management Improvement Program

The Joint Financial Management Improvement Program (JFMIP) is a joint and cooperative undertaking of the Office of Management and Budget, the General Accounting Office, the Department of the Treasury, and the Office of Personnel Management, working in cooperation with each other and with operating agencies to improve financial management. The Program was initiated in 1948 by the Secretary of the Treasury, the Director of the Bureau of the Budget, and the Comptroller General of the United States, and was given statutory authorization in the Budget and Accounting Procedures Act of 1950. The Office of Personnel Management joined as a central agency sponsor of JFMIP in 1966.

The overall objective of JFMIP is to improve and coordinate financial management policies and practices throughout the government so that they will contribute significantly to the effective and efficient planning and operation of government programs. Activities aimed at achieving this objective include:

- Developing general objectives in those areas of common interest to the central agencies for guiding the improvement of financial management across government and promoting strategies for achieving those objectives.
- Reviewing and coordinating central agencies' activities and policy promulgations to avoid possible conflict, inconsistency, duplication and confusion.
- Undertaking projects and special reviews of significant problems and new technologies in financial management and publishing the findings and conclusions.
- Acting as a catalyst and clearinghouse for sharing and disseminating financial management information about good financial management techniques and technologies.
- Reviewing the financial management efforts of the operating agencies and serving as a catalyst for further improvements.

The JFMIP plays a key role in mobilizing resources and coordinating cooperative efforts in the improvement of financial management practices, and, to be successful, it relies on the active participation of federal agencies. The JFMIP is guided by a Steering Committee consisting of a key policy official from each sponsoring agency. A key official from a program agency also serves on the Steering Committee. A small staff is headed by the Executive Director.

Preface

This *Direct Loan System Requirements* document is one of a series of publications which started with the *Core Financial System Requirements* published by the Joint Financial Management Improvement Program (JFMIP). Its preparation addresses the goal of the President's Council on Management Improvement (PCMI) and the JFMIP to improve the efficiency and quality of financial management in the federal government. Impetus has been provided by the Chief Financial Officers Act of 1990 and the Federal Credit Reform Act of 1990, which strongly reaffirmed the need for the federal government to provide financial systems that facilitate the effective management of government programs and services and the proper stewardship of public resources.

Agencies are to use these functional requirements in planning their financial system improvement projects. As with the other systems requirements documents, agencies will have to include their unique requirements, both technical and functional, with the requirements in this document. Furthermore, each agency must develop its own integration strategy detailing how the direct loan system will either interface or integrate with the core financial system and other applicable systems.

We want to take this opportunity to thank the agency officials and others in the financial management community who contributed to the document. We value their assistance and support.

Virginia B. Robinson

Virginia B. Robinson
Executive Director

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Illustrations

List of Acronyms

ADP .... Automated Data Processing

CAIVRS..... Credit Alert Interactive Voice Response System

CCLR .... Claims Collection Litigation Report

CFO Act .... Chief Financial Officers Act of 1990

Core .... Core Financial System or *Core Financial System Requirements*

DOD .... Department of Defense

DOJ .... Department of Justice

E-mail .... Electronic mail

FMFIA .... Federal Managers' Financial Integrity Act

IRS .... Internal Revenue Service

OGC .... Office of General Counsel

OMB .... Office of Management and Budget

SF.............. Standard Form

SFFAS....... Statement of Federal Financial Accounting Standards

SGL .... U.S. Government Standard General Ledger

TFM .... *Treasury Financial Manual*

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Introduction

The Chief Financial Officers Act of 1990 (CFO Act) mandates improved financial management, assigns clearer responsibility for leadership to senior officials, and requires new financial organizations, enhanced financial systems, and audited financial reporting. Improving federal financial management systems is critical to increasing the accountability of financial and program managers, providing better information for decision-making, and increasing the efficiency and effectiveness of services provided by the federal government.

Good financial management and, accordingly, good financial systems, must provide for:

> Accountability. Inform taxpayers, agency personnel, and the Congress, in terms they can readily understand, about what the nation's tax dollars are spent for, and how federal assets are protected.
>
> Efficiency and Effectiveness. Provide efficient and effective service to individuals, contractors, grantees, and state and local governments.
>
> Better Decision-Making. Provide to agency heads, program managers, and the Congress timely reports linking financial results and program data—so that financial and program results of policy and program decisions can be identified, tracked, and forecasted more accurately.

The CFO Act requires agency CFOs to develop and maintain agency financial management systems that comply with applicable accounting principles, standards, and requirements; internal control standards; and policies and requirements prescribed by the Office of Management and Budget (OMB) and the Department of the Treasury.

Agency financial management systems must be able to provide complete, reliable, consistent, and timely information; prepare this information on a uniform basis; be responsive to the financial information needs of agency management; and support preparation of both agency budgets and financial statements.

OMB Circular A-127, "Financial Management Systems," sets forth general policies for federal financial management systems. Each agency is required to develop and maintain a single, integrated financial management system. To support this objective, each agency is required to have an ongoing financial systems improvement planning process and periodic reviews of financial system capabilities.

Agency financial systems must enable agencies to prepare financial reports in accordance with federal accounting and reporting standards. Financial systems need to be flexible to adapt to changes in accounting standards.

Introduction

The Federal Accounting Standards Advisory Board (FASAB) was established in October 1990 to recommend federal accounting principles and standards to the Secretary of the Treasury, the Director of OMB, and the Comptroller General, who are Principals of the JFMIP. Specific standards agreed upon by these three officials will be issued by the Director of OMB and the Comptroller General. The FASAB has recommended, and OMB has included in Bulletin 93-02 (revised) and 94-01 (and in successor bulletins as needed), interim guidance to apply until a comprehensive set of standards is recommended and adopted. The OMB announced—by Circular A-134, "Financial Accounting Principles and Standards"—its intent to issue Statements of Federal Financial Accounting Standards (SFFAS) as standards are adopted.

The Direct Loan system requirements document has been prepared as a continuation of the Federal Financial Management System Requirements series that began with the *Core Financial System Requirements* in January 1988. The document has been prepared in consultation with OMB, the General Accounting Office (GAO), the Financial Management Service (FMS) of the Department of the Treasury, and federal program agencies.

Federal Financial Management Framework

This document is a part of a broad program to improve federal financial management which involves the establishment of uniform requirements for financial information, financial systems, reporting, and financial organization.

In 1982, the Federal Managers' Financial Integrity Act (FMFIA) provided a cornerstone for improved financial management. Section 4 of this legislation requires annual reports on the compliance of agency systems under policy direction of OMB on behalf of the President.

In 1984, OMB established Circular A-127, "Financial Management Systems," providing policy guidance for a broad program of improvement for all federal financial information and systems. In 1986, the Treasury issued new standards for improved business-type financial reporting and OMB issued the U.S. Government Standard General Ledger (SGL). The SGL provides for a uniform chart of accounts for accounting and budgetary information. It governs the recording of transactions within every agency financial system. In 1993, OMB published the revised Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables," providing guidance for governmentwide credit management and debt collection. Also in 1993, OMB updated Circular A-127.

System requirements for common systems have been prepared under the direction of JFMIP as a series of publications entitled "Federal Financial Management System Requirements." Successive publications in the series have included the *Core Financial System Requirements* (January 1988), *Personnel/Payroll System Requirements* (May 1990), *Travel System Requirements* (January 1991), and *Seized/Forfeited Assets System Requirements* (March 1993). This publication, *Direct Loan System Requirements*, and its companion, *Guaranteed Loan System Requirements*, extend the establishment of functional requirements for agency systems.

As shown in Illustration 1, establishing uniform requirements is only part of the process of improving financial management systems and information. Improvements can be achieved through the selection, development, and/or purchase of applications that meet approved functional requirements and technical as well as data management specifications. Agencies must continue to improve their financial systems and implement new requirements as they are issued so that continuing efforts to standardize and upgrade data and reporting requirements in accordance with OMB's governmentwide 5-year financial management plan will be successful.

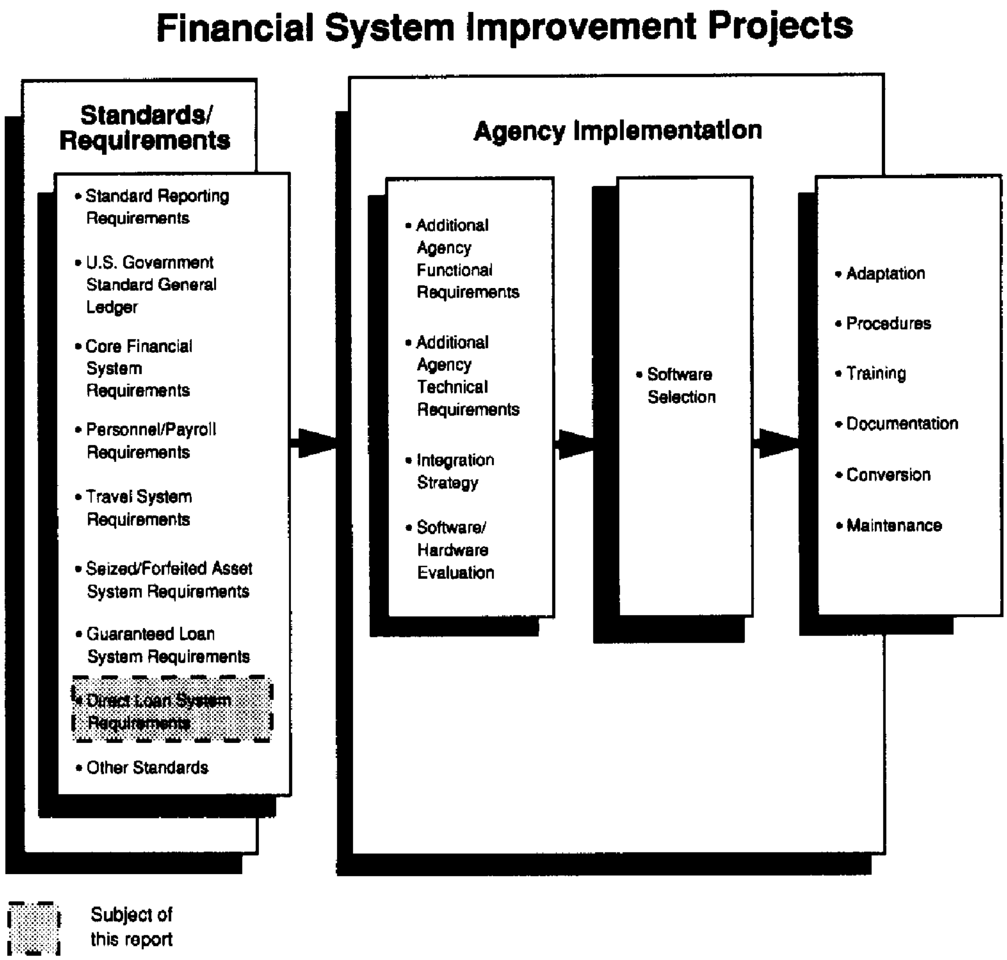

Illustration 1

Good governmentwide functional requirements assist agencies in developing strong systems and information by eliminating duplicate work among agencies and providing a common framework so that outside vendors can more economically provide systems software. Development of governmentwide functional requirements for each application is a critical effort that will affect internally developed systems and the evaluation and selection of commercially available systems. However, agencies must augment these governmentwide requirements with their own unique agency requirements, which must be carefully defined to assure consistency with the governmentwide requirements. Each agency must also integrate the governmentwide requirements with existing systems, including the major program systems that are unique to the agency.

Integrated Financial Management Systems

OMB Circular A-127 requires each agency to develop and maintain a single, integrated financial management system. Development of an integrated financial management system is necessary to support the objectives of the CFO Act and agency management.

Specifically, OMB Circular A-127 requires the implementation of a unified set of financial systems and financial portions of mixed systems that provide for effective and efficient interrelationships between software, hardware, personnel, procedures, controls, and data contained within the systems. OMB Circular A-127 states that an integrated financial management system has the following characteristics: common data elements, common transaction processing, consistent internal controls, and efficient transaction entry.

Integrated financial management systems may include electronic interfaces between component systems or applications if the interfaces are appropriately defined and controlled so that they meet the criteria above and follow the timing of normal business cycles. Determination of whether to interface two particular applications or to merge them into one will depend upon the compatibility of the applications, the physical environment in which the applications operate, and the commonality of data for making decisions, among other factors.

To provide information prepared on a uniform basis as required by the CFO Act, systems need to use consistently defined data, processes, and controls. Standard reporting requirements, the Standard General Ledger, JFMIP-published financial system requirements, OMB circulars and bulletins, the *Treasury Financial Manual*, and other such publications provide a starting point for agencies defining specific data elements and processes for their systems.

As shown in Figure 1 of Illustration 2, many layers of data can be defined. The three inner layers—standard reporting data, standard general ledger data, and performance measurement data—must conform to data standards established through governmentwide initiatives. The two outer layers represent data specific to an agency or to a program which should be standardized throughout the agency or program. Standard data classifications (definitions and formats) must be established and used for recording financial events as prescribed by OMB Circular A-127.

Figure 2 of Illustration 2 shows how management processes interrelate and provide common functionality. Common processes that are based on standards and used throughout the system enable transactions to be recorded consistently, with predictable results.

Framework for the Integration of Federal Agency Systems

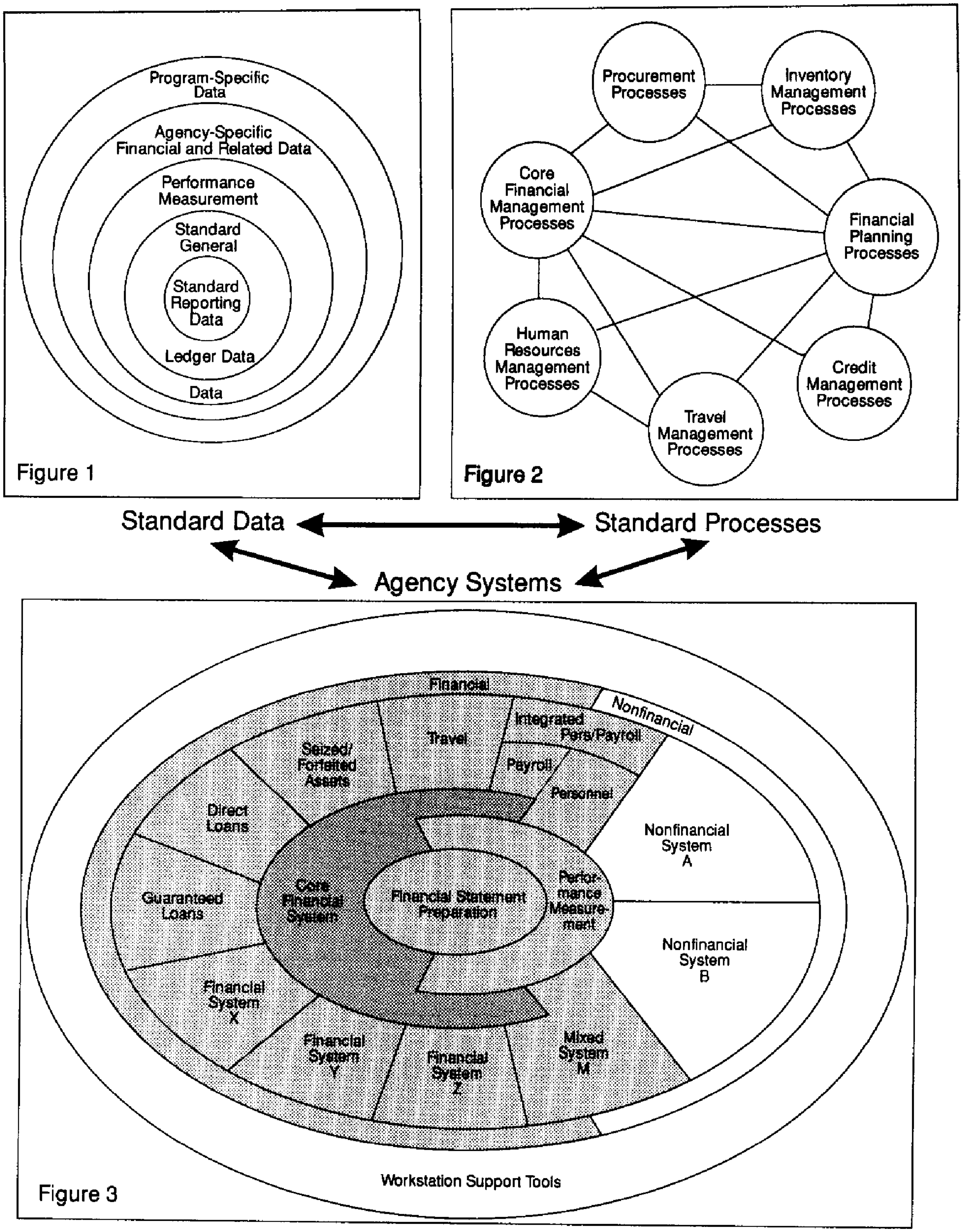

Illustration 2

As shown in Illustration 2, data, processes, and application software need to be linked to each other to form a system; each is dependent on the other. Figure 3 of Illustration 2 shows that the financial system forms the backbone for the agency's integrated financial management system. It provides common processing routines, supports common data for critical financial management functions affecting the entire agency, and maintains the required general ledger control over financial transactions, resource balances, and other financial systems.

Federal agencies have systems that support (1) agency administrative functions such as personnel/payroll, travel, procurement, and property management; (2) unique activities and operations of agency programs, such as loan programs, grant programs, entitlement programs, and law enforcement programs; and (3) employee workstation activities, such as word processing, electronic mail (e-mail), and desk management.

Direct Loan System

As shown in Figure 3 of Illustration 2, direct loan systems are an integral part of the total financial management system for those federal agencies authorized to make direct loans. The direct loan system interacts with the financial system to validate funds availability, update budget execution data, record receivables and collections, and process disbursements.

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Background

This chapter presents a brief history of federal credit programs, describes the policies that affect federal credit programs, and defines the roles and responsibilities of the federal organizations involved in directing, overseeing, and implementing credit programs.

History

Federal credit programs provide benefits to certain borrowers or channel additional resources to certain sectors of the economy. Examples of federal credit programs include agricultural loans, small business loans, housing mortgage loans, and student loans. There are two types of federal loan programs: direct loans and guaranteed loans. In direct loan programs, the federal government makes a direct disbursement to an approved borrower and services the loan and collects the loan. Guaranteed loan programs utilize private sector lenders to originate and service loans, with all or a portion of the interest and loan repayment guaranteed by the government in case of borrower default.

Federal credit programs generally are costly to the government because they provide more favorable terms to borrowers than are available from private lenders, often lending to individuals and businesses who cannot obtain private financing. Although the government has chosen to carry out these inherently risky loan programs in order to achieve social purposes, efficient and effective management can minimize losses. Financial systems are a key element in achieving this goal. Financial systems are especially critical to implementing the requirements of the Chief Financial Officers Act of 1990 (CFO Act), including measures of program performance and financial statements, and the Credit Reform Act of 1990, which sets up new procedures to budget and account for credit subsidies and loan assets.

Policy

The policies governing credit programs and financial systems that affect direct loan systems include the following:

- OMB Circular A-129, "Policies for Federal Credit Programs and Non-Tax Receivables" (January 1993). Circular A-129 prescribes policies and procedures for justifying, designing, and managing federal credit programs and for collecting non-tax receivables. The circular discusses principles for designing credit programs, including the preparation and review of legislation and regulations; budgeting for the costs of credit programs and minimizing unintended costs to the government; and improving the efficiency and effectiveness of federal credit programs. It also sets standards for extending credit, servicing credit and non-tax receivables, and collecting delinquent debt.

- Managing Government Credit: A Supplement to the *Treasury Financial Manual* (January 1989). The Credit Supplement to the *Treasury Financial Manual* provides agencies with detailed guidelines and procedures for the successful management of credit and debt collection activities.

- OMB Circular A-127, "Financial Management Systems" (July 1993). Circular A-127 sets forth policies for financial management systems development, operations, and evaluation. The circular establishes specific objectives related to financial management and accounting.

- Chief Financial Officers Act of 1990 (CFO Act). The CFO Act provides new tools to improve the management of the federal government. It establishes Chief Financial Officers in 23 major executive agencies as well as a new Deputy Director for Management and a Controller in the Office of Management and Budget. The CFO Act reinforces the need for and development of federal accounting standards; supports integration and modernization of the government's financial systems; and requires the preparation of annual audited financial statements.

- Debt Collection Act of 1982 (as amended). The Debt Collection Act prescribes the policies and procedures for all executive agencies in federal debt collection activities.

- Federal Credit Reform Act of 1990. The Federal Credit Reform Act prescribes policies and requirements to achieve four objectives: to measure more accurately the costs of federal credit programs; to place the cost of credit programs on a budgetary basis equivalent to other federal spending; to encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and to improve the allocation of resources among credit programs and between credit and other spending programs.

- OMB Circular A-34, Part VI - Instructions on Budget Execution: Credit Apportionment and Budget Execution (October 1991). Circular A-34, Part VI, sets forth the requirements for apportionment and budget execution for all direct loan programs covered by the Federal Credit Reform Act of 1990.

- OMB Circular A-11, "Preparation and Submission of Budget Estimates" (updated annually). Circular A-11 sets forth the policies and procedures for preparation and submission of agency budget estimates to the Office of Management and Budget.

- OMB Circular A-130, "Management of Federal Information Resources" (June 1993). Circular A-130 establishes policies and procedures to be followed by executive departments and agencies in managing information, information systems, and information technology.

- OMB Circular A-123, "Internal Control Systems" (August 1986). Circular A-123 prescribes policies and procedures to be followed by executive departments and agencies in establishing, maintaining, and reporting on the internal controls in their program and administrative activities.

- Federal Managers' Financial Integrity Act (1982). The FMFIA requires that all executive agencies implement, maintain, and report on internal accounting and administrative controls.

Roles and Responsibilities of Departments and Agencies

This section identifies the key organizations in the credit management community and the roles they play in managing federal credit programs.

Office of Management and Budget. The Office of Management and Budget (OMB) is responsible for reviewing legislation to establish new credit programs or to expand or modify existing credit programs; reviewing and clearing testimony pertaining to credit programs and debt collection; reviewing agency budget submissions for credit programs and debt collection activities; formulating and reviewing credit management and debt collection policy; and approving agency credit management and debt collection plans.

Department of the Treasury. The Department of the Treasury, through its Financial Management Service (FMS), is responsible for monitoring and facilitating implementation of credit management and debt collection policy. FMS develops and disseminates as a supplement to the *Treasury Financial Manual* (TFM) operational guidelines for agency compliance with government-wide credit management and debt collection policy. FMS assists agencies in improving credit management activities and evaluates innovative credit management practices.

Federal Accounting Standards Advisory Board. The Federal Accounting Standards Advisory Board (FASAB) was established in October 1990, by the Comptroller General, the Director of the Office of Management and Budget, and the Secretary of the Treasury. The Board exists through a memorandum of understanding among these three principal federal executives. The FASAB recommends accounting standards to the JFMIP principals after considering the financial and budgetary information needs of congressional oversight groups, executive agencies, and other users of financial data.

Federal Credit Policy Working Group. The Federal Credit Policy Working Group is an interagency forum that provides advice and assistance to OMB and Treasury in the formulation and implementation of credit policy. In addition to OMB and the Department of the Treasury, membership includes the Departments of Agriculture, Commerce, Education, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, State, Transportation, and Veterans Affairs, the Agency for International Development, the Export-Import Bank, the Resolution Trust Corporation, and the Small Business Administration.

Agencies. Each agency is responsible for managing its own credit activities in accordance with its statutory authorities and the provisions of OMB circulars and other policy guidance. OMB Circular A-129, Appendix A, outlines the specific functions of the agencies in relation to credit management.

System Overview

This chapter provides an overview of direct loan system requirements. The overview has the following sections:

- Summary of Functions, which presents a high-level description of the functions that are supported by direct loan systems.
- Relationships with Other Systems, which describes how direct loan systems interact with other systems.
- Data Requirements, which discusses the types of data needed to perform the various functions of a direct loan system.

Summary Of Functions

Illustration 3 shows the four functions of direct loan systems and the key sources and destinations of information flowing into and out of the loan system.

Direct Loan System Overview

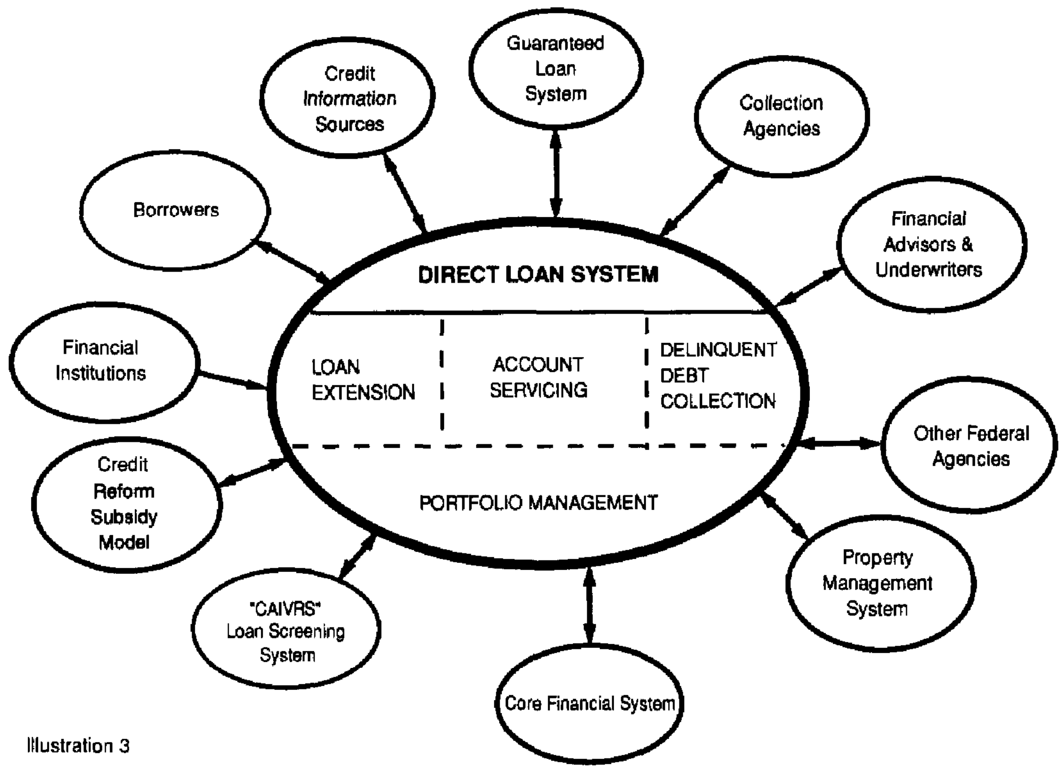

Illustration 3

The following is a brief description of the major functions of a direct loan system. The Functional Requirements chapter provides a detailed description of each function, including the lower level processes within each function.

Loan Extension

The Loan Extension function supports analysis of the applicant's eligibility in accordance with statutory and regulatory requirements. The Loan Extension function also supports the development of information to satisfy credit reform accounting and budgeting requirements. The processes within the Loan Extension function are:

- Application Screening, and
- Loan Origination

Account Servicing

The Account Servicing function supports routine invoicing and collection of debts. The processes within the Account Servicing function are:

- Billing and Collection, and
- Account Status Maintenance

Portfolio Management

The Portfolio Management function supports the management and evaluation of the direct loan program and its portfolio. It also supports portfolio performance evaluation and management of portfolio sales. The processes within the Portfolio Management function are:

- Portfolio Performance,
- Program Financing, and
- Portfolio Sales

Delinquent Debt Collection

The Delinquent Debt Collection function includes the recovery of delinquent debt through the use of dunning letters, offset programs, collection agencies, litigation, and the termination of collection action on uncollectible debt. It also includes the foreclosure and liquidation of property for collateralized loans. The processes within the Delinquent Debt Collection function are:

- Collection Actions, and
- Write-offs and Close-outs

Relationships with Other Systems

The direct loan system must be capable of interfacing with other financial management systems. A brief description of some of the systems which interact with the direct loan system is provided below.

- The direct loan system interacts with the core financial system to perform fund control checks, initiate or record payments, and record the results of other direct loan-related financial transactions.
- Direct loan programs and guaranteed loan programs have common processes for managing receivables. Defaulted guaranteed loans acquired by the government are serviced and collected in a manner similar to direct loans. Therefore, an agency with both direct and guaranteed loan programs may have a direct loan system and a guaranteed loan system that share system capabilities related to collecting delinquent debt.
- If an agency acquires property serving as collateral on a defaulted direct loan, the direct loan system will provide the property management system with the information needed to manage and liquidate the collateral.

Data Requirements

The direct loan system stores, accesses, and/or updates several types of data. In this document, a grouping of related types of data is referred to as an "information store." The term information store (rather than "database" or "file") is used to avoid any reference to the technical or physical characteristics of the data storage medium. Actual data storage (physical databases and files) must be determined by each agency during system development and implementation based upon the loan program's statutory requirements as well as the agency's technical environment, processing volumes, organizational structure, and degree of system centralization or decentralization. This section defines the six information stores and provides examples of the data that make up each information store.

Information Stores Internal to the Direct Loan System

The following three information stores are internal to the direct loan system:

Application Information. This refers to data used to determine the eligibility and creditworthiness of the applicant; data about the loan being applied for; and the status of the review and approval of the application. It includes the following specific types of data:

- Applicant Data (e.g., name, address, income, demographic data)
- Application Data (e.g., amount, date, program)
- Application Status (e.g., pending, approved, rejected)

Loan Information. This refers to data associated with a loan once the loan has been approved. Data is captured from the Application Information store for approved loans. Additional data is added throughout the life of the loan to support servicing and analysis. It includes the following data:

- Loan Data (e.g., status, subsidy information)
- Collateral Data (e.g., appraised value, status)
- Payment History (e.g., disbursement amount, collections, accruals)
- Special Collection Activity Data (e.g., delinquent debt collection activity and status)

Program Criteria. This refers to decision-making criteria used in loan extension and servicing, portfolio management, and delinquent debt collection based on statutes, regulations, and policies for the loan program. This information store includes the following types of data:

- Eligibility Criteria
- Creditworthiness Criteria
- Invoicing Criteria
- Receipt Application Rules
- Loan Modification Criteria
- Delinquent Debt Identification Criteria
- CAIVRS Referral Criteria
- Portfolio Evaluation Criteria
- Loan Sale/Prepayment Criteria
- Credit Bureau Reporting Criteria
- Offset Referral Criteria
- Collection Agency Referral Criteria
- Collection Agency Selection Criteria
- Litigation Referral Criteria
- Write-off Criteria
- Close-out Criteria
- Collateral Foreclosure Selection Criteria

Information Stores External to the Direct Loan System

Additional information stores are controlled and managed outside the direct loan system:

Credit Information. This refers to information concerning the applicant's financial background and creditworthiness. This information store includes the following types of data:

- Delinquencies on Debt to the Federal Government
- Credit History
- Employment and Income Data
- Collateral Value

Core Financial System Information. This refers to information for performing funds control checks, initiating or recording payments, and recording the results of other direct loan financial transactions. This information store includes the following types of data:

- Budget Execution Data
- Receivables
- Disbursements
- Collections/Receipts
- Administrative Costs
- Principal and Interest Data
- Working Capital Data
- Acquired Asset Data

External Organization Information. This refers to information coming from outside the agency into the direct loan system. This information store includes the following types of data:

- Treasury Interest Rates
- Offset Requests
- Loan Payments
- Sale Proceeds
- Approval for Sale/Prepayment
- SF-1151's (Non-Expenditure Transfer Authorization) and SF-1081's (Voucher and Schedule of Withdrawals and Credits)
- Write-off Approval
- Collection Activities and Results
- Foreclosure Data

Relationships of Information Stores

Illustration 4 depicts the relationships between the loan system information stores described above and the processes within each function which access or update those information stores.

Direct Loan System

Internal Information Stores

System Processes / Information Stores	Loan Extension Function		Account Servicing Function		Portfolio Management Function			Delinquent Debt Collection Function			
	Application Screening	Loan Origination	Billing and Collection	Account Status Maintenance	Portfolio Performance	Program Financing	Portfolio Sales	Collection Actions	Write-offs and Close-outs	Foreclose on Collateral	Manage/ Liquidate Collateral
APPLICATION INFORMATION											
Applicant Data	X										
Application Data	X										
Application Status	X										
LOAN INFORMATION											
Loan Data	X	X	X	X	X	X	X	X	X	X	X
Collateral Data	X			X	X					X	X
Payment History			X		X	X	X				
Special Collection Activity Data					X			X			
PROGRAM CRITERIA											
Eligibility Criteria	X										
Creditworthiness Criteria	X										
Invoicing Criteria			X								
Receipt Application Rules			X								
Loan Modification Criteria				X							
Delinquent Debt Identification Criteria				X							
Portfolio Evaluation Criteria					X						
Sale/Prepayment Criteria							X				
CAIVRS Referral Criteria								X			
Credit Bureau Reporting Criteria								X			
Offset Referral Criteria								X			
Collection Agency Referral Criteria								X			
Collection Agency Selection Criteria								X			
Litigation Referral Criteria								X			
Write-off Criteria									X		
Close-out Criteria									X		
Collateral Foreclosure Selection Criteria										X	

Illustration 4

Direct Loan System

External Information Stores

System Processes / Information Stores	Loan Extension Function		Account Servicing Function		Portfolio Management Function			Delinquent Debt Collection Function			
	Application Screening	Loan Origination	Billing and Collection	Account Status Maintenance	Portfolio Performance	Program Financing	Portfolio Sales	Collection Actions	Write-offs and Close-outs	Foreclose on Collateral	Manage/ Liquidate Collateral
CREDIT INFORMATION											
Delinquencies on Federal Debt	X										
Credit History	X	X						X			
Employment and Income Data	X										
Collateral Value	X										X
CORE FINANCIAL SYSTEM INFORMATION											
Budget Execution Data	X	X		X		X	X				
Receivables		X	X	X		X			X	X	
Disbursements		X									X
Colllections/Receipts	X		X				X	X			X
Administrative Costs					X						
Principal and Interest Data						X					
Working Capital Data						X					
Acquired Asset Data										X	X
EXTERNAL ORGANIZATIONAL INFORMATION											
Treasury Interest Rates	X	X				X					
Offset Requests								X			
Loan Payments			X								
Sales Proceeds							X				X
Approval for Sale/Prepayment							X				
SF-1151 and SF-1081						X					
Write-off Approval									X		
Collection Activities and Results								X			
Foreclose Data										X	

Illustration 4 (continued)

Functional Requirements

This chapter describes the functional requirements for a direct loan system. The following functions should be supported by the system:

- Loan Extension
- Account Servicing
- Portfolio Management
- Delinquent Debt Collection

The functional requirements identified define the typical processing and data requirements for federal direct loan programs except some international programs, such as lending to sovereign nations. These requirements do not include specific or unique requirements of individual direct loan programs. Rather, the general requirements are a guide for agencies to use in enhancing existing systems or developing new systems. These requirements assume the agency has a fully automated system that encompasses the complete scope of requirements described in this document. Some agencies may determine that it is not practical to fully automate all functions based on factors such as loan volume, operating environment, statutory requirements, and cost. In addition, some agencies may decide that one or more of the direct loan functions may be best performed by an outside agency or contractor. Accordingly, it will be necessary for agencies to make adjustments to adapt the requirements to meet their specific program and system requirements.

The internal management information requirements identified throughout this document are those required to establish credit management and financial reporting systems that are in compliance with the standards provided in OMB Circulars A-34, A-123, A-127, and A-129. Agencies' systems shall be capable of satisfying the reporting requirements of OMB and Treasury, including those associated with the Federal Credit Reform Act of 1990 and the Chief Financial Officers Act of 1990.

For each function, the narrative is supported by diagrams showing the relationship between processes and activities and the flow of information. These diagrams are conceptual in nature; they do not imply any physical structure of systems. The diagrams use conventions adopted to ensure consistency of presentation. The icons used are explained as follows:

Indicates either a process (in the function level diagrams) or an activity (in the process level diagrams).

Indicates an entity external to the agency.

Indicates a system external to the loan system. Many of the loan system processes have an interface with the core financial system. On the diagrams, the core financial system is divided into parts which correspond to the functional requirements in the *Core Financial System Requirements.*

Indicates a borrower.

Indicates an information store. At the function level, the name of the information store is displayed. At the process level, the data within the information store is displayed.

Indicates a document.

Indicates dataflow in oral, electronic, or paper form. The direction of the arrowhead indicates the direction of the flow.

Loan Extension

When extending credit through a loan program, agencies must ensure that applicants are considered in accordance with the statutory and regulatory requirements applicable to the specific program. In addition, agencies also must satisfy governmentwide statutory and regulatory requirements for credit management, such as the Debt Collection Act of 1982, as amended; the Federal Credit Reform Act of 1990; and OMB Circular A-129. Agencies must be able to assess each applicant's eligibility for the specific type of credit being sought and to document the result of their determination.

General Requirements

This section provides the governmentwide functional requirements for the Loan Extension function of a direct loan system. Illustration 5 provides an overview of the Loan Extension function. As shown, the Loan Extension function consists of the following major processes:

- Application Screening Process, and
- Loan Origination Process.

Overview of the Loan Extension Function of a Direct Loan System

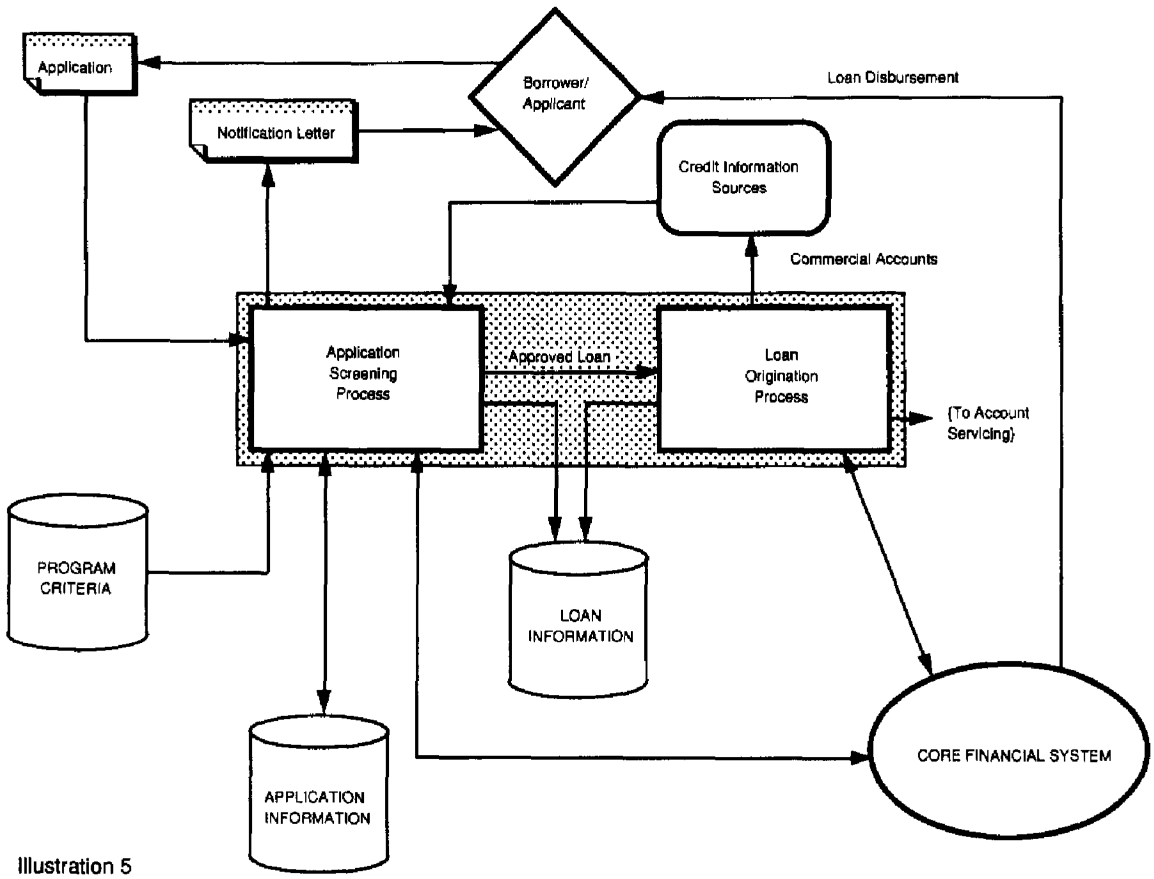

Illustration 5

Loan Extension: Application Screening Process

In order to determine the eligibility of loan applicants, agencies must screen applicants for program eligibility and, where appropriate, creditworthiness, as well as check funds availability. During screening, the system captures information about both approved and disapproved applications for use in subsequent loan activities.

As shown in Illustration 6, the Application Screening Process consists of the following major activities:

- Process Loan Application,
- Evaluate Applicant Program Eligibility,
- Conduct Credit Analysis,
- Conduct Funds Control, and
- Approve/Reject Credit Request

Loan Extension: Application Screening Process

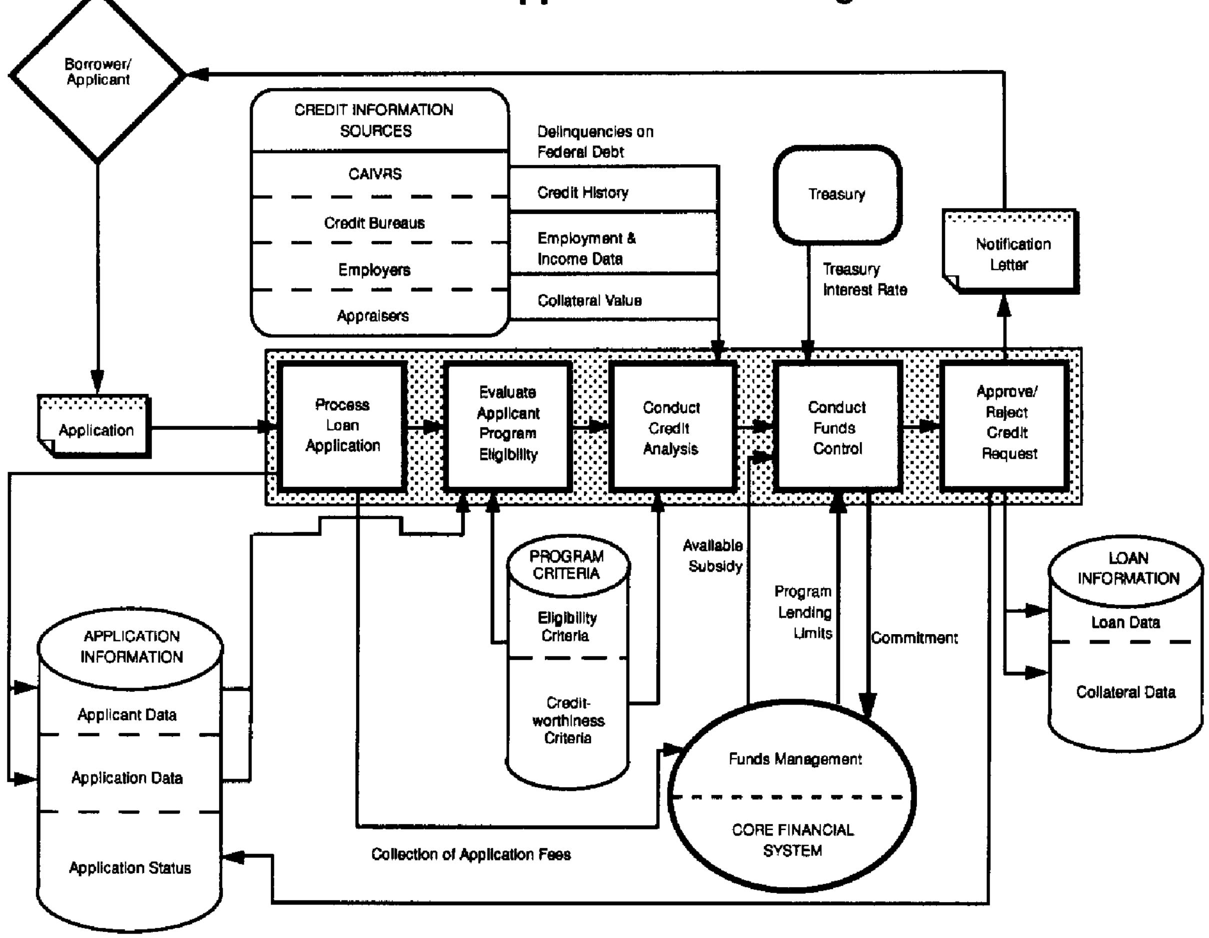

Illustration 6

Process Loan Application. This activity captures data about the applicant and the application.

An automated system should:

- Record critical credit application data needed to support application screening.
- Provide access to application information to all agency staff participating in the screening and credit-granting decisions.
- Process and record collections of fees remitted with the application in both the direct loan system and the core financial system.

Evaluate Applicant Program Eligibility. This activity supports determination of the applicant's general program eligibility. The system compares information from the loan application, recorded in the system in the prior activity, to system-stored agency program eligibility criteria, and provides the results of this comparison. If full automation of this process is not practical, the system must document the results of a manual comparison by agency staff.

An automated system should:

- Compare loan application information to agency program eligibility criteria.
- Check the appropriate system data files to determine whether the applicant has submitted a duplicate application or has had a recent loan application rejected. These situations may indicate attempts by applicants to subvert agency credit policies.
- Document that borrowers have certified that they have been unable to obtain credit from private financial sources, where such certification is a program requirement.

Conduct Credit Analysis. Where required by statute or regulation, this activity assesses the applicant's creditworthiness by comparing the applicant's ability and history of repaying debt against the agency's creditworthiness criteria. The data used in this assessment is provided in the application form and from several external sources, including credit bureaus and the Credit Alert Interactive Voice Response System (CAIVRS). CAIVRS provides agency staff with telephone access to a database of individuals delinquent/defaulted on debt to the federal government.

An automated system should:

- Provide an automated interface with credit bureaus that allows agencies to obtain applicant credit history information (credit bureau report). For credit bureaus that do not have the capability for an automated interface, record credit history information entered by agency staff.
- Document that applicant financial data, repayment ability, and repayment history have been verified through the use of supplementary data sources

such as employment and income data, financial statements, tax returns, and collateral appraisals, where this is a program requirement.

- Compare the applicant's creditworthiness information to system-stored program creditworthiness criteria and, where a program requirement, calculate a credit risk rating for the applicant.

- Document whether CAIVRS identified the applicant as a borrower who is delinquent/defaulted on a previous federal debt. The system should not accept further processing if there is not a CAIVRS authorization number.

Conduct Funds Control. An agency must have sufficient subsidy funds available and be within program lending limits in order to approve a credit request and obligate funds. This activity supports the calculation of the subsidy cost of a direct loan and provides an interface with the core financial system to check subsidy funds availability and lending limits.

An automated system should:

- Compute the credit subsidy amount associated with a loan using projected cash flows and the applicable Treasury interest rate in accordance with OMB Circular A-34.

- Provide an automated interface with the core financial system to determine if sufficient funds are available in the Program Account to cover the subsidy cost and if available lending limits in the Financing Account are sufficient to cover the face value of the proposed loan.

- Provide an automated interface to the core financial system to commit funds for the loan.

Approve/Reject Credit Request. This activity supports the final review and acceptance or rejection of each credit application based on the applicant's fulfillment of program eligibility and creditworthiness criteria and based on the availability of funds.

An automated system should:

- Update the application information store to reflect the status of the loan.

- Accept, identify, track, and report supervisor overrides of system-generated acceptance/rejection recommendations.

- Create and maintain a system record of accepted and rejected loan applications.

- Generate a letter notifying the applicant of rejection or acceptance of the loan application.

Loan Extension: Loan Origination Process

Loan origination includes closing the loan, establishing a financial obligation, creating the loan documents, and disbursing funds in accordance with agency requirements, the Credit Supplement to the *Treasury Financial Manual,* and OMB Circular A-34, Part VI. Loan origination is performed only if the Application Screening process concluded that the loan should be extended.

As shown in Illustration 7, the Loan Origination process consists of the following major activities:

- Close Loan, and
- Disburse and Account for Funds

Loan Extension: Loan Origination Process

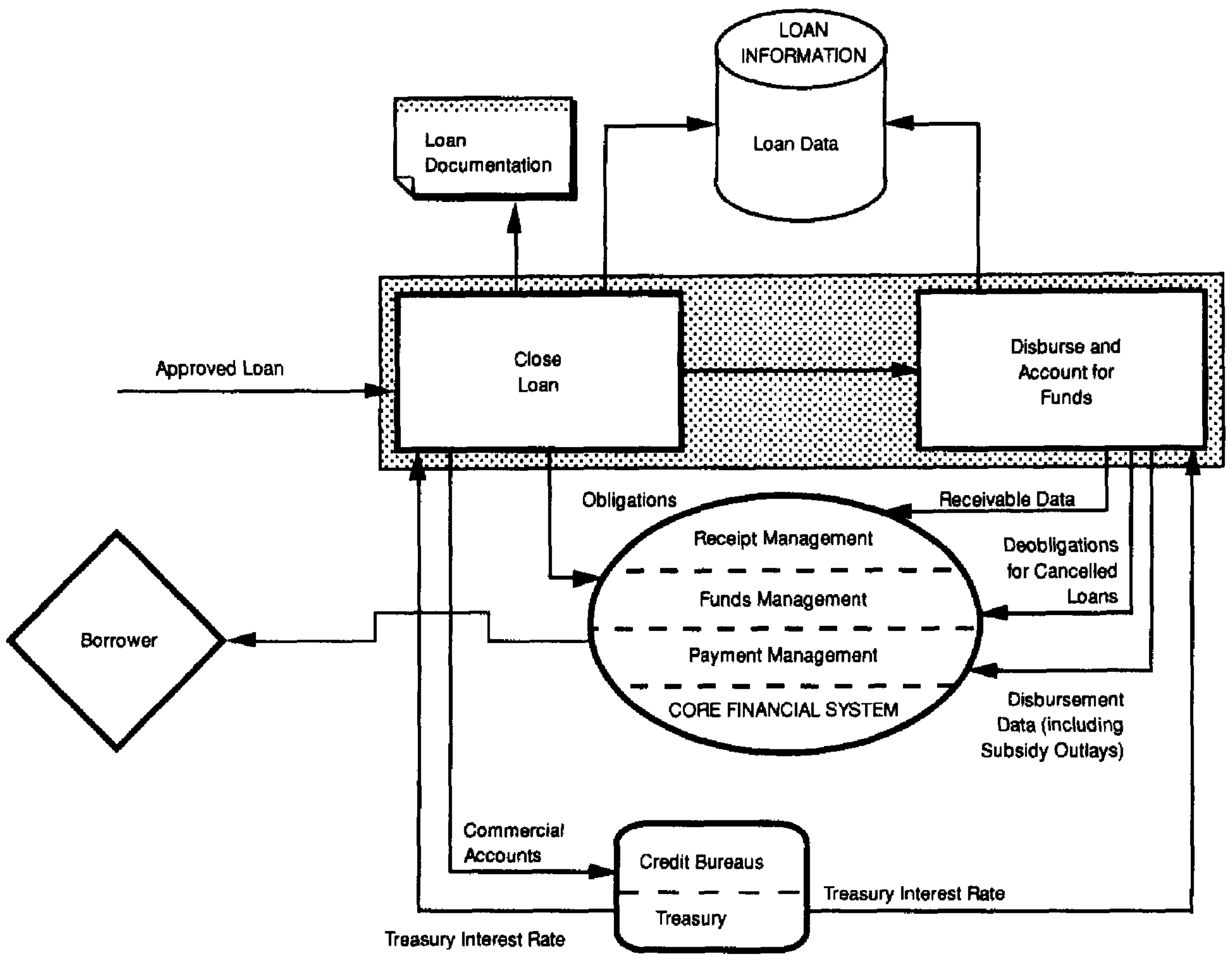

Illustration 7

Close Loan. This activity concludes loan negotiations and generates the necessary loan documents for the borrower and the agency.

An automated system should:

- Record loan terms and calculate disbursement schedules and repayment amounts and schedules.
- Record the cohort and risk category, as defined in OMB Circular A-34, associated with the loan.
- Assign a unique account number to the loan that remains unchanged throughout the life of the loan.
- Support the generation of loan documents for the borrower and the agency.
- Record information concerning the loan closing process, including date of closing.
- Record the applicable Treasury interest rate for the loan at the time of obligation in accordance with OMB Circular A-34. This rate is used in subsidy calculations.
- Provide an automated interface with the core financial system to record the direct loan obligation, including the obligation for the subsidy, and liquidate commitments previously recorded.
- Include in credit bureau reporting all commercial accounts in excess of $100.

Disburse and Account for Funds. This activity supports accounting procedures required by OMB Circular A-34, Part VI and the Credit Supplement to the *Treasury Financial Manual* to record payments made to the debtor. The system requirements listed below apply to loans with either single disbursements or multiple disbursements.

An automated system should:

- Calculate and deduct the loan application and origination fee from disbursements if not previously remitted by the applicant.
- Provide the capability to cancel, thus deobligating, undisbursed loans.
- Update debtor accounts to reflect management override of offsets.
- Record information needed concerning each loan disbursement, including amounts and applicable Treasury interest rates, to support the computation of accrued interest expense on borrowings from Treasury, and subsidy reestimates.

- Record and track the amount of borrowings from the Treasury by cohort. The amount borrowed is equal to the amount of the loan disbursement less the amount of the subsidy covered by appropriated funds and the amount of any fees collected for the loan.

- Provide an automated interface with the core financial system to initiate and record the disbursement, the receivable, and the movement of the subsidy funds from the Program Account to the Financing Account. The system also must record any offset taken on behalf of another agency. If the direct loan system itself handles the payment processing, it must meet the requirements in the *Core Financial System Requirements* related to this activity and send summary data to the core financial system.

Collateral Requirements

Some credit programs provide loans to finance the acquisition of an asset that then serves as collateral for the loan. OMB Circular A-129 requires that property serving as collateral be appraised by a state licensed or certified appraiser when the loan amount exceeds $100,000. Circular A-129 also requires that the useful life and value of pledged collateral must be recognized in the direct loan system at the time of credit screening. The estimated useful life of the collateral must be longer than the loan maturity and the loan-to-value ratio should be less than 100 percent.

An automated system should:

- Capture the estimated useful economic life of the pledged collateral, and compare it to the proposed term of the loan.

- Document that transactions over $100,000 have a collateral appraisal by a licensed or certified appraiser (or more stringent appraisal requirements of the agency).

- Compute the loan-to-value ratio and flag those loans with a ratio exceeding 100% (or more stringent standards set by the agency).

Internal Management Information Requirements

Listed below are internal management information requirements for the Loan Extension function. This information should be available to agency credit program managers and designated internal review officials on a periodic or an as requested basis. This list is not an all inclusive inventory of internal information requirements for the Loan Extension function. Each agency must determine the specific management information needs necessary to manage its credit programs based on the agency mission and applicable statutory requirements. Agencies must maintain financial accounting information at appropriate levels of summary for computational and reporting purposes. The main levels are: transaction, loan history, risk category, cohort, and account. Each agency also must determine whether the information should be provided on hard copy reports or through system queries.

The direct loan system should provide at least the following types of management information:

Approval and Rejection Monitoring. This summary provides information about all credit applications that were approved or rejected for a given time period. The data is broken down into separate statistics on credit approvals and rejections. The approval section indicates the number of approved applications and the percentage of total applications that they represent. The total requested amount and total approved amount are shown for each loan origination office. The rejected application section contains the number of rejected applicants and the percentage of total applications that they represent. The total of all loans requested is also shown. This data summary also lists the average time spent to process a credit application, from the time of application until the final decision is made.

Override Exceptions. This summary identifies all credit application decisions that override actions of the automated system processes. Overrides can occur in two situations: an application is approved even though the applicant's program eligibility or creditworthiness assessment is not acceptable under agency program management lending criteria, or an application is rejected even though the applicant's program eligibility and creditworthiness are acceptable under agency program management lending criteria.

Potential Application Fraud. This summary identifies all credit applications that matched one or more pending or recently rejected applications. Comparison is based on four criteria: applicant name, applicant address, applicant phone number, and applicant Taxpayer Identification Number (TIN). If a pending application matches any of these criteria, the data fields that matched and the original application and pending application identification numbers appear on this data summary with primary application identification information.

Detailed Transaction History. This summary contains detailed loan origination and account data. The data summary is used for control and tracking and also as an audit trail. Detailed transaction history data summaries include, at a minimum, loan origination and disbursement data and offset collection data.

Exceptions. This summary highlights exceptions in loan origination processing. The summary should be generated periodically or on demand as needed. Examples of exception data include loan-to-value ratios exceeding 100% and finalized, approved loans that have not been disbursed within a specified period of time.

Disbursement Management Summary. This summary displays all loan origination activity on a periodic basis. The summary is used to monitor the performance of each loan origination office, and to track the volume and amount of loan disbursements by program.

Account Servicing

OMB Circular A-129 requires the government to service and collect its loans in a manner that best protects the value of the government's assets. Efficient mechanisms must be in place to collect and record payments and to provide sufficient accounting and management information for effective stewardship of the loan portfolio. These servicing activities can be carried out by the agency, or obtained through a cross-servicing arrangement with another agency. Under certain conditions, it may be advantageous for the government to transfer servicing and collection responsibilities to the private sector.

General Requirements

This section provides the governmentwide functional requirements for the Account Servicing function of a direct loan system. Illustration 8 provides an overview of the Account Servicing function. As shown, the Account Servicing function consists of the following major processes:

- Billing and Collection Process, and
- Account Status Maintenance Process.

Overview of the Account Servicing Function of a Direct Loan System

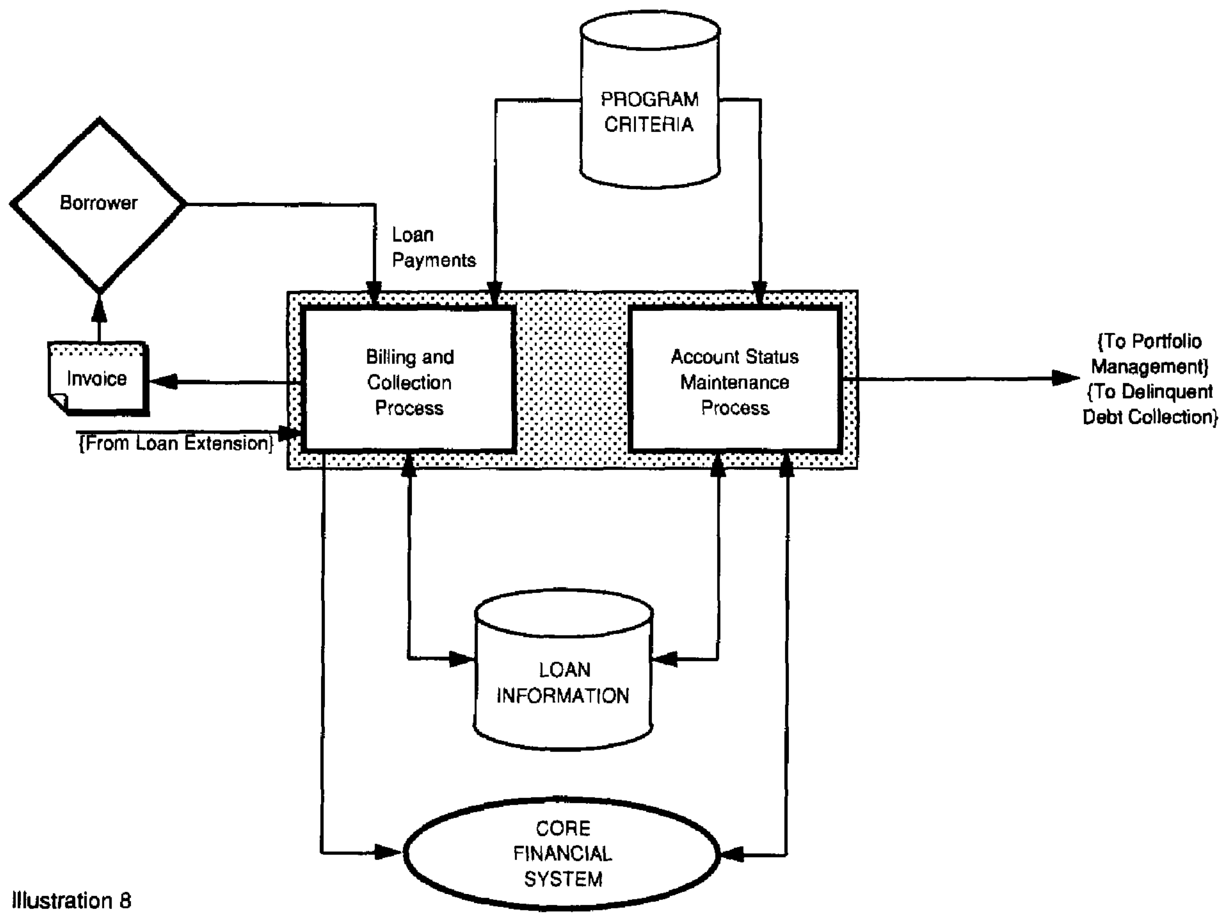

Illustration 8

Account Servicing: Billing and Collection Process

This process involves routine billing and collection activities. System requirements related to collecting delinquent debt are included in the Delinquent Debt Collection function. Agencies must ensure that invoices are generated promptly and that efficient mechanisms are in place to collect and record payments and to provide support for loan servicing. Borrowers should be encouraged to use pre-authorized debits when making loan payments. As shown in Illustration 9, the Billing and Collection process consists of the following major activities:

- Invoice Debtor, and
- Apply Collections

Account Servicing: Billing and Collection Process

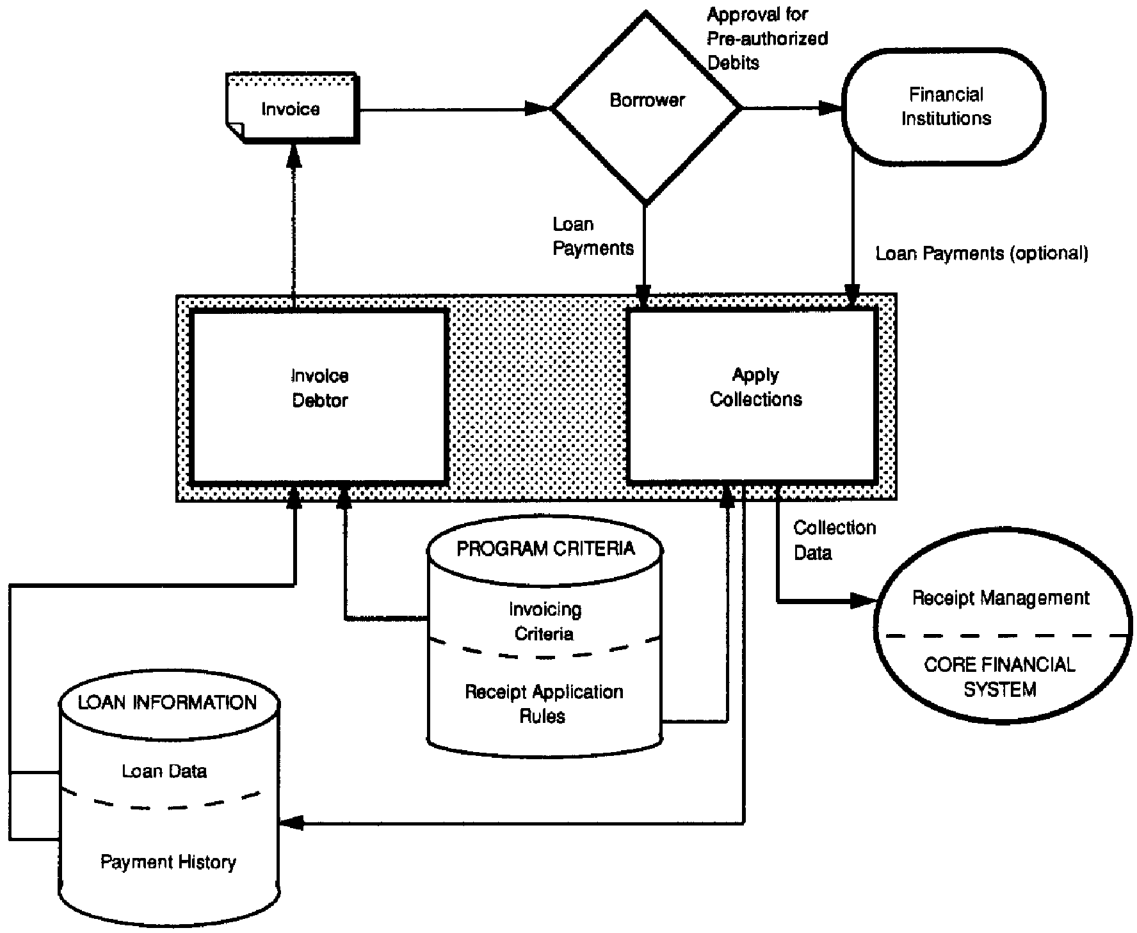

Illustration 9

Invoice Debtor. This activity supports invoicing of debtors. Most loans are billed based on a schedule determined at loan origination, but some may be based on renegotiated payment schedules.

An automated system should:

- Calculate outstanding balances for each loan account invoiced, including principal, interest, late charges, and other amounts due.
- Identify loan accounts to be invoiced based on agency program invoicing criteria and loan account information, such as amount outstanding, most recent payment, payment amount due, and date due.
- Provide the capability to analyze escrow balances to adjust required deposit amounts to prevent deficiencies in tax and insurance deposits and payments for housing and other long-term real estate loans.
- Generate and transmit an invoice to each borrower. The invoice should include information such as borrower ID, amount due, date due, the date after which the payment will be considered late, and the current balance.

Apply Collections. This activity records collections against non-delinquent debt from borrowers and applies the loan payment to the debtor's account in accordance with predetermined receipt application rules to the appropriate liquidating or financing account..

An automated system should:

- Apply collections according to agency program receipt application rules to the appropriate liquidating or financing account. Collection sources could include cash, pre-authorized debit, check, or credit card.
- Record a partial, full, or late payment indicator.
- Identify payments that cannot be applied and document why the payments cannot be applied.
- Provide the capability to compare borrower's pre-authorized debits received from financial institutions and other external sources to expected collections.
- Provide an automated interface with the core financial system to record the collection. If the direct loan system itself handles the collection processing, it must meet the requirements in the *Core Financial System Requirements* related to this activity and send summary data to the core financial system.

Account Servicing: Account Status Maintenance Process

Agencies' direct loan systems must contain adequate and current information reflecting loan payment history, including occurrences of delinquencies and defaults, and any subsequent loan actions that result in payment deferrals, refinancing, or rescheduling. As shown in Illustration 10, the Account Status Maintenance process consists of the following major activities:

- Direct Loan Modifications, and
- Identify Delinquent Debtors for Collection Action

Account Servicing: Account Status Maintenance Process

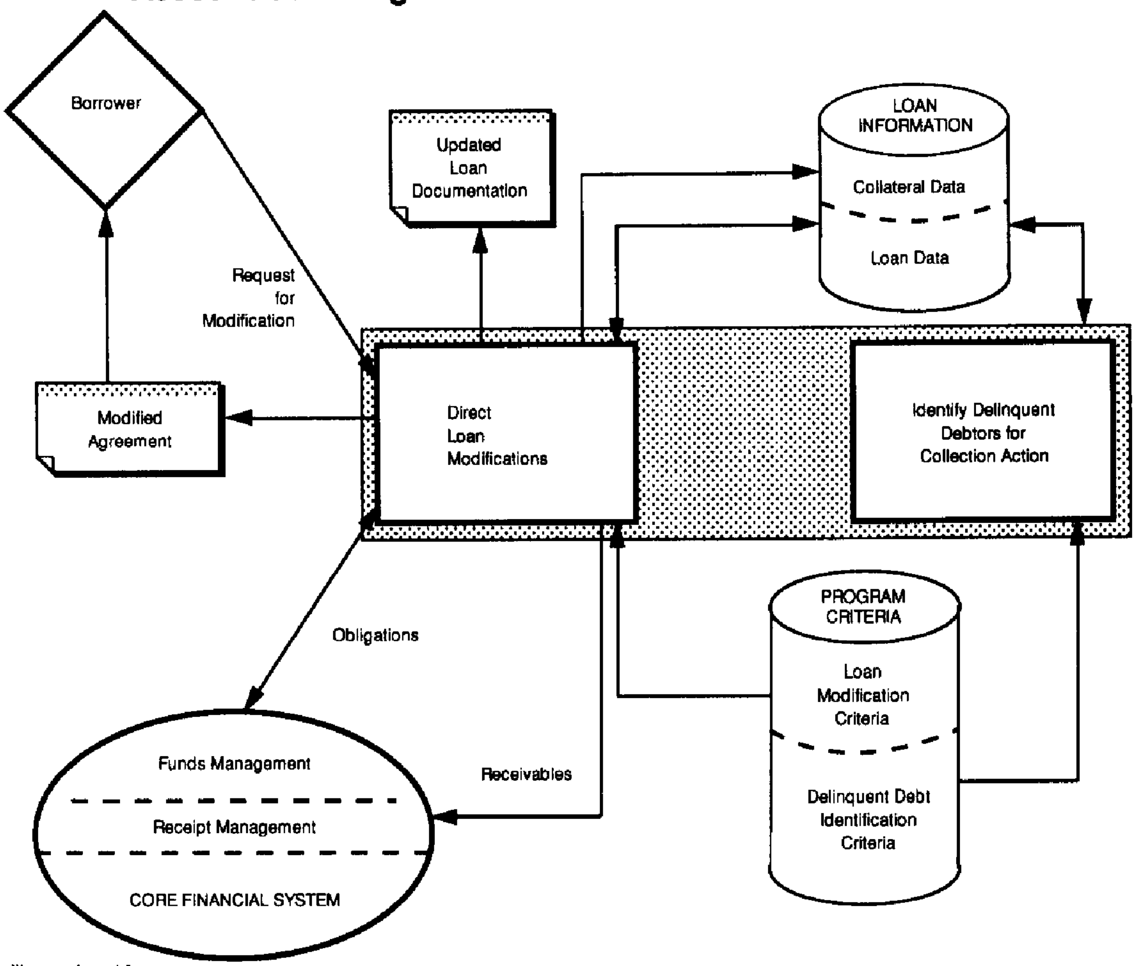

Illustration 10

Direct Loan Modifications. Modifications to direct loans are government actions that alter subsidy costs. Government actions leading to a modification include forgiveness, forbearance, reduction in interest rate, prepayment, and extensions of maturity—unless such actions are provided for in the original loan agreement. Subsidy funds must be transferred from the program account to the financing account to cover the cost of the modification. This is required for all loans, although systems requirements for pre-1992 loans in "liquidating accounts" will be different than the system requirements for post-1991 loans.

An automated system should:

- Support evaluation of accounts proposed for modification by the agency or borrower by comparing loan data to agency program loan modification criteria.
- Calculate rescheduled loan terms, including repayment amounts and schedules, where appropriate. Calculate any change in the subsidy amount as a result of the loan modifications.
- Perform a funds control check to verify the availability of subsidy through an automated interface with the core financial system.
- Produce selected loan account information listings for review by internal modification groups.
- Establish a new loan account and collateral record for each new debt instrument and assign a unique loan account number to the new account record. Maintain a link between the new loan account established for the new debt instrument and the old loan account records.
- Update the loan information store to reflect the modified status of the loan, including changes in the value or status of any collateral.
- Provide an automated interface with the core financial system to record pre-1992 and post-1991 direct loan modifications.
- Generate a new loan document which displays information concerning the original and modified direct loan.

Identify Delinquent Debtors for Collection Action. OMB Circular A-129 states that a loan account is considered delinquent when an agreed-upon payment is not received by the due date, or by the end of any grace period identified in the loan agreement. This activity identifies loan accounts with overdue balances for collection action.

An automated system should:

- Identify past-due loan accounts for collection action.
- Update the system to reflect delinquent loan status.

- Initiate penalty interest, administrative charges, and, after ninety days, penalties for delinquent loan accounts.
- Provide for automatic acceleration of delinquent loans based on agency program criteria and the provisions of the note.
- Track and age receivables by type.

Collateral Requirements

The system must document significant changes to the condition and value of any collateral.

Internal Management Information Requirements

Listed below are internal management information requirements for the Account Servicing function. This information should be available to agency credit program managers and designated internal review officials on a periodic or on an as requested basis. This list is not an all inclusive inventory of internal information requirements for the Account Servicing function. Each agency must determine the specific management information needs necessary to manage its credit programs based on the agency mission and applicable statutory requirements. Agencies must maintain financial accounting information at appropriate levels of summary for computational and reporting purposes. The main levels are: transaction, loan history, risk category, cohort, and account. Each agency also must determine whether the information should be provided on hard copy reports or through system queries.

The direct loan system should provide at least the following types of management information:

Detailed Transaction History. This summary provides detailed loan account data and payment transaction activity to provide a detailed history of applied and unapplied payments.

Standard Management Control/Activity. This summary tracks the status of all loan accounts by summarizing loan activity at various critical points of the loan cycle. The collection process summarizes payment activity to allow agency management to monitor the effectiveness of each activity in the collection process. Delinquency information is summarized to highlight delinquent debt (collateralized and non-collateralized) and modified debt. This data summary is produced periodically and provides information for preparing the SF 220-9.

Exceptions. This summary identifies deficiencies that have occurred in the routine processing and monitoring of account status. Examples of exceptions include unapplied payments and delinquent accounts not eligible for debt collection. This summary is generally produced on a periodic basis.

Portfolio Management

Portfolio management ensures that an agency continually evaluates program effectiveness and minimizes its program costs.

General Requirements

This section provides the governmentwide functional requirements for the Portfolio Management function of a direct loan system. Illustration 11 provides an overview of the Portfolio Management function. As shown, the Portfolio Management function consists of the following major processes:

- Portfolio Performance Process,
- Program Financing Process, and
- Portfolio Sales Process.

Overview of the Portfolio Management Function of a Direct Loan System

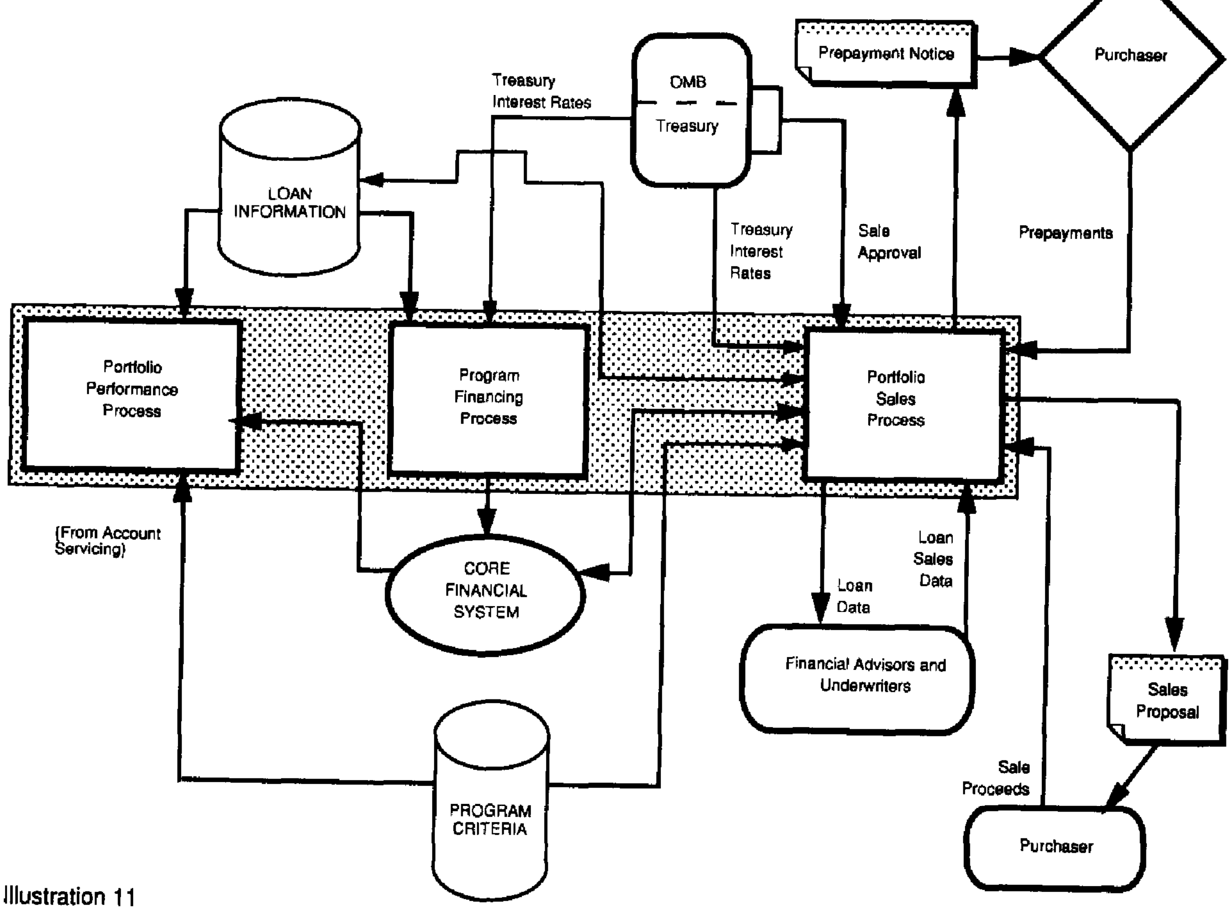

Illustration 11

Portfolio Management: Portfolio Performance Process

Agencies must maintain adequate and up-to-date information on the status of their loan portfolio to evaluate management and program effectiveness. Agencies need information about the status and quality of the loan portfolio to monitor its financial health. As shown in Illustration 12, the Portfolio Performance process consists of the following major activities:

- Identify Loans for Evaluation, and
- Compute Portfolio Performance Measures activities.

Portfolio Management: Portfolio Performance Process

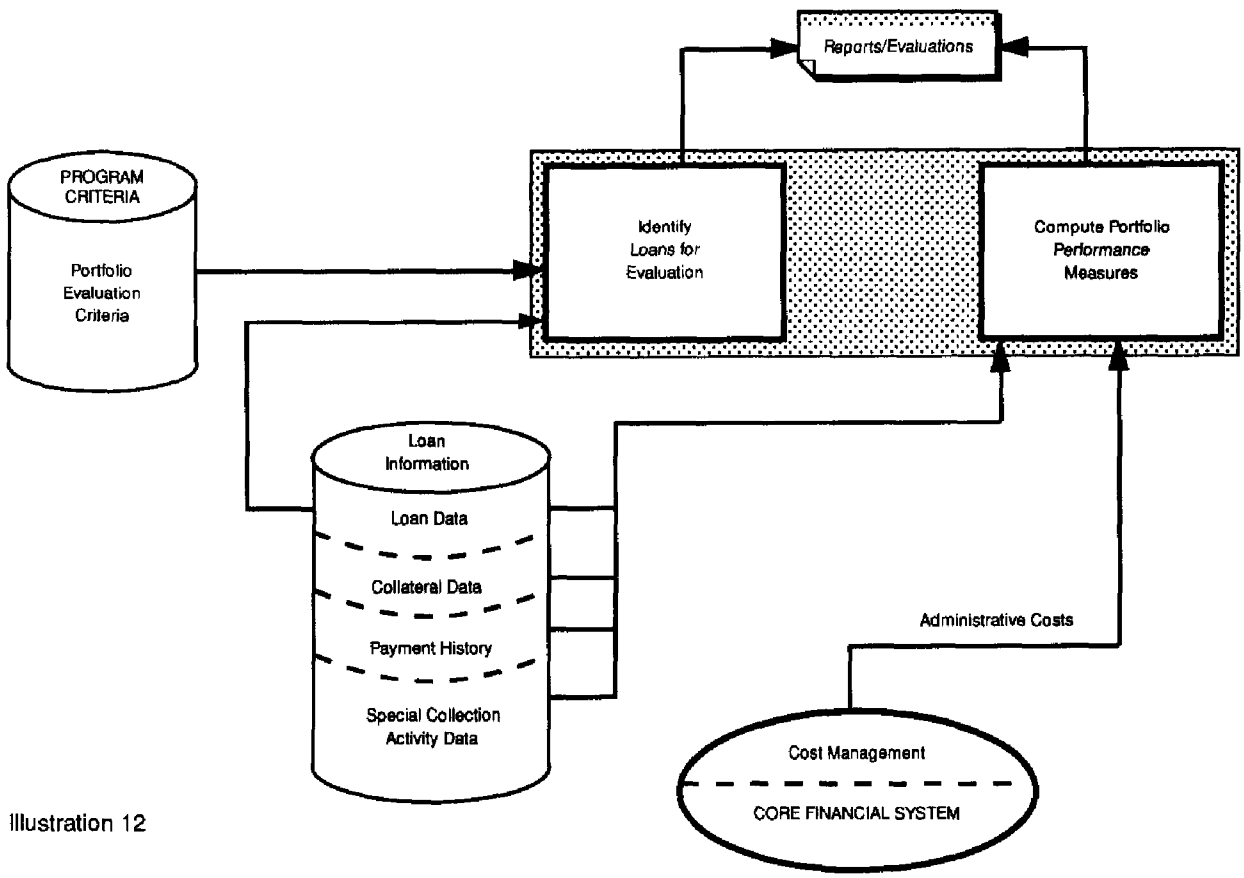

Illustration 12

Identify Loans for Evaluation. This activity selects loans for review and generates data required for agency management use in performing periodic loan reviews to evaluate loan collateral adequacy, ensure debtor compliance with agency loan program terms and conditions, and monitor the debtor's financial condition.

An automated system should:

- Compare loan data to agency program portfolio evaluation criteria in order to identify loans that require review or evaluation.
- Compare loan data to agency program portfolio evaluation criteria to identify loans with potential for graduation to private sector financing.

Compute Portfolio Performance Measures. This activity supports portfolio reviews that allow agency management to evaluate overall agency program performance in relation to program goals. Performance measures inform management how well the program reaches its intended constituents, how effectively the program uses its allocated resources, and how successfully the program achieves its intended public policy results. Effective performance measurement should highlight program trends to prompt reexamination of agency policies as conditions warrant.

The information necessary to compute some of the following measures may not be readily available for all loan programs, or may be available only at substantial expense. Therefore, the value of a given performance measure should be examined within the context of the total cost to an agency of using that measure.

An automated system should:

- Compute and maintain program performance trends such as:
  - Number and dollar value of loans made
  - Average loan size
  - Loans made by geographical region
  - Number and amount of delinquent and defaulted loans
  - Number and amount of rescheduled loans
  - Amount of loan write-offs
- Compute and maintain financial measures to help assess the credit soundness of a loan program such as:
  - Average loan to value ratio (for collateralized programs)
  - Current loans as a percentage of total loans
  - Delinquent loans as a percentage of total current loans
  - Write-offs as a percentage of seriously delinquent loans
  - Overall portfolio risk rate
  - Loan loss rates

- Compute and maintain efficiency measures to help determine the effectiveness of use of agency resources such as:
  - Administrative cost per loan approved
  - Time required to process a loan application
  - Administrative cost per loan serviced
  - Administrative cost per delinquent dollar collected
  - Net proceeds on real property sold compared to appraised value

Portfolio Management: Program Financing Process

In accordance with the Federal Credit Reform Act of 1990 and OMB guidance, agencies have several components to credit program financing, including Treasury borrowing, subsidy reestimates, and working capital funding. Agencies borrow from the Treasury to finance the unsubsidized portion of loans disbursed and to make interest payments to Treasury if insufficient funds are available at the time. Agencies must reestimate subsidy costs upwards or downwards to reflect differences in interest rates between the time of obligation and disbursement and changes in projected cash flows. Finally, agencies may elect to set aside funds as working capital to finance costs associated with foreclosing, managing, and selling collateral.

Agencies should use the Funds Management function of the core financial system to record the appropriations, apportionments, and limitations associated with the Program Account and Financing Account for each credit program. The direct loan system would access the core financial system to perform funds control validation.

Accounting for and controlling administrative expenses related to credit programs can be accomplished in the core financial system, so this activity would not normally be included in the direct loan system. As shown in Illustration 13, the Program Financing process consists of the following major activities:

- Support Treasury Borrowing Calculations,
- Support Subsidy Reestimates, and
- Analyze Working Capital Needs

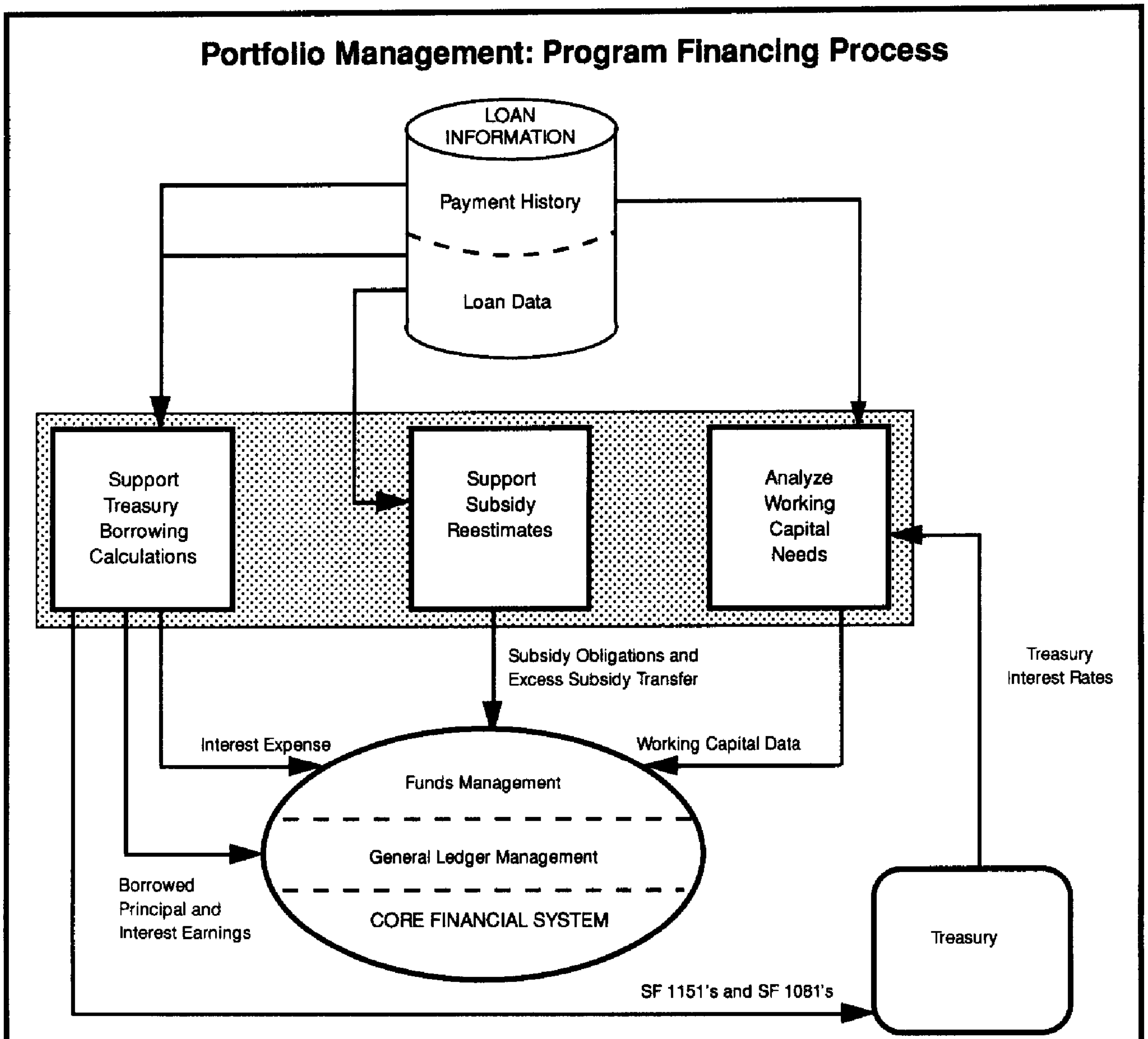

Illustration 13

Support Treasury Borrowing Calculations. The Federal Credit Reform Act of 1990 provides financing accounts with permanent indefinite authority to borrow from Treasury. The agency is required to track the amounts of borrowing, compute interest expense related to these borrowings, and compute interest earned on uninvested funds in accordance with guidance provided by OMB and Treasury. The transactions to record borrowings and interest would usually be processed by the core financial system with support for the calculations being provided by the direct loan system. The actual organization of system processes between the direct loan system and the core financial system is at the discretion of the agency; however, together the systems must:

- Execute SF-1151's and record amounts borrowed from Treasury to finance loans. Make adjustments to borrowings during the year to reflect shortfalls in original estimates.
- Execute and record Treasury borrowings to finance interest payments to Treasury if insufficient funds are available to make the payment.
- Track the amount of uninvested funds in the Financing Account as needed to support interest earnings calculations.
- Compute interest expense on borrowings and interest earnings on uninvested funds.
- Execute and record repayment of principal using SF-1151's and interest to Treasury using SF-1081's.
- Execute and record receipt of interest earnings from Treasury on uninvested funds using SF-1081's.
- Provide an automated interface with the core financial system to record all calculations.

Support Subsidy Reestimates. OMB Circular A-34, Part VI requires that the subsidy cost of a cohort of direct loans be reestimated at the beginning of each fiscal year following the year in which the initial disbursement was made. The purpose of the reestimate is to make adjustments for changes of subsidy costs over the life of the loans. This activity examines the results of operations, by risk category and cohort, and adjusts loan subsidy costs between risk categories within a cohort and for the cohort as a whole to account for changes in cohort subsidy costs resulting from interest rate changes and cash flow changes.

An automated system should:

- Support the reestimate of the subsidy cost for each cohort and risk category of loans at the beginning of each fiscal year in accordance with OMB Circular A-34. The reestimate should be calculated in two parts:
  - The difference in the estimate resulting from changes in the applicable interest rates between the time of obligation and disbursement.
  - The difference in the estimate resulting from changes in the projected cash flows.
- Maintain cash flow data that permits comparison of actual cash flows each year (and new estimates of future cash flows) to the cash flows used in computing the latest loan subsidy estimate.

- Document the reasons for observed or expected changes in cash flows that result in a subsidy cost increase or decrease, and whether the changes in cash flows are expected to be temporary or permanent.

- Compare the current year reestimated subsidy cost to the latest year reestimated loan subsidy cost to determine whether subsidy costs for a risk category increased or decreased.

- Transfer loan subsidy from those risk categories with an excess of loan subsidy to those risk categories in the same cohort that are deficient in loan subsidy to provide adequate funding for each risk category.

- Group those cohorts that need indefinite appropriation loan subsidy funds separately from those cohorts that have excess funds. Request an apportionment and obligate funds to cover the subsidy increase for those cohorts of loans that have insufficient subsidy. Transfer excess subsidy of cohorts of loans to the Special Fund Receipt Account.

- Provide an automated interface with the core financial system to record the transactions associated with subsidy reestimates.

Analyze Working Capital Needs. Working capital is the excess of current assets over current liabilities which an agency may elect to set aside in the Financing Account to finance the costs of foreclosing, managing, and selling loan collateral for collateralized programs. This activity assesses working capital data needs and provides for the maintenance and accounting for these funds in accordance with OMB Circular A-34, Part VI. System activities may be located in either the direct loan system or the core financial system as appropriate.

An automated system should:

- Set aside funds to create and maintain the working capital cash balance in accordance with OMB guidance.

- Record costs incurred which are funded by working capital.

- Compute the amount of Treasury interest earned by working capital funds and provide this amount to the core financial system.

Portfolio Management: Portfolio Sales Process

OMB Circular A-129 states that federal loans may be sold to a nonfederal entity without recourse with the approval of OMB and Treasury. Federal loans may be sold with recourse if there is statutory authority for such sales. When a loan is sold without recourse, the federal government neither warrants future payments of interest and principal nor takes any service or collection responsibilities after the sale. If a loan is sold with recourse, the federal government is required to reimburse or repurchase the loan if the loan cannot be collected. Under the Federal Credit Reform Act, the sale or prepayment of direct loans is considered a loan modification subject to credit reform budgeting and accounting requirements. Additional guidelines for loan asset sales and prepayment programs are provided in the Credit Supplement to the Treasury Financial Manual.

As shown in Illustration 14, the Portfolio Sales process consists of the following major activities:

- Prepare Portfolio for Sale or Prepayment,
- Conduct Prepayment Program, and
- Execute Portfolio Sales

Portfolio Management: Portfolio Sales Process

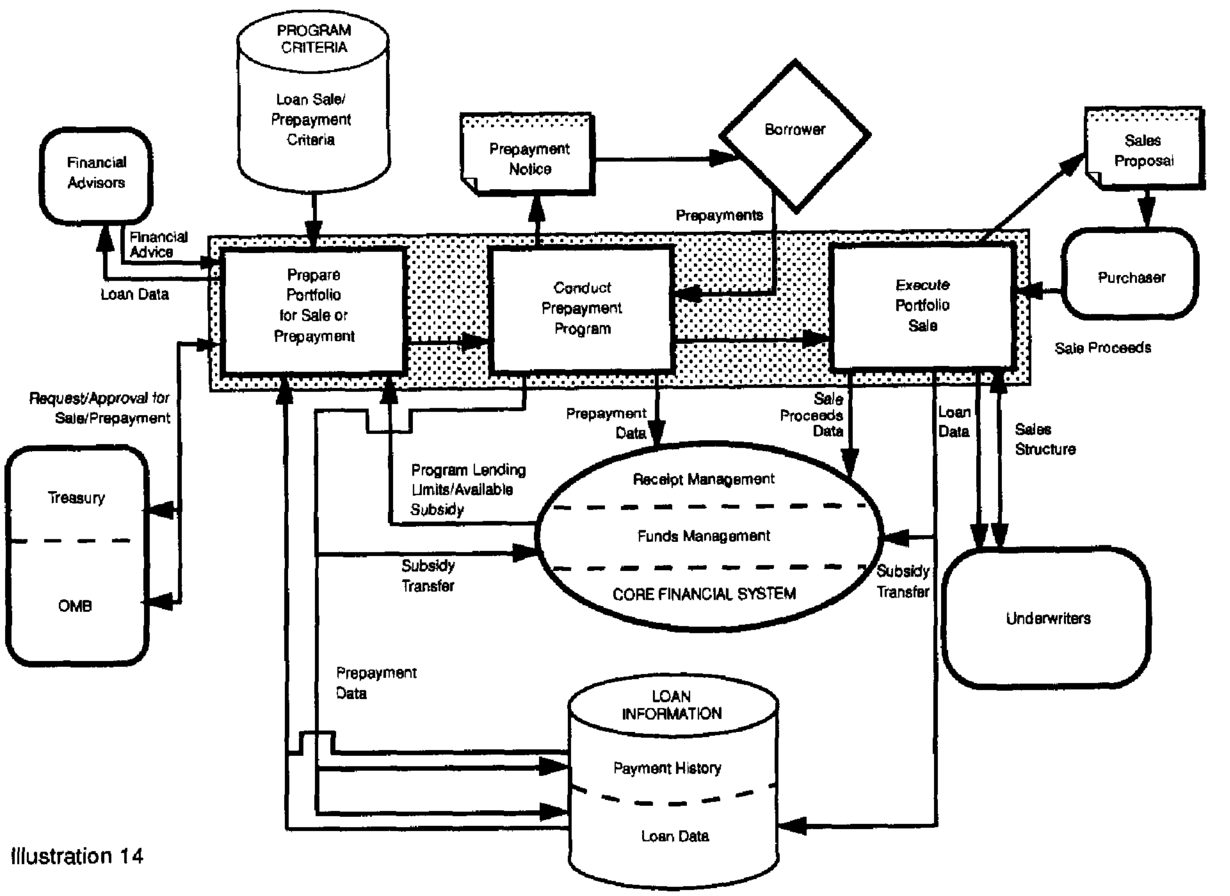

Illustration 14

Prepare Portfolio for Sale or Prepayment. This activity identifies loan assets to be included in the pool of loans for sale or for prepayment. A financial advisor will be engaged by the agency to conduct portfolio evaluations and make a recommendation as to whether to execute prepayments and/or a portfolio sale. In addition, this activity supports the preparation of statistical data for finalizing the terms of the portfolio sale/prepayment and recording OMB/Treasury approval or disapproval of the sale/prepayment. Subsidy costs of the sale or prepayment program would be estimated outside of this system and checked against available funds before approval.

An automated system should:

- Compare loan information to agency program criteria to select loans for inclusion in a potential sales pool or to identify debtors or purchasers eligible for a prepayment program.

- Provide information on selected loans to the financial advisor.

- Record OMB/Treasury approval or disapproval of the sale/prepayment.

Conduct Prepayment Program. Prepayment programs are initiated only when statutorily mandated or upon approval by OMB and Treasury. This process supports prepayment programs conducted in conjunction with a portfolio sale or independent of a portfolio sale.

An automated system should:

- Generate a prepayment offer to be sent to eligible borrowers for participation in the prepayment program.

- Record receipt of commitment letters from borrowers.

- Record collection of prepayments.

- Provide an automated interface with the core financial system to record the receipt of a prepayment and the changes in subsidy costs.

Execute Portfolio Sale. Portfolio sales are initiated only when statutorily mandated or upon approval by OMB and Treasury. This process supports the preparation of statistical data for finalizing the terms of the sale, the sale closing, and transfer of sale proceeds to Treasury. At the time of the sale, legal title is transferred from the agency to the third party purchaser.

An automated system should:

- Identify loans with incomplete documentation in the loan information store and generate a request for information to ensure loan files are complete. Update the loan information store with any provided information.

- Generate documents and other information necessary to finalize the sales agreement with the purchaser.
- Update the loan information store to identify loans sold using information received from the underwriter.
- Provide an automated interface with the core financial system to record the sale of the receivables, the proceeds, and changes in subsidy costs.

Collateral Requirements

There are no collateral requirements applicable to the Portfolio Management function.

Internal Management Information Requirements

Listed below are internal management information requirements for the Portfolio Management function. This information should be available to agency credit program managers and designated internal review officials on a periodic or as requested basis. This list is not an all inclusive inventory of internal information requirements for the Portfolio Management function. Each agency must determine the specific management information needs necessary to manage its credit programs based on the agency mission and applicable statutory requirements. Agencies must maintain financial accounting information at appropriate summary levels for computational and reporting purposes. The main levels are: transaction, loan history, risk category, cohort, and account. Each agency also must determine whether the information should be provided on hard copy reports or through system queries. The direct loan system should provide at least the following types of management information:

Detailed Transaction History. This summary identifies, for each program, the number and amount of loans in each phase of the direct loan lifecycle. The information provided includes the number of loans current and delinquent, and the total number and value of loans in the portfolio.

Standard Management Control/Activity. This summary provides portfolio activity, with comparisons to the prior year's loan activity, for agency management use in evaluating portfolio and credit management performance. This information is used to develop performance measures.

Portfolio Sale Historical Payments. This summary provides a detailed payment history for each loan included in the portfolio selected for sale. Historical payment data is critical in order to assess the investment value of the portfolio to be offered for sale and in determining the structure and terms of the sale.

Portfolio Sale Performance. This summary provides the rating agencies and financial advisors with statistics to more effectively evaluate portfolio characteristics performance. Statistics include loan to value ratios, effective yields, and loss estimates.

Program Credit Reform Status. This summary provides the status of the fiscal year's credit reform appropriations and subsidy levels.

Delinquent Debt Collection

OMB Circular A-129 requires agencies to have a fair but aggressive program to recover delinquent debt. Each agency must establish a collection strategy consistent with its statutory program authority that seeks to return the debtor to a current payment status or failing that, maximize the collections that can be realized.

General Requirements

This section provides the governmentwide functional requirements for the Delinquent Debt Collection function of a direct loan system. Illustration 15 provides an overview of the Delinquent Debt Collection function. As shown, the Delinquent Debt Collection function consists of the following major processes:

- Collection Actions Process, and
- Write-offs and Close-outs Process

In addition, this function also includes the Foreclose and Liquidate Collateral function, for collateral acquired by the agency.

Overview of the Delinquent Debt Collection Function of a Direct Loan System

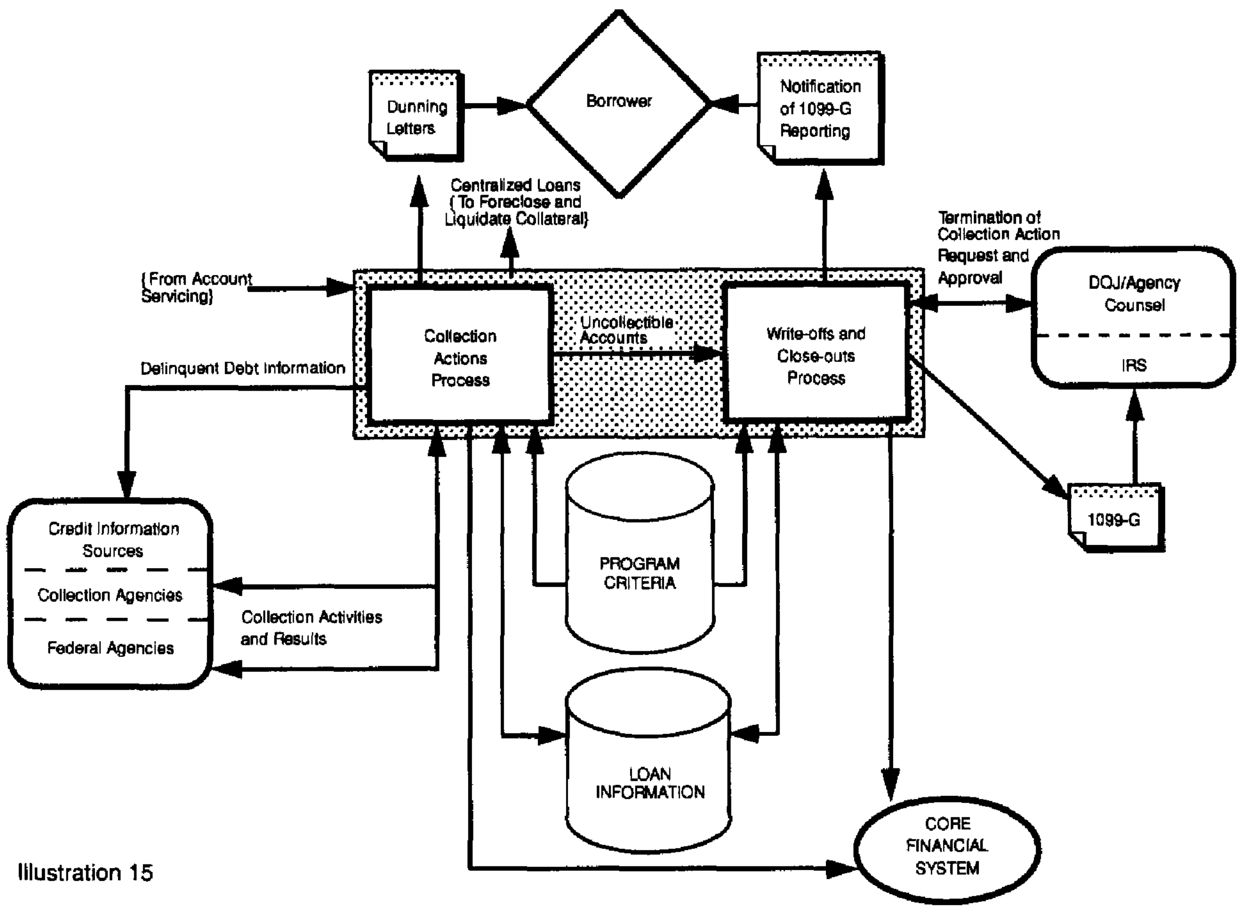

Illustration 15

Delinquent Debt Collection: Collection Actions Process

An agency has considerable flexibility in determining how to collect its delinquent debt. The size, age, and type of debt are essential factors in determining the resources to be expended in recovering debt. OMB Circular A-129 and the Credit Supplement to the *Treasury Financial Manual* provide guidelines to determine the appropriate tools to use to collect delinquent debt. If collateral is attached to the direct loan, foreclosure and liquidation of the collateral should occur after providing the debtor reasonable opportunity to cure the loan. Any "deficiency balance" may be pursued using collection tools such as litigation. As shown in Illustration 16, the Collection Actions process consists of the following major activities:

- Report Delinquent Debt,
- Contact with the Debtor,

Delinquent Debt Collection: Collection Actions Process

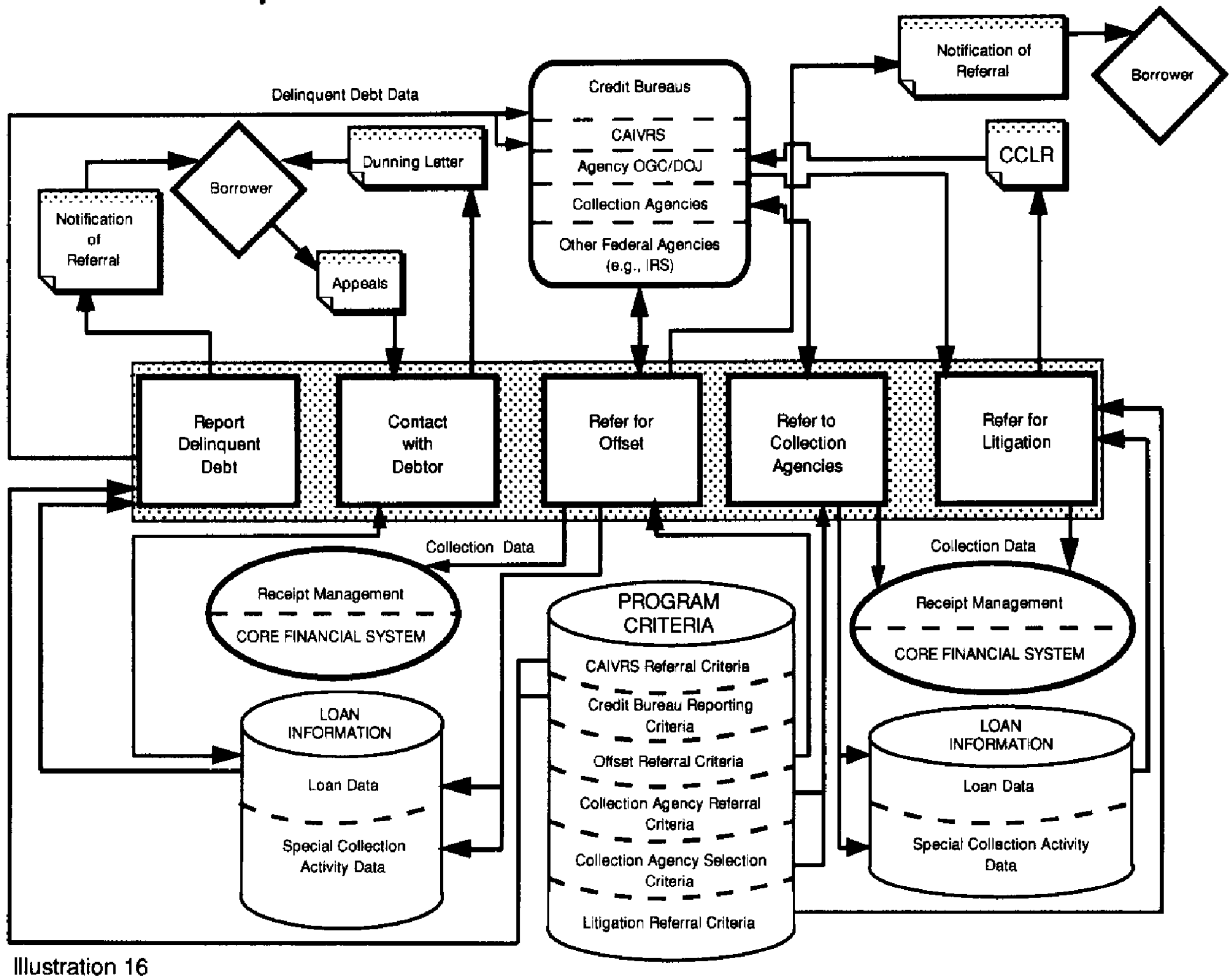

Illustration 16

- Refer for Offset,
- Refer to Collection Agencies, and
- Refer for Litigation activities.

Report Delinquent Debt. This activity reports selected delinquent account information to credit bureaus and to CAIVRS to indicate the delinquency status of a debt. Agencies must report all non-tariff and non-tax delinquent commercial and consumer accounts in excess of $100 to credit bureaus.

An automated system should:

- Identify delinquent commercial and consumer accounts for reporting to credit bureaus (preferably by electronic interface) and CAIVRS by comparing reporting criteria to delinquent loan data.
- Calculate outstanding balances, including interest, penalties, and administrative charges, and include this information in credit bureau reports.
- Generate (or include in demand letters) a notice to inform consumer borrowers of the referral of a delinquent debt to a credit bureau in accordance with regulations.
- Maintain a record of each account reported to credit bureaus to allow tracking of referred accounts.
- Prepare tapes, on a monthly basis, of delinquent debtors to be included in the CAIVRS database.

Contact with Debtor. It is critical for an agency to address a delinquency immediately to prevent it from becoming more serious. If the delinquency is not resolved after the initial contact, the agency should pursue additional contacts. If the volume and amount of loans is large enough, agencies may establish workout groups to decide on appropriate actions to maximize debt recovery.

An automated system should:

- Generate and transmit dunning letters to debtors with past-due loan accounts.
- Identify debtors who do not respond to dunning letters within a specified time period.
- Track demand letters and borrower responses to document borrower due process notification (and borrower willingness and ability to repay debt).
- Track and document debtor appeals received in response to demands for payment.

- Provide automated support to the collection process. Support could be provided for activities such as contacting a delinquent borrower by phone; documenting contacts with a debtor and the results; documenting installment payments, rescheduling agreements, and debt compromise; generating management reports; and tracking the performance of individual agency collectors.

Refer for Offset. OMB Circular A-129 requires agencies to collect delinquent debt using three types of offsets where appropriate: administrative offset, federal employee salary offset, and income tax refund offset. With an administrative offset, one agency requests another agency to reduce a pending payment to a debtor by the amount of delinquent debt owed to the first agency. The other federal agency processes the offset and remits the funds to the requesting agency. Administrative offsets are implemented in accordance with the Federal Claims Collection Standards.

For the second type of offset, the salaries of federal employees who are delinquent on debts to the government (including partnerships and corporations if the debtor can be identified by social security number) may be offset to recover the amount owed. Under the Debt Collection Act of 1982, as amended, up to fifteen percent of an employee's disposable pay may be offset each pay period. Finally, income tax refund offsets permit agencies to recover delinquent debt through offset of any tax refunds due the delinquent debtor.

This activity refers delinquent loan accounts to the appropriate entity for offset, records subsequent collections, and updates loan status.

An automated system should:

- Compare delinquent account data to agency program offset referral criteria to identify accounts eligible for federal tax refund offset, federal employee salary offset, or administrative offset.
- Calculate outstanding interest, penalties, and administrative charges for each loan account eligible for offset.
- Generate debtor due process notices of intent to implement an administrative offset, tax refund offset, or salary offset.
- Generate files of delinquent loan account data on loans meeting referral criteria for each offset type and electronically transmit to the IRS for federal tax refund offset matching, to DOD for salary offset matching, and to other agencies which make disbursements for administrative offset matching.
- Generate salary offset requests to employing agencies for delinquent borrowers identified as federal employees.
- Update the loan information store to reflect offset referral status.

- Accept matched/unmatched account data and update the loan information store to incorporate data received from IRS, DOD, employing agencies, or other agencies.
- Match offsetting agency delinquency collection listings and totals with agency records and deposit data.
- Update the loan information store to reflect receipts, adjustments, and status changes.
- Interface with the core financial system to record collections by offset.

Refer to Collection Agencies. This activity determines and refers delinquent loan accounts to collection agencies for collection. OMB Circular A-129 requires that all accounts that are six months or more past due must be turned over to a collection agency unless the accounts have been referred to the Department of Justice (DOJ) for litigation, or are eligible for the federal salary or administrative offset programs. However, agencies may use collection agencies at any time after the account becomes delinquent.

An automated system should:

- Compare delinquent account data to agency program collection agency referral criteria to select delinquent loan accounts for referral to collection agencies.
- Sort and group delinquent loan accounts based on type of debt (consumer or commercial), age of debt, and location of debtor.
- Calculate outstanding interest, penalties, and administrative charges for each delinquent loan account to be referred.
- Assign selected delinquent loan account groupings to appropriate collection agencies based on collection agency selection criteria for agency programs.
- Document that the delinquent account has been referred to a collection agency.
- Generate and receive electronic transmissions of account balance data and status updates to and from collection agencies.
- Record receipts remitted to the collection agency and forwarded to the agency.
- Update the loan information store to reflect receipts, adjustments, and other status changes, including rescheduling, compromise, and other resolution decisions.

- Accept and match collection agency invoices with agency records. Generate payment to the collection agency for services rendered through the core financial system.
- Request, reconcile, and record returned accounts from collection agencies.
- Interface with the core financial system to record collections processed through collection agencies.

Refer for Litigation. OMB Circular A-129 requires agencies to refer delinquent accounts to the Department of Justice, or use other litigation authority that may be available, as soon as there is sufficient reason to conclude that full or partial recovery of the debt can best be achieved through litigation. This activity determines and refers selected accounts for litigation. Referrals to DOJ should be made in accordance with the Federal Claims Collections Standards.

An automated system should:

- Compare delinquent loan account information against the agency's litigation referral criteria to identify delinquent loan accounts eligible for referral. Support identification of accounts to be referred to counsel for filing of proof of claim based on documentation that a debtor has declared bankruptcy.
- Provide an electronic interface with credit bureaus to obtain credit bureau reports that will enable assessment of the debtor's ability to repay before a claim is referred to legal counsel.
- Calculate the outstanding balance, including principal, interest penalties, and administrative charges, for each delinquent loan account to be referred to legal counsel.
- Generate the Claims Collection Litigation Report (CCLR). The CCLR is used to capture collection actions and current debtor information and transmit this information to DOJ.
- Receive electronic transmissions of account data and status updates to and from DOJ's Central Intake Facility or the agency's Office of General Counsel's (OGC) automated system for referrals.
- Update the loan status to reflect referral for litigation so that the loan can be excluded from other collection actions, and to alert the agency to obtain approval from counsel before accepting voluntary debtor payment.
- Track filing of pleadings and other motions, including proofs of claims in bankruptcy, to ensure swift legal action and to monitor litigation activity.
- Match agency litigation referrals with DOJ listing of agency litigation referrals.

- Record and track recovery of judgment decisions.
- Update the loan information store to reflect receipts and adjustments.
- Interface with the core financial system to record any collections resulting from litigation.

Delinquent Debt Collection: Write-offs and Close-outs Process

OMB Circular A-129 and the Credit Supplement to the *Treasury Financial Manual* describe effective write-off and close-out procedures for delinquent loan accounts. As shown in Illustration 17, the Write-offs and Close-outs process consists of the following major activities:

- Identify and Document Accounts Selected for Write-off,
- Monitor Written-off Accounts, and
- Document Close-out of Uncollectible Accounts

Delinquent Debt Collection: Write-offs and Close-outs Process

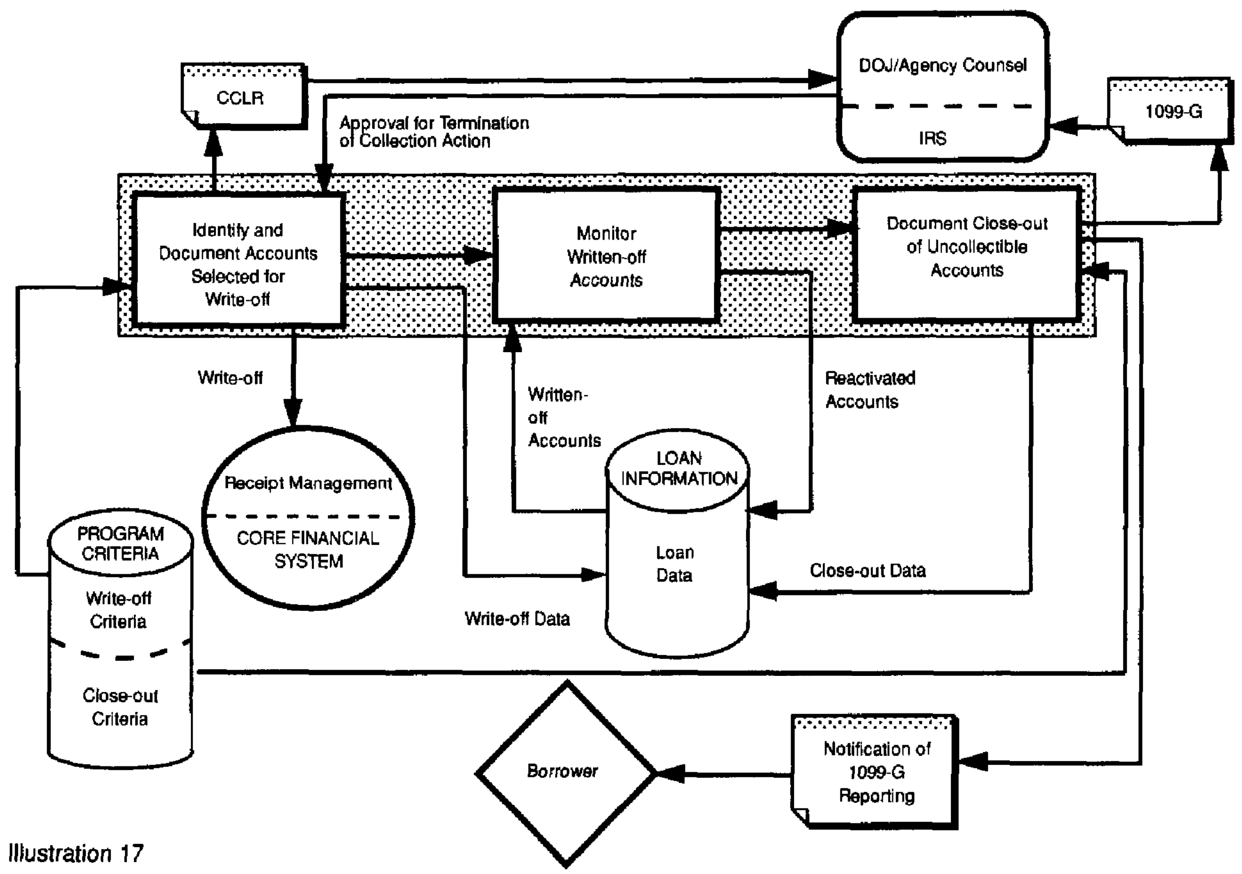

Illustration 17

Identify and Document Accounts Selected for Write-off. This activity identifies and processes accounts for write-off based on past collection history and a system-prepared debtor financial profile. Write-offs of loan accounts that exceed $100,000 require approval of the Department of Justice.

An automated system should:

- Compare delinquent loan account information to agency program write-off criteria to select delinquent loan accounts for possible write-off.

- Classify debtors based on financial profile and ability to repay. Indicators of the financial well-being of a debtor include debtor financial statements, credit bureau reports, and payment receipt history.

- Produce a CCLR for each loan account to be referred to agency counsel or the Department of Justice for approval of termination of collection action. Update the loan status to reflect the referral.

- Update the loan information store to reflect approval or disapproval by agency counsel or the Department of Justice for termination of collection action.

- Update the loan information store and provide an automated interface with the core financial system to record the write-off of the receivable.

Monitor Written-off Accounts. This activity monitors and periodically reevaluates inactive accounts for possible reclassification.

An automated system should:

- Maintain a suspense file of inactive (written-off) loan accounts.

- Reactivate written-off loan accounts at a system user's request if the debtor's financial status or the account status changes.

Document Close-out of Uncollectible Accounts. This activity completes agency action on accounts determined to be uncollectible. Closed out accounts over $600 must be reported to the IRS on Form 1099-G. When a debt is reported, the IRS will match the agency's Form 1099-G report against individual tax returns to determine if the discharge of the debt has been reported by the debtor as income.

An automated system should:

- Compare loan account data to agency close-out criteria to identify debtor accounts eligible for close-out and 1099-G reporting.

- Generate a letter to the debtor to inform the debtor of the intended submission of the 1099-G to the IRS.

- Prepare and send a Form 1099-G to the IRS if the debtor has not responded within the required time period.

- Update the loan information store to reflect receipts, adjustments, and other status changes, including rescheduling, compromise, and other resolution decisions.

- Retain electronic summary records of closed out account activity for a period of five years for use in agency screening of new loan applications.

Collateral Requirements

Collateral activities, where applicable, are an integral part of the delinquent debt collection function. For collateralized loans, agencies should pursue foreclosure/liquidation of collateral after providing the debtor a reasonable time to cure the loan. Illustration 18 provides an overview of the Foreclose and Liquidate Collateral function. As shown, the Foreclose and Liquidate Collateral function consists of the following major processes:

Overview of the Foreclose and Liquidate Collateral Function of a Direct Loan System

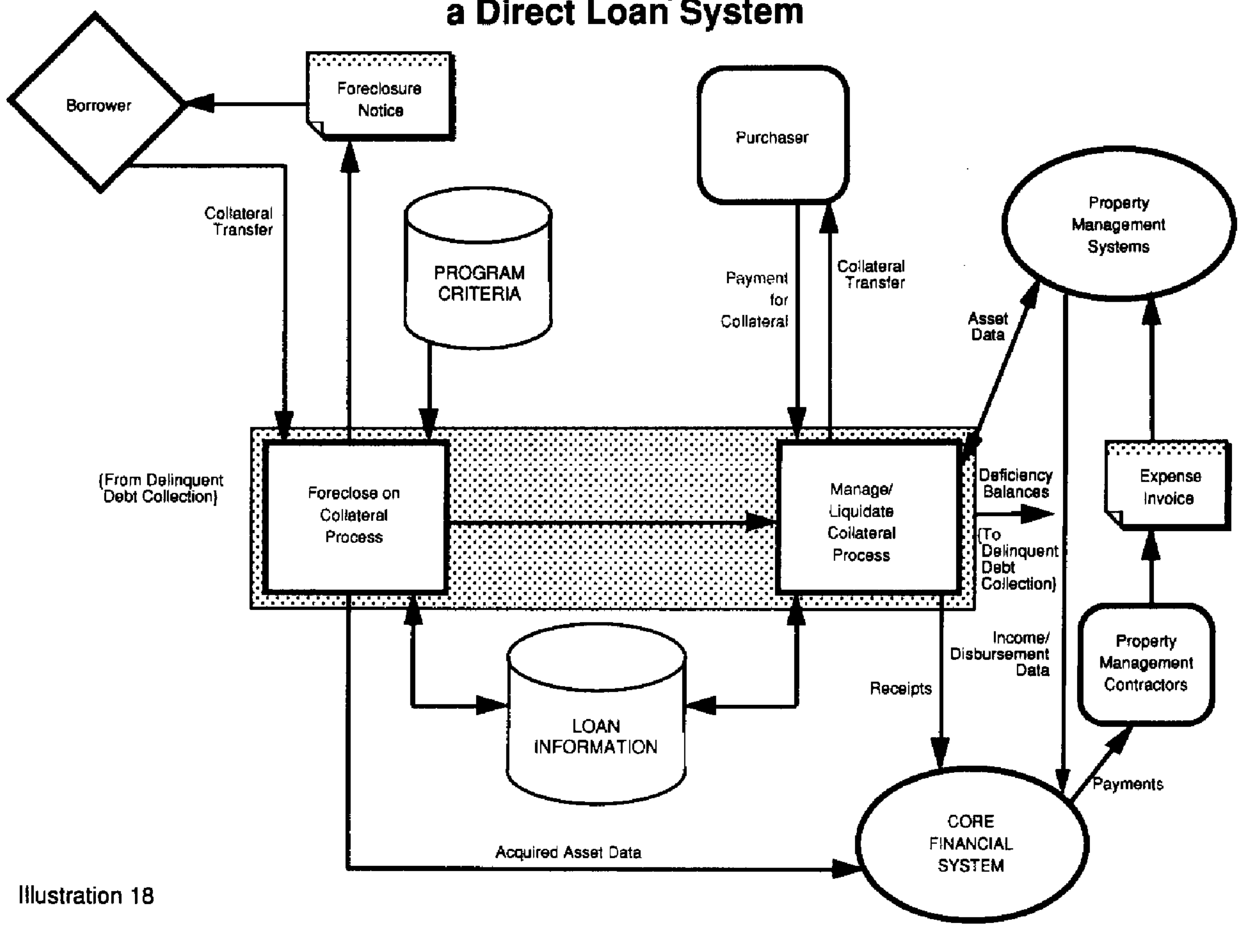

Illustration 18

- Foreclose on Collateral, and
- Manage/Liquidate Collateral

Foreclose and Liquidate Collateral: Foreclose on Collateral Process

As shown on Illustration 19, the Foreclose on Collateral process consists of the following major activities:

- Identify Foreclosure Candidates, and
- Foreclose

Foreclose and Liquidate Collateral: Foreclose on Collateral Process

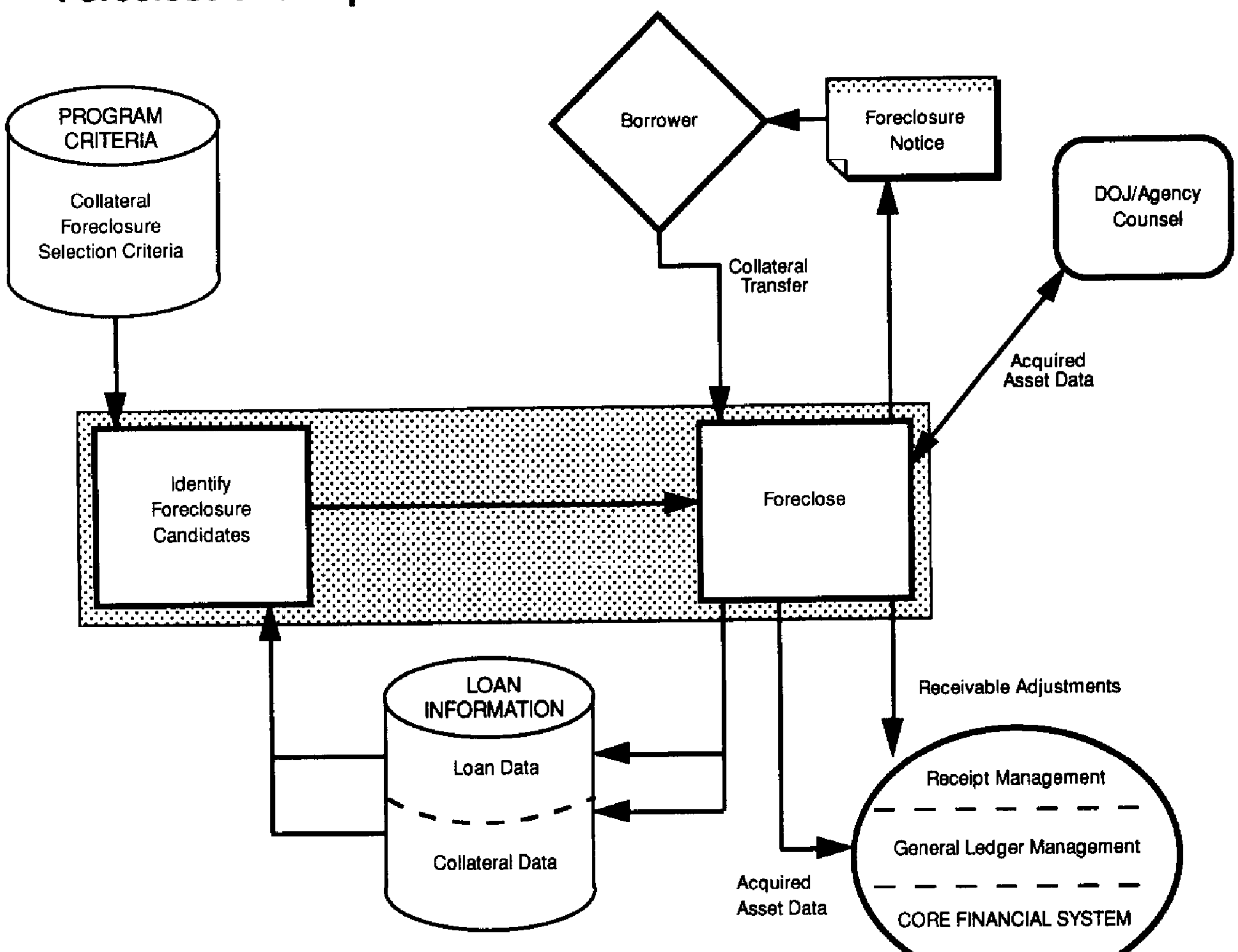

Illustration 19

Identify Foreclosure Candidates. Foreclosure on collateral may be initiated upon recognition of an unresolvable delinquency on collateralized direct loans. Collateral foreclosure includes identifying accounts eligible for foreclosure by comparing delinquent account data to agency collateral foreclosure selection criteria.

An automated system should:

- Compare delinquent account data to collateral foreclosure selection criteria.
- Sort and group selected delinquent accounts by type of collateral (single family or multifamily, commercial, farm, etc.), location, and amount of debt.
- Calculate outstanding principal, interest, penalties, and administrative charges for each loan account selected for review for foreclosure.

Foreclose. Once all outstanding principal, interest, penalties, and administrative charges for each foreclosure candidate have been calculated, the loan may be foreclosed. Foreclosing includes monitoring the foreclosure process and recording the results.

An automated system should:

- Transmit a foreclosure notice to the borrower.
- Transmit information necessary for the foreclosure to the Department of Justice and/or agency Office of General Counsel, as applicable.
- Record the results of the foreclosure proceedings and title conveyance to the agency.
- Provide an automated interface of data on acquired collateral to the property management system for management and liquidation of the property.
- Provide an automated interface to the core financial system to record the value of the property acquired and to reduce the receivable amount.

Foreclose and Liquidate Collateral: Manage/Liquidate Collateral Process

Collateral acquired by the agency should be liquidated (sold) to provide funds to recover the delinquent debt. Due to economic conditions, condition of the property, or other factors, the agency may decide to delay liquidation until conditions are more favorable. In that situation, the property must be managed until it is liquidated; this may involve making repairs, renting it out, etc.

As shown in Illustration 20, the Manage/Liquidate Collateral process consists of the following major activities:

- Manage Collateral, and
- Dispose of Collateral

Foreclose and Liquidate Collateral: Manage/Liquidate Collateral Process

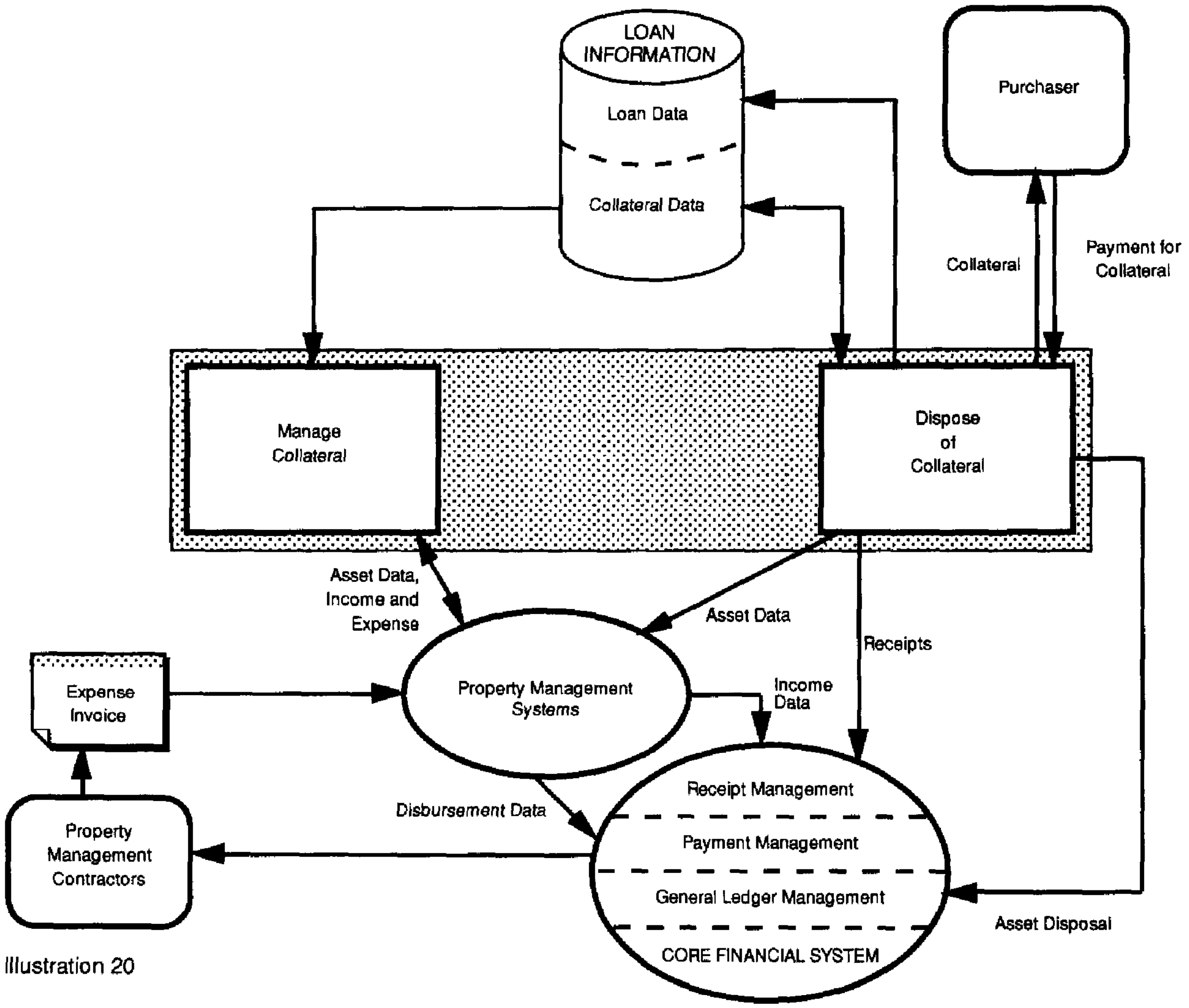

Illustration 20

Manage Collateral. This activity supports management of acquired collateral. If a property management system exists, some of these activities may be supported by that system rather than the direct loan system.

An automated system should:

- Generate payments to property management contractors for services rendered.
- Track, record, and classify operations and maintenance expenses related to the acquired collateral.
- Document rental income and other collections related to the acquired collateral.
- Post the expenses and income to the core financial system through an automated interface.

Dispose of Collateral. This activity supports the sale or other disposal of acquired collateral.

An automated system should:

- Update the loan information store to record receipts resulting from the liquidation of acquired collateral and the disposition of the collateral.
- Identify any deficiency balances remaining for the loan after collateral liquidation for further collection activities.
- Provide an automated interface to the core financial system and the property management system to record disposal of the property and associated receipts.

Internal Management Information Requirements

Listed below are internal management information requirements for the Delinquent Debt Collection function. This information should be available to agency credit program managers and designated internal review officials on a periodic or on an as requested basis. This list is not an all inclusive inventory of internal information requirements for the Delinquent Debt Collection function. Each agency must determine the specific management information needs necessary to manage its credit programs based on the agency mission and applicable statutory requirements. Agencies must maintain financial accounting information at appropriate levels of summary for computational and reporting purposes. The main levels are: transaction, loan history, risk category, cohort, and account. Each agency also must determine whether the information should be provided on hard copy reports or through system queries.

The direct loan system should provide at least the following types of management information:

Detailed Transaction History. This summary provides detailed account information by cohort for internal control and tracking, and, in the absence of an electronic interface to external entities, may be used to transfer data from the agency to the external entity to facilitate delinquent debt collection actions. Separate data summaries are produced for offset referrals, collection agency referrals, litigation referrals, and write-offs and close-outs.

Standard Management Control/Activity. This summary tracks the status of all referral activity including initial referrals, status updates, and account balance updates. Separate and summary listings are produced for individual and total reporting and referral activity.

Exceptions. This summary highlights deficiencies that have occurred in the referral process. Examples of subjects for periodic exception information include: delinquent accounts eligible for reporting that have not been reported, defaulted rescheduled loans, account referrals that cannot be processed, collection agency resolution percentage, accounts without foreclosure or collateral management activity for a specified period of time, accounts referred for litigation for which no litigation decision has been recorded, and delinquent accounts without activity for long periods of time that have not been written-off.

Offsetting Agency Description. This summary contains offsetting agency requirements to facilitate the offset referral process. The summary includes content and transmission specifications, reimbursement fee data, account selection criteria, and any other agency-specific details.

Trend Analysis/Performance. This summary highlights the effectiveness of different delinquent debt collection techniques over time. The summary indicates the effectiveness of using different types of collection actions for different credit programs.

Collection Contractor Compensation. This summary provides monthly account analyses to calculate, track, and verify compensation for each contractor providing collection services to an agency. This information aids in the verification of invoices received from the contractor, and highlights the differences in fee schedules among contractors.

Collateral Management Activity and Expense. This summary provides detailed and summary data of collateral management activity and expense data for monitoring collateral management activities that affect the value of the agency-owned property prior to disposition. All income earned and expenses incurred while the collateral is in the agency's possession must be recorded and tracked to support the agency's ability to recover the expenses.

This chapter provides requirements for two types of reporting:

Transaction History, and

External Reporting Requirements.

Transaction History

The direct loan system must be capable of producing a complete transaction history of the loan.

External Reporting Requirements

Agencies' direct loan systems must be capable of supporting the external reporting requirements of OMB and Treasury, including those associated with the Federal Credit Reform Act of 1990 and the Chief Financial Officers Act of 1990. These external reports rely on supplemental financial data resident in the direct loan system, although they are generated from the general ledger. The reports are presented below.

Title	*Form*	*Purpose*	*Level*	*Frequency*	*Guidelines*
Apportionment and Reapportionment Schedule	SF-132	Request for and status of apportionments and reapportionments	Appropriation/Fund Account (Liquidating Fund)	Initial/As required	OMB Circular A-34
Apportionment and Reapportionment Schedule	SF-142	Request for and status of apportionments and reapportionments	Appropriation/Fund Account (Program and Financial Funds)	Initial/As required	OMB Circular A-34
Report on Budget Execution	SF-133	Report on utilization and status of budget resources	Appropriation/Fund Account (Liquidating Fund)	Monthly/ Final	OMB Circular A-34
Report on Budget Execution	SF-143	Report on budget resources available	Appropriation/Fund Account (Program and Financing Funds)	Monthly/ Final	OMB Circular A-34
Report on Accounts and Loans Receivable Due from the Public	SF-220-9	Report on the status of receivables due from the public	Supporting form for SF-220	Quarterly/ Annually	1 TFM 2-4100
Information Returns	1099-G	Provide information to the Internal Revenue Service on discharged debts	Taxpayer Identification Number	Annually	IRS instruction for forms 1099, 1098, 5498, and W-2G

Other Reporting Requirements

Other system outputs are described in the Functional Requirements chapter. These include items such as letters and invoices to borrowers, SF-1151's and SF-1080's used in Treasury borrowing, and delinquent debt information sent to credit bureaus, collection agencies, and the Department of Justice.

Requests for copies of JFMIP reports should be sent to:

Joint Financial Management Improvement Program
666 11th Street NW, Suite 320
Washington, DC 20001-4542

Telephone (202) 512-9209
Fax (202) 512-9593

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