

Glossary

ACCELERATION	is declaring the full amount of a debt due and payable in the event that a debtor defaults on the terms of an installment payment agreement. Acceleration is permitted in accordance with an <i>acceleration clause</i> included in the agreement.
ACCOUNT SERVICING	includes monitoring the status of accounts of indebtedness, monitoring records of current debts, billing for amounts due, collecting amounts due, handling debtor correspondence, performing follow-up functions, and providing accurate reporting of debt portfolios.
ACCRUE	is the process of increasing account value, usually associated with interest or other time-dependent increments of account value.
ACTIVE COLLECTION	means that the debt is being collected through the use of all appropriate debt collection remedies, including but not limited to, demand letters, credit bureau reporting, offset, garnishment, foreclosure, litigation, and referral to the Department of the Treasury (Treasury) for collection (known as cross-servicing).
ADMINISTRATIVE COSTS/ LATE CHARGES	are additional costs incurred in processing and handling a debt because it has become delinquent. Costs should be based on actual costs incurred or cost analyses which estimate the average of actual additional costs incurred for particular types of debt at similar stages of delinquency. Administrative costs should be accrued and assessed from the date of delinquency. (See “Delinquent.”)
ADMINISTRATIVE OFFSET	is to withhold money payable by the Government to or held by the Government for a person or entity in order to satisfy a debt that the person or entity owes.

Glossary

**ADMINISTRATIVE WAGE
GARNISHMENT (AWG)**

is a process whereby a Federal agency issues a wage garnishment order to a delinquent debtor's non-Federal employer. No court order is required. The employer withholds amounts from the employee's wages in compliance with the order and pays those amounts to the Federal creditor agency to which the employee owes a debt.

APPRAISAL

is a formal valuation of property, made by a competent authority.

ASSET

is any item of economic value either physical in nature (such as land) or a right to ownership, expressed in cost or some other value, which an individual or entity owns.

**AUTOMATIC STAY IN
BANKRUPTCY**

is the statutory court order that prohibits a creditor from pursuing further collection action against a debtor while the debtor's bankruptcy is pending.

BANKRUPTCY

is a legal procedure for dealing with debt problems of individuals and businesses; specifically, a court case filed under one of the chapters of title 11 of the United States Code (Bankruptcy Code).

**BARRING DELINQUENT
DEBTORS**

is a statutory requirement under the Debt Collection Improvement Act of 1996 that prohibits persons delinquent on a Federal non-tax debt from receiving Federal financial assistance in the form of a Federal loan, or a federally guaranteed or insured loan.

CENTRALIZED OFFSET

or Treasury Offset Program (TOP) is a process that allows agencies to submit delinquent debts to one centralized location, Financial Management Service, for collection through the offset of all eligible Federal payments.

Glossary

CLAIM	<p>is interchangeable and synonymous with the term “debt,” for purposes of this document. (See “Debt”.)</p> <p>Alternative meanings of the word “claim” include a request (1) submitted by a lender for Government payment of a defaulted guaranteed loan; (2) filed with the Department of Justice for the pursuit of litigation and/or enforced collection of an account; or (3) filed with an agency for the payment of an amount considered due to the submitting individual or organization, such as for medical insurance.</p>
CLAIMS COLLECTION LITIGATION REPORT (CCLR)	<p>is a Department of Justice form for use in referring debts to the Department of Justice for litigation and enforced collection. The CCLR is also used for the referral of debts to the Department of Justice for its concurrence on a proposed compromise, suspension or termination of collection action.</p>
CLOSE-OUT	<p>is one of two classifications of write-off. An agency <i>closes out</i> a debt when it determines that further debt collection actions are prohibited (for example, a debtor is released from liability in bankruptcy) or the agency does not plan to take any future actions (either active or passive) to try to collect the debt. At close out, an agency may be required to report to the IRS the amount of the debt as potential income to the debtor on IRS Form 1099.</p>
COLLATERAL	<p>is any property pledged as security for a loan.</p>
COLLECTION	<p>is the process of receiving amounts owed to the Government, such as payment on a debt.</p>
COMMERCIAL	<p>is an adjective used to signify a business activity, regardless of whether that activity has been undertaken by an individual or business. For example, a loan to a farmer to purchase additional land for farming would be considered a commercial loan.</p>

Glossary

COMPROMISE	is to accept less than the full amount of the debt owed from the debtor in satisfaction of the debt. Also referred to as “settlement.”
CONSUMER	is an adjective used to signify a personal activity. For example, a loan to a farmer to buy a personal residence would be considered a consumer loan.
CREDIT	is a promise of future payment in kind or in money given in exchange of present money, goods, or services.
CREDIT BUREAU (aka CREDIT REPORTING AGENCY)	is a private sector entity which collects financial information on debtors and whose reports on debtors reflect information received from the public and private sectors.
CREDIT EXTENSION	involves the review and approval of requests for short and long-term credit.
CREDIT MANAGEMENT/ DEBT COLLECTION CYCLE	is the complete credit process which is composed of four phases; credit extension, account servicing, delinquent debt collection, and termination/write-off/close-out/discharge of indebtedness.
CREDIT REPORT	is a document issued by a credit bureau containing data about the credit history of a person.
CREDIT REPORTING AGENCY	See “credit bureau”
CREDITOR AGENCY	refers to a Federal agency that is owed money by a person.
CROSS-SERVICING	is the process whereby agencies refer delinquent Federal nontax debts to FMS for collection. FMS applies a variety of collection tools once agencies refer their debts.

Glossary

CURRENTLY NOT COLLECTIBLE

is one of two classifications of write-off. At the time of *write-off*, an agency should classify the debt as *Currently not collectible (CNC)* when it intends to continue cost effective debt collection action.

DEBT

is interchangeable and synonymous with the term “claim,” for purposes of this document. It refers to an amount of money or property which has been determined by an appropriate Federal official to be owed to the U.S. from any person, organization, or entity other than another Federal agency.

Included as debts are amounts due the U.S. from loans, fees, duties, leases, rents, royalties, services, sales for real or personal property, overpayments, fines, penalties, damages, taxes, interest, forfeitures, and other sources.

DEBT COLLECTION

describes the efforts to recover amounts due after the debtor fails to make the payment. This activity includes the assessment of the debtor’s ability to pay, the exploration of possible alternative arrangements to increase the debtor’s ability to repay and other efforts to secure payment.

DEBT COLLECTION STRATEGY

is an organized plan of action incorporating the various collection tools to be used by an agency to recover debt. Each agency should establish and implement effective collection strategies that suit the agency’s programs and needs.

DEFICIENCY

represents that portion of a loan which remains outstanding after collateral property has been liquidated (converted to cash) and applied to the outstanding balance.

Glossary

DELINQUENT

A debt becomes delinquent when (1) payment is not made by the due date or the end of the "grace period" as established in a loan or repayment agreement, in the case of debt being paid in installments (*the date of delinquency is the payment due date*); or (2) payment is not made by the due date specified in the initial billing notice, in the case of administrative debts such as fines, fees, penalties, and overpayments. The due date is usually 30 days after the agency mailed the notice. *The date of delinquency for administrative debts is the date the agency mailed or delivered the billing notice.*

DEMAND LETTER

is a written notification sent by the agency to the debtor to notify the debtor of the debt's delinquent status when the debt is not resolved after the initial contact with the debtor. The demand letter may include notice of various debt collection tools that could be used to collect the debt, as well as opportunities to avoid the debt collection actions.

DISCHARGE

is to satisfy a debt as a legal obligation through the performance of the obligation(s) imposed under the debt instrument, such as to pay the debt in full, or through another action such as a compromise.

DISCHARGE IN BANKRUPTCY

is a release of a debtor from liability for certain debts. A discharge in bankruptcy prevents the creditors owed those debts from taking any action against the debtor or the debtor's property to collect the debt.

DISCHARGE OF INDEBTEDNESS

is an amount of a debt which will not or cannot be collected from a debtor and is defined as income to the debtor that may be taxable under the Internal Revenue Code. There are eight identifiable events under IRS regulations that trigger reporting discharge of indebtedness to IRS on Form 1099-C.

Glossary

DISPOSABLE PAY	is an amount of a person's wages based on subtracting from gross pay certain statutory or regulatory deductions from gross pay (such as income taxes). Disposable pay is used to determine the amount which can be offset from a Federal Salary, and is used to determine the amount which may be collected from a debtor's non-Federal pay through administrative wage garnishment.
DUE PROCESS	in the context of Federal debt collection, the constitutional right of "due process" requires an agency to provide debtors with <i>notice</i> of, and the <i>opportunity to dispute</i> , a debt or intended debt collection action. The Fifth Amendment to the United States Constitution provides that no person shall "be deprived of life, liberty or property without due process of law. . . ."
FEDERAL CLAIMS COLLECTION STANDARDS	are the Governmentwide debt collection standards published jointly by Treasury and the Department of Justice in Title 31 of the Code of Federal Regulations (CFR), Parts 900 through 904 (31 CFR Parts 900 – 904).
FINANCIAL ADVISOR	assists and represents the interests of an agency during a portfolio sale.
FORECLOSURE	is a legal proceeding to terminate a mortgagor's interest in property, instituted by the lender (the mortgagee) either to gain title or to force a sale in order to satisfy the unpaid debt secured by the property.
IRS FORM 1099-C/ CANCELLATION OF DEBT	is the form a creditor uses to report to the Internal Revenue Service a discharge of indebtedness.
INSURANCE	is a type of guarantee in which any agency pledges the use of accumulated insurance premiums to secure lenders against default on the part of borrowers. "Loan insurance" is considered the equivalent of a "loan guarantee."

Glossary

INSTALLMENT LOAN/ AGREEMENT

represents an obligation to repay monies borrowed or owed in more than one payment at fixed intervals over time.

INTEREST

is a sum paid or calculated for the use of capital. Financing interest is the charge assessed as a cost of extending credit as distinguished from additional interest which is the charge assessed on delinquent debts in order to compensate the Government for the time value of money owed and not paid when due. Additional interest is accrued and assessed from the date of delinquency.

JOINT AND SEVERAL LIABILITY

is liability shared by two or more parties, where each party is individually responsible for the entire obligation or debt.

LATE CHARGES

are the amounts accrued and assessed on a delinquent debt; the term includes administrative costs, penalties, and additional interest.

LEGALLY ENFORCEABLE

is a condition precedent for a debt being eligible for referral to FMS for collection action. A debt is considered *legally enforceable* for purposes of referral for cross-servicing if there has been a final agency determination that the debt is due and there are no legal bars to one or more of the collection actions to be taken by FMS.

A debt is considered *legally enforceable* for TOP purposes if there has been a final agency determination that the debt is due and there are no legal bars to collection through the offset of Federal payments.

LETTER OF AGREEMENT

is a document that details the terms of the cross-servicing arrangement between FMS and the agency referring debts to FMS.

LIABILITY

represents an amount owed (i.e., payable) by an individual or entity, such as for items received, services rendered, expenses incurred, assets acquired, construction performed, and amounts received but not yet earned.

Glossary

LITIGATION	means any lawsuit or other resort to the courts to determine a legal question or matter. Litigation may be used, where appropriate, to enforce collection on a debt.
LIQUIDATION	is the process of converting collateral to cash in order to pay all or a portion of the debt.
LOAN	is an extension of credit in exchange for a promise to repay the amount of funds available for disbursement after they have been disbursed. The amount of funds disbursed is to be repaid (with or without interest and late fees) in accordance with the terms of a promissory note and/or repayment schedule.
<i>Direct Loan</i>	is an obligation created when: the Government agrees to disburse funds and contracts with the debtor for repayment, with or without interest; the Government acquires a guaranteed loan in satisfaction of a default or other claim; a Federal agency purchases non-Federal loans through secondary market operations; or an agency sells assets on credit terms of 90 days or more.
<i>Guaranteed loan</i>	is a contingent liability created when the Government assures a private lender who has made a commitment to disburse funds to a borrower that the lender will be repaid to the extent of the guarantee in the event of default by the debtor.
LOAN-TO-VALUE RATIO	represents the proportion of the amount of a loan to the value being pledged to secure that loan. It is derived as follows: total financing costs (i.e., the market value of the collateral plus the financed portion of any closing costs, insurance premiums, or other transaction-related expenses less the borrower's cash downpayment) divided by the market value of the collateral.
LUMP SUM PAYMENT	is a single nonrecurring payment on a debt. This term is used most often when a payment is made to pay a debt in full.

Glossary

NON-CENTRALIZED OFFSET	is ad hoc offset on a case-by-case basis. An agency should use centralized offset (Treasury Offset Program) to effectuate offset except in certain limited circumstances as explained in Chapter 6.
OFFSET	See “Administrative Offset” above.
PASSIVE COLLECTION	means that the debt is no longer being actively collected; that is, the debt remains secured by a judgment lien or other lien interest, has not been removed from the Treasury Offset Program (TOP) or is otherwise being collected by offset; and/or is scheduled for future sale.
PENALTY	is a charge assessed on delinquent debts to discourage delinquencies and encourage early payment of the delinquent debt in full. The rate to be assessed is set by law at no more than 6% per year and is assessed on the portion of a debt remaining delinquent more than 90 days, although the charge will accrue and be assessed from the date of delinquency.
PERSONAL PROPERTY	consists of tangible, movable assets, such as automobiles, planes, and boats.
PRE-AUTHORIZED DEBIT	is a form of payment which allows the agency to debit the bank account of a borrower/debtor as a result of a prior agreement between the borrower/debtor and the agency on a pre-determined schedule consistent with applicable laws.
PREPAYMENT	is a partial or full repurchase or other advance deposits of outstanding loan principal and interest by the borrower/debtor. The repurchase often may be made at a discount from the current outstanding principal balance.
PRINCIPAL	is the amount owed to the Government by a borrower or other debtor which excludes interest, penalties, administrative costs, loan fees, and prepaid charges.

Glossary

**PRIVATE COLLECTION
AGENCY**

is a private sector entity whose primary business is the collection of delinquent debts.

PROOF OF CLAIM FORM

is an official form submitted in a bankruptcy proceeding describing the reason a debtor owes a creditor money.

REAL PROPERTY

consists of tangible, non-movable assets, such as land and buildings.

RECEIVABLE

is an amount owed the Government by an individual, organization, or other entity to satisfy a debt or claim. Examples of receivables generated by Government activities include amounts due for taxes, loans, the sale of goods and services, fines, penalties, forfeitures, interest, and overpayments of salaries and benefits.

RECOUPMENT

is a special type of offset of a payment made under a contract to collect a claim arising under the same contract.

RECURRING PAYMENTS

for the purposes of centralized offset, recurring payments are those payments made to individuals that are expected to be paid to the payee at regular intervals, at least four times annually. Recurring payments do not include payments made pursuant to a contract, grant agreement or cooperative agreement.

REPAYMENT AGREEMENT

establishes the terms and conditions governing the recovery of a debt. Repayment agreements should be written or reduced to writing as soon as possible after such an agreement is reached.

RESCHEDULING

is a change in the existing terms of a loan, specifically those that reflect repayment of the debt.

Glossary

ROUTINE USE	is a use identified in an agency's Privacy Act system of records notice that describes to whom information pertaining to individuals may be disclosed and for what purpose. One or more routine uses may be necessary to authorize the disclosure of information about an individual debtor for delinquent debt collection purposes.
SALARY OFFSET	is the process of collecting a delinquent Federal nontax debt from a Federal employee's current pay without his or her consent. Salary offset should be accomplished through centralized offset, unless centralized offset is unavailable.
SECURED DEBT	is a debt for which collateral has been pledged.
SERVICER	is an entity under contract to a lender or agency to perform account servicing functions.
SUSPENSION OF COLLECTION ACTION	is to place active collection action temporarily in abeyance due to the existence of a particular set of circumstances. Suspension of collection action is most appropriate in those cases where an agency has reason to believe that the suspension will enhance the chances of recovery, or, at minimum, will not endanger the recovery of the debt.
SYSTEM OF RECORDS	is a term under the Privacy Act of 1974 that describes a group of records under the control of an agency from which information about individuals is retrieved by the individual's name or other personal identifier. When an agency has a "system of records," certain requirements and restrictions delineated in the Privacy Act of 1974 apply to the collection, maintenance, use and dissemination of the records and information.
TAXPAYER IDENTIFYING NUMBER (TIN)	is the Social Security Number (SSN) for individuals or the Employee Identification Number (EIN) for business organizations or non-profit entities.

Glossary

TERMINATE COLLECTION ACTION

is a decision to cease **active collection** action on a debt, in accordance with criteria set out in the Federal Claims Collection Standards, because such collection action is not economically worthwhile or is otherwise inappropriate. The program decision to terminate collection action and the accounting decision to write-off a debt often coincide, however, the determinations to terminate collection action and to write-off a debt are made for different reasons, and where appropriate and consistent with the agency's debt collection strategy for a particular class of debts, may be made at different times.

TREASURY REPORT ON RECEIVABLES DUE FROM THE PUBLIC (*TROR*)

is the Department of the Treasury's only comprehensive means for periodically collecting data on the status and condition of the Federal Government's non-tax debt portfolio, in accordance with the requirements of the Debt Collection Act of 1982 and the Debt Collection Improvement Act of 1996 (DCIA). The information contained in the report is obtained from the various federal agencies and is disseminated to Congress, the Office of Management and Budget, agency Chief Financial Officers, the Federal Credit Policy Working Group, other officials and representatives of Federal and state organizations, private sector organizations, and the public.

WORKOUT GROUP

is a group established within an agency, whose sole purpose is to resolve or attempt to resolve troubled debts.

WRITE-DOWN

is an action taken rather than write-off where an agency reduces the value of a debt for accounting purposes to its collateral's net realizable value. The agency may not write-down non-collateralized debts.

WRITE-OFF

is an accounting action that results in reporting the debt/receivable as having no value on the agency's financial and management reports. The agency does not need DOJ approval to *write-off* a debt since the agency is only adjusting its accounting records.