

May 21, 2001

## DEBT MANAGEMENT

**1. REASON FOR ISSUE:** To revise Department of Veterans Affairs (VA) debt management policy, formerly contained in VA Manual MP-4, Part VIII, Chapters 1, 2, and 7D, and Appendix A.

**2. SUMMARY OF CONTENTS/MAJOR CHANGES:** This directive sets forth the policies and responsibilities for the collection of debts owed to VA. The directive contains:

a. General policy statements regarding the collection of debts in accordance with a uniform Department-wide system and the scope of application of the directive and related handbooks.

b. Statutory and regulatory authority for the collection of debts owed to VA.

c. Responsibilities and authority of organizational elements within VA to make various determinations concerning the collection and disposition of debt.

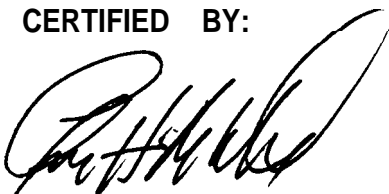
d. Definitions of basic terminology found in this directive and related handbooks.

**3. RESPONSIBLE OFFICE:** Cash and Debt Management Division (047GC1), Office of the Deputy Assistant Secretary for Finance.

**4. RELATED HANDBOOKS:** All VA Handbooks in the 4800 series.

**5. RESCISSIONS:** MP-4, Part VIII, Chapters 1, 2, and 3, dated September 22, 1992.

CERTIFIED BY:



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BY DIRECTION OF THE SECRETARY  
OF VETERANS AFFAIRS



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Distribution:

## DEBT MANAGEMENT

**1. PURPOSE.** This directive sets forth the policies of the Department of Veterans Affairs (VA) for the collection of claims for money or property owed to the Department. It also provides guidance on compromising claims, suspending or terminating collection action, referring claims to other federal agencies or private contractors for specified collection activity, and referring uncollectible claims to the Department of Justice (DOJ) or Regional Counsels (RCs) for litigation. These policies have been established to increase the Department's efficiency in establishing and collecting accounts receivable. This issuance addresses the standards for the administrative collection of such claims when other regulations covering collection activity are incomplete or silent. The standards contained in this issuance shall not increase or diminish the Department's authority to refer claims for litigation, nor shall they diminish its existing authority to collect, settle, compromise, suspend, or close claims.

### 2. POLICY

**a. Scope of Directive.** This Directive will take precedence unless there exist other statutes, regulations, contracts or delegations of authority which already establish authority and standards to cover the collection, compromise, suspension, termination or litigation of debt owed to the Department. If a user of this Directive finds any conflict between this Directive and any other regulation, rule, manual, issuance or other material, the user should immediately report the conflict (in writing) to the Cash and Debt Management Division (047GC1), 810 Vermont Ave, N.W., Washington, D.C. 20420.

**b. General.**

(1) In order to ensure a uniform system of debt collection and control within the Department, all components involved in debt collection activities shall adhere to the policies contained in this issuance.

(2) One set of specific rules for recovery of debts due the United States cannot be prescribed for use in all instances because the circumstances pertaining to indebtedness vary widely. However, all VA components involved in debt collection shall always take prompt and aggressive collection action, and will employ effective follow-up procedures utilizing every reasonable effort consistent with the nature and amount of the indebtedness. Wherever possible, components will recover claims due from debtors by direct collection in lump sums. Otherwise, collection will be effected by offset against moneys due to the debtor from the Federal Government, or if offset is not available, by installment payments. Only when these options prove unworkable will VA pursue other avenues of collection.

(3) When VA's efforts do not prove effective, most debts that are over 180 days delinquent must be referred to the Department of the Treasury for cross-servicing.

(4) Since it is recognized that, in pursuing collection of debts involving insignificant amounts, there is a point of diminishing returns beyond which certain collection efforts (or any efforts) are not justified, each administration and staff office may develop threshold amounts for appropriate collection efforts for each type of debt. For example, at the time of this writing, termination awards processed in the CP&E systems do not create receivables of less than \$5 after application of any available offset deductions, and in the insurance system liens of less than \$5 are written off if there is no active insurance policy from which collection can be effected. For other types of debts, the administrations or the controlling fiscal activity may

develop similar threshold amounts. Threshold amounts below which no collection action will be taken should be set, and other thresholds may be set at higher amounts for specified, limited collection actions. Each Administration or staff office responsible for the administration of debt collection programs should review collection costs and results annually to determine appropriate threshold amounts. The Office of Financial Policy (047GC) must approve such threshold amounts.

(5) Special consideration should be shown to a veteran-debtor who has reenlisted or reentered active service as a result of a national emergency situation. Discretion and good judgment should govern collection actions where the debtor is in the military service and is also stationed overseas.

**c. Collection by Offset.** (Reference VA Handbook 4800.1, VA Collection Standards)

(1) When collection in one lump sum payment cannot be effected, collection by offset should be accomplished whenever possible. Offset may be made from almost any payment due to the debtor from the Federal Government, including VA salary payment, VA benefit payments, and payments to vendors, Offset from other payments such as non-VA federal salary, non-VA benefits, income tax refunds, and any other payment not issued by VA must be performed by the Department of the Treasury through the Treasury Offset Program.

(2) Collection by offset from benefit payments is limited to debts resulting from participation in a VA benefit program or from the receipt of medical care or services at a VA facility. Such offset authority is not limited to recovery of overpayments and debts resulting from the provision of medical care. This authority may also be used to recover defaulted loans and other types of benefit debts. When collecting a debt by periodic offset from VA salary or benefit payments, the amount withheld should be sufficient (subject to statutory limits) to liquidate the debt within the period that such pay or benefit payment is expected to continue (5 U.S.C. §5514, 38 U.S.C. §5314; 33 Comp. Gen. 443).

(3) For debts greater than \$50, offsets of less than \$50 per month may be approved only if justifiable on grounds of hardship or some other reasonable cause. The special monthly pension awarded to a person whose name has been entered on the Army, Navy, Air Force, and Coast Guard Medal of Honor Roll may not be offset involuntarily. Burial awards may not be offset except to recover duplicate burial payments made to the same payee, and involuntary offset of an overpayment made to a payee in one capacity will not be made from benefits currently being paid in another capacity (e.g., payments made to a person acting in a fiduciary capacity for a beneficiary may not be offset to collect a debt that the fiduciary incurred as a beneficiary).

**d. Collection by Installment (Debtor not in receipt of benefits or due other payments from VA).** (Reference VA Handbook 4800.1) If the debtor is financially unable to pay the indebtedness in one lump sum and VA is not aware of any possibility for offset from Federal payments, payment may be accepted in regular installments. Arrangements to pay by installments should provide for complete liquidation within a reasonable time, considering the size of the debt and the debtor's ability to pay, and should not normally extend more than 3 years. When the debt is greater than \$50, installment payments of less than \$50 per month should be accepted only if justifiable on grounds of hardship or some other reasonable cause.

**e. Communication with Debtors.** (Reference VA Handbook 4800.1)

(1) Letters and replies to debtors' inquiries should be forceful but not threatening in tone, and must explain clearly and in detail to the debtor the circumstances or reason for establishing the indebtedness.

(2) In order to maintain internal control, follow-up on delinquent debts will not be made by the agent cashiers since they collect and deposit funds. The follow-up function must be performed by personnel who do not have access to collections and deposits.

(3) Form letters and computer-generated letters for nonbenefit debts programmed in VA's automated financial systems are usually written by the DAS for Finance's VACO Cash and Debt Management Division (047GC1) and are concurred in by the proper components in VHA and, if necessary, the General Counsel. They may not be altered or changed by field stations. The Debt Management Center (DMC) has authority to develop and revise letters programmed in the Centralized Accounts Receivable System (CARS) or any other system it operates. The VHA CFO's Office has similar authority for its collection letters. VACO (047GC1) will maintain an oversight/approval function for DMC and VHA letters and may require General Counsel concurrence for some letters. Administration components may request that existing letters be changed to adjust to changing circumstances; however, the letters must be approved by (047GC1) prior to use. In special circumstances (other than first collection letters), dictated letters by field personnel may be used when the form or computer-generated letters are not appropriate. Form and computer-generated letters do not require a signature.

f. **Demand letter requirements.** (Reference VA Handbook 4800.1)

(1) For all debts, the first demand letter is to be sent to the debtor as soon as the debt is established. If charges are incurred but VA determines it is necessary or beneficial to delay establishment of the debt, the first letter should not be sent until the debt is established in the appropriate accounts receivable system (e.g., medical care charges that are put "on hold" are not billed until the charges are released and established in the accounts receivable system). The first letter must, at a minimum, contain the following information:

(a) A statement of the debt and the reason for it. The reason for the debt must be explained in sufficient detail to preclude additional correspondence from the debtor. Some letters generated from the Debt Management Center identify the type of debt (education, compensation, etc.), but do not indicate the specific reason for the debt since an explanation is previously given when the debtor is notified of the award action that created the debt.

(b) Notice of the right, and the time frame, that the debtor has to dispute the existence or amount of the debt.

(c) Notice of the right to appeal the Department's decisions underlying the debt.

(d) When applicable, notice of the right to request waiver of payment of an indebtedness,

1. within 180 days for most benefit debts,

2. within one year for defaulted home loan debts,

3. within three years for salary and travel overpayments, and

4. within 30 days (for all debts) to avoid commencement of recoupment by offset, when applicable.

(e) Notice of the right to an oral hearing on the issue of waiver before a decision is rendered.

(f) Notice of the right to a refund of recovered moneys when waiver is granted (when applicable).

(g) Notice of where assistance may be obtained to aid the debtor in requesting a waiver or in disputing the existence or amount of a debt.

(h) Notice that interest will be charged at a specified rate from the date of that letter unless payment in full is received within 30 days from the date of that letter, that administrative costs will be charged at a specified monthly rate (subject to change annually) from the date the debt becomes delinquent, and, for nonbenefit debts, notice that penalty charges will be assessed at six percent per annum if a debt is delinquent more than 90 days.

(2) If no response is received, additional demand letters may be sent containing such language and at such intervals as is deemed appropriate in each case. These additional letters should not be sent when a debtor's response to the initial letter clearly indicates that further demands would be futile and the response does not require a rebuttal, or when a determination is made that it is not cost effective to send more than one letter. Examples of when subsequent letters may not be productive would be when the debtor absolutely refuses to pay the debt even though the debt is acknowledged, or when the dollar amount of a receivable is so low (e.g., \$25 or less) as to not warrant more than one letter. The CFO for each Administration and the DAS for Finance, or their designees, should issue policy governing the issuance of additional collection letters. If any additional collection action is intended (i.e., VA does not intend to suspend or terminate collection activity), at least one letter must be sent to advise the debtor of the consequences of not paying the debt (e.g., referral to consumer reporting agencies, to private collection agencies, to the Treasury Department for administrative offset, or to the RC or DOJ for enforced collection). All information regarding the consequences of failure to pay may be -- but does not have to be -- contained in the first demand letter.

(3) For debts resulting from the default of a guaranteed or direct home loan, the first demand letter must be sent by certified mail - return receipt requested. Otherwise, the time allowed to request waiver would not be limited and collection by administrative offset from federal payments other than VA benefits may not be an available course of action.

**g. Credit Reports.** (Reference VA Handbook 4800.1) The Chief of the fiscal activity is authorized to obtain credit reports on persons who are indebted to VA. These reports may be requested and the information contained in them may be used for debt collection purposes only. Information contained in credit reports must be treated as confidential by VA personnel and may not be revealed to any persons except those involved in the collection process.

**h. Request for Internal Revenue Service (IRS) Address Locator Assistance.** (Reference MP-4, Part VIII, Chapter 4, Request for IRS Locator Assistance to be replaced by VA Handbook 4800.19). In accordance with 31 CFR §901.11, when attempting to locate a debtor in order to collect or compromise a debt, VA may send a request to the Secretary of the Treasury (or designee) to obtain a debtor's mailing address from the records of the IRS. Such mailing addresses may be disclosed to other agencies and to collection agencies for collection purposes.

**i. Late Payment Charges.** Penalties will be charged in accordance with standards spelled out in MP-4, Part VIII, Chapter 4, Late Payment and Other Charges (to be replaced by VA Handbook 4800.9), Interest, Administrative Costs, and Penalty Charges. VA Handbook 4800.9 will specify that the penalty will not be assessed to benefit debts such as those in CARS.

(1) Late charges will be charged on all debts except:

(a) Debts owed by the Canteen Service

(b) Claims against third-party payers (i.e., insurance companies) resulting from the provision of medical services to a veteran for a nonservice-connected disability or condition when such veteran is eligible to receive payment from the third party for the medical treatment. These claims are not legally enforceable debts.

(c) Debts paid in full by the payment due date as specified in the initial collection notification. The payment due date is defined as 30 days from the date of the initial collection letter unless an exception is granted by VACO (047GC1).

(2) Interest accrues from the date of initial notification although it is not actually assessed until the 31st day.

(3) Administrative costs will not be charged on debts paid in full within 30 days from the date of notification or on any debt where an acceptable repayment plan is received from the debtor within the initial 30-day period.

(4) A six percent penalty will be charged, in addition to interest and administrative costs charges, on any portion of a nonbenefit debt (including employee debts) that is more than 90 days past due. This charge does not apply to benefit debts (including home loan default debts and veteran medical care debts).

j. **Application of Payments.** When a debt is paid in partial payments or approved installment payments, payments received shall be applied in a timely manner and in the following order:

(1) Marshal Fees – 360869; Fees for legal and judicial services, not otherwise classified.

(2) Court Costs - 360869; Fees for legal and judicial services, not otherwise classified.

(3) Penalties - 363220; General Fund Receipt 361435, Proprietary Receipts, not otherwise classified.

(4) Administrative Collection Fees - 363220; General Fund Receipt 361435, Proprietary Receipts, not otherwise classified.

(5) Late Payment Interest - 361435; General Fund Receipt, Proprietary Interest, not otherwise classified. (Interest on Education Loan receivables goes into 35X41 18, and interest on Transitional Housing receivables goes into 36X8180.)

(6) Principal amount.

**Note:** In cases of contract debt, payments will be applied to contractual interest according to the terms of the contract and any relevant laws or regulations.

### 3. RESPONSIBILITIES

a. By Memorandum 00-92-2, Delegation of Authority – Federal Claims Collection Act and Title 38 U.S.C. Section 3720, dated March 11, 1992, (to be incorporated in 38 CFR §2.6(d)) the Secretary delegated authority under the Federal Claims Collection Act, as amended, to the Assistant Secretary for Management (Chief Financial Officer for VA) to:

(1) collect claims in any amount,

(2) suspend collection action on claims valued up to \$100,000,

(3) terminate collection action on claims valued up to \$100,000, and

(4) refer for litigation claims of any amount.

b. With the exception of debts under \$600, this directive redelegates from the Assistant Secretary for Management to the CFO for the Veterans Benefits Administration (VBA) and to the CFO for the Veterans Health Administration (VHA) the authority itemized above for all debts resulting from the operation of their respective administrations. This directive also redelegates this same authority to the Deputy Assistant Secretary for Finance for all debts under his/her collection jurisdiction, such as debt maintained at the Debt Management Center or by VACO Finance. Each administration CFO and the DAS for Finance may redelegate this authority as deemed appropriate down through the CFO structure to the field finance activity. It is recommended that substantial authority to suspend and terminate debts be delegated to the level of the Chief of the Fiscal Activity at field stations and the Director of the Debt Management Center. Any further redelegation of this authority must be documented by a written statement of such redelegation, and copies of the statement must be sent to the Cash and Debt Management Division (047GC1), the Delegation Control Officer, the Regional Counsel, and the General Counsel. For debts under \$600, this directive delegates the authority to terminate collection action directly to the Chiefs of the Fiscal Activity at VA field stations.

c. Supplement 2 to Memorandum 00-92-2, Redefinition of Authority – Federal Claims Collection Act and Title 38 U.S.C. Section 3720, dated September 10, 1992, designates the Deputy Assistant Secretary for Finance as the Department's Claims Collection Officer.

d. Title 38 CFR §1.955-1.970 authorizes, within certain limitations outlined in VA Handbooks 4800.3, Waiver of Debts, and 4800.4, Compromise of Debts, a Committee on Waivers and Compromises (COWC) at each field station having regional office activities to grant or deny waiver, and to accept or reject offers of compromise in those cases not disposed of by the Chief of the fiscal activity (see VA Handbook 4800.4, paragraph 5). Jurisdiction of the Committees encompasses benefit debts originating in the VBA and VHA (including settlement of breached career residency contracts), and erroneous payment of pay and allowances to employees of the department. In addition, RCs have the authority to close or compromise claims as outlined in 4 CFR Chapter II and pursuant to the agreement with the DOJ as prescribed in the Memorandum of Understanding between the DOJ and VA dated March 13, 1987.

e. Title 38 CFR §42.43 and §42.44 authorize the collection and offset of civil monetary penalties (GMP) and assessments from any amount due a person from the Government except tax refunds.

f. Committee on Waivers and Compromises. For authority granted to a regional office COWC, see VA Directive 4060, Committees on Waivers and Compromises.

g. Chief of the Fiscal Activity. References throughout this directive to the authority of the Chief of the fiscal activity at VBA and VHA stations to collect, suspend, write-off, or compromise "all debts" relate only to those claims not under the jurisdiction of the General Counsel or RCs as described in this subparagraph.

(1) The General Counsel and RCs are delegated authority under 38 CFR §2.6(e)(4)(i) for making appropriate determinations with respect to the litigable possibilities of a claim (38 CFR §1.932), the legal merits of a claim (38 CFR §1.942(e)), and other legal considerations of a claim.

(2) The General Counsel and RCs are authorized, under 38 CFR §2.6(e)(4)(ii) to collect in full a claim involving damage to or loss of Government property under jurisdiction of VA resulting from negligence or other legal wrong of a person (other than an employee of the Government acting within the scope of employment), and to compromise, suspend, or terminate any such claim not exceeding \$100,000.

(3) The General Counsel and the RCs have exclusive jurisdiction under 38 CFR §2.6(e)(4)(iii) to collect a claim in full from an individual or third-party who is liable for the cost of hospital, medical, surgical, or dental care and treatment of a person, and to compromise, suspend, or terminate any such claim not exceeding \$100,000.

(4) The RCs, under 38 CFR §2.6(e)(3) and §14.619(b), under the Federal Medical Care Recovery Act (FMCRA), 42 U.S.C. §2651, may collect in full any claim for the cost of VA medical care where the action which necessitated treatment was a tort. The RCs and General Counsel may compromise, settle, or waive claims not in excess of \$100,000. The RCs refer all claims for compromise, settlement, or waiver in excess of \$100,000 to the General Counsel for coordination with DOJ.

(5) The RCs, under 38 U.S.C. §1729 and 38 CFR §2.6(e)(10), may compromise, settle, or waive any claims for medical care provided for nonservice-connected disabilities of a veteran who is entitled to care or payment of the expense of care under a health plan contract, workers' compensation, or automobile accident reparations insurance. The General Counsel has exclusive jurisdiction to compromise, settle, or waive any such claims in excess of \$100,000.

(6) Public Law 96-466 granted authority to VA to authorize attorneys employed by VA to exercise VA's right to bring suit in any court of competent jurisdiction to recover debts owed to VA. This law specified that the activities of attorneys employed by VA in bringing suit would be subject to the direction and supervision of the DOJ. In a Memorandum of Understanding dated March 13, 1987, the DOJ granted authority to RCs in certain judicial districts to litigate VA benefit debts up to and including \$5,000. The maximum litigation authority for RCs in other judicial districts remains at \$1,200. VA has determined that it is not cost effective to refer benefit debts for litigation where the principal amount is less than \$600 unless they involve substantive legal or policy issues.

#### **4. REFERENCES**

##### **a. Statutory Authority.**

(1) Prior to 1966, DOJ handled all debt collection cases whenever a debt was uncollectible. The Federal Claims Collection Act (FCCA) of 1966 (Public Law 89-508), originally codified as Title 31 U.S.C. §§951-953, prescribes the authority for government agencies to collect, compromise, suspend, terminate, or refer for litigation debts owed to the Government. The FCCA was substantially amended by the Debt Collection Act (DCA) of 1982 (Public Law 97-365). This act authorized the assessment of various late payment charges such as interest, administrative costs, and a six percent penalty on many debts owed to the Government. Also in 1982, Title 31 was recodified and renumbered, without substantive change, as 31 U.S.C. §3701, §§3711-3719. The FCCA was again amended and recodified as 31 U.S.C. §§3711-3720E by the Debt Collection Improvement Act (DCIA) of 1996 (Public Law 104-134). Among other provisions, this act mandates government-wide cross-servicing of debt, government-wide administrative offset by disbursing officials, and administrative wage garnishment for debtors employed outside the Federal Government.



(2) Title 38 U.S.C. §§5301-5318 establishes VA's authority for the collection and disposition of debts resulting from participation in a benefits program administered by VA. This authority coincides with, and sometimes supercedes, the government-wide debt collection authority found in 31 U.S.C. §§3711-3720E. For example, VA has its own standards for waiver of benefit and home loan program debts (38 U.S.C. §5302), offset of VA benefit payments (38 U.S.C. §5314), and the assessment of interest and late payment charges on benefit and home loan program debts (38 U.S.C. §5315).

(3) Where there is an indication of fraud, the presentation of a false claim, or misrepresentation on the part of the debtor or any other person having an interest in the claim, the laws cited above apply only to limit the authority of VA. The DOJ has sole authority to compromise, suspend, or terminate collection action on such claims. These cases will be submitted to the Office of Inspector General (OIG) by the fiscal activity for review and referral to DOJ.

(4) The failure of the Department to comply with any provision(s) of the FCCA and its amending acts shall not be available as a defense to any debtor to reduce or preclude the collection of a debt (31 CFR 3900.8). Nothing in this issuance precludes the Department from disposing of any claim under statutes other than the FCCA which provide for the collection, compromise, termination or suspension of collection action or waiver in whole or in part of such a claim.

(5) Other commonly cited statutory references:

(a) The Veterans' Rehabilitation and Education Amendments (VREA) of 1980 (Pub. L. 96-466).

(b) Statute of Limitations (28 U.S.C. §2415-2416)

(c) Federal Medical Care Recovery Act (42 U.S.C. §2651-2653).

(d) 5 U.S.C. §5514, §5522, §5705, §5724(f), "Collecting debts by offset of accrued pay, compensation derived from Federal Service."

(e) Title 31 U.S.C. §3728, "Setoff against judgment."

(f) Privacy Act of 1974, 5 U.S.C. §552a, "Public Information; agency rules, opinions, orders, records, and proceedings."

(g) Spending Reduction Act of 1984, Section 2653 (Pub. L. 98-369, 98 Stat. 1153), "IRS Tax Refund Offset Program."

#### **b. Regulatory Authority.**

(1) Regulations implementing the DCA and amending acts are found in the Federal Claims Collection Standards, the joint regulations issued by the Treasury Department and the Attorney General of DOJ. The FCCA requires government agencies to issue their own implementing regulations in order to exercise the authority contained in the FCCA. The Department, in accordance with this FCCA requirement, amended 38 CFR 1.900, et seq. to implement collection procedures at VA. These regulations prescribe VA standards under both the Federal Claims Collection Standards and Title 38 U.S.C. §5301, et seq. They provide criteria for the collection, compromise, termination or suspension of agency debts including the referral of claims to the DOJ or RC.

(2) These regulations do not affect the right of debtors to request waiver of collection of an indebtedness under other laws, but govern only the disposition of unwaived claims. These regulations also do not apply to the handling of any claim where there is an indication of fraud, the presentation of a false claim, or misrepresentation on the part of the debtor or any other person having an interest in the claim. Only the DOJ has authority to compromise or terminate collection action on such claims. However, these regulations govern VA handling of specific claims where the DOJ has furnished notification that the alleged fraud, false claim, or misrepresentation does not warrant action by that department.

(3) Other commonly cited regulatory and procedural references:

(a) Title 20 CFR "Employees' Benefits," Section 404.515 "Collection and Compromise of Claims for Overpayments."

(b) U.S. Treasury Fiscal Manual, 1 TFM Part 6 Chapter 8000, "Cash Management" (Formerly 1 TFRM Part 6 Chapter 8000).

## 5. DEFINITIONS

a. **Agency.** Any department, office, commission, board, service, government corporation, instrumentality, or other establishment or body in either the executive or legislative branch of the Federal Government.

b. **Claims Collection Officer (CCO).** The person designated by the Assistant Secretary for Management to resolve uncollectible claims under the Federal Claims Collection Act (FCCA) and other debt-related VA statutes (for VA, the CCO is the Deputy Assistant Secretary for Finance).

c. **Close-out.** Close-out occurs when an agency, after determining that additional future collection efforts on a claim would be futile, reports the amount of a terminated debt to the IRS as potential income to the debtor on Form 1099G, "Statement for Recipients of Certain Government Payments." For debts that are not reportable to IRS (MP-4, Part VIII, Chapter 26, Reporting of Bad Debt/Discharge of Indebtedness to the Internal Revenue Service (to be replaced by VA Handbook 4800.17)), closeout never actually occurs. Note that a closed-out debt is irrevocably uncollectible, whereas a terminated debt (see subpar. l) that has not been closedout may be reactivated and collected.

d. **Compromise.** An agreement by the Government to accept from a debtor as payment in full an amount less than the full amount of the established debt.

e. **Debt/Claim/Receivable.** Any amount of money, property, or service determined by an appropriate VA official to be owed to the Department by any person, organization, or entity. For purposes of this manual, third-party medical claims (see subpar. m) are considered separately. They are considered "contingent receivables" and, unless such claims are specifically referenced, the policy and procedures in VA's debt collection handbooks and directives do not apply to them.

f. **Debtor.** Anyone who owes a debt to the Department. This includes individuals, corporations, partnerships, sole proprietorships, estates, trusts, other government agencies, and other legal entities against which the Department has a claim.

g. **Delinquent.** In the case of most administrative debts (e.g., overpayments) for which payment plans have not been established, delinquency occurs when payment is not made by the due date specified in the initial billing notice (usually 30 days from the date the notice is

mailed). For first-party medical care debts (see subpar. h), delinquency occurs 30 days after a charge first appears on a Patient Statement. In the case of a debt being paid in installments (e.g., direct loans), delinquency occurs when payment is not made by the due date or the end of the "grace period" as established in the loan or repayment agreement.

h. **First-party Medical Debt.** A debt owed by an individual and resulting from the provision of medical care or services under the provisions of Title 38 U.S.C., Chapter 17. These debts include prescription copayments (38 U.S.C. 1722A), inpatient and outpatient copayments (38 U.S.C. 1710 and 1712), per diem charges for hospital care or nursing home care (38 U.S.C. 1710 and 1712), and debts resulting from the provision of care on a humanitarian basis or to individuals who are not eligible for VA medical benefits.

i. **Litigation.** Referral of a debtor to the DOJ or an RC for appropriate legal proceedings to recover a debt owed to the Department.

j. **Offset.** The collection of a debt, in part or in full, from moneys a debtor is currently receiving or may receive in the future from the Government.

k. **Suspension.** A decision by the Government to temporarily stop collection activity until some future predetermined time(s) when collection activity will be resumed.

l. **Termination/Write-off** (Synonymous terms used interchangeably). A decision by the Government to stop all collection activity on a debt and to remove it from the accounting records. This decision is made when it is deemed that further collection activity will be fruitless or not cost effective at the time. Terminated debts may be reactivated and collected if they have not been closed out (see subpar. c). Though terminated debts may be reactivated, termination differs from suspension (see subpar. k) in that suspended accounts are not removed from the accounting records and will always be subject to future collection activity. In practice, terminated debts are not usually reactivated and collected, but since VA may not close out terminated *benefit* debts by reporting those debts to the IRS, terminated benefit debts may be reactivated and collected when circumstances warrant such action (e.g., when the debtor is awarded VA benefits). For non-benefit debts that may be closed out, termination may occur without close-out if there is reason to believe that collection action may be warranted at a future date.

m. **Third-party claim.** A claim against a party (i.e., insurance company, workers' compensation carrier, employer, or other responsible person) for reimbursement to VA for the cost of treating a veteran for a nonservice-connected disability or condition when that party is obligated to provide or pay the expenses of such treatment.