



Debt Collection



Debt Collection Improvement Act of 1996

- Maximize collections through employing all appropriate tools
- Centralize debt collection within Treasury
- Require proper screening of potential borrowers
- Foster information sharing between Treasury and Federal agencies
- Inform public of collection policies and procedures to ensure due process for debtors
- Encourage sale of delinquent debt
- Utilize the expertise of private sector contractors



Determining the Appropriate Collection Technique to Use

Debt Collection tools required by law:

- Demand for payment
- Add late charges to the debt (interest, penalties, and administrative costs)
- Report delinquent debts to credit bureaus
- Refer debts that are 180 days delinquent to FMS for Cross-Servicing
- Refer debts that are 180 days delinquent to FMS to be placed in the Treasury Offset Program (TOP) if debts have not been referred to TOP through the Cross-Servicing referral
- Bar delinquent debtors from receiving loans or loan guaranties
- Use any debt collection tools specifically mandated by agency statute or regulation



Exceptions to Mandatory Referral

- Debts in litigation.
- Debts in foreclosure.
- Debts scheduled for sale within 1 year under an approved asset sales program.
- Debts at a PCA with the approval of FMS.
- Debts at a Treasury designated debt collection center.
- Debts expected to be collected through internal offset within three years.
- Debts less than \$100 and the agency does not have a TIN.
- Debts exempt from mandatory referral by law, or by action of Treasury.



How do Laws, Regulations and Guidance Apply to Debt Collection?

The Debt Collection Authority Hierarchy

STATUTES

Agency Statutes

Federal Claims Collection Act

Debt Collection Act of 1982

Deficit Reduction Act of 1984

Debt Collection Improvement Act of 1996

REGULATIONS

Agency Regulations

Treasury Regulations (31 CFR part 285)

OPM Salary Offset Regs (5 CFR part 550)

Federal Claims Collection Standards (31 CFR parts 900-904)

OMB Circular No. A-129

GUIDANCE

Managing Federal Receivables

Agency Policies

Guide to the Federal Credit Bureau Program



Government-wide Regulatory References

Voluntary Payment

- Notice to the Debtor – Demand for Payment
- Lump Sum Payments/Installments
- Compromise

FCCS (31 CFR 901.2)
FCCS (31 CFR 901.8)
FCCS (31 CFR Part 902)

Involuntary Collection

- Collateral liquidation
- Interest, Penalty, Administrative Cost
- **Offset**
- Reporting to Credit Bureaus, etc.
- Private Collection Agencies
- Administrative Wage Garnishment
- Litigation
- Barring Delinquent Debtors
- Cross-servicing

FCCS (31 CFR 901.7)
FCCS (31 CFR 901.9)
Multiple (see next slide)
FCCS (31 CFR 901.4)
FCCS (31 CFR Part 901.5)
FMS Regulations (31 CFR 285.11)
FCCS (31 CFR Part 904)
FMS Regulations (31 CFR 285.13)
FMS Regulations (31 CFR 285.12)

Unable to Collect

- Termination of Collection Action
- Write-off
- 1099-C Reporting to IRS

FCCS (31 CFR Part 903)
OMB Circular No. A-129
IRS Regulations (26 CFR 1.6050P-1)



Government-wide Regulatory References Offset

Offset In General	FCCS (31 CFR 901.3)
Non-Centralized Offset	FCCS (31 CFR 901.3(c))
Centralized Offset at FMS	FCCS (31 CFR 901.3(b)) FMS Regulations (31 CFR 285.5)
Tax Refund Offset	FMS Regulations (31 CFR 285.2)
Benefit Payment Offset	FMS Regulations (31 CFR 285.4)
Salary Offset	OPM Regulations (5 CFR 550.1101-1110) and 31 CFR 285.7





Cross-Servicing

Jeff Schramek

Director

Birmingham Debt Management Operations Center



Cross-Servicing Program

GOALS:

- ✓ Collect Debt;
- ✓ Resolve Debt;
- ✓ Remove Debt from the Government's Receivables;
- ✓ Centralize Government Debt Collection.



How Agencies Participate

- Letter of Agreement detailing responsibilities of DMS and Creditor Agency
- Agencies must certify that:
 - debts are valid and legally enforceable in order to refer
 - due process has been completed
- Once LOA is signed and debt referrals begin, the Agency ceases all collection activity.



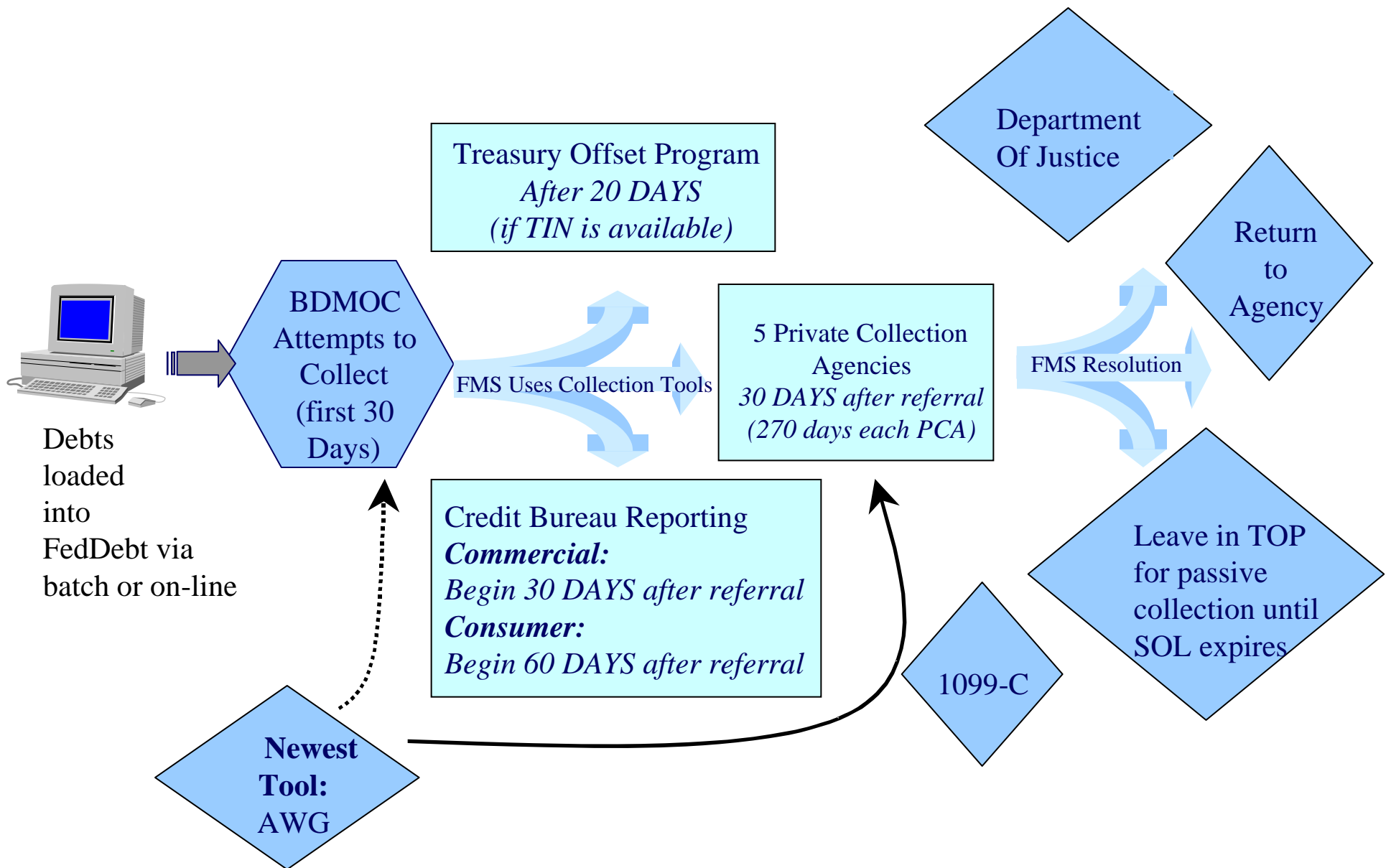
Cross-Servicing Collection Tools

- Demand letters & Phone Calls
- Payment Agreement Options
- Credit Bureau Reporting
- Treasury Offset Program
- Administrative Wage Garnishment
- Private Collection Agencies
- Litigation by Department of Justice
- IRS Form 1099-C after Closeout



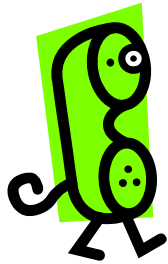


Collection Process Overview



Cross-Servicing Points of Contact

Calls from the Public:



Treasury Offset Program Call Center (800) 304-3107

Debt Management Servicing Center (888) 826-3127

Calls from the Agencies:

Conferences and Agency Education Branch (202) 874-8580

Creditor Agency Toll Free Number (800) 858-0725



Private Collection Agencies (PCAs)

Debts are Generally Sent to PCAs 30 Days after Referral to FMS. PCAs are Expected to Perform Nationwide Debt Collection, Including:



- Consumer and Commercial Debt;
- Different Types of Debts (Fines, Fees, Overpayments, Medical, Loans, etc.);
- Varied Ages;
- Varied Values (\$100 to millions).



PCA Contract Goals

- Collect Debt;
- Resolve Debt;
- Create Competitive Environment;
- Evaluate Performance.



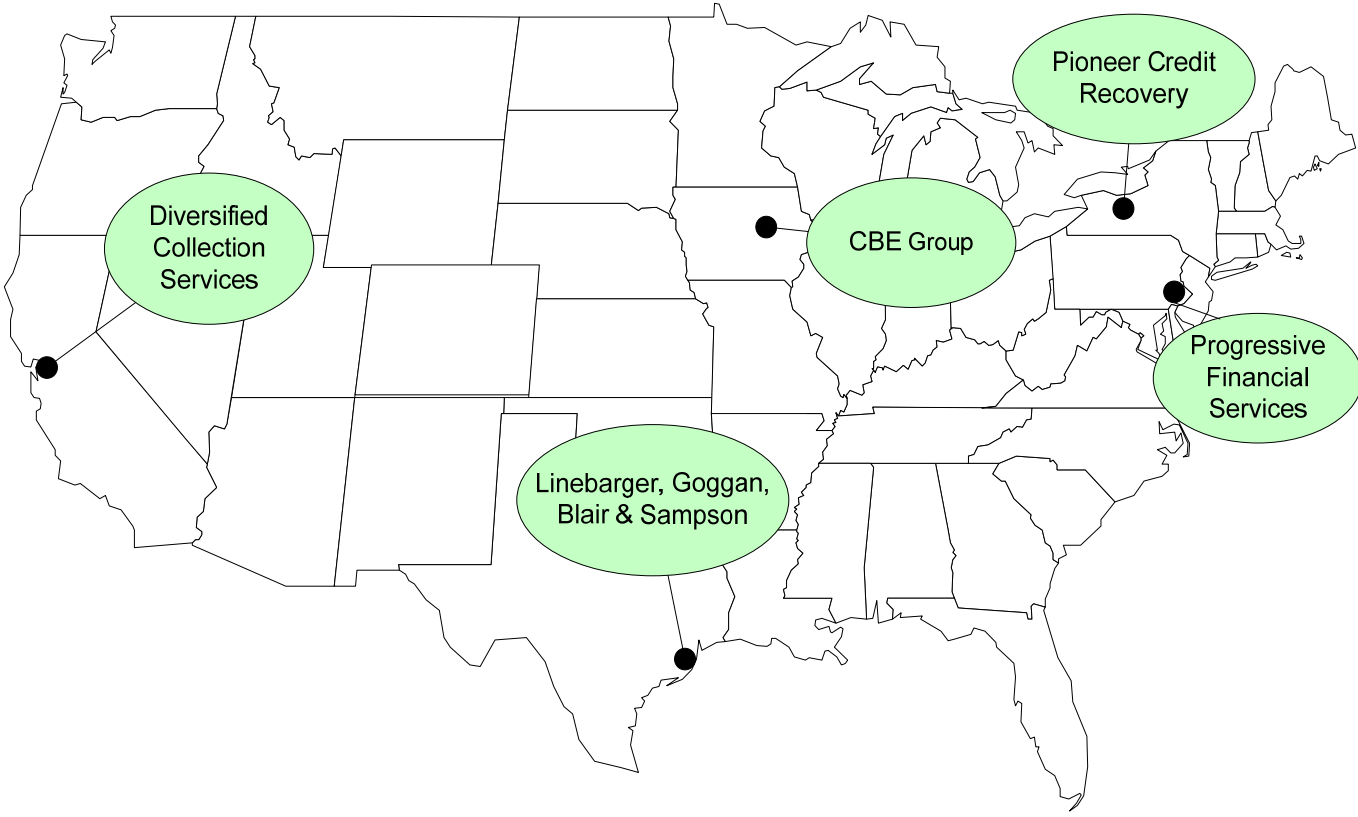
Basic Contract Requirements

Collection Process:

- Pre-Approved Collection Letters;
- Perform Skip-Tracing;
- Receive and Process Debtor Disputes;
- Payment Agreements;
- Administrative Wage Garnishment;
- Administrative Resolution (Death, Bankruptcy, Disability with Inability to Pay, or Entity out of Business).



Contractor Locations



Administrative Wage Garnishment (AWG)

- As Authorized by the Debt Collection Improvement Act of 1996, AWG Allows Federal Agencies to Garnish up to 15% of the Disposable Pay of Debtors who do not Work for the Federal Government, Without a Court Order.
- Agencies Need to Publish Regulations and Establish Hearing Procedures to Participate.
- Agency May Choose to Adopt Treasury Regulations.
- Legislation has Passed Allowing FMS Access to the National Directory of New Hires.



AWG – Collections

15 Agencies Currently Authorize AWG

- James Madison Memorial Fellowship Foundation
- Railroad Retirement Board
- Department of Housing & Urban Development
- Securities & Exchange Commission
- Nuclear Regulatory Commission
- Department of Education
- Dept. of Defense (Defense Finance & Accounting Service)
- Department of Energy
- Dept. of the Treasury (DO, BPD, FMS, OCC, U.S. Mint)
- U.S. Agency for International Development
- General Services Administration
- Commodity Futures Trading Commission
- Social Security Administration
- Department of Health & Human Services
- Small Business Administration



Cross-Servicing System - FedDebt

- **Web-based debt collection system implemented October 2005**
- **Over 500 Federal agency and PCA users with access**
- **Enter debts, View debt status, Enter payments, Generate reports**



Cross-Servicing Collections – June 30, 2008

- **FY08 Collections - \$139 million**
 - \$58 million through Offset including \$13 million from Economic Stimulus offsets
 - \$81 million from PCAs and BDMOC collectors
- **\$139 million already more than collected all of FY07 with 3 months left in FY08**



Cross-Servicing Collections – June 30, 2008

- **Since inception of Cross-Servicing program in 1997, cumulative collections are over \$1 billion.**
- **Over 10,000 Active Payment Agreements totaling \$80 million are currently in place.**





Treasury Offset Program

Alyssa W. Riedl, Manager
Debt Program Support Branch
Debt Program Division



What is the Treasury Offset Program?

TOP is a centralized offset process that intercepts Federal payments of payees who owe delinquent debts to agencies that have submitted debt information to FMS.

Offset is withholding funds payable by the United States to a person to satisfy a debt owed to the United States or to a state.



Centralized offset is the offset of payments disbursed by FMS and other Federal disbursing agencies through the TOP.

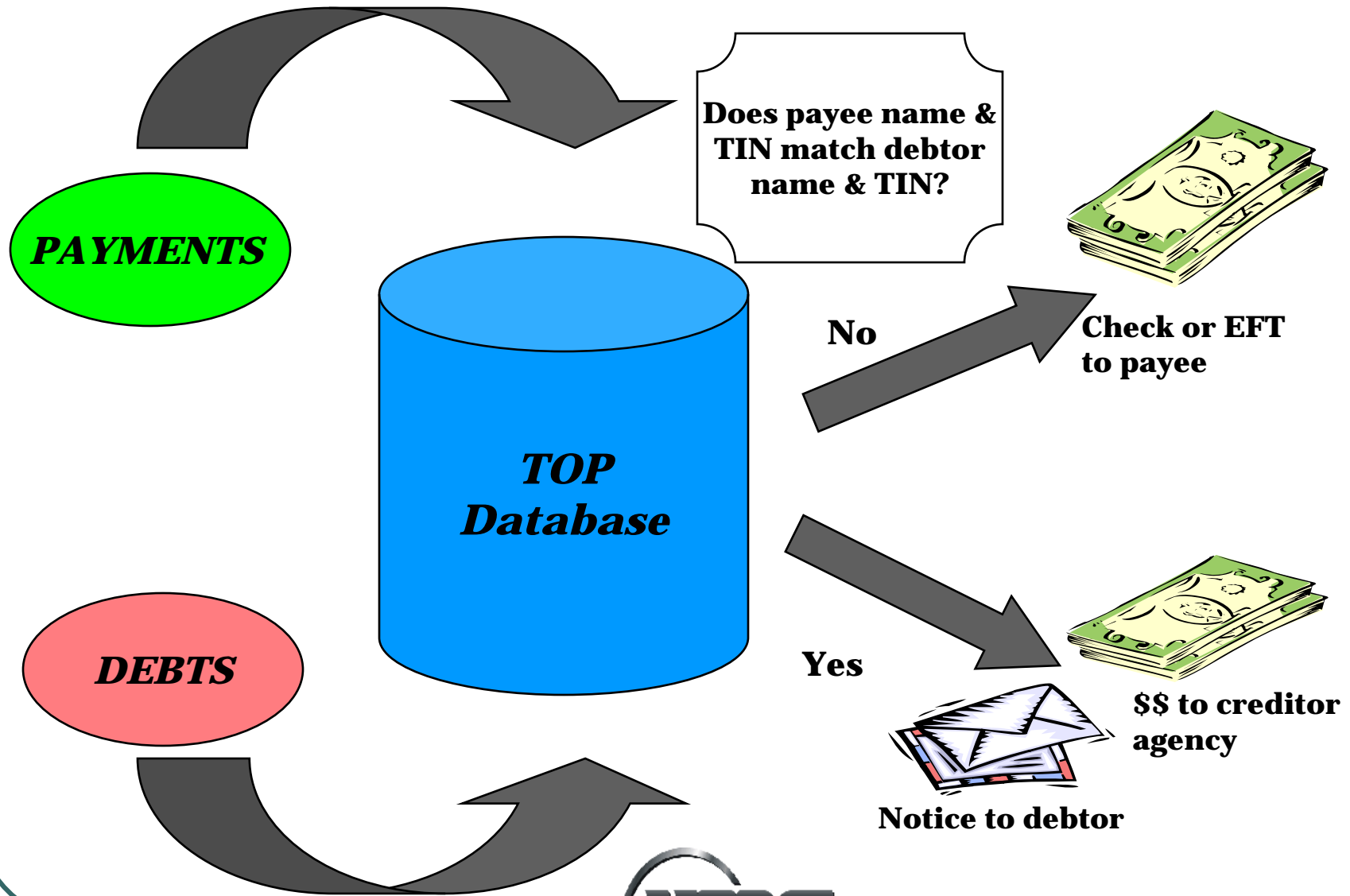


What is the Treasury Offset Program?

- TOP is one of the largest and most effective tools in collecting delinquent debts for Federal and state agencies:
 - Debts owed to the United States (tax & non-tax);
 - Child support obligations enforced by state agencies; and
 - State income tax debts.
- Collections total over ***\$3 billion*** per year.



TOP Process



Priority of Debts in TOP

- **IRS Income Tax Debts**
- **Child Support Debts (Temporary Assistance to Needy Families)**
- **Federal Non-tax Debts**
- **Other Child Support Debts (Non-TANF*)**
- **State Income Tax Debts**



* Non-TANF debts will have the same priority as TANF debt starting Oct 1, 2008

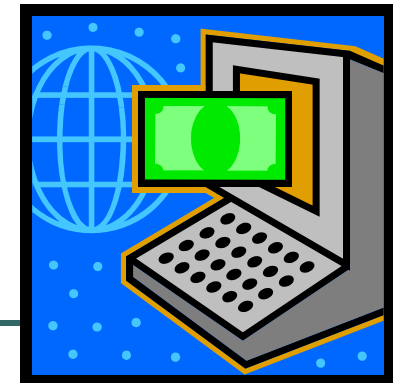
TOP – Exemptions/Debts

- **No express exemptions in the DCIA**
- **Owed by Federal agencies**
- **In bankruptcy**
- **In foreclosure**
- **In forbearance or under appeal**
- **At DOJ**
- **Owed by foreign sovereign**
- **Over applicable statute of limitations**



As of June 30, 2008 TOP Database Contains:

- **\$47.9 billion in Federal Non-Tax Debts.**
- **\$98 billion in Child Support Debts.**
- **\$161.1 billion in Federal Tax Debts.**
- **\$9.4 billion in State Income Tax Debts.**
- **Total - \$316.4 billion!**



TOP – Payments



- Federal tax refunds (including Stimulus)
- Federal retirement
- Federal benefits
- Federal salary
- Vendor payments to government contractors
- Federal employee travel advances & travel reimbursements

Payment Exemptions

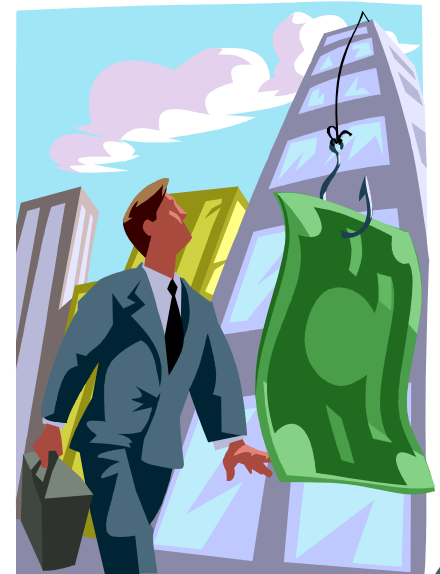
- Payments exempted by law, e.g. student loan payments, veterans' benefits
- Payments exempt by Treasury
- Means-tested payments
- Non means-tested payments – if offset would tend to interfere with or defeat the purpose of the program



Centralized Salary Offset

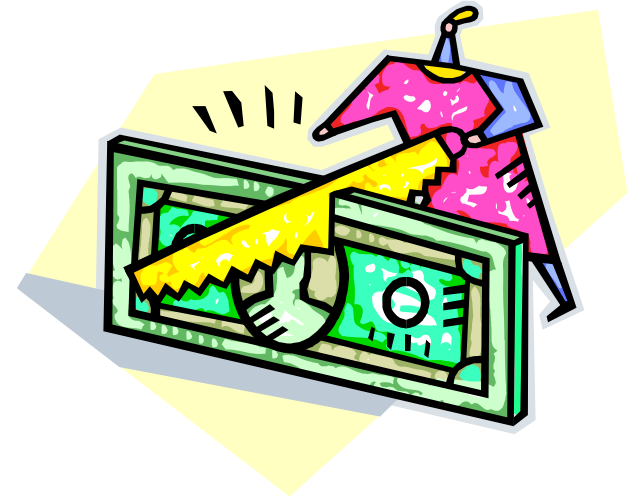
Participating Salary Paying Agencies:

- ✓ **Interior**
- ✓ **National Finance Center**
- ✓ **DoD-DFAS**
- ✓ **U.S. Postal Service**
- ✓ **GSA**



NTDO Vendor Offset

- Implemented with the following:
 - DoD
 - State of Maryland
 - State of New Jersey
 - Army Corps of Engineers
- Not a real time process
- Potential to over collect the debt
- CMS will start in October 2008 for Levy and January 2009 for Offset
- USPS will participate in FY 2009



Additional Payment Methods

Corporate Trade Exchange (CTX)

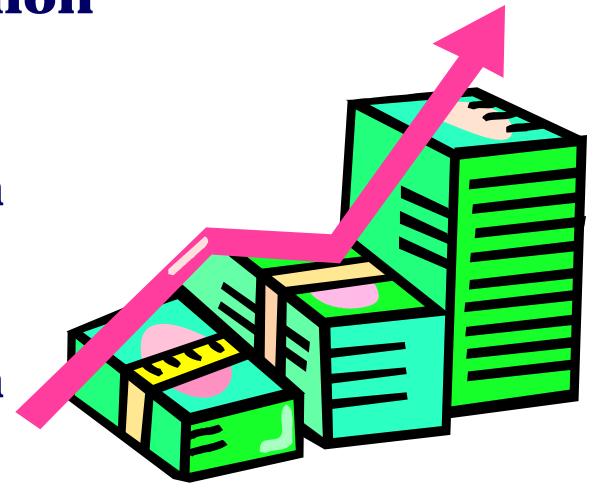
Fedwire



- For Fedwire payments that match debts in TOP, the agency will be required to use payment methods that go through the Treasury Offset Program, allowing offset/levy.

FY Collections Through TOP As of July 9, 2008

- **Administrative Offsets** **\$194.9 million**
- **Tax Refund Offset
Child Support** **\$1.9 billion**
- **Tax Refund Offset
Federal Non-Tax Debt** **\$1.4 billion**
- **Tax Refund Offset
State Income Tax Debt** **\$273 million**
- **Tax Levy** **\$322 million**

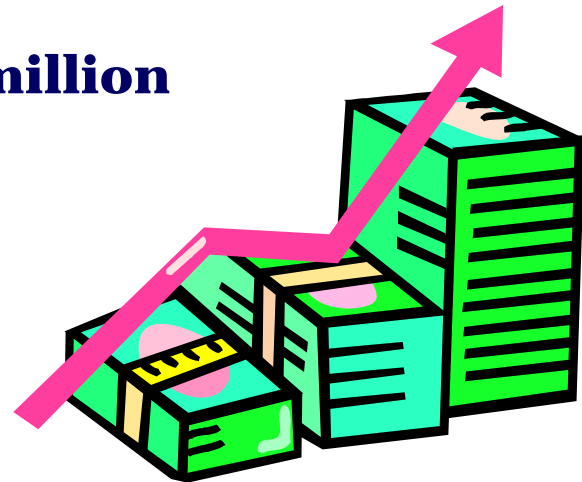


FY Collections Through TOP

As of July 9, 2008

Stimulus

- **Child Support** **\$800 million**
- **Federal Non-Tax Debt** **\$545 million**
- **State Income Tax Debt** **\$ 84 million**



State Reciprocal Program

- States refer debts to TOP for offset against Federal vendor payments and State payments will be matched against Federal debts.
- Pilot began in June 2007 with Maryland. New Jersey started in July.

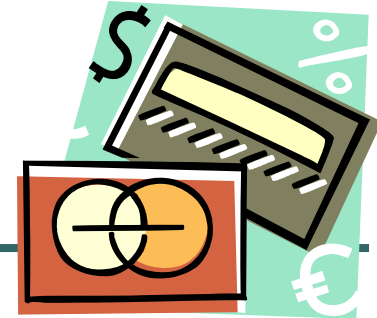


Task Force



- The Cross Agency Federal Contractor Tax Compliance Task Force with Senior Management from FMS, DOD, IRS, DOJ, OMB, and GSA was Established to Address the Recommendations of the GAO Audit and to enhance tax enforcement actions, including the more effective use of the tax levy program.
- Concern raised that purchase card payments and CMS payments are not levied.

Purchase Card



Match CCR data against delinquent debts in TOP

Provide results to CCR

Establish indicator on CCR database to identify vendors that are ineligible for purchase card payments

Agencies required to use payment methods that go through the Treasury Offset Program allowing offset/levy

Changes to the Federal Acquisition Regulations (FAR) were published.

New TOP Web Client

- Web-based Client is a rewrite of existing TOP Client
- Similar look and feel to the Cross Servicing Client
- Agencies will access through the internet
- PKI Level 3 Application
- New Standardized User ID
- Two Factor Authentication
 - SecurID Card
 - Password
- Implementation September 2008



Main Menu

The screenshot shows the main menu of the TOP (Treasury Online Payment) system. The header includes the text "TOP: Main Menu" and navigation links for "HELP" and "LOGOFF". A status bar at the top provides release and baseline information: "Release: 00.02.12 Baseline: DccMain_04.03.08.1546 Thu Apr 17 16:41:13 EDT 2008 User: htate001 Agency: 0 Site: 0".

The main content area is a light blue box containing a list of menu items on the left and an "Accessibility Statement" on the right. The menu items are:

- Administrator Functions
- Agency Profiles
- Agency Refunds/Reversals
- Archive Summary
- Batch Control History
- Debt Debtor Maintenance
- Debt/Debtor History
- IRS Debtor Address Request
- Reports
- Reversals
- Salary/NTDO/SADO Error Suspense
- User Security

The "Accessibility Statement" text reads: "We are committed to making electronic and information technology accessible to people with disabilities in accordance with Section 508 of the Rehabilitation Act. TOP is best viewed at a screen resolution of 1024 x 768 or higher, using Internet Explorer 5.0+. If you have any comments or suggestions on how we might further improve the accessibility of TOP, please send email to webmaster@fms.treas.gov."

Agency Profile

TOP: View Agency Profile

HOME | HELP | LOGOFF

Release: 00.02.12 Baseline: DocMain_04.03.08.1548 Thu Apr 17 16:54:20 EDT 2008 User: hrate001 Agency: 0 Site: 0

Agency ID and Name: **05-U.S. DEPARTMENT OF EDUCATION** Payment ALC: **91020005**
Creditor ALC: **91020005**

Agency Site Information

Site Name: **U.S. DEPARTMENT OF EDUCATION**
Address 1: **SFA / Collections**
Address 2: **830 First Street NE**
Address 3: **4th Floor, RM. 41A1**
City: **Washington**
State: **DC**
Zip: **20202-5320**

Creditor Agency Information

Contact: **Adele Gabrielli** Input Medium: **None**
Phone: **(202) 377-3299** Begin Date: **01/01/1996**
E-mail: Output Medium: **None**
Coll. File Requested: **Yes** End Date: **01/03/2030**
CR Agency Participates: **No**
Debtor Fee: **Charge** [View Debt Match](#) [View Debt Load](#)
Debt Below Threshold: **Allow**

Payment Agency Information



Agency Profile

Payment Agency Information

Contact: **Bernice Byrd** Begin Date: **08/29/1997**
Phone: **(202) 401-0995** End Date: **12/31/2030**
E-mail: Offset Notification Letter: **No**
Participates: **Yes** Offset Warning Letter: **No**

Payment Types

Payment Type	Maximum Offset %	Last Modified by	Last Modified on
STATE VENDOR	100.00	EGASANG	2007-06-15 19:06:45.501406
STATE TAX	100.00	EGASANG	2007-06-15 19:06:59.335362
Vendor/Misc Checks	100.00	JDIAZBAR	2002-09-25 11:51:16.451388
Vendor/Misc EFT	99.00	JDIAZBAR	2002-09-25 11:52:33.498451

Debt Types

Debt Type	Expiration	Priority	IRS Priority	Last Modified by	Last Modified on
Student Loan	None	03	03	JDIAZBAR	2000-06-23 15:19:29.833344
Other Debt	None	03	03	JDIAZBAR	2000-06-23 15:19:13.656395

Debtor Contact Information

Contact: **Help Desk**
Phone 1: **(800) 621-3115**
Phone 2: **(800) 621-3115**



Reports

Logoff | Tree | Tools | Recent | Favorites | Views | Utilities | Help

TREASURY OFFSET PROGRAM
DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE

TOP Reports

Welcome to DCC TOP Admin View

Reports Non-Debts

Common Selection Criteria

Agency: 0-TOP Host Agency

Site: 0

Start Date: 04/17/2008

End Date: 04/17/2008

Select report:

- Individual Inquiry by TIN(CA)
- Individual Inquiry by TIN(PA)
- Individual Inquiry by Debt No. (CA)
- Offset/Levy & Reversal Activity Rpt
- Offset Activity Rpt(PA)**
- IPAC Transaction Rpt
- Potential Salary Match Rpt
- Process Tracking Rpt
- Debtor Locator Rpt(CA)

Select report output type:


PDF EXCEL report EXCEL data

Text

Please Select from Drop-down List:

Agency: 0-TOP Host Agency

Version 0.2.4



Reports

TOP REPORTS

REPORT ID
ofstparp
v1.0.0

FINANCIAL MANAGEMENT SERVICE
TREASURY OFFSET PROGRAM
Offset Activity Report - Payment Agency View

Page 1 of 1
Report Date: 04/17/2008
Report Time: 17.07.16

Report Summary Information

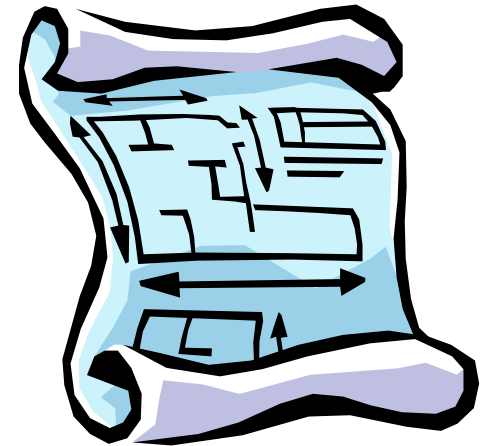
<u>Retrieval Arguments:</u>	<u>Totals and Item Counts:</u>
Start Date: 04/17/2008	Total Offset Amount:
End Date: 04/17/2008	Total Payment Amount:
Agency Id: 1C	Item Offset Count:

No data meets the selection criteria



Legislative Changes

- Removal of 10 Year Statute of Limitations on Offset of Non-Tax Debts.
- Allow the Offset of Medicare Payments.



Debt Management Operations Center

Operates the National TOP Call Center

1-800-304-3107

CY2007 – 3 million calls

CY 2008 through June – 3.7 million calls

Callers are referred to creditor agency for–

- Account balances
- Particular debt information
- Removal from TOP
- Adjustments or refunds



Debt Program Division

Points of Contact

Dean Balamaci, Division Director
Debt Program Division
(202) 874-0540

Rosemary McCambridge, Branch Manager
Debt Program Relations Branch
(202) 874-6727

Alyssa W. Riedl, Branch Manager
Program Support Branch
(202) 874-6859



Questions?

