

DEPARTMENTAL REGULATION		NUMBER: 2520-001
SUBJECT: Interest Rate on Delinquent Debts	DATE: November 27, 2006	
	OPI: Office of the Chief Financial Officer	

1 PURPOSE

The purpose of this regulation is to establish the minimum annual interest rate an agency must charge on delinquent debts owed to the United States.

2 SPECIAL INSTRUCTIONS

This regulation supercedes Departmental Regulation 2520-001, Interest Rate on Delinquent Debts, dated June 24, 1985.

3 BACKGROUND

The Debt Collection Act of 1982, as amended (codified at 31 U.S.C. Section 3717), requires agencies, unless prohibited or restricted by statute or contract, to charge interest on outstanding debts owed to the United States by persons including State or local governments. (Agency means a subagency, office, or corporation within USDA subject to the authority or general supervision of the Secretary)

4 POLICY

- a USDA agencies must charge a minimum annual interest on delinquent debts owed to the United States that is equal to the U.S. Treasury's Current Value of Funds Rate, published annually by the Secretary of Treasury in the *Federal Register* and available on the Financial Management Service's Web site at www.fms.treas.gov/debt.
- b An agency may assess a higher rate of interest, such as the prompt payment interest rate if it is reasonably determined that a higher rate is necessary to protect the rights of the United States. The prompt payment interest rate is available at the Financial Management Service's Web site at www.fms.treas.gov/prompt/rates.html. The rate of interest remains fixed for the duration of the delinquency.

- c This policy does not apply to:
 - (1) Debts where a statute, regulation required by statute, loan agreement or contract either prohibits interest charges for delinquent debt or fixes interest to be charged;
 - (2) Debts arising under contracts that were executed before or were in effect on October 25, 1982; or
 - (3) Debts with interest rates dictated by a higher statute.

5 AUTHORITIES AND REFERENCES

- a 31 U.S.C. 3717 - Interest and penalty on claims
- b 31 CFR 900-904 - Federal Claims Collection Standards
- c 7 CFR 3.34 - Interest, penalties and administrative costs, 50 FR 7722, February 26, 1985, as amended at 55 FR 38663, September 20, 1990
- d Comptroller General Decision B-212222 - Debt Collection - Administrative Offset and Interest against State and local governments
- e Department of the Treasury, "Managing Federal Receivables," May 2005

6 RESPONSIBILITIES

- a Office of the Chief Financial Officer (OCFO) will:
 - (1) Establish policy for agencies on charging interest on delinquent debts;
 - (2) Represent USDA as the central point of contact on matters related to debt collection with OMB and Treasury;
 - (3) Work with agencies to define and establish cost effective debt collection processes and procedures on delinquent debts; and
 - (4) Communicate to agencies information related to regulations, requirements and procedures promulgated by OMB and Treasury.
- b Agencies will:
 - (1) Charge interest on delinquent debts unless prohibited by statutes or contracts;

- (2) Develop and implement internal agency strategies, directives and procedures that reflect debt collection practices and internal controls consistent with statutes, regulations, policies, and guidance in Sections 4 (Policy), 5 (Authorities and References) and 6 (Responsibilities);
- (3) Review debt collection practices, techniques and controls periodically to determine compliance with governing statutes, regulations, policies, standards and goals;
- (4) Inform OCFO of agency changes to debt collection policies and procedures; and
- (5) Confer with OCFO on controversial issues and problems prior to discussions with OMB and Treasury.

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