

TABLE OF CONTENTS

CHAPTER 1 – INTRODUCTION

Purpose of Managing Federal Receivables	1-1
Scope and Coverage	1-2
Key Related Legislation, Regulations and Guidance	1-3
Responsibilities of Departments and Agencies	1-6
<i>Office of Management and Budget (OMB)</i>	1-6
<i>Department of the Treasury's Financial Management Service</i>	1-7
<i>Department of Justice</i>	1-8
<i>Program Agencies</i>	1-8
Program Review	1-13
Form of Assistance	1-13
Financial Standards	1-13
The Credit Management and Debt Collection Cycle	1-14
Document Organization	1-15
Inquiries	1-15

CHAPTER 2 – BUDGET AND LEGISLATIVE POLICY FOR CREDIT PROGRAMS

Overview	2-1
Program Review	2-1
Form of Assistance	2-2
Financial Standards	2-2
Implementation	2-3

CHAPTER 3 – CREDIT EXTENSION

Extending Credit	3-1
The Application	3-2
Application and Origination Fees	3-5
Verifying Information Provided by the Applicant	3-6
Credit Scoring	3-7
Using Credit Reports	3-8
Credit Ratings	3-10
Conducting the Credit Analysis	3-11
Appraisal of Real Property	3-13
Loan Closing	3-15
Non-Loan Screening	3-17
Credit Extension Documentation	3-18

TABLE OF CONTENTS

CHAPTER 4 – ACCOUNT SERVICING

Servicing Government Loans	4-1
Billing the Debtor	4-2
Reporting Account Information to Credit Reporting Agencies	4-4
Account Monitoring	4-5
Loan Classification	4-6
Consumer Loan Classification	4-7
Commercial Loan Classification	4-8
Allowance Accounts	4-9
Servicing Documentation	4-10
Contract Servicing	4-12
Treasury Report on Receivables	4-13

CHAPTER 5 – MANAGEMENT OF GUARANTEED LENDERS AND SERVICERS

Managing Risks in Guaranteed Loan Programs	5-1
Lender Eligibility	5-2
Lender Agreements	5-3
General Participation Requirements	5-4
Performance Standards	5-4
Reporting Requirements	5-5
Loan Servicers	5-5
Lender and Servicer Reviews	5-6
Corrective Actions	5-7

TABLE OF CONTENTS

CHAPTER 6 – DELINQUENT DEBT COLLECTION

Overview 6-1

Part I – Managing Delinquencies 6-4

Background 6-4

Delinquency Defined 6-4

Changes in Governmentwide Debt Collection in 1996 6-5

Debt Collection Statutes 6-5

Governmentwide Debt Collection Regulations 6-5

Governmentwide Debt Collection Guidance 6-6

Key Debt Collection Principles 6-6

Agency Regulations 6-6

Program Goals and Debt Collection 6-7

Due Process 6-7

Minimum Due Process Requirements 6-8

Privacy Protections 6-9

Determining the Appropriate Collection Technique to Use 6-10

Establishing a Collection Strategy 6-11

Collection Action Documentation 6-12

Agency Workout Groups 6-12

Contact With the Debtor 6-13

Assessing Interest, Penalties and Administrative Costs 6-17

Waiver of Interest, Penalties, and Administrative Costs 6-18

COLA Alternative to Assessment of Late Charges 6-19

Installment Payments 6-20

Acceleration 6-22

Rescheduling 6-22

Compromise 6-23

Taking Action Against Co-borrowers/Guarantors 6-25

Application of Payments 6-26

Part II – Debt Collection Tools and Programs 6-27

Transfer of Debts to FMS for Collection – Cross-Servicing 6-27

Debt Referral Requirements 6-27

Exceptions to Referral Requirements 6-28

Requirements for Agency Participation in Cross-Servicing 6-30

Debt Collection Actions at FMS 6-30

Cross-Servicing Fees 6-32

Administrative Offset (Including the Treasury Offset Program) 6-33

Centralized Offset Through the TOP 6-33

How TOP Works 6-34

TABLE OF CONTENTS

<i>Debts Eligible for TOP</i>	6-35
<i>Exceptions to Referral Requirements</i>	6-35
<i>Due Process Requirements</i>	6-36
<i>Types of Federal Payments Eligible for Offset Under TOP</i>	6-36
<i>Payments Exempt from Offset Under TOP</i>	6-37
<i>Special Provisions for Certain Recurring Payments</i>	6-37
<i>Offset of Federal Salary Payments Under TOP</i>	6-38
<i>TOP Fees</i>	6-38
<i>Computer Matching and Privacy Protection Act of 1988</i>	6-38
Non-Centralized Administrative Offset	6-39
Types of Non-Centralized Administrative Offset	6-40
<i>Internal Offsets</i>	6-41
<i>Contractor Payments</i>	6-41
<i>Collection of Travel Advances and Training Expenses from Federal Employees</i> ...	6-41
<i>Retirement Pay</i>	6-42
<i>Federal Employee Salary Offset</i>	6-42
Reporting Delinquent Debts to Credit Bureaus	6-44
Private Collection Agencies	6-45
Administrative Wage Garnishment	6-47
<i>Requirements for Agency Use of Administrative Wage Garnishment</i>	6-48
<i>Notice Requirements</i>	6-48
<i>Hearing Requirements</i>	6-49
<i>Administrative Wage Garnishment Form (SF-329)</i>	6-50
<i>Amount of Garnishment</i>	6-50
<i>Wage Garnishment Worksheet</i>	6-51
<i>Limitations on Amount of Garnishment</i>	6-52
<i>Financial Hardship</i>	6-53
<i>Eligibility for Administrative Wage Garnishment</i>	6-53
<i>Termination of the Wage Garnishment Order</i>	6-54
Liquidating Collateral	6-54
Bankruptcy	6-56
Litigation	6-57
<i>Fraud/False Claims</i>	6-60
<i>Statute of Limitations</i>	6-60
<i>Potentially Ineligible Referrals</i>	6-61
<i>Pre-Referral Requirements</i>	6-62
<i>Post-Referral Activities</i>	6-62
Barring Delinquent Debtors from Obtaining Federal Loans, Guaranties and Loan Insurance	6-64
<i>Delinquent Status</i>	6-64
<i>Delinquency Resolution</i>	6-65
Revoking/Suspending Licenses or Eligibility	6-66

TABLE OF CONTENTS

Part III – Miscellaneous Topics 6-67

Purchasing Credit Reports and Locating the Debtor 6-67

Credit Reports 6-67

Consumer Credit Report 6-68

Commercial Credit Report 6-68

Reviewing Credit Report and Other Financial Information 6-69

Locating the Debtor 6-70

GSA’s Federal Supply Schedule for Business Information Services
 (Special Item Number 520-16) 6-70

Internet Resources 6-70

Internal Revenue Service 6-71

Post Office Trace 6-72

Department of Motor Vehicles 6-72

Place of Employment 6-72

Automated Collection Services 6-73

**CHAPTER 7 – TERMINATION OF COLLECTION ACTION, WRITE-OFF
AND CLOSE-OUT/CANCELLATION OF INDEBTEDNESS**

Overview 7-1

Termination of Collection Action Criteria 7-5

DOJ Concurrence for Terminating Collection Action 7-10

Suspension of Collection Action 7-11

Termination and Suspension of Collection Action and Compromise Regarding Fraud Claims 7-14

Write-off 7-14

Pursuit of Collection After Write-off/CNC 7-17

Write-Down 7-17

Close-out Classification and Discharge of Indebtedness/Issuance of Form 1099-C 7-18

Close-out Classification 7-18

Discharge of Indebtedness 7-19

Compromise of Debts 7-23

CHAPTER 8 – PORTFOLIO SALES

Interim Guidance 8-1

TABLE OF CONTENTS

APPENDICES

Appendix 1 - Credit Bureau Report Key

Appendix 2 - Credit Extension/Servicing Checklist

Appendix 3 - Early Financial Warning Signs

Appendix 4 - Debt Collection Statutes and Websites

Appendix 5 - Debt Collection Strategies

Appendix 6 - Documentation of Collection Activities

Appendix 7 - Sample List of Appropriate Debt Collection Practices

Appendix 8 - Demand Letter Checklist

Appendix 9 - Sample Financial Statement

Appendix 10-A - Handling the Department of Justice's 3% Fee

Appendix 10-B - Claims Collection Litigation Report and Instructions

GLOSSARY