

**POLICIES FOR FEDERAL CREDIT PROGRAMS
AND NON-TAX RECEIVABLES**

CIRCULAR NO. A-129 (REVISED)

(November 2000)

**POLICIES FOR FEDERAL CREDIT PROGRAMS AND NON-TAX
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TABLE OF CONTENTS

GENERAL INFORMATION

Purpose
Authority
Coverage
Rescissions
Effective Date
Inquiries
Definitions

APPENDIX A

APPENDIX A

I. RESPONSIBILITIES OF DEPARTMENTS AND AGENCIES

Statutory	Federal Credit Reform Act of 1990, 2 U.S.C. § 661 Debt Collection Act of 1982/Debt Collection Improvement Act of 1996, 31 U.S.C. §§ 3701, 3711-3720E Federal Debt Collection Procedures Act of 1990 Budget and Accounting Act of 1921
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<p>Budget and Accounting Act of 1950</p> <p>Chief Financial Officers Act of 1990</p> <p>Cash Management Improvement Act Amendments of 1992</p>

1. Office of Management and Budget. The Office of Management and Budget (OMB) is responsible for reviewing legislation to establish new credit programs or to expand or modify existing credit programs; monitoring agency conformance with the Federal Credit Reform Act; formulating and reviewing agency credit reporting standards and requirements; reviewing and clearing testimony pertaining to credit programs and debt collection; reviewing agency budget submissions for credit programs and debt collection activities; developing and maintaining the Federal credit subsidy calculator used to calculate the cost of credit programs; formulating and reviewing credit management and debt collection policy; approving agency credit management and debt collection plans; and providing training to credit agencies.

2. Department of the Treasury. The Department of the Treasury (Treasury), acting through the Office of Domestic Finance, works with OMB to develop Federal credit policies and/or reviewing legislation to create new credit programs or to expand or modify existing credit programs. The Department of the Treasury, through its Financial Management Service (FMS), promulgates government-wide debt collection regulations implementing the debt collection provisions of the **Debt Collection Improvement Act of 1996 (DCIA)**. FMS works with the Federal program agencies to identify debt that is eligible for referral to Treasury for cross-servicing and offset, and to establish target dates for referral. Performance measures are established which set annual referral and collection goals. In accordance with the DCIA and other Federal laws, FMS conducts offset of Federal payments, including tax refunds, under the Treasury Offset Program. FMS also provides collection services for delinquent non-tax Federal debts (referred to as cross-servicing), and maintains a private collection agency contract for referral and collection of delinquent debts. Additionally, FMS issues operational and procedural guidelines regarding government-wide credit management and debt collection such as "*Managing Federal Receivables*" and the "*Guide to the Federal Credit Bureau Program*." FMS, under its program responsibility for credit and debt management and as an active member of the Federal Credit Policy Working Group, assists in improving credit and debt management activities government-wide.

3. Federal Credit Policy Working Group. The Federal Credit Policy Working Group (FCPWG) is an interagency forum that provides advice and assistance to the Office of Management and Budget (OMB) and Treasury in the formulation and implementation of credit policy. Membership consists of representatives from the Executive Office of the President, the Council of Economic Advisers, the OMB, and the Department of the Treasury. The major credit and debt collection agencies represented include the Departments of Agriculture, Commerce, Education, Health and Human Services, Housing and Urban Development, Interior, Justice, Labor, State, Transportation,

Veterans Affairs and the Agency for International Development, the Export-Import Bank, the Federal Deposit Insurance Corporation and the Small Business Administration. Other departments and agencies may be invited to participate in the FCPWG at the request of the Chairperson. The Director of OMB designates the Chairperson of the FCPWG.

4. Department and Agencies. Departments and agencies shall manage credit programs and all non-tax receivables in accordance with their statutory authorities and the provisions of this Circular to protect the Government's assets and to minimize losses in relation to social benefits provided.

a. Agencies shall ensure that:

- (1) Federal credit program legislation, regulations, and policies are designed and administered in compliance with the principles of this Circular;
- (2) The costs of credit programs covered by the <Federal Credit Reform Act of 1990> are budgeted for and controlled in accordance with the principles of that Act. (Some agencies and programs are expressly exempted from the statute.);
- (3) Every effort is made to prevent future delinquencies by following appropriate screening standards and procedures for determination of creditworthiness;
- (4) Lenders participating in guaranteed loan programs meet all applicable financial and programmatic requirements;
- (5) Informed and cost effective decisions are made concerning portfolio management, including full consideration of contracting out for servicing or selling the portfolio;
- (6) The full range of available techniques are used, such as those found in the <Federal Claims Collection Standards> and <Treasury regulations>, as appropriate, to collect delinquent debts, including demand letters, administrative offset, salary offset, tax refund offset, private collection agencies, cross-servicing by Treasury, administrative wage garnishment, and litigation;
- (7) Delinquent debts are written-off as soon as they are determined to be uncollectible; and
- (8) Timely and accurate financial management and performance data are submitted to OMB and the Department of the Treasury so that the Government's credit management and debt collection programs and policies can be evaluated.

b. *In order to achieve these objectives, agencies shall:*

- (1) Establish, as appropriate, boards to coordinate credit management and debt collection activities and to ensure full consideration of credit management and debt collection issues by all interested and affected organizations. Representation should include, but not be limited to, the agency Chief Financial Officer (CFO) and the senior official(s) for program offices with credit activities or non-tax receivables. The Board may seek from the agency's Inspector General, input based on findings and conclusions from past audits and investigations.
- (2) Ensure that the statutory and regulatory requirements and standards set forth in this Circular, <Treasury regulations>, and supplementary guidance set forth in the Treasury/FMS <Managing Federal Receivables> are incorporated into agency regulations and procedures for credit programs and debt collection activities;
- (3) Propose new or revised legislation, regulations, and forms as necessary to ensure consistency with the provisions of this Circular;
- (4) Submit legislation and testimony affecting credit programs for review under the OMB Circular No. A-19 legislative clearance process, and budget proposals for review under the Circular No. A-11 budget justification process;
- (5) Periodically evaluate Federal credit programs to assure their effectiveness in achieving program goals;
- (6) Assign to the agency CFO, in accordance with the <Chief Financial Officers Act of 1990>, responsibility for directing, managing, and providing policy guidance and oversight of agency financial management personnel, activities, and operations, including the implementation of asset management systems for credit management and debt collection;
- (7) Prepare, as part of the agency CFO Financial Management 5-Year Plan, a Credit Management and Debt Collection Plan for effectively managing credit extension, account servicing, portfolio management and delinquent debt collection. The plan must ensure agency compliance with the standards in this Circular; and
- (8) Ensure that data in loan applications and documents for individuals are managed in accordance with the <Privacy Act of 1974>, as amended by the <Computer Matching and Privacy Protection Act of 1988>, and the <Right to Financial Privacy Act of 1978, as amended>. The Privacy Act of 1974 does not apply to loans and debts of commercial organizations.
