

# State of the Onion: The Many Layers of Debt Collection

22<sup>nd</sup> Annual Government Financial Management Conference  
“Moving Into the Future Together”  
August 21, 2012

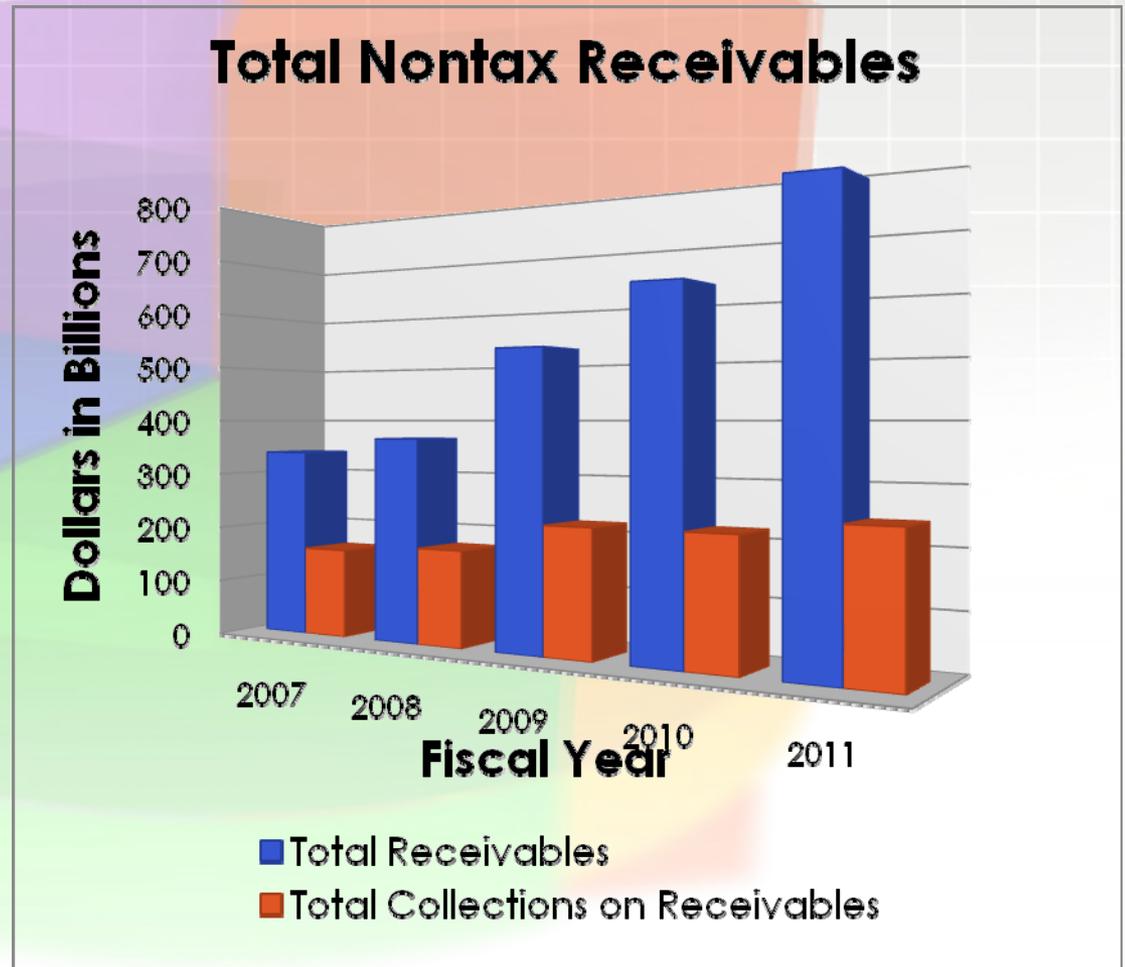


# THE GOVERNMENT'S CHALLENGE



# Governmentwide Nontax Receivables

- **Nontax receivables** rose from **\$339.6 billion** at the end of FY07 to **\$777.8 billion** at the end of FY11
- **Collections** rose from **\$159.6 billion** to **\$245.3 billion** in the same time period



# Types of Receivables

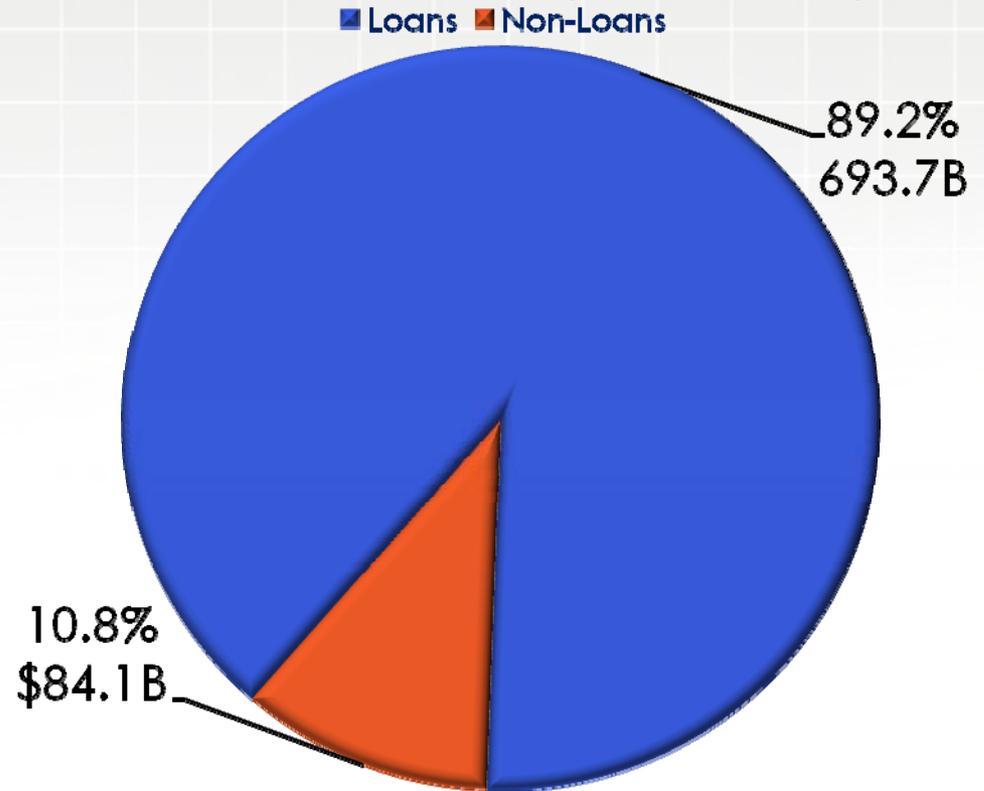
## Government loans include direct and guaranteed loans:

- Student loans
- Farm loans
- Housing loans
- Small business loans

## Government non-loan receivables:

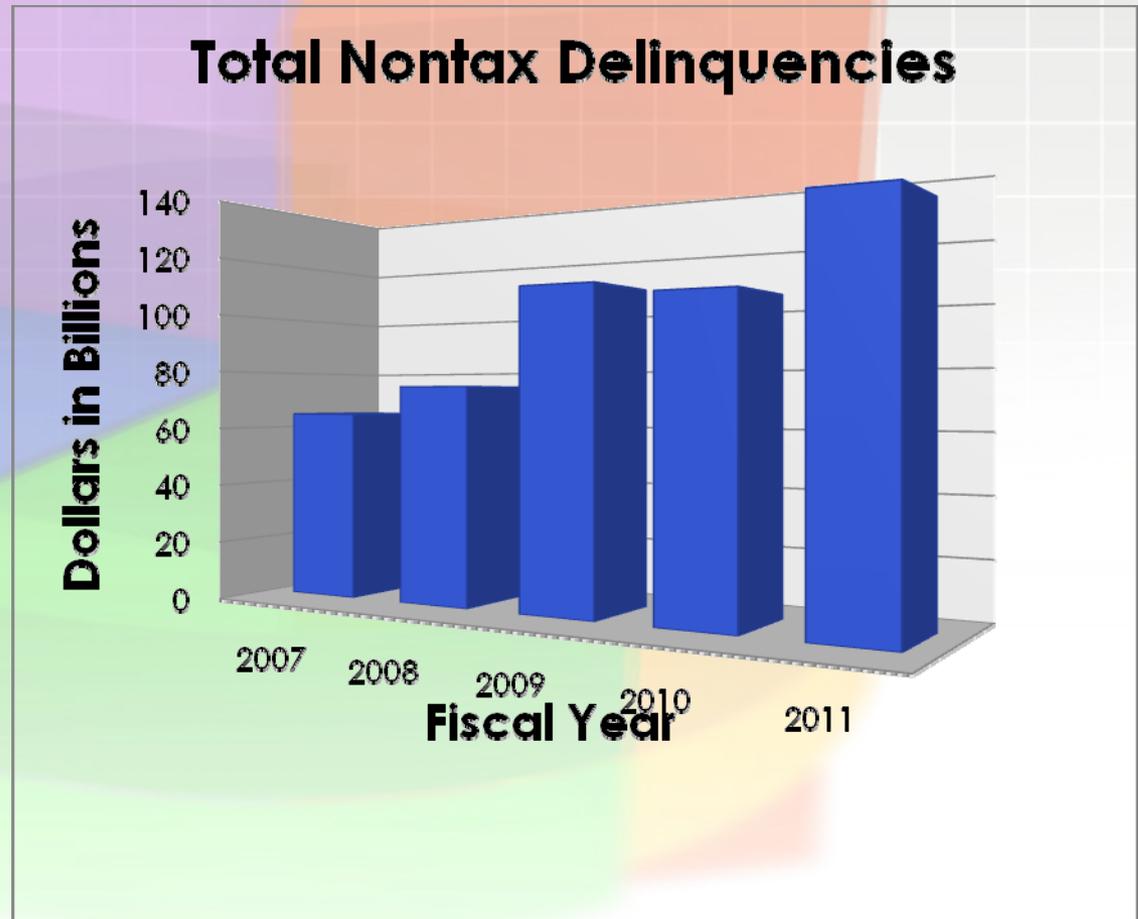
- Fines
- Fees
- Penalties
- Overpayments
- All other

### Government Loan and Non-Loan Receivables (end of FY11)



# Delinquent Nontax Debts Owed to the United States

- **Nontax delinquencies** rose from **\$64.9 billion** at the end of FY07 to **\$131.0 billion** at the end of FY11 (102% increase)



# Delinquencies: Top 5 Agencies

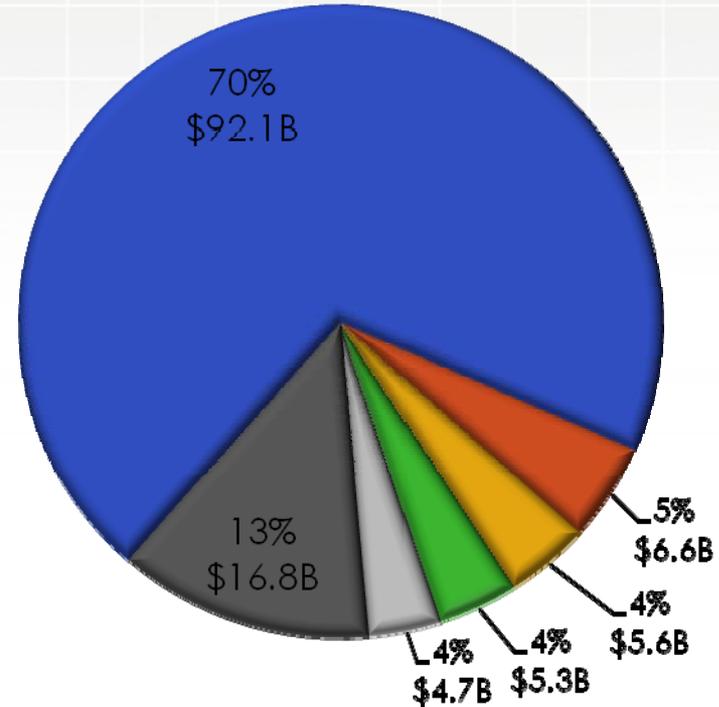
At the end of FY 2011, **\$114.2 billion (87%)** of the government's delinquent debts were owed to 5 agencies:

- Dept of Education
- Small Business Administration
- Dept of Housing & Urban Development
- Dept of Defense
- Social Security Administration

**Federal loan program delinquencies comprised 82%** of total delinquencies, down slightly from 83% at the end of FY 2010

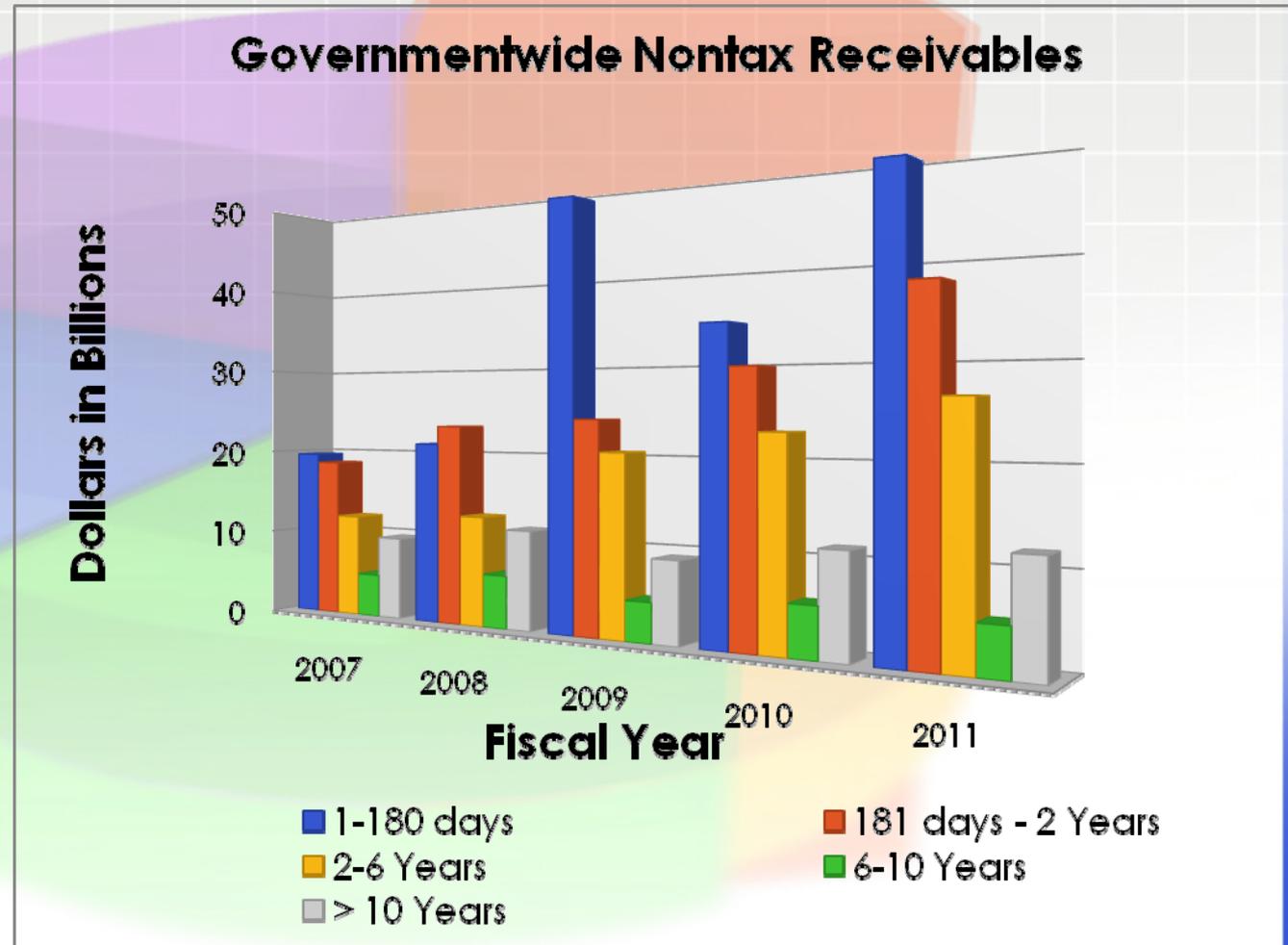
## Delinquencies: Top 5 Agencies (end of FY 2011)

■ Education ■ SBA ■ HUD ■ DoD ■ SSA ■ All other



# Aging of Governmentwide Delinquencies

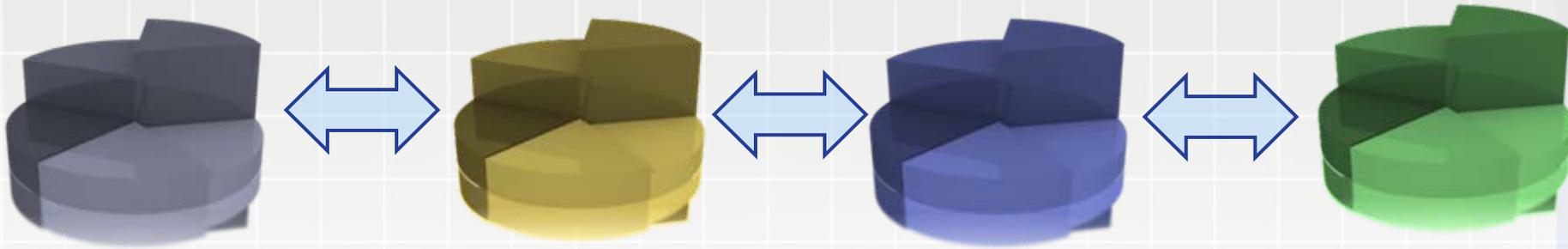
Majority of the FY 2011 debts are 1 day - 2 years delinquent ~ \$87.5 billion



# THE GOVERNMENT'S SOLUTION



# Roles and Responsibilities



## OMB

Establish governmentwide credit and receivables management policy

Establish governmentwide priorities

## Program Agencies

Establish & collect receivables

Provide due process when receivables become delinquent

Refer delinquent debts to Treasury/Justice for collection

## Dept of the Treasury

With DOJ, establish governmentwide debt collection policy

Collect debts through Treasury Offset Program and Cross-Servicing Program

Report on governmentwide debt collection activities

## Dept of Justice

With Treasury, establish governmentwide debt collection policy

Initiate and defend debt collection litigation

Approve compromises and suspension/termination of debts > \$100k

# Collections: Top 10 Agencies

Total Federal Delinquent Nontax Debts and Collections (FY 2011)  
(in millions)

At the end of FY 11, **96% of the Federal delinquent debt** arose from programs managed by **10 agencies**. The remaining 4% of Federal delinquent debt rose from all other programs.

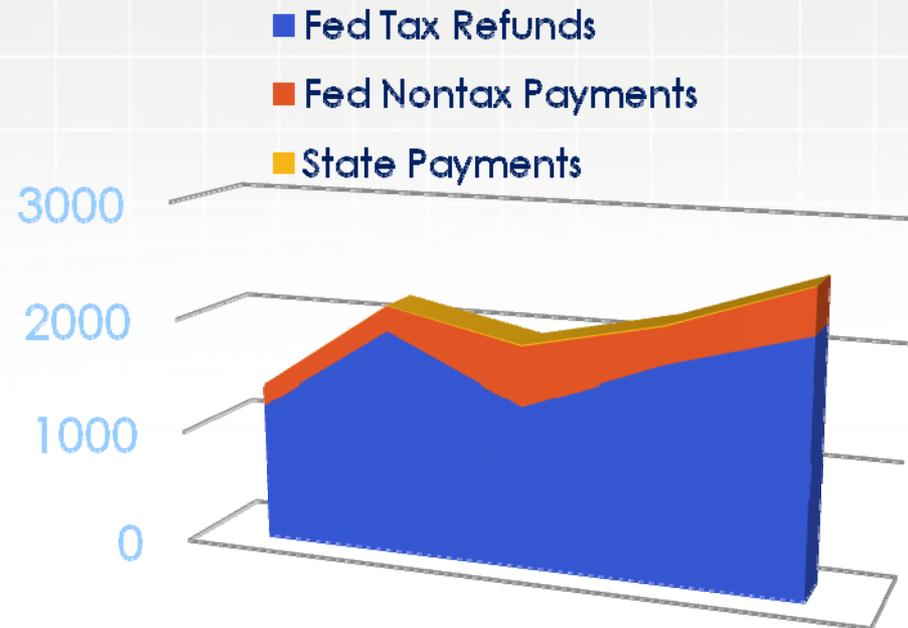
Delinquent debt **collections** from these 10 agencies comprised **92% of the Government's total delinquent debt collections**.

Agency	Delinquent Debt Balance (a/o 9/30/11)	FY 2011 Collections
Education	\$92,045	\$7,419
Small Business Administration	\$6,594	\$459
Housing & Urban Development	\$5,585	\$2,971
Dept of Defense	\$5,292	\$1,959
Social Security Administration	\$4,664	\$134
Dept of Agriculture	\$4,249	\$1,043
Health & Human Services	\$1,974	\$1,175
Environmental Protection Agency	\$1,899	\$546
Export-Import Bank	\$1,695	\$182
Funds Appropriated to the President	\$1,632	\$966
<b>TOP 10 TOTAL</b>	<b>\$125,630</b>	<b>\$16,854</b>
All Other	\$5,369	\$1,419
<b>GOVERNMENT TOTAL</b>	<b>\$130,999</b>	<b>\$18,273</b>

# Centralized Collection: Treasury Offset Program

- **TOP collections** for nontax receivables rose from **\$1.4 billion** in FY07 to **\$2.6 billion** in FY11
- At the **end of FY11**, delinquent debt inventory in TOP was **\$112.5 billion**, a 19% increase over FY 10

**TOP Collections By Payment Type**  
(In millions)

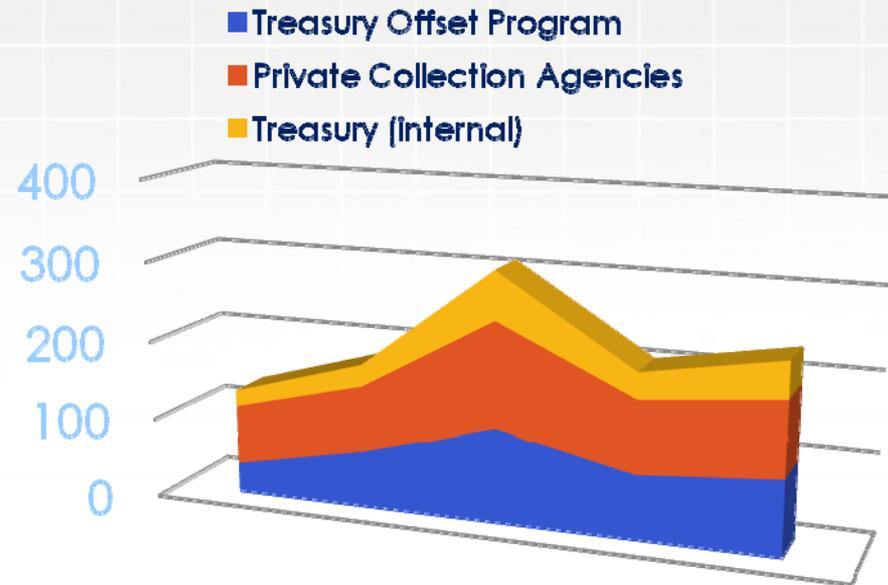


	2007	2008	2009	2010	2011
■ State Payments	0	5.5	12.2	12.4	7.4
■ Fed Nontax Payments	182.6	216.2	511.9	313	390
■ Fed Tax Refunds	1195	1948	1400	1852	2180

# Centralized Collection: Treasury Cross-Servicing Program

- In FY 11, Treasury collected **\$231 million** through its cross-servicing program, an increase from \$131.2 in FY 07

**Cross-Servicing Collections**  
(In millions)



	2007	2008	2009	2010	2011
Treasury (Internal)	20.5	27.3	60.7	32.9	45.3
Private Collection Agencies	74.6	82.8	132.1	90.3	93
Treasury Offset Program	36.1	69.8	116.5	79.2	93.2

# Centralized Collection: Dept of Justice

- In FY 11, Federal agencies referred **16,000 cases** totaling \$6.1 billion to DOJ for enforced collection
- **DOJ collected \$4.9 billion** for Federal agencies through enforced collection in FY 11





**WE CAN DO MORE . . .**

# Ongoing Focus Areas

## Cost Savings

- Assess cost effectiveness of collection tools
- Determine best parties to intervene at various periods
- Private servicing or debt sales

## Risk Management

- Prevent delinquencies
- Timing strategic interventions
- Prevent new loans, awards, or payments to delinquent debtors

## Data Quality

- Improve quarterly TROR data
- Data-driven tools and technologies to track debt

## Compliance

- Refer eligible debt to Treasury
- Write-off two-year delinquent debt
- Report closed-out debt to the IRS



# Debt Collection Initiatives

## Highlights



- **OMB Initiatives:**
  - Analyze debt portfolios and activities using Treasury Report on Receivables Dashboard developed by Chief Financial Officers Council
  - Agencies work with OMB and Treasury to develop targets, metrics, and plans
  - Improper payment initiatives
- **Treasury Initiatives:**
  - Increase use of analytics: data management, data review, data analysis, forecasting, process improvement
  - Utilize additional data sources: TOP matching, skip tracing, National Directory of New Hires
  - Agency collaboration: Agency Advisory Council, Scorecard
  - Evaluate and improve processes: Dept of Justice pilot, state-of-the art technology, refer debts to Treasury sooner

# Receivables Management

## Preventing Delinquent Debts

### Do Not Pay Program

#### Preventing Improper Payments

A Presidential Memorandum dated June 10, 2010, directs Agencies to review processes to check relevant databases before awarding or paying Federal funds. The Do Not Pay program provides a web-based, single point of access portal to:

- List of Excluded Individuals/Entities
- Death Master File
- Debt Check
- Excluded Parties List
- 3<sup>rd</sup> party data sources



### Centralized Receivables Service Pilot

#### Transforming end-to-end receivables management

CRS will manage an agency's current receivables. Goals include:

- Cost savings, minimize duplication of efforts
- Increased collections
- Delinquency prevention
- Allow agencies to focus on core missions
- Improve data quality and transparency
- Further governmentwide all-electronic initiative



# Additional Information

- Visit [fms.treas.gov/debt](https://fms.treas.gov/debt) for more information:
  - Treasury's debt collection programs (TOP and Cross-Servicing)
  - General debt collection guidance (Managing Federal Receivables, Regulations, Treasury Financial Manual)
  - Treasury Report on Receivables
  - Annual Report to Congress
- Call us at **202-874-3810** or [ronda.kent@fms.treas.gov](mailto:ronda.kent@fms.treas.gov)

