

CREDIT AND DEBT MANAGEMENT
OPERATING STANDARDS AND PROCEDURES HANDBOOK

APPENDIX B. CREDIT REPORTING AND OMB CIRCULAR A-129 REVISED

Section 1.0 Introduction

Office of Management and Budget (OMB) [OMB Circular No. A-129 Revised, Policies for Federal Credit Programs and Non-tax Receivables](#) and Treasury's [Guide to the Federal Credit Bureau Program](#), provide guidance to Federal agencies on referring debt information to credit reporting bureaus. The use of credit reporting services is expected to: 1) provide an incentive for delinquent debtors to repay Government debts by making these debts part of their credit records, and 2) enable other agencies to improve the quality of their credit, contract, and grant decisions by taking into account the financial status and reliability of current and prospective contractors and financial debtor applicants.

Departmental organization units are to provide certain information to private sector credit bureaus on commercial and delinquent consumer debts. To enter into a Memorandum of Understanding with a credit bureau to provide credit information, the organization unit should refer to Treasury's [Guide to the Federal Credit Bureau Program](#).

A listing of approved credit report contractors for obtaining credit reports can be found in Treasury's [Guide to the Federal Credit Bureau Program](#).

Section 2.0 Credit Bureau Reporting

[OMB Circular No. A-129 Revised, Policies for Federal Credit Programs and Non-tax Receivables](#) requires that information presented in applications submitted by financial assistance applicants be verified by comparison to credit reports and by use of other verification procedures. The Circular also provides general guidance to Federal agencies on the use of private sector commercial and consumer credit reports.

This Appendix provides:

- a. Information on how private sector credit bureau reports can be obtained through Treasury's "[Guide to the Federal Credit Bureau Program](#)" for such items and services;
- b. Guidance on when credit reports will be obtained throughout the credit/debt management cycle—from extending credit through debt collection and write-off;
- c. Information on supplemental services provided by credit bureaus, as well as other sources of information that are available to determine an applicant's financial status and ability to repay a debt owed the Federal Government; and

- d. Information on the Credit Alert Response System (CAIVRS) (See Exhibit A of this Appendix).

Section 3.0 Background

The [Debt Collection Improvement Act of 1996](#) permits all Federal departments and agencies to report all current non-tax commercial debts, and requires that all delinquent non-tax consumer (individual) debts be reported to private sector credit reporting bureaus. Government originated credit, debt, and contracting information is now added by the credit reporting bureaus to similar information which has been gathered for some years in the private business community. As a result, any Federal Government agency should now be able to obtain a complete credit profile of a financial assistance applicant or contractor, not only in terms of the financial or debt relationship that an applicant or prospective contractor may have with private sector businesses and financial entities, but also with other Federal agencies.

Section 4.0 Policy

The services of credit bureaus will be employed to obtain credit reports. Credit reports will be obtained and used by organization units:

- a. To help verify application data and determine the creditworthiness of all loan, loan guarantee, and grant applicants, and of potential contractors for contracts over \$25,000;
- b. To assist in establishing whether such applicants or contractors have any outstanding debts with another Federal Government agency;
- c. When a loan, loan guarantee, or audit disallowance in excess of \$10,000 is delinquent for thirty or more days; or
- d. If the organization unit must refer the delinquent debt to GAO for resolution and instructions prior to proceeding with collection action and/or referral to the Department of Justice for litigation.

Each organization unit must determine the relative importance to be assigned credit reports. The importance given to credit reports by organization units in providing financial assistance or contracts should be based on such factors as the amount of the potential award, the risk of default or nonpayment, the organization unit's prior experience with the applicant or contractor, and the existence of other possible means of evaluating the credit or financial reliability of the applicant or prospective contractor.

Section 5.0 Source of Procurement

Organization units should refer to Treasury's [Guide to the Federal Credit Bureau Program](#) for obtaining credit report services.

Section 6.0 Routine Credit Report Requirements

To ensure that credit reports are used when necessary and in the most efficient and timely manner, organization units will:

- a. Identify the loan or loan guarantee activities for which credit reports will be used in accordance with the following guidelines.
 1. When considering a new application from individuals or businesses for loans or loan guarantees;
 2. When individuals or businesses are refinancing or rescheduling any type of debt payments;
 3. When a debtor claims the financial inability to pay a debt in a lump sum, and verification is required of the debtor's financial status prior to entering into an installment arrangement;
 4. When a loan or loan guarantee is delinquent or nonperforming for thirty or more days;
 5. When a delinquent debt is referred to the Department of Justice for litigation or for recommended action in terms of validity of the claim or propriety of compromise, suspension, or termination of collection action;
 6. To identify applicants in default on other Federal programs;
 7. To identify other financial relationships that delinquent debtors may have with other Federal agencies in order to take advantage of opportunities for administrative offset;
 8. To facilitate the organization unit's determination of the next collection step(s) to be pursued when a defaulted guaranteed loan is purchased from the lender under the guarantee agreement; and
 9. When obtaining credit reports by telephone, mail, or online terminals.
- b. Provide guidance to bureau officials on how credit reports will be used/weighed in the decision-making process when awarding a loan, or loan guarantee.

Section 6.0 Retention of Credit Reports

Credit reports will be made a part of the official award file; and records maintained by organization units in performing risk analyses required by [OMB Circular No. A-129 Revised, Policies for Federal Credit Programs and Non-tax Receivables](#). In performing and updating such analyses, organization units will obtain credit reports on loan and loan guarantee recipients at least semiannually.

Section 7.0 Outstanding Federal Debts

Where a credit report discloses that an applicant is delinquent on a Federal debt, has been debarred or suspended as a contractor by a Federal agency, or has otherwise failed to meet debt obligations to the Federal Government, no award shall be made without consulting the other affected Federal agency(s). Where a credit report discloses that a delinquent debtor is a current or prospective recipient of another Federal loan, contract, or grant, the debt may be collected by administrative offset against payments due to the individual or business, using procedures set forth in the Federal Claims Collection Standards, and the Department's regulations on offsets. The Department's regulations on administrative offset, are published in [15 CFR 21](#), and are contained in Appendix E of this Handbook.

Section 8.0 Identification of Offset Opportunity

If a debtor fails to make payment on any debt owed the Department--whether relating to a loan, loan guarantee, grant, contract, or any other debt--a credit report on the debtor will be immediately obtained by the organization unit workout group(s) when the debt is referred to the group to determine whether the opportunity exists for the organization unit to execute an administrative or salary offset in cooperation with another Federal agency against the amount owed. Since the content of credit reports varies by credit bureau, with some bureaus providing more detailed credit/debt information, organization units may determine that obtaining one or more credit reports is justified to ensure that any possible opportunity for offset is identified.

Section 9.0 The Privacy Act (P.L.) of 1974 Compliance

Organization units shall ensure that debt information on individuals is managed and used in accordance with the [The Privacy Act of 1974, As Amended \(P.L. 93-579, 5 U.S.C. 552a\)](#). Specifically, in regard to financial transactions the Privacy Act states, in part, that:

“No agency shall disclose any record which is contained in a system of records by any means of communication to any person, or to another agency, except pursuant to a written request by, or with the prior written consent of, the individual to whom the record pertains, unless disclosure of the record would be to those officers and employees of the agency which maintains the record who have a need for the record in the performance of their duties.”

Section 10.0 The Fair Credit Reporting Act (FCRA), As Amended (Public Law 91-508) Compliance

Organization unit officials must ensure that credit reports on individuals are in compliance with [The Fair Credit Reporting Act \(FCRA\), As Amended](#) (Public Law 91-508), and are only obtained and used for the following reasons:

- a. For the purpose of evaluating a credit transaction or reviewing or collecting an outstanding debt; or
- b. For the purpose of determining an applicant's financial responsibility or status.

Organization unit officials must be aware that under FCRA any user of credit report information who fails to comply with the privacy requirements of FCRA is subject to civil liability for willful or negligent noncompliance with the requirements of FCRA. Further, any person who knowingly and willfully obtains information on an individual from a consumer reporting agency under false pretense, and/or who is not authorized to obtain such information, is subject to fine and/or imprisonment.

Section 11.0 Currency of Credit Data

There may be occasions when credit reports obtained by organization units are not current or appear incomplete. The credit bureaus preparing these reports are required to make every effort to provide the most up-to-date credit information available on individuals and businesses, as well as nonprofit entities. However, organization units should be aware that credit bureau procedures are such that inquiries from the using public, as well as financial transactions of the credit recipient, by and large control the continuous updating of individual accounts. These updating procedures vary among credit bureaus. Consequently, if inquiries are not made over a period of time, or transactions do not occur, individual files become "stale." Therefore, if a credit report does not appear current, or if an organization unit wants to ensure the most current information is available, direct contact with the credit bureau should be made and an assurance check should be requested from these companies.

Credit Alert Interactive Voice Response System (CAIVRS)

According to the guideline established under [OMB Circular No. A-129 Revised, Policies for Federal Credit Programs and Non-tax Receivables](#), organization units should use Department of Housing and Urban Development's Credit Alert Interactive Voice Response System ([CAIVRS](#)) for loan screening to ensure applicants are not delinquent on Federal Debt. CAIVRS offers direct on-line access for delinquent debt from other major credit programs.

What is it?

The [CAIVRS](#) is a Federal government interagency shared database, which is used to alert participating Federal lending agencies when an applicant for benefits has a Federal loan which is currently in default or foreclosure, or has had a claim paid by the reporting agency.

What does it do?

The [CAIVRS](#) allows authorized employees of participating Federal agencies to access a shared inter-Departmental database of delinquent Federal borrowers for the purpose of pre-screening direct loan applicants for credit worthiness, and permits authorized primary lenders acting on the Government's behalf to access the delinquent borrower database for the purpose of prescreening the credit worthiness of applicants for Federally guaranteed loans.

How does it work?

Although there are several ways to access the system, the most common usage is by telephone. Authorized users, via a touch tone telephone will dial **301-344-4000** and be prompted to enter their [CAIVRS](#) Access code (an Agency assigned identification number or lender ID). The system will verify the authorization number and then prompt the caller to enter the Social Security Number (SSN) of the applicant. If the applicant's SSN is not in the database, the caller will receive a clear confirmation code. If there is a record of default for the borrower whose SSN was entered, the caller will be given the name of the Agency reporting the default, the case number of the defaulted loan, the type of record (default, claim, foreclosure, or lien judgment) and a telephone number to call for further information or assistance. [CAIVRS](#) is also accessible via "Telemail" utilizing secure data mailboxes, FTP/IP (Internet), Batch file transfer and via the HUD LAN and WAN.

Under what legal authority is CAIVRS implemented?

The [CAIVRS](#) authority derives from Public Law 100-503, “The Computer Matching and Privacy Protection Act of 1988,” as amended; [OMB Circular A-129 Revised](#) and the Budget and Accounting Acts of 1921 and 1950, as amended; the Debt Collection Act of 1982, as amended; the Deficit Reduction Act of 1984, as amended, and the [Debt Collection Improvement Act of 1996](#), as amended.

How many records are in CAIVRS?

The [CAIVRS](#) has over 2.4 million delinquent borrower records and over 61 thousand authorized user IDs from HUD, USDA, VA, SBA, FDIC, and the Departments of Justice and Education.

How does CAIVRS relate to Government Financial Management?

Title 31, United States Code, Section 3720B bars delinquent Federal debtors from obtaining Federal loans or loan insurance guarantees. The [CAIVRS](#) provides a single repository of delinquent Federal debtor records with easy access through a variety of media for pre-screening applicants for Federal benefits. Most credit bureau reports do not identify insured debts as being delinquent Federal debts. By participating in [CAIVRS](#), Federal lending agencies have ready access to an interdepartmental database of delinquent Federal debts which provide Federal financial managers with the information necessary to comply with the U.S. Code requirements.

How has CAIVRS benefited the participating Agencies?

Since 1987, over 24 million borrowers have been pre-screened through CAIVRS. As a direct result of participating in [CAIVRS](#), HUD has avoided over \$12 billion in potential claims and over \$4 billion in potential losses. USDA and VA have also realized significant claim and loss avoidance benefits. Additionally, participating Agencies have realized cash collections of delinquent debts on an annual average in excess of \$2.9 million.

What does it cost to participate in CAIVRS?

The cost to participate in [CAIVRS](#) is predicated upon the number of records a given agency has in the database and the volume of transactions made by or for that Agency. Relative to the benefits outlined above, the cost of [CAIVRS](#) participation is nominal.

What is required for participation in [CAIVRS](#)?

In order to participate in [CAIVRS](#), a Federal government agency must identify target program(s), publish System of Records Notice in the Federal Register amending appropriate Privacy Act Systems of Records, and work with HUD to enter into an Interagency Agreement and a Computer Matching Agreement.