

CREDIT AND DEBT MANAGEMENT
OPERATING STANDARDS AND PROCEDURES HANDBOOK

CHAPTER 3. POLICY

Section 1.0 General

.01 Financial Assistance (Credit Extension) Functions

Departmental policy, procedures, and standards for financial assistance programs (including grants, cooperative agreements, loans, and loan guarantees) are administered by the Department's Office of Financial Management (OFM). See Departmental Organizational Order (DOO) 20-28, Director for Executive Budgeting and Assistance Management. Also refer to Departmental Administrative Order (DAO) 203-26, Department of Commerce Grants Administration for guidance on grants and cooperative agreements. Operating policies, procedures, and standards for financial assistance and credit extension functions, which are established and maintained by OFM, are included in Chapter 5 of this Handbook, *Procedures for Loans and Loan Guarantees Pre-award Evaluation*, for the user's convenience.

.02 Debt Management Functions

OFM is responsible for developing, issuing, and implementing policies, procedures, and standards for the management of Federal debts, including debt accounting and financial reporting, loan servicing, debt portfolio management, and debt collections.

Section 2.0 Debt Accounting and Financial Reporting

.01 U.S. Standard General Ledger Compliance at Transaction Level

Debt accounting records shall be maintained in compliance with U. S. Standard General Ledger requirements at the transaction level.

.02 Principles and Standards

Accounting and reporting systems will meet the principles and standards established by the Office of Management and Budget (OMB), U.S. Department of the Treasury (Treasury), and other applicable central agencies. The systems will meet the specific requirements established by:

- a. OMB Circular A-129 Revised, *Policies for Federal Credit Programs and Non-Tax Receivables*;
- b. OMB Circular A-127 Revised, *Financial Management Systems*;
- c. Treasury's Guide to the Federal Credit Bureau Program; and
- d. Treasury Financial Manual reporting requirements.

.03 Other Requirements

The accounting and reporting systems will also meet the credit management needs of organization unit operating personnel. This will include but not be limited to the development of loan loss estimates, collection targets, and write-off estimates. The systems will permit calculation of various performance measures and rates by credit and debt management program officials.

Section 3. Loan Servicing

All bureaus must meet loan servicing standards as set forth in OMB Circular A-129 Revised, *Policies for Federal Credit Programs and Non-Tax Receivables*, regarding loan documentation, billing and collections, the use of escrow accounts and debt reporting to credit reporting agencies. Loan servicing procedures are provided in Chapter 6, *Loan Servicing*, of this Handbook.

Section 4. Debt Portfolio Management

.01 Intent and Purpose

The intent and purpose of periodic debt portfolio reviews are set forth in OMB Circular A-129 Revised, Policies for Federal Credit Programs and Non-Tax Receivables, Section IV.C., Asset Resolution,.

.02 Annual Portfolio Review

Organization units will review, at least annually, the economic and legal feasibility of selling all or a portion of their loan portfolio(s). The review will include current and proposed statutory and regulatory provisions governing loan programs and propose removal of any impediment to loan sales on a non-recourse basis. When feasible, organization units should sell loans for cash without recourse, repurchase agreement, or other Federal guarantees. Organization units should consider the sale of loans under present value arrangements to the original borrower.

Proposed sales of loan assets held by organization units will be reported to, and coordinated with, OMB and Treasury.

Section 5. Debt Collection

The debt collection procedures and policies provided in OMB Circular A-129 Revised, Policies for Federal Credit Programs and Non-Tax Receivables and revised Federal Claims Collection Standards (FCCS) - Code of Federal Regulations, Title 31, Volume 3, Chapter IX, shall apply to all organizational units within the Department. The following is an overview of Departmental policy concerning delinquent debt collection. See Chapter 8, Delinquency Follow-up, for details.

.01 Fair but Aggressive Collection Action

Each organization unit shall take fair but aggressive collection action on a timely basis with effective follow-up to collect all debts. One demand letter is required to be sent to the delinquent debtor. The demand letter will include the applicable standards for imposing any interest, penalties or administrative costs, and appropriate legal notification requirements for collection actions planned by the organization unit, such as offset, referral to Treasury for cross-servicing, referral to the Justice Department for litigation, collection agency referral, and credit bureau reporting.

.02 Private Sector Credit/Debt Collection Resources

To the extent permitted by law, organization units will use private sector resources in judging the credit worthiness of financial assistance applicants. Organization units will utilize Treasury's Bureau of the Fiscal Service, Debt Management Services, which includes the Treasury Offset Program, and Cross-Servicing, for the collection of delinquent claims. Organization units will also provide, as directed by the Department, commercial and delinquent consumer debt status information to private sector credit reporting bureaus approved by Treasury. See Chapter 8, *Delinquency Follow-up*, for more details.

.03 Debt Rescheduling and Workout Plans

Debt Rescheduling and Workout Plans shall be in writing, approved by the appropriate organization unit official, and should be made available upon request from auditors or other Departmental units.

.04 Delinquent Debts Transferred to Treasury

As required by 31 U.S.C. 3716, Administrative offset, (c)(6), debts delinquent by more than 120 days must be referred to Treasury for administrative offset. Department of Commerce is cross serviced by Treasury for administrative offset. As a result, effective October 1, 2015, all debts delinquent by more than 120 days must be referred to Treasury for cross-servicing, which will allow for referrals to Treasury for administrative offset.

If a debt is not referred to Treasury, the reason(s) for non-referral shall be documented by the responsible organizational unit. Such documentation shall be available for inspection by the Department as needed.