



Write-Off and OMB Circular A-129

Office of Management and Budget

Office of Federal Financial Management

Debt Collection Conference

May 12, 2004



Agenda

- Write-Off and OMB Circular A-129
 - Delinquent Debt
 - OMB Circular A-129 Provisions
 - Delinquent Debt Collection Process
 - [Memorandum M-04-10 \(dated April 19, 2004\)](#)



Delinquent Debt

- **Direct Loans**
 - A payment has not been made by the date specified in the agreement
- **Guaranteed Loans**
 - Borrower breaches the loan agreement with the private sector lender
- **Other Debt**
 - Debtor does not pay or resolve the debt by the date specified in the agency's initial written demand for payment

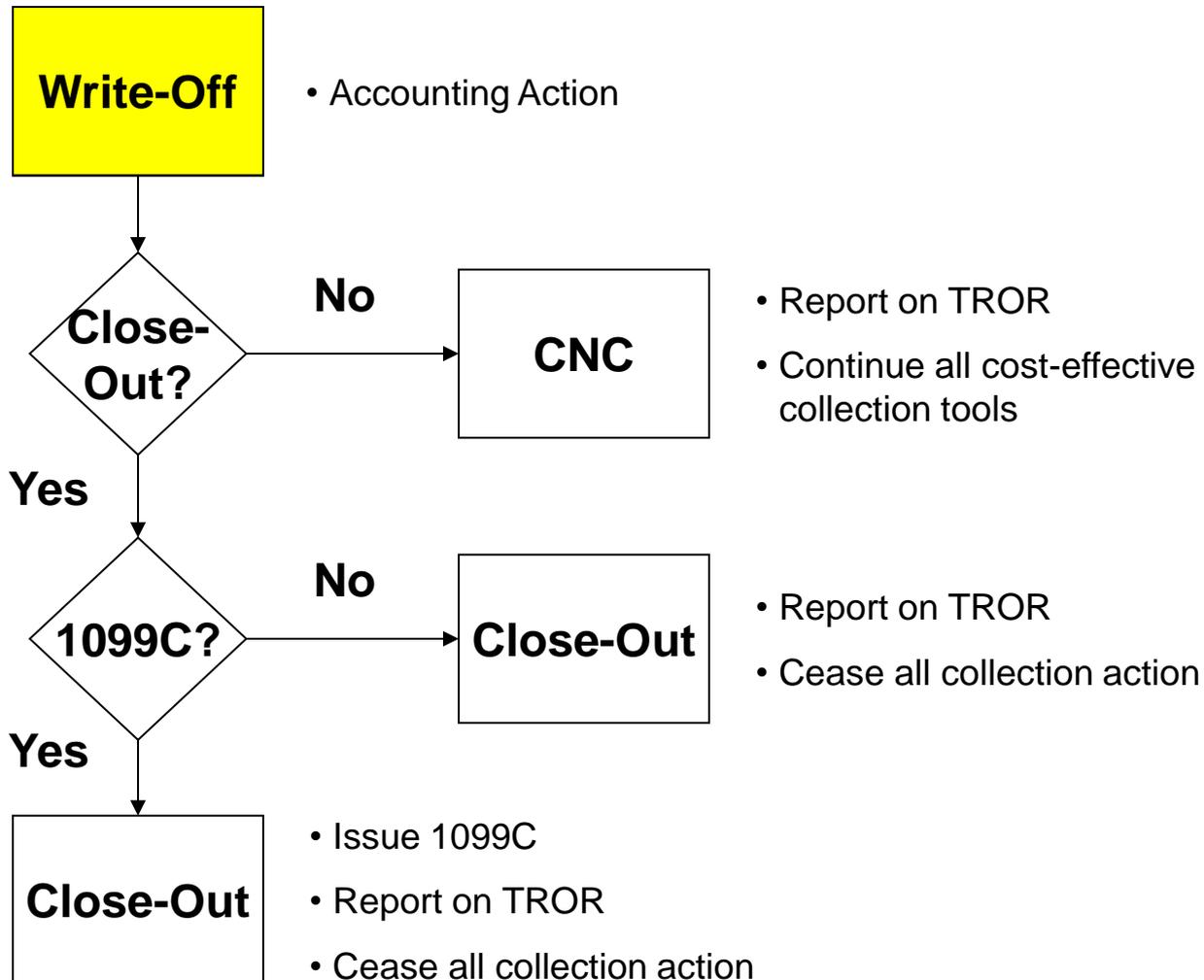


OMB Circular A-129 Provisions

- Refer debts 180 days delinquent to Treasury
- Establish Currently Not Collectible (CNC) as a reporting category
- Write-off all debt older than two years
- Review (continuously) delinquent debt



Delinquent Debt Collection Process



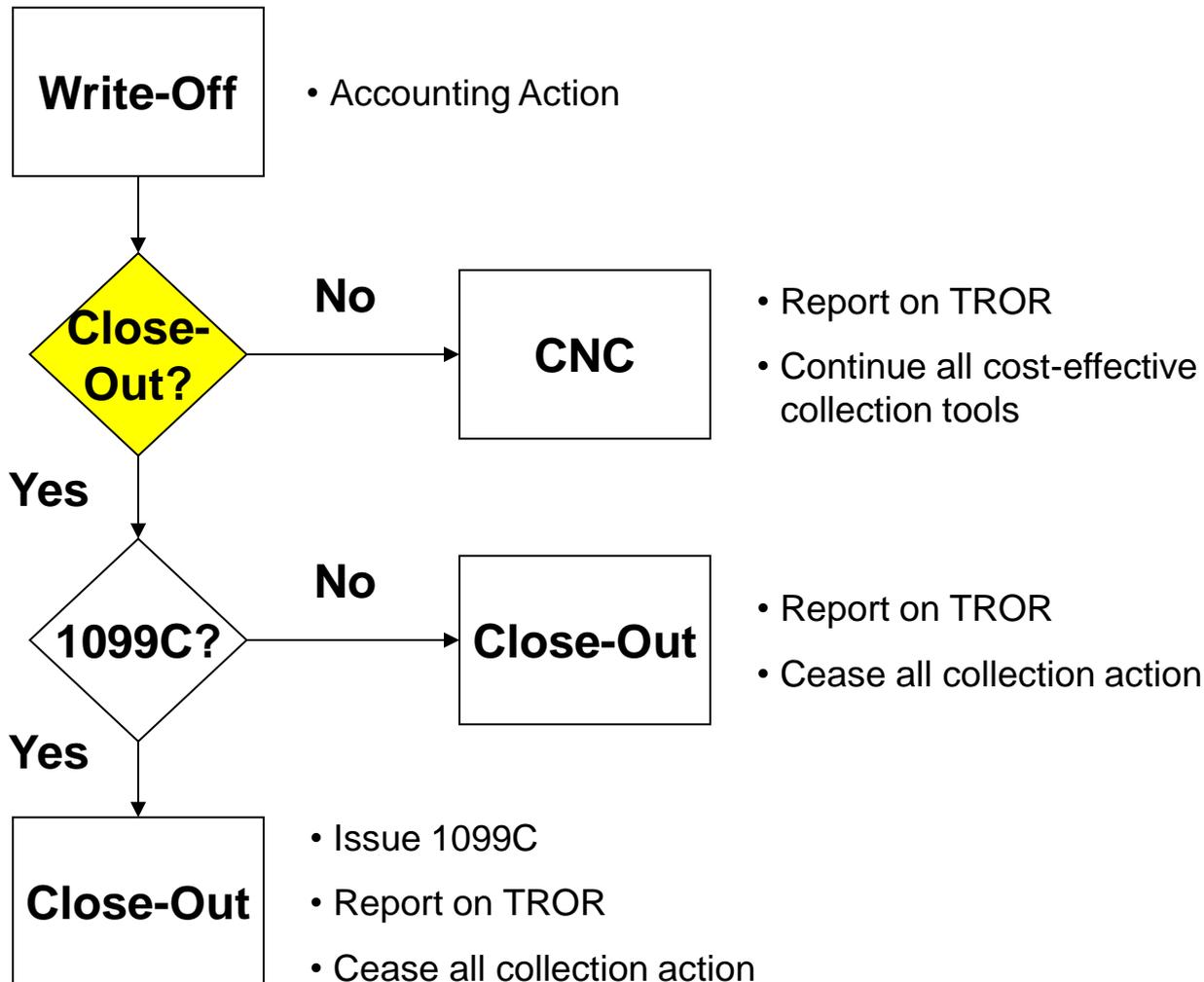


Delinquent Debt Collection Process Write-Off

- Occurs when the agency determines that the likelihood of collection is less than 50%
- *Mandatory* (unless documented and justified to OMB in consultation with Treasury) for delinquent debt that
 - Has no value for accounting purposes or
 - Is older than two years
- Once the debt is written-off, the agency must classify the debt as either one of the following:
 - Currently Not Collectible (CNC)
 - Closed-Out



Delinquent Debt Collection Process



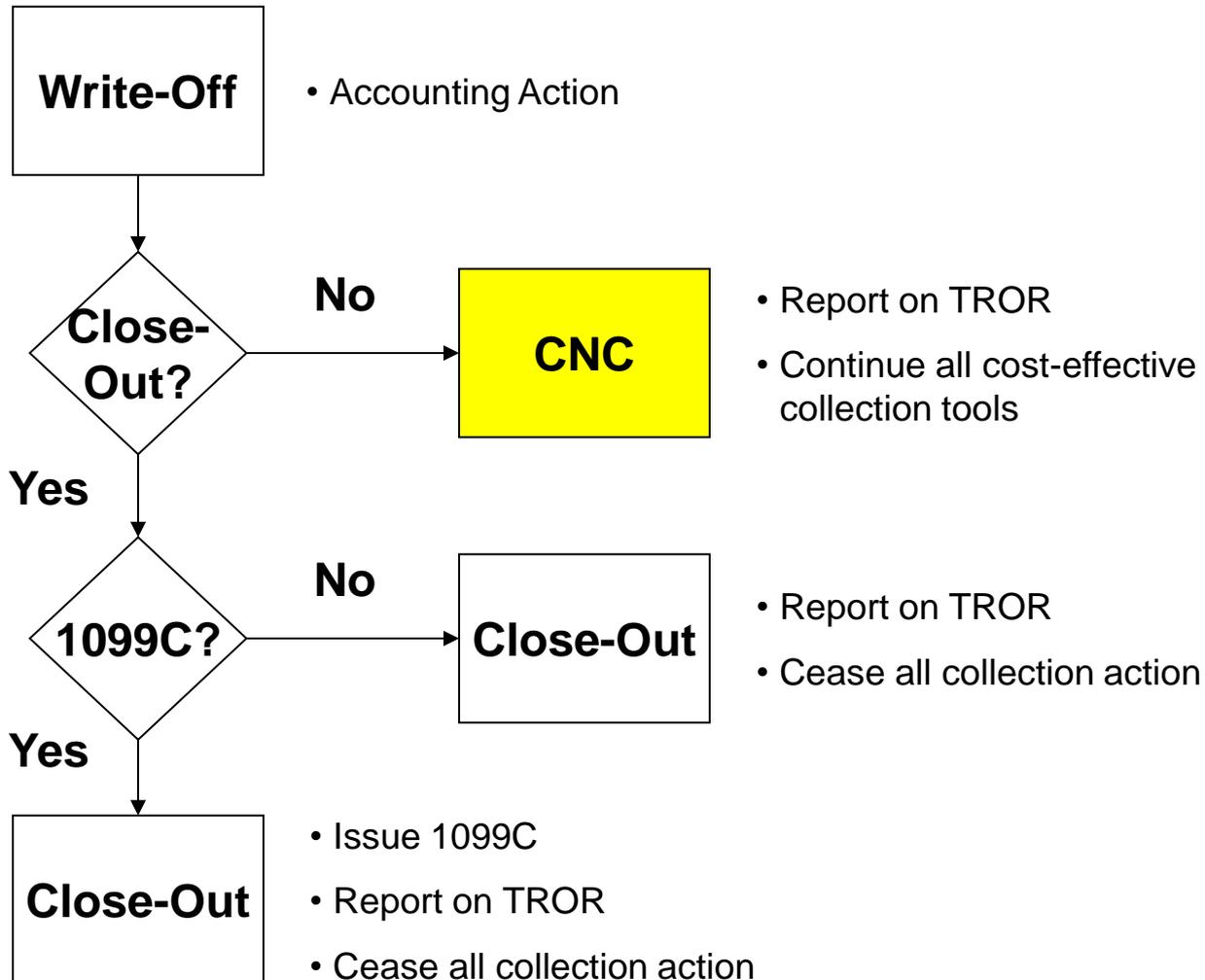


Delinquent Debt Collection Process Close-Out

- After mandatory write-off, an agency determines that it is no longer cost effective to pursue collection
 - File a 1099C with the Internal Revenue Service
 - Notify the debtor in accordance with IRS Code
 - Report closed-out debts on the Treasury Report on Receivables
 - Stop all collection activity, including the sale of debts, once debts are closed



Delinquent Debt Collection Process





Delinquent Debt Collection Process Currently Not Collectible

- Continued collection efforts are likely to yield higher return for the government than the 1099C process
- Maintain the debt for administrative offset and other collection tools until one of the following occur:
 1. Debt is paid;
 2. Debt is closed-out; or
 3. All collection activities are legally precluded; or
 4. The debt is sold, whichever occurs first.



Memorandum M-04-10

- Purpose
 - Establish a new reporting requirement pursuant to the DCIA of 1996
 - Remind Federal agencies of current and ongoing responsibilities under the debt collection provisions of the DCA of 1992, as amended by DCIA, and OMB Circular A-129



Memorandum M-04-10

New Requirements

- Review and report annually on internal standards and policies regarding compromising, writing-down, forgiving, or discharging debt
 - Description of agency policies
 - Description of policy deficiencies and corrective actions
 - Statement whether policies are consistently implemented
 - Statement whether all eligible discharged / closed-out debt has been reported to the IRS on Form 1099-C and on the Treasury Report on Receivables



Memorandum M-04-10

Current / Ongoing Requirements

- Fully participate in centralized offset, that is, the Treasury Offset Program
- Aggressively service and collect delinquent debts
- Denial of direct and indirect loans to delinquent debtors
- Accurately and timely report on receivables



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