

CREDIT AND DEBT MANAGEMENT
OPERATING STANDARDS AND PROCEDURES HANDBOOK

GLOSSARY OF CREDIT AND DEBT TERMS

Account Servicing: That portion of the credit management cycle that includes monitoring the status of accounts of indebtedness, monitoring records of current debts, billings for amounts due, collecting amounts due, handling debtor correspondence, performing follow-up functions, and providing accurate reporting of debt portfolios.

Administrative Costs: Additional costs incurred in processing and handling a debt because it has become delinquent. Administrative costs should be based on either the terms of a contractual agreement, or the actual costs incurred or cost analyses, which estimate the average of actual additional costs incurred for particular types of debt at similar stages of delinquency. Administrative costs should be accrued and assessed from the date of delinquency.

Administrative Offset or Offset: Withholding funds payable by the United States (including funds payable by the United States on behalf of a state government) to, or held by the United States for, a person to satisfy a debt owed by the person. The term "administrative offset" can include, but is not limited to, the offset of Federal salary, vendor, retirement, and Social Security benefit payments. The terms "centralized administrative offset" and "centralized offset" refer to the process by which the Treasury Department's Financial Management Service offsets Federal payments through the Treasury Offset Program.

Agency or Federal Agency: A department, agency, court, court administrative office, or instrumentality in the executive, judicial, or legislative branch of the Federal Government, including government corporations.

Asset: Any item of economic value, either physical in nature (such as land) or a right to ownership, expressed in cost or some other value, which an individual or entity owns.

Certified Appraisal: An appraisal prepared by a person who has satisfied the minimum requirements for certification as established by the Appraisal Qualification Board of the Appraisal Foundation, which include passing a suitable written examination administered by a State or territory.

Claims Collection Litigation Report (CCLR): A report developed by the Department of Justice for organization unit use in referring debts to the Department of Justice for litigation and enforced collection. The CCLR is also used for the referral of debts to the Department of Justice for concurrence on a proposed suspension or termination of collection action (i.e., write-off).

Close-Out: An action which occurs concurrently with or subsequent to an organization unit's decision to write-off a debt for which the organization unit has determined that future additional collection attempts would be futile. At close out, an organization unit reports to the IRS the amount of an inactive debt as income to the debtor on IRS Form 1099-G. No additional collection action may be taken by the organization unit after issuing the 1099-G.

Collection: The process of receiving amounts owed to the Government, such as payment on a debt.

Collection Agency: A private sector entity whose primary business is the collection of delinquent debts.

Commerce Debt: A debt owed to a Commerce entity by a person.

Commerce Entity: A component of the Commerce Department, including offices or bureaus. Commerce offices currently include the Office of the Secretary of Commerce and the Office of Inspector General. Commerce bureaus currently include the Bureau of Industry and Security, the Economics and Statistics Administration (including the Bureau of Economic Analysis and the Bureau of the Census), the Economic Development Administration, the International Trade Administration, the Minority Business Development Agency, the National Oceanic and Atmospheric Administration, the National Telecommunications and Information Administration, the U.S. Patent and Trademark Office, and the Technology Administration (including the National Institute of Standards and Technology and the National Technical Information Service).

Commercial Organization: A for-profit business, including individuals operating commercial enterprises as sole proprietorships, limited and general partnerships, and corporations; or a not-for-profit organization, including private educational and health services institutions, cooperatives, and corporations.

Compromise: To accept less than the full amount of the debt owed from the debtor in satisfaction of the debt. The organization unit reports the difference between the amount owed and the amount accepted (the compromised amount) to the IRS on Form 1099-G as income to the debtor, provided that the debt was not compromised due to a dispute over the debt.

Consumer: Signifies non-commercial (personal) activity.

Contingencies: An existing condition, situation, or circumstance which involves uncertainty and which could result in gains or losses. For example, guaranteed loans represent contingent liabilities; in the event of default by the borrowers, the Government would be liable to cover the losses of the guarantors, and thereby sustain the loss itself.

Cooperative Agreement: The legal instrument reflecting a relationship between the Department of Commerce and a recipient whenever: 1) the principal purpose of the relationship is to transfer money, property, services, or anything of value to accomplish a public purpose of support or stimulation authorized by Federal statute and 2) substantial involvement (e.g., collaboration, participation, or intervention by DOC in the management of the project) is anticipated between DOC and the recipient during performance of the contemplated activity. Cooperative agreements are subject to the same OMB, Treasury, and other Federal laws and policies as grants.

Credit Extension: That portion of the credit management cycle involving review and approval of requests for short-term or long-term credit.

Credit Management Cycle: The total credit management process, which includes credit extension, servicing of accounts, collection of delinquent accounts, and write-off of uncollectible accounts.

Creditor Agency: The agency to which the debt is owed, including a debt collection center when acting in behalf of a creditor agency in matters pertaining to the collection of a debt (as provided in Sec. 550.1110).

Credit Reporting Bureau: A private sector entity which collects financial information on debtors and whose reports on debtors reflect information received from the public and private sectors.

Credit Report: A report containing detailed information on a person's credit history, including identifying information, credit accounts and loans, bankruptcies and late payments, and recent inquiries. It can be obtained by prospective lenders with the borrower's permission, to determine his or her creditworthiness.

Creditworthy: A favorable determination entitling an applicant to receive credit. This status is based on the perceived ability and willingness of the borrower to repay the debt and the lending organization's level of acceptable risk. It also considers other Federal obligations that could jeopardize or be jeopardized by the new debt under consideration.

Day: A calendar day except when express reference is made to business day, which reference shall mean Monday through Friday. For purposes of time computation, the last day of

the period provided will be included in the calculation unless that day is a Saturday, a Sunday, or a Federal legal holiday; in which case, the next business day will be included.

Debt: Any amount of money, funds, or property that has been determined by an appropriate official of the Federal Government to be owed to the United States by a person. As used in this part, the term "debt" can include a Commerce debt but does not include debts arising under the Internal Revenue Code of 1986 (26 U.S.C. 1 et seq.). (Also see definition of "person.")

Debt Collection: That portion of the credit management cycle dealing with the recovery of amounts due after routine account servicing fails. This activity includes the assessment of the debtor's ability to pay, the exploration of possible alternative arrangements to increase the debtor's ability to repay and other efforts to secure payment.

Debt Collection Center: The Department of the Treasury or other Government agency or division designated by the Secretary of the Treasury with authority to collect debts on behalf of creditor agencies in accordance with 31 U.S.C. 3711(g).

Debt Collection Improvement Act of 1996 (DCIA): Due to a steady increase in the amount of delinquent non-tax debt to the U.S., and concern that appropriate actions were not being taken to collect this delinquent debt, Congress passed the DCIA in 1996. This law centralized the government-wide collection of delinquent debt and gave Treasury significant new responsibilities in this area.

Debtor: A person who owes a debt to the United States.

Delinquent Debt: A debt that has not been paid by the date specified in the agency's initial written demand for payment or applicable agreement or instrument (including a post-delinquency payment agreement) unless other satisfactory payment arrangements have been made.

Delinquent Commerce Debt: A delinquent debt owed to a Commerce entity.

Disposable Pay: Has the same meaning as that term is defined in [5 CFR 550.1103](#).

Employee or Federal Employee: A current employee of the Commerce Department or other Federal agency, including a current member of the uniformed services, including the Army, Navy, Air Force, Marine Corps, Coast Guard, Commissioned Corps of the National Oceanic and Atmospheric Administration, and Commissioned Corps of the

Public Health Service, including the National Guard and the reserve forces of the uniformed services.

FCCS: The Federal Claims Collection Standards, which were jointly published by the Departments of the Treasury and Justice and codified at [31 CFR parts 900-904](#).

Federal Credit Reform Act: The Act was established in 1990 for the purposes to -- (1) measure more accurately the costs of Federal credit programs; (2) place the cost of credit programs on a budgetary basis equivalent to other Federal spending; (3) encourage the delivery of benefits in the form most appropriate to the needs of beneficiaries; and (4) improve the allocation of resources among credit programs and between credit and other spending programs.

Financial Contract: An agreement or contract made by an organization unit, the primary purpose or result of which is to make private credit available, or available on more favorable terms than in the absence of the contract, to a non-Federal entity by indirectly or directly assuming the risk involved. Included are financial contracts such as agreement to pay all or part of the principal or interest on the debt obligation of a non-Federal entity (debt service payments), financial lease agreements for assets and project financing and repayment arrangements. For the purpose of this Handbook, "financial contracts" will be considered as "loan guarantees."

Financial Management Service: Financial Management Service is a bureau of the Treasury Department, which is responsible for the centralized collection of delinquent debts through the offset of Federal payments and other means.

Foreclosure: A method of enforcing payment of a debt secured by a mortgage by seizing the mortgaged property. Foreclosure terminates all rights, which the mortgagor has in the mortgaged property upon completion of due process through the courts.

Grants: The legal instrument reflecting a relationship between the Department of Commerce and a recipient whenever: (a) the principal purpose of the relationship is to transfer money, property, services, or anything of value in order to accomplish a public purpose of support or stimulation authorized by Federal statute and (b) no substantial involvement is anticipated between the Department and the recipient during the performance of the contemplated activity.

Inactive Debt: A debt, which has been written off and removed as an active receivable. A record of the account may still be held by the organization unit for possible future offset or collection as well as for future credit prescreening purposes.

Loan, Direct: An obligation created when: (1) the Government agrees to disburse funds to and contracts with the debtor for repayment, with or without interest; (2) the Government

acquires a guaranteed loan in satisfaction of a default or other claim; (3) a Federal agency purchases non-Federal loans through secondary market operations; or (4) an organization unit sells assets on credit terms of ninety (90) days or more.

Loan, Guaranteed: A contingent liability created by any debt obligation on which the organization unit pledges to pay part or all of the amount due to a lender or holder in the event of default by the borrower.

Loan, Insurance: Type of guarantee in which any organization unit pledges the use of accumulated insurance premiums to secure lenders against default on the part of borrowers. For the purposes of this Handbook, loan insurance is considered to be a "loan guarantee" and the term "insured loan" is considered to be a "guaranteed loan."

Loan, Participation: A loan consisting of both direct and guaranteed portions.

Non-Performing Account: An account past due six (6) months or more.

Payment Agency or Federal Payment Agency: Any Federal agency that transmits payment requests in the form of certified payment vouchers, or other similar forms, to a disbursing official for disbursement. The payment agency may be the agency that employs the debtor. In some cases, the Commerce Department may be both the creditor agency and payment agency.

Penalty: A charge assessed for delinquent debts. The rate to be assessed is set by law at no more than six (6) percent per year or such other higher rate as authorized by law.

Person: An individual, corporation, partnership, association, organization, State or local government or any other type of entity other than a Federal agency.

Principal: The amount owed by the debtor and owed to the Government which excludes interest, penalties, administrative charges, loan fees, and prepaid charges.

Receivable: Amount owed the Government by an individual, organization, or other entity upon completion of the acts giving rise to such claims. Examples of receivables generated by normal functions of Government agencies include amounts due for loans, sales of goods and services, fines, penalties, forfeitures, interest, overpayments, fees, duties, rents, royalties, claims, damages, audit disallowances, and travel advances.

Receivable, Current: Indicates that the receivable will be due within twelve (12) months of the reporting period.

Receivable, Noncurrent: Indicates that the receivable will not be due within twelve (12) months of the reporting period.

Referral for Litigation: Referral of debts to the Department of Justice for appropriate legal proceedings; or, where the organization unit has statutory authority for handling its own litigation, referral to the office within the organization unit that is responsible for litigation.

Repayment Agreement: Establishes the terms and conditions governing the recovery of a debt by the lender from the borrower when credit is initially extended or a debt is rescheduled. Repayment agreements should be reduced to writing as soon as possible after such agreements are reached.

Reschedule: To establish new terms and conditions (i.e., modify the existing terms) to facilitate repayment of a debt. Also referred to as restructuring, refinancing, and re-amortizing.

Salary Offset: Salary offset is a type of administrative offset to collect a debt under 5 CFR 5514 by deductions(s) at one or more officially established pay intervals from the current pay account of an employee without his or her consent.

Suspend Collection Action: To place collection action temporarily in abeyance due to the existence of a particular set of circumstances. Suspension of collection action is most appropriate in those cases where an organization unit has reason to believe that the debtor will have future ability to repay the debt and that active collection of the debt at the present time would not be productive.

Tax Refund Offset: The reduction of a debtor's tax overpayments by the amount of legally enforceable debt owed to a Federal agency. A tax refund offset is a type of administrative offset. Tax refund offset is defined in 31 CFR 285.2(a).

Taxpayer Identification Number (TIN): The Social Security Number (SSN) for individuals or the Employee Identification Number (EIN) for business organizations or non-profit entities.

Terminate Collection Action: To cease active collection of a debt. The act of removing the debt from accounting records is to write it off. A decision to terminate collection action precedes or occurs concurrently with the write-off of the account.

Waive: To grant relief from all or part of a debt under statutory authority.

Workout: A process for consideration of rescheduling or restructuring terms and conditions of a seriously delinquent loan to facilitate repayment and meet lending criteria and objectives. A workout is initiated when it becomes evident that the original terms cannot be fulfilled.

For loans, grants, cooperative agreements, contracts, and other receivables, workout may also mean intensified collection action, including identification of appropriate collection mechanisms.

Workout Group: A group established within an organizational unit with the sole purpose of resolving seriously delinquent debts, including those debts, which demand extreme measures in order to protect the Government's interest.

Write-Off: A determination by the organizational unit head or his/her designee, after all appropriate collection tools have been used and all appropriate concurrences for write-off have been received by designated Department officials and/or the Department of Justice, that a debt is uncollectible. Active collection on an account ceases and the account is removed from an entity's receivables. Written off receivables may be maintained as inactive debts.