

CREDIT AND DEBT MANAGEMENT
OPERATING STANDARDS AND PROCEDURES HANDBOOK

CHAPTER 4. CREDIT MANAGEMENT AND DEBT COLLECTION PLAN AND ANNUAL BUDGET SUBMISSION

Section 1.0 General

As a part of the Chief Financial Officer (CFO) Financial Management Five-Year Plan, organization units shall develop a Credit Management and Debt Collection Plan (Plan) for effectively managing credit extension, account servicing and portfolio management, and delinquent debt collection. The Plan shall include program performance objectives, and will monitor actual results for each program against the Plan's objectives. The Plan will be used to identify, on a yearly basis, trends which may adversely affect overall program objectives and agency budgets. As a function of portfolio management, the Plan shall consider the appropriateness of loan asset sales programs and prepayment programs. The full cost of credit programs, including anticipated losses, shall be included in the annual budget submission.

Section 2.0 Credit Management and Debt Collection Plan

Pursuant to [OMB Circular A-129](#), organization units shall develop the Plan that describes their strategy for effectively managing all phases of the credit cycle--credit extension, account servicing and portfolio management, and delinquent debt collection. The contents of the Plan shall be in accordance with the requirements for the Credit Management and Debt Collection Plan set forth in [OMB Circular A-129](#). The Plan shall be developed with sections as indicated below:

.01 Overview

Describe each loan program in terms of:

- a. Characteristics of the debts and debtors involved;

- b. Historical experience of the program and other Government agencies and the private sector in collecting this type of debt;
- c. Trend analysis of delinquencies and defaults, including guaranteed loans;
- d. Planned improvements in the organization unit's credit management and debt collection; and
- e. Statutory prohibitions enacted or pending that may impede implementation of the circular.

.02 Strategies

Describe how loss prevention and debt collection will be improved in each element of the credit cycle--award, servicing, and collection. The strategy should indicate the program direction that will be required to accomplish the credit management objectives over the next five years. The strategy should link the objectives of credit management with the development of program accounting systems as proposed in accordance with [OMB Circular A-127](#).

The development of trends in receivables, delinquent debt collection and write-offs, as reflected in the annual submission in accordance with [OMB Circular A-11, "Preparation and Submission of Budget Estimates,"](#) Section 33, Federal credit data, should be reflected in the strategies and initiatives.

.03 Credit Management Initiatives

The Plan shall describe each of the following areas, including associated milestones and time frames:

- a. Establishment of credit management and debt collection practices, procedures, and regulations that implement [OMB Circular A-129](#).
- b. How debt collection and credit management responsibilities will be defined and assigned for each program.
- c. Establishment of accounting practices and procedures and automated information systems to enable the production of accurate financial reports on those programs that generate receivables.
- d. Evaluation of credit management and debt collection operations and systems in order to identify areas for improvement and to initiate actions to correct any problems identified.

.04 Performance Goals

The Plan shall include:

- a. Specific performance goals that the organization unit proposes to meet each fiscal year, and
- b. Evaluations of performance goals previously established and reasons provided if the goals have not been met.

.05 Relationship to Other OMB Circulars

The Plan shall include summaries of the relationship to the following OMB Circulars:

- a. [Circular A-129, “Policies for Federal Credit Programs and Non-Tax Receivables.”](#)
- b. [Circular A-123, “Management Accountability and Control.”](#) Credit management and debt collection functions identified as material weaknesses shall be reported along with corrective measures to eliminate the weaknesses.
- c. [Circular A-127, “Financial Management Systems.”](#)
- d. [Circular A-11, “Preparation and Submission of Budget Estimates \(Part 1\).”](#)

.06 Appraisals of Property

Organization units are required to conduct periodic reviews of appraisals of property serving as collateral for direct or guaranteed loans. Organization units shall provide an assessment of these reviews with their Plan(s).

.07 Financial Advisor

A financial advisor shall be engaged by the agency to conduct a portfolio evaluation and compare pricing options for a prepayment program or loan asset sale as set forth in [OMB Circular A-129](#). Organizational units shall provide an assessment of the evaluation in the Plan.

.08 Risk Assessment and Loan Loss Estimates

Organization units shall include in the Plan their established procedures for assessing the risk inherent in each loan in their portfolios as well as assessments of guaranteed loans by primary lenders. Organization units shall also include loan loss estimates for each loan program in their Plan.

Section 3.0 Annual Budget Submission

In addition to the Credit Management and Debt Collection Plan, [OMB Circular A-11](#), Section 33 identifies Federal credit data and loan program items that are to be included in support of the Department's annual budget submission to OMB.

Section 4.0 Submission to OMB

Organization units will submit their Plan(s) to the Director, OFM, for review and approval on June 30 of each year (or the first workday thereafter). Upon approval by the Director, the Plan(s) will be included in the CFO Financial Management Five-Year Plan and submitted to OMB with the Department's annual budget submission as required by [OMB Circulars A-11](#) and [A-129](#).