# FISCAL YEAR 2010 REPORT
# TO THE CONGRESS

## U.S. GOVERNMENT RECEIVABLES

## AND

## DEBT COLLECTION ACTIVITIES

## OF FEDERAL AGENCIES

**Department of the Treasury**
**March 2011**

# FISCAL YEAR 2010 REPORT TO THE CONGRESS
## U.S. GOVERNMENT RECEIVABLES AND DEBT COLLECTION ACTIVITIES OF FEDERAL AGENCIES


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# I - EXECUTIVE SUMMARY

## A - STATUTORY REQUIREMENT TO REPORT

The Debt Collection Act of 1982, as amended by the Debt Collection Improvement Act of 1996 (DCIA), directs the Secretary of the Treasury (Secretary) to report to Congress annually on the management of debt collection activities by the head of each Federal agency. This report includes information that the agency heads provide to the Secretary on the status of their accounts receivables, loans, and delinquent debts. See 31 U.S.C. § 3719.

## B - SCOPE OF REPORT

This report summarizes the information provided by Federal agencies concerning their receivables as reported to the Department of the Treasury (Treasury) and as contained in the Treasury Report on Receivables and Debt Collection Activities (TROR). It includes information about receivables, collections on receivables, delinquencies, collections on delinquencies, and write-offs.

As a point of clarification, receivables and delinquencies as reported on the TROR do not include debts that have been written-off. Debts that are written-off are classified as either Currently-Not-Collectible (CNC) or as closed out in the TROR. Though written-off and not counted as receivables or delinquencies in the TROR, debts that are classified as CNC are included when determining eligibility for mandatory referral to Treasury for offset and Cross-Servicing. See *Referral to Treasury Under the DCIA*, Part II, Section B of this report.

This report also summarizes key governmentwide actions to collect delinquent debt, a specific concern that led to the passage of the DCIA. Additionally, this report highlights several special and/or unique collection activities and accomplishments by certain Federal agencies.

## C - SUMMARY

- Since the enactment of the DCIA in April 1996, through September 30, 2010, more than $47.9 billion has been collected to pay delinquent debts through Treasury's Financial Management Service's (FMS) Treasury Offset Program (TOP) and Cross-Servicing Program (Cross-Servicing).

- Total collections by FMS on delinquent debts through TOP and Cross-Servicing, exclusive of the amount collected from offset of the payments made under the American Recovery and Reinvestment Act (ARRA), were $5.44 billion in FY 2010. This is the highest amount collected by FMS in a single fiscal year since FMS began governmentwide delinquent debt collection programs in 1996. Annual collections through these programs have averaged over $4.2 billion during the last five years. An additional $14.5 million was collected through TOP from the 2010 economic recovery payments for an FMS FY 2010 total of $5.45 billion.

- In FY 2010, the Department of Justice (DOJ) collected $4.8 billion in cash recoveries on delinquent debts owed to Federal agencies through its civil litigation program. DOJ has collected a total of $17.1 billion through civil litigation in the last five fiscal years.

- In FY 2010, private collection agencies (PCAs) under contract with the Department of Education (Education), the Department of Health and Human Services (HHS), and FMS had referrals of $35.9 billion in delinquent Federal debt. In FY 2010, these PCAs collected $777 million. Student Loan consolidations and rehabilitations arranged by PCAs for Education in FY 2010 accounted for an additional $1.7 billion reduction of delinquent debt.

- The Federal Government collected $226.4 billion in FY 2010 on all of its non-tax receivables. See *Appendix I, Federal Receivables and Delinquent Debt.*

## D – LEGISLATIVE AGENDA : FMS

Five proposals to enhance FMS's debt collection program were contained in the President's 2011 budget:

1. Authorize the levying of Federal vendor payments to collect Federal tax liabilities under the Federal Payment Levy Program prior to the completion of collection due process;

2. Authorize IRS to levy 100% of all vendor payments, including payments for the purchase and lease of real estate, to collect delinquent taxes (technical correction).

3. Authorize the offset of Federal income tax refunds to collect delinquent State income taxes for debtors who currently reside in other States;

4. Authorize the offset of Social Security Administration, Railroad Retirement Board, and Black Lung benefits to collect delinquent child support payments; and

5. Authorize FMS to deduct its fee from amounts collected from tax levies rather than the fee coming to FMS out of IRS's appropriation;

In addition, included in the Department of Labor section of the 2011 budget was a proposal to authorize FMS to offset Federal tax refunds to collect all past due, legally enforceable State unemployment compensation debts (whether or not resulting from fraud).

# II - GOVERNMENT DEBT PORTFOLIO, COLLECTIONS AND WRITE-OFFS

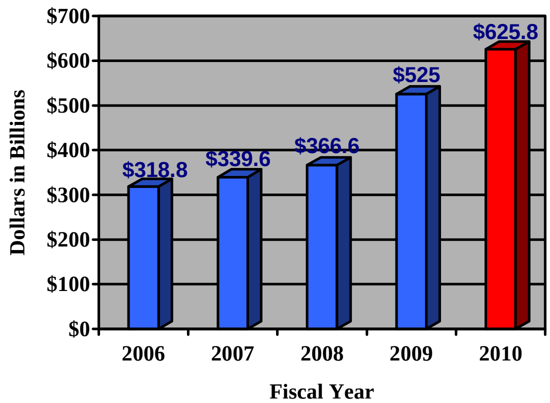
## A - FISCAL YEAR-END DATA

### *1. Receivables, Collections on Receivables, and Delinquencies*

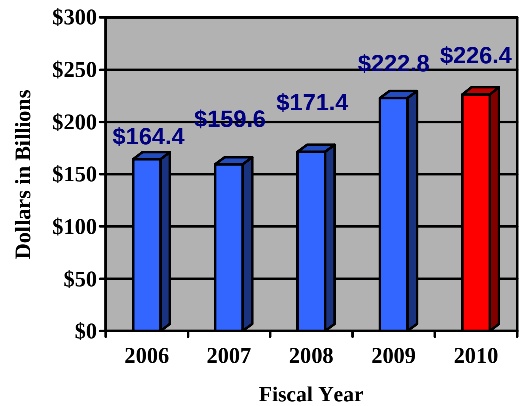
- The FY 2010 total receivables of $625.8 billion represented an increase of $100.8 billion from the previous year, and total delinquencies of $103.6 billion represented a decrease of $3.7 billion.

- At the end of FY 2010, Federal loan programs (direct and guaranteed) comprised 88 percent of total receivables, up from 86 percent at the end of FY 2009. Federal loan program delinquencies comprised 83 percent of total delinquencies, down from 87 percent at the end of FY 2009.

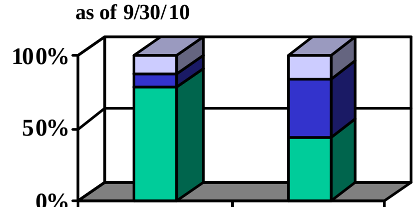
**TOTAL RECEIVABLES**




**TOTAL COLLECTIONS ON RECEIVABLES**




**Distribution of Receivables and Delinquencies as of 9/30/10**




| | Receivables in Billions | Delinquencies in Billions |
|---|---|---|
| Administrative Debt * | $79.8 | $17.7 |
| Defaulted Guarateed Loans ** | $55.6 | $40.6 |
| Direct Loans | $490.3 | $45.2 |

*Examples: Fines, penalties and overpayments.
**Receivables amount includes rehabilitated loans.

Note: Federal loan programs are authorized when private sector credit is unavailable or inadequate, and a Federal objective is to be achieved. Accordingly, Federal loan receivables occur in programs that serve the public interest and are of relatively high risk of default.

- The two agencies with the largest total receivables at the end of FY 2010 were Education with $370.7 billion and the Department of Agriculture (USDA) with $112 billion. Receivables from these two agencies comprise 78 percent of the Government's total receivables (Education at 60 percent and USDA at 18 percent).

- Two Education programs accounted for most of the agency's receivables: Federal Direct Student Loans ($230.2 billion) and Defaulted Guaranteed Student Loans ($35.9 billion).

- Five program areas of the USDA accounted for over $107 billion of its receivables: Rural Electric & Telephone Revolving Fund ($44.2 billion), Rural Housing Insurance Fund ($27.4 billion), Rural Development Insurance Fund ($14.7 billion), Commodity Credit Corporation ($13.1 billion) and Farm Service Agency ($8.1 billion).

Comments on Receivables Data

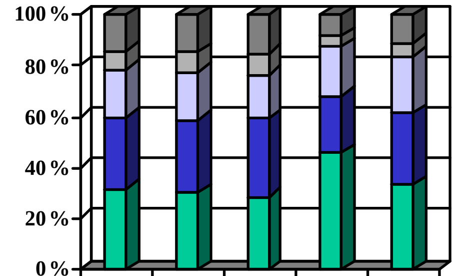
- Contributing to the FY 2010 increase in total receivables were a $76.8 billion increase at Education and a $7.4 billion increase at the Department of Housing and Urban Development (HUD). Education's direct student loan portfolio has grown significantly over the last several years and this trend is continuing. That portfolio has increased from $71.8 billion at the end of FY 2001 to $230.2 billion at the end of FY 2010, and by $73.4 billion in FY 2010 alone. The HUD increase was due, in part, to the rise in defaults on mortgages contained in securities guaranteed by the Government National Mortgage Association (Ginnie Mae).

- Collections Note: Education breaks out its loan consolidations from the amount it reports as Collections on Receivables in the TROR. Previously, Education had reported those consolidations with collections because it considers them to be collections, pursuant to its regulations. Therefore, Education's consolidations have been added to its collections in this report to arrive at the total agency and governmentwide collections amount.

Additional Delinquent Debt Data

- In spite of the increase in total receivables, there was a $3.6 billion, or 4 percent, decrease in delinquencies, to a total of $103.6 billion. The chart to the right provides the breakdown, in billions, of those delinquencies by age.

**Aging of Government-wide Delinquencies**




| | 2006 | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|---|
| > 10 yrs | $9.2 | $9.6 | $11.4 | $9.2 | $11.3 |
| 6-10 yrs | $4.7 | $5.0 | $6.1 | $4.5 | $5.6 |
| 2-6 yrs | $12.3 | $12.0 | $12.7 | $20.5 | $22.9 |
| 181 days-2 yrs | $18.1 | $18.6 | $23.2 | $24.1 | $29.7 |
| 1-180 days | $20.6 | $19.6 | $21.1 | $48.9 | $34.3 |

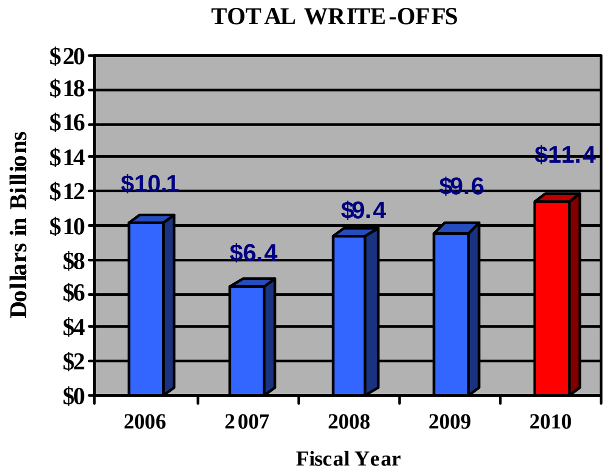
- At the end of FY 2010, $90.5 billion (88 percent) of the Government's delinquent debts were distributed among five agencies: Education, the Small Business Administration (SBA), the Department of Defense (DOD), the Social Security Administration (SSA), and USDA, as shown in the following table:

| | Delinquencies (in billions) | |
|---|---|---|
| **Agency** | **FY 2010** | **% Change from FY 2009** |
| **Education** | $71.5 | +29% |
| **SBA** | $5.9 | +42% |
| **DOD** | $5.2 | +10% |
| **SSA** | $4.2 | +5% |
| **USDA** | $3.7 | +5% |
| **TOTAL OF ABOVE** | $90.5 | +26% |
| **TOTAL GOV'T** | $103.6 | -4% |

### *2. Write-offs*

- Total write-offs in FY 2010 increased from FY 2009 by $1.8 billion, or 19%.

- The Office of Management & Budget (OMB) monitors the Federal program agencies' write-off policies and practices (See OMB Circular No. A-129). Also, FMS has published guidance on write-off and provides ongoing training to the agencies on the topic.




- While OMB guidance *generally* requires write-off when debts are two years delinquent, agencies do not write off debts when material collections can be documented to occur after two years.

- The largest increases in write-offs were at the Department of the Treasury, up $1.6 billion, primarily in its Automotive Industry Financing Program, and the Federal Trade Commission, up $1.1 billion, due to its classification of a large segment of its delinquent debt portfolio as Currently Not Collectible.

### *3. Interest, Penalties and Costs*

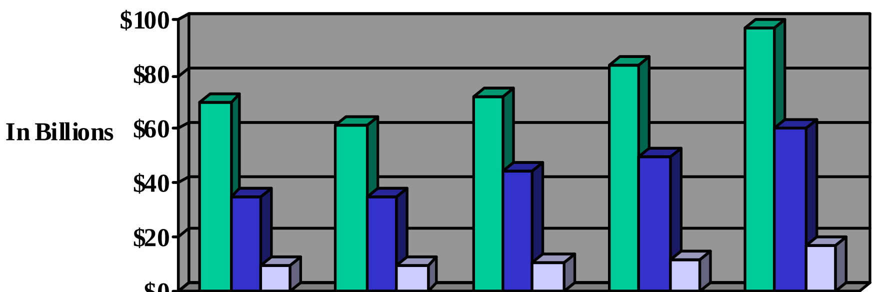
Agencies charge interest, penalties and administrative costs on receivables in accordance with applicable loan documents and statutory requirements. <u>See</u>, <u>e.g.</u>, 31 U.S.C. §3717. Of the $625.8 billion in receivables at the end of FY 2010, $20.6 billion represents unpaid interest, penalties and administrative costs.

## B - REFERRAL TO TREASURY UNDER THE DCIA

- The DCIA specifically mandates that Federal agencies refer non-tax debts more than 180 days delinquent to Treasury for collection through its Treasury Offset (TOP) and/or Cross-Servicing programs.

  Certain debts are not eligible for referral to Treasury for either TOP or Cross-Servicing. Debts that are ineligible for both TOP and Cross-Servicing include those under appeal or in forbearance, litigation, foreclosure, or bankruptcy. Debts owed by foreign sovereigns are exempt from both TOP and Cross-Servicing. Additional exemptions from Cross-Servicing include debts at PCAs, debts being collected by internal offset, and debts exempted from Cross-Servicing by Treasury. In the chart below, these ineligible and exempt debts are subtracted from the "Starting Amount," which is comprised of debts more than 180 days delinquent including those classified as Currently-Not-Collectible, to determine the debts required to be referred for TOP offset and Cross-Servicing.

**Debts Required to be Referred to Treasury**




| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| Starting Amount | $69.8 | $61.6 | $71.7 | $83.3 | $97.7 |
| TOP | $35.5 | $35.6 | $44.8 | $49.8 | $60.2 |
| Cross-Servicing | $10.0 | $9.6 | $10.9 | $12.4 | $17.6 |

- As of the end of FY 2010, debts required to be referred to TOP increased by $10.4 billion, and debts required to be referred to Treasury for Cross-Servicing increased by $5.2 billion from FY 2009, as reported by the agencies in the TROR. FMS and the agencies continue to work cooperatively to confirm the accurate reporting of these debts.

# III - GOVERNMENTWIDE DELINQUENT DEBT COLLECTION ACTIVITIES

## A - TREASURY OFFSET PROGRAM (TOP)

### *1. Description*

Offset

Offset is a program whereby Federal payments are reduced or "offset" to satisfy a debtor's overdue Federal non-tax debt, child support obligation, and/or State debt. Offset referrals and collections are indicated in the chart and tables on the next two pages. For FY 2010, the collections are broken out between total amounts collected, which include amounts collected by offset of the economic recovery (ERP) payments authorized by the ARRA, and amounts collected from offset of other payments.

Reciprocal Offset Agreements with States

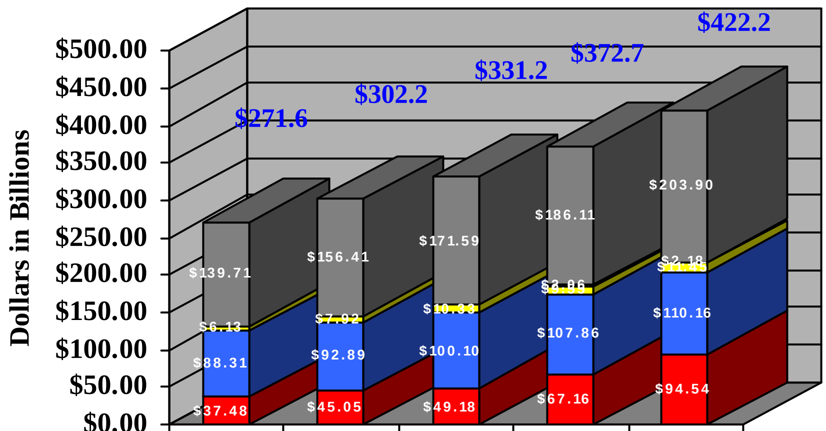
Under a provision in the DCIA, Treasury and the States are authorized to enter into reciprocal agreements to collect each other's debts. Under these agreements, Treasury can collect unpaid State debt by offsetting Federal non-tax payments, and States can collect delinquent Federal non-tax debt by offsetting State payments. Four States, New York, Maryland, New Jersey, and Kentucky have signed such agreements with Treasury and are participating in the program. Several other States have expressed interest in the program.

Federal Payment Levy Program

The Federal Payment Levy Program (FPLP) is the program whereby delinquent Federal income tax debts are collected by levying non-tax payments, as authorized by the Taxpayer Relief Act of 1997. Continuous tax levy collections are indicated in the table on the next page.

## 2. *Referrals*

TOTAL DEBT REFERRALS TO THE TREASURY OFFSET PROGRAM




| | Sep. 2006 | Sep. 2007 | Sep. 2008 | Sep. 2009 | Sep. 2010 |
|---|---|---|---|---|---|
| Federal Tax | $139.71 | $156.41 | $171.59 | $186.11 | $203.90 |
| Other State Debt | N/A | N/A | N/A | $2.06 | $2.18 |
| State Income Tax | $6.13 | $7.92 | $10.33 | $9.55 | $11.45 |
| Child Support | $88.31 | $92.89 | $100.10 | $107.86 | $110.16 |
| Federal Nontax Debt | $37.48 | $45.05 | $49.18 | $67.16 | $94.54 |

## 3. *Collections FY 2006 – FY 2008 (In Millions)*

| Type of Collection | FY 2006 | FY 2007 | FY 2008 Without Stimulus |
|---|---|---|---|
| Administrative Offset* | $144 | $187 | $244 |
| Tax Refund Offset – Child Support | $1,582 | $1,696 | $1,989 |
| Tax Refund Offset – Federal Non-tax Debt | $989 | $1,195 | $1,373 |
| Tax Refund Offset – State Income Tax Debt | $216 | $219 | $289 |
| Continuous Tax Levy | $303 | $343 | $400 |
| Total Collected | $3,234 | $3,640 | $4,295 |

*Offset of nontax payments (i.e., payments other than tax refunds) to collect delinquent State and Federal debts.

NOTE: This table does not include collections made in the State Reciprocal Offset Program (Other State Debt), which was implemented at the end of FY 2008. This data is presented in a separate FY 2009-10 table on the next page.

### *4. Collections - FY 2009 – FY 2010 (In Millions)*

| Type of Collection | FY 2009 Without Stimulus or ERP | FY 2010 With ERP* | FY 2010 Without ERP |
|---|---|---|---|
| Administrative Offset – Child Support | $5 | $8.3 | $5.7 |
| Administrative Offset – Federal Non-tax Debt | $299 | $312.8 | $306.2 |
| Administrative Offset – State Income Tax Debt | $7 | $9.1 | $6.9 |
| Administrative Offset – Other State Debt (Reciprocal Program) | $8 | $7.4 | $4.3 |
| Administrative Offset – Continuous Tax Levy | $497 | $617.9 | $617.9 |
| Tax Refund Offset – Child Support | $2,042 | $2,086 | $2,086 |
| Tax Refund Offset – Federal Nontax Debt | $1,385 | $1,852 | $1,852 |
| Tax Refund Offset – State Income Tax Debt | $363 | $435.1 | $435.1 |
| Total Collected | $4,586 | $5,328 | $5,314 |

* TOP collections, including administrative offset of the Economic Recovery payments (ERP) disbursed under the American Recovery and Reinvestment Act. ERP payments are not offset by Continuous Tax Levy or Tax Refund Offset. Therefore, those amounts are the same in both FY 2010 columns.

NOTE: "Administrative Offset – Federal Non-tax Debt" includes collections in the amount of $12.4 million of Federal non-tax debt by States under the Federal-State Reciprocal Offset Program.

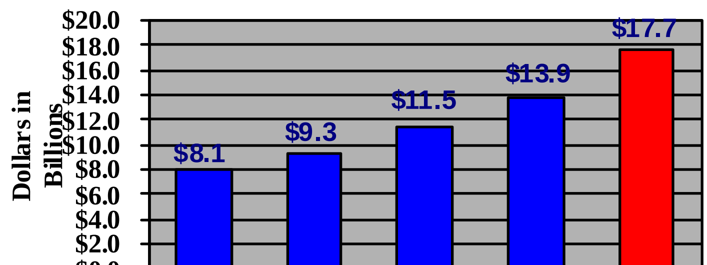
## B – TREASURY CROSS-SERVICING

### *1. Description*

Cross-Servicing is the process whereby agencies refer delinquent Federal non-tax debts to FMS's Debt Management Services (DMS) for collection. Treasury utilizes a variety of collection tools once agencies refer their debts. Collection tools include Treasury demand letters, telephone calls to debtors, referral of debts to TOP, credit bureau reporting, use of PCAs, referral of debts to DOJ for litigation, and administrative wage garnishment (AWG). The total collected in FY 2010 was $202,590,191.

### *2. Referrals*

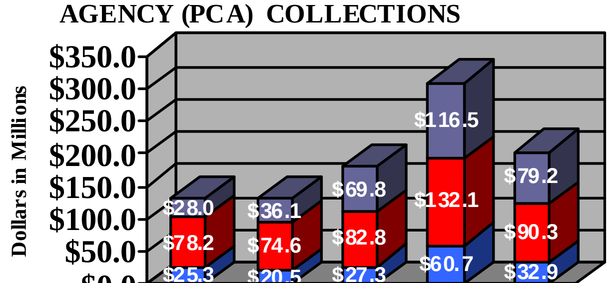
**CROSS-SERVICING REFERRALS**




| FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|
| $8.1 | $9.3 | $11.5 | $13.9 | $17.7 |

### *3. Collections*

**CROSS-SERVICING & PRIVATE COLLECTION AGENCY (PCA) COLLECTIONS**



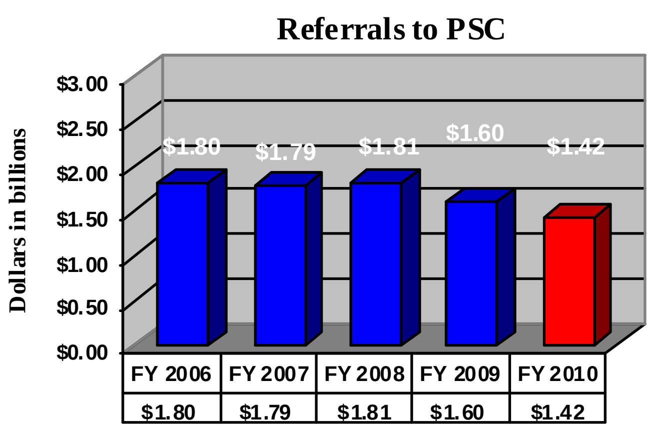

| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|---|---|---|---|---|---|
| TOP | $28.0 | $36.1 | $69.8 | $116.5 | $79.2 |
| PCA | $78.2 | $74.6 | $82.8 | $132.1 | $90.3 |
| DMS | $25.3 | $20.5 | $27.3 | $60.7 | $32.9 |

## C – HHS'S DEBT COLLECTION CENTER

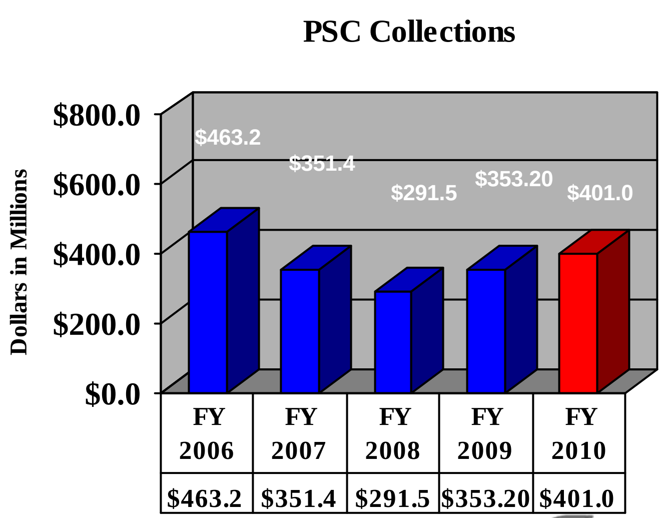
### *1. Description*

The Program Support Center (PSC), Debt Collection Center, established in 1995, is a component within HHS that collects debts on a fee-for-service basis for 11 different agencies within HHS and several agencies outside of HHS. PSC receivables do not include amounts totaling in excess of $6.8 billion referred to Treasury for Cross-Servicing. The PSC serves as the HHS conduit for referrals to Treasury for both TOP and Cross-Servicing. Collections since inception of the PSC debt collection program have totaled in excess of $5 billion.

### *2. Referrals to PSC*




### *3. Collections by PSC*



## D - LITIGATION AT THE DEPARTMENT OF JUSTICE (DOJ)

### *1. Description*

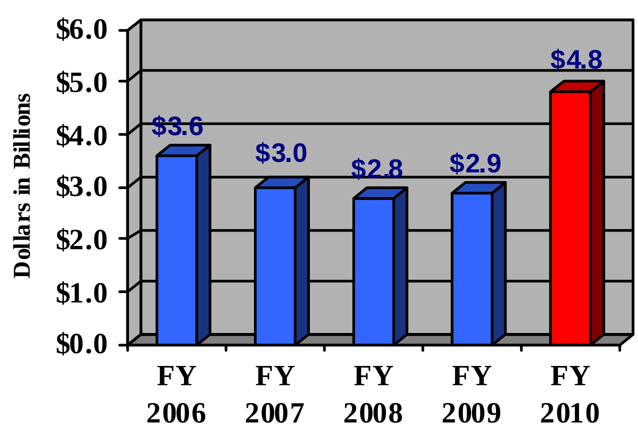
When a Federal agency cannot collect a debt administratively using debt collection tools such as those available under the DCIA, the agency may refer the debt to DOJ to pursue enforced collection through the courts. FMS's Cross-Servicing Program also has the option to refer agency debts to DOJ.

### *2. Referrals*

| Fiscal Year | Total Civil Referrals - new debts opened | Value of New Debts (in billions) |
|---|---|---|
| 2006 | 7,913 | $6.1 |
| 2007 | 9,718 | $5.0 |
| 2008 | 11,559 | $3.8 |
| 2009 | 11,088 | $5.2 |
| 2010 | 11,531 | $7.6 |

### *3. Collections*

CASH COLLECTIONS FROM CIVIL LITIGATION AT DOJ



## E - EDUCATION STUDENT LOANS

- Since November 1998, Treasury has exempted student loan debts owed to the Department of Education from mandatory transfer to Treasury for Cross-Servicing, based on Education's demonstrated expertise in collecting those debts. Federal Student Aid debt collection activities at Education are centralized in its Default Resolution Group (DRG). DRG services Education's defaulted student loans (loans delinquent more than 270 days). Additionally, DRG collects on student grant overpayments, although they represent a relatively small amount of DRG's total delinquent debt portfolio. Once a loan reaches default status, use of the full range of debt collection tools, outlined in Education's own statutes and the DCIA, is authorized. Education also uses thirty-three Guaranty Agencies (GAs), intermediaries between it and the many lending institutions, to collect defaulted loans in the Federal Family Education Loan Program (FFELP). By statute and regulations, GAs use the same tools as DRG.

- Total defaulted student loan receivables (principal and interest) serviced by DRG and the GAs have increased from $32.9 billion at FY 2006 year-end to $57.9 billion at FY 2010 year-end; and collections have increased from $6.295 billion in FY 2006 to $10.240 billion in FY 2010.

| Education's Use of Debt Collection Tools (Rounded to the Nearest Million) | | | | | |
|---|---|---|---|---|---|
| **Collection Tools** | **FY 2006 Collections** | **FY 2007 Collections** | **FY 2008 Collections** | **FY 2009 Collections** | **FY 2010 Collections** |
| **Private Collection Agency (PCA)** | $410 | $368 | $376 | $318 | $300 |
| **PCA - AWG** | $241 | $271 | $296 | $317 | $339 |
| **PCA - Consolidations** | $196 | $155 | $212 | $367 | $367 |
| **PCA - Rehabilitations** | $902 | $1,252 | $1,406 | $1,348 | $1,347 |
| **Litigation (DOJ)** | $16 | $13 | $11 | $9 | $8.9 |
| **Internal Offset** | $.3 | $.1 | $.1 | $.1 | $.1 |
| **AWG – Includes DRG and GAs** | $341 | $435 | $522 | $607 | $621 |
| **Treasury Offset – Includes DRG and GA** | $671 | $844 | $1,374 | $1,120 | $1,408 |
| **Other Tools at Education – Includes DRG and GAs** | $619 | $643 | $704 | $718 | $736 |
| **Total Loan Consolidations – Includes DRG and GAs** | $1,628 | $1,168 | $1,360 | $1,930 | $2,039 |
| **Total Loan Rehabilitations – includes DRG and GAs** | $1,269 | $1,771 | $2,315 | $2,018 | $3,127 |

- The totals for each of the PCA categories include debts from the DRG portfolio only. Education does not require GAs to report the amounts collected by PCAs, specifically.

- The Internal Offset numbers in the above table represent the remaining collections through Education's former Federal Employee Salary Offset Program. DRG now participates in the TOP Federal Salary Offset program, so this will be the last year that this category is reported in the Education section.

- Recoveries from TOP increased by 29 percent, from FY 2009 to FY 2010. Education works with its GAs to ensure all eligible debts are certified in the TOP process in order to increase the use of this tool.

- Education still relies heavily on PCAs and refers every eligible debt as quickly as possible to one of its 22 PCAs. As a last resort, Education uses AWG to collect its debts, primarily through its PCAs.

- The FY 2010 consolidation increase followed from the increase in the overall loan portfolio.

- Rehabilitation of a loan, which results when a debtor makes at least nine (9) full payments of an agreed amount, is the preferred collection method after payment of the debt in full. Total rehabilitation recoveries increased over $1 billion dollars from FY 2009.

- Education ran a pilot program with Treasury in FY 2010 for salary offset of Federal employee borrowers who have defaulted loans. The pilot was used to work out the procedures for the due process requirement and ensure the system could handle the full volume of Federal employee borrowers in the Education portfolio. In September, 2010, Education began due process for all of the Federal employee borrowers in the default portfolio. In FY 2010, Education collected approximately $180,000 in Federal salary offsets from the pilot program.

- Education suspended its matching program with HHS's National Directory of New Hires (NDNH) Database as of March 2009, which was the end of the period covered by the Memorandum of Understanding (MOU) between the two agencies. Education has been working with HHS on the MOU and the new procedures that must be implemented in order to meet legal requirements.

- Education reinstated use of the IRS Skip Trace tool that had been suspended due to security concerns. The new process and security features were tested and production began in February 2010. However, the current MOU has lapsed and Education is working with IRS to execute a new one. The last monthly run of this service was done in July 2010.

NOTE: This year, Education augmented the information provided to Treasury by reporting all recoveries from the entire Title IV portfolio of defaulted debt, thus providing a more complete picture of the tools being used to collect on student loans.

## F - USE OF PRIVATE COLLECTION AGENCIES (PCAS)

### *1. Description*

- Education, FMS, and HHS have each established contracts with PCAs to collect non-tax debts owed to the Federal Government. PCAs assist Federal agencies in many ways, including establishing repayment agreements and resolving debts administratively by determining that a debtor is deceased, disabled, bankrupt, or out of business.

- Education uses PCAs to assist in collecting the defaulted student loan debts in its portfolio. It relies heavily on PCAs and refers every eligible debt to one of its twenty-two PCAs. Education's PCAs also initiate Education's use of AWG as a debt collection tool. The total collections by Education's PCAs, listed in a table on the next page, are cash payments, AWG payments, and Consolidations and Rehabilitations of loans that were done by the PCAs. In prior years, Education had reported only cash transactions, which included cash and AWG payments. That data is included in a second table.

- FMS's PCA contracts are used as part of its Cross-Servicing Program. Debts that are not collected or resolved, generally within 30 days after referral to FMS for Cross-Servicing, are referred to one of its five PCAs for collection action. FMS's PCAs also utilize AWG as an effective collection tool.

- HHS's PCA contract is administered by its PSC Debt Collection Center, which provides centralized debt collection services for HHS's agencies, and several other Federal agencies. PSC refers debts to its PCA if payment in full is not made or a repayment agreement has not been established within 45 days after the PSC receives the debt for collection action. A new PCA contract was awarded during FY 2008, but the PSC assumed all existing repayment agreements. PCA collections were lower than in previous years since the new contractor did not receive those existing debts with established agreements. Referrals were lower due to a decrease in the overall receivable base, a greater emphasis on cross servicing referrals, and the referral of non-performing cases for collection through litigation.

### *2. Referrals*

| Referrals to PCAs (in millions) | | | |
|---|---|---|---|
| **Agency** | **FY2008** | **FY 2009** | **FY 2010** |
| **HHS** | $35 | $51 | $17 |
| **FMS** | $4,454 | $6,379 | $6,984 |
| **Education** | $23,863 | $24,470 | $28,845 |
| **Totals** | $28,352 | $30,900 | $35,846 |

### *3. Collections*

| Total Collections by PCAs (in millions) Including Education's Consolidations and Rehabilitations | | | |
|---|---|---|---|
| **Agency** | **FY 2008** | **FY 2009** | **FY 2010** |
| **HHS** | $3.8 | $2.2 | $1.7 |
| **FMS*** | $82.8 | $132.1 | $90.3 |
| **Education*** | $2,291 | $2,416 | $2,354 |
| **Totals** | $2,377.6 | $2,550.1 | $2,446 |

*Includes collections by AWG

| Total Collections by PCAs (in millions) Excluding Education's Consolidations and Rehabilitations | | | |
|---|---|---|---|
| **Agency** | **FY 2008** | **FY 2009** | **FY 2010** |
| **HHS** | $3.8 | $2.2 | $1.7 |
| **FMS*** | $82.8 | $132.1 | $90.3 |
| **Education*** | $672.0 | $635.0 | $685.0 |
| **Totals** | $758.8 | $769.3 | $777.0 |

*Includes collections by AWG

## APPENDIX I: FEDERAL RECEIVABLES AND DELINQUENT DEBT

The table below presents the ending balances, collections, write-offs, total delinquencies, delinquencies greater than 180 days, and debts that have been written off and classified as Currently-Not-Collectible (CNC) for the agencies with the highest ending balances at the end of FY 2010. The table groups all other agencies into a single category. At the end of FY 2010, 75 percent of the receivables belonged to the 11 agencies listed in the table below.

**Federal Receivables and Delinquent Debt as of September 30, 2010** (in millions)

| Agency | Ending Balance | Collections | Write-offs | Total Delinquencies | Delinquencies > 180* | Currently Not Collectible |
|---|---|---|---|---|---|---|
| Education | $370,742 | $52,729 | $1,357 | $71,494 | $43,608 | $584 |
| USDA | $112,030 | $25,196 | $910 | $3,721 | $3,128 | $1,451 |
| Treasury | $17,946 | $14,408 | $1,603 | $14 | $5 | $6 |
| SBA | $16,626 | $1,925 | $2,741 | $5,913 | $5,236 | $6,376 |
| HUD | $16,479 | $7,604 | $31 | $1,724 | $1,351 | $329 |
| SSA | $15,213 | $3,650 | $986 | $4,157 | $3,026 | $214 |
| HHS | $11,171 | $34,392 | $630 | $1,966 | $1,304 | $11,410 |
| DOD | $10,996 | $9,335 | $453 | $5,191 | $4,616 | $476 |
| NCUA[1] | $10,202 | $4,120 | $0 | $.06 | $0 | $0 |
| EX/IM[2] | $8,872 | $1,324 | $202 | $2,109 | $1,883 | $0 |
| Energy | $7,066 | $5,364 | $.95 | $116 | $105 | $2,085 |
| All Other | $156,942 | $66,353 | $2,443 | $7,150 | $5,005 | $5,511 |
| Gov't Total | $625,758 | $226,400 | $11,357 | $103,555 | $69,267 | $28,442 |

Amounts reported as write-offs represent the dollar amount of uncollectible receivables written off during FY 2010.

"Currently-Not-Collectible" (CNC) represents the dollar amount of all debts that have been written off by the agency but not yet closed out. Debts classified as CNC for any reporting period continue to be reported in that category in subsequent reporting periods until closed-out or collected.

* Does not include write-offs reported as CNC.

[1] National Credit Union Administration
[2] Export-Import Bank

## APPENDIX II: SOURCES OF DATA

Data contained in this report were obtained from the following sources:

**Part II – Government Debt Portfolio, Collection and Write-Offs**

Source – Treasury Report on Receivables and Debt Collection Activities – Fourth Quarter 2010, as reported by Federal agencies to the Department of the Treasury.

**Part III – Governmentwide Delinquent Debt Collection Activities**

*A & B – Treasury Offset & Cross-Servicing Programs*
Source – Department of the Treasury, Financial Management Service

*C – HHS Debt Collection Center*
Source – Department of Health and Human Services, Program Support Center

*D – Litigation at the Department of Justice*
Source – Department of Justice, Office of Debt Collection Management

*E – Education Student Loans*
Source - Department of Education, Default Resolution Group

*F – Use of Private Collection Agencies*
Sources – Department of Education, Default Resolution Group
Department of the Treasury, Financial Management Service
Department of Health and Human Services, Program Support Center

**Appendix I – Federal Receivables and Delinquent Debt**

Source – Treasury Report on Receivables and Debt Collection Activities – Fourth Quarter 2010, as reported by Federal agencies to the Department of the Treasury.