



COMMISSIONER

DEPARTMENT OF THE TREASURY  
FINANCIAL MANAGEMENT SERVICE  
WASHINGTON, D.C. 20227

August 18, 2005

MEMORANDUM FOR CHIEF FINANCIAL OFFICERS

FROM: *for* RICHARD L. GREGG

*Kenneth R. Papaj*

SUBJECT: Exemption from Mandatory Cross-servicing under the Debt Collection Improvement Act of 1996

The Debt Collection Improvement Act of 1996 (DCIA) requires Federal agencies to refer their debts which are 180 days or more delinquent to the Department of the Treasury (Treasury), Financial Management Service (FMS) for cross-servicing. The DCIA provides several statutory exemptions and authorizes Treasury to exempt additional classes of debts from this requirement. Treasury may exempt a class of debts from cross-servicing based on the request of an agency, or may exempt a class of debts on its own initiative.

After careful consideration, we have decided to exempt from mandatory cross-servicing debts that are being collected at the creditor agency through the use of administrative wage garnishment (AWG) if the following conditions exist: (1) actual collections from AWG have been received prior to the debt becoming eligible for mandatory cross-servicing; and (2) if the creditor agency expects the debt to be collected through AWG within three years from the date of the first collection by AWG.

We have exempted this class of debts from cross-servicing because the exemption is consistent with the purposes of the DCIA, specifically, (1) it maximizes the collections of delinquent debts by encouraging early use of AWG in the debt collection process, and (2) it minimizes the cost of collection by eliminating duplicative collection efforts. Additionally, the exemption of debts being collected by the creditor agency through AWG parallels the DCIA statutory exemption for debts that will be collected through internal offset within three years.

This exemption does not exempt debts from mandatory referral to the Treasury Offset Program, nor does this exemption prohibit an agency from referring an exempt delinquent debt to cross-servicing where the creditor agency deems it appropriate.

In addition to providing this memorandum to you, we have placed a copy of the memorandum on our website at <http://www.fms.treas.gov>, and have notified our staff contacts within your agency of its availability. If there are any questions concerning this exemption, please have your staff contact Gerry Isenberg, Debt Management Services, at (202) 874-7131.