Bureau of the Fiscal Service

Introduction to Cross-Servicing

The Cross-Servicing Program

Cross-Servicing is a government-wide program operated by Bureau of Fiscal Service (BFS) that fulfills the requirements of the Debt Collection Improvement Act (DCIA) to collect delinquent non-tax debts on behalf of federal agencies.

Agencies generally must refer delinquent debts to the Cross-Servicing program once the debt is over 120 days delinquent and should authorize Cross-Servicing to refer the debts to the Treasury Offset Program (TOP).

In limited situations, it may be acceptable for the agency to delay referral to Cross-Servicing until 180 days.

The Cross-Servicing Debt Collection System (CSDCS) is the Bureau of Fiscal Service's web-based Cross-Servicing system.

The Cross-Servicing Program

Before participating in the Cross-Servicing Program, an agency must:

- Sign an Annual Debt Certification Agreement.
- Complete an Agency Profile Form(s) to establish a program(s) in the Cross-Servicing system.
- Establish Cross-Servicing users within the agency.
- Determine if it will transfer debts to BFS through manual or electronic means. If electronic: obtain, program, and test file formats and transmission method.

The Cross-Servicing Program

The Cross-Servicing Agency Profile consist of four parts:

- Agency level contacts (can only be created and updated by agency level personnel)
- Bureau level contacts
- Office level contacts
- Program level contacts and collection tool options

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The Cross-Servicing Program

Program level collection tool options:

- Agencies must authorize BFS to use all available collection tools.
- If an agency elects not to use a specific collection tool, it must identify the federal law that precludes the use of that tool. If no federal law applies, the agency must provide compelling support for why the use of a tool is inappropriate.

The Cross-Servicing Program

Once a debt is referred to Cross-Servicing, the agency must:

- Stop its own collection activities related to the referred debt.
- Refer any inquiries from the debtor to BFS.
- Report to BFS any payment(s) received by the agency after referral, allowing BFS to maintain the correct debt balance and properly assess fees.
- Maintain its own delinquent debt records for the referred debt.
- Respond timely to BFS regarding debtor disputes and requests for relevant documents (Proof of Debt).
- Promptly conduct all required reviews or hearings.
- Inform BFS about any bankruptcy, litigation notices, or Congressional inquiries.

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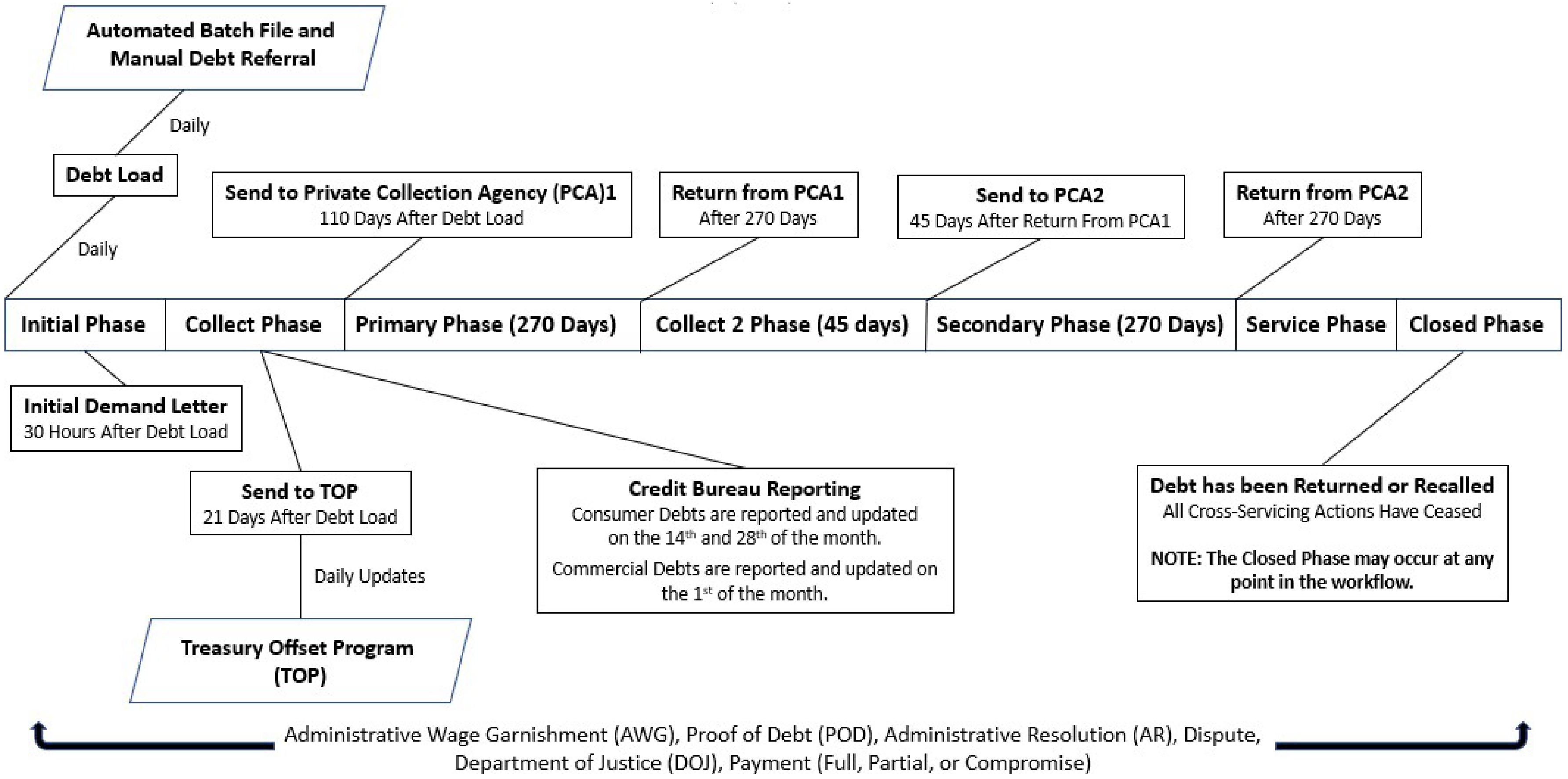
Example Workflow



The Cross-Servicing Program

Cross-Servicing Debt Collection Tools:

- Demand Letters
- Phone Calls
- Skip Tracing
- Payment Agreements
- Treasury Offset Program
- Credit Bureau Reporting
- Private Collection Agencies
- Administrative Wage Garnishment
- Litigation by Department of Justice

The Cross-Servicing Program

- Demand letters are generated shortly after an account is referred for Cross-Servicing.
- BFS may conduct skip tracing to locate current debtor information.
- If a debt is determined to be non-collectable based on skip tracing information, BFS may administratively resolve the debt and return it to the agency.

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The Cross-Servicing Program

- Both BFS and the private collection agencies (PCA) make a reasonable attempt to collect debts in full, in a single payment.
- Establishing a payment agreement requires justification and supporting documentation to substantiate the agreement.
- The following are types of agreements negotiated by collectors:
  - Lump Sum Agreement
  - Installment Agreement
  - Partial Payment Agreement
  - Compromise Agreement

The Cross-Servicing Program

Credit Bureau Reporting:

- BFS will report delinquent debt to consumer and commercial credit bureaus.
- Consumer debts are reported and updated on the 14^{th} and 28^{th} of each month.
- Commercial debts are reported and updated on the 1^{st} of each month.
- BFS will forward any credit bureau reporting disputes to the agencies and agencies should respond within seven days.

Requirements of the PCA contract:

- PCAs must adhere to relevant laws including the Privacy Act and the Fair Debt Collection Practices Act.
- PCAs must be licensed in every state.
- BFS accounts must be in a segregated collection area.
- Personnel must have favorable background investigations.
- PCAs must adhere to information technology standards.
- PCAs must ensure all funds are directed to Treasury collection channels.
- PCAs must provide remote access to BFS to monitor the contractors' collection systems.
- PCAs are subject to daily monitoring by BFS staff and annual on-site compliance reviews.

The Cross-Servicing Program

Administrative Wage Garnishment (AWG) is a debt collection process that allows a federal agency to order a non-federal employer to withhold up to 15% of an employee's disposable wages to pay a non-tax delinquent debt owed to the agency.

- No court order is required, and the federal law supersedes the state law.
- AWG can be used anytime during the collection process.
- All consumer debts and commercial debts with individual liability in the agency's portfolio are eligible for participation.
- Prior to participating, an agency must:
  - Publish AWG regulations.
  - Establish hearing procedures and provide hearing official contact.
  - Update the Cross-Servicing Agency Profile Form. Once the agency profile is updated, AWG becomes retroactive for all debts previously referred to Cross-Servicing under that program.

The Cross-Servicing Program

- After identifying a debtor's employer, BFS or the PCA sends an AWG Notice of Intent to the debtor.
- BFS issues an AWG order to the employer 30 days after the debtor Notice of Intent unless the debtor files a timely hearing or enters into a payment agreement.
- The employer deducts the wage garnishment amount from the employee's wages and sends payments to BFS.
- An employer that fails to comply with an AWG order is liable for the amounts that the employer fails to withhold, plus possible penalties and fees. Noncompliance may result in legal action.

The Cross-Servicing Program

- Delinquent debts may be referred to the Department of Justice (DOJ) for enforcement through litigation, including post-judgment enforcement.

- Debts are evaluated by BFS to determine referral potential. Factors considered include the debt balance, a debtor's ability to pay, documentation, relevant statute of limitation, and a debtor's assets.

- DOJ makes the final decision on pursuing collection through litigation.

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The Treasury Offset Program

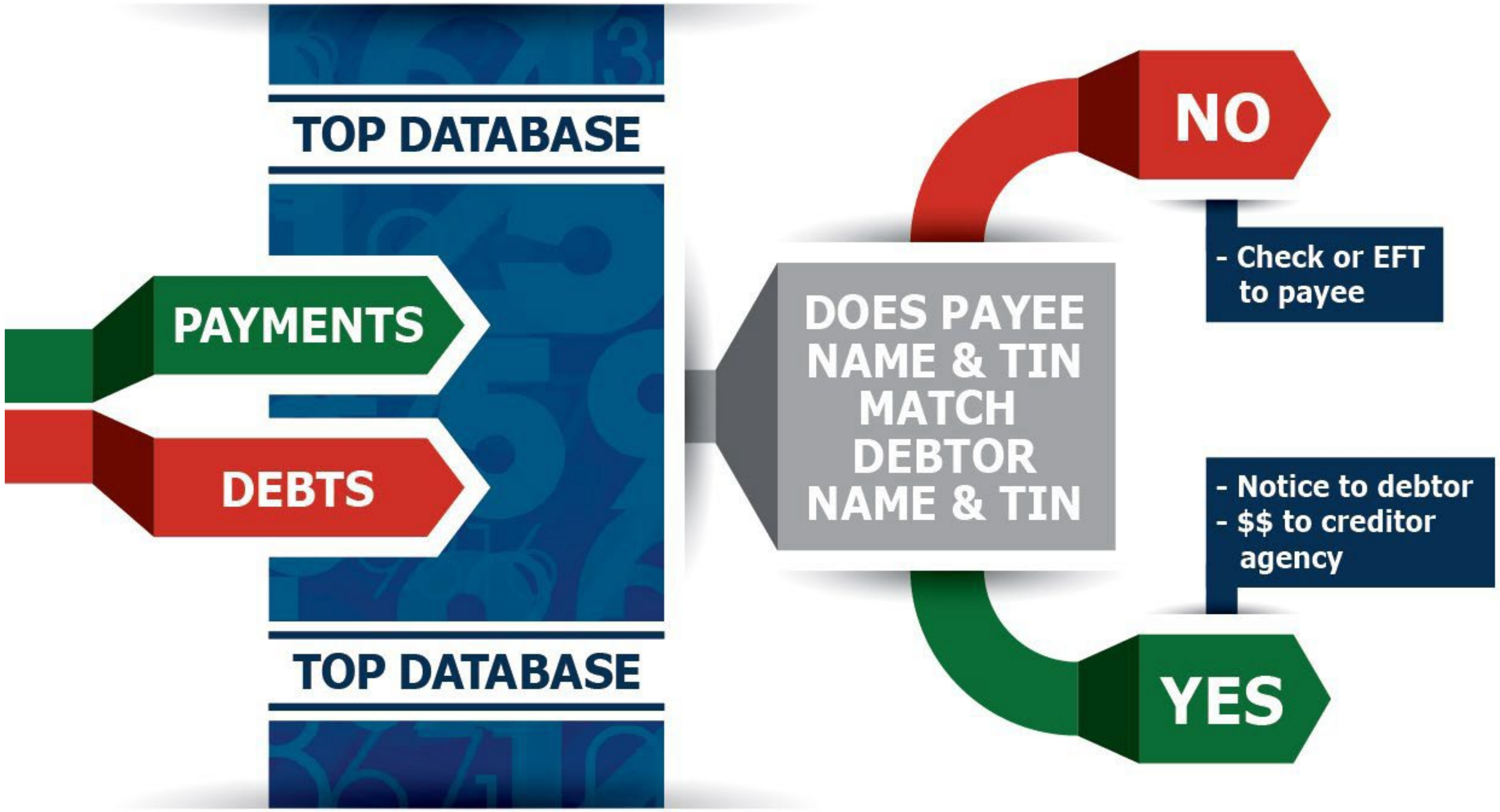
The Treasury Offset Program is a centralized offset process that intercepts eligible federal and state payments of payees who owe delinquent debts to federal and state agencies that have submitted their debt information to BFS for collection.

Offset is withholding funds payable by a federal or state agency to an individual or entity to satisfy a debt owed to the United States or to a state agency.

Centralized Offset is the offset of payments disbursed by BFS and other federal and state disbursing agencies through TOP.

Generally, only agencies with Cross-Servicing exemptions approved by the Secretary of the Treasury refer delinquent debt directly to TOP.

The Treasury Offset Program



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The Treasury Offset Program

When more than one debt is submitted for the same debtor, TOP applies funds collected in accordance with priorities set by statute and policy. TOP applies funds in the following order:

1. Federal tax debts

2. Child-support debts (Temporary Assistance for Needy Families (TANF) and non-TANF)

3. Federal non-tax debts

4. State debts

**Multiple debts within a single category are prioritized based on the age of the debts.*

The Treasury Offset Program

Federal Tax Refund payments may be offset up to 100 percent.

Vendor payments and **Federal Employee Travel Advances & Travel Reimbursements** may be offset up to 100 percent.

State payments may be offset up to 100 percent.

OPM Retirement may be offset up to 25 percent.

Salary payment offsets are limited to 15 percent of disposable pay. The minimum dollar amount for a debt referred for salary offset is $100 and with the salary offset the debt balance will always be reduced to zero.

Social Security and the federal benefit payment offsets are limited to 15 percent, subject to a $750 threshold.

The Treasury Offset Program

TOP sends warning notices to debtors for recurring payments (one- and two-month notices for federal benefits and one-month notices for federal salary and federal retirement).

TOP sends notice of any offset to the debtor/payee.

The offset notice includes date and amount of offset, creditor agency to which offset money was sent, and contact point within the creditor agency.

States will send offset notices under Reciprocal Agreement Program when they offset state payments.

Questions?

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