FISCAL YEAR 2002 REPORT TO THE CONGRESS
U.S. GOVERNMENT RECEIVABLES AND DEBT COLLECTION ACTIVITIES OF FEDERAL AGENCIES

I - EXECUTIVE SUMMARY

A - Legislative 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. The report is also to include the information that the agency heads provide to the Secretary on the status of loans and accounts receivable that each manages.
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 Treasury's Report on Receivables Due from the Public (TROR). It includes information concerning total receivables, collections on receivables, delinquencies, collections on delinquencies and write-offs. It also summarizes key Government-wide 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 of certain Federal agencies.

C - Accomplishments and Successes

- Through September 30, 2002, $15.1 billion has been collected through the Treasury Offset Program (TOP) and Cross-Servicing Program (Cross-Servicing) since the enactment of DCIA in April 1996.

- The Federal Government collected $118.5 billion in fiscal year (FY) 2002 on all of its nontax receivables, which was $8.8 billion more than FY 2001 collections.

- At the end of FY 2002, Federal agencies' compliance with the provisions of the DCIA mandating the referral of debts to Treasury improved to 93 percent of eligible debts for offset (as compared to 92 percent in 2001) and 96 percent of eligible debt for Cross-Servicing (as compared to 74 percent in 2001).

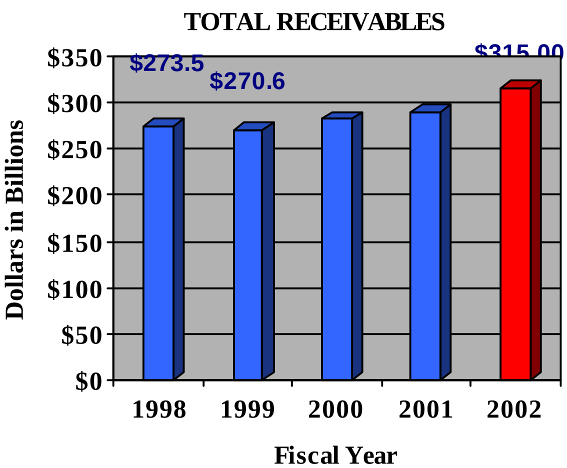
- In FY 2002, the Department of Justice (DOJ) collected $2.2 billion in cash recoveries on delinquent debts owed to Federal agencies through its financial litigation program. DOJ has collected a total of $10.9 billion through civil litigation in the last five fiscal years.

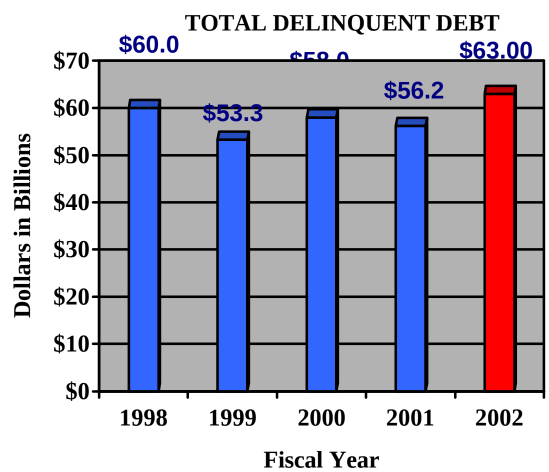
- As of September 30, 2002, private collection agencies (PCAs) under contract with the Department of Education (Education), the Department of Health and Human Services (HHS) and Treasury had referrals of $15.7 billion in Federal debt, and in FY 2002 these PCAs collected $443 million.

- In FY 2002, the Department of Housing and Urban Development (HUD) and the Small Business Administration (SBA) completed loan asset sales of performing and non-performing loans totaling $1.1 billion in unpaid principal balances. These sales generated $698 million in gross proceeds.

- Total collections by Treasury's Financial Management Service (FMS) on delinquent debts through TOP and Cross-Servicing were $2.84 billion in FY 2002. This is the fourth consecutive year in which collections have exceeded $2.6 billion dollars.

II - GOVERNMENT DEBT PORTFOLIO, COLLECTIONS AND WRITE-OFFS





A - Fiscal Year End Data

1. Receivables and Delinquent Debt

- The two agencies with the largest total receivables at the end of FY 2002 are Education ($105.3 billion) and the Department of Agriculture (USDA) ($102 billion). Receivables from these two agencies comprise 65.8 percent of the Government's total receivables.

- Two distinct programs accounted for over $100 billion of Education receivables: Federal Direct Loans ($82.2 billion) and Guaranteed Student Loans ($22 billion).

- Five programs of the USDA accounted for over $100 billion of their receivables: Rural Development & Farm Service Agency ($37.2 billion); Rural Communication Development ($31.7 billion); Commodity Credit Corporation ($21.2 billion); Rural Development ($9.9 billion); and Federal Crop Insurance ($1.2 billion).

· At the end of FY 2002, Federal loan programs (direct and guaranteed) comprised 83.6 percent of total receivables, and 70.3 percent of total delinquencies was attributable to loan programs. Federal loan programs are authorized where 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. As these receivables increase, delinquencies will correspondingly increase.

Type of Receivable	Total Receivables as of 9/30/02 (in billions)	Percentage of Total Receivables	Delinquencies as of 9/30/02 (in billions)	Delinquencies as a Percentage of Receivables
Direct Loan	$222.7	70.7	$18.0	8.1
Administrative*	$51.5	16.3	$18.7	36.4
Defaulted Guaranteed Loan	$40.8	13.0	$26.3	64.5
Gov't Totals	$315.0	100	$63.0	20.0

*Includes fines, penalties and overpayments, etc.

- As the chart above indicates, 70.7 percent of the Government's receivables were direct loans, however, direct loan delinquencies as a percentage of receivables, is only 8.1 percent. Defaulted guaranteed loans are 13.0 percent of the Government's receivables, and they represent 64.5 percent of the delinquencies as a percentage of receivables.

- At the end of FY 2002, $48.4 billion (77 percent) of the Government's delinquent debts were distributed among six agencies: Education, Federal Communications Commission (FCC), USDA, HHS, Export-Import Bank, and Department of Defense (DoD).

- Debts delinquent less than 180 days totaled $8.6 billion at the end of FY 2002, or 13.7 percent of the total amount of delinquent debts. This was a decrease of $6.3 billion from the end of FY 2001.

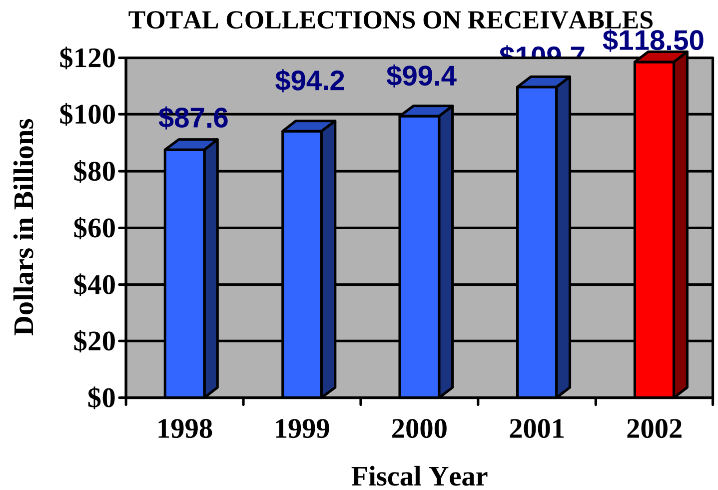
- Debts more than 180 days delinquent totaled $54.4 billion at the end of FY 2002, as compared to $41.4 billion at the end of FY 2001. Agencies reporting significant changes in FY 2002 were Education and DoD, with increases of $10.2 and $1.3 billion respectively.

Time Delinquent	$ Amount of Debts (in billions)	Ratio to all debts > 180 days delinquent (percent)
181-365 days	5.5	10.1
1-2 years	13.0	23.9
2-6 years	18.5	34.0
6-10 years	7.8	14.3
Over 10 years	9.6	17.6

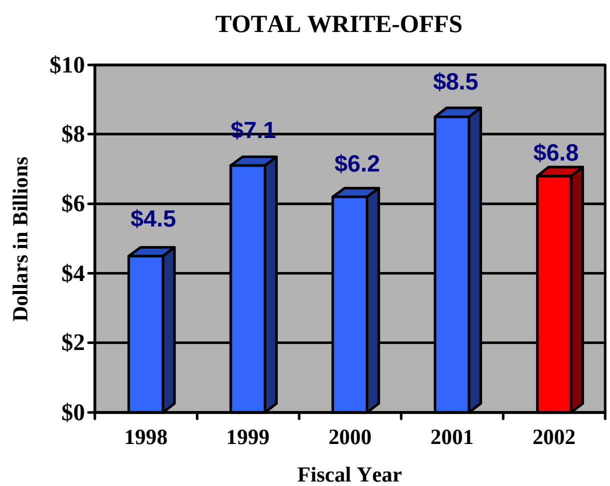
2. Collections and Write-offs

- Total collections on receivables increased by $8.8 billion in FY 2002, an 8 percent increase over FY 2001 collections.

- Agencies that reported significant increases in collections were Interior (an increase of $5.6 billion), Education (an increase of $2.7 billion), and HUD (an increase of $2.6 billion).



- Total write-offs decreased by $1.7 billion in FY 2002, a 20 percent decrease over FY 2001 write-offs. USDA write-offs decreased by $3 billion and DoD write-offs decreased by a half billion dollars over FY 2001 write-offs. Collectively, SBA, Education and HHS reported a $1.6 billion increase in write-offs over FY 2001.



- Agencies charge interest, penalties, and administrative costs on receivables in accordance with applicable loan documents and statutory requirements. See 31 U.S.C. 3717. Of the $315 billion in receivables at the end of FY 2002, $8 billion represents unpaid interest, penalties and administrative costs.

3. Analysis of Mandatory Referral to Treasury Under the DCIA

Debts Eligible for Referral to TOP and Cross-Servicing (in billions)			
	For FY 2001 (As of 9/30/00)	For FY 2002 (As of 9/30/01)	For FY 2003 (As of 9/30/02)
Total CNC* and Debt > 180 Days Delinquent but < 10 years Delinquent	$61.8	$63.3	$64.0
Eligible to Refer for Offset	$31.3	$33.5	$31.3
Eligible to Refer for Cross-Servicing	$6.9	$8.2	$8.5

*"Currently Not Collectible" – delinquent debts written off but not closed out (see Appendix I).

- The DCIA specifically mandates that Federal agencies, with certain exemptions, transfer nontax debt more than 180 days delinquent to Treasury for collection through TOP and/or Cross-Servicing.

- Each year, an analysis is done to determine the dollar amount of delinquent debts eligible for referral to TOP and Cross-Servicing in the upcoming fiscal year. For FY 2002, this analysis has been incorporated as part of agencies' reporting for the TROR, and provides referral eligibility information for FY 2003.

- In the analysis, delinquent debts reported as currently not collectible (CNC) are added to debts reported as more than 180 days but less than 10 years delinquent to determine the starting amount for calculating the amounts eligible for referral.

- Certain debts are not eligible for referral to Treasury for either TOP or Cross-Servicing because of various exemptions permitted under the DCIA or otherwise required by law. Debts exempt from both TOP and Cross-Servicing include those in bankruptcy, appeals, or forbearance; debts referred to DOJ for litigation; debts in foreclosure; and foreign sovereign debts. Additional exemptions from Cross-Servicing include debts at private collection agencies (PCAs), debts being collected by internal offset, and debts exempted from Cross-Servicing by Treasury.

B - Key Trends

- Growth in the Federal Government's portfolio in the last few years can be attributed to increases in Education's receivables. Education's receivables rose $22 billion in FY 2002 to $105.3 billion, as compared to $83.2 billion at the end of FY 2001, and $69.8 billion at the end of FY 2000. Education's receivables represented 33.4 percent of the Government's total receivables at the end of FY 2002, up from 28.7 percent at the end of FY 2001.

- Overall, the Department of Education's total delinquencies increased from $19.2 billion at the end of FY 2001 to $22.5 billion at the end of FY 2002 (an increase of 17 percent). Since Education's receivables are increasing at a faster rate than total delinquencies, Education's ratio of delinquencies to receivables declined to 21.4 percent at the end of FY 2002, compared to 23.1 percent in FY 2001 and 26.7 percent in FY 2000.

- USDA's receivables and delinquencies have remained fairly constant over the last three fiscal years. Receivables and delinquencies totaled $104.7 billion and $6.3 billion, respectively, at the end of FY 2000; $103.1 billion and $6.2 billion, respectively, at the end of FY 2001; and $102 billion and $6.9 billion, respectively, at the end of FY 2002.

Governmentwide	FY 2000	FY 2001	FY 2002
Debts >180 days delinquent	$38.1 billion	$41.4 billion	$54.4 billion
As a % of total receivables	13.5	14.4	17.3

- At the end of FY 2002, debts more than 180 days delinquent rose by $13 billion. Four agencies reported the following increases: Education $10.2 billion, DoD $1.3 billion, SSA $750 million and USDA $700 million. It should be noted that Education's increase in debts greater than 180 days delinquent in FY 2002 corresponded with a $6.9 billion decrease in debts less than 180 days delinquent.

Detailed data for 12 specific agencies for FY 2002 can be found on the *Federal Receivables and Delinquent Debt* table in Appendix I.

III - GOVERNMENT-WIDE COLLECTION ACTIVITIES

A - Use of Private Collection Agencies

1. Description

- Education, Treasury, and HHS have each established contracts with private collection agencies (PCAs) to collect debts owed to the Federal Government. In addition to collecting debts, PCAs also help Federal agencies establish repayment agreements and resolve debts administratively (e.g., by determining if a debtor is bankrupt, disabled or deceased).

- Education uses PCAs to collect its portfolio of defaulted student loan debts. Education relies heavily on PCAs and refers every eligible debt to one of its twelve PCAs as quickly as possible. Education's PCAs also implement Education's use of administrative wage garnishment as a debt collection tool.

- Treasury's PCA contract is administered by FMS and is used as part of its Cross-Servicing program. Debts that are not collected or resolved within 30 days after transfer to FMS for Cross-Servicing are referred to a PCA for collection action.

- HHS' PCA contract is administered by its Program Support Center (PSC), which provides centralized debt collection services for HHS' agencies and bureaus, 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.

2. Referrals

- At the end of FY 2002, $15.7 billion in Federal debts were referred to PCAs for collection action. This represents a 30.5 percent increase in referrals from the end of FY 2000. For FMS, referrals have increased by 31 percent since FY 2001.

Referrals to PCAs (in millions)			
Agency	**FY2000**	**FY2001**	**FY2002**
HHS	$317	$378	$339
FMS	$2,613	$3,645	$4,775
Education	$9,100	$8,700	$10,588
Totals	$12,030	$12,723	$15,702

3. Collections

- Collections by PCAs have increased at all three agencies in the last two fiscal years. Total PCA collections were $443 million in FY 2002, a 37.1 percent increase over FY 2000 collections.

Collections by PCAs (in millions)			
Agency	**FY2000**	**FY2001**	**FY2002**
HHS	$7. 5	$16.6	$13.8
FMS	$21.8	$27.8	$42.9
Education*	$322	$351	$386
Totals	$351.3	$395.4	$443

*Includes collections by administrative wage garnishment

B - Treasury Offset Program (TOP)

1. Description

TOP is a debt collection program that encompasses both "offsets" and "continuous levies."

Offset

- Offset is a program whereby Federal payments are reduced or "offset" to satisfy a person's overdue Federal nontax debt, child support obligation, or state income tax debt. A payee's name and taxpayer identification number are matched against a Treasury/FMS database of delinquent debtors for automated offset of funds. Offset funds are then used to satisfy payment of the delinquent debt to the extent allowed by law.

- For FY 2002, payment types subject to offset include Office of Personnel Management retirement payments, Internal Revenue Service (IRS) tax refunds, vendor payments, Federal employee travel payments, some Federal salary payments, and Social Security benefit payments.

- Offset of Federal salary payments through TOP has been implemented in partnership with USDA’s National Finance Center and the Department of the Interior, both which process payroll for numerous federal agencies. TOP provides a more efficient process than the non-centralized salary offset process currently used by Federal agencies. FMS plans to implement salary offset with DoD, U. S. Postal Service, General Services Administration, and Department of Veterans Affairs. Implementation with DoD and U.S. Postal Service is planned for FY 2003.

- Offset of Social Security benefit payments, which began in May 2001, was implemented in stages to ensure that payment recipients receive appropriate notices of potential offsets, as well as the opportunity to take action to avoid offsets. This specific offset program was fully implemented in 2002.

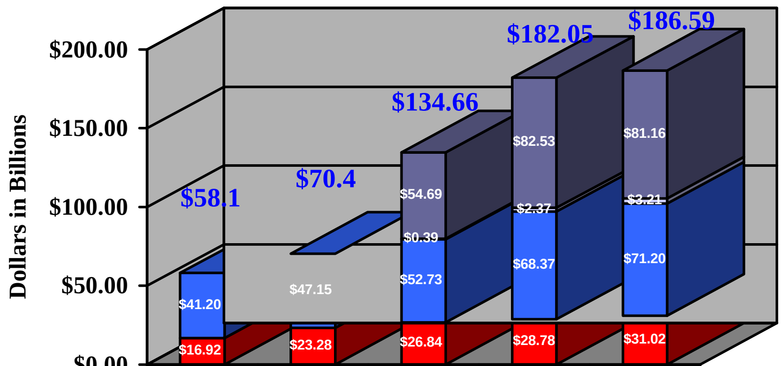
- In January 2000, FMS began collecting state income tax debts by offsetting Federal income tax refunds**,** as authorized by the 1998 Internal Revenue Service Restructuring and Reform Act. In FY 2002, the number of states and territories participating was 25, plus the District of Columbia.

Continuous Tax Levy

- In July 2000, FMS initiated *Continuous Tax Levy*, a program whereby delinquent Federal income tax debts are collected by levying nontax payments, as authorized by the Taxpayer Relief Act of 1997. Continuous Tax Levy includes levy of vendor, Federal employee salary, Office of Personnel Management retirement, and Social Security benefit payments. Continuous Tax Levy is accomplished through a process almost identical to that of offset, that is, matching of delinquent debtor data with payment record data and automated collection of the debt at the time of payment, after the delinquent taxpayer has been afforded due process.

2. Referrals

TOTAL DEBT REFERRALS TO THE TREASURY OFFSET PROGRAM



	Sep. 1998	Sep. 1999	Sep. 2000	Sep. 2001	Sep. 2002
Federal Tax	N/A	N/A	$54.69	$82.53	$81.16
State Income Tax	N/A	N/A	$0.39	$2.37	$3.21
Child Support	$41.20	$47.15	$52.73	$68.37	$71.20
Federal Nontax Debt	$16.92	$23.28	$26.84	$28.78	$31.02

- As of September 30, 2002, the largest component of TOP's delinquent debtor database was the $81.16 billion in Federal income tax debts submitted for continuous tax levy.

- Efforts by states, HHS' Office of Child Support Enforcement (OCSE), and FMS to refer more delinquent child support obligations to TOP have resulted in referrals of $71.2 billion as of September 30, 2002, a 73 percent increase in referrals from September 30, 1998.

- Referrals of nontax debts increased to $31.02 billion as of September 30, 2002, an 83 percent increase in referrals from September 30, 1998. As of September 30, 2002, 93 percent of all debts eligible for referral to TOP are being referred.

- Referrals of state income tax debts rose to $3.2 billion, an increase of $840 million (35 percent) from the end of FY 2001.

3. Collections

- Total collections through TOP were $2.77 billion in FY 2002. Since enactment of the DCIA in April 1996, $14.9 billion has been collected through TOP. The chart below summarizes collections through TOP for the last four fiscal years.

Collections Through TOP In Millions of Dollars				
Type of Collection	**FY 1999**	**FY 2000**	**FY 2001**	**FY 2002**
Administrative Offset*	$6	$17	$25	$84
Tax Refund Offset – Child Support (excluding tax rebates)	$1,343	$1,389	$1,377	$1,463
Tax Refund Offset – Federal Nontax Debt (excluding tax rebates)	$1,259	$1,167	$1,147	$1,048
Tax Refund Offset – State Income Tax Debt (excluding tax rebates)	N/A	$23	$79	$119
Tax Refund Offset – Tax Rebates	N/A	N/A	$471	N/A
Continuous Tax Levy	N/A	$0.1	$16	$60
Total Collected	$2,608	$2,597**	$3,117**	$2,769

*Collection of Federal nontax debts and child support debts by offsetting Federal nontax payments.
**Numbers do not equal total due to rounding.

- Total collections through TOP increased in FY 2002 by $128 million over total collections in FY 2001 (excluding offsets of the advance tax refund payments, which totaled $471 million in FY 2001).

- In FY 2002, administrative offset collections were $84 million, a 229 percent increase over FY 2001 collections. FY 2002 was the first full year that included offsets of Social Security payments to collect Federal nontax debt, a process that was incorporated into TOP in FY 2001, beginning May 2001.

- Total tax refund offset collections (not including tax rebates) for child support debts, Federal nontax debts and state income tax debts have remained relatively constant over the last four fiscal years at $2.6 billion. Child support collections totaled $1.46 billion, which was an increase of $86 million over FY 2001 collections.

- Total collections of state income tax debts by offsetting Federal tax refunds increased by almost $25 million over the $94.5 million collected in FY 2001 (FY 2001 included offsets of tax rebates).

- Collections under Continuous Tax Levy, totaled $60 million in FY 2002, a 264 percent increase over the $16.5 million collected in FY 2001. The IRS maintains control over which Federal tax debts can be collected through the levy process.

C - Cross-Servicing at FMS

1. Description

- Cross-Servicing is the process whereby agencies refer Federal nontax debts more than 180 days delinquent to FMS for collection. Treasury applies a variety of collection tools once agencies refer their debts. Collection tools include: Treasury demand letters; telephone calls to debtors; and referral of debts to TOP, credit bureaus, one or more of the PCAs on Treasury's contract, and DOJ for litigation.

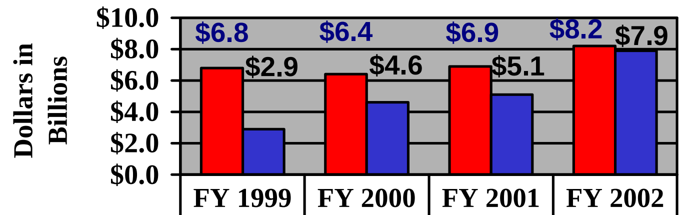
- In FY 2001, administrative wage garnishment (AWG) as a debt collection tool became available to Federal agencies through Cross-Servicing. Four agencies currently utilize AWG through the program. FMS continues encouraging Federal agencies to authorize the use of this debt collection tool through Cross-Servicing.

2. Referrals

- The calculation of the amount of debts eligible for referral is described in this report in Section II A-3, above. Historically, the calculation for Cross-Servicing referrals was cumulative from the beginning of the program. As of March 31, 2001, the calculation of Cross-Servicing referrals has been modified/reduced to exclude those debts no longer actively collected at FMS.

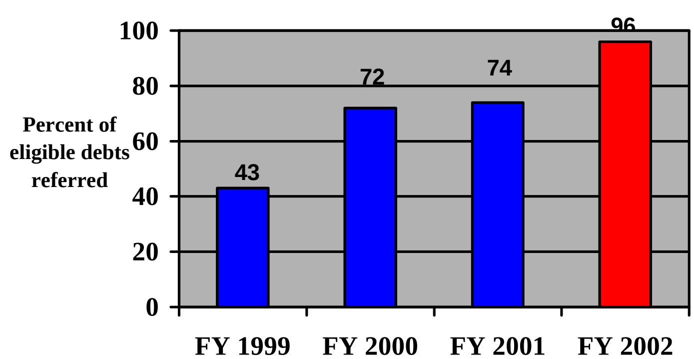
- Referral rates of eligible debt have continually increased over the last three fiscal years from 43 percent at the end of FY 1999 to 96 percent at the end of FY 2002.

CROSS-SERVICING REFERRALS



	FY 1999	FY 2000	FY 2001	FY 2002
Eligible for Referral	$6.8	$6.4	$6.9	$8.2
Referred by End of FY	$2.9	$4.6	$5.1	$7.9

CROSS-SERVICING REFERRALS



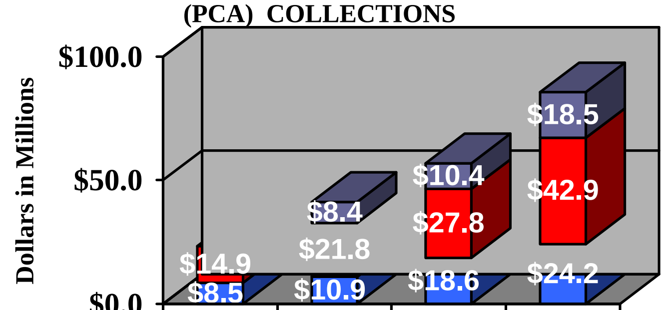
3. Collections

- Since the inception of the Cross-Servicing program, FMS and the PCAs have brought in $215.6 million in collections.

- In FY 2002, FMS and its PCAs collected approximately $86 million*, an increase of $28.9 million (51 percent) over FY 2001 collections.

  *Number does not equal graph totals due to rounding

CROSS SERVICING & PRIVATE COLLECTION AGENCY (PCA) COLLECTIONS



	FY 1999	FY 2000	FY 2001	FY 2002
TOP	N/A	$8.4	$10.4	$18.5
PCA	$14.9	$21.8	$27.8	$42.9
FMS	$8.5	$10.9	$18.6	$24.2

- In each of the three categories of collections (referrals to TOP, collections by PCAs and collections at FMS's Debt Management Operations Center) there were increases in FY 2002 over the previous fiscal year. TOP collections through Cross-Servicing rose by 78 percent, PCA collections increased by 55 percent, and collections at the Debt Management Operations Center rose by 30 percent.

D – HHS' Debt Collection Center

1. Description

- The Program Support Center (PSC), established in 1995, is an operating division within HHS that collects debts on a fee-for-service basis for 10 different agencies/bureaus within HHS and 10 agencies outside of HHS.

- In January 1999, Treasury granted a three-year debt collection center designation to the PSC for three types of HHS debts: Health Profession debts, Unfiled Cost Report debts, and Medicare Secondary Payer debts.

- In May 2002, PSC's designation as a debt collection center was renewed and revised by Treasury. The current debt collection center designation covers HHS debts less than 180 days delinquent, HHS debts exempt from mandatory transfer to Treasury (i.e., Health Profession debts and Unfiled Cost Report debts), and grant audit and program disallowances owed to HHS and other agencies for a period of 180 days following the completion of any appeals.

- PSC uses all appropriate and available debt collection tools to collect debts referred for collection, including: demand letters and telephone calls, internal offsets, credit bureau reporting, referrals to TOP, referrals to PCAs, and litigation. In addition, PSC applies special debt collection tools available to certain debt types. For example, PSC uses denial of Medicare/Medicaid participation and publication of debtor information in collecting Health Profession debts, where appropriate.

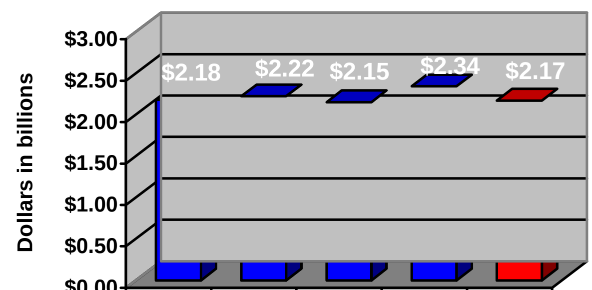
- PSC also serves as HHS' conduit for referrals of delinquent debts to FMS for both TOP and Cross-Servicing.

2. Referrals to PSC

- Debt referrals to the PSC have remained relatively stable over the last five years, with total receivables ranging from $2.15 billion to $2.34 billion.

· Referral numbers do not include amounts referred to FMS for Cross-Servicing. PSC referrals of HHS delinquent debts to FMS for Cross-Servicing totaled $4.1 billion as of September 30, 2002.

PSC Receivables



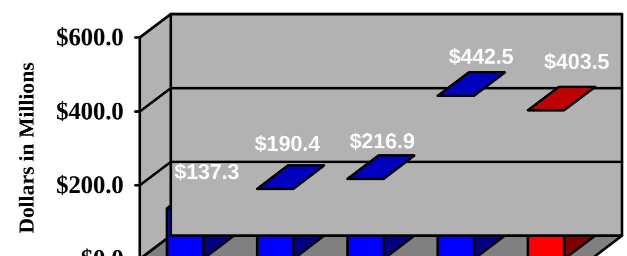
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Receivables	$2.18	$2.22	$2.15	$2.34	$2.17

3. Collections

- Since the inception of its debt collection program in 1995, PSC has brought in over $1.7 billion in collections.

- Collections over the last five years evidence a general trend toward increased collections. A sharp increase began in FY 2001 primarily due to increases in administrative (grant disallowance) debt collections.

PSC Collections

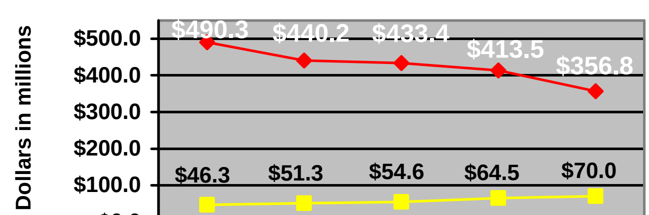


	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Total Collected	$137.3	$190.4	$216.9	$442.5	$403.5

4. Health Profession Debt

- Over the last five years, PSC has been especially effective in collecting Health Profession debts. During this time, debts more than 180 days delinquent have decreased by 27 percent, while collections have increased by 51 percent.

Health Profession Debt



	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Delinquencies > 180 days	$490.3	$440.2	$433.4	$413.5	$356.8
Collections	$46.3	$51.3	$54.6	$64.5	$70.0

E - Litigation at the Department of Justice

1. Description

- DOJ serves as the Federal Government's "collector of last resort." 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 refers agency debts to DOJ when designated by an agency.

- With judicial oversight, DOJ enforces collection by seizing bank, stock and similar accounts from debtors and garnishing a higher percentage of debtors' wages than AWG allows. In some cases, DOJ seizes and sells debtor-owned real estate and other property to enforce collection. The courts can also assist in establishing and enforcing payment arrangements for some debtors.

- DOJ incorporates administrative debt collection tools, such as TOP, into the array of litigation tools available to enforce the collection of debts.

- DOJ supplements its litigation resources by contracting with private counsel in 15 judicial districts, and it plans to expand this program to additional districts in the future.

2. Referrals

- Federal creditor agencies determine when to refer debts to DOJ. Both the numbers of debts referred and their value vary greatly from year to year for this reason.

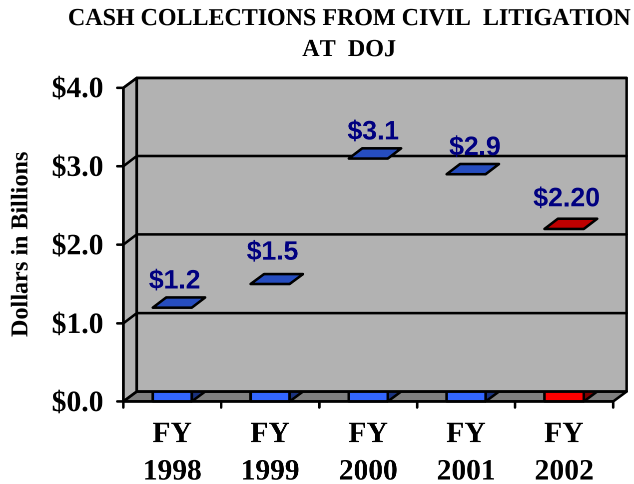
- Debt referrals vary greatly in amount, complexity and collectibility. Referrals include loans with clear debtor liability as well as multi-jurisdictional fraud cases that require extensive investigation over a period of years to be resolved.

Fiscal Year	Total Civil Referrals- new debts opened	Value of New Debts (in billions)
1998	44,876	$2.8
1999	88,228	$2.8
2000	50,572	$5.6
2001	24,357	$5.4
2002	8,443	$3.0

3. Collections

- The amount DOJ collects in any fiscal year includes recoveries for debt referred in prior fiscal years.

- DOJ has collected $10.9 billion from civil litigation over the last five fiscal years.



- DOJ has placed a greater emphasis on using its own litigation resources in recent years to pursue those who defraud America's taxpayers. Much of the increase in the amounts collected by DOJ in recent years reflects the success of these efforts.

- More than 50 percent of the funds DOJ collects are received as electronic fund transfers. DOJ also accepts credit card payments and payments in foreign currency. In FY 2001, DOJ implemented a new program called EZPay that debits debtor bank accounts on a schedule authorized by the debtor.

IV – SPECIFIC AGENCY ACTIVITIES

A - Education Student Loans

- Since November 1998, Treasury has exempted student loan debts collected at Education from the mandatory transfer to Treasury for Cross-Servicing, based on Education's demonstrated expertise in collecting student loan debts. The Office of Postsecondary Education debt collection activities are centralized in the Debt Collection Service (DCS). DCS services Education's *defaulted* student loans (loans delinquent more than 270 days). Use of the full range of debt collection tools outlined in Education's own statutes and the DCIA is authorized once the loan reaches *default* status.

- Total student loan receivables serviced by DCS have increased from $11.6 billion at FY 1999 year-end to $13.9 billion at FY 2002 year-end. Total delinquencies have increased from $9.7 billion at FY 1999 year-end to $10.01 billion at FY 2002 year-end; and collections have increased from $1.14 billion in FY 1999 to $1.33 billion in FY 2002.

Education's Use of Debt Collection Tools
(in millions)

Collection Tools	FY 1999 Collections	FY 2000 Collections	FY 2001 Collections	FY 2002 Collections
Private Collection Agency	$191	$228	$229	$260
Litigation (DOJ)	$19	$25	$30	$30
Internal Offset	$5	$5	$3	$3
AWG (at agency and PCAs)	$71	$110	$134	$136
Treasury Offset	$505	$431	$450	$368
Other at Agency	$83	$65	$64	$170
Total Loan Consolidations (at agency and at PCAs)	$336	$389	$464	$365

- Recoveries from TOP declined during FY 2002. Contributing to the decline in offsets were the slowing economy and the across-the-board income tax rebates for the 2001 tax year. Education still relies heavily on PCAs and refers every eligible debt as quickly as practicable to one of its twelve PCAs. Education effectively uses AWG to collect debts, primarily through its PCAs, which collected $126 million of the $136 million collected through AWG in FY 2002. Education also uses loan consolidations and loan rehabilitations to further reduce delinquencies by moving debts back into current repayment status.

- Collections by PCAs and by AWG have steadily increased over the last four years. Regarding PCAs, Education also tracks collection costs as a percent of collections. These costs have shown a declining trend from 18.6 percent in FY 1999 to 15.6 percent in FY 2002.

- Education has successfully implemented a matching program with HHS and the National Directory of New Hire Database that, for FY 2002, resulted in the capture of new debtor location information on over one million accounts, which led to an additional $269 million in student loan recoveries.

B - SBA and HUD Loan Asset Sales

Fiscal Year	Small Business Administration		Dept. of Housing and Urban Development	
	Unpaid Principal Balance	Gross Proceeds	Unpaid Principal Balance	Gross Proceeds
2000	$1.2 billion	$530 million	$480 million	$ 467 million
2001	$2.4 billion	$1.6 billion	$623 million	$432 million
2002	$562 million	$407 million	$502 million	$291 million
TOTALS	$4.2 billion	$2.5 billion	$1.6 billion	$1.2 billion

- SBA and HUD have established loan asset sales programs to sell performing and non-performing loans to the public. SBA's asset sales program has included the sale of direct loans and defaulted guaranteed loans. HUD's Federal Housing Administration is taking action to sell HUD's entire inventory of single family and multifamily mortgage notes held by the Secretary of HUD.

- Over the last three fiscal years, SBA and HUD have sold $5.8 billion in loan assets and collected $3.7 billion in gross proceeds from these sales. Each sale has resulted in the collection of more than the estimated value of holding the loan assets to maturity.

C – Debt Check – Barring Delinquent Debtors

- Federal agencies are required to deny loans, loan insurance, and loan guarantees to entities that owe delinquent non-tax debt to the Federal government pursuant to 31 U.S.C. § 3720B and 31 C.F.R. § 285.13. Executive Order 13019 extends this bar to delinquent child support debtors whose debts have been referred to TOP for administrative offset.

- Debt Check is a program tool provided by FMS that will allow agencies and outside lenders to check whether or not applicants for Federal loans, loan insurance or loan guarantees owe delinquent child support or delinquent nontax debt to the Federal government. A roll out of Debt Check is scheduled to begin in February 2003.

- Presently, at least three options exist for agencies and outside lenders to collect information on applicants: credit bureau reports, the Credit Alert Interactive Voice Response System (CAIVRS) managed by HUD, and the General Services Administration (GSA) sponsored web site listing those people or vendors barred from Federal procurement activities. Debt Check will complement these and other systems, serving as an additional source of debt information.

APPENDIX I: FEDERAL RECEIVABLES AND DELINQUENT DEBT

The table below presents the ending balances, collections, write-offs, delinquencies, and delinquencies greater than 180 days for the credit agencies with the highest ending balances at the end of FY 2002. The table groups all other agencies into a single category. At the end of FY 2002, 93 percent of the receivables belonged to the 12 agencies listed in the tables below. The balance is owed to the remaining 52 agencies (grouped into the "all other" category).

Federal Receivables and Delinquent Debt
as of September 30, 2002
(in millions)

Agency	Ending Balance	Collections	Write-offs	Delinquencies	Delinquencies > 180[1]	Currently Not Collectible
Education	$105,291	$12,041	$1,193	$22,479	$20,017	$556
USDA	$102,084	$23,016	$1,369	$6,999	$6,528	$570
HUD	$12,934	$8,222	$16	$1,130	$879	$0
SSA	$12,748	$2,567	$954	$2,078	$1,287	$7,414
EXIM	$12,037	$2,025	$86	$4,161	$2,162	$0
HHS	$10,107	$14,432	$989	$5,177	$4,595	$2,640
AID	$9,213	$791	$2	$663	$630	$0
DoD	$6,608	$7,810	$190	$4,383	$3,830	$65
Energy	$6,521	$4,245	$12	$2,271	$2,245	$0
FCC	$6,290	$5,865	$54	$5,226	$5,172	$3
SBA	$5,531	$1,546	$1,169	$1,668	$1,402	$126
VA	$3,549	$2,890	$251	$1,181	$898	$0
All Other	$22,130	$33,010	$495	$5,549	$4,755	$202
Gov't Total	$315,043	$118,460	$6,780	$62,965	$54,400	$11,576

Amounts reported as write-offs represent the dollar amount of uncollectible receivables written off during FY 2002.

"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.

[1] Does not include delinquencies reported as Currently Not Collectible.

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 and Appendix I

Source – Treasury Report on Receivables Due From the Public – Fourth Quarter 2002, as reported by Federal agencies to the Department of the Treasury.

Part III – Government-Wide Collection Activities

A – Use of Private Collection Agencies

Sources – Department of Education, Debt Collection Service
Department of the Treasury, Financial Management Service
Department of Health and Human Services, Program Support Center

B & C – Treasury Offset Program and Cross-Servicing

Source – Department of the Treasury, Financial Management Service

D – HHS' Debt Collection Center

Source – Department of Health and Human Services, Program Support Center

E – Litigation at the Department of Justice

Source – Department of Justice, Office of Debt Collection Management

Part IV – Specific Agency Activities

A – Education Student Loans

Source - Department of Education, Debt Collection Service

B – SBA and HUD Loan Asset Sales

Sources – U.S. Small Business Administration
Department of Housing and Urban Development