



Treasury Financial Manual

Chapter 5400

STANDARDS FOR A DEBT COLLECTION CENTER DESIGNATION

This Treasury Financial Manual (TFM) chapter sets forth the standards and procedures that the Department of the Treasury (Treasury), acting through the Bureau of the Fiscal Service (Fiscal Service), uses to designate debt collection centers. It also outlines the responsibilities of designated debt collection centers. This TFM chapter replaces and supersedes all versions of the "Federal Debt Collection Center Designation: Policies, Procedures, and Standards" issued by Treasury. Any prior decisions under those standards remain in effect until or unless expressly revoked. The term debt collection center has the same definition as set forth in 31 CFR 285.12(a). For the purposes of this TFM chapter, debt collection center does not include Fiscal Service (including Fiscal Service's Cross-Servicing Program).

Section 5410—Background

Federal agencies generally must refer debt that has been delinquent for a period of 180 days to Fiscal Service's Cross-Servicing Program for collection action. However, debts that have been referred to a designated debt collection center are exempt, for a period determined by the Secretary, from this requirement.

Section 5420—Scope

The provisions of this TFM chapter:

- address certain responsibilities of debt collection centers,
- prescribe the standards under which the Secretary will evaluate and respond to requests for an initial designation as a debt collection center pursuant to 31 U.S.C. § 3711(g)(3), and to requests for a renewal of such a designation, and
- explain how a federal agency may seek a designation or renewal.

Section 5430—Definitions

For terms and definitions related to this chapter, please view the [TFM Glossary](#).

Section 5440—Authority

The Secretary has the authority to designate and withdraw the designation of debt collection centers operated by federal agencies. See 31 U.S.C. § 3711(g)(3). The Secretary is also authorized to establish standards for the designation and operation of debt collection centers. See 31 U.S.C. § 3711(g)(10) and 31 CFR 285.12(f).

**Section 5450—Authorities and Responsibilities of Debt Collection Centers 5450.10
—Referral of Debts from Client Agencies**

After designation by Fiscal Service, and to the extent permitted by the designation, debt collection centers may solicit client agencies to refer debts.

5450.20—Use of Debt Collection Tools

The debt collection center must take appropriate action to collect (or suspend or terminate collection action) on any referred debts. A debt collection center must use all appropriate debt collection tools, consistent with the debt collection strategy it submitted with its application for designation or renewal. A debt collection center must be equipped with the appropriate systems, policies, and debt collection strategies that enable it to use all authorized debt collection tools.

A debt collection center must notify Fiscal Service of any substantial change in its debt collection processes (via the address in section 5470.10 of this TFM chapter) prior to implementation.

5450.30—Referral of Debts to Fiscal Service for Collection by the Treasury Offset Program (TOP)

Where appropriate or required by law, a debt collection center must refer debts to Fiscal Service for collection through TOP, including tax refund offset and offset of certain other federal and state payments.

5450.40—Referral of Debts to the Department of Justice

Where appropriate or required by law, a debt collection center must refer debts to the Department of Justice for litigation, compromise, suspension, or termination of collection activity.

With regard to any debt-based in whole or in part on conduct in violation of the antitrust laws or to any debt involving fraud, the presentation of a false claim, or misrepresentation on the part of the debtor or any party having an interest in the claim, a debt collection center must promptly refer the case to the Department of Justice for action.

5450.50—Debt Collection Data and Report on Debts

A debt collection center must have the ability to age debts, know where a specified debt is in the collection process, and determine collections on delinquent debt versus current debt. A debt collection center must also keep

accurate records on all debts (including proper accrual and assessment of interest, penalties, and administrative costs on all debts).

A debt collection center must also provide sufficient information to client agencies so that its client agencies can maintain internal debt records and accurately and completely report information on the TROR. If so agreed, between any client-agency and the debt collection center, the debt collection center may complete any required TROR reporting on the client agency's behalf.

5450. 60—Fees for Debt Collection Services

Debt collection centers may charge fees to client agencies up to the full cost of debt collection services provided. See 31 U.S.C. §§ 3711(g) (6) - (8) and 31 CFR § 285.12(j).

Section 5460—Standards for Initial Designation and Renewal 5460.10—General Guidelines

The Secretary may designate (or renew the existing designation of) an agency as a debt collection center. The Secretary will make such a designation (or renewal) for specific types of debt and for a specified period of time.

5460.20—Standards for Initial Designation and Renewal

While no one factor is determinative, when analyzing an agency's application for designation as a debt collection center or renewal of such designation, the Secretary will consider whether the agency:

- can more effectively service debts compared with Fiscal Service's Cross-Servicing Program,
- has an effective debt collection strategy that provides for use of all appropriate debt collection tools, complies with relevant debt collection law,
- to the extent applicable, demonstrates the historical ability to collect its own debts and debts owed to other agencies, and
- to the extent applicable, charges fees to client agencies using appropriate legal authorities and an appropriate cost methodology.

To the extent that an agency proposes to service debts that are already exempt from the requirement to refer the debt to Fiscal Service's Cross-Servicing Program pursuant to [TFM Volume I, Part 3, Chapter 5200](#), Exemption of a Class of Debt from Referral to the Treasury Cross-Servicing Program, the Secretary may determine that some of these factors are not relevant.

Section 5470—Applications for Initial Designation or Renewal of Designation 5470.10—Informal Discussions

If, after reviewing the guidelines in this chapter, an agency believes that a debt collection center designation (or renewal of a designation) may be warranted, agency officials should contact Fiscal Service to discuss the need

for a designation (or renewal of a designation) and other options that may be available to address the agency's concerns. If the agency decides to proceed with seeking designation, it should submit a written draft application (see section 5470.20b, below) to Fiscal Service for review and comment before submitting its formal request for designation. Fiscal Service will review the draft application and initiate informal discussions. The contact at Fiscal Service for these preliminary steps is as follows:

Department of the Treasury
Bureau of the Fiscal Service
Debt Management Services
Director, Receivables Management & Debt Services Division
3201 Pennsy Drive, Building E
Landover, MD 20785
Telephone: 202-874-6810

5470.20—Formal Application 5470.20a—Generally

If, after informal discussions with Fiscal Service in accordance with subsection 5470.10 of this TFM chapter, an agency determines that it wishes to make a formal request for an initial designation (or a renewal of an existing designation), the request must be made, in writing, by the head of the agency or, if appropriately delegated, by the Chief Financial Officer or other senior agency official of an equivalent level.

5470.20b—Required Information

In its application, the agency should:

- identify what types of debts it wishes to service,
- address whether and how it meets the standards specified in section 5460.20 of this TFM chapter, including by:
 - describing why it is better suited to service the debts compared with Fiscal Service's Cross-Servicing Program,
 - describing its debt collection strategy, including the timeframes for the use of its debt collection tools. Debt collection tools include, but are not limited to due process notices, opportunities for review and inspection of records, demand and other letters, phone calls, credit bureau reporting, private collection agencies, litigation, offset, including internal offset and referral to TOP, administrative wage garnishment, and 1099-C reporting. The agency should detail specific actions that the agency takes or will take on delinquent debt, including when these actions are or will be taken,
 - providing historical data that supports and confirms the use of all appropriate debt collection tools outlined in the agency's debt collection strategy,
 - providing annual collection rates for the past five years (dollar amounts collected compared to dollar amount of debt outstanding, and number of collections compared to number of

debts) on all debt owed to the agency or that the agency is servicing, including delinquent debt. The data should separately detail collection rates for current debt, debt delinquent for 180 days or less, and debts more than 180 days delinquent,

- providing information on the direct and indirect costs of collections, including data on the agency's actual and projected costs for financial system modernization and/or maintenance of legacy financial systems over the next three to five years,
 - indicating whether it charges its client agencies fees and, if so, providing information regarding the authority under which those fees are charged, and an explanation of its fee and costs methodology, and
-
- include evidence that the agency can fulfill all the responsibilities of being a debt collection center, including those listed in section 5450 of this TFM chapter.

5470.20c—Addressing the Application

The request should be addressed to:

Commissioner
Bureau of the Fiscal Service
Department of the Treasury
3201 Pennsy Drive, Building E
Landover, MD 20785

and send a copy to:

Department of the Treasury
Bureau of the Fiscal Service
Debt Management Services
Director, Receivables Management & Debt Services Division
3201 Pennsy Drive, Building E
Landover, MD 20785

5470.30—Fiscal Service Request for Additional Information

If Fiscal Service determines that an application is incomplete or that it needs more information, Fiscal Service will notify the agency and describe the specific information that must be submitted to complete the application. If, after a reasonable period, the Secretary has not received this additional information, Fiscal Service will notify the requesting official that it considers the agency's application withdrawn.

Section 5480—Secretary's Response to an Agency Request for Initial Designation or Renewal

The Secretary will evaluate an agency's application for an initial designation as a debt collection center (or for renewal of an existing designation) based on the standards listed in Section 5460. The Secretary

may take any action regarding the designation decision that he or she determines to be in the best interest of the federal government. Such action may include granting, denying, or limiting the designation in whole or in part, or taking alternative actions, as appropriate. In general, designations or renewals of designations should be for a set period.

The Secretary may designate a debt collection center to collect its own debt and/or debt owed to other federal agencies.

Fiscal Service will provide written notification to the agency of the Secretary's decision.

Section 5490—Reviews and Withdrawals of Debt Collection Center Designations
5490.10—Agency-Requested Withdrawals

An agency may request in writing that the Secretary withdraws its debt collection center designation at any time. The withdrawal request must include a specific date for termination of the designation and provide an exit strategy to ensure that there is no interruption in the collection of any debts being serviced by the debt collection center.

In response to an agency's request, the Secretary will routinely withdraw such designations unless the Secretary determines that the exit strategy and/or the proposed date for termination would substantially interfere with the collection of referred debt, in which case Fiscal Service and the agency will negotiate a mutually agreeable exit strategy and termination date.

5490.20—Reviews and Treasury-Directed Withdrawals

Fiscal Service may, in its discretion, conduct periodic reviews of a designated debt collection center. Debt collection centers must provide information requested by Fiscal Service to facilitate this review.

The Secretary may determine, based on information and data submitted by the debt collection center for review or any other appropriate data, that it is in the federal government's best interest to withdraw a debt collection center's designation. If such a determination is made, the Fiscal Service will notify the head of the agency operating the debt collection center in writing of the decision. The notice will identify the effective date for withdrawal of the designation, which generally will be at least 60 days from the date of the written notice (unless the Secretary determines that an earlier withdrawal date is warranted).

5490.30—Duty to Transfer Referred Debts Upon Withdrawal

Promptly following the withdrawal of a debt collection center's designation for any reason, the previously-designated debt collection center must transfer the referred accounts (including all relevant data concerning such accounts) to another debt collection center or the client-agency, as directed by Fiscal Service. The previously-designated debt collection

center must take timely and good faith action to ensure that the financial interests of the federal government are not jeopardized.

Contacts

Direct inquiries concerning this TFM chapter to:

Department of the Treasury
Bureau of the Fiscal Service
Debt Management Services
Receivables Management & Debt Services Division
3201 Pennsy Drive, Building E
Landover, MD 20785
Telephone: 202-874-6810
Email: debt-tfm@fiscal.treasury.gov

Summary of Updates

Section No.	Section Title	Summary of Change
3020	Terms and Definitions	Deleted terms and definitions
3020	Terms and Definitions	Added verbiage and hyperlink redirecting readers to the TFM Glossary