

# Administrative Wage Garnishment



May 28, 2009



## What is AWG?

- Administrative Wage Garnishment (AWG) is a cross servicing collection tool where a non-federal employer is ordered to withhold up to 15% of an employee's disposable income
- Debt Collection Improvement Act of 1996 authorizes it. This authorization supersedes any state laws.



## What is AWG?

- An important element of the Cross Servicing collection tools
- Used by DMS and its private collection agency (PCA) contractors



# Benefits of AWG

- AWG can be started without a court order
- No statute of limitations
- AWG has proven an effective tool in encouraging the establishment of payment agreements

# AWG Program



- AWG program is maturing....
  - ✓ Started in 2001 with one program agency
  - ✓ Expanded to 22 agencies – including 14 which are CFO agencies
  - ✓ AWG collections have accounted for **10%** of the PCA collections in the past two fiscal years



# AWG Program

- Valuable collection tool
  - ✓ Collected over \$28.6 million since 2001
  - ✓ Agency collections
    - ✓ Defense Finance & Accounting Service – over \$15.9 million
    - ✓ Department of Housing and Urban Development – over \$10.4 million



# AWG Program

- Valuable collection tool
  - ✓ Consumer and Commercial debts with individual liability
  - ✓ An additional \$350 million now eligible



# Who's Participating?

- James Madison Memorial Fellowship Foundation
- Railroad Retirement Board
- **Department of Housing & Urban Development**
- Securities & Exchange Commission
- **Nuclear Regulatory Commission**
- **Department of Education**
- **Defense Finance & Accounting Service**
- **Department of Energy**
- **Department of the Treasury**
- **Department of State**
- Presidio Trust
- *Department of Homeland Security\*\**
- **U.S. Agency for International Development**
- **General Services Administration**
- Commodity Futures Trading Commission
- **Social Security Administration**
- **Department of Health & Human Services**
- **Small Business Administration**
- National Labor Relations Board
- Federal Communications Commission
- **Department of Agriculture**
- **Department of Interior**
- CIA
- *Department of Transportation\*\**

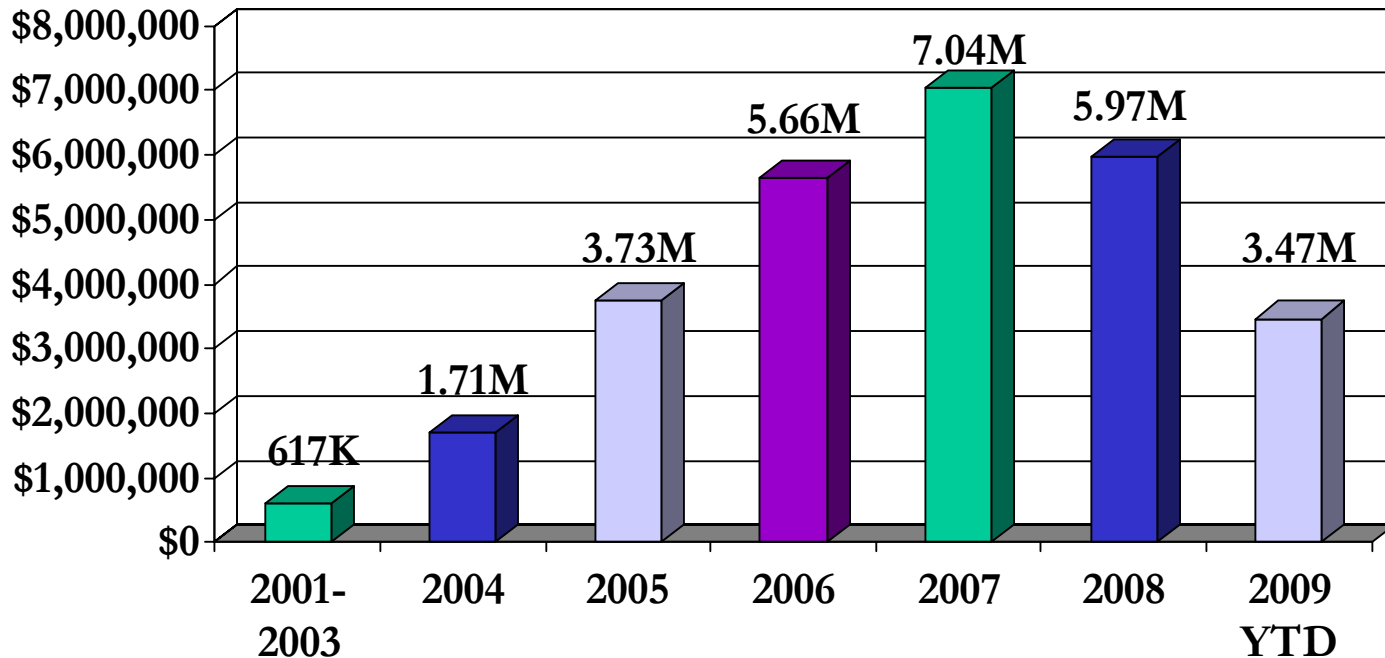
\*Agencies in bold indicate CFO Agency

\*\*Indicates Pending agencies



# PCA AWG Collections

AWG Collections by PCAs  
by Fiscal Year



Total AWG Collections = \$28.6M

Collections thru FY '09 YTD as of 3/09



## How does AWG work?

- Once an agency starts participating in AWG, all consumer debts and commercial debts, with individual liability in the agency's portfolio are eligible for participation
- Each program must be authorized for AWG by the agency in order to update the profile for participation



## How does AWG work?

- The PCA/DMS will send an AWG notice letter to the debtor
- AWG Notice Letters only sent if
  - ✓ Employer is identified
  - ✓ TIN is valid
  - ✓ PCA selects account for AWG processing



# AWG Order

- Issued 30 calendar days after the AWG Notice Letter has been sent
- Order will not be generated if there is a:
  - ✓ Timely hearing filed
  - ✓ Payment Agreement entered after AWG Notice Letter



# AWG Hearings



- Debtor may request hearing at any time during AWG process
- Hearing request reasons:
  1. Existence of the debt
  2. Amount of the debt
  3. Garnishment amount (Hardship)



# AWG Hearing Process

- Hearing requests from debtor will be forwarded to the agency appointed hearing contact
- Hearings are requested on about 6 - 7% of the AWG Notice Letters issued
- Many agencies already conduct some type of hearings, i.e. salary offset – these procedures can be modified to apply to AWG
- Similar to dispute process



# AWG Hearings



- Hearing types
  - Timely – received within 15 business days of the AWG Notice letter (stops AWG)
  - Late – received more than 15 business days after the AWG Notice letter (AWG continues)



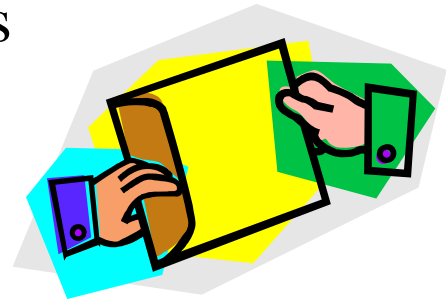
# AWG Hearing Official

- Hearing guidelines
  - ✓ Hearing official needs to be a “qualified individual”
  - ✓ Official **Does Not** need to be an administrative law judge, most agencies do not use judges
  - ✓ Hearings may be oral or written
  - ✓ Hearing decision must be in writing



# Payment Agreements During AWG

- AWG Notice Letter already sent
  - ✓ PCA/DMS can discuss and enter into any type of payment agreement at this time
- AWG Order issued
  - ✓ PCA, with DMS concurrence, can enter only into one-time payment agreement in full or one-time payment compromise if it is in government's best interest
- AWG has proven an effective tool in encouraging the establishment of payment agreements





# Expanding the AWG Program

- Use information from the National Directory of New Hires database, maintained by HHS
  - ✓ Includes employment information for:
    - ✓ Newly hired employees
    - ✓ Current employees – quarterly wages
- Will assist DMS in finding employment information for debtors – increase AWG collections



# Expanding the AWG Program

## New Hire

- Employee's SSN
- Employee's Address
- Employer's Name and Address

## Quarterly Wage

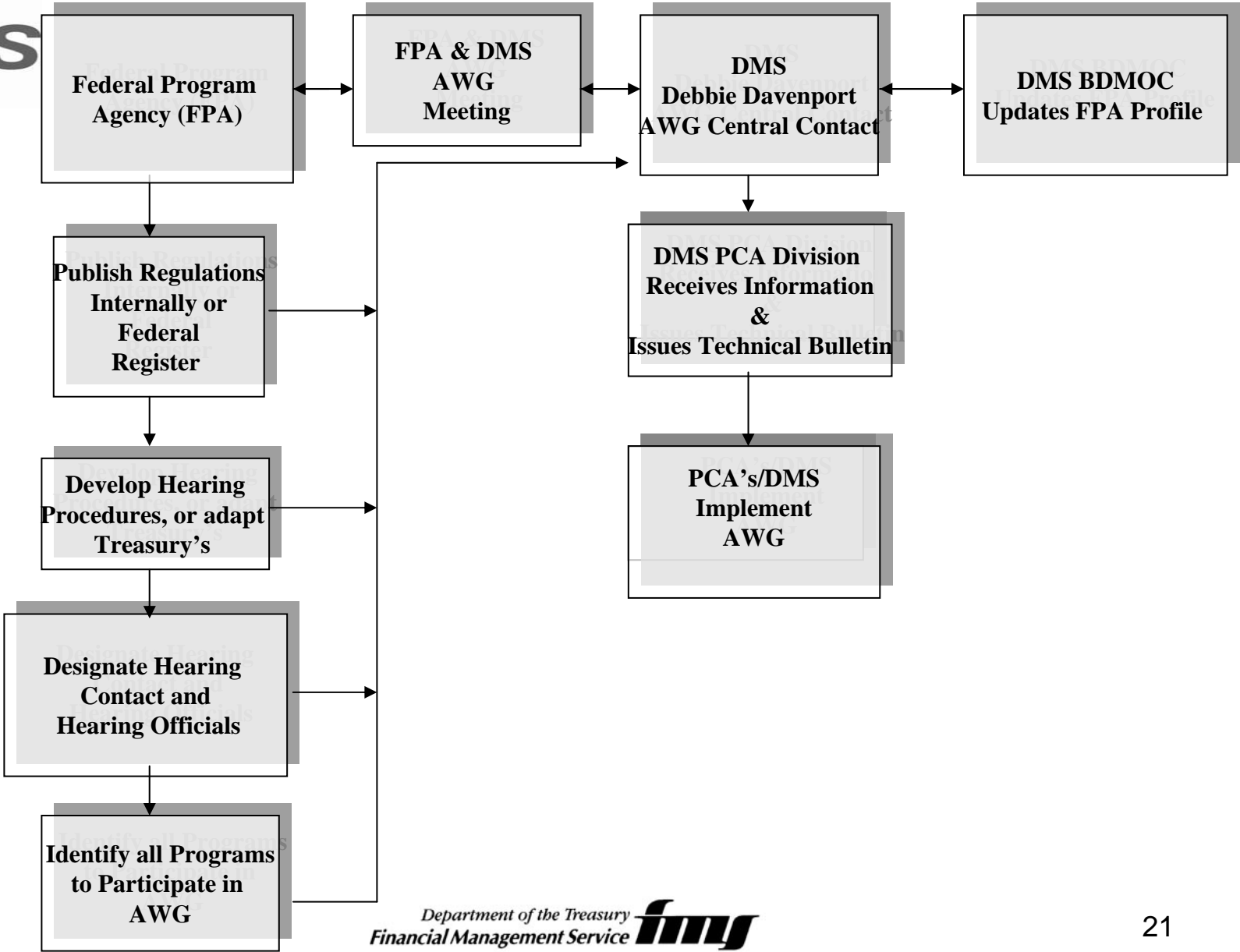
- Employee's SSN
- Wage Amount
- Employer's Name and Address



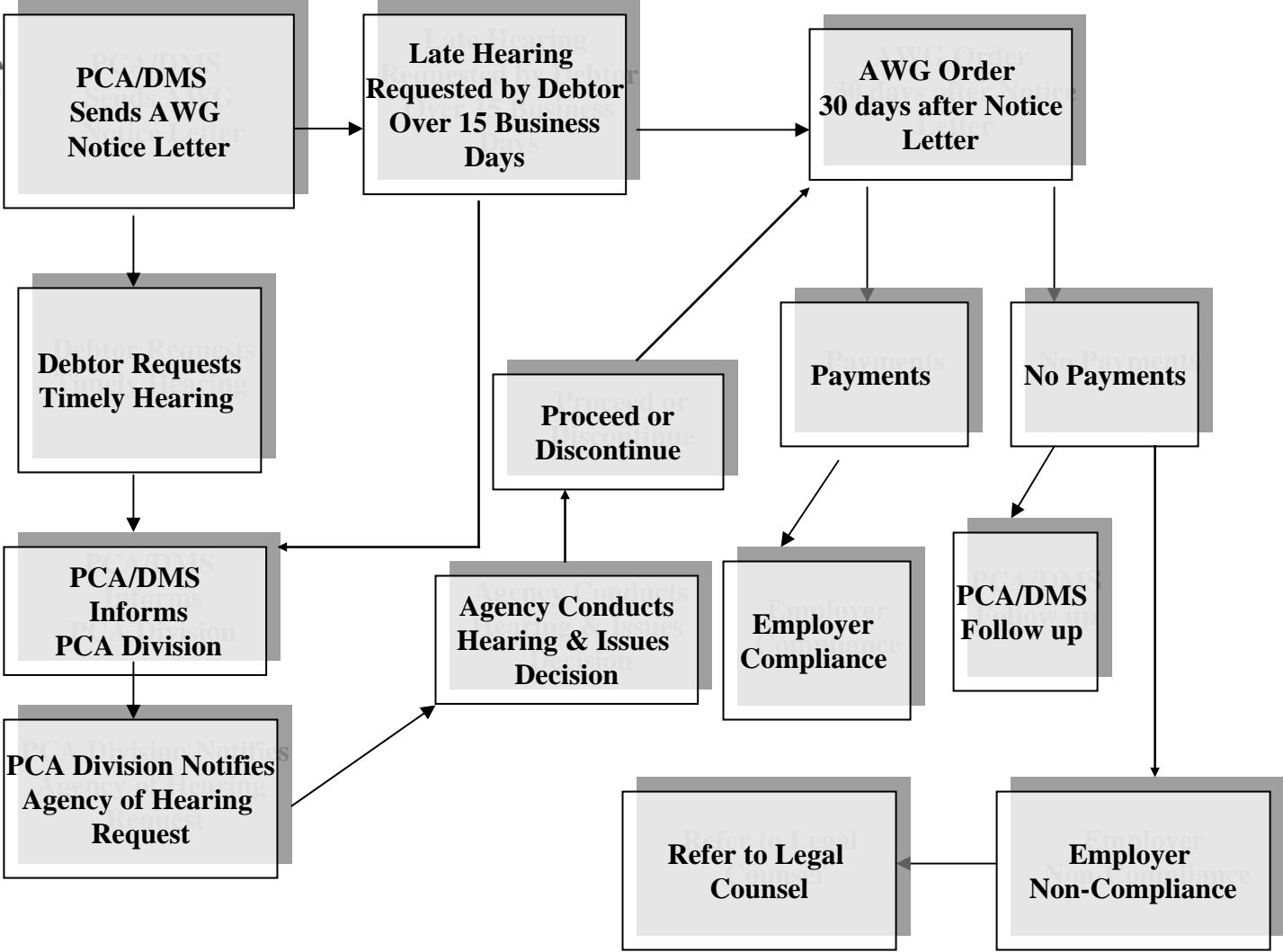
# How can you start using AWG?

1. Publish AWG regulations or publish that you are adopting Treasury's AWG regulations- internally or Federal Register
2. Establish hearing procedures and appoint a hearing official contact
3. Notify DMS that you are ready to start AWG and have your Agency Profile updated

# Administrative Wage Garnishment (AWG) Implementation Steps



# AWG Process Flow



# AWG Recap

- AWG Process
  - ✓ AWG Notice Letter to debtor
  - ✓ Hearing may be requested
  - ✓ AWG Order to employer
  - ✓ Payment agreement may be established
- Using AWG
  - ✓ Essential collection tool
  - ✓ Will increase your collections

