



Guide to the Federal Credit Bureau Program

**A Companion to the
Treasury Financial Manual
Credit Supplement**



**Department of the Treasury
Financial Management Service**



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**Department of the Treasury
Financial Management Service**
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PREFACE

The use of nationally recognized credit reporting agencies (also known as credit bureaus) is an inexpensive tool that can assist Federal agencies to improve their credit management and debt collection programs. While only one of several tools available, increased credit bureau reporting and increased Federal agency use of credit reporting agencies is designated as a "high priority" by the Office of Management and Budget (OMB), the Treasury Department's Financial Management Service (FMS), and the Federal Credit Policy Working Group.

Reporting delinquent Federal debts to credit reporting agencies makes good financial management sense. This action enables Federal agencies to *prevent* individuals and businesses from obtaining credit or entering into business relationships with one Federal agency while owing an outstanding unresolved delinquent debt to another. Conversely, the reporting of *current* debt information on individuals and businesses that are paying their bills to the Government in a timely manner helps these individuals and businesses benefit from their *positive* credit history.

The credit report continues to emerge as a formidable tool in Federal agencies' credit management and debt collection arsenals and as part of the Federal Government's program to reduce outstanding delinquencies. Federal program agencies can access accurate data from credit reporting agencies to conduct credit screening and the collection and verification of tax identification numbers. Further, credit reports are used to conduct credit scoring, skip tracing, and asset determination. Now that any participating lender in a Government-insured or guaranteed loan program is required to report the extension of credit, a truer credit picture will be reflected on a credit report. Also, the credit report, when used in conjunction with other Federal credit management and debt collection tools (the Department of Housing and Urban Development's (HUD) Credit Alert Interactive Voice Response System [CAIVRS], tax refund and administrative offset and referrals to the Department of Justice), helps Federal agencies and the participating lenders to avoid approving additional loans which would overextend an applicant beyond his/her ability to make repayment.

The goals of the Government pertaining to credit and debt management activities can be accomplished if Federal agencies observe the guidelines contained in this document. Reporting the Government's entire debt portfolio, to include *current* and *delinquent* debts, ensures that all relevant Federal debtor data are integrated into credit reporting agency databases and are available for consideration when credit decisions are being made.

Finally, taxpayers' confidence will increase as the public becomes aware of the Government's commitment to making sound credit decisions and reducing its delinquencies. Reporting debts to credit reporting agencies is an important step in this process. Correct use of credit reporting agencies, whether when required or as encouraged, is the direct responsibility of the respective Federal agency; the intent of these guidelines is to assist in meeting those responsibilities. Additional information regarding the submission of Federal debtor data to credit reporting agencies can be found in <OMB Circular No. A-129 - Policies for Federal Credit Programs and Nontax Receivables>, the <Federal Claims Collection Standards> published jointly by the Departments of Treasury and Justice, and the Financial Management Service publication <Managing Federal Receivables>.



Richard Gregg
Commissioner
Financial Management Service

Purpose of Guidelines

These guidelines apply to ALL Federal Executive, Legislative and Judicial agencies, including Government corporations. The purpose of this document is to provide guidance to Federal agencies for reporting information on Federal debts (consumer and commercial) to designated credit reporting agencies. The guidelines are consistent with the Debt Collection Act of 1982 (DCA), as amended by the Debt Collection Improvement Act of 1996 (DCIA), the revised Federal Claims Collection Standards (31 CFR Parts 900-904) published November 22, 2000, the revised Office of Management and Budget (OMB) Circular No. A-129 published November 29, 2000, and the Financial Management Service (FMS) publication “Managing Federal Receivables” (revised May 2005). Relevant portions of the DCA and the DCIA are codified at 31 U.S.C. § 3711(e) (see **Appendix 1**) and 3720(B).

This document supersedes the previous “Guide to Federal Credit Bureau Reporting” which was published in 1991. This guide will be periodically updated to include new information as it develops.

Since 1991, numerous changes have occurred, most notably:

- (a) The DCIA, enacted in 1996, requires agencies to report to credit reporting agencies, information on **all** delinquent consumer debts owed to the Federal Government;

- (b) The DCIA authorizes agencies to report accounts in good standing to credit reporting agencies. Reporting accounts in good standing ensures that **all** relevant Federal debtor data is integrated into the credit reporting agency databases and is available for consideration when credit decisions are made and prevents overextension of credit;

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(c) The DCIA requires that lenders financing and/or extending credit on behalf of the Federal Government be required to provide information relating to the extension of credit to consumer and commercial credit reporting agencies. Submission of debtor information to designated credit reporting agencies should be a routine and ongoing part of Federal agencies and certified lenders account servicing **and** debt collection procedures for both consumer and commercial accounts;

(d) The revised Federal Claims Collection Standards, published in November 2000 clarify and simplify Federal debt collection procedures (and reflect changes under the Debt Collection Improvement Act of 1996 and the General Accounting Office Act of 1996); and

(e) The “Metro 2” format for reporting consumer debt, developed by the credit reporting industry, is designed to capture better data for debtor records within the credit reporting agency databases. The Metro 2 format increases the accuracy of debtor files which subsequently produces a better credit report and provides additional features for the report user. The format is the industry standard for providers of information. See Chapter 2 for additional information on the Metro 2 format.

The Financial Management Service (FMS) is available to meet with Federal agencies to assist with the reporting effort, including facilitation of the Memoranda of Understanding (MOUs) between Federal agencies and the designated credit reporting agencies receiving Federal debtor data. “Model” consumer and commercial MOUs are located at **Appendix 2. The MOUs in Appendix 2 can be reproduced and used to enter into agreements with the credit reporting agencies.** Contacts for credit reporting agencies and FMS are listed in **Appendix 3.**

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In addition to this document, the following materials provide guidance on reporting to credit reporting agencies:

- C OMB Circular No. A-129 “**Policies for Federal Credit Programs and Non Tax Receivables**” (Revised);
- C “**Federal Claims Collection Standards**” (Revised) (See 31 C.F.R. § 901.4); and,
- C FMS Publication “**Managing Federal Receivables**”(Revised May 2005).

Agencies should review Office of Management and Budget (OMB) Circular No. A-129 for policies on the use of credit reports for the purpose of screening and determining creditworthiness of applicants for Federal financial assistance or persons seeking to do business with the Government.

Background

The Debt Collection Act of 1982 gave agencies the authority to report delinquent nontax, non-tariff consumer debts to credit reporting agencies provided that Federal agencies follow detailed procedures.

The DCIA was enacted through the cooperation of major Federal Government credit granting agencies, the OMB, the Chief Financial Officers Council and the Department of the Treasury. The DCIA significantly enhanced the Debt Collection Act of 1982. The DCIA **requires** Federal agencies to report to credit reporting agencies, information on all delinquent Federal consumer debts. The DCIA also **authorizes** the submission of information on consumer debtors considered as “**current.**” Federal agencies have been required, as a matter of policy, to report **all** (current and delinquent) commercial debts since September 1983.

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This requirement was subsequently incorporated into OMB Circular A-129 and the Federal Claims Collection Standards. As detailed later in this document, agencies are encouraged to report their entire debt portfolios (current and delinquent debts).

Definitions

A “**claim**” or “**debt**” (used interchangeably) means any amount of money, funds or property that has been determined by an appropriate official of the Federal Government to be owed to the United States by a person, organization or entity other than another Federal agency. Section 3701(b) of Title 31 of the United States Code defines a “**debt**” or “**claim**” to include:

- C funds due to the United States on account of loans made, insured or guaranteed by the Government, (including any deficiency or difference between the price obtained by the Government in the sale of a property and the amount due to the Government on a mortgage on the property);
- C expenditures of non-appropriated funds;
- C overpayments;
- C any amount the U.S. is authorized by statute to collect for the benefit of any person;
- C the unpaid share of any non-Federal partner in a program involving a Federal payment and matching or cost sharing payments by the non-Federal partner;

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- C fines or penalties assessed by an agency; and
- C any other amounts of money or property due to the Government other than delinquent taxes and tariffs.

“**Accounts receivable**” are generated by **all** Federal agencies. **Examples of accounts receivable are:** fines, fees, penalties, forfeitures, royalties, audit disallowances, claims, rents, damages, overpayments, and other amounts owed to the Government.

“**Credit reporting agency**” (also known as “**credit bureau**”)- Major consumer and commercial credit reporting agencies that have signed agreements Memoranda of Understanding (MOUs) with Government agencies to receive and integrate credit information (data) from voluntary subscribers (Federal agencies and private sector entities) into their respective database. In turn, this information is sold, oftentimes by smaller credit reporting agencies, to purchasers of credit data (in the form of credit reports and other products). The credit report, etc., is used to determine creditworthiness, conduct credit scoring, assist with collection efforts, or for other permissible purposes as defined by the Fair Credit Reporting Act. (See **Appendix 3** for designated credit reporting agencies.)

“**Non-exclusive basis**” - Federal agency debtor account information is reported to **each** of the designated credit reporting agencies receiving Federal debtor data. (Agencies should attempt to resolve issues which prevent reporting in this manner.)

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Distinction between Commercial and Consumer Debt

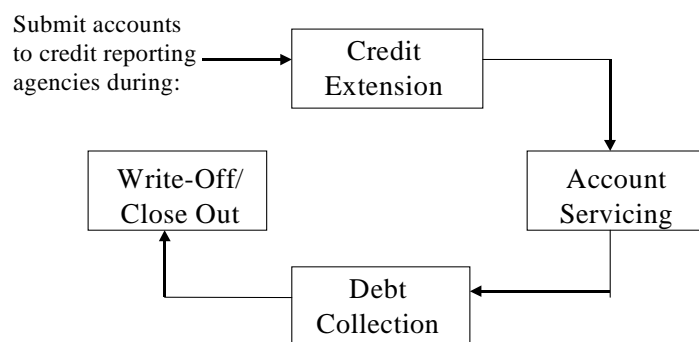
In accordance with the definitions contained in “Managing Federal Receivables,” the term “commercial” signifies a business activity and the term “consumer” signifies a personal activity. **The purpose of the activity, not the type of entity involved, determines whether a debt is classified as commercial or consumer.**

For example, a loan to a farmer to obtain additional land or equipment for farming would be considered a commercial loan; whereas a loan to the same farmer to purchase a personal residence would be a consumer loan.

When to Report Debts to Credit Reporting Agencies (Reporting Cycle)

There are four points in the credit management and debt collection cycle when Federal agencies should make use of credit reporting agencies. As part of its financial management responsibility, an agency should report information on its Federal debtors to credit reporting agencies in the following circumstances:

When to Report Debtor Information



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- C **Credit Extension** - Under the DCIA heads of agencies must, as a condition for insuring or guaranteeing any loan, financing, or other extension of credit under any law to a person, require that the lender provide information relating to the extension of credit to consumer reporting agencies or commercial reporting agencies, as appropriate. Additionally, pursuant to 31 U.S.C. § 3720B, Federal agencies may not grant a loan or loan guarantee to a person or entity which owes delinquent nontax debt to the Federal government. See 31 C.F.R. § 285.13. Agencies are required by OMB Circular No. A-129 to screen potential applicants for Federal financial assistance for creditworthiness. The applicants' credit history (credit report) also becomes a part of the official loan origination files. In instances where a delinquent Federal tax or nontax debt has been reported and is reflected in the applicant's credit history, agencies should immediately suspend loan processing (unless statutorily prohibited). In instances where the loan, etc. has been approved, the indebtedness should be reported to a credit reporting agency after funds have been disbursed.
- C **Account Servicing** - Once a loan is awarded and disbursed, or a financial obligation to repay an administrative debt has been established, the Federal agency (or in the case of a guaranteed loan, the lender) becomes responsible for servicing or controlling the account. Federal agencies may provide to consumer reporting agencies or commercial reporting agencies information from a system of records that a person is responsible for a claim which is current. If account servicing has been contracted out or a lender is servicing the account, agencies must require the servicer or lender to make the initial referral of debtor account information to credit reporting agencies and to provide accurate and consistent account status

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updates.

- C **Debt Collection** - Reporting debts to credit reporting agencies is an essential part of an agency's debt collection efforts. In accordance with Federal law, agencies must report information on all Federal delinquent consumer debtors to credit reporting agencies. Regulations and policies governing commercial debtors are covered in OMB Circular No. A-129 (revised November 2000) and the Federal Claims Collection Standards (revised November 2000). With some exceptions, Federal agencies must not extend credit assistance to debtors owing unresolved delinquent debts to the Government (see 31 U.S.C. § 3720B and 31 C.F.R. § 285.13). When debts have been transferred to FMS or a designated debt collection center for collection pursuant to the DCIA, FMS or the debt collection center, as appropriate, will perform debt collection activities (which include referral of accounts to credit reporting agencies if requested by the transferring agency).

Prior to reporting delinquent consumer debts to credit reporting agencies, agencies must provide consumer debtors certain rights of due process which are detailed in Chapter 2, "Reporting Consumer Account Information."

- C **Write-Off and Close-Out** - An effective receivables management program must include the systematic write-off and close-out of uncollectible debts pursuant to OMB Circular A-129. Essentially, once the debt is written-off, the agency must either classify the debt as currently not collectible (CNC) or close-out the debt. If an agency determines that continued collection efforts after write-off are likely to yield higher returns in the future, then the debt is not closed out but

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classified as CNC and reporting to credit reporting agencies should continue. Once the agency determines it is no longer cost effective or legally possible to pursue collection, the debt should be closed-out and all collection activity ceased. The account's status is forwarded to the credit reporting agencies receiving Federal data. Agencies should consult OMB Circular A-129 for details.

“Individual Service Agreements” and Memoranda of Understanding (MOUs)

In past years, many agencies signed “Individual Service Agreements” with credit reporting agencies to accept, store and integrate Federal data into credit reporting agency databases. While FMS does not require termination of these agreements, the Memoranda of Understanding (MOUs) promote standardization of the reporting process government wide and are consistent with current law. Agencies are encouraged to enter into the MOUs at the expiration of their current service agreements. The MOU should be signed by the Federal agency Chief Financial Officer or the designee and the appropriate credit reporting agency official. Federal agencies should also have their counsel review current agreements to determine whether they are compliant with current law and policy.

The MOUs obligate Federal agencies to provide credit information on their accounts to the particular credit reporting agencies signing the MOU. In turn, the credit reporting agencies agree to accept, load, store, and incorporate this information into their data files and credit information. This ensures that when a Federal agency or private sector lender purchases a credit report on an applicant or debtor, the Government's information is reflected in the report purchased.

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Obtaining Credit Reports

The smaller credit reporting agencies authorized by the General Services Administration (GSA) on the Federal Supply Schedule (FSS) to provide credit reports for Federal agencies **must** purchase their information from the designated credit reporting agencies listed at **Appendix 3**. Federal agencies **should** use the FSS for the purchase of credit reports and related information, unless circumstances dictate otherwise. Purchasing credit reports through the FSS is no different from purchasing other items through the GSA's FSS.

Agencies are required by OMB Circular No. A-129 to purchase credit reports for screening loan applicants. Where appropriate, Federal agencies should obtain information (credit reports) on loan applicants from both commercial and consumer credit reporting agencies prior to extending credit or other Federal assistance. Credit reports should also be purchased at other times throughout the credit cycle:

- C to verify a debtor's claim of financial inability to pay a debt in a lump sum, as is required prior to entering into an installment agreement;
- C to reassess a debtor's financial position when considering rescheduling a debt or otherwise entering into a workout agreement;
- C to evaluate administrative offset and other debt collection possibilities; and
- C to meet the requirement that an agency provide credit data on a debtor when referring a debt for litigation.

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The agency's cost to purchase a credit report or other credit information should be passed along to the borrower/debtor: (a) through the application fee when used to determine creditworthiness and eligibility during credit extension; and, (b) as an administrative cost when used after the debt becomes delinquent.

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Credit Bureau Reporting Made Easy

<i>Action Required</i>	<i>Consumer Reporting</i>	<i>Commercial Reporting</i>
1. Sign Memoranda of Understanding (MOU) with credit reporting agencies (see “Model” Memoranda of Understanding at Appendix 2) facilitated by the Financial Management Service, Debt Management Services. See Appendix 3 for Treasury/FMS contact information.	YES	YES
2. Contact the consumer and/or commercial credit reporting agencies receiving Federal debtor data to establish reporting relationship (contacts, addresses, etc.). Agencies are reminded that data should be sent on a non-exclusive basis (data should be sent to each of the credit reporting agencies). See Appendix 3 for credit reporting agency contacts.	YES	YES
3. Agree with each credit reporting agency on the method in which data will be sent. (tapes, disks, electronically, etc.)	YES	YES
4. Prepare data for submission to credit reporting agency. NOTE: Reporting Cycles Consumer - Report Monthly -(more frequent updates may be made as required) Commercial - Report Quarterly -(more frequent updates may be made as required)	YES	YES
5. Complete “Transmittal of Account Information” sheet to accompany tape, etc. (Attachment A to MOU)	YES	YES
6. Submit data to credit reporting agencies. The credit reporting agencies will return all tapes to the respective agency after the data has been loaded into the respective databases. Agencies are encouraged to work to establish procedures to ensure that the information has been loaded and is being properly reported by the credit reporting agencies.	YES	YES
7. Prepare quarterly report to Financial Management Service (Attachment B to MOU).	YES	YES

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<i>Special Rules/Laws</i>	<i>Consumer Account Data</i>	<i>Commercial Account Data</i>
The Privacy Act of 1974, as amended - Promotes greater governmental respect for the privacy of citizens.	YES	MAY APPLY*
Debt Collection Act of 1982 (DCA) - Increases the efficiency of government wide efforts to collect debts owed to the United States and to provide additional procedures for the collection of those debts.	YES	YES
DCA due process requirements include: Requirement for 60-day notice to debtor before submission of delinquent debtor data to credit reporting agencies. See Chapter 2 - Reporting Consumer Accounts	YES	N/A
Debt Collection Improvement Act of 1996 (DCIA) - Requires the reporting of all nontax delinquent consumer debts to credit reporting agencies.	YES	N/A
The DCIA authorizes the reporting of current consumer and commercial debts.	YES	YES
OMB Circular No A-129, dated November 29, 2000 - Provides regulatory guidance consistent with the DCA and the DCIA regarding the referral of accounts to credit reporting agencies. Instructs agencies to report all current and delinquent commercial debts.	YES	YES
The Department of the Treasury, Financial Management Service's "Managing Federal Receivables" - provides program guidance to Federal agencies on reporting of information to credit reporting agencies.	YES	YES
Justice/Treasury "Federal Claims Collection Standards"- dated November 22, 2000 - Regulations governing Federal debt collection procedures (including the use of credit reporting agencies).	YES	YES

*Consult with Agency Counsel

Reporting Consumer Accounts

The purpose of this chapter is to provide general instructions for reporting account information on **consumer debts** to credit reporting agencies.

Special Rules for Reporting Consumer Account Information

The reporting of information on individual consumers is governed by certain laws, regulations and policy guidance, including:

- C **The Privacy Act of 1974** as amended - Promotes greater governmental respect for the privacy of citizens.
- C Debt Collection Act of 1982 (DCA) as amended by the **Debt Collection Improvement Act of 1996 (DCIA)** - increases the efficiency of government wide efforts to collect debts owed to the United States and to provide additional procedures for the collection of those debts.
- C **DCIA** - The DCIA **requires** the reporting of **all** non tax **delinquent consumer** debts to credit reporting agencies. **The DCIA also authorizes** the **reporting of current consumer and commercial debts**.
- C **OMB Circular No. A-129** - Provides regulatory guidance consistent with the DCA and the DCIA regarding the referral of accounts to credit reporting agencies.

Reporting Consumer Account Information

- C Justice/Treasury **Federal Claims Collection Standards** - regulations governing Federal debt collection procedures (including the use of credit reporting agencies).
- C The Department of the Treasury, Financial Management Service's **Managing Federal Receivables** - includes guidance to Federal agencies on reporting information to credit reporting agencies.

Legal Requirements

Federal agencies are legally required to follow certain procedures when reporting delinquent **consumer** debts to credit reporting agencies. Prior to reporting a delinquent consumer debt to a credit reporting agency, a Federal agency must:

- C comply with the provisions of the Privacy Act of 1974. See 31 U.S.C. § 3711(e)(1)(A). Agencies should consult their counsel in order to comply with Privacy Act requirements.
 - establish procedures to:
 - disclose promptly to consumer reporting agencies substantial changes in the condition or amount of a debt;
 - verify or correct promptly information about a debt on request of a consumer reporting agency for verification of information (see section entitled “Handling Disputed Information in Consumer Debtor Files” on page 2-5); and
 - get satisfactory assurances that consumer reporting agencies are complying with Federal laws related to providing consumer credit information. See 31 U.S.C. § 3711(e)(1)(E).

Reporting Consumer Account Information

- C take reasonable action to locate a person about which the information will be reported for whom the agency does not have a current address. See 31 U.S.C. § 3711(e)(3).
- review the debt to be reported and decide that the debt is valid and overdue. See 31 U.S.C. § 3711(e)(1)(B).
- determine that the person about which the information will be reported has not:
 - entered into a written repayment plan with the Federal agency; or
 - filed for a review of the debt. See 31 U.S.C. § 3711(e)(1)(D).
- send a notice to the person about which the information will be reported at least 60 days prior to reporting a debt to a credit reporting agency (see “60-day Notice of Intent to Report to Credit Bureau,” below) and notify the person that he or she is entitled to a complete explanation of the debt, to dispute information in the records about the debt, and to an administrative repeal or review of the debt. See 31 U.S.C. § 3711(e)(1)(C).
- provide for a review of the debt upon request, including an opportunity for reconsideration of the initial decision. See 31 U.S.C. § 3711(e)(2).

60-Day Notice of Intent to Report to Credit Bureau

Pursuant to 31 U.S.C. § 3711(e), when reporting information on delinquent consumer accounts, the debtor must be notified 60 days in advance of such reporting to the credit reporting agency. Agencies should provide this notice in the initial billing notice or demand letter, but no later than the second demand letter sent by the agency.

Reporting Consumer Account Information

The notice must include:

- C the agency's intent to report the debt to a credit reporting agency;
- C the specific information to be transmitted (i.e., name, address, and taxpayer identification number, information about the debt);
- C the actions which may be taken by the debtor to prevent the reporting (i.e., repayment in full or a repayment agreement).
- C the rights the debtor has under 31 U.S.C. § 3711 to a complete explanation of the debt, to dispute the debt, to review records about the debt, and to seek an administrative appeal or review of the agency's determination that the debt is due.

NOTE: Agencies must also comply with any requirements contained in any contract, agreement, law or regulation applicable to the debt.

Once all due process procedures have been observed, (i.e., the demand letter(s) have been sent, the debtor has been given 60-days to respond to the notification of intent to report to a credit reporting agency, and either the debtor has not responded or any disputes have been resolved, an agency **must** report the debt to the appropriate credit reporting agencies. (See **Appendix 3 - Credit Reporting Agency Contacts**).

Reporting Consumer Account Information

Handling Disputed Information in Consumer Debtor Files

Consistent with 31 U.S.C. § 3711(e), debtors shall have the right to dispute inaccurate information contained in their files and the right to review records pertaining to their debts.

Reporting debts owed to the United States to consumer reporting agencies is governed by the DCA and the DCIA as codified at 31 U.S.C. § 3711(e). Obligations of consumer reporting agencies and state and local government agencies to investigate disputes under the Fair Credit Reporting Act (FCRA) arise independently of 3711(e). Federal agencies should be aware that credit reporting agencies may be required by the FCRA to delete information if their investigation is not completed within 30 days.

It is critical for agencies to perform their investigations in a manner that will allow completion within 30 days and prevent deletion of the information. The standard procedures for resolving disputes by credit reporting agencies are depicted on the flow chart shown on page 2-7 titled “Summary of Procedures Disputing Accuracy of a Credit Report”. The 30-day clock starts the day the credit reporting agency receives a dispute from a debtor in writing, by phone, or in person. Credit reporting agencies then have five (5) days to provide the notice of dispute and all relevant information to the Federal agency. Given that most responses back to the credit reporting agencies from Federal agencies will be by mail, a three to five day mail time allowance is required. Once the mail times are deducted this provides Federal agencies approximately 20-22 days after receipt of the dispute to resolve and return it to the credit reporting agency on the last day before deletion.

While 31 U.S.C. § 3711(e) does not hold Federal agencies to a specific timeframe, it does require Federal agencies to verify or correct **promptly** information about the claim on

Reporting Consumer Account Information

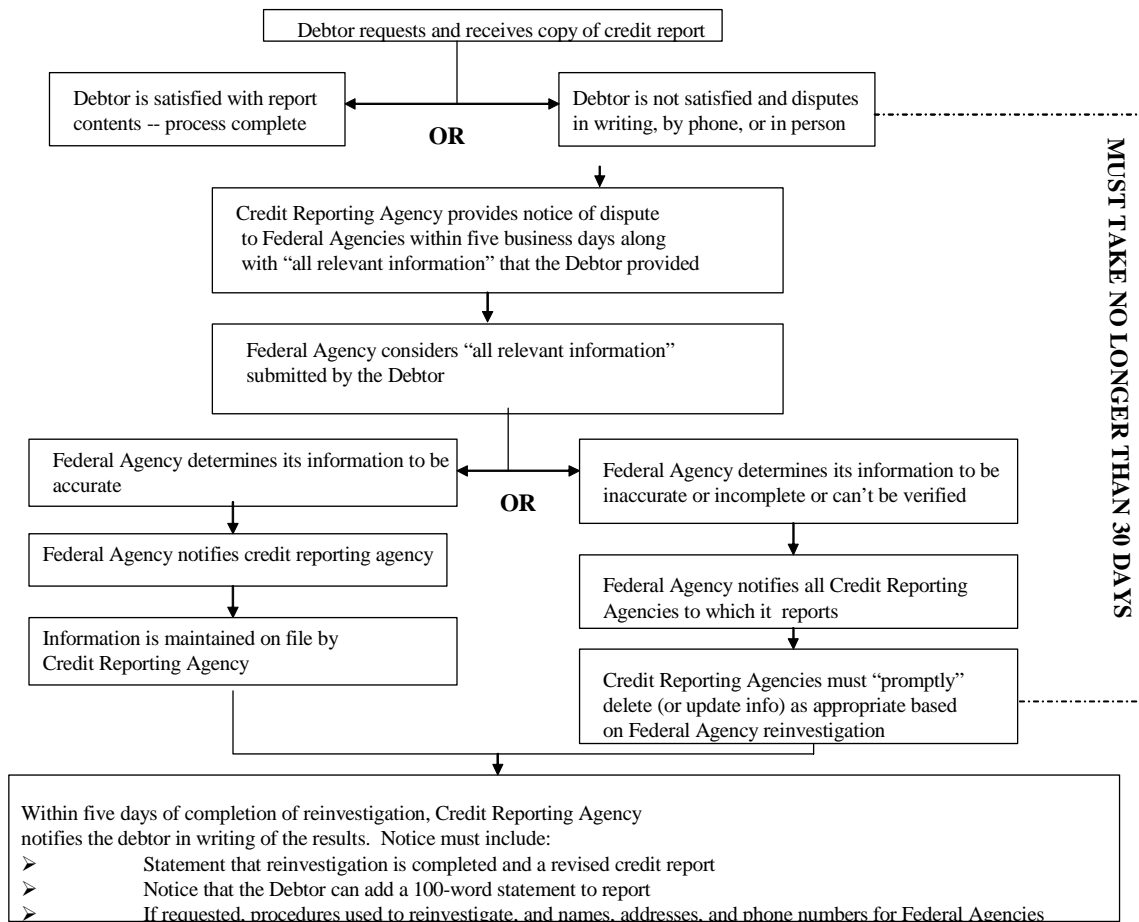
request of a consumer reporting agency for verification of information disclosed.

Credit reporting agencies are **not required** to remove accurate data from their files unless it is outdated or cannot be verified. (See chart on the next page which details the consumer dispute process.)

Therefore, Federal agencies should have procedures in place to promptly address such disputes. In order to avoid having information deleted at the expiration of the 30 days, agencies are strongly encouraged to review and make a decision on disputes and report back to the credit reporting agency within **fourteen (14)** days if possible and no longer than **twenty one (21)** days maximum.

Reporting Consumer Account Information

SUMMARY OF PROCEDURES DISPUTING ACCURACY OF A CREDIT REPORT*



***BASED ON "THE CREDIT REPORTING DISPUTE RESOLUTION PROCESS" WITH PERMISSION OF THE CONSUMER DATA INDUSTRY ASSOCIATION (CDIA)**

Reporting Consumer Account Information

Procedures to be Used When Consumer Debt Goes from “Current” to “Delinquent” Status

As described earlier in this chapter, Federal agencies must comply with certain due process procedures before reporting a delinquent consumer debt to a credit reporting agency. A minimum of 60 days is required to comply with due process procedures, which include providing the debtor with notice and an opportunity to dispute the information to be reported. See “Legal Requirements” and “60-Day Notice of Intent to Report to Credit Bureau.”

This section describes the procedures to be followed when the status of a consumer debt changes from “current” to “delinquent.” Federal agency procedures applicable to the due process period (60 days or while appeals and reviews are pending) are as follows:

- C send the 60-day notice described in the above section entitled “**60-Day Notice of Intent to Report to Credit Bureau;**”
- C if the agency has been reporting the debt as “current/not delinquent,” remove the debtor’s account from data (tapes, etc.) sent to the credit reporting agencies. In other words, do not report the account;
- C if the debtor asks for a review of the files or disputes the debt, do not report the debt until any reviews or appeals are completed;
- C if the debtor submits a **payment(s) or enters into a repayment agreement within the 60-day period** the account should be updated accordingly;
- C **after passage of the 60-days (or after all reviews or appeals are completed)**, report the delinquent account(s) to the credit reporting agencies.

Reporting Consumer Account Information

Presumably, this would be the third month of delinquency, since consumer accounts are reported on a monthly basis.

During subsequent reporting periods, the agency should update the debtor's account status. **NOTE:** Generally, Federal agencies are not required to send debtors multiple notices of intent to report to a consumer reporting agency. Agencies should consult their counsel to determine when multiple notices are required.

Reporting Debts Being Collected by FMS' Debt Management Services (DMS)

With some exceptions, the DCIA requires that Federal agencies transfer to Treasury, or a Treasury-designated debt collection center, all debts which are greater than 180 days delinquent (see *31 U.S.C. § 3711(g)*). When a debt is transferred to the Financial Management Service's Debt Management Services (DMS) -- the area within Treasury responsible for collecting delinquent debt--the agency to which the debt is owed (known as the "creditor agency") must certify that it has completed all due process required by the DCIA and Treasury regulations for reporting debts to credit reporting agencies. (See *31 U.S.C. § 3711(e)* and *31 C.F.R. § 285.12* for due process and certification requirements.)

Federal agencies have the option of transferring delinquent debts prior to the expiration of 180 days, provided they have completed all due process requirements, and they certify the debts as required by *31 C.F.R. § 285.12*.

Federal agencies have two options for credit bureau reporting once they have referred cases to DMS for debt collection, a process known as "cross-servicing:" (1) they may continue to report the cases to credit reporting agencies, and DMS will not do so; or (2) they may cease reporting, and DMS will report to credit reporting agencies on the Federal agencies' behalf. Federal agencies are asked to select the option they prefer when completing the "DMS Cross-servicing Agency Profile" form (see **Appendix 4**).

Reporting Consumer Account Information

Further information on FMS cross-servicing can be found in the FMS publication “Cross-Servicing Implementation Guide” at: <http://www.fms.treas.gov/debt/crosserv.html>.

As a part of its regular debt collection procedures, DMS will report debts it is collecting to the appropriate designated credit reporting agencies. If a credit reporting agency notifies DMS that a debtor has disputed the validity or accuracy of a debt, DMS will notify the creditor agency of the dispute. If the creditor agency does not recertify the debt within the specified time, DMS will return the entire debt file to the agency and cease all further collection efforts, including referral to credit reporting agencies. See **Appendix 3** for DMS contact information.

General Instructions

The following applies for all consumer accounts:

- C Prior to reporting delinquent consumer debts, the head of the agency must comply with legal requirements described earlier in the “Legal Requirements Section.”
- C An agency **must report** account information on **delinquent** nontax, non-tariff, **consumer** debts at least **monthly**. Agencies may update account information more frequently to maintain the integrity and accuracy of the information reported. Agencies should report complete information on each debt, not just the updated items.

There is no minimum dollar threshold on the amounts for debts which agencies can report.

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- C In accordance with the DCIA, agencies are now authorized to report **current (i.e., not delinquent) consumer accounts to credit reporting agencies**. Consumer information is **reported** on a **monthly basis**. Agencies should report current account data so that debtor files contain **all** indebtedness to the U.S. Government. This information assists debtors who are current when being considered for credit and assists the government when determining the debtor's creditworthiness and ability to repay other obligations (avoids overextension).

- C Agencies should report debtor account information to credit reporting agencies on a non-exclusive basis (i.e., submit account information to each consumer credit reporting agency receiving Federal data) unless circumstances dictate otherwise.

In order to avoid potential reporting errors, agencies should not re-use or re-issue account numbers after an account has been closed.

- C Agencies should report each debt separately and not group together debts owed by a single borrower, regardless of the amount of activity with that borrower.

- C Agencies should report capitalized interest or other capitalized expenses as part of the debt giving rise to the interest or expense. For example, if \$1,000 in interest is capitalized on a \$50,000 debt, the amount to be reported as a single account would be \$51,000.

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- C In the case of participation loans (loans consisting of both direct and guaranteed portions or more than one lender), an agency would report only the direct participation amount. The guaranteed amount would become reportable by the agency after the agency acquires the guaranteed portion in satisfaction of a default claim.
- C An agency should furnish the account information electronically, on-line, on magnetic tape, manually, or in any other form agreed to by both parties.

Use of the Metro 2 Format for Referring Information to Credit Reporting Agencies

In 1997, the credit reporting industry initiated the use of the "Metro 2" format which became the industry standard for reporting debtor information. The "Metro 2" format was developed by Consumer Data Industry Association (CDIA) to replace the Metro format which was developed in the late 1970's. The Metro 2 format facilitates complete and greater accuracy of reporting of data and provides the following features:

- C format is designed to be easier to use and understand;
- C allows reporting on debtors that "cannot be located;"
- C allows reporting of deferred payments and "associate" borrowers/debtors information;
- C Identification numbers can be changed to accommodate transfer or sale of debt (asset sales); and,
- C the format accommodates a 4-digit "year" field to accommodate reporting in the year 2000 and beyond.

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The credit reporting agencies receiving Federal debtor data will assist agencies to implement Metro 2 format reporting. (See Appendix 3 for credit reporting agency contacts.)

Electronic copies of the Metro 2 reporting format are available from Consumer Data Industry Association (DCIA) via the Internet in the following steps:

- a) INTERNET address:
<http://www.cdiaonline.org>;**
- b) from the home page, click on the “Data Provider/Metro2/ACDV/AUD” icon;**
- c) click underneath Metro 2 for Credit Reporting on “Instructions to Access the Metro 2 Format;” The Metro 2 format is posted on the Consumer Data Industry Association (CDIA) website in Adobe Acrobat Reader format, also known as “pdf.” Adobe Acrobat Reader will be necessary to open and read the document.**
- d) call telephone numbers listed to obtain UserID and passcode.**
- e) click on “download” where indicated;**
- f) complete and submit user/subscriber information;**
- g) a prompt that the submittal was successful should be displayed; **select the option to download the format in either “windows” or “MAC.”****
- h) type in “METRO 2” (uppercase) at the user**

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i.d. prompt; and finally,

- i) type in “**accuracy**” at the password prompt.

The speed at which the file will download depends on the type of modem used with your computer. The file will be downloaded as a “zipped” file which must then be “unzipped” to be opened.

Federal Agency Identifiers

A list of agency identifiers (**Appendix 5**) has been developed for use with the Metro 2 format.

Important Debtor Identification Elements

When preparing information for submission to the credit reporting agencies, the following information is essential to maintaining the accuracy of debtor records:

- C Account Number: This should be the unique alphanumeric or numeric code which identifies each individual loan, loan guarantee, or debt.

Codes which are based primarily on Social Security Numbers are acceptable only if the agency can distinguish between different loans which may have been made, or other types of credit which may have been extended to an individual or entity and if such use of Social Security Numbers is otherwise authorized by law. Agencies have the option of adding an additional character to the code to make such distinctions.

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- C Taxpayer Identification Number (TIN): This is the number used by the Internal Revenue Service to identify individuals and businesses (e.g., Social Security Numbers and Employer Identification Numbers). Agencies are required by 31 U.S.C. § 7701(c) to obtain the TIN of all persons or entities with whom it does business. All agencies and lenders extending credit **shall** require the applicant or borrower to supply a TIN as a prerequisite of obtaining credit or assistance. **NOTE**: Delinquent debts should be reported even if agencies are unable to locate a TIN.

When transmitting files to the credit reporting agencies, the TIN can be omitted **only** if the Federal agency has exhausted all remedies in efforts to obtain it, and **if** the credit bureau reporting agency agrees to accept the account without it.

- C Name: This should identify the individual(s) or entity legally liable to repay the debt. Agencies should require the debtor to notify them of any changes made to legal liability for the debt and should maintain, in their files, the names (and addresses) of the debtor of record and all other legally liable parties.
- C Address: This should be the address of principal residence of the legally liable individual(s) which corresponds to the debtor(s) of record, including city, state and zip code. A street address rather than a route number or post office box should be reported.
- C Type of Debt: Report the category that best describes this account.
- C Date of First Disbursement/Date Debt Established: For a loan or line of credit, this is the date when credit was extended by the initial disbursement of funds or the closing on a loan, whichever is earlier.

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For other types of debts, the date to be reported is the date on which the event which created the debt occurred or the date the charge was assessed. For example, if the debt arose as the result of an installment sale, then the date of such sale goes in this field. Similarly, the date a fine or fee is assessed would be the date the debt was established. The date the debtor was notified of the debt should not be used unless that is the date the debt was established (e.g. certain administrative debt).

- C Amount: Report the full amount of the original debt and any capitalized interest, principal only.
- C Terms: This is the length of time for which credit has been extended, from the date of the first disbursement of funds until the date of the last originally scheduled repayment by the debtor. Report this time period in years for real estate loans.
- C Association: Report the individual's or entity's relationship to the account, e.g., individual, joint, co-maker, etc. If reporting a relationship other than individual, information must be provided on each legally liable party involved with a debt. If the financing information is the same for all parties, a separate section on the same file must be completed. If the financing information is not the same, then a separate file must be completed for each liable party.

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SUMMARY

Federal agencies seeking to establish a reporting relationship with credit reporting agencies should do the following:

1. Execute an MOU with each consumer credit reporting agency accepting Federal data on consumer debts (See Sample MOU at **Appendix 2**).
2. Contact each of the consumer credit reporting agencies receiving Federal debtor data to establish a reporting relationship (contacts, addresses, etc.). Federal agencies are reminded that data is to be sent on a non-exclusive basis (all data is to be sent to **each** of the consumer credit reporting agencies). See **Appendix 3** for credit reporting agency contacts.
3. Agree to method and media in which data will be sent (magnetic tape, disks, electronic, etc.).
4. Prepare data for submission to credit reporting agencies. See Chapter 2 for information on the "Metro 2" format for reporting consumer debt.
5. Complete "Transmittal of Account Information" sheet to accompany tape, etc.
6. Submit data to credit reporting agencies. The credit reporting agencies will return all tapes to the respective agency after the data has been loaded into their database. Agencies are encouraged to work with the credit reporting agencies to develop a method to determine whether debtor data has been loaded into their database and is being properly reported.
7. As required by the DCIA, codified at 31 U.S.C. § 3711(e), Federal agency data furnishers must notify consumer debtors of the agency's intent to report a delinquent debt; supply accurate account information; correct inaccurate information; and research and respond to consumer disputes in a timely manner.

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