

Debt Collection by FMS's Cross-Servicing Program – Today & Beyond

Debt Management Services
Financial Management Service

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Overview

- Treasury's Collection Program
- Treasury's Cross-Servicing Program
 - Collection Tools & Process
 - Debt Collection Strategies
 - Increasing analytics
 - Utilizing state-of-the-art tools
 - Increasing call capacity
 - Optimizing debt operations
 - Collaborating with customers

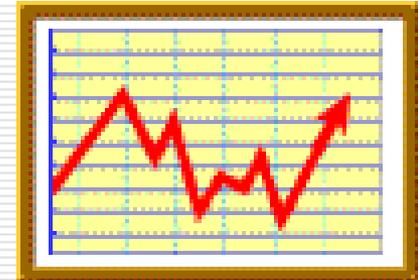
Treasury's Collection Program

□ Treasury's Programs

- Treasury Offset Program
- Cross-Servicing Program

□ Collections

- Fiscal Year 2010 = \$5.45B
- Fiscal Year 2011 = \$6.17B



- Goal by Fiscal Year 2015 is to increase collections to \$7- 8B per year

Treasury's Collection Program

- Treasury's debt collection strategies
 - Strengthen Treasury's debt collection authorities
 - Increase call capacity and debt services
 - Implement and utilize state-of-the-art collection tools
 - Optimize debt collection processes
 - Collaborate with customers and stakeholders
 - Increase analytical capabilities
 - Optimize debt operations

Treasury's Cross-Servicing Program

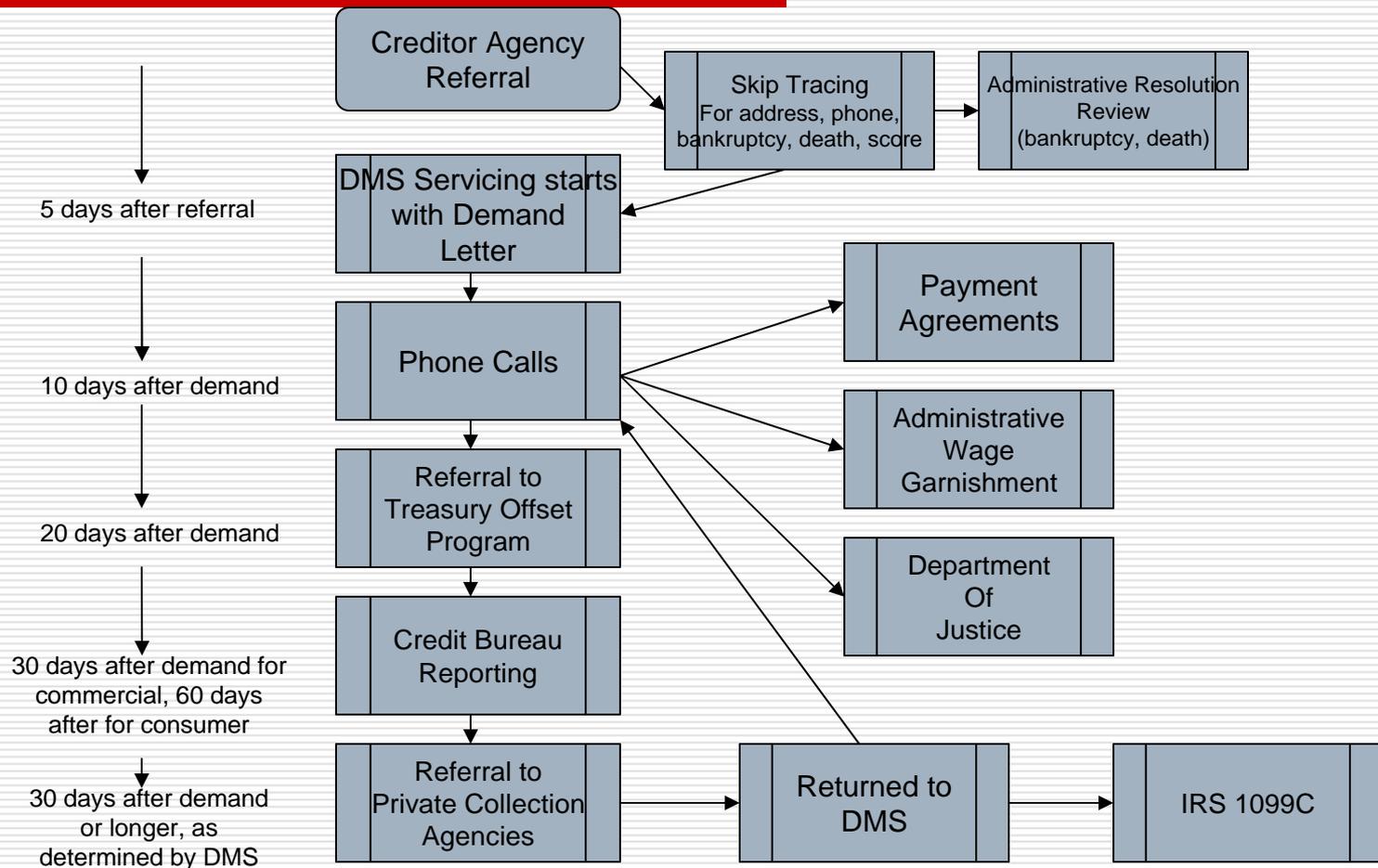
- Smaller of the two debt collection programs in terms of dollars collected
- Referrals
 - Averaged \$3.5B over the past five years
 - FY 2012 = \$2.8B through July 16
 - Referrals are slightly down compared to FY 2012
- Collections
 - FY 2011 = \$231M
 - FY 2012 = \$218M through July 16
 - On pace to exceed FY 2011 collections
- DMS to focus on areas within the program where enhancements can be made to increase collections

Treasury's Cross-Servicing Collection Tools

- Demand letters
- Phone calls
- Payment agreement options
- Credit Bureau reporting
- Treasury Offset Program
- Administrative wage garnishment (AWG)
- Private Collection Agencies (PCA)
- Litigation by Department of Justice (DOJ)
- Internal Revenue Service Form 1099C after closeout



Cross-Servicing Debt Collection Process



Increasing Analytical Capabilities

- Focus on increasing Cross-Servicing collections through analytics
 - Segmentation of the portfolio
 - Which location – Debt Management Services (DMS), PCA, DOJ
 - Which tools – agreements, AWG
 - What incentives – fee structure
 - Analytics
 - Review historical data
 - Review industry data
 - Review program performance when enhancements are made



Increasing Analytical Capabilities

Focus on segmentation

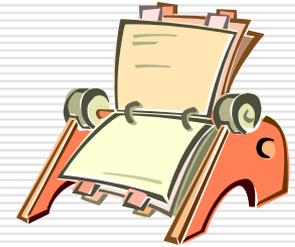
- Identify debts to be worked internally by DMS
 - Utilize scoring
 - Route to specialists
 - Use customized treatment on certain segments
 - Increase use of AWG for debtors with employment information
- Debts for PCAs or DOJ (future direction)
 - Should be routed directly based upon score

Increasing Analytical Capabilities

- Focus on segmentation to DOJ
 - Debts referred to DOJ for initiation of litigation or post-judgment enforcement
 - DMS established a pilot with DOJ
 - Goal of pilot – obtain information to assist DMS in structuring referrals to DOJ to increase collections
 - Identify documentation needed with referral
 - Identify litigation support needed from DMS
 - Identify characteristics of debts that are appropriate for referral
 - Improve current DMS process
 - Execute pilot and review results

Implementing and Utilizing State-of-the Art Collection Tools

- Tool - increasing contact with debtors
 - DMS enhanced the program's skip tracing capabilities (locating the debtor)
 - Finding addresses, phone numbers, and bankruptcy or death status for the debtor upon referral
 - Removing debtors in possible bankruptcy or deceased status immediately – focus on collectible debts
 - Sending the demand letter to the best known address
 - Contacting debtor at the best phone number provided
 - Scoring of the debtor is also used – allows for the use of different strategies



Increasing Call Capacity and Debt Services

- Tool - increasing contact with debtors
 - DMS is pursuing the use of an autodialer
 - Increase contact with debtors versus leaving messages – system only connects call when voice is detected
 - System can cycle through and dial a large volume of phone numbers quicker
 - DMS can setup different campaigns
 - Example - leave messages for certain segments of the portfolio
 - Example – focus calls for the day on medium balance debts

Optimizing Debt Operations

- Debt collection system functionality
 - DMS is analyzing the collection system to determine



- Can improvements be made to increase efficiency?
- Is the system sufficient to change with DMS's changing needs?
- Can the system support new collection tools?
- Is the correct data being captured to perform sufficient data analysis?

Collaborating with Customers and Stakeholders

- Focus on enhancing the way services are setup with agencies
- DMS published a new chapter in the Treasury Financial Manual (TFM) to outline how DMS will service debts
 - Eliminates the need for Letters of Agreements
- New TFM Chapter outlines that a federal agency
 - agrees to allow servicing by DMS and pay servicing fees
 - agrees to certify debts annually
 - agrees to stop collection on debts after referral to DMS
 - agrees to respond quickly to requests for debt verification & debt disputes
 - agrees to allow DMS full compromise authority, subject to the Federal Claims Collection Standards and agency-specific limitations
 - agrees to provide supporting debt documentation upon referral, or as soon as practicable thereafter

Increasing Cross-Servicing Program Collections

- DMS is analyzing historical program data
- Establishing a baseline for comparison
 - When program changes are made:
 - Evaluating results to determine performance
 - Adjusting strategies based upon results



Treasury's Cross-Servicing Program

- Focus on increasing collections through
 - Better segmentation
 - Enhancing collection tools
 - Enhancing processes
 - Establishing metrics and measuring results
- Questions?