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Financial Management Series

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# Direct Loan System Checklist

## Systems Reviewed Under the Federal Financial Management Improvement Act of 1996

Exposure Draft

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## PREFACE

The Federal Financial Management Improvement Act (FFMIA) of 1996, requires, among other things, that agencies implement and maintain management systems that comply with federal financial management systems requirements. These requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and in the Office of Management and Budget (OMB) guidance referred to in those documents.

To help agencies review their financial management systems and assist auditors with their responsibilities under FFMIA,[1] we have developed eight checklists, which we are issuing concurrently for comment as exposure drafts. Seven of the checklists reflect the system requirements defined by JFMIP. The eighth checklist, based on the JFMIP framework document, describes a single integrated financial management system and is primarily a reference tool rather than a standard-setting document.

As more system requirements are issued, we intend to develop additional checklists. When these checklists are issued in final form, they will be available on the Internet on GAO's Home Page **(www.gao.gov)**.

Additional copies of the exposure draft of this checklist can be obtained from Room 1100, 700 4th St. NW, U.S. General Accounting Office, Washington, D.C. 20548, or by calling (202) 512-6000. Please send comments by February 28, 1998 to Robert W. Gramling, Director, Corporate Audits and Standards, Accounting and Information Management Division, at

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[1]The final form of this checklist will be included in GAO's Financial Audit Manual.

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### Abbreviations

| | |
|---|---|
| CAIVRS | credit alert interactive voice response system |
| CCLR | claims collection litigation report |
| DOJ | Department of Justice |
| FFMIA | Federal Financial Management Improvement Act of 1996 |
| JFMIP | Joint Financial Management Improvement Program |
| OGC | office of general counsel |
| OMB | Office of Management and Budget |

To date, JFMIP has issued the framework and core documents and 6 of the 16 systems identified in the architecture.[2]

GAO is issuing this and seven other checklists that correspond to the JFMIP documents as part of its Financial Management Series. GAO will issue other checklists as additional systems requirements are defined.

**Authoritative Guidance**

OMB Circular A-127 and OMB's Implementation Guidance for the Federal Financial Management Improvement Act (FFMIA) of 1996, issued September 9, 1997, provide the basis for assessing compliance with the FFMIA requirement for agencies to implement and maintain financial management systems that comply substantially with federal requirements. OMB's September 1997 implementation guidance identifies various criteria that an agency must meet to be in substantial compliance with these requirements.

The source of all the questions in this checklist is the Joint Financial Management Improvement Program Federal Financial Management System Requirements Direct Loan System Requirements (FFMRS-5, December 1993).

**Purpose of This Guide and How to Use It**

The purpose of this document is to provide a checklist to assist (1) agencies in implementing and monitoring their systems and (2) management and auditors in reviewing the systems to determine if they are in substantial compliance with FFMIA. The checklist, the JFMIP source document, and the two previously mentioned OMB documents (Circular A-127 and the September 9, 1997 implementation guidance) should be used concurrently by experienced staff.

OMB's 1997 implementation guidance provides indicators for chief financial officers and inspector generals to assist them in determining whether the agency's financial management systems substantially comply with federal financial management systems requirements. Filling out this checklist will allow agencies to systematically determine whether specific systems requirements are being met. Agencies can assess the significance of any noncompliances in determining substantial compliance by considering the "indicators" in OMB's 1997 implementation guidance. For example, the annual agency assurance statement issued pursuant to section 4 of the Federal Managers' Financial

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[2]Thus far, the series includes the (1) Framework for Federal Financial Management Systems, (2) Core Financial System Requirements, (3) Inventory System Requirements, (4) Seized/Forfeited Asset System Requirements, (5) Direct Loan System Requirements, (6) Guaranteed Loan System Requirements, (7) Travel System Requirements, (8) and Personnel-Payroll System Requirements.

Integrity Act is one of those indicators. Agencies can use GAO's checklists to help determine annual compliance with the section 4 requirement.

The following Direct Loan System Requirements section contains a brief narrative followed by the checklist, which is organized by functions contained in the source JFMIP document.

In the checklist, two columns follow each question. Use the first column to answer each question "Yes," "No," or "NA." Use the second column to explain your answer. A "Yes" answer should indicate that the agency's system or systems provide for the capability described in the question. For each "Yes" answer, briefly describe how the system(s) contain the capability and refer to a source that explains or shows the capability.

A "No" answer indicates that the capability does not exist. For a "No" answer, the second column should provide an explanation and a reference to the supporting documentation. Such explanations could include the following: (1) The agency is working on modifying or implementing its system(s) to have the capability available in subsequent years. (2) Management believes the capability is not cost effective and will not enhance the systems' ability to manage operations. Refer to any cost-benefit studies that support such explanation. If there are none, provide a full explanation.

Not every guide may apply to an agency. Further, while a guide may be applicable to an agency, certain questions within the guide may not be applicable. Answer such nonapplicable question(s) with an "NA" and provide an appropriate explanation in the second column.

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## DIRECT LOAN SYSTEM REQUIREMENTS

The direct loan system requirements document helps agencies meet government guidance by requiring the direct loan system to interact with the financial system to validate funds availability, update budget execution data, record receivables and collections, and process disbursements in accordance with laws and policies.

The four functions of the direct loan system are discussed below.

1. Loan Extension supports analysis of the applicant's eligibility in accordance with statutory and regulatory requirements. It also supports the development of information to satisfy credit reform accounting and budgeting requirements. (The checklist questions for this area are drawn from pp. 23-30 of the source document.)

2. Account Servicing supports routine invoicing and collection of debts. (The checklist questions for this area are drawn from pp. 31-36 of the source document.)

3. Portfolio Management supports the management and evaluation of the direct loan program and its portfolio. It also supports portfolio performance evaluation and management of portfolio sales. (The checklist questions for this area are drawn from pp. 37-46 of the source document.)

4. Delinquent Debt Collection addresses the recovery of delinquent debt through the use of dunning letters, offset programs, collection agencies, litigation, and the termination of collection action on uncollectible debt. It also addresses the foreclosure and liquidation of property for collateralized loans. (The checklist questions for this area are drawn from pp. 47-60 of the source document.)

The checklist questions follow the JFMIP source document. It should be noted that not all questions will apply in all situations and, as with the use of any checklist, professional judgement should be exercised. Using the JFMIP source document along with the two previously mentioned OMB documents will help ensure that the user is cognizant of the background information and definitions that are necessary to fully understand the questions.

## Direct Loan System Requirements

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| Does the automated system:<br><br>1. Record critical credit application data needed to support application screening? | | |
| 2. Provide access to application information to all agency staff participating in the screening and credit-granting decisions? | | |
| 3. Process and record collections of fees remitted with the application in both the direct loan system and the core financial system? | | |
| 4. Compare loan application information to agency program eligibility criteria? | | |

## Direct Loan System Requirements

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 5. Check the appropriate system data files to determine whether the applicant has submitted a duplicate application or has had a recent loan application rejected? These situations may indicate attempts by applicants to subvert agency credit policies. | | |
| 6. Document that borrowers have certified that they have been unable to obtain credit from private financial sources, where such certification is a program requirement? | | |
| 7. Provide an automated interface with credit bureaus that allows agencies to obtain applicant credit history information (credit bureau report)? For credit bureaus that do not have the capability for an automated interface, record credit history information entered by agency staff? | | |

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 8. Document that applicant financial data, repayment ability, and repayment history have been verified through the use of supplementary data sources, such as employment and income data, financial statements, tax returns, and collateral appraisals, where this is a program requirement? | | |
| 9. Compare the applicant's creditworthiness information to system-stored program creditworthiness criteria and, where a program requirement, calculate a credit risk rating for the applicant? | | |
| 10. Document whether Credit Alert Interactive Voice Response System (CAIVRS) identified the applicant as a borrower who is delinquent/defaulted on a previous federal debt? The system should not accept further processing if there is not a CAIVRS authorization number. | | |

## Direct Loan System Requirements

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 11. Compute the credit subsidy amount associated with a loan using projected cash flows and the applicable Treasury interest rate in accordance with OMB Circular A-34? | | |
| 12. Provide an automated interface with the core financial system to determine if sufficient funds are available in the Program Account to cover the subsidy cost and if available lending limits in the Financing Account are sufficient to cover the face value of the proposed loan? | | |
| 13. Provide an automated interface to the core financial system to commit funds for the loan? | | |
| 14. Update the application information store to reflect the status of the loan? | | |

## Direct Loan System Requirements

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 15. Accept, identify, track, and report supervisor overrides of system-generated acceptance/rejection recommendations? | | |
| 16. Create and maintain a system record of accepted and rejected loan applications? | | |
| 17. Generate a letter notifying the applicant of rejection or acceptance of the loan application? | | |
| 18. Record loan terms and calculate disbursement schedules and repayment amounts and schedules? | | |
| 19. Record the cohort and risk category, as defined in OMB Circular A-34, associated with the loan? | | |
| 20. Assign a unique account number to the loan that remains unchanged throughout the life of the loan? | | |

## Direct Loan System Requirements

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 21. Support the generation of loan documents for the borrower and the agency? | | |
| 22. Record information concerning the loan closing process, including date of closing? | | |
| 23. Record the applicable Treasury interest rate for the loan at the time of obligation in accordance with OMB Circular A-34? This rate is used in subsidy calculations. | | |
| 24. Provide an automated interface with the core financial system to record the direct loan obligation, including the obligation for the subsidy, and liquidate commitments previously recorded? | | |
| 25. Include in credit bureau reporting all commercial accounts in excess of $100? | | |

## Direct Loan System Requirements

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 26. Calculate and deduct the loan application and origination fee from disbursements if not previously remitted by the applicant? | | |
| 27. Provide the capability to cancel, thus deobligating, undisbursed loans? | | |
| 28. Update debtor accounts to reflect management override of offsets? | | |
| 29. Record information needed concerning each loan disbursement, including amounts and applicable Treasury interest rates, to support the computation of accrued interest expense on borrowings from Treasury, and subsidy reestimates? | | |

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 30. Record and track the amount of borrowings from the Treasury by cohort? The amount borrowed is equal to the amount of the loan disbursement less the amount of the subsidy covered by appropriated funds and the amount of any fees collected for the loan. | | |
| 31. Provide an automated interface with the core financial system to initiate and record the disbursement, the receivable, and the movement of the subsidy funds from the Program Account to the Financing Account? The system also must record any offset taken on behalf of another agency. If the direct loan system itself handles the payment processing, it must meet the requirements in the "Core Financial System Requirements" related to this activity and send summary data to the core financial system. | | |

| Loan extension function | Yes/no NA | Explanation |
|---|---|---|
| 32. Capture the estimated useful economic life of the pledged collateral, and compare it to the proposed term of the loan? | | |
| 33. Document that transactions over $100,000 have a collateral appraisal by a licensed or certified appraiser (or more stringent appraisal requirements of the agency)? | | |
| 34. Compute the loan-to-value ratio and flag those loans with a ratio exceeding 100% (or more stringent standards set by the agency)? | | |
| 35. Does the system provide at least the following types of management information:<br>– approval and rejection monitoring?<br>– override exceptions?<br>– potential application fraud?<br>– detailed transaction history?<br>– exceptions?<br>– disbursement management summary? | | |

## Direct Loan System Requirements

| Account servicing | Yes/no NA | Explanation |
|---|---|---|
| Does the automated system:<br><br>1. Calculate outstanding balances for each loan account invoiced, including principal, interest, late charges, and other amounts due? | | |
| 2. Identify loan accounts to be invoiced based on agency program invoicing criteria and loan account information, such as amount outstanding, most recent payment, payment amount due, and date due? | | |
| 3. Provide the capability to analyze escrow balances to adjust required deposit amounts to prevent deficiencies in tax and insurance deposits and payments for housing and other long-term real estate loans? | | |

| Account servicing | Yes/no NA | Explanation |
|---|---|---|
| 4. Generate and transmit an invoice to each borrower? The invoice should include information such as borrower ID, amount due, date due, the date after which the payment will be considered late, and the current balance. | | |
| 5. Apply collections according to agency program receipt application rules to the appropriate liquidating or financing account? Collection sources could include cash, reauthorized debit, check, or credit card. | | |
| 6. Record a partial, full, or late payment indicator? | | |
| 7. Identify payments that cannot be applied and document why the payments cannot be applied? | | |
| 8. Provide the capability to compare borrower's preauthorized debits received from financial institutions and other external sources to expected collections? | | |

| Account servicing | Yes/no NA | Explanation |
|---|---|---|
| 9. Provide an automated interface with the core financial system to record the collection? If the direct loan system itself handles the collection processing, it must meet the requirements in the "Core Financial System Requirements" related to this activity and send summary data to the core financial system. | | |
| 10. Support evaluation of accounts proposed for modification by the agency or borrower by comparing loan data to agency program loan modification criteria? | | |
| 11. Calculate rescheduled loan terms, including repayment amounts and schedules, where appropriate? Calculate any change in the subsidy amount as a result of the loan modifications? | | |

## Direct Loan System Requirements

| Account servicing | Yes/no NA | Explanation |
|---|---|---|
| 12. Perform a funds control check to verify the availability of subsidy through an automated interface with the core financial system? | | |
| 13. Produce selected loan account information listings for review by internal modification groups? | | |
| 14. Establish a new loan account and collateral record for each new debt instrument and assign a unique loan account number to the new account record? Maintain a link between the new loan account established for the new debt instrument and the old loan account records? | | |
| 15. Update the loan information store to reflect the modified status of the loan, including changes in the value or status of any collateral? | | |

## Direct Loan System Requirements

| Account servicing | Yes/no NA | Explanation |
|---|---|---|
| 16. Provide an automated interface with the core financial system to record pre-1992 and post-1991 direct loan modifications? | | |
| 17. Generate a new loan document which displays information concerning the original and modified direct loan? | | |
| 18. Identify past-due loan accounts for collection action? | | |
| 19. Update the system to reflect delinquent loan status? | | |
| 20. Initiate penalty interest, administrative charges, and, after 90 days, penalties for delinquent loan accounts? | | |
| 21. Provide for automatic acceleration of delinquent loans based on agency program criteria and the provisions of the note? | | |

| Account servicing | Yes/no NA | Explanation |
|---|---|---|
| 22. Track and age receivables by type? | | |
| 23. Does the system document significant changes to the condition and value of any collateral? | | |
| 24. Does the system provide at least the following types of management information:<br>– detailed transaction history?<br>– standard management control/activity?<br>– exceptions? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| Does the automated system:<br><br>1. Compare loan data to agency program portfolio evaluation criteria in order to identify loans that require review or evaluation? | | |
| 2. Compare loan data to agency program portfolio evaluation criteria to identify loans with potential for graduation to private sector financing? | | |
| 3. Compute and maintain program performance trends such as:<br><br>– number and dollar value of loans made?<br>– average loan size?<br>– loans made by geographical region?<br>– number and amount of delinquent and defaulted loans?<br>– number and amount of rescheduled loans?<br>– amount of loan write-offs? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 4. Compute and maintain financial measures to help assess the credit soundness of a loan program, such as:<br><br>– average loan to value ratio (for collateralized programs)?<br>– current loans as a percentage of total loans?<br>– delinquent loans as a percentage of total current loans?<br>– write-offs as a percentage of seriously delinquent loans?<br>– overall portfolio risk rate?<br>– loan loss rates? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 5. Compute and maintain efficiency measures to help determine the effectiveness of use of agency resources such as:<br><br>– administrative cost per loan approved?<br>– time required to process a loan application?<br>– administrative cost per loan serviced?<br>– administrative cost per delinquent dollar collected?<br>– net proceeds on real property sold compared to appraised value? | | |
| Does the direct loan system/core financial system:<br><br>6. Execute SF-1151's and record amounts borrowed from Treasury to finance loans? Adjust borrowings during the year to reflect shortfalls in original estimates? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 7. Execute and record Treasury borrowings to finance interest payments to Treasury if insufficient funds are available to make the payment? | | |
| 8. Track the amount of uninvested funds in the Financing Account as needed to support interest earnings calculations? | | |
| 9. Compute interest expense on borrowings and interest earnings on uninvested funds? | | |
| 10. Execute and record repayment of principal using SF-1151's and interest to Treasury using SF-1081's? | | |
| 11. Execute and record receipt of interest earnings from Treasury on uninvested funds using SF-1081's? | | |
| 12. Provide an automated interface with the core financial system to record all calculations? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| Does the automated system:<br><br>13. Support the reestimate of the subsidy cost for each cohort and risk category of loans at the beginning of each fiscal year in accordance with OMB Circular A-34? The reestimate should be calculated in two parts:<br><br>– The difference in the estimate resulting from changes in the applicable interest rates between the time of obligation and disbursement.<br>– The difference in the estimate resulting from changes in the projected cash flows. | | |
| 14. Maintain cash flow data that permits comparison of actual cash flows each year (and new estimates of future cash flows) to the cash flows used in computing the latest loan subsidy estimate? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 15. Document the reasons for observed or expected changes in cash flows that result in a subsidy cost increase or decrease, and whether the changes in cash flows are expected to be temporary or permanent? | | |
| 16. Compare the current year reestimated subsidy cost to the latest year reestimated loan subsidy cost to determine whether subsidy costs for a risk category increased or decreased? | | |
| 17. Transfer loan subsidy from those risk categories with an excess of loan subsidy to those risk categories in the same cohort that are deficient in loan subsidy to provide adequate funding for each risk category? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 18. Group those cohorts that need indefinite appropriation loan subsidy funds separately from those cohorts that have excess funds? Request an apportionment and obligate funds to cover the subsidy increase for those cohorts of loans that have insufficient subsidy? Transfer excess subsidy of cohorts of loans to the Special Fund Receipt Account? | | |
| 19. Provide an automated interface with the core financial system to record the transactions associated with subsidy reestimates? | | |
| 20. Set aside funds to create and maintain the working capital cash balance in accordance with OMB guidance? | | |
| 21. Record costs incurred which are funded by working capital? | | |

## Direct Loan System Requirements

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 22. Compute the amount of Treasury interest earned by working capital funds and provide this amount to the core financial system? | | |
| 23. Compare loan information to agency program criteria to select loans for inclusion in a potential sales pool or to identify debtors or purchasers eligible for a prepayment program? | | |
| 24. Provide information on selected loans to the financial advisor? | | |
| 25. Record OMB/Treasury approval or disapproval of the sale/prepayment? | | |
| 26. Generate a prepayment offer to be sent to eligible borrowers for participation in the prepayment program? | | |
| 27. Record receipt of commitment letters from borrowers? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 28. Record collection of prepayments? | | |
| 29. Provide an automated interface with the core financial system to record the receipt of a prepayment and the changes in subsidy costs? | | |
| 30. Identify loans with incomplete documentation in the loan information store and generate a request for information to ensure loan files are complete? Update the loan information store with any provided information? | | |
| 31. Generate documents and other information necessary to finalize the sales agreement with the purchaser? | | |
| 32. Update the loan information store to identify loans sold using information received from the underwriter? | | |

| Portfolio management | Yes/no NA | Explanation |
|---|---|---|
| 33. Provide an automated interface with the core financial system to record the sale of the receivables, the proceeds, and changes in subsidy costs? | | |
| 34. Does the system provide at least the following types of management information:<br>– detailed transaction history?<br>– standard management control/activity?<br>– portfolio sale historical payments?<br>– portfolio sale performance?<br>– program credit reform status? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| Does the automated system:<br><br>1. Identify delinquent commercial and consumer accounts for reporting to credit bureaus (preferably by electronic interface) and CAIVRS by comparing reporting criteria to delinquent loan data? | | |
| 2. Calculate outstanding balances, including interest, penalties, and administrative charges, and include this information in credit bureau reports? | | |
| 3. Generate (or include in demand letters) a notice to inform consumer borrowers of the referral of a delinquent debt to a credit bureau in accordance with regulations? | | |
| 4. Maintain a record of each account reported to credit bureaus to allow tracking of referred accounts? | | |

## Direct Loan System Requirements

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 5. Prepare tapes, monthly, of delinquent debtors to be included in the CAIVRS database? | | |
| 6. Generate and transmit dunning letters to debtors with past-due loan accounts? | | |
| 7. Identify debtors who do not respond to dunning letters within a specified time period? | | |
| 8. Track demand letters and borrower responses to document borrower due process notification (and borrower willingness and ability to repay debt)? | | |
| 9. Track and document debtor appeals received in response to demands for payment? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 10. Provide automated support to the collection process? Support could be provided for activities such as contacting a delinquent borrower by phone; documenting contacts with a debtor and the results; documenting installment payments, rescheduling agreements, and debt compromise; generating management reports; and tracking the performance of individual agency collectors. | | |
| 11. Compare delinquent account data to agency program offset referral criteria to identify accounts eligible for federal tax refund offset, federal employee salary offset, or administrative offset? | | |
| 12. Calculate outstanding interest, penalties, and administrative charges for each loan account eligible for offset? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 13. Generate debtor due process notices of intent to implement an administrative offset, tax refund offset, or salary offset? | | |
| 14. Generate files of delinquent loan account data on loans meeting referral criteria for each offset type and electronically transmit to the IRS for federal tax refund offset matching, to DOD for salary offset matching, and to other agencies which make disbursements for administrative offset matching? | | |
| 15. Generate salary offset requests to employing agencies for delinquent borrowers identified as federal employees? | | |
| 16. Update the loan information store to reflect offset referral status? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 17. Accept matched/unmatched account data and update the loan information store to incorporate data received from IRS, DOD, employing agencies, or other agencies? | | |
| 18. Match offsetting agency delinquency collection listings and totals with agency records and deposit data? | | |
| 19. Update the loan information store to reflect receipts, adjustments, and status changes? | | |
| 20. Interface with the core financial system to record collections by offset? | | |
| 21. Compare delinquent account data to agency program collection agency referral criteria to select delinquent loan accounts for referral to collection agencies? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 22. Sort and group delinquent loan accounts based on type of debt (consumer or commercial), age of debt, and location of debtor? | | |
| 23. Calculate outstanding interest, penalties, and administrative charges for each delinquent loan account to be referred? | | |
| 24. Assign selected delinquent loan account groupings to appropriate collection agencies based on collection agency selection criteria for agency programs? | | |
| 25. Document that the delinquent account has been referred to a collection agency? | | |
| 26. Generate and receive electronic transmissions of account balance data and status updates to and from collection agencies? | | |
| 27. Record receipts remitted to the collection agency and forwarded to the agency? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 28. Update the loan information store to reflect receipts, adjustments, and other status changes, including rescheduling, compromise, and other resolution decisions? | | |
| 29. Accept and match collection agency invoices with agency records? Generate payment to the collection agency for services rendered through the core financial system? | | |
| 30. Request, reconcile, and record returned accounts from collection agencies? | | |
| 31. Interface with the core financial system to record collections processed through collection agencies? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 32. Compare delinquent loan account information with the agency's litigation referral criteria to identify delinquent loan accounts eligible for referral? Support identification of accounts to be referred to counsel for filing of proof of claim based on documentation that a debtor has declared bankruptcy? | | |
| 33. Provide an electronic interface with credit bureaus to obtain credit bureau reports that will enable assessment of the debtor's ability to repay before a claim is referred to legal counsel? | | |
| 34. Calculate the outstanding balance, including principal, interest penalties, and administrative charges, for each delinquent loan account to be referred to legal counsel? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 35. Generate the Claims Collection Litigation Report (CCLR)? The CCLR is used to capture collection actions and current debtor information and transmit this information to Department of Justice (DOJ). | | |
| 36. Receive electronic transmissions of account data and status updates to and from DOJ's Central Intake Facility or the agency's Office of General Counsel (OGC) automated system for referrals? | | |
| 37. Update the loan status to reflect referral for litigation so that the loan can be excluded from other collection actions, and to alert the agency to obtain approval from counsel before accepting voluntary debtor payment? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 38. Track filing of pleadings and other motions, including proofs of claims in bankruptcy, to ensure swift legal action and to monitor litigation activity? | | |
| 39. Match agency litigation referrals with DOJ listing of agency litigation referrals? | | |
| 40. Record and track recovery of judgment decisions? | | |
| 41. Update the loan information store to reflect receipts and adjustments? | | |
| 42. Interface with the core financial system to record any collections resulting from litigation? | | |
| 43. Compare delinquent loan account information to agency program write-off criteria to select delinquent loan accounts for possible write-off? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 44. Classify debtors based on financial profile and ability to repay? Indicators of the financial well-being of a debtor include debtor financial statements, credit bureau reports, and payment receipt history. | | |
| 45. Produce a CCLR for each loan account to be referred to agency counsel or the Department of Justice for approval of termination of collection action? Update the loan status to reflect the referral? | | |
| 46. Update the loan information store to reflect approval or disapproval by agency counsel or the Department of Justice for termination of collection action? | | |
| 47. Update the loan information store and provide an automated interface with the core financial system to record the write-off of the receivable? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 48. Maintain a suspense file of inactive (written-off) loan accounts? | | |
| 49. Reactivate written-off loan accounts at a system user's request if the debtor's financial status or the account status changes? | | |
| 50. Compare loan account data to agency close-out criteria to identify debtor accounts eligible for close-out and 1099-G reporting? | | |
| 51. Generate a letter to the debtor to inform the debtor of the intended submission of the 1099-G to IRS? | | |
| 52. Prepare and send a Form 1099-G to IRS if the debtor has not responded within the required period? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 53. Update the loan information store to reflect receipts, adjustments, and other status changes, including rescheduling, compromise, and other resolution decisions? | | |
| 54. Retain electronic summary records of closed out account activity for 5 years for use in agency screening of new loan applications? | | |
| 55. Compare delinquent account data to collateral foreclosure selection criteria? | | |
| 56. Sort and group selected delinquent accounts by type of collateral (single family or multifamily, commercial, farm, etc.), location, and amount of debt? | | |
| 57. Calculate outstanding principal, interest, penalties, and administrative charges for each loan account selected for review for foreclosure? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 58. Transmit a foreclosure notice to the borrower? | | |
| 59. Transmit information necessary for the foreclosure to the Department of Justice and/or agency Office of General Counsel, as applicable? | | |
| 60. Record the results of the foreclosure proceedings and title conveyance to the agency? | | |
| 61. Provide an automated interface of data on acquired collateral to the property management system for management and liquidation of the property? | | |
| 62. Provide an automated interface to the core financial system to record the value of the property acquired and to reduce the receivable amount? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 63. Generate payments to property management contractors for services rendered? | | |
| 64. Track, record, and classify operations and maintenance expenses related to the acquired collateral? | | |
| 65. Document rental income and other collections related to the acquired collateral? | | |
| 66. Post the expenses and income to the core financial system through an automated interface? | | |
| 67. Update the loan information store to record receipts resulting from the liquidation of acquired collateral and the disposition of the collateral? | | |
| 68. Identify any deficiency balances remaining for the loan after collateral liquidation for further collection activities? | | |

| Delinquent debt collection | Yes/no NA | Explanation |
|---|---|---|
| 69. Provide an automated interface to the core financial system and the property management system to record disposal of the property and associated receipts? | | |
| 70. Does the system provide at least the following types of management information:<br>-- detailed transaction history?<br>-- standard management control/activity?<br>-- exceptions?<br>-- offsetting agency description?<br>-- trend analysis/ performance?<br>-- collection contractor compensation?<br>-- collateral management activity and expense? | | |

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