

United States General Accounting Office

GAO

Financial Management Series

December 1997

Guaranteed Loan System Checklist

Systems Reviewed Under the Federal
Financial Management Improvement
Act of 1996



Exposure Draft

GAO/AIMD-98-21.2.7

070261/159720

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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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441 G Street NW, Room 5089
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¹The final form of this checklist will be included in GAO's Financial Audit Manual.

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Abbreviations

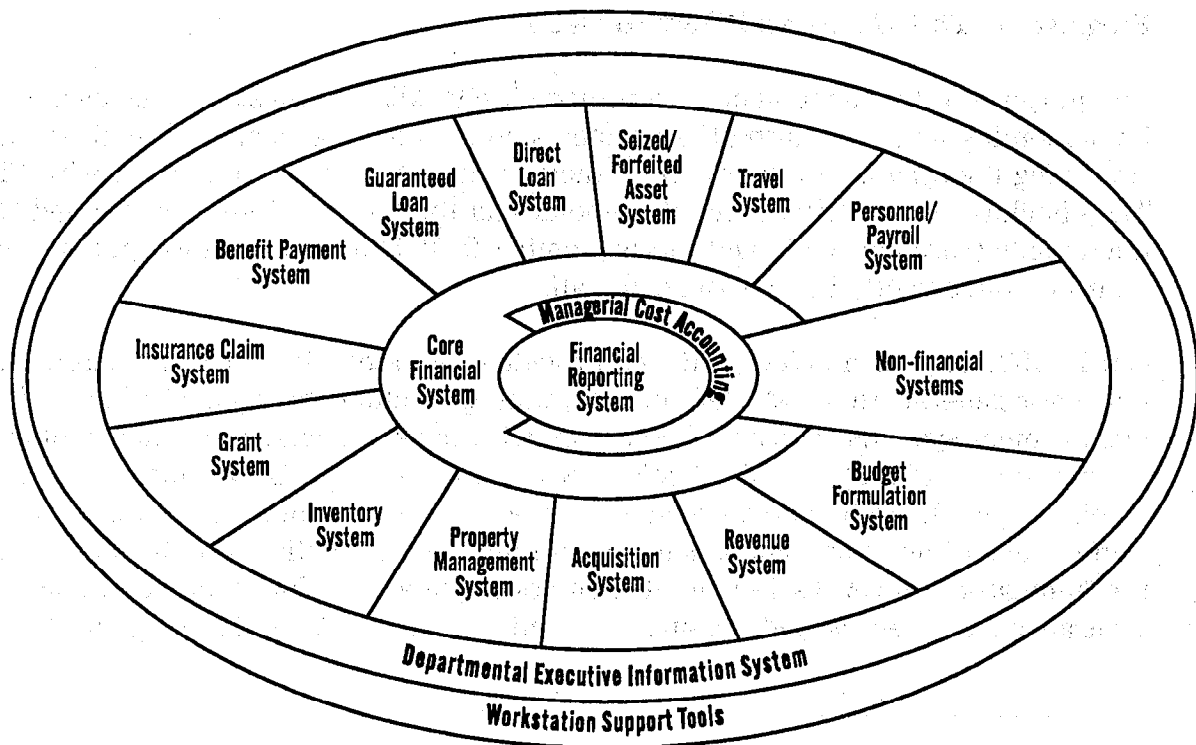
CAIVRS	credit alert interactive voice response system
CCLR	claims collection litigation report
DOJ	Department of Justice
FFMIA	Federal Financial Management Improvement Act of 1996
JFMIP	Joint Financial Management Improvement Program
OGC	office of general counsel
OMB	Office of Management and Budget

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OVERVIEW

The Federal Financial Management Improvement Act (FFMIA) of 1996, requires, among other things, that agencies implement and maintain financial management systems that comply with federal financial management systems requirements. These system requirements are detailed in the Financial Management Systems Requirements series issued by the Joint Financial Management Improvement Program (JFMIP) and Office of Management and Budget (OMB) Circular A-127, Financial Management Systems. The JFMIP requirements documents identify (1) a framework for financial management systems, (2) core financial systems requirements, and (3) 16 other systems supporting agency operations. Figure 1 illustrates how these elements fit together in an agency systems architecture.

Figure 1: Agency Systems Architecture



Source: JFMIP Federal Financial Management System Requirements documents.

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 Guaranteed Loan System Requirements (FFMRS-6, 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

²Thus 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 Guaranteed 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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GUARANTEED LOAN SYSTEM REQUIREMENTS

The guaranteed loan system requirements document helps agencies identify and meet government requirements by having the guaranteed loan system interface with the core financial system to validate funds availability, update budget execution data, record receivables and collections, and process disbursements in accordance with laws and policies.

The five functions of the guaranteed loan system are discussed below.

1. Lender Management supports analysis of lenders' program eligibility and monitors lender performance to ensure that only qualified and financially sound lenders participate in federal guaranteed loan programs and helps to ensure that the government's risk exposure and loan losses are held to a minimum. (The checklist questions for this area are drawn from pp. 24-32 of the source document.)
2. Guarantee Extension and Maintenance supports the accounting and documentation requirements for the evaluation of the guarantee request, the extension of the guarantee by the federal agency, and the monitoring of the guarantee. (The checklist questions for this area are drawn from pp. 33-44 of the source document.)
3. Portfolio Management supports the management and evaluation of the guaranteed loan program and its portfolios of outstanding guaranteed loans and acquired loans. (The checklist questions for this area are drawn from pp. 45-52 of the source document.)
4. Acquired Loan Servicing encompasses the procedures for default claim review and payment in accordance with guarantee agreements and regulations, as well as the invoicing and collection procedures for acquired loans and the foreclosure and liquidation of property for collateralized loans acquired by the government. (The checklist questions for this area are drawn from pp. 53-65 of the source document.)
5. Delinquent Debt Collection includes 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 includes the foreclosure and liquidation of property for collateralized loans acquired by the government. (The checklist questions for this area are drawn from pp. 66-76 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

Guaranteed Loan System Requirements

judgment 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 necessary to fully understand the questions.

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
<p>Does the automated system:</p> <p>1. Record and update lender application information, ensuring that all required data are present and valid (e.g., nine-digit numeric taxpayer identification number (TIN))?</p>		
<p>2. Document that any required lender application fee has been received and calculated correctly?</p>		
<p>3. Provide an automated interface with the core financial system to record the receipt of any application fee?</p>		
<p>Does the automated system compare lender application information against:</p> <p>4. Information on firms currently debarred/suspended from participating in a government contract or delinquent on a debt to the government?</p>		

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
5. Qualification requirements for principal officers and staff?		
6. Information concerning the lender's financial credentials from banking regulatory agencies, rating services, and other information sources?		
7. Lender performance data from other credit agencies?		
Does the automated system: 8. Update the lender information store to reflect the agency's decision on the lender application?		
9. Generate and electronically transmit a notice to inform the lender of approval or disapproval of the lender's application?		
10. Maintain data on lender disapprovals as an historical reference to support effective monitoring of future lenders?		

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
11. Record text comments related to approval or disapproval of the lender application?		
12. Record relevant data concerning the lender agreement?		
13. Generate the lender agreement for signature by the lender?		
14. Document that the lender agreement has been consummated by the agency and lender?		
15. Provide a tracking mechanism to identify expiring agreements needing renewal?		
16. Compare lender/servicer financial and performance information against agency portfolio evaluation criteria to identify lenders/servicers for regular or special review?		

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
17. Compute performance statistics for effective monitoring, including delinquency rates, default rates, and claim rates?		
18. Provide the capability to record lender/servicer financial data, including balance sheets, income statements, and lender profitability? (These reports are used to determine the overall financial condition of the lender/servicer.)		
19. Compute a quantified risk for each lender/servicer? (The risk is quantified by weighting appropriate risk factors (e.g., loan volume, delinquency rate, default rate) based on the correlation between the risk factors and lender/servicer performance.)		
20. Compare the quantified lender/servicer risk to risk rating criteria to assign a risk rating to each lender/servicer (e.g., high, medium, low)?		

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
21. Enter high risk lenders/servicers on a problem watch list and generate a notice to each affected lender/servicer?		
22. Provide financial and historical information on lenders and servicers identified for review to the review team?		
23. Provide for scheduling and tracking of the review team's activities?		
24. Document review results including date of review, name(s) of reviewer(s), and any deficiencies and associated explanations?		
25. Record text comments relevant to the review process?		

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
<p>26. Generate a notice to inform the lender/servicer of a finding of noncompliance (electronically, where appropriate), including any penalties or sanctions and the right to appeal?</p>		
<p>27. Document and track corrective action plans agreed to by the agency and the lender/servicer, including proposed resolution dates, and update lender/servicer data to reflect any changes in status resulting from the corrective actions?</p>		
<p>28. Update the status of lenders and servicers that do not comply with agency standards for continued program participation, or do not correct deficiencies identified through reviews in a reasonable period of time? Provide data to support corrective action plans such as penalties and/or sanctions?</p>		

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
29. Document and track appeals received from the lender/ servicer and agency appeal decisions and generate a decision notice to the lender/ servicer?		
30. Record penalties and/or sanctions imposed by the agency review board on those lenders or servicers found to be in serious and frequent noncompliance with federal program standards?		
31. Update the guaranteed loan information store to reflect the revocation of a guarantee and provide an automated interface with the core financial system to record the decommitment of the guarantee and the deobligation of subsidy when a guarantee has been revoked?		

Guaranteed Loan System Requirements

Lender management function	Yes/no NA	Explanation
<p>32. Does the system provide at least the following types of management information:</p> <ul style="list-style-type: none"> - lender eligibility activity? - completed reviews? - lender performance? - exceptions? 		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
<p>Does the automated system:</p> <p>1. Record critical data on the lender's guarantee request to support the guarantee evaluation process?</p>		
<p>2. Provide access to guarantee request information to each individual participating in the guarantee decision?</p>		
<p>3. Record text comments relevant to the guarantee decision?</p>		
<p>4. Compare borrower information on the lender's guarantee request to agency program borrower eligibility criteria?</p>		
<p>5. Check the appropriate system data files to determine whether a lender has recently submitted a duplicate guarantee request for the applicant or a guarantee request for the applicant has been previously denied?</p>		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
6. Document that the lender obtained a credit bureau report?		
7. Compare the applicant's credit worthiness information to system-stored program creditworthiness criteria and, where a program requirement, assign a credit risk rating to the applicant?		
8. Document that borrower financial data, repayment ability, and repayment history have been verified?		
9. Document whether the Credit Alert Interactive Voice Response System (CAIVRS) identified the applicant as a borrower who has previously defaulted on debt to the federal government? (The system should not accept further processing if the lender's guarantee request does not have a CAIVRS authorization number.)		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
10. Compute the credit subsidy amount associated with the guaranteed loan using projected cash flows and the applicable Treasury interest rate in accordance with <u>OMB Circular A-34</u> ?		
11. Provide an automated interface with the core financial system to determine if sufficient funds are available in the Program Account and if available lending limits in the Financing Account are sufficient to cover the subsidy cost and the face value of the proposed guarantee?		
12. Reflect the approved guarantee status?		
13. Accept, identify, track, and report supervisor overrides of system-generated acceptance/rejection recommendations?		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No or NA	Explanation
14. Create and maintain a system record of rejected guarantee requests?		
15. Notify lender of approval or disapproval (electronically where appropriate)?		
16. Record the cohort and risk category, as defined in OMB Circular A-34, associated with the guaranteed loan?		
17. Assign a unique account number to the guaranteed loan that remains unchanged throughout the life of the guarantee?		
18. Generate a guarantee endorsement to confirm that the loan is guaranteed and transmit it to the lender (electronically where appropriate)?		
19. Calculate and record the guarantee origination fee in accordance with the terms and conditions of the guarantee agreement?		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
20. If applicable, transmit the origination fee invoice to the lender (electronically where appropriate)?		
21. Record collections of origination fees received?		
22. Record the applicable Treasury interest rate for the guaranteed loan at the time of commitment in accordance with OMB Circular A-34? (This rate is used in subsidy rate calculations.)		
23. Provide an automated interface with the core financial system to record the guaranteed loan commitment, the obligation for the related subsidy, and the origination fee, receivable, and collection?		
24. Provide the capability to receive electronic transmission of disbursement data by the lender?		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
25. Record information on loan disbursements by the lender, including amounts and applicable Treasury interest rates, to support interest computations and subsidy reestimates?		
26. Provide an automated interface with the core financial system to record the outlay of subsidy from the Program Account to the Financing Account related to the lender loan disbursement?		
27. Support reevaluation of the modified loans in accordance with OMB Circular A-34 and program policy?		
28. Reflect the modified status of the guaranteed loan?		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
29. 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?		
30. Perform a funds control check to verify the availability of subsidy through an automated interface with the core financial system?		
31. Provide an automated interface with the core financial system to record the subsidy changes associated with the guaranteed loan modification?		
32. Compare guaranteed loan data to guaranteed fee criteria to determine which lenders owe guarantee fees?		
33. Compute the amount of the guarantee fee?		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
34. Compare guaranteed loan fee data to fee penalty criteria to identify those lenders with overdue fee payments?		
35. Calculate penalties on loans for which lenders have not submitted guarantee fee payments?		
36. Generate invoices, including penalties assessed for late payment, for guarantee fee payments due from lenders (electronically where appropriate)?		
37. Provide an automated interface with the core financial system to record the receipt of guarantee fees from lenders?		
38. Identify guaranteed loans requiring interest supplement payments?		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
39. Compare current interest rates to the interest rates in the agreement to determine the appropriate levels of interest supplements required?		
40. Recognize the interest supplement payment as an interest subsidy expense and a loan guarantee interest supplement liability?		
41. Provide an automated interface with the core financial system to initiate and record disbursements for interest supplement payments? (If the guaranteed loan system itself handles the payment processing, it must meet the requirements in the core financial system requirements related to payments and send summary data to the core financial system.)		
42. Capture the estimated useful economic life of the pledged collateral and compare it to the proposed term of the loan?		

Guaranteed Loan System Requirements

Guarantee Extension and Maintenance Function	Yes/No NA	Explanation
<p>43. Document that transactions over \$100,000 have an appraisal prepared by a state-licensed or certified appraiser (or in accordance with more stringent appraisal requirements of the agency)?</p>		
<p>44. Compute the loan-to-value ratio and flag those loans with a ratio exceeding 100 percent?</p>		
<p>45. Does the system provide at least the following types of management information:</p> <ul style="list-style-type: none"> - approval and rejection monitoring? - override exceptions? - potential application fraud? - approval/rejection statistics? - detailed transaction history? - median loan-to-value ratio? - loan guarantee fee collection? - loan guarantee periodic fee collection? - exceptions? 		

Guaranteed Loan System Requirements

Portfolio management function	Yes/no NA	Explanation
<p>Does the automated system:</p> <p>1. Receive and document loan guarantee information from lenders (electronically where appropriate)?</p>		
<p>2. Maintain standard information on the history and status of each guaranteed loan (e.g., borrower identification, amount and nature of debt)?</p>		
<p>3. Maintain data from the lender that identifies delinquent accounts and potential defaults?</p>		
<p>4. Accept lender data by cohort and risk category?</p>		
<p>5. Provide agency access to the loan status information?</p>		

Guaranteed Loan System Requirements

Portfolio management function	Yes/no NA	Explanation
<p>6. Compute and maintain program performance trends such as:</p> <ul style="list-style-type: none"> -- number and dollar value of loans made? -- average loan size? -- loans made by geographical region? -- number and amount of defaulted loan accounts? -- number and amount of claims paid? -- amount of loan write-offs? 		
<p>7. Compute and maintain financial measures to help assess the credit soundness of a loan program such as:</p> <ul style="list-style-type: none"> -- overall portfolio risk rate? -- Average loan to value ratio (for collateralized programs)? -- write-offs as a percentage of seriously delinquent acquired loans? -- net proceeds on real property sold compared to appraised value? -- loan loss rates? 		

Guaranteed Loan System Requirements

Portfolio management function	Yes/no NA	Explanation
<p>8. Compute and maintain efficiency measures to help determine the effectiveness of use of agency resources such as:</p> <ul style="list-style-type: none"> - administrative cost per loan guarantee approved? - administrative cost per acquired loan serviced? - administrative cost per dollar collected? 		
<p>Does the guaranteed loan system and/or the core financial system:</p> <p>9. Execute SF-1151s and record amounts borrowed from Treasury to cover shortfalls in the subsidy estimates temporarily?</p>		
<p>10. Track the amount of uninvested funds in the financing account as needed to support interest earnings calculations?</p>		
<p>11. Compute interest expense on borrowings and interest earnings on uninvested funds?</p>		

Guaranteed Loan System Requirements

Portfolio management function	Yes/no NA	Explanation
12. Execute and record repayment of principal using SF-1151s and interest to Treasury using SF-1081s?		
13. Execute and record receipt of interest earnings from Treasury on uninvested funds using SF-1081s?		
<p>Does the automated system:</p> <p>14. 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:</p> <ul style="list-style-type: none"> - the difference in the estimate resulting from changes in the applicable interest rates between the time of obligation and disbursement. - the difference in the estimate resulting from changes in the projected cash flows. 		

Guaranteed Loan System Requirements

Portfolio management function	Yes/no NA	Explanation
15. Maintain cash flow data that permit 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?		
16. 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?		
17. Compare the current year reestimated subsidy cost to the latest year reestimated subsidy cost to determine whether subsidy costs for a risk category increased or decreased?		
18. 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?		

Guaranteed Loan System Requirements

Portfolio management function	Yes/no NA	Explanation
<p>19. 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?</p>		
<p>20. Provide an automated interface with the core financial system to record the transactions associated with subsidy reestimates?</p>		
<p>21. Set aside funds to create and maintain the working capital cash balance in accordance with OMB guidance?</p>		
<p>22. Record costs incurred that are funded by working capital?</p>		

Guaranteed Loan System Requirements

Portfolio management function	Yes/no NA	Explanation
<p>23. Compute the amount of Treasury interest earned by working capital funds and provide this amount to the core financial system?</p>		
<p>24. Does the system provide at least the following types of management information:</p> <ul style="list-style-type: none"> - detailed transaction history? - profile of guaranteed loan portfolio? - program credit reform status? 		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
Does the automated system: 1. Record key claim data?		
2. Compare the claim application information to the agency program claim application evaluation criteria?		
3. Suspend processing for claims that are incomplete until corrected?		
4. Identify claims not meeting agency program requirements and notify the lender of the rejection?		
5. Document information on accepted and rejected claims and the reason for the rejections?		
6. Reflect the status of the claim?		
7. Calculate the claim payment to be made, making adjustments for any disallowed amounts?		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
8. Provide an automated interface with the core financial system to initiate a disbursement of the claim payment to the lender? If the guaranteed loan system processes payments, it must meet the requirements in the core financial system requirements related to payments and send summary data to the core financial system.		
9. Record acquired loan information and establish a receivable?		
10. Notify the borrower of the claim payment?		
11. Compare data on new receivables to program criteria for pursuing repayment?		
12. Compare debtor data against program criteria to assess the likelihood of repayment?		
13. Identify accounts that should be written off?		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
14. Identify accounts for which collection is to be pursued?		
15. Calculate outstanding balances for each loan account invoiced, including principal, interest, late charges, and other amounts due?		
16. Identify loan accounts to be invoiced based on agency program invoicing criteria and loan account information?		
17. Generate and transmit an invoice to each borrower? (At a minimum, the invoice must include borrower ID, amount due, date due, the date after which the payment will be considered late, and the current balance.)		
18. Provide for automatic acceleration of delinquent rescheduled installment payment notes based on an acceleration clause indicator?		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
19. Track and age receivables by type?		
20. Provide an automated interface with the core financial system to record accrual of interest, administrative charges, and penalties for delinquent loan accounts?		
21. Apply collections according to agency program receipt application rules to the appropriate liquidating or financing account? (Actual collection sources could include cash, check, or credit card.)		
22. Record a partial, full, or late payment indicator?		
23. Identify payments that cannot be applied and document the reasons why the payments cannot be applied?		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
24. Provide the capability to compare borrower's pre-authorized debits received from financial institutions and other external sources to expected collections?		
25. Provide an automated interface with the core financial system to record the collection? (If the guaranteed loan system processes collections, it must meet the requirements in the core financial system requirements related to collections and send summary data to the core financial system.)		
26. Provide information on collateral for use in the foreclosure process?		
27. Update the acquired loan information store with additional information obtained during the foreclosure preparation process, such as recent appraisal values and property condition?		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
28. Calculate outstanding principal, interest, penalties, and administrative charges for each loan with collateral to be foreclosed?		
29. Transmit a foreclosure notice to the borrower?		
30. Transmit information necessary for the foreclosure to the Department of Justice and/or agency office of general counsel (OGC), as applicable?		
31. Record the results of the foreclosure proceedings and title conveyance to the agency?		
32. Provide an automated interface of data on acquired collateral to the property management system for management and liquidation of the property?		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
33. Provide an automated interface to the core financial system to record the value of the property acquired and to reduce the receivable amount?		
34. Generate payments to property management contractors for services rendered?		
35. Track, record, and classify operations and maintenance expenses related to the acquired collateral?		
36. Document rental income and other collections related to the acquired collateral?		
37. Post the expenses and income to the core financial system through an automated interface?		
38. Update the acquired loan information store to record receipts resulting from the liquidation of acquired collateral and the disposition of collateral?		

Guaranteed Loan System Requirements

Acquired loan servicing function	Yes/no NA	Explanation
39. Identify any deficiency balances remaining for the loan after collateral liquidation for further collection activities?		
40. Provide an automated interface to the core financial system and the property management system to record disposal of the property and associated receipts?		
<p>41. Does the system provide at least the following types of management information:</p> <ul style="list-style-type: none"> - guaranteed loan claim activity? - summary data of claim losses paid out? - detailed transaction history? - standard management control/activity? - exceptions? - portfolio sale historical payments? - portfolio sale performance? - collateral management activity and expense? 		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
<p>Does the automated system:</p> <p>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?</p>		
<p>2. Calculate outstanding balances, including interest, penalties, and administrative charges and include this information in credit bureau records?</p>		
<p>3. Generate (or include in demand letters) a notice to inform the borrower of the referral of a delinquent debt to a credit bureau in accordance with regulations?</p>		
<p>4. Maintain a record of each account reported to credit bureaus to allow tracking of referred accounts?</p>		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
5. Prepare tapes, on a monthly basis, 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?		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
<p>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.)</p>		
<p>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?</p>		
<p>12. Calculate outstanding interest, penalties, and administrative charges for each loan account eligible for offset?</p>		

Guaranteed Loan System Requirements

Delinquent debt collection function	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 the files to the Internal Revenue Service (IRS) for federal tax refund offset matching, to Department of Defense (DOD) for salary offset matching, and to other agencies that make disbursements for administrative offset matching?		
15. Generate salary offset requests to employing agencies for delinquent borrowers identified as federal employees?		
16. Update the acquired loan information store to reflect offset referral status?		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
17. Accept matched/unmatched account data and update the acquired 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 acquired 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?		

Guaranteed Loan System Requirements

Delinquent debt collection function	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?		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
28. Update the acquired 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?		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
<p>32. Compare delinquent loan account information against 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?</p>		
<p>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?</p>		
<p>34. Calculate the outstanding balance, including principal, interest penalties, and administrative charges, for each delinquent loan account to be referred to legal counsel?</p>		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
<p>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).)</p>		
<p>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's (OGC) automated system for referrals?</p>		
<p>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?</p>		

Guaranteed Loan System Requirements

Delinquent debt collection function	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 acquired 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?		

Guaranteed Loan System Requirements

Delinquent debt collection function	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.)	NA	There is no requirement to classify debtors based on financial profile and ability to repay. The system should be able to handle debtors with various financial profiles and abilities to repay.
45. Produce a CCLR for each loan account to be referred to agency counsel or the DOJ for approval of termination of collection action? Update the loan status to reflect the referral?	NA	The system should be able to produce a CCLR for each loan account to be referred to agency counsel or the DOJ for approval of termination of collection action. The system should also be able to update the loan status to reflect the referral.
46. Update the acquired loan information store to reflect approval or disapproval by agency counsel or the DOJ for termination of collection action?	NA	The system should be able to update the acquired loan information store to reflect approval or disapproval by agency counsel or the DOJ for termination of collection action.
47. Update the acquired loan information store and provide an automated interface with the core financial system to record the write-off of the receivable?	NA	The system should be able to update the acquired loan information store and provide an automated interface with the core financial system to record the write-off of the receivable.

Guaranteed Loan System Requirements

Delinquent debt collection function	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 the IRS?		
52. Prepare and send a Form 1099-G to the IRS if the debtor has not responded within the required time period?		

Guaranteed Loan System Requirements

Delinquent debt collection function	Yes/no NA	Explanation
53. Update the acquired 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 a period of 5 years for use in agency screening of new loan applications?		
55. Does the system provide at least the following types of management information: <ul style="list-style-type: none"> - detailed transaction history? - standard management control/activity? - exceptions? - trend analysis/performance? - collection contractor compensation? 		

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