



Department of Veterans Affairs

Financial Policy

Volume XII

Debt Management

Chapter 12

Suspension of Debt Collection

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1201 Overview 2

1202 Revisions 2

1203 Definitions..... 2

1204 Roles and Responsibilities..... 3

1205 Policies..... 4

 120501 Suspension of Benefit Debt Collection..... 4

 120502 Suspension of Non-benefit Debt Collection 4

 120503 Review of Suspension Action..... 5

 120504 Delegation of Authority 5

1206 Authorities and References..... 6

1207 Rescissions 6

1208 Questions..... 7

1201 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies relating to the suspension of collection action on debts owed to VA, as well as the policies relating to the reinstatement of collection action on debts owed to VA.

Key points covered in this chapter:

- VA may suspend collection activity when it appears that the debtor does not have the present or future ability to pay a significant amount of the claim or the cost of collecting the claim is more than the amount that may be recovered;
- The Chief of Finance Activity or the Executive Director of the Debt Management Center (DMC) may suspend collection activity on debts greater than \$40,000 and less than or equal to \$100,000;
- VA must refer debts for suspension greater than \$100,000 to Department of Justice (DOJ); and
- VA will reinstate collection activity when the conditions causing the suspension action change.

1202 Revisions

Section	Revision	Office	Reason for Change	Effective Date
All	New Chapter	OFP (047G)	Provide policy on suspension of debt collection	February 2021

1203 Definitions

Compromise – Governed by 31 U.S.C. § 3711, a compromise is an offer and acceptance of a partial payment in settlement and full satisfaction of the offeror's indebtedness as it exists at the time the offer is made. It is a final settlement, binding on the parties to the compromise, unless procured by fraud, misrepresentation of a material fact or mutual mistake of fact.

Debt Collection – The process of pursuing repayment of a debt owed to VA.

Financial Status Report (VA Form 5655) – A VA form used by debtors to list their current income, expenses and financial condition.

Notice of Indebtedness (NOI) – Written communication sent by VA providing the debtor with notification of the existence and amount of the debt, payment remittance information, accrual of interest, penalties, and administrative costs, and due process rights. A NOI is sometimes referred to as a demand letter.

Suspension of Collection Action – Temporary delay of collection actions on a debt owed to VA.

Termination of Collection Action – A decision, under the guidance of the Federal Claims Collection Standards 31 C.F.R. § 903, to cease active collection action on a debt when it appears that no person liable on the claim has the present or prospective ability to pay a significant amount of the claim or the cost of collecting the claim is likely to be more than the amount recovered.

Treasury Cross-Servicing Program (CS) – A consolidated government-wide program operated by the Bureau of Fiscal Service's Debt Management Services fulfilling the requirement of the Debt Collection Improvement Act of 1996. The program consists of collection tools including Treasury demand letters, telephone calls to debtors, administrative wage garnishment (AWG) and the use of Private Collection Agencies (PCAs).

Treasury Offset Program (TOP) – A centralized offset program, administered by the Bureau of the Fiscal Service's Debt Management Services (DMS), to collect delinquent debts owed to federal agencies and states (including past-due child support), in accordance with 26 U.S.C. § 6402(d), and 31 U.S.C. § 3720A.

Waiver – A decision that conditions exist which should result in cancellation, forgiveness, or non-recovery of a debt owed, including interest and other late payment charges assessed on such debts under the applicable statutes and implementing regulations 38 C.F.R. § 1.955, through 38 C.F.R. § 1.969, and 38 C.F.R. § 17.105.

1204 Roles and Responsibilities

Debt Management Center (DMC) is a franchise fund (fee-for-service) organization of VA. DMC offers a wide range of debt management services including debt resolution activities, as well as waivers and compromises under their jurisdiction.

Secretary of Veterans Affairs has the authority, which cannot be delegated, to suspend or terminate debt collection action, or to refund amounts collected after death.

Chief of the Local Finance Activity is responsible for ensuring that compliance with the policies and appropriate procedures are followed for the administration of VA's debt collection activities. Any reference to Chief of the Local Finance Activity also includes the: Executive Director of the Debt Management Center (DMC), Director of the Financial Service Center (FSC) where appropriate, as well as Chief Fiscal Officers in VA Medical Centers, Chief Finance Officers in Regional Offices, and Chief Fiscal Officers in the Consolidated Patient Account Centers (CPAC).

1205 Policies

120501 Suspension of Benefit Debt Collection

- A. For VA debts governed by 38 C.F.R. § 1.911 such as VA benefit or home loan debts, VA shall collect debts by offset against any current or future VA benefit payments to the debtor.
- B. VA may suspend collection of benefit debts, in accordance with 38 C.F.R. § 1.912a, if the debtor within the time period specified in the Notice of Indebtedness (NOI) disputes in writing the existence or any amount of the debt or requests a waiver.

Offset may commence prior to the resolution of a dispute or a decision on a waiver request if collection of the debt would be jeopardized by deferral of offset. In such case, notification pursuant to 38 C.F.R. § 1.911(d) shall be made at the time offset begins or as soon thereafter as possible.

- C. VA will pursue the collection of debt via offset once an adverse initial decision is reached on the dispute or waiver.
- D. VA will document the reason and applicable standard on the accounts receivable record when suspending collection action.

120502 Suspension of Non-benefit Debt Collection

- A. For all other VA debts not governed by 38 C.F.R. § 1.911, VA will follow guidance to suspend debts in accordance with 38 C.F.R. § 1.940 and 31 C.F.R. § 903.2 for debts that do not exceed \$100,000.
- B. VA may suspend collection action on non-benefit debts equal to or less than \$100,000, in accordance with 38 C.F.R. § 1.940. This includes repayment plans, administrative offsets, demand letters, and interest charges.
- C. In accordance with 31 C.F.R. § 903.2, VA may suspend collection action in the following situations:
 - 1. Cannot readily locate debtor;
 - 2. Debtor owns no substantial equity or assets and cannot make a payment or offer a compromise. In this case, suspension is only allowed if one or more of the following conditions apply:
 - Debtor has made written acknowledgment of the debt or made a partial payment within Statute of Limitations (SOL). The SOL is 6 years from the most recent payment or acknowledgment of debt (28 U.S.C. § 2415 – Time for commencing actions brought by the United States);

- SOL is delayed or stopped temporarily (all periods the debtor is out of the country; is a minor, or is mentally incompetent; under diplomatic immunity; and any other period as set out in 28 U.S.C. 2416; and
 - Debtor agrees to pay interest on the amount of the debt and the suspension is likely to enhance the debtor's ability to pay the full amount of the principal of the debt and the interest at a later date.
3. Debtor requested a waiver or review of the debt;
 4. Debtor has filed a bankruptcy petition; and
 5. The Secretary may suspend or terminate debt collection against the estate of a person who died while serving on active duty as a member of the Army, Navy, Air Force, Marine Corps, or Coast Guard, during a period when the Coast Guard operated as a service in the Navy, 31 U.S.C. § 3711(f)(3).
- D. VA will document the reason and applicable standard on the accounts receivable record when suspending collection action.

120503 Review of Suspension Action

- A. When collection action is temporarily suspended, VA will establish and review the suspension decision at a minimum every six months or when necessary to refer the debt to TOP by 120 days and to CS by 180 days.
- B. Upon the expiration of the suspension period, VA will review the case. If the conditions causing the suspension action are reversed (i.e., VA determines the debtor's ability to pay has changed), VA will lift the suspension action and resume collections or terminate collection as appropriate. For more information on terminating collection action, refer to VA Financial Policy Volume XII, Chapter 13 – Termination of Collection Action, Write Off, Debt Close Out, and Reporting Discharge of Debt to IRS.

120504 Delegation of Authority

- A. Chief of the Local Finance Activity may suspend collection action on debts with a principal amount up to \$40,000.
- B. The Administrations' CFOs and the Deputy Assistant Secretary (DAS) for Finance have authority to suspend debt collection action for debts with principal amounts greater than \$40,000 and up to \$100,000. The CFOs and the DAS may re-delegate this authority, as they deem appropriate, to Chiefs of the Local Finance Activity.
- C. For debts over \$100,000, VA will refer the request for suspension to DOJ.

1206 Authorities and References

[5 U.S.C. § 5584 Claims for overpayment of pay and allowances, and of travel, transportation and relocation expenses and allowances](#)

[28 U.S.C. § 2415, Time for Commencing Actions Brought by the United States](#)

[28 U.S.C. § 2416, Time for Commencing Actions Brought by the United States - Exclusions](#)

[31 U.S.C. § 3711\(a\)\(3\), Collection and Compromise](#)

[31 C.F.R. § 903.3 - Termination of collection activity](#)

[31 C.F.R. § 903, Standards for Suspending or Terminating Collection Activity](#)

[38 C.F.R. § 1.10- § 1.995, General Provisions](#)

[38 C.F.R. § 1.912a Collection by Offset- from VA benefit payments](#)

[38 C.F.R. § 17.105, Waivers](#)

[38 U.S.C. § 5302 Waiver of recovery of claims by the United States](#)

[Debt Collection Improvement Act](#)

[Department of the Treasury Guide: Managing Federal Receivables](#)

[Department of Veterans Affairs Forms](#)

[Digital Accountability and Transparency Act \(DATA Act\) Pub. L. 113-101](#)

[Office of Management & Budget \(OMB\) Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables](#)

[Treasury Financial Manual \(TFM\) Volume I, Part 4, Chapter 4030.40—Fiscal Service Authority to Suspend and/or Terminate Collection Action;](#)

1207 Rescissions

010701 VA Handbook 4800.5 Suspension of Collection Action

VA Financial Policy Volume XII, Chapter 1H – Suspension of Collection Action

1208 Questions

Questions concerning these financial policies should be directed as follows:

VHA	VHA Accounting Policy (Outlook)
VBA	VBA VAVBAWAS/CO/OPERATIONS (Outlook)
DMC	VAVBASPL/DMC/BDEV (Outlook)
All Others	OFP Accounting Policy (Outlook)