

(e) The failure of any surety to honor its obligations in accordance with 31 U.S.C. 9305 will be reported to Treasury. Treasury will forward to all interested agencies notification that a surety's certificate of authority to do business with the government has been revoked.

(f) The suspension or revocation of licenses, permits, or privileges also may extend to USDA programs or activities that are administered by the States on behalf of the government, to the extent that they affect the government's ability to collect money or funds owed by debtors. Therefore, States that manage USDA activities, pursuant to approval from the agencies, will ensure that appropriate steps are taken to safeguard against issuing licenses, permits, or privileges to debtors who fail to pay their debts to the government.

(g) In bankruptcy cases, before advising the debtor of an agency's intention to suspend or revoke licenses, permits, or privileges, agencies may request legal advice from OGC concerning the impact of the Bankruptcy Code, particularly 11 U.S.C. 362 and 525, which may restrict such action.

§ 3.15 Liquidation of collateral.

(a) In accordance with applicable laws and regulations, agencies may liquidate security or collateral through a sale or a nonjudicial foreclosure and apply the proceeds to the applicable debt(s), if the debtor fails to pay the debt(s) within a reasonable time after demand and if such action is in the interest of the United States. Collection from other sources, including liquidation of security or collateral, is not a prerequisite to requiring payment by a surety, insurer, or guarantor unless such action is expressly required by statute or contract.

(b) When an agency learns that a bankruptcy petition has been filed with respect to a debtor, the agency may request legal advice from OGC concerning the impact of the Bankruptcy Code, including, but not limited to, 11 U.S.C. 362, to determine the applicability of the automatic stay and the procedures for obtaining relief from such stay prior to proceeding under paragraph (a) of this section.

§ 3.16 Collection in installments.

(a) Whenever feasible, agencies will collect the total amount of a debt in one lump sum. If a debtor is financially unable to pay a debt in one lump sum, agencies may accept payment in regular installments. Agencies will obtain financial statements from debtors (or a similar statement from foreign debtors) who represent that they are unable to pay in one lump sum and independently verify such representations whenever possible (see 31 CFR 902.2(g) for methods of verification). Agencies that agree to accept payments in regular installments will obtain a legally enforceable written agreement from the debtor that specifies all terms of the arrangement and that contains a provision accelerating the debt in the event of default.

(b) The size and frequency of installment payments will bear a reasonable relation to the size of the debt and the debtor's ability to pay. If possible, the installment payments will be sufficient in size and frequency to liquidate the debt in 3 years or less.

(c) Security for deferred payments will be obtained in appropriate cases. Agencies may accept installment payments notwithstanding the refusal of the debtor to execute a written agreement or to give security, at the agency's option.

§ 3.17 Interest, penalties, and administrative costs.

(a) Except as provided in paragraphs (g) and (h) of this section, agencies will charge interest, penalties, and administrative costs on debts owed to the United States as specified in 31 U.S.C. 3717. If not included in the agency's demand notice, an agency will mail or deliver a written notice to the debtor, at the debtor's most recent address available to the agency, explaining the agency's requirements concerning these charges except where these requirements are included in a contractual or repayment agreement. These charges will continue to accrue until the debt is paid in full or otherwise resolved through compromise, termination, or waiver of the charges.

(b) Agencies will charge interest on debts owed the United States except as

§3.17

7 CFR Subtitle A (1-1-24 Edition)

otherwise required by law and as provided in paragraph (i) of this section for debts owed to CCC and FSA. In charging such interest, agencies will apply the following provisions:

(1) Interest will accrue from the date of delinquency, or as otherwise provided by law.

(2) Unless otherwise established in a contract, repayment agreement, or by law, the rate of interest charged will be the rate established annually by the Secretary of the Treasury in accordance with 31 U.S.C. 3717. Pursuant to 31 U.S.C. 3717, an agency may charge a higher rate of interest if it reasonably determines that a higher rate is necessary to protect the rights of the United States. The agency must document the reason(s) for its determination that the higher rate is necessary.

(3) The rate of interest, as initially charged, will remain fixed for the duration of the indebtedness. When a debtor defaults on a repayment agreement and requests to enter into a new agreement, the agency may require payment of interest at a new rate that reflects the current value of funds to the Treasury at the time the new agreement is executed. Interest will not be compounded, that is, interest will not be charged on interest, penalties, or administrative costs required by this section. If, however, a debtor defaults on a previous repayment agreement, charges that accrued but were not collected under the defaulted agreement will be added to the principal under the new repayment agreement.

(c) Agencies will assess administrative costs incurred for processing and handling delinquent debts. The calculation of administrative costs will be based on actual costs incurred or upon estimated costs as determined by the assessing agency.

(d) Unless otherwise established in a contract, repayment agreement, or by law, agencies will charge a penalty, as specified in 31 U.S.C. 3717(e)(2), not to exceed six percent a year on the amount due on a debt that is delinquent for more than 90 days. This charge will accrue from the date of delinquency.

(e) Agencies may increase an "administrative debt" by the cost of living adjustment in lieu of charging interest

and penalties under this section. "Administrative debt" includes, but is not limited to, a debt based on fines, penalties, and overpayments, but does not include a debt based on the extension of government credit, such as those arising from loans and loan guarantees. The cost of living adjustment is the percentage by which the Consumer Price Index for the month of June of the calendar year preceding the adjustment exceeds the Consumer Price Index for the month of June of the calendar year in which the debt was determined or last adjusted. Increases to administrative debts will be computed annually. Agencies may use this alternative only when there is a legitimate reason to do so, such as when calculating interest and penalties on a debt would be extremely difficult because of the age of the debt.

(f) When a debt is paid in partial or installment payments, amounts received by the agency will be applied first to outstanding penalties, second to administrative charges (when applicable), third to interest, and last to principal, except as otherwise required by law.

(g) Agencies will waive the collection of interest and administrative charges imposed pursuant to this section (that is, this does not apply to interest or administrative penalties determined by an applicable agreement or instrument such as a loan contract) on the portion of the debt that is paid within 30 days after the date on which interest began to accrue. Agencies may extend this 30-day period on a case-by-case basis. In addition, agencies may waive interest, penalties, and administrative costs charged under this section, in whole or in part, without regard to the amount of the debt, either under the criteria specified in the Federal standards for the compromise of debts (31 CFR part 902), or if the agency determines that collection of these charges is against equity and good conscience or is not in the interest of the United States.

(h) Agencies are authorized to impose interest and related charges on debts not subject to 31 U.S.C. 3717, in accordance with common law. Agencies will consult OGC before imposing interest and related charges under common law for any debt.

(i)(1) For debts resulting from CCC loans made in accordance with chapter XIV of this title:

(i) Late payment interest will begin to accrue from the date on which a claim is established. In addition, an additional charge of 3 percent per year will be assessed on a portion of a debt that remains unpaid 60 days after the date on which a claim was established. Such rate will be assessed retroactively from the date of claim establishment and apply on a daily basis and will continue to be used until the delinquent debt has been paid.

(ii) Penalty charges, administrative costs and interest will continue to accrue if a debtor makes a request for appeal as provided by any agency or USDA-wide appeal regulation. Collection by offset will continue during the appeal process unless prohibited by statute. If the debtor ultimately wins an appeal and the debt is found to be incorrect, CCC will credit the debtor's debt for the amount of penalty charges, administrative costs, and interest that has accrued from the date such charges were initiated on the portion determined in the appeal to not be due.

(2) Late payment interest provisions of this section do not apply to FSA and CCC debts owed by Federal agencies and State and local governments. Interest on debts owed by such entities will be assessed at the rate of interest charged by the U.S. Treasury for funds borrowed by CCC on the day the debt became delinquent.

(3) Late payment interest, penalty charges, and administrative costs may be waived by FSA or CCC in full or in part, if it is determined by the agency that such action is in the Government's interest.

(4) The provisions of this section do not apply to CCC foreign debt.

§ 3.18 Use and disclosure of mailing addresses.

(a) When attempting to locate a debtor in order to collect or compromise a debt under this part or 31 CFR parts 902 through 904 or other authority, agencies may send a request to Treasury to obtain a debtor's mailing address from the records of the Internal Revenue Service (IRS).

(b) Agencies are authorized to use mailing addresses obtained under paragraph (a) of this section to enforce collection of a delinquent debt and may disclose such mailing addresses to other agencies and to collection agencies for collection purposes.

§ 3.19 Standards for the compromise of claims and debt settlement.

(a) An agency will follow the standards specified in 31 CFR part 902 for the compromise of debts pursuant to 31 U.S.C. 3711 arising out of the activities of, or referred or transferred for collection services to, that agency, except where otherwise authorized or required by law.

(b) For FSA FLP debts, the first instance of debt cancellation is exempt from the monetary limits established in 31 CFR 902.1.

(c) For CCC debts, CCC will, in exercising its authority pursuant to section 4 of the CCC Charter Act (15 U.S.C. 714b) to make final and conclusive settlement and adjustment of any CCC claims, follow the standards specified in 31 CFR 902.2, 902.3, 902.4, 902.6, and 902.7, for the compromise of debts owed to CCC, to the maximum extent practicable. In addition to the bases for the compromise of debts specified in 31 CFR 902.2, CCC may compromise a debt when the approving official with the authority to compromise the debt has determined that such action is in the interest of CCC.

§ 3.20 Standards for suspending or terminating collection activities.

(a) An agency will follow the standards specified in 31 CFR part 903 for the suspension or termination of collection activity pursuant to 31 U.S.C. 3711, except where otherwise authorized or required by law.

(b) CCC will, in exercising its authority pursuant to section 4 of the CCC Charter Act (15 U.S.C. 714b) to make final and conclusive settlement and adjustment of any CCC claims, follow the standards specified in 31 CFR 903.2, 903.3, 903.4, and 903.5(c) and (d), for the suspension or termination of collection activities with regard to debts owed to CCC, to the maximum extent practicable. In addition to the bases for the termination of collection activities