

TODAY'S
VISION
TOMORROW'S
REALITY



The 12th Annual GSA SmartPay® Training Conference

Credit Policy for Travel Programs

Presented by Seth Kaplan and Andrew Ryall

All of **us** serving you™



Agenda

- Best Practices – Credit Risk Management
- Creditworthiness Review
- Account Suspension Guidelines
- Collections Strategies
- Salary Offset Program
- Questions and Answers



Best Practices – Credit Risk Management

- Participate in Creditworthiness
 - Assign limits and card access based on cardholder **risk**
 - Credit scores predict risk
 - Actively assign limits based on anticipated cardholder travel **needs**, not on default limits
 - Update account scores quarterly and adjust limits/card access based on most recent risk assessment



Best Practices – Credit Risk Management

- Monitor and Review Delinquency Reports
 - Route to department managers for one on one discussions with cardholders
 - **Immediately** address accounts that default on first payment
 - Address all accounts with a payment returned for non-sufficient funds (NSF)
 - Accounts with 2 NSF payments within 12 months should be cancelled
 - **Close** accounts that have been 90 days past due twice within **last 12 months AND** are presently 60 days past due



Best Practices – Credit Risk Management

- Monitor cash usage
 - Address accounts with multiple cash advances near their billing address
- Mandate Salary offset
- Work with your U.S. Bank Relationship Manager to improve agency rebates by addressing ways to
 - Improve file turn
 - Control delinquencies
 - Limit and reduce losses



Creditworthiness Review

- Recommended for new IBA applicants (OMB Circular A-123, appendix B)
 - Applicant agrees or refuses U.S. Bank to conduct a credit score check.
 - **Applicant Refusal = Restricted Card**
 - \$2,500 limit and reduced cash availability
 - **Applicant Agrees to Credit Check**
 - \$5,000 limit – cash 33% of monthly limit
 - Standard Card requires FICO > 660
- **97%** of IBA losses from January 2009 thru May 2010 are from accounts with a FICO < 660
- **89%** of losses on individual travel charge cards are on accounts **opened within the past two years**
 - Important to assign appropriate limits and proper card access at account initiation



Suspension/Cancellation/Dunning

- 30 days past due (One Payment)
 - Statement message
- 45 days past due:
 - Pre-suspension code
 - Letter sent to cardholder
- 55 days past due:
 - Second Pre-suspension Letter sent
- 60 days past due (Two Payments)
 - Suspend Code applied
 - Statement Message



Suspension/Cancellation/Dunning (Cont)

- 90 days past due (Three Payments)
 - Pre cancellation/salary offset letter sent
 - Statement message
- 120 past due (Four Payments)
 - Pre-cancel code applied
 - Letter sent
- 126 days past due
 - Cancel code applied
 - Letter sent
 - Late fee calculation of 2.5% of amount 120+ days past due
- 150 days past due (Five Payments)
 - Pre-Charge off letter



Collection Calls

- **Cardholders 16-59 days past due** are downloaded into the Collection Management System and collected via the Autodialer
 - Prioritized high to low balance with broken promise accounts addressed first
- **Cardholders 60-89 days past due** are assigned to individual collectors
 - Collector provides variety of options to help customer pay the balance
- **Cardholders 90 - 119 days** have outbound calls made with increased frequency and intensity
 - Cardholders informed of the negative impact to their credit
- **Cardholders 120 – 149 days** has frequency and tone intensity as credit loss risk intensifies
 - Customers receive final warning prior to charge-off
- **Charged Off accounts** are referred to the U.S. Bank recovery Team, and reported to credit reporting agencies



Salary Offset - Description

- Salary Offset is the process by which Government Agencies garnish wages of employees with delinquent outstanding balances on their IBA travel cards
- Many agencies do not begin garnishment of wages until the account is **121 days** past due
 - Once a cardholder enters into Salary Offset, U.S. Bank discontinues other collection and recovery efforts and the cardholder's wages will be garnished by the Agency until the past due balance has been paid in full



Salary Offset - Process

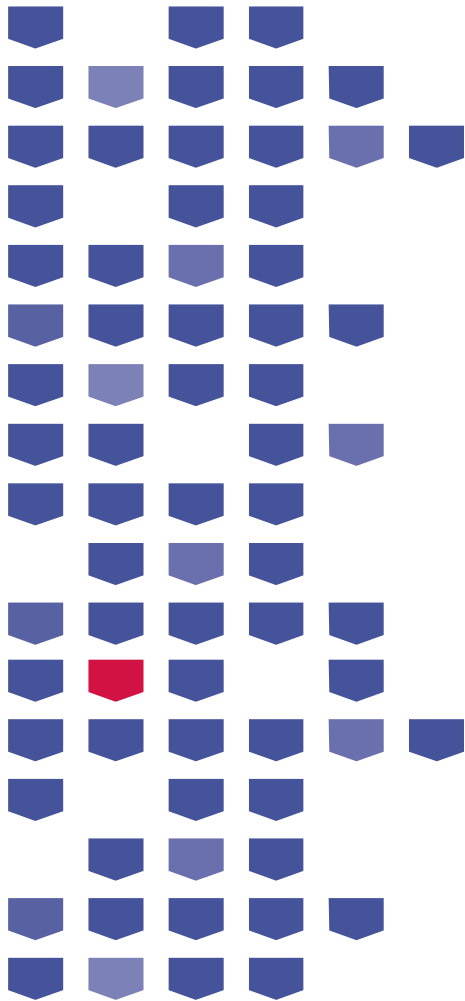
- U.S. Bank sends cardholder a Salary Offset Letter when the account balance is 90 days past due
 - This letter notifies the cardholder that their wages may be garnished if payment in full is not made
- U.S. Bank sends a report of all 90 Day Past Due cardholders that are eligible for Salary Offset to the Agency
 - Agency will notify all 90 day Past Due cardholders of their rights to an appeal to the Salary Offset process
 - Agency will review appeal requests, validate that a client is eligible for offset
- A report of all 120 days past due cardholders is sent to the Access Online secured mailbox
 - Agency reviews the report and removes any cardholders that have successfully appealed their late balances or those others that should not be included in the Salary Offset process



Salary Offset - Process

- Day 125, the Agency submits finalized Salary Offset report to U.S. Bank
 - Within 5-7 business days of receipt, if applicable, U.S. Bank assesses the Agency Salary Offset fee
 - Agency works with their payment/payroll processor to begin garnishment
- 125-150 Days Past Due – The payment processor will begin sending cardholder offset payments to U.S. Bank





Questions?





Thank You

Presentations will be available on
www.usbank.com/sp2presentations
after the conference

