



A
Winning
HAND:

Civilian Agency Elective: Delinquency and
Dispute Management (Non-DoD)

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Agenda

- Best practices – Credit Risk Management
- Creditworthiness review
- Account suspension guidelines
- Collections strategies
- Salary offset program
- Dispute definition and cardholder requirements
- Valid / invalid disputes
- Dispute timeframes
- Dispute process
- 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 through 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

- Past due one payment (**30 days**): statement message.
- **45 days** past due: pre-suspension code. Letter sent to cardholder.
- **55 days** past due: second pre-suspension letter sent.
- Past due two payments (**60 days**): suspend code applied. Statement message.
- Past due three payments (**90 days**): pre-cancellation/salary offset letter sent. Statement message.
- Past due four payments (**120 days**): 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.
- Past due five payments (**150 days**): 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 day past due cardholders is sent to the U.S. Bank 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



Disputes

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Disputes

- Definition
 - Cardholder does not recognize a transaction or has been unable to resolve an erroneous billing to their credit card
- Cardholder Requirements
 - Attempt to resolve with merchant
 - Provide detailed explanation
 - Notify within 90 days of transaction date
 - Respond promptly to requests



Valid Disputes

- Unrecognized/unauthorized
 - Unauthorized requires account to be closed
- Duplicate charge
- Merchandise/services not received
- Returned merchandise
- Cancelled
- Incorrect amount
- Paid by other means
- Defective merchandise
- Quality of service



Invalid Disputes

- Sales tax
- Shipping and handling
- Exchange rates
- Federal express
- Credits/re-bills
- Government service rebates
- Different fiscal year
- Wrong customer's account
- Unofficial/unauthorized cardholder purchases



Dispute Timeframes

- Guidelines
 - To preserve dispute rights, a dispute must be received within 90 days from the date on which the transaction posted
 - Extensions
 - Delayed delivery
 - Quality of services – U.S. transactions only
 - No extensions
 - Draft requests, not a valid dispute, *does not preserve your dispute rights*



Dispute Process

- Cardholder disputes transaction
 - Dispute reason
 - Identify original cause
 - Relevant information/documentation
- Transaction suspended
- Dispute researched
 - VISA[®] regulations
 - Additional information obtained
 - Transaction receipt
 - Contact customer



Dispute Process

- Charge back to merchant
 - Cardholder receives provisional credit
- Merchant rebuttal
 - Up to 45 days from chargeback date
 - Additional information
- Updated cardholder response
- Arbitration



Transaction/Disputes

- Resolved in favor of cardholder – credit issued
- Resolved in favor of merchant – no credit
- All disputes, whether they were initiated in Access Online or not, will appear on the Transaction List report. Option to include only transactions disputed.

Name	Account Number	Managing Account	Trans Date	Posting Date	Cycle Close D:	Trans Amount	Disputed	Dispute Status	Dispute Status Date	Merchant Name
JOE COOL	*****000111111	*****4555592511	2008/05/28	2008/05/29	2008/06/19	\$139.00	Y	Unresolved		ZAP*ZAPPOS.COM
JOHN SMITH	*****100011112	*****4555592578	2008/05/12	2008/05/13	2008/05/19	\$88.15	Y	Resolved in Favor of Cardholder	2008/05/22	GSA-FSS-ADV
JOHN SMITH	*****100011112	*****4555592578	2008/05/12	2008/05/13	2008/05/19	\$88.15	Y	Resolved in Favor of Cardholder	2008/05/22	GSA-FSS-ADV
JANE DOE	*****000111113	*****4555599573	2008/05/27	2008/05/27	2008/06/19	\$9.10	Y	Resolved in Favor of Merchant	2008/07/01	CENTER COMPANY
BOB JOHNSON	*****000111114	*****4556159211	2008/05/15	2008/05/19	2008/05/19	\$359.40	Y	Resolved in Favor of Merchant	2008/05/28	STARTLOGIC, INC
ANN OLSON	*****000111115	*****4556565862	2008/06/02	2008/06/03	2008/06/19	\$112.29	Y	Unresolved		STANLEY SUPPLY & SVCS



How to Initiate a Dispute

- **Access Online**
<https://access.usbank.com>
- **Customer Service**
888-994-6722
- **Mail**
U.S. Bank Government Services
PO Box 6347
Fargo, ND 58125-6347
- **Fax**
866-457-7506





Questions?



Thank You

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