Debt Management at VBA

Pat Oakley

Lead Systems & Procedures Analyst

Office of Resource Management

*Note: This information is current as of November 8, 2011, and is subject to change based on changes in the law and in VBA's policy and procedures

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Today’s review will address the following:

- When and why are education debts established
- What are the current VBA debt management practices
- What are the issues surrounding VBA current practices
- What is VBA doing to enhance our practices
- What questions you may have
When and why are education debts established?

- Tuition and fees payments are paid directly to the school at the beginning of the term on student’s behalf.
- The majority of education debts are automatically generated when VA processes an amended award based on information received from the school indicating a reduction or termination of classes.
When is a debt established against a school?

When the VA has disbursed funds to the school and……..

- The student never attended classes they were certified for regardless of the reason for non-attendance
- The student completely withdraws on or before the first day of the term
- The school receives payment for the wrong student

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School debt continued:

- The school received a duplicate payment
- The school submits an amended enrollment certification and reported reduced tuition and fees with no reduction in class load
- The student dies during the term
- VA issued payment greater than what was certified

In all other instances the school should refund the money to the student in accordance with their refund policies.
Current VBA school debt collection process

Our current practices center around collecting overpayments of benefits from veterans or their dependents

- Beneficiary award is amended based on 1999b received from the school and debts are established (student and/or school)
- Education sends initial debt notification letter to school
- DMC is notified and sends a debt collection letter 45 days after debt established
- School sends funds to the RPO or DMC
- Funds are applied to the debt (research done, if necessary)
- Excess funds are returned to appropriate party
The Debt Collection
Turkey Buzzard
Issues of Debt Collection Practices in VBA

- This is the first time that benefits are paid on behalf of a veteran to a school, and we need to collect debt from the school.
- Educational benefits for other programs are not paid in advance as are the Chapter 33 benefits.
Issues Continued . . . . . .

- Schools are confused regarding when and how to return funds to VA
  - No ACH mechanism for school to return funds to VA
  - Schools return funds before notifying VA of changes in enrollment

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VA struggles to identify funds received from schools

- Debts not established timely so funds end up being held by VA until proper research is completed
- The DMC needs to send out collections letters quicker
- VA must return excess or unidentified funds received from school

VA lacks consistency in application processes from one Regional Processing Office (RPO) to another
DEBT COLLECTION TEAM
Enhancements being made…System Changes:

- The financial system has been reconfigured to establish multiple school debts for individual students.
- VA is developing accounts receivable reports by individual to help schools reconcile debt.
- The DMC is changing the way they do business to facilitate collection activity.
- The Chapter 33 school debt processing functions are being consolidated to DMC and one assisting RPO.
Enhancements continued…Process changes

- Notification letters will go out much quicker based on system changes notifying DMC of a school debt (75B)
- Schools will send all checks to DMC for processing
  - Those that cannot be applied will be sent to one RPO for research and processing
- Notification of these changes will be communicated to all schools as soon as the changes have been concurred
- The schedule for implementation is January 1, 2012
New Process Steps:

- The RPO receives 1999b to amend award
- Debt is established and letter is sent from RPO advising the school of the change and overpayment
- DMC sends debt collection letter to the school
- The School uses the tear-off from the DMC letter and sends DMC money
- DMC applies funds to the existing debt and sends the remainder to the Muskogee RPO.
New Process Steps Continued…

- Muskogee RPO receives unidentified funds from DMC
- Muskogee researches and applies the funds as appropriate

  • Possible actions are:
    - Establish debt and apply funds
    - Return funds to the education appropriation
    - Return funds to the school
    - Forward funds to the student

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We Need Your Help!!!

- PATIENCE

- Coordination between the Bursars office and the school Certifying Official. We often do not know what money is for until we receive the amended 1999 from the certifying official.

- Once the new consolidating procedures are in place, do not send any money until you get a debt notification letter from DMC. The tear-off stub is a big help to DMC in identifying the funds.
Who can you call??

Education Call Center
1-888-442-4551

Debt Management Center
1-800-827-0648
Veterans Benefits Administration
Fall FOCUS Conference

Learn More
www.GIBILL.va.gov

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