



GSA Federal Supply Service

# Citibank Best Practices for Payments, Collections and Managing Delinquencies in Your Travel Card Program



Citibank® Commercial Cards, Government Services

# Citibank Best Practices for Payments, Collections and Managing Delinquencies In Your Travel Card Program

The Eighth Annual GSA SmartPay Conference

Kelli Thompson, August 1, 2006

# Goal & Objectives

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- **To provide an overview of:**
  - Impacts of non-payment
  - Collection efforts
  - Best practices to reduce delinquency
  - Current results

# Agenda

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- **Why Manage Payments and Collections?**
- **Myths**
- **Delinquency Timeline**
- **Communications**
- **Root Causes of Delinquency**
- **Best Practices**
- **Delinquency Update**
- **Q & A**

# Why Manage Payments & Collections?

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- **Program integrity**
- **Increase rebates**
- **Suspension / cancellation impacts employees' ability to travel**

# Myths

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## ■ **Account management**

- Only have to pay when receive reimbursement
- Never reported to personal credit bureau
- Personal use of card is allowed

## ■ **Personal bankruptcy**

- Do not have to claim my travel card account

## ■ **Terminated cardholders**

- Collection efforts cease
- Agency is unable to assist

## ■ **Deceased cardholders**

- Debt ceases

# Past Due Terminology

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- **GSA contract references the number of days past the statement date**
  - “Clock” starts ticking when the account cycles and a statement is generated with a balance owed
- **Citibank references the number of days an account is “past due”**
  - Credit card industry norm
  - “Clock” starts ticking on the cycle date after the payment was due

# Delinquency Timeline

- **Cardholder travels January 5<sup>th</sup>**
  - Charges are posted a few days later
- **Account cycles on January 15<sup>th</sup> and the first statement is created**
  - Payment due date is February 10<sup>th</sup>
- **Account cycles on February 15<sup>th</sup>**
  - New statement is created showing account is currently past due
- **On March 1<sup>st</sup> the first delinquency letter is sent to the cardholder**
  - Account is 15 days past due
  - Letters continue until the account is cancelled (101 days past due)
- **On March 15<sup>th</sup>, the account cycles again**
  - Next day Collections begins to call - account is 31 days past due
  - Calls from Citibank continue if not paid or enrolled in Salary Offset, until account charged off



## Delinquency Timeline *(continued)*

- **On March 21<sup>st</sup>, the account is suspended**
  - Unable to use card until payment posts
  - Suspension is automatically lifted during nightly posting when payment cures delinquency
- **On April 15<sup>th</sup> the account cycles again and a fourth statement is generated**
  - Account is now 61 days past due
- **On May 15<sup>th</sup> account cycles again and a fifth statement is generated**
  - Account is now 91 days past due
- **Account is permanently closed on May 25<sup>th</sup>, at 101 days past due**

## Delinquency Timeline *(continued)*

- **Account cycles again on June 15<sup>th</sup>**
  - A sixth statement is generated and account begins to report to cardholder's personal credit bureau
  - Late fee of 2.5% of the outstanding balance is applied – account is 121 days past due
- **At 121 days past due, collectors will call all phone numbers on account and also attempt to reach the A/OPC to discuss the status of the account**
- **Account cycles on July 15<sup>th</sup> and account is 151 days past due**
  - Account is worked by the late stage collector - late fee is billed again
- **Account cycles on August 15<sup>th</sup> for the last time**
  - Late fee is applied for the last time and account automatically charges off
  - Account balance is considered a “Gross Write Off”

## Delinquency Timeline *(continued)*

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- **If not participating in Salary Offset, the account is placed with an outside collection agency within a few days**
- **Any payments made on the account after charge off are counted as “Recoveries”**
  - Collection agency fees are based on a portion of the recovery amount

# Suspension and Cancellation

- **Suspension is at 36 days past due - automatically lifted when payment posts**
  - Suspensions are serious and should not be taken lightly
  - It may impact the cardholder's ability to travel
- **Accounts are cancelled at 101 days past due - a permanent closure**
  - Cardholder has received four letters, five statements and we have made numerous attempts to reach the cardholder by phone
- **Accounts are cancelled when two NSF checks are received within a twelve month period**

# Suspension and Cancellation *(continued)*

- **Reinstatement requests should be rare**
  - Only approved if there are extenuating circumstances
  - The A / OPC must submit a written request to their Client Account Services Manager
    - With an explanation of the circumstances
  - Citibank Collections Management reviews the information and payment history to see if warranted

# Citibank Communications

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## ■ Calls

- Citibank Collections begins calling cardholders at 31 days past due
- Calls continue until account charged-off
  - Outside collection agency works the account
- Frequency of calls determined by call response and delinquency level (left message, promise to pay, etc.)
- Typically the business number is called first

## Collection Letters

<b>Past Due Letter</b>	<b>Advises account is currently past due and to pay immediately to avoid suspension of charging privileges. All letters include past due amount and balance.</b>	<b>15 days past due</b>
<b>Pre-suspend Letter</b>	<b>Advises account is past due and if payment is not sent within five days of the date of the letter, charging privileges will be revoked.</b>	<b>25 days past due</b>
<b>Suspension Letter</b>	<b>Advises charging privileges have been revoked due to non-payment. States they will automatically be reinstated when payment received.</b>	<b>36 days past due</b>

## Collection Letters *(continued)*

<b>Pre-cancel Letter</b>	<b>Advises account is currently suspended and subject to cancellation if payment not received within 5 days. Also references the potential for late charges and reporting to his / her personal credit bureau.</b>	<b>90 days past due</b>
<b>Cancellation Letter</b>	<b>Advises account is more than three months past due, has been cancelled and will be reported as a delinquency on their personal credit bureau if payment not received.</b>	<b>101 days past due</b>



## ■ **Statement Messages**

- First Statement indicating account is past due:
  - We did not receive your payment last month. Please pay the total balance due at once. If paid, thank you.
- Second Statement indicating account is past due:
  - Attention! Your account is delinquent and is subject to suspension. Please pay the total balance due immediately. If paid, thank you.
- Third and Fourth Statements indicating account is past due:
  - Your account is seriously delinquent and your credit privileges remain suspended. Your account is subject to cancellation. Pay the total balance due immediately.
- All future statements if account remains past due:
  - Your account has been cancelled. Pay the total balance due immediately. You must call 800-473-1393 in order to be considered for reopening.

# Root Causes of Delinquency

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- **Improper handling of a dispute**
- **Returned checks**
- **Late or non-submission of expense reports**
- **Slow / manual reimbursements by agency**
- **Unclear policy and / or procedures**
- **Employee misuse / spending reimbursement**

# Best Practices – All Travel Accounts

## Implement control tools

### ■ **Travel policy and compliance**

- Maintain a consistent card use policy - educate cardholders periodically
- Create, communicate and exercise penalties for misuse or abuse of program

### ■ **Maximize card control**

- Restrict unnecessary MCCs - review list periodically
- Minimize credit limits (cash and purchase)

### ■ **Report utilization**

- Use reporting tools to monitor spending and payment history for all accounts
- Empower A/OPCs to take action against delinquent cardholders
- Have action plans in place

## Best Practices – All Travel Accounts *(continued)*

### Implement control tools

- **Split disbursements**

- Improves “turn days” automatically
- Eliminates temptation to spend reimbursement
- Traveler still needs to submit expense report but no longer has to write a check to Citibank

- **Salary Off-set program**

- “Guarantees” payments
- Serves as a deterrent for program abuse or misuse

## Best Practices *(continued)*

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- **Implement central billing for air / rail**
- **Implement online statements**
  - Easier access to statement info when traveling
  - Online payment is faster than mailing a payment and it's free
  - Self-registration is simple
  - Users may print, view or download information
  - Statement history is also viewable
  - There are several sessions on online statements, please consider attending one

## Best Practices – Central Billed Travel

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- **Pay balance in full**
- **Request credits from merchants on disputes**
- **Reconcile charges in a timely manner**
  - Use the CitiDirect® Card Management System tools
  - Initiate payments timely
  - Citibank® Custom Reporting System

# Delinquency Reports

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- **Citibank<sup>®</sup> Electronic Reporting System provides access to detailed and easy to use delinquency reports that can be run at your convenience**
- **Important to remember that past due dollars are segmented by number of months past due but entire balance will charge off at 181 days past due**
- **Reports by MCC code can also be obtained via Citibank<sup>®</sup> Electronic Reporting System**
- **Stop by Technology Demonstration room for more information**

## Sample Delinquency Report *(continued)*

				AMT	AMT	AMT	AMT	AMT	AMT	AMT
		TOT	AMT	CURR	CURR	CURR	CURR	CURR	CURR	CURR
	CR	CURR	CURR	PD	PD	PD	PD	PD	PD	PD181
NAME1	RATIO	BAL	PD	1 - 30	31 - 60	61 - 90	91 - 120	121 - 150	151 - 180	PL
HAPPY HOWARD	G5	\$6,000	\$6,000	\$0	\$0	\$0	\$500	\$1,500	\$4,000	\$0
AUSTIN POWERS	G5	\$7,000	\$7,000	\$0	\$0	\$2,500	\$2,000	\$2,500	\$0	\$0
SALLY SNOWSHOES	G3	\$9,000	\$3,000	\$2,000	\$1,000	\$0	\$0	\$0	\$0	\$0
CAPTAIN MORGAN	G1	\$2,000	\$750	\$750	\$0	\$0	\$0	\$0	\$0	\$0
DAVY CROCKETT		\$1,000	\$250	\$250	\$0	\$0	\$0	\$0	\$0	\$0
SKY BLUE	G3	\$500	\$400	\$300	\$100	\$0	\$0	\$0	\$0	\$0
MICKEY MCDONALD	G1	\$4,000	\$4,000	\$4,000	\$0	\$0	\$0	\$0	\$0	\$0



# Salary Off-set Program

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- **Accounts are targeted at 101 days past due for agencies participating**
- **Letters are sent to the cardholder requesting payment in full to prevent Salary Off-set**
- **Late fees are stopped for accounts participating in Salary Off-set but account continues to age**
  - Accounts participating in Off-set are not sent to outside collection agencies at charge off

# Salary Off-set Program *(continued)*

## Agencies participating

- **General Services Administration**
- **Department of State**
- **Broadcasting Board of Governors**
- **Department of Veterans Affairs**
- **Social Security Administration**
- **OCC**
- **Internal Revenue Service**
- **Department of Labor**
- **DHS – Under Secretary for Preparedness**
- **Department of Commerce**
- **Federal Aviation Administration**
- **DHS United States Coast Guard**
- **DHS TSA**
- **DHS ICE**
- **DHS CBP-BP**
- **DHS USCIS**
- **DHS FEMA**
- **DHS – S & T**
- **DHS – IA/IP**

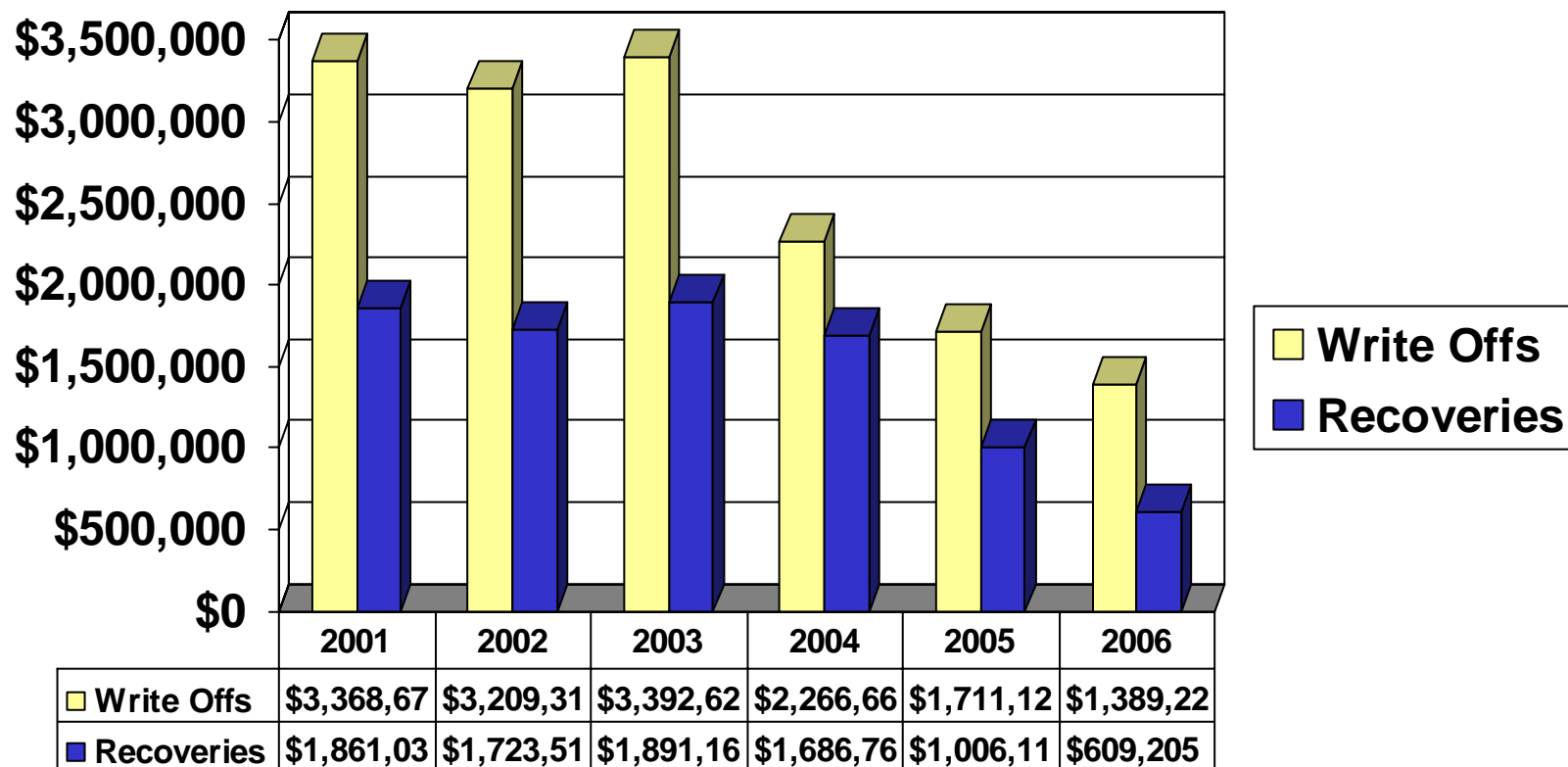
*This is an increase in the number of Agencies participating from 8 Agencies in 2003 to 19 Agencies in 2006!*

# Salary Off-set Program Results

- **Accounts participating in Salary Off-set (specific point in time)**
  - December 2004 - 109 accounts / \$400,930
  - December 2005 - 237 accounts / \$804,570
  - As of July 2006 - 218 accts for \$863,803
  
- **Accounts paid upon notification of Salary Off-set**
  - 2004 - 183 accounts / \$393,527
  - 2005 - 356 accounts / \$575,149
  - Year-to-date 2006 - 246 accts for \$409,662
  
- **Accounts paid in full through Salary Off-set**
  - 2004 - 189 accounts / \$416,941
  - 2005 - 376 accounts / \$674,841
  - Year-to-date 2006 - 278 accts for \$455,171

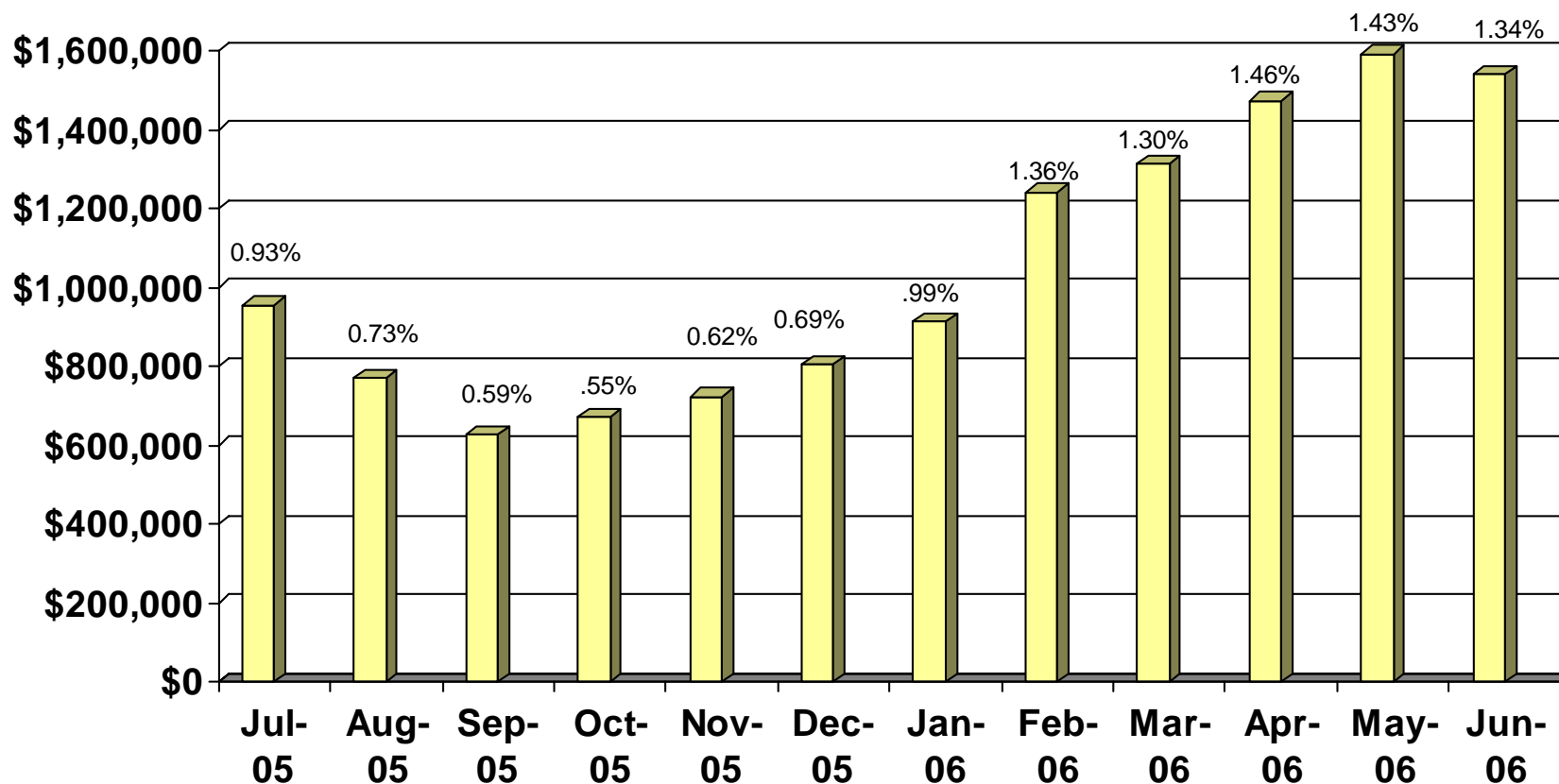
# Delinquency Update

## Recoveries and write offs



# Delinquency Update

Individually billed travel 61 + DPD - total balance outstanding



# Summary

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- **Delinquency management is everyone's responsibility**
- **Implementing best practices is key**
  - Travel policies and enforcement
  - Maximize card control
  - Central billing for air / rail
  - Split disbursement
  - Salary off-set
  - Online statements and payments
- **Improved delinquency management results in higher rebates and improved program integrity**

# Citibank Best Practices for Payments, Collections and Managing Delinquencies in Your Travel Card Program

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***Questions?***

# Reminders

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- **Thank you for attending this session!**
- **Visit the Citigroup Welcome Center**
  - Majestic Ballroom C, Level Two
  - National Industries for the Blind will have a display of products
- **Visit the Citigroup Technical Demonstration Center**
  - Landmark 5, Level One
- **Please take a moment to complete your GSA survey for this session**
- **Citibank party is tonight!**
  - America's Center, Exhibit Hall 3, Level One, at 7:00 p.m.



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