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Part: PART 1408 - COLLECTION OF CLAIMS OWED THE UNITED STATES
Subpart: Subpart A - Administrative Collection of Claims
Section Number: 1408.12
Section Title: Charges for interest, administrative costs, and penalties
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§ 1408.12 Charges for interest, administrative costs, and penalties.

- (a) Except as provided in paragraph (d) of this section, the Corporation shall:
- (1) Assess interest on unpaid claims;
 - (2) Assess administrative costs incurred in processing and handling overdue claims;
- and
- (3) Assess penalty charges not to exceed 6 percent a year on any part of a debt more than 90 days past due.

The imposition of charges for interest, administrative costs, and penalties shall be made in accordance with 31 U.S.C. 3717.

(b)(1) Interest shall accrue from the date of mailing or hand delivery of the initial demand for payment or the Notice of Intent to Collect by either Administrative or Salary Offset if the amount of the claim is not paid within 30 days from the date of mailing or hand delivery of the initial demand or notice.

(2) The 30-day period may be extended on a case-by-case basis if the Corporation reasonably determines that such action is appropriate. Interest shall only accrue on the principal of the claim and the interest rate shall remain fixed for the duration of the indebtedness, except, as provided in paragraph (c) of this section, in cases where a debtor has defaulted on a repayment agreement and seeks to enter into a new agreement, or if the Corporation reasonably determines that a higher rate is necessary to protect the interests of the United States.

(c) If a debtor defaults on a repayment agreement and seeks to enter into a new agreement, the Corporation may assess a new interest rate on the unpaid claim. In addition, charges for interest, administrative costs, and penalties which accrued but were not collected under the original repayment agreement shall be added to the principal of the claim to be paid under the new repayment agreement. Interest shall accrue on the entire principal balance of the claim, as adjusted to reflect any increase resulting from the addition of these charges.

(d) The Corporation may waive charges for interest, administrative costs, and/or penalties if it determines that:

- (1) The debtor is unable to pay any significant sum toward the claim within a reasonable period of time;
- (2) Collection of charges for interest, administrative costs, and/or penalties would jeopardize collection of the principal of the claim;
- (3) Collection of charges for interest, administrative costs, or penalties would be against equity and good conscience; or
- (4) It is otherwise in the best interest of the United States, including the situation where an installment payment agreement or offset is in effect.