Procedure Statement

This procedure provides guidelines for the extension of credit, collection efforts, and referral of delinquent accounts to The Texas A&M University System Office of General Counsel or the Attorney General of Texas.

Reason for Procedure

This procedure establishes the method for the prudent collection of student accounts receivable in the best interest of Texas A&M University-Commerce, The Texas A&M System, and the state of Texas. Although this procedure primarily applies to student account receivables, including certain university-issued short-term loans, procedures stated herein may be used to process other delinquent receivables from vendors and non-student accounts. This procedure does not apply to the write-off of any federal loans.

Procedures and Responsibilities

1  GENERAL

A&M-Commerce is responsible for determining whether the extension of credit in specific cases to students is appropriate and in the best interest of the University to do so. It is the responsibility of the Bursar and Director of Student Accounts to establish the following:

1.1 A process to ensure that the requested extension of credit is not a prohibited transaction.

1.2 A process to ensure that any extension of credit (installment plan contract, short-term loan request, or repayment agreement) is done so in a prudent manner, including the use of standardized credit applications and legal authority required for approval of the requested credit.
1.3 A process whereby credit is not extended to students who are in default on other obligations or for whom previous obligations have been written off as uncollectible. If a student account is in default, a transcript and registration hold will be placed on the account.

1.4 Processes for managing and monitoring the billing and collection activities on student accounts.

1.5 Processes for recording and monitoring credit extended and subsequent payments received on student accounts.

1.6 Processes to ensure that amounts reported as receivables on the financial statement are recorded in accordance with generally accepted accounting principles.

2 EXTENSION OF CREDIT

A student account receivable will be recognized (recorded in the University’s financial records) when:

2.1 A student has enrolled for classes at the University or has been registered for classes by the University;

2.2 A student has incurred charges for costs associated with attendance (tuition, fees, housing and meal charges, book purchases, etc.) from which a benefit to the student is derived;

2.3 Payment is due to the University from the student or a third party;

2.4 The revenue from the transaction has been recognized in the University’s books and records;

2.5 Payment has not been received (collected) by the University from the student or third party;

2.6 The accounts receivable does not represent an extension of credit that is prohibited by law; and,

2.7 The recording is deemed to be appropriate by the University's fiscal officers.

3 RECORDING AN ACCOUNT RECEIVABLE IN THE FINANCIAL RECORDS

3.1 An account receivable for tuition and student fees is recorded in the financial records automatically by the registration process. Charges for housing, meal plans, or other fees are entered by the office responsible for administration of those programs. These entries credit the appropriate revenue accounts and debit the appropriate account receivable accounts in the University’s accounting system.
3.2 In the event that a student withdraws during the semester, the accounts receivable outstanding balance for tuition and student fees is reduced by the appropriate percentage refund rate relevant at the time of withdrawal. Reduction or removal of other charges such as housing, meal plans, orientation fees, or other balances is completed by the office that posted the original charge.

4 INTERNAL CONTROL

The Financial Services Office maintains adequate records of student accounts receivables and prepares a reconciliation of the student receivable records and the financial accounting records.

5 AGING ACCOUNTS RECEIVABLE

The Financial Services Office also maintains an aging schedule for all student accounts receivables with the total of the aging schedule balanced to the total recorded accounts receivable. The following aging brackets are to be used:

5.1 31–60 days past due

5.2 61–90 days past due

5.3 91–365 days past due

5.4 366–730 days past due

5.5 more than 730 days (2 years) past due

6 COLLECTING ACCOUNTS RECEIVABLE

6.1 The size of the account receivable may influence the collection efforts. The expenditure of time, effort, and money to collect large accounts receivable is appropriate; however, the same efforts expended on very small accounts receivable may not be economical.

6.2 An account will be considered delinquent or in default if the account balances remains unpaid approximately 30 days after the end of the semester.

6.3 Collection Efforts

6.3.1 Approximately 30 days following the end of the term - Bursar’s office will mail first demand letter to students with outstanding balances of $200 or more.
6.3.2 Approximately 60 days following the date of the first demand letter, Bursar’s office will mail a second demand letter to students with balances of $200 or more, giving students 30 days to pay any outstanding balance prior to turning over account to collection agency.

6.3.3 Approximately 60 - 90 days following the end of the term - Bursar’s office applies any outstanding general deposit to delinquent student accounts and compiles list to send to collection agency.

6.3.4 Approximately 90 – 120 days following the end of the term - Bursar’s office will place accounts with a balance of $200 or more with an outside collections agency.

6.3.5 Approximately 120 days – Bursar’s office notifies Texas Comptroller of Public Accounts to initiate warrant hold process, ensuring that no treasury warrant is issued to the indebted student (Texas Government Code, §403.055).

6.3.6 90 – 365 days following the end of the term - collection agency actively pursues collection. Collection agency fees may be added. Payments in this time period to either the university or the collection agency will be subject to the collection agency fees.

6.3.7 366 – 732 days following the end of the term - accounts returned from collection agency. Bursar’s office may refer account to alternate collection agencies for second or third referral (at Bursar’s office discretion).

6.3.8 750 days following the end of the term - accounts turned over to the System Office of General Counsel (at the Vice President for Business & Administration’s discretion).

6.4 Accounts placed with a collection agency are subject to fees which are calculated and added upon receipt of payment. These fees will be determined in advance with the collection agencies and are subject to approval from the Texas Attorney General’s Office.

6.5 If a debtor with a delinquent account makes payments towards the balance or begins making payments within the 30-day window after the collection agency warning letter has been sent, the debtor will be treated as an “active” student and will not be turned over to a collection agency unless payments cease before the account balance is paid in full. If the account is turned over for collection, collection agency fees will apply. Regardless, there will be a transcript hold placed on the account until the balance has been paid in full. Also, a registration hold will be placed on the student’s account until the balance is $200 or less.

6.6 If a debtor has received a 30-day warning letter and begins making payments but then stops making payments, the debtor’s account(s) may be sent to an outside collection agency without further notice to the debtor.
6.7 All demand letters should be mailed in compliance with applicable collection laws. If an address correction is provided by the United States Postal Service, the demand letter should be mailed to the corrected address prior to the referral procedures described above. Demand should be made upon every debtor prior to referral of the account to an outside collection agency and placement of a State warrant hold.

6.8 Exceptions:

If the student account accrues a balance of $200 or more after the first demand letter has been sent, the Bursar’s office may include these accounts in the collection cycle of the following term.

7 SETTLEMENT OF AN UNCOLLECTIBLE ACCOUNT

The following accounts may be subject to settlement:

7.1 Accounts receivable up to $200.00 may be settled with the debtor by the Bursar and Director of Student Accounts if all collection efforts have been completed and the account has been outstanding for four years.

7.2 Accounts receivable between $201.00 and $1,000.00 may be settled with the debtor by the Bursar and Director of Accounting if returned as uncollectible by more than two outside collection agencies (first and second referrals) and the account has been outstanding for four years.

7.3 Accounts receivable over $1,000.00 returned as uncollectible by at least two outside collection agencies (first and second referrals) and outstanding for four years must be referred to the executive level of the University for settlement approval. Requests for settlement should include name, amount, school term, and a statement as to why that accounts receivable has been determined to be uncollectible.

7.4 A list of settled accounts will be filed in the Office of the Bursar and Director of Student Accounts. All student accounts that have been settled will be noted as such in the student system and a registration hold will be placed on these student accounts.

8 FORGIVENESS OF ACCOUNTS

Charges will be forgiven and the student’s account will be marked as paid in full for:

8.1 Deceased debtors. If the debtor is deceased, the delinquent obligation should be classified as uncollectible and permanently written off after attempts to collect against the estate have been unsuccessful.
8.2 Residual amounts as deemed appropriate by the Vice President for Business & Administration after application of any property deposit, and within guidelines set by state and federal regulations.

9 FORGIVENESS OF DEBT VERSUS WRITE-OFF OF UNCOLLECTED ACCOUNTS

The write-off of an uncollected account is a bookkeeping entry only and does not relieve the debtor from his or her financial responsibility to the University. Although the uncollected account has been removed from the financial books and records (i.e., written off as uncollectible), the University may still have a claim against the debtor and may still see legal remedy (i.e., file suit for collection in a court of law). Therefore, it is the responsibility of the Financial Services Office to maintain adequate records regarding legal financial obligations (debts) owed to the University.

10 ALLOWANCE FOR DOUBTFUL ACCOUNTS

The University records an allowance for doubtful accounts on past due accounts for all accounts that have not been written off or forgiven. Prior to closing each fiscal year’s books, the Financial Services Office will analyze and adjust the allowance for doubtful accounts, with offsets to the appropriate revenue accounts or bad debt expense, in accordance with accounting guidelines. An allowance for doubtful accounts will be set up as a contra-receivable in each appropriate general ledger.

11 MONITORING

Biweekly meetings shall be conducted between the Bursar and Director of Student Accounts and the Collections Specialist. Significant progress and/or concerns are provided to the Associate Vice President for Business & Administration (AVPBA) and Comptroller by the Executive Director of Budgets and Business Services. The AVPBA and Comptroller provides updates to the Vice President for Business & Administration at monthly VPBA staff meetings.

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**Related Statutes, Policies or Requirements**

- Texas Government Code §403.055
- Texas Admin. Code, Title 1, Part 3. §§59.2, 59.3
- Comptroller of Public Accounts, Accounting Policy Statement 027, Accounting for Uncollectible Accounts
- System Policy 21.01 Financial Policies, Systems, and Procedures
- System Regulation 21.01.04 Extension of Credit
Contact Office

Financial Services/Student Accounts
(903) 886-5056