

§ 1177.30 Termination of collection activity.

(a) NEH may terminate collection activity when:

- (1) NEH is unable to collect any substantial amount through its own efforts or through the efforts of others;
- (2) NEH is unable to locate the debtor;
- (3) NEH anticipates that the costs of collection will exceed the amount recoverable;
- (4) The debt is legally without merit or enforcement of the debt is barred by any applicable statute of limitations;
- (5) NEH cannot substantiate the debt; or
- (6) The debt against the debtor has been discharged in bankruptcy.

(b) Before terminating collection activity, NEH will have pursued all appropriate means of collection and determined, based upon the results of the collection activity, that the debt is uncollectible. Terminating collection activity ceases active collection of the debt but does not preclude NEH from retaining a record of the account for purposes of:

- (1) Selling the debt, if the Secretary determines that such sale is in the best interests of the United States;
- (2) Pursuing collection at a subsequent date in the event there is a change in the debtor's status or a new collection tool becomes available;
- (3) Offsetting against future income or assets not available at the time the agency terminated collection activity; or
- (4) Screening future applicants for prior indebtedness.

(c) Generally, NEH will terminate collection activity on a debt that has been discharged in bankruptcy, regardless of the amount. NEH may continue collection activity, however, subject to the provisions of the Bankruptcy Code, for any payments provided under a plan of reorganization. Offset and recoupment rights may survive the discharge of the debtor in bankruptcy and, under some circumstances, claims also may survive the discharge. For example, if NEH is a known creditor of the debtor, its claims may survive a discharge if it did not receive formal notice of the proceedings. NEH will seek legal advice from its Office of the General Counsel if it believes it has claims or offsets that may survive the discharge of a debtor.