

Individual Ability to Pay Plus (INDIPAY+) Guide

**U.S. Environmental Protection Agency
Office of Enforcement and Compliance
Office of Site Remediation Enforcement and Office of Civil Enforcement**

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Key Terms

Ability to Pay (ATP) is a general policy framework that deals with financial issues for settlements where a party's financial ability to pay is a significant consideration. The ATP analysis uses financial information to evaluate the financial condition of the party (entity) individual analyzed and its ability to pay for a cleanup, fines, and penalties.

INDIPAY+ are tools that offer added and expanded analysis to evaluate an individual's financial ability to pay his or her environmental obligations. It goes beyond the INDIPAY screening model and is the second step in the ATP analysis. Like INDIPAY, INDIPAY+ should, generally, only be used for settlement purposes.

Cash Flow Test compares income to expenses.

Debt Capacity is an assessment of the amount of debt an individual can take on and repay on time from available resources without jeopardizing their financial viability.

Individual means any party or entity liable for environmental obligations who uses the Individual Income Tax form to submit financial data to the federal government. This Guide does not apply to business entities such as C- or S-corporations that file corporate tax returns. In this Guide, "individual" refers to a respondent, responsible party (RP), or potentially responsible party (PRP).

Financial Hardship refers to a situation in which an individual is having financial difficulties satisfying debt payments and/or meeting living expenses because of unexpected events or changes that affects their cash flow. For example, changes in income, expenses, employment status, or an emergency event signify potential strains on an individual's financial resources. An undue financial hardship occurs if "satisfaction of the environmental claim will deprive a PRP of ordinary and necessary assets or cause a PRP to be unable to pay for ordinary and necessary business expenses and/or ordinary and necessary living expenses." (Source: EPA. "General Policy on Superfund Ability to Pay Determination," 1997.)

INDIPAY is a computer-based model screening tool used to make a preliminary determination of an individual's financial health, which is the first step in an ATP analysis.

Net Worth equals Total Assets minus Total Liabilities.

I. Introduction

- (a) The Environmental Protection Agency (EPA) takes an individual's claim of financial hardship seriously and does not seek to impose cleanup costs or a penalty that is beyond an individual's financial means. Instead, it is EPA's policy to work with such individuals in an effort to determine the appropriate level of contribution toward cleanup costs or a suitable penalty adjustment in light of their financial circumstances.¹ Therefore, it is essential for EPA to obtain the necessary financial information to inform the evaluations and assessments.
- (b) EPA developed the INDIPAY model to aid with evaluating an individual's ability -to-pay (ATP) claim (as opposed to a corporate claim evaluated using the ABEL model).² The purpose of an ATP analysis is to decide if there are financial resources (e.g., liquid assets, credit lines) available to an individual to pay for environmental obligations. The ATP analysis helps figure out whether an individual is in the financial position to pay the entire amount owed or only a part, if any.
- (c) You are not required to use the INDIPAY model to conduct a financial analysis of an individual. The INDIPAY computer model is a **screening** tool designed to give a quick and accurate determination based on data found on an individual's tax returns and the Financial Data Request Form (FDRF). The model is a conservative tool. If the INDIPAY model concludes that an individual has the resources to pay a penalty or cleanup cost, you may be confident in that result. However, in cases where the model gives a negative or ambiguous result, you may decide to go beyond screening and further evaluate the individual.
- (d) INDIPAY may serve as a useful screening tool in an ATP analysis. To help with those circumstances not easily screened out after using INDIPAY, **INDIPAY+** goes beyond by offering added advice and tips on how to conduct an expanded analysis of an individual's ATP. INDIPAY+ incorporates financial information disclosed by an individual and other financial information available from other sources that may help in completing the financial picture of an individual. It also discusses how to obtain and confirm the information used in the analysis. Further, it explains what information to use, what financial data to use in the analysis, and gives options to identify and consider all potential resources available.
- (e) This Guide identifies steps you may take to get a better understanding of an individual's financial situation. It provides you with a framework augmented by step-by-step guidance on how to evaluate an individual's ATP claim and offers suggestions for further evaluation where an individual's ability to pay is ambiguous. This Guide is intended to help you obtain, then evaluate, accurate and current financial information for an

¹ See EPA's ability to pay guidance documents: *Guidance on Determining a Violator's Ability to Pay a Civil Penalty* (Dec. 16, 1986); *General Policy on Superfund Ability to Pay Determinations* (Sept. 30, 1997); and *Guidance on Evaluating a Violator's Ability to Pay a Civil Penalty in an Administrative Enforcement Action* (June 29, 2015).

² See the Agency's Penalty and Financial Models Web page at <https://www.epa.gov/enforcement/penalty-and-financial-models>

individual and whether an individual has an ability to fulfill their environmental obligations.³

II. Objectives of INDIPAY+

- (a) **INDIPAY+** is a user-friendly, interactive tool for both non-financial personnel and experienced financial analysts when conducting financial analysis on an individual's ATP claim. OECA developed INDIPAY+ to aid case teams in collecting pertinent financial information and conducting helpful calculations. Please note that per EPA guidance, "[t]he case team should be mindful of the sensitivity of [an individual's] financial information as well as handling confidential business information (CBI)."⁴
- (b) This Guide is designed to evaluate the ATP of an individual, an officer of a company (personally liable), business (sole proprietorship), or an entity that files a U.S. Individual Income Tax Return (Forms: 1040, 1040A and 1040EZ). **Note:** EPA also has models available for corporations and municipalities.⁵

III. Components of INDIPAY+

Four companion documents comprise **INDIPAY+**. Together, they offer interactive instructions, lists, and steps to conduct a financial analysis of an individual's ATP claim.

1. **Financial Analysis Spreadsheets** – Excel spreadsheets with built-in mathematical and financial calculations, uses financial information from the individual as well as other sources to help figure out whether the individual can pay for any environmental obligations. The Financial Analysis Spreadsheets consist of the following:
 - a. **Net Worth Test** – Provides a snapshot of an individual's financial health at a specific time. Net worth presents a summary of what an individual owns (assets) less what an individual owes to others (liabilities).
 - b. **Cash Flow Test** – Provides information about the cash received (inflows) and cash spent (outflows) by an individual. It helps determine if an individual can meet their obligations using cash on hand.
 - c. **Future Cash Flow Test** – Conducts the future cash flow calculations of expected in the near future (5 years). It calculates expected income (inflows) and expenses (outflows) that an individual might experience in the future that were not accounted for in the current evaluation because they have not yet happened.

³ Owners and/or operators of underground storage tank systems are financially responsible for cleaning up contamination should their system have a release.

⁴ Page 12 of EPA's *Guidance on Evaluating a Violator's Ability to Pay a Civil Penalty in an Administrative Enforcement Action* (June 29, 2015) available at <https://www.epa.gov/enforcement/guidance-evaluating-ability-pay-civil-penalty-administrative-enforcement-actions>.

⁵ See Penalty and Financial Models Web page at <https://www.epa.gov/enforcement/penalty-and-financial-models>.

- d. **Debt Capacity Test** – Determines the added debt that an individual can assume without compromising financial stability. It estimates how much monthly income the individual could spend repaying a debt without financial hardship.
- e. **Penalty or Contribution Payment** – Calculates the penalty or contribution payment amounts that an individual can pay based on their generated cash flow over some period of time (generally 5 years) and/or their ability to take on an added debt.
- 2. **Guide** – walks the user through the steps, explaining how to use the documents to complete the financial analysis of an individual.
- 3. **Checklist of Information Sources** (“Checklist”) – lists the sources of financial information available to a user, describes the information needed to conduct the ATP analysis, and gives tips on how to interpret certain facts/data and what to request as follow up.
- 4. **Reference Manual** – offers a more in-depth description of the process to assess an individual’s ATP claim, gives additional information on what financial information a user may need, where to find the information, and how to evaluate the financial data/information. It also provides more detail about the financial analysis as well as financial/accounting definitions and terminology.

IV. **Data Needed for INDIPAY+ Analysis**

Basic Steps of INDIPAY+ ATP Analysis:

Step 1: Gather financial data and other relevant information directly from an individual.

Step 2: Research independent sources of financial and related information to obtain a more complete financial picture of an individual.

Step 3: Consider and apply optional steps, if helpful, in the INDIPAY analysis (e.g., checking with other state or EPA regional programs for information on an individual).

Step 4: Review and verify accuracy of information to ensure that financial information provided by an individual is correct and authentic.

Step 5: Input the data and information from Steps 1-3 into the **Financial Analysis Spreadsheets** and conduct the financial analysis.

Step 6: Follow up (i.e., request more information and/or clarify data, as needed).

Step 7: Identify course of action(s), such as making an individual ATP determination.

V. **How does INDIPAY+ ATP Analysis Work?**

The INDIPAY+ ATP analysis **Guide** is a series of seven steps recommended to conduct an individual ATP analysis.

Step 1 - Gathering financial information and other relevant financial information.

Request information directly from an individual such as tax returns, bank statements, FDRF, payroll statements, and W-2 Forms (see **Checklist**). The information you request will depend on what you are trying to accomplish. For example, verification of certain items versus a more thorough forensic financial investigation.

These sources furnish the core data you may need for an individual ATP analysis. The **Checklist** instructs you on what specific information you may need to conduct the ATP analysis along with the pertinent time period(s). These sources are not only fundamental to conducting an individual ATP analysis, they are crucial for other reasons. For example, they can corroborate data previously received. They also allow you to compare values from various sources (e.g., income information, tax return vs. FDRF) and fill in missing information on one document by getting it from another (e.g., salary information from the W-2 when the individual does not provide the tax return). To go ahead with this step, use the **Checklist** for sources under Primary and Secondary Sources.

Step 2 - Conduct independent research.

Conduct independent research to identify an individual's assets and any business affiliations.

There are many third-party sources available to verify or augment the documentation received from an individual. These include, and are not limited to, LexisNexis, CLEAR, and Dun & Bradstreet. Other helpful resources include an individual's social media activity such as Instagram, LinkedIn, and Facebook. Information collected from these sources may help confirm the data from an individual and/or offer new and relevant financial information to the analysis. Because this part of the process can bring in new information, plan to conduct step 2 in conjunction with Step 1. You should confirm any information from independent research with an individual along with a request for any necessary supporting documentation or explanations.

The **Checklist** guides you through the information that may be available to support the analysis and describes the current known resources to obtain the information. It also includes instructions and offers tips on how to conduct a search. The types of sources you use depend on what is available to you. (See **Checklist**, Third Sources).

Step 3: Conduct supplementary internal and external research.

- (a) Check your own office to learn if there is an existing file on an individual (agency or office archives).
- (b) Check with EPA Regional and state colleagues where an individual was/is operating to see if they have any information that may be relevant to your investigation and analysis. (See **Checklist** and ask the Regions/States if they already received or collected any information listed in the **Checklist**).

Step 4: Review and verify data and relevant information.

- (a) Compare the information and documents against the **Checklist** to see if any important items are missing.
- (b) Next, confirm relevancy, accuracy, and credibility of information.
 - Relevancy – determine if the information is relevant and sufficient to conduct the analysis. Not every analysis will need every piece of information in the **Checklist** or **Financial Analysis Spreadsheets**. The information necessary for the analysis will depend on the specific circumstances of each case. If needed information is missing, request information from the individual or conduct more research.
 - Accuracy – decide if the information is correct and reflects an individual’s financial situation (See **Checklist**).
 - Credibility – determine if the information is dependable, trustworthy, reputable, and authentic. For example, credible information would be information/documents that are certified and/or signed, and/or issued by a third independent party (e.g., a bank or CPA) while less credible documents are self-reported (e.g., a mortgage statement issued by a mortgage company is more credible than a handwritten mortgage statement created by an individual). The Reference Manual explains several methods and lists resources for evaluating and cross-checking information.
- (c) Review sources of income to figure out how an individual generates money. An individual may have one or more sources of income (e.g., employment salary, investment, welfare, inheritance, and other sources).
- (d) Conduct a quick review of an individual’s expenses to establish the necessary and ordinary expenses of an individual. According to the Internal Revenue Service (IRS), necessary and ordinary expenses are those expenses necessary to support a taxpayer’s health and welfare and/or production of income, including that of the family.⁶ Examples of unnecessary expenses include: (1) individual buys a high-end luxury vehicle to drive to customers’ offices, and, (2) individual pays rental fees for a monthly air-conditioned storage unit that not used in years. Review of an individual’s sources of income can suggest what expenses are reasonable and what expenses are unnecessary. For example, a self-employed individual may have a higher insurance expense, more tax deductions, and more frequent travel and entertainment expenses. A retired individual might have higher medical and insurance expenses and lower educational expenses and, typically, no childcare expenses.

⁶ According to the IRS, necessary expenses are food, housekeeping supplies, apparel and services, personal care products and services, miscellaneous, housing, utilities, and transportation. <https://www.irs.gov/businesses/small-businesses-self-employed/national-standards-food-clothing-and-other-items>

Step 5: Input data and relevant information into the Financial Analysis Spreadsheets and evaluate the results.

The **Financial Analysis Spreadsheets** have built-in formulas to supply results for each test. The **Financial Analysis Spreadsheets** offer flexibility by allowing you to base the analysis on the available information.

(a) Start with inserting data into the **Financial Analysis Spreadsheets**:

- Input the data and information collected from the individual, other agencies/institutions, and other sources (IRS Forms 1040 and 4506 and information that you collected from your independent research), into the **Net Worth, Cash Flow, Future Cash Flow, and Debt Capacity Spreadsheets found in the blue colored tabs.**
- Follow the structure and instructions built into the **Financial Analysis Spreadsheets.** The instructions are in the gray colored tabs. The working columns (places where you insert the data/information) are the white columns. The symbol “✓” in the gray columns shows fields where specific data or information could be available under the specific source.

(b) Analyze the results from the **Financial Analysis Spreadsheets.**

- While inserting data into the **Financial Analysis Spreadsheets**, consider the following:
 - Identify whether expenses are reasonable and necessary by considering the individual’s employment status, their family size, amount/value of expenses, type of expense, timing of expense, etc. **Reasonable and necessary expenses** are essential, appropriate, habitual, normal, usual, and common expenses incurred by the individual.⁷ You may consider an expense reasonable if the nature of the good or service acquired, and the amount involved, reflect the action that a prudent person would have taken under the same circumstances at the time the individual decided to incur the cost.
 - Depending on an individual’s circumstances, these examples may represent unnecessary expenses. Clarify with the individual if you have questions about these types of expenses:
 - An individual gave a large charitable contribution of \$10,000, deducted from income, to a nonprofit organization owned by his spouse. This is a contribution expense because the organization is not a qualified organization by IRS and EPA may not consider this as a reasonable expense and/or necessary and ordinary expense. Add this contribution (\$10,000) back in the **Financial Analysis Spreadsheets** as additional income.
 - An individual spends money on gambling, vacations, a membership to an expensive golf club, rents a beach condominium, or regularly takes a taxi to work instead of available public transportation, etc. If these expenses are not

⁷ OSRE decided on what type of expenses are reasonable based on the IRS’s publication titled [insert title here] at <https://www.irs.gov/publications/p535/ch02.html>.

reasonable, ordinary, and necessary expenses, you should add them back in the **Financial Analysis Spreadsheets**.

- An owner of an online consulting business working from home purchased a second or third car. The car purchase may be an unnecessary expense.
- Scan for large and/or unusual assets and liabilities of an individual. Some examples of unusual assets and liabilities include the sale of property, inheritance of a house/cash/car/other assets, additional loans, setting up a new business, large or very frequent money transfers or deposits.
- In some cases, if an individual's expenses exceed the National Standards⁸ of expenses, it may show that an individual has financial difficulties, but not always. Since the individual provides most of the information on expenses, there is a possibility that he/she could overstate their expenses to intentionally, or unintentionally, prove their inability to pay. For example, an individual may report more expenses than usual in the "necessary" expenses section (e.g., excessive food/clothing expenses or travel expenses that an individual could postpone or avoid). In most cases, use this test as a guide to identify expenses or income needing further evaluation or explanation.
- On the other hand, an excess of individual's expenses over the National Standards may mean an individual has a financial hardship and is unable to pay their environmental obligation. As stated above, this is not the final determination of ability of pay; rather, it is an approximate determination. Further analysis such as net worth, cash flow, and debt capacity may provide a more accurate financial picture of an individual's ability to meet their environmental obligations.
- **Net Worth** – does an individual have a positive or negative net worth? This is the determination of an individual's financial position.
 - **Net Worth Test** – should include the most recent monthly data/information on the owner because this test gives a snapshot of an individual's financial health at a specific point in time.
 - Assets greater than liabilities (positive net worth) indicate that an individual is in good financial health and may be able to pay their debt and may be able to liquidate (sell) some of their assets to meet additional obligations such as cleanup costs. An individual, however, may identify certain personal assets such as a residential house or car as necessary assets. For other assets, you should conduct a more thorough search and clarify with the individual those assets that should be included or excluded in the Net Worth analysis. In addition, you may find it helpful to identify and verify with an individual any other assets that you should include or exclude from the net worth analysis.

⁸ See National Standards: Food, Clothing and Other Items Web page at <https://www.irs.gov/businesses/small-businesses-self-employed/national-standards-food-clothing-and-other-items>

- Liabilities greater than assets (negative net worth), indicate that an individual may have financial hardship with more liabilities than assets. This may indicate that an individual is unable to liquidate (sell) any assets or use them as collateral to borrow against to provide funds to fulfill their environmental obligation. Thus, we recommend you evaluate each asset to identify necessary assets (e.g., primary residence) versus unnecessary assets (e.g., a boat or expensive car collection). In some situations, there may be no liquidity. In others, an individual may be able to pledge some assets as collateral for a loan.
- **Cash Flow** – reports the sources and uses of cash by an individual during a specific period. For this manual, the time period covered is one year. Can an individual fully, partially, or not afford payment(s) to cover the environmental obligations?
 - **Cash Flow Test** – input the yearly data/information from an individual and his family. The test examines cash funds such as salary, dividends, royalties, and interest that an individual received against expenses during the one-year time period. In addition, it includes any changes (increases/decreases) to cash equivalents⁹ by an individual during the one-year period.
 - The difference between “Cash In” and “Cash Out” is the amount of funds available to pay additional obligations. If an individual spends more than they receive, an individual has a negative cash flow. This may be due to unnecessary expenses, excessive debt, or possible unreported income. Negative cash flow may indicate an inability to pay, thus, it becomes important to identify any unnecessary expenses.
 - Positive cash flow may indicate an individual could pay some, if not all, of their environmental obligations. A final determination, however, calls for your judgment based on the results of the analysis and specific facts of the case.
 - **Future Cash Flow Test** – identifies future expected financial information to the individual and his or her family. The test examines any future expected or potential income and expenses that an individual might receive or incur in the future.
- **Debt Capacity Spreadsheet** – indicates the amount of money an individual may borrow to pay the environmental obligation.
 - **Debt Capacity Test** – builds on the Cash Flow Test. It uses the same data/information on an individual to conduct the Cash Flow Test (i.e., income and expense information). The ability to repay (or take on) added debt to pay for the environmental obligation is shown by the debt capacity ratio (%) ranging from less than 10% (excellent ability to take on more debt) to 43% or higher

⁹ Cash equivalents are short-term, highly liquid investments with a maturity of three months or less. Examples of cash equivalents are: foreign currencies, saving accounts, certificates of deposit, commercial paper, marketable securities, short-money market accounts, short-term government bonds, and treasury bills.

(inability to take on added debt).¹⁰ The **Financial Analysis Spreadsheets** (Debt Capacity) incorporate and explain these ratios. Most banks will allow and provide a loan to an individual with a debt capacity ratio up to 36%. There are some banks and other financial institutions that allow loans to individuals with a debt capacity above 36%. EPA recommends 36% as a cut-off ratio for considering more debt (financing) to manage environmental liabilities.

- **Penalty or Contribution Payment Spreadsheet** – how much money, if any, an individual can afford to pay toward their environmental obligation?
 - Test A: Cash Flow – indicates the present value¹¹ of cash flow generated by an individual over a period of 5 years.¹² This test quantifies how much money the individual can give to meet their environmental obligations over the next 5 years based on their previous 5 years of generated cash.
 - Test B: Debt Capacity – indicates the present value of debt the individual can take on over a period of 5 years. This test quantifies how much added debt an individual can take on to fulfill their environmental obligations.
 - Test C: Cash Flow and Debt Capacity – combines both Test A and Test B to provide a more accurate and complete understanding of an individual’s financial ability to meet their environmental obligations.
- Consider any future assets or expenses that may affect an individual’s financial health in near future. Use your professional judgment whether to include or exclude them into the **Future Cash Flow** and **Debt Capacity Spreadsheets**. For example, upcoming student loan payments for a child may reduce cash flow of an individual while a child graduating from college may increase the cash flow in near future.

Step 6: Follow up.

If needed, request missing information from an individual and clarify any unclear or contradictory information from databases and the Internet to complete the **Financial Analysis Spreadsheet**. Some examples:

- You obtained an individual’s savings account bank statement that shows a large transfer of money (e.g., \$50,000) to Company Z. The individual did not list or disclose Company Z in any documents provided by the individual. In this situation, you should run a search on Company Z using online sources (see **Checklist**) to ascertain whether the individual transferred the \$50,000 to a company owned or co-owned by the same individual, their spouse, or a relative. You should also ask the individual for clarification on Company Z and request a copy of Company Z’s tax return to identify and/or confirm the ownership of Company Z. If confirmed through conversation

¹⁰ Debt capacity ratio is based on ratios established by The Consumer Financial Protection Bureau and Credit Union National Association, Inc.

¹¹ Present value (PV) is the current worth of a future sum of money or stream of cash flow given a specified rate of return.

¹² The period of 5 years is a timeframe to be identified by the case team, e.g., 4 years, 3 years, etc.

with the owner and review of Company Z's tax return that the individual wholly owns Company Z, add the full amount of positive income of Company Z to the individual's Cash Flow Test. If Company Z is a partnership, add the proportional amount of the partnership to the individual's Cash Flow Test. This is an example of a possible asset or profit you could further investigate and include as a source of funds for environmental liabilities. Depending on the situation, you may find it beneficial to consult with a financial expert.

- You learned from LinkedIn that an individual listed Company X on his personal profile as an employer. Company X was not disclosed in any documents (including tax returns) provided by the individual. You will need to confirm if Company X is an affiliated business to him/her or a business owned by him/her. In this scenario, you will run a search on Company X through CLEAR or Dun and Bradstreet.
- Your search shows that an individual owns stock in Company X. You can determine whether those assets are available from the Net Worth analysis of the individual's tax return or requesting the individual's stock certificate from Company X. You may want to confirm the individual's relationship to Company X by checking the Secretary of State database. If Company X was incorporated in the current year, it mostly likely will not show up on the individual's tax return filed in previous years. Assuming the individual provides the stock certificate showing ownership of some percentage of common shares in Company X, you should consider including (adding) this percentage in the **Net Worth Spreadsheets** as an additional source of investment assets and add any of the individual's dividends received from Company X to the Cash Flow Test as cash available.

Update and re-evaluate (due to latest information) the **Financial Analysis Spreadsheets**.

Step 7: Decide on the best course of action based on spreadsheet results:

The **Financial Analysis Spreadsheet** give you an estimate of the funds available for the environmental obligation. The final determination on whether an individual can fulfill the environmental obligation is case-specific. The final determination a separate and distinct determination, based on all information gathered and analyzed by using the best judgment relevant to the individual or case.

The above process of going beyond the INDIPAY screening model should help you assess an individual's ability to fully, or partially, fulfill their environmental obligation or their inability to repay the environmental obligation from:

- Accessing available cash (Test A) (*See: pg. 11, Guide*)
- Borrowing funds (Test B) (*See: pg. 11, Guide*)
- Combining available cash and borrowing funds (Test C) (*See: pg. 11, Guide*)
- Selling unnecessary assets (positive Net Worth Test)
- Decreasing current and/or planned expenses and investments
- Utilizing a combination of all the above

Please note that a negative net worth and a negative cash flow outcome would generally indicate an inability to pay. There are some situations, however, where a negative net worth can be viewed as a temporary hardship and not an inability to pay. For example, an individual may have had large expenses (e.g., machine, equipment, real estate purchases, medical, or school expenses) to start or support their business and/or family. These expenses are investments or temporary expenses that could later produce positive revenue to the business or represent a one-time expense or a discontinued expense.

Taking into consideration that each case has its own distinct facts, and after completion of the **Financial Analysis Spreadsheets**, the INDIPAY+ Guide suggests you undertake the following action(s):

- Consult with the case team and decide whether additional monitoring¹³ of an individual's financial situation is necessary when the case team is uncertain of the financial health of the individual (negative net worth and positive cash flow or positive net worth and negative cash flow), or
- Recommend to the case team to seek full or partial payments from the individual to fulfill their environmental obligation when you determine an individual has a positive net worth and/or positive cash flow, or
- Consult with the case team and suggest closing the case when you determine an individual is unable to pay (negative net worth and negative cash flow), or,
- Consider debt capacity, how much access to credit an individual has, how much money he or she can borrow without any financial problems, and how easily he or she could exceed their debt capacity if they go over their credit lines (at or above 36%).
- Document your decision– whatever action(s) (listed above) the case team decided to take, explain why you chose this action for future reference.

¹³ Monitoring recommended for up to 3 years from the time you conducted the analysis for large dollar amounts.