



DETAIL-LEVEL FUNCTIONAL REQUIREMENTS DOCUMENT

*HUD Integrated Financial Management Improvement
Project*

U. S. Department of Housing and Urban Development

August 9, 2005



The MIL Corporation

Revision Sheet

Release No.	Date	Revision Description
Rev. 0	06/27/2005	Draft Detail-level Functional Requirements Document submitted
Rev. 1	07/26/2005	Incorporated comments from Deliverable Acceptance Report dated July 12, 2005
Rev. 2	08/09/2005	Incorporated additional HUD comments from Deliverable Acceptance Report dated August 4, 2005

U. S. Department of Housing and Urban Development

Contract Number	C-DEN-01982			
Request Number	R-2004-AY-00378			
Task Number	HIFMIP SDM Define Stage – CDR #10			
Deliverable	FINAL Detail-level Functional Requirements Document			
Due Date	08/09/2005			
Comments Returned Due Date				
Comments Returned Date				

Comments:

Program Area Representative: Mary Kohlmeier Date: _____

GTM: Jenny A. Shaker Date: _____

GTR: Kenneth Traylor Date: _____

FUNCTIONAL REQUIREMENTS DOCUMENT

TABLE OF CONTENTS

	<u>Page #</u>
2.1.1.1.1	Section 8 Subsidy Programs..... 2
2.1.1.1.2	Fund 0304 - Debt Service Programs 6
2.1.1.1.3	Section 202/811 Capital Grant Program..... 9
2.1.1.2	Loans..... 14
2.1.1.2.1	Direct Loans 14
2.1.1.2.2	Revolving Fund for Liquidating Programs..... 20
2.1.1.2.3	Liquidating Fund for Section 108 25
2.1.1.2.4	Low Rent Public Housing Loans..... 28
2.1.1.2.5	Guaranteed Loans..... 33
2.1.1.2.6	Miscellaneous Funds 41
2.1.1.3	FHA 43
2.1.1.3.1	Accounts Payable (Expenditures) 43
2.1.1.3.2	Receivables..... 46
2.1.1.3.3	Asset Management 49
2.1.1.3.4	Financial Reporting 50
2.1.1.3.5	Loans Management 53

LIST OF TABLES

Page #

Table 2-30 Section 8 Subsidy Programs	2
Table 2-31 Fund 0304 – Debt Service Programs	6
Table 2-32 Section 202/811 Capital Grant Program.....	9
Table 2-33 Direct Loans	14
Table 2-34 Revolving Fund for Liquidating Programs.....	20
Table 2-35 Liquidating Fund for Section 108.....	25
Table 2-36 Low Rent Public Housing Loans.....	28
Table 2-37 Guaranteed Loans – Program Funds	33
Table 2-38 Guaranteed Loans – Financing Funds	37
Table 2-39 Miscellaneous Funds	41
Table 2-40 FHA Accounts Payable	43
Table 2-41 FHA Receivables.....	46
Table 2-42 FHA SF 224 Statement of Transactions	50

LIST OF DIAGRAMS

Page #

Diagram 2-26 Section 8 Subsidy Programs Process	5
Diagram 2-27 Fund 0304 – Debt Service Programs Process	8
Diagram 2-28 Section 202/811 Capital Grant Program Process	13
Diagram 2-29 Direct Loan Process	19
Diagram 2-30 Revolving Fund for Liquidating Programs Process	24
Diagram 2-31 Liquidating Fund for Section 108 Process	27
Diagram 2-32 Low Rent Public Housing Loans Process	32
Diagram 2-33 Guaranteed Loans – Program Funds Process	36
Diagram 2-34 Guaranteed Loans – Financing Funds Process	40
Diagram 2-35 Miscellaneous Funds Process	42
Diagram 2-36 FHA Accounts Payable (Expenditures) Process	45
Diagram 2-37 FHA Receivables Process	48
Diagram 2-38 FHA SF 224 Statement of Transactions Reporting Process	52

2.0 CURRENT SYSTEM SUMMARY

2.1.1.1.1 Section 8 Subsidy Programs

Section 8 Subsidy Programs are programs to assist low income tenants in paying rents. The Section 8 Subsidy business processes are described below for some Community Planning and Development (CPD), Public and Indian Housing (PIH), Policy Development and Research (PD&R) and Office of Housing (OH) Section 8 Subsidy Programs.

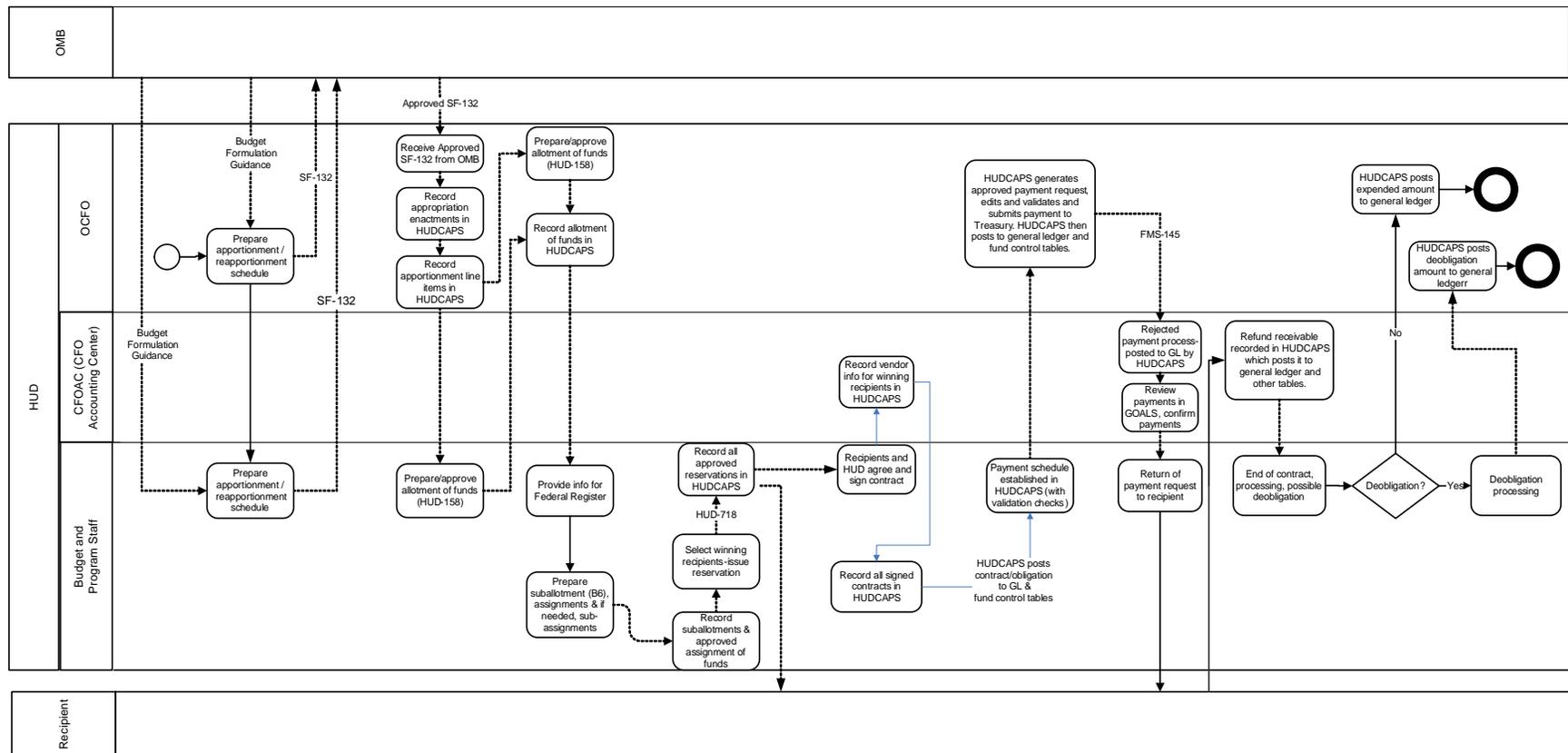
Table Error! No text of specified style in document.-1 Section 8 Subsidy Programs

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Preparation of the Presidents Budget</u>	1. – 6.	See Budget Formulation Process		OMB	Annually
<u>Continuing Resolution/Public Law</u>	7.	Prepare apportionment/reapportionment schedule request for the applicable subsidy funds. This request is submitted to OMB.	SF-132	CFO and Budget Office	Annually (may be revised during FY)
<u>Receipt of OMB Approved SF-132</u>	8.	Receive Approved OMB SF-132	SF-132	OCFO	Annually (may be revised during FY)
	9.	Upon receipt of OMB approved SF-132, record appropriation enactment for the fund in HUDCAPS.	SF-132 HUDCAPS	OCFO	Annually (may be revised during FY)
	10.	Record apportionment line items and record resources in HUDCAPS.	SF-132 HUDCAPS	OCFO	Annually (may be revised during FY)
	11.	Prepare/approve allotment of funds (via HUD 158) to budget offices and other applicable assistant secretaries.	HUD-158	CFO and Budget Office	Annually (may be revised during FY)
<u>Approved HUD 158</u>	12.	Record allotment of funds in HUDCAPS.	HUD-158 HUDCAPS	CFO Budget Office	Annually (may be revised during FY)
	13.	There is a process, external to the core accounting process, that could involve advertising in the Federal Register to start the competitive process.		Program Area Staff	Annually (may be revised during FY)
	14.	Prepare suballotment of funds (B6) and prepare assignment of funds via HUD 185 (and as needed subassignment via HUD 185.1)	HUD 185 and 185.1	Budget Office	As needed; will be at least once a year but likely several times.

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Approved HUD 185 and (as needed 185.1)</u>	15.	Record suballotment of funds in HUDCAPS and record the approved assignment of funds via HUD 185 (and as needed subassignment via HUD 185.1)	HUD 185 and 185.1 HUDCAPS	Budget Office	As needed; will be at least once a year but likely several times.
	16.	Complete selection of winning recipients. Issue reservation to selected recipients on form HUD 718.	Various program systems	Program Area Staff	Annually (as funding permits may be second round during FY)
<u>Approved HUD 718</u>	17.	Record all approved reservations in HUDCAPS.	HUDCAPS	CFO-AC	As needed
<u>Approved 718</u>	18.	Recipients and HUD agree on and sign contract which represents an obligation to HUD.	HUD 718	Program Officials and Recipients	As needed
<u>Approved Contract</u>	19.	Record vendor information for winning recipients (if new). This includes banking (ACH) information.	HUDCAPS	CFO-AC	As needed
<u>Signed contract</u>	20.	Record all signed contracts in HUDCAPS.	HUDCAPS	CFO-AC	As needed
	21.	HUDCAPS posts contract/obligation information to general ledger and fund control tables.	HUDCAPS	System Generated	Nightly
	22.	Payment schedule for recipients established in HUDCAPS.	HUDCAPS	System generated	As needed
<u>Monthly payment schedule</u>	23.	HUDCAPS generates the approved payment request for the month. HUDCAPS performs edits and validation checks.	HUDCAPS	System generated	Monthly (semi-monthly if adjustments needed)
	24.	HUDCAPS submits approved payments to Treasury in accordance with program rules. HUDCAPS posts to general ledger and other appropriate (e.g., fund control, SF-224) tables.	HUDCAPS	System generated	Monthly (semi-monthly if adjustments needed)
<u>FMS-145-Schedule of cancelled EFTs</u>	25.	Occasionally, Treasury will reject a payment and will issue a FMS-145 to HUD. CFO-AC will post the FMS-145, reinstating the unliquidated balance in HUDCAPS. Rejections are posted to HUDCAPS general ledger and other appropriate tables.	HUDCAPS	CFO-AC	As needed
<u>Month-end</u>	26.	Review payments in GOALS (Treasury system) to ensure that all payments in step above have been confirmed by Treasury. Post confirmed payments in HUDCAPS.	HUDCAPS	CFO-AC	As needed
<u>Return of Payment</u>	27.	Occasionally, a refund of the money from the recipient is requested by program area staff. This can arise from monitoring, review HUDCAPS data, etc.	HUDCAPS	Program Area Staff	Occasionally (as needed)

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
	28.	Refund receivable is recorded in HUDCAPS.	HUDCAPS	CFO-AC	Occasionally (as needed)
<u>Collection</u>	29.	Return of payment collection is recorded in HUDCAPS. HUDCAPS posts to general ledger, project and other appropriate tables. Note: In practice, the receivable and collection are often done simultaneously. There are also other receivables (e.g., audit findings) that are handled just like the past 3 steps.	HUDCAPS	CFO-AC	Occasionally (as needed)
<u>End of contract</u>	30.	At the end of the contract, HUD program staff will review HUDCAPS records and determine if all funds have been expended. If not, a deobligation will be processed. Note: For some Section 8 Programs, an annual review of obligations and expenditures is performed instead.	HUDCAPS	Program Area Staff	Occasionally (as needed)
<u>Deobligation</u>	31.	Deobligations are recorded in HUDCAPS. Program area staff determines if deobligation is a : <ul style="list-style-type: none"> • Cancellation (occurs in same FY as original obligation) - meaning that available funds remain available for future obligation in the program. Or • Recapture (obligation occurs in prior fiscal year) -meaning funds revert back to apportionment level and are not available until reapportioned. For unexpired appropriations, funding will eventually be made available in the current source year. 	HUDCAPS	Program area staff	Cancellations processed as needed. Recaptures processed once per year.
	32.	HUDCAPS posts to general ledger and other appropriate tables. HUDCAPS generates a series of system transactions moving funding to current source year for reapportionment.	HUDCAPS	System Generated	As needed.

Diagram Error! No text of specified style in document.-1 Section 8 Subsidy Programs Process



2.1.1.1.2 Fund 0304 - Debt Service Programs

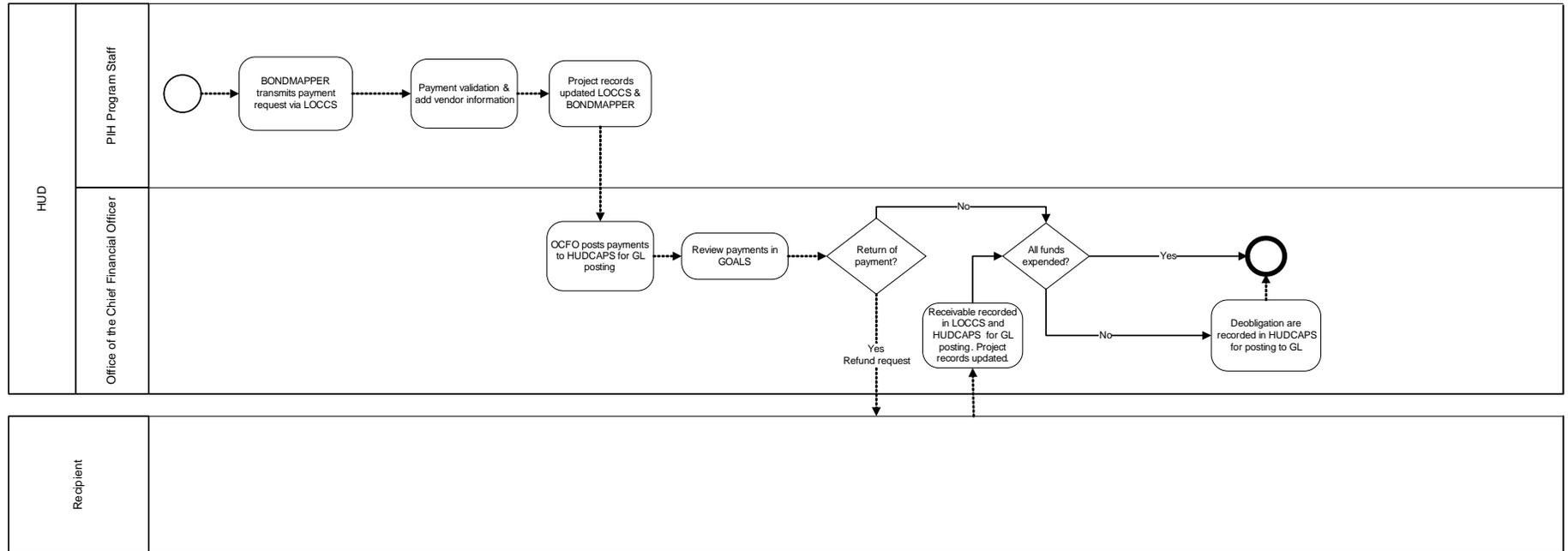
The Debt Service portion of fund 0304 (Public Housing Capital Fund) is the repayment of principal and interest on bonds issued many years ago that were used to build public housing projects. This program is in a liquidating phase.

Table Error! No text of specified style in document.-2 Fund 0304 – Debt Service Programs

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Amortization schedule</u>	1.	BONDMAPPER transmits debt service payment request via interface to LOCCS based on amortization schedule.	LOCCS BOND-MAPPER	System generated	As needed
	2.	LOCCS validates payment request and adds vendor information from vendor file. LOCCS submits approved payments to Treasury	LOCCS	System generated	As needed
	3.	LOCCS and BONDMAPPER update project records with the payment information.	LOCCS BOND-MAPPER	System generated	As needed
	4.	OCFO posts these payments (as confirmed by Treasury) to HUDCAPS for posting to general ledger and other appropriate (e.g., SF-224) tables.	HUDCAPS	OCFO	As needed
<u>Month-end</u>	5.	Review payments in GOALS (Treasury system) to ensure that all payments in step above have been confirmed by Treasury in the month sent. If payments have not been confirmed, an “in-transit” entry is posted to HUDCAPS (only). This entry is reversed in the following month.	HUDCAPS	OCFO	Monthly
<u>Return of payment</u>	6.	Rarely, a return of payment occurs and a refund of the money from the grantee is requested by PIH or the fiscal agent. This arises from maturing of the bond.	LOCCS	OCFO	Rarely
	7.	Receivable is recorded in LOCCS and HUDCAPS. HUDCAPS posts to the general ledger.	LOCCS HUDCAPS	OCFO	Rarely

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Collection</u>	8.	Return of refund is recorded in LOCCS and HUDCAPS. HUDCAPS posts the collection to the general ledger and other appropriate (e.g. SF-224) tables. LOCCS and BONDMAPPER will update project records with the information.	LOCCS HUDCAPS BOND-MAPPER	OCFO	Rarely
<u>Maturity of the bond</u>	9.	PIH program staff will review LOCCS and BONDMAPPER records and determine if all funds have been expended. If not, a deobligation will be processed.	LOCCS	PIH Program staff	Rarely
<u>Deobligation</u>	10.	Deobligations are recorded in HUDCAPS. PIH Program staff and/or OCFO determines if deobligation is a: <ul style="list-style-type: none"> • Cancellation (occurs in same FY as original obligation) meaning that available funds remain available for future obligation in the program. Or • Recapture (obligation occurs in prior fiscal year) - meaning funds revert back to apportionment level and are not available until reapportioned. 	LOCCS	OCFO PIH Program staff	Rarely
	11.	HUDCAPS posts the deobligation to the general ledger. HUDCAPS generates a series of system transactions moving funding to current source year for reapportionment.	HUDCAPS	System generated	As needed

Diagram Error! No text of specified style in document.-2 Fund 0304 – Debt Service Programs Process



2.1.1.1.3 Section 202/811 Capital Grant Program

The Office of Housing (OH) Section 202/811 Capital Grant program awards grants to build housing for the elderly (Section 202) and persons with disabilities (Section 811). These are unique in that grants can be converted into loans under program regulations when foreclosure procedures occur. One such grant was converted into a loan and foreclosed in FY 2004.

Table Error! No text of specified style in document.-3 Section 202/811 Capital Grant Program

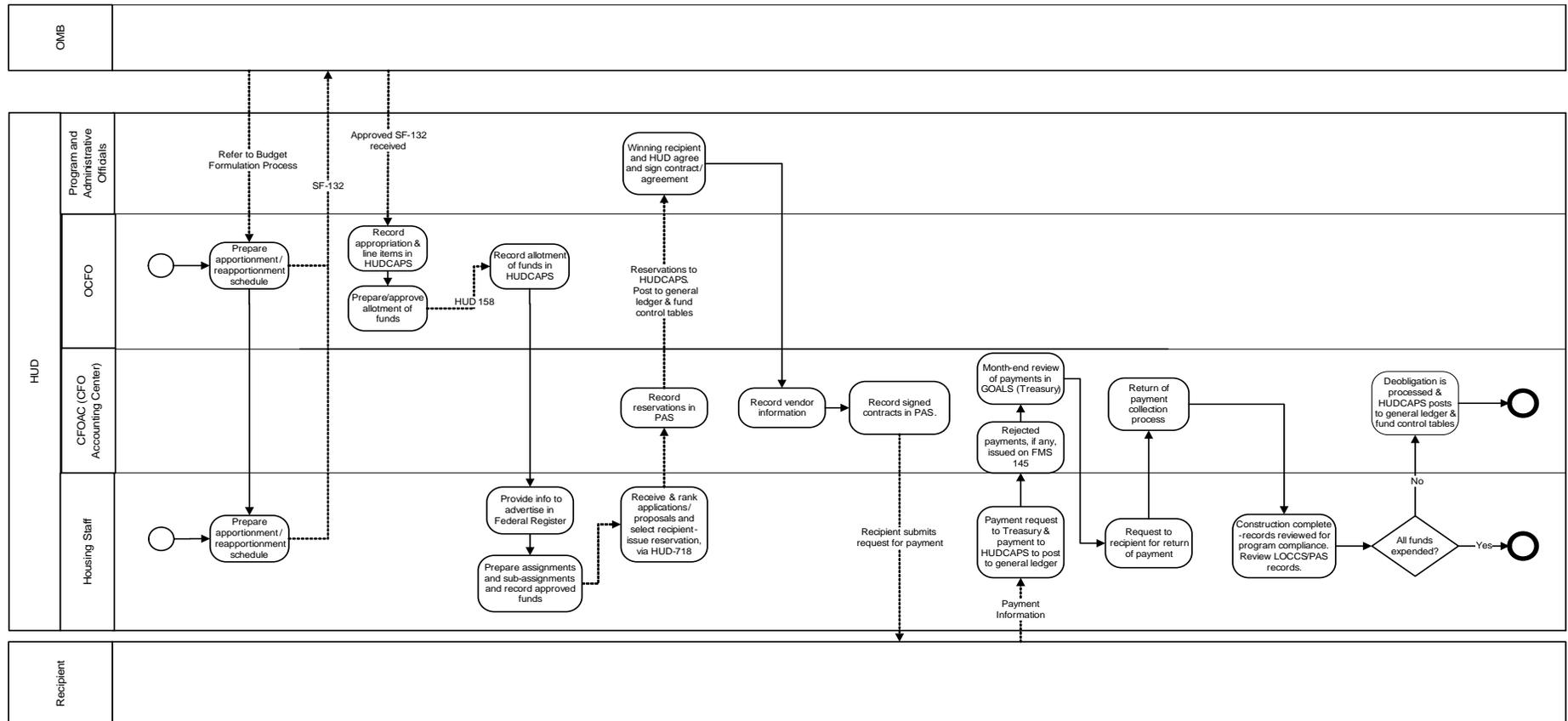
Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Presentation of the Presidents Budget	1.-6.	Refer to Budget Formulation Process		OMB	Annually (may be revised during FY)
Continuing Resolution/Public Law	7.	Prepare apportionment/reapportionment schedule request for the applicable Section 202/811 funds. This request is submitted to OMB.	SF-132	CFO and Housing Budget staffs	Annually (may be revised during FY)
Receipt of OMB Approved SF-132	8.	Receive approved OMB SF-132	SF-132	OCFO	Annually (may be revised during FY)
	9.	Upon receipt of OMB approved SF-132, record appropriation enactment for the Section 202/811 fund in HUDCAPS.	SF-132 HUDCAPS	OCFO	Annually (may be revised during FY)
	10.	Record apportionment line items and record resources in HUDCAPS.	SF-132 HUDCAPS	OCFO	Annually (may be revised during FY)
	11.	Prepare/approve allotment of funds (via HUD 158) to applicable assistant secretaries.	HUD-158	CFO Budget staffs	Annually (may be revised during FY)
Approved HUD 158	12.	Record allotment of funds in HUDCAPS.	HUD-158 HUDCAPS	CFO Budget Office	Annually (may be revised during FY)
	13.	Begin awards process by providing information for advertising in The Federal Register the amount of Section 202/811 funds available this fiscal year.		Housing staff	Annually (may be revised during FY)
	14.	Prepare assignment of funds via HUD 185 (and as needed subassignment via HUD 185.1)	HUD 185 and 185.1	Housing Budget Office	As needed; will be at least once a year but likely several times.
Approved HUD 185 and (as needed 185.1)	15.	Record the approved assignment of funds via HUD 185 (and as needed sub-assignment via HUD 185.1)	HUD 185 and 185.1 HUDCAPS	Housing Budget Office	As needed; will be at least once a year but likely several times.

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Approved HUD 185 and (as needed 185.1)	16.	HUDCAPS sends sub-assignment level information to PAS as funds available for commitment and obligation. (for fund control purposes). This is done via the HUDCAPS to PAS (H2P) interface.	HUDCAPS PAS	System Generated	Nightly
Notice of Fund Availability (NOFA)	17	Receive, track, review and analyze (rank) applications received from potential recipients. Eventually, select winning applicants. Issue reservation to selected applicants on form HUD 718.	Various HUD systems – in some cases, manual processes	Housing staff	Annually (as funding permits may be second round during FY)
Approved HUD 718	18.	Record all reservations in PAS.	PAS	CFO-AC	As needed
	19.	Reservations are sent to HUDCAPS by PAS via the P2H interface for posting to general ledger and fund control tables.	HUDCAPS PAS	System Generated	Nightly
	20.	Winning recipients and HUD agree on and sign contract or agreement which represents an obligation to HUD.		Housing Program Area Officials and Recipients	As needed
Obligating document	21.	Record vendor information for new winning recipients. This includes banking (ACH) information.	LOCCS	CFO-AC	As needed
Signed contract	22.	Record all signed contracts in PAS. PAS sends contract/obligation information via interface to LOCCS for use in controlling drawdowns.	PAS LOCCS	CFO-AC System Generated	Nightly
	23.	PAS also sends contract/obligation information via the P2H interface to HUDCAPS for posting to general ledger and fund control tables.	PAS HUDCAPS	System generated	Nightly
	24.	Recipient submits request for payment through LOCCS.	LOCCS	Recipient	As needed
Payment request	25.	LOCCS performs edits and validation checks. LOCCS submits approved payments to Treasury in accordance with program rules. LOCCS notifies PAS via interface of payments sent to Treasury.	LOCCS PAS	System generated	As needed
	26.	PAS, in turn, transmits these payments (as confirmed by Treasury) to HUDCAPS via the P2H interface for posting to general ledger and other appropriate (e.g., fund control, SF-224) tables. LOCCS and PAS update project records with the payment information.	PAS HUDCAPS LOCCS	System Generated	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
FMS-145-Schedule of cancelled EFTs	27.	Occasionally, Treasury rejects a payment and will issue an FMS 145 to HUD rejecting the payment. CFO-AC will post the FMS 145 reinstating the unliquidated obligation balance in LOCCS. LOCCS information is transmitted to PAS and PAS transmits these rejections via the P2H interface to HUDCAPS for posting to general ledger and other appropriate tables.	LOCCS PAS HUDCAPS	CFO-AC	As needed
Month-end	28.	Review payments in GOALS (Treasury system) to ensure that all payments in step above have been confirmed by Treasury in the month sent. If payments have not been confirmed, an “in-transit” entry is posted to HUDCAPS (only). This entry is reversed in the following month.	HUDCAPS	CFO-AC	Monthly
Return of payment	29.	Occasionally, a return of payment occurs and a refund of the money from the recipient is requested by HUD. This can arise from monitoring, review LOCCS data, etc.		Housing staff	Occasionally (as needed)
	30.	Receivable is recorded in LOCCS. LOCCS notifies PAS via interface.	LOCCS PAS	CFO-AC	Nightly
	31.	PAS, in turn, transmits these receivables to HUDCAPS via the P2H interface for posting to general ledger tables.	HUDCAPS PAS	System generated	Nightly
Collection	32.	Return of payment collection is recorded in LOCCS. LOCCS notifies PAS via interface of collections.	LOCCS PAS	CFO-AC	Nightly
	33.	PAS, in turn, transmits these collections to HUDCAPS via the P2H interface for posting to general ledger and other appropriate (e.g., fund control, SF-224) tables.	PAS HUDCAPS	System generated	Nightly
	34.	LOCCS, PAS update project records with the information. Note: (In practice, the receivable and collection are often done simultaneously. There are also other receivables (e.g., audit findings) that are handled just like the past 3 steps.	LOCCS PAS	System generated	Nightly
End of Contract/ Agreement	35.	Eventually, construction is complete and all required inspections are performed. OH staff will review required records, inspections, etc for program compliance. OH staff will also review LOCCS and PAS records to determine if all funds have been expended. If not, a deobligation will be processed. In some cases, there are audits, specific contract requirements or grant closeout procedures that must be followed.	LOCCS PAS	Housing staff	Occasionally (as needed)

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Deobligation	36.	Deobligations are recorded in PAS. Program area staff determines if deobligation is a: <ul style="list-style-type: none"> • Cancellation (occurs in same FY as original obligation) - meaning that available funds remain available for future obligation in the program; or • Recapture-(obligation occurs in prior fiscal year) – meaning funds revert back to apportionment level and are not available until reappropriated. For unexpired appropriations, funding will eventually be made available in the current source year. 	PAS	Housing staff	Occasionally (as needed)
	37.	PAS notifies LOCCS via interface of the deobligation.	LOCCS PAS	System generated	Nightly
	38.	PAS notifies HUDCAPS via the P2H interface for posting to general ledger and fund control tables. HUDCAPS generates a series of system transactions moving funding to current source year for reappropriation.	PAS HUDCAPS	System generated	Nightly
Foreclosure	39.	Under certain program rules and regulations, HUD has the right to foreclose on these properties after converting the Section 202/811 advance into a loan. The process of converting from an advance to a loan is still being discussed, reviewed and refined by OH and OCFO personnel. Until this is finalized, this process cannot be added or validated. Note: one such advance was converted into a loan and foreclosed in FY 2004.			

Diagram Error! No text of specified style in document.-3 Section 202/811 Capital Grant Program Process



2.1.1.2 Loans

These business processes pertain to the HUD Loans business area.

2.1.1.2.1 Direct Loans

Direct loans were issued to non-profit organizations directly by HUD to provide loans to build housing for senior citizens and persons with disabilities. By legislation, there have been no new Section 202 loans issued since 1992. They have been replaced by fund 0320 - Section 202 Capital Grants and fund 0237 – Section 811 - Housing for Persons with Disabilities.

Table Error! No text of specified style in document.-4 Direct Loans

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Preparation of the Presidents Budget</u>	1. – 6.	See Budget Formulation Process		OMB	Annually
<u>Continuing Resolution/Public Law</u>	7.	Prepare apportionment/reapportionment schedule request for the applicable loan funds. This request is submitted to OMB.	SF-132	CFO and Housing Budget staffs	Annually (may be revised during FY)
<u>Receipt of OMB Approved SF-132</u>	8.	Receive Approved OMB SF-132	SF-132	OCFO	Annually (may be revised during FY)
<u>Record Receipt</u>	9.	Upon receipt of OMB approved SF-132, record appropriation enactment for the loan in HUDCAPS.	SF-132 HUDCAPS	OCFO	Annually (may be revised during FY)
	10.	Record apportionment line items and record resources in HUDCAPS.	HUDCAPS	OCFO	
	11.	Prepare/approve allotment of funds (via HUD 158) to applicable assistant secretaries.	HUD-158	CFO and Housing Budget staffs	Annually (may be revised during FY)
<u>Approved HUD 158</u>	12.	Record allotment of funds in HUDCAPS.	HUD-158 HUDCAPS	CFO Budget Office	Annually (may be revised during FY)
	13.	Recipient submits a manual request for payment to Housing office (assume request for payment is approved by Housing Program office prior to entry into LOCCS by CFO-AC).	LOCCS	Recipient Housing Program office CFO-AC	As needed

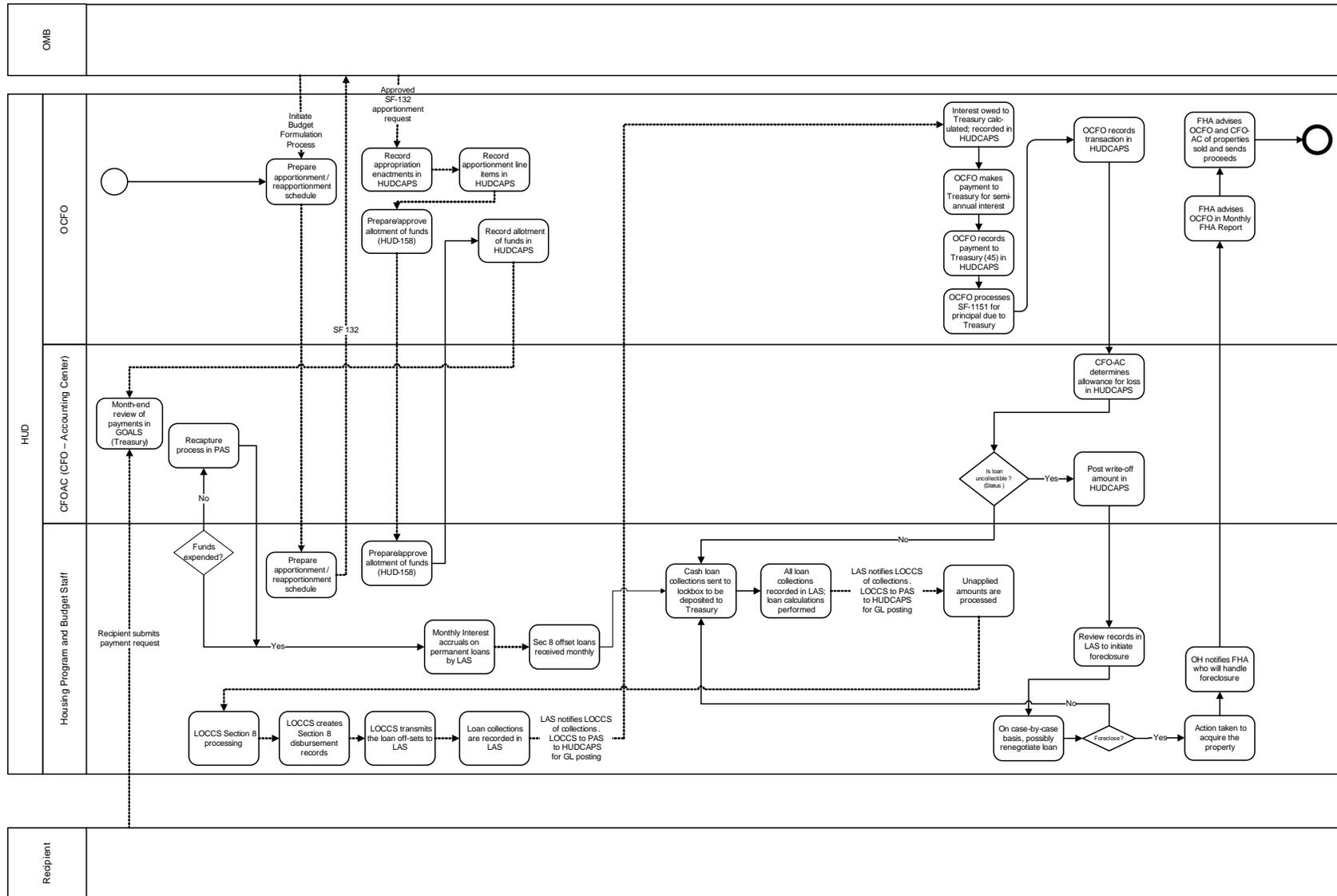
Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Payment Request</u>	14.	LOCCS performs edits and validation checks. LOCCS submits approved payments to Treasury in accordance with program rules. LOCCS notifies LAS via interface of payments sent to Treasury.	LOCCS LAS	System generated	As needed
	15.	PAS, in turn, transmits these payments (as confirmed by Treasury) to HUDCAPS via the P2H interface for posting to general ledger and other appropriate (e.g., fund control, SF-224) tables. LOCCS and PAS update project records with the payment information.	PAS HUDCAPS LOCCS	System generated	As needed
<u>Month-end</u>	16.	Review payments in GOALS (Treasury system) to ensure that all payments in step above have been confirmed by Treasury in the month sent. If payments have not been confirmed, an “in-transit” entry is posted to HUDCAPS (only). This entry is reversed in the following month.	HUDCAPS	CFO-AC	Monthly
<u>Final payment request</u>	17.	Housing program staff will review LAS records and determine if all funds have been expended. The unexpended balance would be a recapture.	LAS	Housing Program staff	As needed
<u>Deobligations</u>	18.	Deobligations are recorded in PAS. Housing program staff determines if deobligation is a: <ul style="list-style-type: none"> • Cancellation (occurs in same FY as original obligation) - meaning that available funds remain available for future obligation in the program. Or • Recapture- (obligation occurs in prior fiscal years) - meaning funds revert back to apportionment level and are not available until reapportioned. For unexpired appropriations, funding will eventually be made available in the current source year. PAS notifies LOCCS and LAS via interface of deobligation.	LOCCS PAS LAS	Housing Program staff	As needed
	19.	PAS notifies HUDCAPS via the P2H interface for posting to general ledger and fund control tables. HUDCAPS generates a series of system transactions moving funding to current source year for reapportionment.	PAS HUDCAPS		
<u>Month End</u>	20.	Monthly interest accruals on permanent loans are calculated by LAS and information is transmitted to LOCCS.	LAS LOCCS	System generated	Monthly

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
	21.	LOCCS notifies PAS via interface. PAS notifies HUDCAPS via the P2H interface for posting to general ledger table.	LOCCS PAS HUDCAPS	System generated	Monthly
<u>Offset Collections</u>	22.	Section 8 offset loan collections are received monthly from LOCCS and HUDCAPS.	LOCCS HUDCAPS	System generated	Monthly or as needed
<u>Cash Collections</u>	23.	Cash loan collections are sent to a lockbox to be deposited to Treasury and accounting information is send to CFO-AC for processing.	Wired Mailed	Recipient Bank	As needed
<u>All Collections</u>	24.	All loan collections are recorded in LAS. LAS determines, based on amortization schedule, amounts of collections allotted to principle, interest and if applicable, excess funds go into unapplied.	LAS	System generated	As needed
	25.	LAS notifies LOCCS of collection via interface. LOCCS transmits information to PAS. PAS, in turn, notifies HUDCAPS via the P2H interface for posting to general ledger and fund control tables.	LAS LOCCS PAS	System generated	As needed
	26.	Occasionally, LAS determines that loan collection is in excess of the amount due; therefore, it is unapplied. Unapplied amounts are held until the following month and they can be applied to the principal and/or interest.	LAS	System generated	As needed
<u>Excess Cash – Flexible Subsidy</u>	27.	Excess cash from flexible subsidies is invested temporarily in market based securities with Treasury. This amount is recorded in HUDCAPS (GL Only). Interest received is recorded in HUDCAPS in the general ledger and fund control tables.	HUDCAPS	OCFO	As needed
<u>Monthly payment schedule</u>	28.	LOCCS maintains a file of Section 8 projects where a partial or full Section 8 payment is used to re-pay the Section 202 loans.	LOCCS	System generated	As needed
	29.	As part of the Section 8 monthly payment schedule process, LOCCS matches the Section 8 file above to create Section 8 disbursement records and loan off-set collection records.	LOCCS	System generated	As needed
	30.	LOCCS transmits the loan off-set collection records to LAS.	LOCCS LAS	System generated	Monthly
	31.	Loan collections are recorded in LAS. LAS determines, based on the amortization schedule, amounts of collections allotted to principle and interest and if applicable, excess funds go into unapplied.	LAS	System generated	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
	32.	LAS notifies LOCCS of collection via interface. LOCCS transmits information to PAS. PAS, in turn, notifies HUDCAPS via the P2H interface for posting to general ledger and fund control tables.	LAS LOCCS HUDCAPS	System generated	As needed
<u>Month end</u>	33.	Calculate interest owed to Treasury based on outstanding Treasury borrowings. Record interest expense in HUDCAPS. HUDCAPS posts amount to general ledger and fund control tables. Note: This activity is recorded only at the high level against matching resources.	HUDCAPS Manual process	OCFO	Monthly
<u>Interest payment to Treasury</u>	34.	OCFO processes an expenditure transaction to pay Treasury interest semi annually.	HUDCAPS Manual process	OCFO	Semi-annually
	35.	OCFO records transaction in HUDCAPS which posts it to the general ledger.	HUDCAPS	OCFO	Semi-annually
<u>Principle payment to Treasury</u>	36.	OCFO processes a SF-1151, non-expenditure document, to pay the principle amount due to Treasury. Note: Principle due is based on multiple agreements between HUD and Treasury.	SF-1151 Manual process	OCFO	Annual
	37.	OCFO records transaction in HUDCAPS which posts it to the general ledger.	HUDCAPS	OCFO	Annual
<u>Non-payment of loans – flexible subsidy</u>	38.	Customary business practice is to record a high percentage allowance for loss on all flexible subsidy loan interest. Determine and record in HUDCAPS allowance amount for loss.	LAS	CFO-AC	Monthly
	39.	Housing program staff will review records in LAS and determine that the loan is uncollectible and should be written-off. Documentation supporting this write-off decision is provided via Housing program staff.	HUDCAPS	Housing Program staff CFO-AC	As needed
	40.	Review documentation and post write off amount in HUDCAPS.	HUDCAPS	CFO-AC	As needed
<u>Non-payment of loans – Section 202</u>	41.	Housing program staff will review records in LAS and determine the loan is uncollectible and will begin foreclosure procedures.	LAS	Housing Program Staff	As needed
<u>Re-negotiation</u>	42.	On a case by case basis, Housing program staff may re-negotiate the terms of the loan with the borrower. Re-negotiated terms are provided to CFO-AC and recorded in LAS-no interface to HUDCAPS	LAS	Housing program staff CFO-AC	As needed
<u>Foreclosure</u>	43.	Once Housing determines the only option is to foreclose, action		Housing Program	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
		is taken to acquire the property.		staff	
<u>Acquisition of Property</u>	44.	Once property is acquired, OH notifies FHA, who will manage and sell the property. OH also notifies OCFO who records the foreclosure in LAS.	LAS	CPD Program staff	As needed
<u>Monthly FHA report</u>	45.	FHA advises OCFO of properties where additional costs have been incurred for maintenance. OCFO records costs and rental income in HUDCAPS.	HUDCAPS REMS MDDR	FHA	Monthly
	46.	FHA also advises OCFO and CFO-AC of properties that have been sold. FHA forwards amount of proceeds of sales to OCFO. OCFO records the sales, with applicable gain or loss, in HUDCAPS for posting to general ledger.	HUDCAPS REMS MDDR	FHA OCFO CFO-AC	Monthly-report As needed-sale

Diagram Error! No text of specified style in document.-4 Direct Loan Process



2.1.1.2.2 Revolving Fund for Liquidating Programs

Based on federal legislation, Fund 4015 (Revolving Fund for Liquidating Programs) was established to manage the efficient liquidation of assets of certain old programs. Fund 4015 currently includes only 3 programs: Public Facility Loans (PFL), Section 312 Rehabilitation Loans, and Rental Rehabilitation Grants. This fund receives no new budget authority, but apportionments are approved annually for carry-over and any funds that may come in (i.e. collections). This program only has a general ledger and SF-224 function in HUDCAPS. There is no fund control functionality in HUDCAPS.

Table Error! No text of specified style in document.-5 Revolving Fund for Liquidating Programs

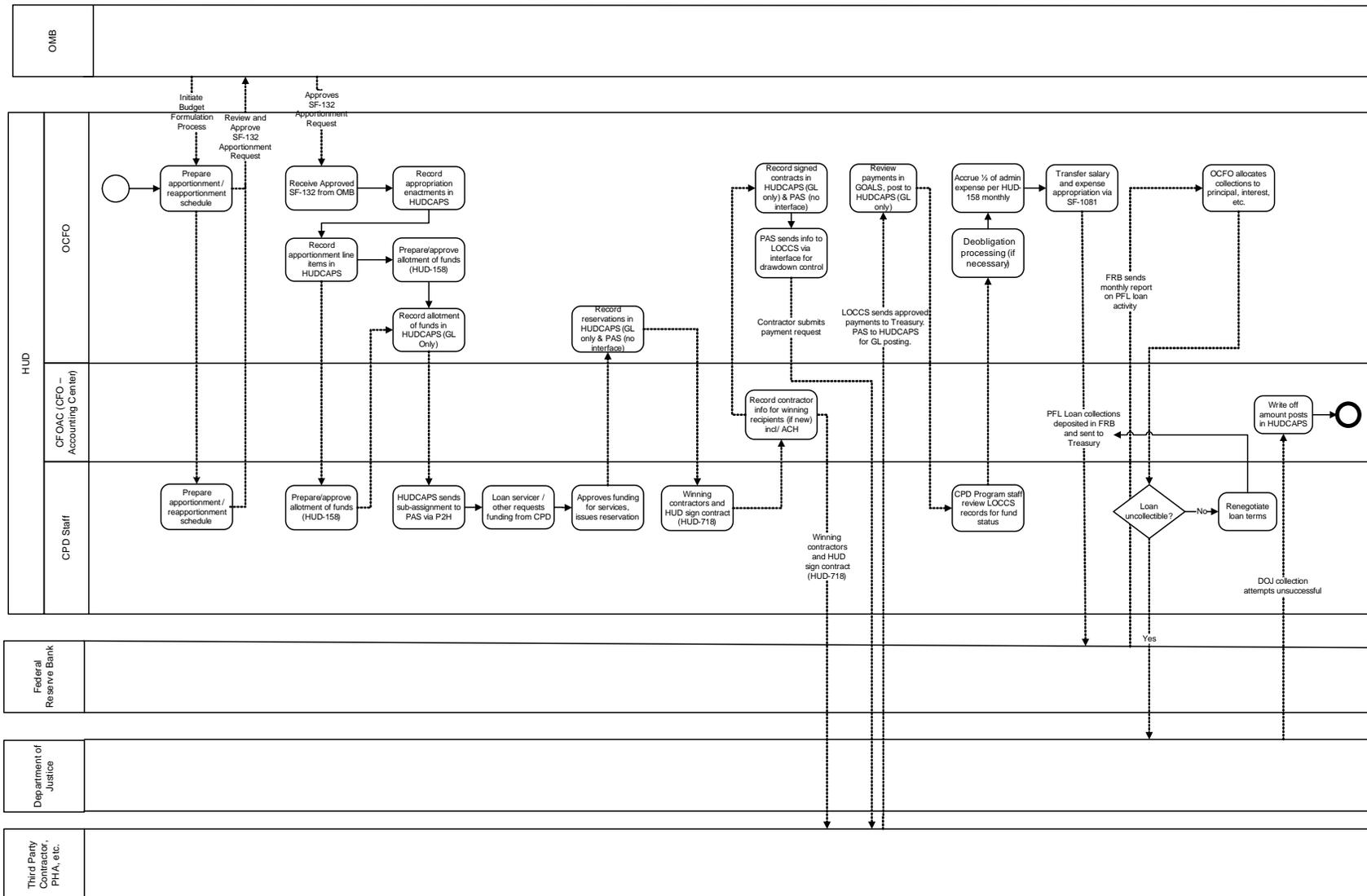
Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Preparation of the Presidents Budget</u>	1.-6.	See Budget Formulation Process		OMB	Annually
<u>Continuing Resolution/Public Law</u>	7.	Prepare apportionment/reapportionment schedule request for the applicable grant/subsidy funds. This request is submitted to OMB.	SF-132	CFO and Program Area Budget staffs	Annually (may be revised during FY)
<u>Receipt of OMB Approved SF-132</u>	8.	Receive Approved OMB SF-132	SF-132	OCFO	Annually (may be revised during FY)
	9.	Upon receipt of OMB approved SF-132, record appropriation enactment for the fund in HUDCAPS.	SF-132 HUDCAPS (GL Only)	OCFO	Annually (may be revised during FY)
	10.	Record apportionment line items and record resources in HUDCAPS.	SF-132 HUDCAPS (GL Only)	OCFO	Annually (may be revised during FY)
	11.	Prepare/approve allotment of funds (via HUD 158) to applicable assistant secretaries.	HUD-158	CFO and CPD Budget staffs	Annually (may be revised during FY)
<u>Approved HUD 158</u>	12.	Record allotment of funds in HUDCAPS. NOTE: Funds are allotted directly to sub-assignment levels.	HUD-158 HUDCAPS (GL Only)	OCFO	
	13.	HUDCAPS sends sub-assignment level information to PAS as funds available for commitment and obligation via the P2H interface.	HUDCAPS (GL Only) PAS	System generated	Annually (may be revised during FY)
<u>Additional</u>	14.	Loan servicer (or other HUD contractor) requests additional		Contractor	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>funding for contract</u>		funding from CPD.			
	15.	CPD approves additional funding for contract services and issues reservation on HUD-718. Note – There is very limited, if any, activity still involved here (PFL only).	HUD-718	CPD program officials	As needed
<u>Approved HUD 718</u>	16.	Record all reservations in HUDCAPS and also in PAS-no interface. Note – There is very limited, if any, activity still involved here (PFL only).	HUDCAPS (GL Only) PAS	OCFO	As needed
<u>Approved 718</u>	17.	Winning contractors and HUD agree on and sign contract which represents an obligation to HUD.	HUD 718	CPD Program Area Officials and Contractors	As needed
<u>Approved Contract</u>	18.	Record contractor information for winning recipients (if new). This includes banking (ACH) information.	LOCCS	CFO-AC	As needed
<u>Signed contract</u>	19.	Record all signed contracts in HUDCAPS and PAS-no interface.	HUDCAPS (GL only) PAS	OCFO	Nightly
	20.	PAS sends contract obligation information to LOCCS via interface for use in controlling drawdowns.	PAS LOCCS	System Generated	As needed
	21.	Contractor (FFB for PFL) submit request for payment through LOCCS.	LOCCS	Contractor	As needed
<u>Payment Request</u>	22.	Request is manually entered into LOCCS. LOCCS performs edits and validation checks. LOCCS submits approved payments to Treasury in accordance with program rules. LOCCS notifies PAS via interface of payments sent to Treasury.	HUDCAPS (GL only) LOCCS	OCFO System generated	As needed
	23.	PAS, in turn, transmits these payments as confirmed by Treasury to HUDCAPS via the P2H interface. HUDCAPS posts to general ledger and SF-224 table. LOCCS and PAS update project records with payment information.	PAS HUDCAPS (GL only) LOCCS	System generated	As needed
<u>Treasury Confirmation</u>	24.	Review payments in GOALS (Treasury system) to ensure that all payments in step above have been confirmed by Treasury in the month sent. If payments have not been confirmed, an in-transit entry is posted to HUDCAPS only. This entry is reversed in the	HUDCAPS (GL only)	OCFO	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
		following month.			
<u>End of contract</u>	25.	At the end of the contract, CPD program staff will review LOCCS records and determine if all funds have been expended. If not, a deobligation will be processed.	LOCCS	CPD Program Area Staff	As needed
<u>Deobligation</u>	26.	Deobligations are recorded in PAS. OCFO staff determines if deobligation is a: <ul style="list-style-type: none"> • Cancellation (occurs in same FY as original obligation) - meaning that available funds remain available for future obligation in the program; or, • Recapture – (obligation occurs in prior fiscal year) - meaning funds revert back to apportionment level and are not available until reapportioned. Deobligations are manually posted in HUDCAPS.	PAS HUDCAPS (GL Only)	OCFO	Occasionally (as needed)
<u>HUD-158</u>	27.	Accrue 1/12 of the administrative expense per HUD-158 each month.	HUDCAPS (GL Only)	OCFO	Monthly
<u>Monthly accrual</u>	28.	Transfer funds to Salary and Expense appropriation via SF-1081 at end of fiscal year.	HUDCAPS (GL Only)	OCFO	Annual
<u>Collections</u>	29.	Loan collections for PFL are sent to the Federal Reserve Bank-Richmond (FRB-Richmond), who services these loans. FRB-Richmond deposits these collections to Treasury. Note: Section 312 collections are limited. A very few collections are sent directly to OCFO. Other amounts owed are collected by the Department of Justice (DOJ). DOJ collections are sent via IPAC to OCFO.	Wired Mailed	FRB-Richmond DOJ	As needed
	30.	FRB-Richmond send OCFO monthly report on loan activity including collections	Mail	FRB-Richmond	Monthly
	31.	OCFO allocates collections between principal, interest and if applicable, penalties. OCFO posts collected amounts to HUDCAPS.	HUDCAPS (GL Only)	OCFO	Monthly
<u>Non-payment of loans</u>	32.	CPD program staff will review internal records and those maintained by FRB-Richmond to determine if the loan is uncollectible and will attempt to renegotiate the loan or refer the loan non-payment to the Department of Justice (DOJ) to pursue.		CPD Program staff (DOJ)	As needed
	33.	Renegotiated terms are provided to OCFO and recorded on internal records by OCFO.		CPD Program staff OCFO	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Non-payment of loans</u>	34.	If DOJ attempts to collect are unsuccessful, the loan is subject to write-off.		DOJ	As needed
<u>Write off documentation</u>	35.	OCFO reviews documents and posts write off amount in HUDCAPS.	HUDCAPS (GL Only)	OCFO	As needed

Diagram Error! No text of specified style in document.-5 Revolving Fund for Liquidating Programs Process



2.1.1.2.3 Liquidating Fund for Section 108

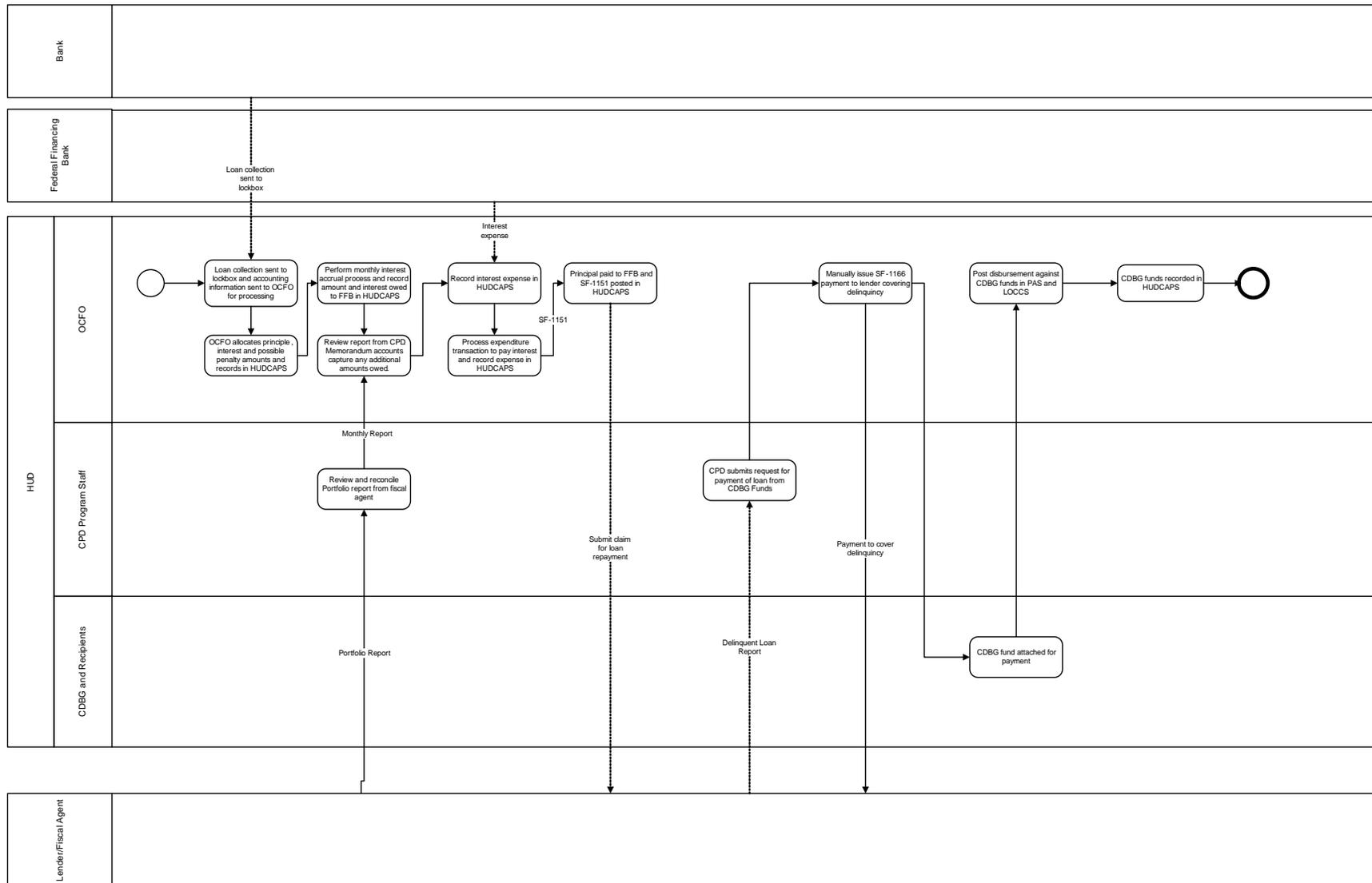
Based on credit reform regulations, fund 4097 was established and is the liquidating fund for Section 108, Community Development Loans. This fund includes loans that were financed through the Federal Financing Bank (FFB) and guaranteed loans financed through private lenders through 1991. There have been no defaults to date in this program due to HUD's ability to use CDBG funds to make payments. There is no new budget authority. This program only has a general ledger and SF-224 function in HUDCAPS. There is no fund control functionality in HUDCAPS.

Table Error! No text of specified style in document.-6 Liquidating Fund for Section 108

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Collections</u>	1.	Loan collections are sent to a lockbox to be deposited to Treasury. Accounting information is sent to OCFO for processing.		Bank OCFO	As needed
	2.	OCFO allocates collections between principal, interest and if applicable, penalties. OCFO posts collected amounts to HUDCAPS.	HUDCAPS (GL Only)	OCFO	Monthly
	3.	OCFO performs monthly interest accrual process on these loans and records the amounts in HUDCAPS for posting to general ledger. They also calculate interest owed to FFB. OCFO records the interest expense in HUDCAPS for posting to the general ledger.	HUDCAPS (GL Only)	OCFO	Monthly
<u>Report from Fiscal Agent</u>	4.	Periodically, fiscal agent sends portfolio reports to CPD. CPD reviews and reconciles reports. On a monthly basis, CPD sends reconciliation report to OCFO		CPD Program Staff	Monthly
<u>Portfolio Maintenance</u>	5.	OCFO reviews reports from CPD. Additional memorandum accounts in HUDCAPS are available to capture amounts related to collections and further disbursements of funds to/from borrower.	HUDCAPS (GL Only)	OCFO	Monthly
<u>Interest payment to Treasury</u>	6.	OCFO processes an expenditure transaction to pay FFB interest. OCFO records transactions in HUDCAPS for posting to general ledger.	HUDCAPS (GL Only)	OCFO	Semi-annually
<u>Principal payment to Treasury</u>	7.	OCFO processes an SF-1151, non-expenditure document, to pay the principal to FFB.	SF-1151	OCFO	Annual
	8.	OCFO records SF-1151 in HUDCAPS for posting to general ledger.	SF-1151 HUDCAPS	OCFO	Annual

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
			(GL Only)		
<u>Non-payment of loans</u>	9.	CPD program staff receives report from fiscal agent showing which loans are delinquent.		CPD Program staff	As needed
	10.	CPD program staff will advise loan recipients that their CDBG fund is being attached for payment of delinquent loans. CPD program staff will notify OCFO to take action.		CPD Program staff	As needed
	11.	CPD staff informs OCFO of CDBG funds to be attached to pay Section 108 loans.		CPD Program staff	As needed
	12.	OCFO manually issues SF-1166 payment to lender covering the delinquency. OCFO posts a disbursement against the recipients CDBG fund in PAS and LOCCS.	SF-1166 PAS LOCCS	OCFO	As needed
	13.	OCFO records receivable from CDBG fund in HUDCAPS for posting to general ledger.	HUDCAPS (GL Only)	OCFO	As needed

Diagram Error! No text of specified style in document.-6 Liquidating Fund for Section 108 Process



2.1.1.2.4 Low Rent Public Housing Loans

Fund 4098 provided direct loans for PHA (Public Housing Authority) and IHA (Indian Housing Authority) construction activities. Under legislation enacted in 1986, most loans are forgiven at the end of each fiscal year. This fund has limited new budget authority since new spending for construction activities comes from the Capital Grants portion of fund 0304 (Public Housing Capital Fund). This program only has a general ledger and SF-224 function in HUDCAPS. There is no fund control in HUDCAPS.

Table Error! No text of specified style in document.-7 Low Rent Public Housing Loans

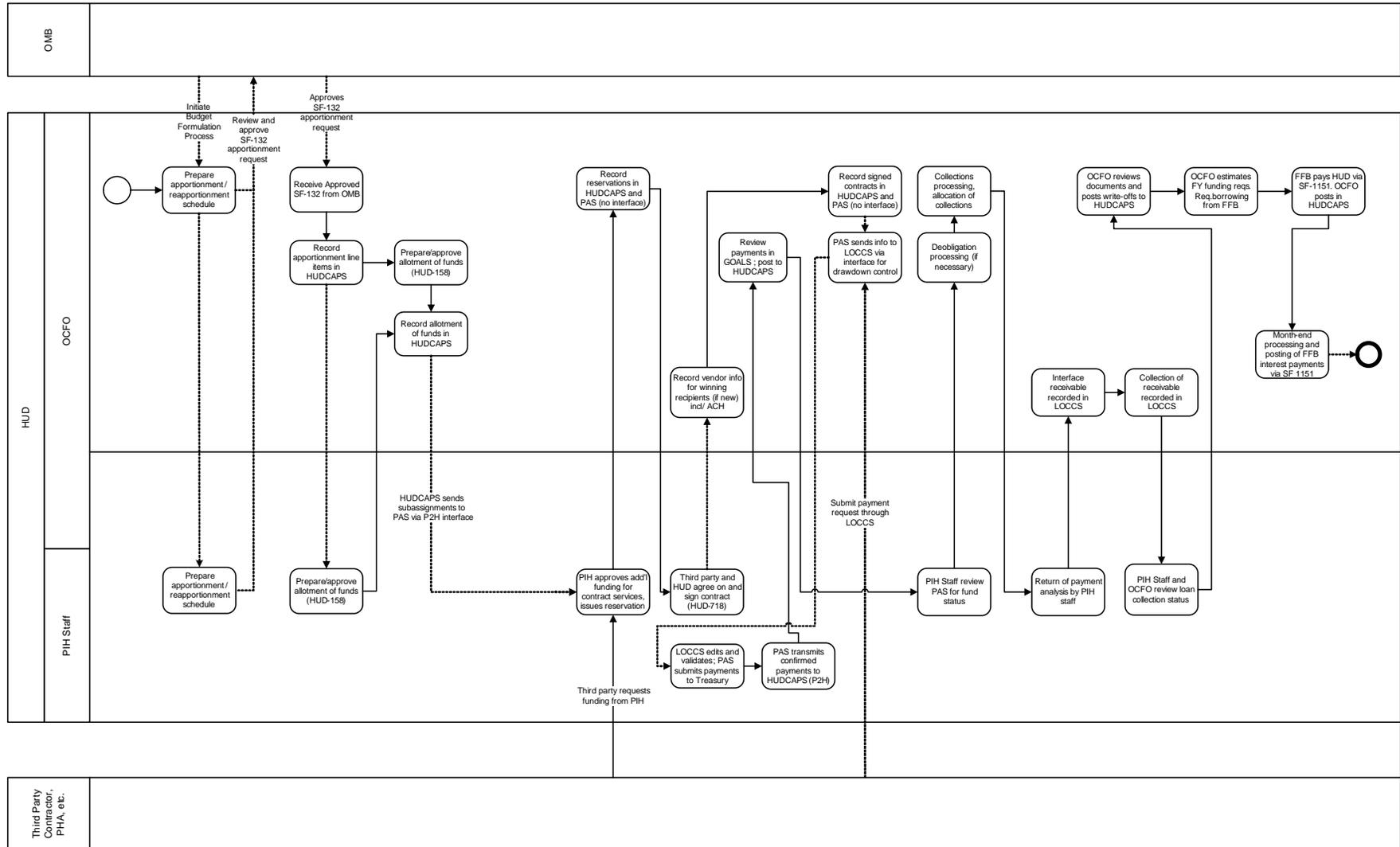
Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Preparation of the Presidents Budget</u>	1.-6.	See Budget Formulation Process		OMB	Annually
<u>Public Law</u>	7.	Prepare apportionment/reapportionment schedule request for the applicable grant/subsidy funds. This request is submitted to OMB.	SF-132	CFO and PIH Budget staffs	Annually (may be revised during FY)
<u>Receipt of OMB Approved SF-132</u>	8.	Receive Approved OMB SF-132	SF-132	OCFO	Annually (may be revised during FY)
	9.	Upon receipt of OMB approved SF-132, record apportionment line items and record resources (e.g. borrowing authority) in HUDCAPS	SF-132 HUDCAPS (GL Only)	OCFO	Annually (may be revised during FY)
	10.	Prepare/approve allotment of funds (via HUD 158) to applicable assistant secretaries.	HUD-158	CFO and PIH Budget staffs	Annually (may be revised during FY)
<u>Approved HUD 158</u>	11.	Record allotment of funds in HUDCAPS. NOTE: Funds are allotted directly to sub-assignment levels.	HUD-158 HUDCAPS (GL Only)	OCFO	
	12.	HUDCAPS sends sub-assignment level information to PAS as funds available for commitment and obligation via the P2H interface.	HUDCAPS (GL Only) PAS	System generated	Annually (may be revised during FY)
<u>Request for funding</u>	13.	Third party (i.e. contractor, PHA) requests funding from PIH.		Third party PIH Program area staff	As needed
	14.	PIH approves additional funding for contract services and issues reservation on HUD-718. Note: This step is omitted in some cases.	HUD-718	PIH Program area	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Approved HUD 718</u>	15.	Record all reservations in HUDCAPS and also in PAS-no interface. Note: This step is omitted in some cases.	HUDCAPS (GL Only) PAS	OCFO	As needed
<u>Approved 718</u>	16.	Third party and HUD agree on and sign contract which represents an obligation to HUD.	HUD 718	PIH Program Area staff and Third party	As needed
<u>Approved Contract</u>	17.	Record third party information for winning recipients (if new). This includes banking (ACH) information.	LOCCS	OCFO	As needed
<u>Signed contract</u>	18.	Record all signed contracts in HUDCAPS and PAS-no interface.	HUDCAPS (GL Only) PAS	OCFO	Nightly
	19.	PAS sends contract obligation information to LOCCS via interface for use in controlling drawdowns.	PAS LOCCS	System Generated	As needed
	20.	Third party submit request for payment through LOCCS.	LOCCS	Third party	As needed
<u>Payment Request</u>	21.	LOCCS performs threshold edits and validation checks. LOCCS submits approved payments to Treasury in accordance with program rules. LOCCS notifies PAS via interface of payments sent to Treasury.	PAS LOCCS	System generated	As needed
	22.	PAS, in turn, transmits these payments as confirmed by Treasury to HUDCAPS via the P2H interface. HUDCAPS posts to general ledger and SF-224 table. LOCCS and PAS update project records with payment information.	PAS HUDCAPS LOCCS	System generated	As needed
<u>Treasury Confirmation</u>	23.	Review payments in GOALS (Treasury system) to ensure that all payments in step above have been confirmed by Treasury in the month sent. If payments have not been confirmed, an in-transit entry is posted to HUDCAPS only. This entry is reversed in the following month.	HUDCAPS	OCFO	As needed
<u>End of contract</u>	24.	At the end of the contract, PIH program staff will review PAS records and determine if all funds have been expended. If not, a deobligation will be processed.	PAS	PIH Program Area Staff	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Deobligation</u>	25.	Deobligations are recorded in HUDCAPS and PAS. OCFO staff determines if deobligation is a: <ul style="list-style-type: none"> • Cancellation (occurs in same FY as original obligation) - meaning that available funds remain available for future obligation in the program; or • Recapture – (obligation occurs in prior fiscal year) - meaning funds revert back to apportionment level and are not available until reapportioned. 	HUDCAPS (GL Only) PAS	OCFO	Occasionally (as needed)
<u>Collections</u>	26.	Loan collections are sent to a lockbox to be deposited to Treasury. Accounting information is sent to OCFO for processing.		OCFO	As needed
	27.	OCFO allocates collections between principal, interest and if applicable, penalties. OCFO posts collected amounts to HUDCAPS.	HUDCAPS	OCFO	Monthly
<u>Return of payment</u>	28.	Occasionally, a return of payment occurs and a refund of the money from the recipient is requested by HUD. This can arise from monitoring, review of LOCCS data, etc.	LOCCS	PIH Program Area staff	As needed
	29.	Receivable is recorded in LOCCS.	LOCCS	OCFO	As needed
<u>Collection</u>	30.	Collection of receivable is recorded in LOCCS. LOCCS notifies PAS via interface of collections. PAS, in turn, transmits these collections to HUDCAPS via the P2H interface for posting to general ledger and other appropriate (e.g. SF-224) tables. LOCCS and PAS update the project records with the information.	LOCCS PAS HUDCAPS	OCFO	As needed
<u>Non-payment of loans</u>	31.	PIH program staff and OCFO will review loan records and determine if the loan is uncollectible and should be written off. PIH program staff will provide necessary documentation to write off the loan. Note: Customary practice in this fund is to write off these loans.		PIH Program staff OCFO	As needed
<u>Write off documentation</u>	32.	OCFO reviews documents and posts write off amount in HUDCAPS	HUDCAPS (GL Only)	OCFO	As needed
<u>Borrowing Request</u>	33.	OCFO estimates funding requirements for fiscal year. OCFO requests borrowing from Treasury. The amount borrowed must be less than or equal to the borrowing authority on the SF-132.		OCFO	Annually (may be revised during the FY)

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
	34.	FFB reviews request and pays HUD via SF-1151. OCFO posts borrowing in HUDCAPS.	HUDCAPS	OCFO	Annually (may be revised during the FY)
<u>Month end</u>	35.	Calculate interest owed to Federal Financing Bank (FFB) based on outstanding balance of FFB borrowings. Records interest expense in HUDCAPS for posting to general ledger. Note: A substantial portion of the funds paid to Treasury are received from fund 0304-Debt Service. Fund 4098 serves as a pass through for these funds.	HUDCAPS	FFB OCFO	Monthly
<u>Interest payment to Treasury</u>	36.	OCFO processes an expenditure transaction to pay FFB interest. OCFO records transactions in HUDCAPS for posting to general ledger.	HUDCAPS	OCFO	Semi-annually
<u>Principal payment to Treasury</u>	37.	OCFO processes an SF-1151, non-expenditure document, to pay the principal to FFB.	SF-1151	OCFO	Annual
	38.	OCFO records SF-1151 in HUDCAPS for posting to general ledger.	SF-1151 HUDCAPS	OCFO	Annual
<u>Year end</u>	39.	Any excess cash that was borrowed is returned via the SF-1151 to FFB. That portion of the borrowing that was used is forgiven per legislative action.	SF-1151	OCFO	Annual

Diagram Error! No text of specified style in document.-7 Low Rent Public Housing Loans Process



2.1.1.2.5 Guaranteed Loans

2.1.1.2.5.1 Guaranteed Loans – Program Funds

Guaranteed Loans-Program Funds provides a subsidy that is transferred to finance funds to pay for potential loan defaults. HUD's Loan Guarantee process starts with Congress setting forth a loan guarantee level and enacting a subsidy appropriation in the program fund for potential defaults. This process is based on Credit Reform regulations. This program only has a general ledger and SF-224 function in HUDCAPS. There is no fund control functionality in HUDCAPS.

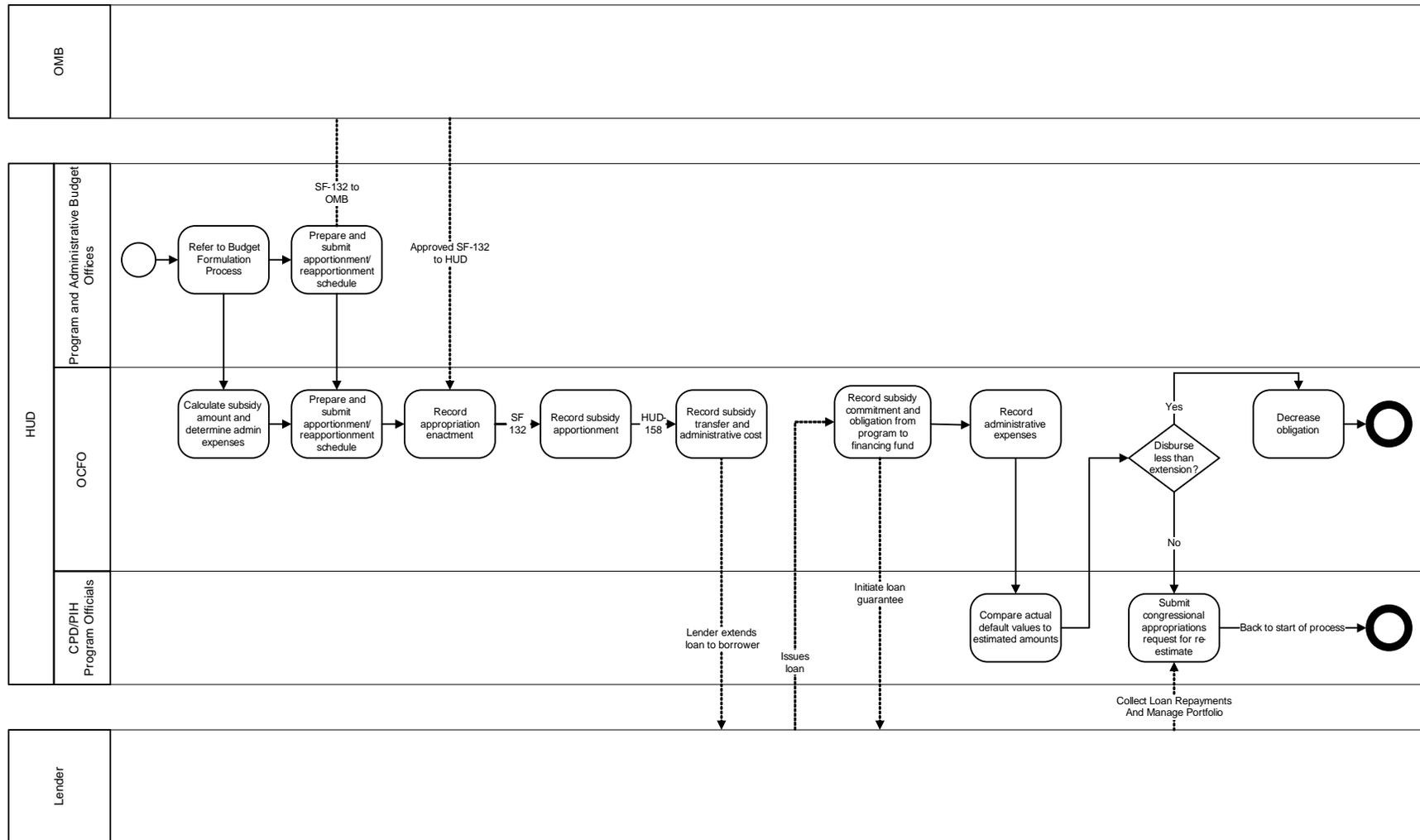
Table Error! No text of specified style in document.-8 Guaranteed Loans – Program Funds

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Preparation of the Presidents Budget	1. – 6.	See Budget Formulation Process		OMB	Annually
Continuing Resolution/Public Law	7.	Prepare apportionment/reapportionment schedule.	SF-132	CFO and Program Budget staff OMB	Annually (will be revised during FY)
	8.	Submit apportionment/reapportionment schedule to OMB.	SF-132	CFO and Program Budget staff	Annually (will be revised during FY)
Receipt of Approved SF-132	9.	Receive approved SF-132 from OMB.	SF-132	OCFO	Annually (will be revised during FY)
	10.	Record appropriation enactment for the program fund. Note: program funds use budgetary and proprietary accounts, financing funds use budgetary, proprietary, and memorandum accounts	SF-132 HUDCAPS (GL Only)	OCFO	Annually (will be revised during FY)
	11.	Record subsidy apportionment from the SF-132 for program fund.	SF-132 HUDCAPS (GL only)	OCFO	Annually (will be revised during FY)
Receipt of Approved HUD-158	12.	Record allotments as follows: <ul style="list-style-type: none"> Subsidy to be transferred from the program fund to the financing fund Administrative costs to be transferred to the salaries and expense fund 	HUD-158 HUDCAPS (GL only)	OCFO	Annually (will be revised during FY)

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
		Note: Administrative expense accruals occur on a monthly basis. These accruals are recorded as direct pay transactions (no obligations required). Subsidy transfer occurs in step 11 below.			
	13.	Lender extends loan to borrower subsequent to HUD property/borrower/loan compliance (memorandum accounts used here). For section 108 program, the lender receives the applications of the eligible communities approved by HUD.		Lender	As needed
Lender extends loan	14.	HUD extends loan guarantees to the lender.		CPD/PIH program officials	As needed
Lender extends loan	15.	Record commitments and obligations as loans as a subsidy in program funds to be transferred to financing fund (budgetary accounts). The program office maintains some manual subsystem records (via excel spreadsheet) of these commitments and obligations.	HUDCAPS (GL Only)	OCFO	As needed
Lender disburses loan	16.	Record: Third party lender disbursements triggers recording payment of subsidy from program fund (budgetary and proprietary accounts) to financing fund (budgetary, proprietary, and memorandum accounts)	HUDCAPS (GL Only)	OCFO Lender	As needed
Portfolio maintenance	17.	During the life of the loan additional memorandum accounts are available to capture amounts related to collections and further disbursement of funds to/from borrower.	HUDCAPS (GL Only)	OCFO Lender	As needed
Year-end transfer	18.	Record administrative expenses paid out of the program fund (budgetary / proprietary accounts) and record un-invested interest income credited by Treasury.	HUDCAPS (GL Only)	OCFO	Annually
Loan default variance between estimate and actual dollar amounts	19.	Compare actual default values to estimated amounts.		CPD/PIH Program Officials	As needed; may be once a year
	20.	Prepare re-estimates, and if necessary, submit a congressional appropriation request.		CPD/PIH Program Officials	Required at least once a year
Calculated re-	21.	Submit revised apportionment schedule.	SF-132	CFO and Program	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
estimate		Note: After revised apportionment schedule, process will continue with step 2		Budget staff	

Diagram Error! No text of specified style in document.-8 Guaranteed Loans – Program Funds Process



2.1.1.2.5.2 *Guaranteed Loans – Financing Funds*

Guaranteed loan programs provide assurance to the lender that, if the loan goes into default, HUD will make timely payment of principal and interest to the lender or make the loan good by taking the property or renegotiating the note. One of these programs, Section 108, has had no defaults to date due to HUD’s ability to use CDBG funds to make loan repayments. For all guaranteed loan – finance fund programs, there have been approximately 20 total defaults to date. If the amount of defaults exceeds the subsidies collected to date, HUD has the authority to borrow from Treasury. This process is based on Credit Reform regulations. This program only has a general ledger and SF-224 function in HUDCAPS. There is no fund control in HUDCAPS.

Table Error! No text of specified style in document.-9 Guaranteed Loans – Financing Funds

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Preparation of the Presidents Budget	1.-6.	See Budget Formulation Process		OMB	Annually
Continuing Resolution/Public Law	7.	Prepare apportionment/reapportionment schedule.	SF-132	CFO and Program Budget staff	Annually (will be revised during FY)
	8.	Submit apportionment/reapportionment schedule to OMB.	SF-132	CFO and Program Budget staff	Annually (will be revised during FY)
Receipt of Approved SF-132	9.	Receive approved SF-132 from OMB.	SF-132	OCFO	Annually (will be revised during FY)
Receipt of Approved SF-132	10.	Record appropriation enactment for the financing fund. Note: program funds use budgetary and proprietary accounts, financing funds use budgetary, proprietary, and memorandum accounts	HUDCAPS (GL only)	OCFO	Annually (will be revised during FY)
	11.	The financing fund records anticipated budgetary resources and uses memorandum accounts for the guaranteed loan amounts.	SF-132 HUDCAPS (GL only)	OCFO	Annually (will be revised during FY)
Receipt of Approved HUD-158	12.	Record allotments for anticipated budgetary resources.	HUD-158 HUDCAPS (GL only)	OCFO	Annually (will be revised during FY)
	13.	Lender extends loan to borrower subsequent to HUD property/borrower/loan compliance (memorandum accounts used here)		Lender	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Lender extends loan	14.	HUD extends loan guarantees to the lender. Record commitments and obligations as loans are issued. For Section 108, commitments and obligations are recorded when HUD approves the eligible community's application.	HUDCAPS (GL only)	OCFO	As needed
	15.	Record loan extension in memorandum accounts in financing fund.	HUDCAPS (GL only)	OCFO	As needed
Lender disburses loan	16.	Record fee collection from lender, as applicable to the specific program.	HUDCAPS (GL Only)	OCFO	As needed
Portfolio maintenance	17.	During the life of the loan additional memorandum accounts are available to capture amounts related to collections and further disbursement of funds to/from borrower.	HUDCAPS (GL Only)	OCFO	As needed
Unexecuted loan or loan executed for less than guarantee amount	18.	Occasionally, record de-obligations. In the financing fund, the entries to the memorandum accounts recording the loan extension will be reversed.	HUDCAPS (GL only)	OCFO	As needed
Claim Request	19.	Lender submits claim to HUD advising the HUD guarantee loan is uncollectible and requests payment. Note – Steps 14 – 17 are not applicable to Section 108. See Steps 18-20 for Section 108 process.		Lender	As needed
	20.	HUD submits request to OCFO for payment.		HUD Program area staff	As needed
	21.	OCFO issues payment on claim to lender		OCFO	As needed
	22.	OCFO records claim and payment in HUDCAPS for posting to general ledger.	HUDCAPS (GL only)	OCFO	As needed
<u>Report from Fiscal Agent</u>	23.	Fiscal agent informs CPD of section 108 loan payments not received on time		Lender Fiscal agent	As needed
	24.	CPD reviews fiscal agent report and sends valid requests to OCFO for Section 108 loan payments from CDBG funds.		CPD Program staff	As needed
	25.	OCFO issues manual SF-1166 paying lender. OCFO establishes receivable from CDBG funds. Payment and receivable are recorded in HUDCAPS for posting to the general ledger.	HUDCAPS (GL Only)	OCFO	As needed

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>Re-negotiation</u>	26.	On a case by case basis, HUD program staff may negotiate a new note for the loan with the borrower. Negotiated terms are provided to OCFO and, as needed, adjustments to memorandum accounts are recorded in HUDCAPS.	HUDCAPS (GL only)	HUD Program staff OCFO	As needed
<u>Foreclosure</u>	27.	Once HUD determines the only option is to foreclose, action is taken to acquire the property. NOTE: The CPD program office handling the Church Loan Guarantee Recovery Fund has made arrangements with the lender to take action to acquire the property.		HUD Program staff	As needed
<u>Acquisition of Property</u>	28.	Once property is acquired, HUD notifies the appropriate party who will manage and sell the property. (This has been done by FHA in the past). HUD also notifies OCFO who records the foreclosure in HUDCAPS for posting to general ledger.	HUDCAPS (GL only)	OCFO	As needed
	29.	The property management party advises OCFO of properties that have been sold. The party forwards amount of proceeds to sale to OCFO. OCFO records the sales, with applicable gain or loss, in HUDCAPS for posting to general ledger.	HUDCAPS (GL only)	Property Management Party OCFO	As needed
	30.	Prepare re-estimates and if necessary, adjust the subsidy amount between cohort years.		CPD/PIH program staff	Required at least once per year.

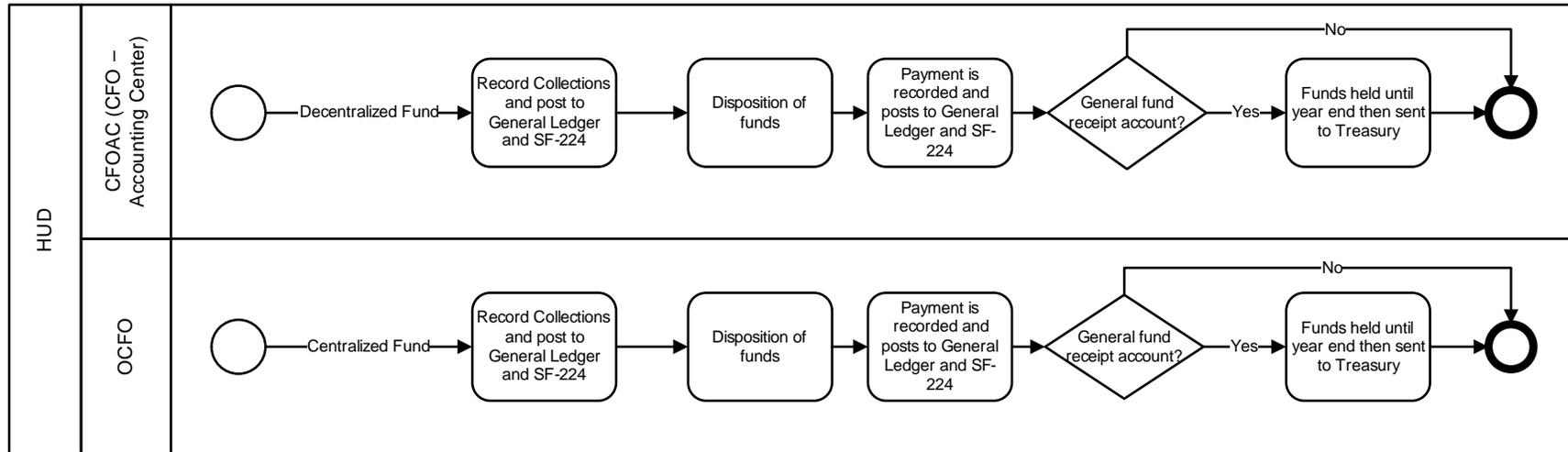
2.1.1.2.6 Miscellaneous Funds

HUD has clearing accounts, receipt funds and deposit funds that record temporarily unidentified collections or funds that are unavailable to be used by HUD programs (for example, the wage restitution fund which is used to hold disputed wages incurred by HUD contractors pending resolution). No budgetary general ledger accounts are required for these types of funds, except for excess rental income (Fund 4041).

Table Error! No text of specified style in document.-10 Miscellaneous Funds

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
<u>If Centralized:</u> <u>Collections</u>	1.	Collections are recorded in HUDCAPS. Excess rental income (Fund 4041) collections are also recorded in DARTS. HUDCAPS posts collections to general ledger, SF-224 and other appropriate tables.	HUDCAPS DARTS	OCFO	As needed
<u>If Decentralized:</u> <u>Collections</u>	1.	Collections can be recorded in either HUDCAPS or LOCCS. LOCCS notifies PAS via interface of collections. PAS, in turn, transmits these collections to HUDCAPS via the P2H interface for posting to general ledger and SF-224 table. Note: The majority of collections are recorded in HUDCAPS.	HUDCAPS LOCCS PAS	CFO-AC	As needed
	2.	Funds are held until disposition is known. Disposition could entail moving funds to another HUD appropriation (i.e. unidentified cash), refunding to Salary and Expense fund, refunding to a vendor or directing payment to a specific payee (i.e. wage restitution)	HUDCAPS	OCFO or CFO-AC	As needed
<u>Disposition</u>	3.	Upon disposition, payments are recorded in LOCCS or HUDCAPS. LOCCS notifies PAS via interface of the collection. PAS, in turn, transmits these collections to HUDCAPS via the P2H interface for posting to general ledger and SF-224 table.	HUDCAPS LOCCS PAS	OCFO or CFO-AC	As needed
<u>Year End</u>	4.	For general fund receipt accounts (i.e. 3220), collections remain in the fund until year end when they are withdrawn by Treasury.	HUDCAPS	OCFO or CFO-AC	Annually

Diagram Error! No text of specified style in document.-10 Miscellaneous Funds Process



2.1.1.3 FHA

These business processes pertain to the FHA business area. MIL is still awaiting validation of these FHA business processes.

2.1.1.3.1 Accounts Payable (Expenditures)

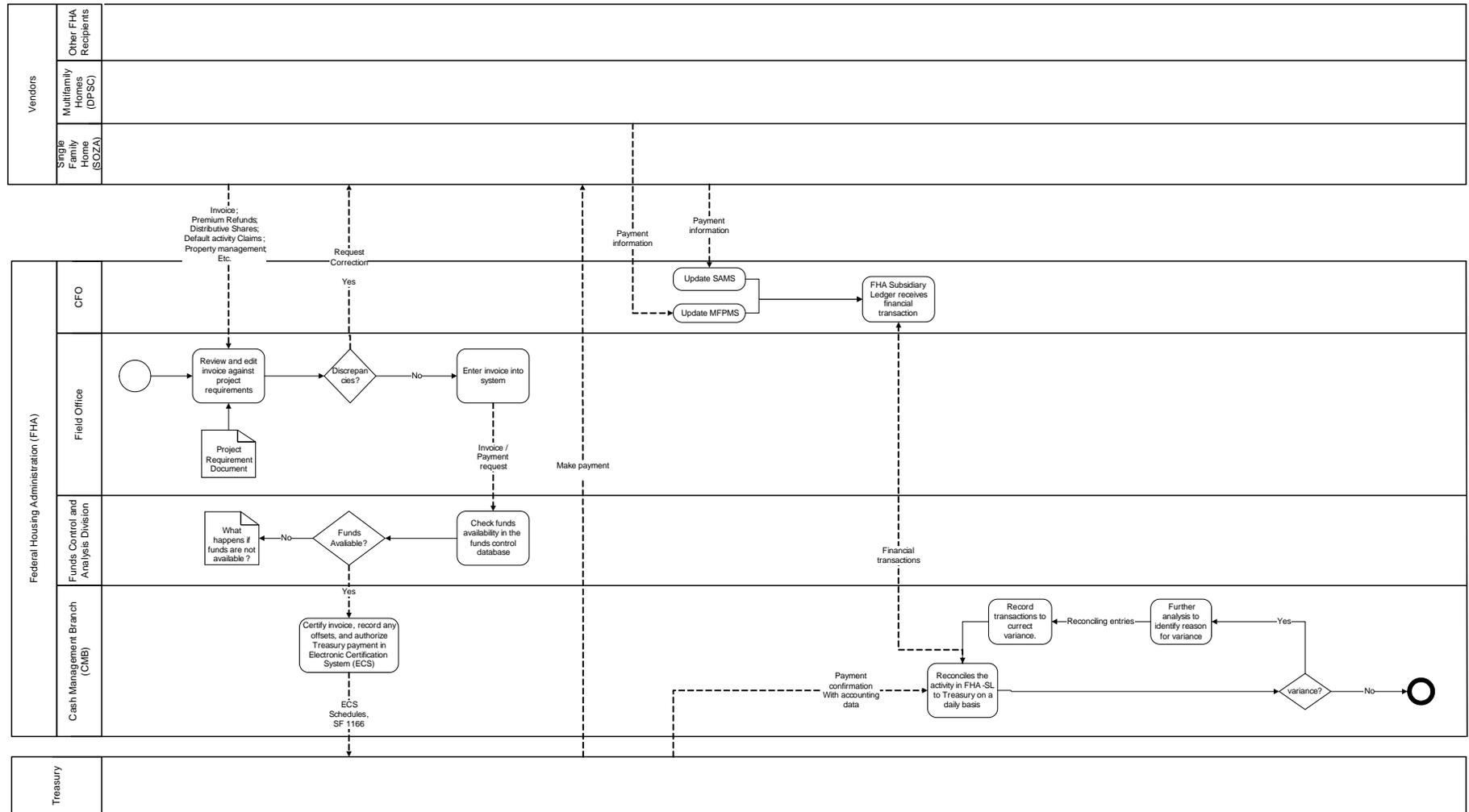
This is the payment process used by FHA to liquidate obligations such as refunds, claims, notes, etc. FHA generates expenditure transactions related to claims, refunds, notes, etc. using many different systems. An electronic schedule file via the Electronic Certifications System (ECS) or a paper SF-1166 are generated, certified and sent to the U.S. Department of Treasury to process disbursements for FHA. The Department of Treasury returns a confirmation of payments and the subsidiary ledgers are updated with payment information.

Table Error! No text of specified style in document.-11 FHA Accounts Payable

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Receive claims, invoices, and other payment request documents	1.	FHA field office personnel review and edit the claims against the project requirements/review invoice, check against contract limits		GTR	
	2.	Field office personnel approve and forward/enter invoice into system and submit payment request.	CLAIMS (A43C) SFMNS/IFS (A80N) DCAMS (F71) TIIS (F72) MFIC (F75)	GTR	
	3.	An analyst from the Funds Control and Analysis Division (FACD) checks in the Funds Control (FC) database to check for availability of funds.	FC database	FACD	
	4.	Cash Management Branch (CMB) certifying officer records any offsets in Electronic Certification System (ECS) and creates an ECS schedule for the Department of Treasury. (disbursements are input and recorded in the ECS system by	ECS SF 1166 HUDCAPS(A75)	CMB certifying officer	

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
		batches) Certification officer/CMB authorizes the Department of Treasury to pay: <ul style="list-style-type: none"> • U.S. Department of Treasury • DPSC (HUD Contractor)_MF Asset Management • SOZA (HUD Contractor)_SF Asset Management 	ACH ACH	CMB HUD contractor HUD contractor	
	5.	The U.S. Department of Treasury issues payment <ul style="list-style-type: none"> • Treasury • DPSC updates Multi Family Payment Management System (MFPMS) • SOZA updates Single Family Acquired Asset Management System (SAMS) 	Automated Process: SF 1166 ,SF1164 / Automated Clearing House (ACH) /Treasury Financial Communication System (TFCS)/EFT/ECS/ Department of Treasury FEDWIRE Deposit System (FEDWIRE) FHA-SL (P013) MFPMS (F46) SAMS (A80S)	U.S. Department of Treasury HUD contractor HUD contractor	
Payment Confirmation with accounting data	6.	Financial transactions are interfaced in the FHA Subsidiary Ledger (FHA-SL).	FHA-SL (P013) MFPMS (F46) SAMS (A80S)	System interface	
	7.	Cash balances are automatically updated in FHA-SL. The Cash Balance Report is automatically generated by FHA-SL. CMB reconciles the activity in FHA-SL to Treasury on a daily basis.	FHA-SL (P013) SF 1166	CMB	

Diagram Error! No text of specified style in document.-11 FHA Accounts Payable (Expenditures) Process



2.1.1.3.2 Receivables

This process explains how FHA receives or accepts payment due from mortgagees on its mortgage loan programs. Collections of loan principal, interest, interest on advances, late charges, and service charges are recorded to the Confirmed Cash Account. Collections are usually made by the specified FHA lockbox designated to handle receivable functions. Daily collections are calculated and remitted to FHA's Accountant at the U.S. Treasury through a wire transfer from the lockbox bank.

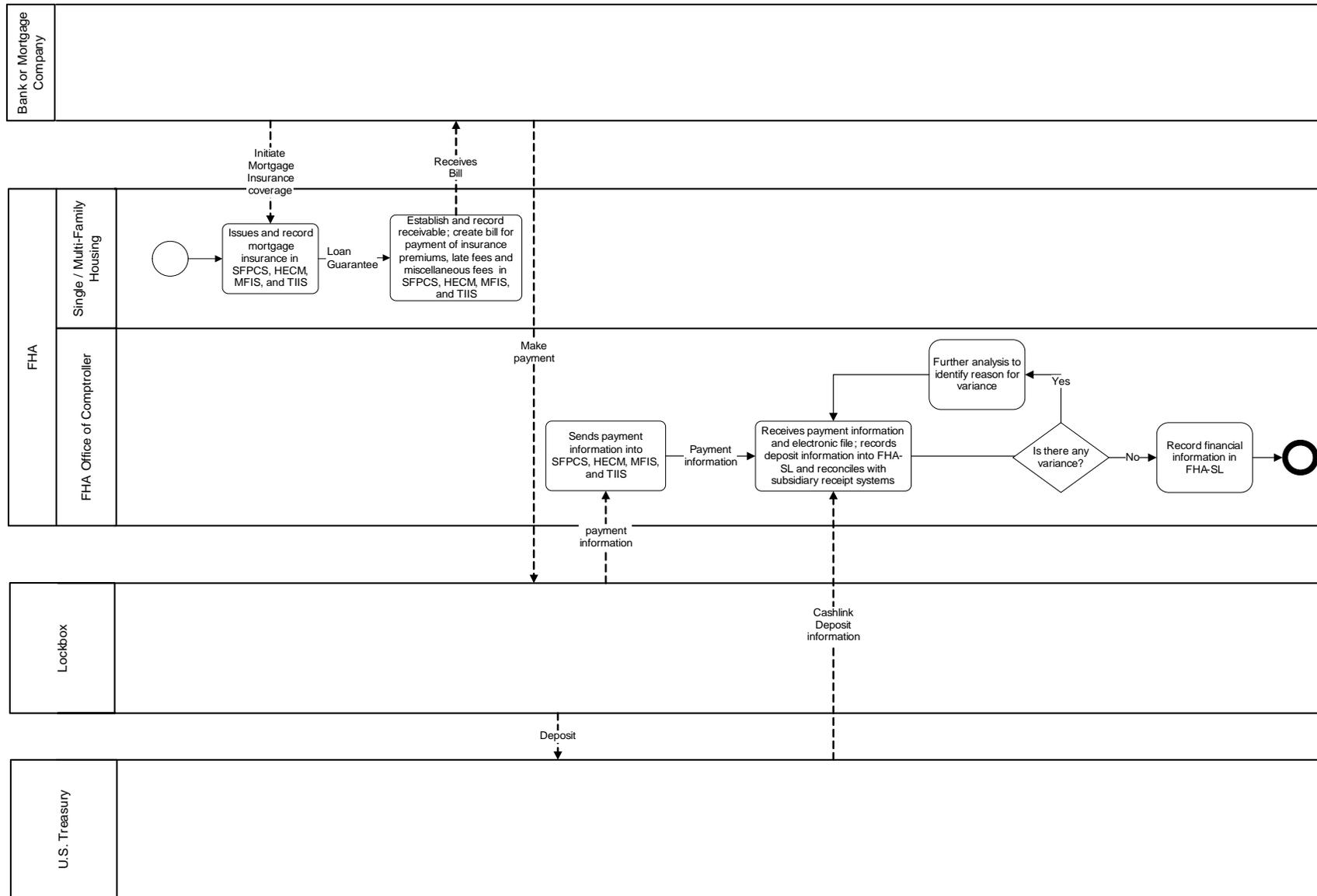
[Note: MIL is aware of the impact of the material accounts receivables which arise as a result of the FHA's real estate disposition process. We anticipate that this aspect will be addressed by FHA during their business process validation effort.]

Table Error! No text of specified style in document.-12 FHA Receivables

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
A mortgage is entered into between a Lender and Borrower.	1.	FHA insures a Single Family or Multi Family mortgage financed by either a bank or mortgage company.	SFPCS-P (A80B) HECM (F12) MFIS (F47) TIIS (F72)	Single / Multi-Family Housing	Daily
Monthly bills are generated	2.	Banks and mortgage companies are billed for their insurance premiums, notes, late fees and miscellaneous fees and a receivable is established and recorded in the FHA financial systems.	SFPCS-P (A80B) HECM (F12) MFIS (F47) TIIS (F72)	Single / Multi-Family Housing	Monthly
Payment of a bill.	3.	The mortgage companies and banks direct their payments for mortgage insurance premiums, note payments and other types of payments to a lockbox.	Lockbox	Bank / Mortgage Company	Daily
	4.	The bank wires the funds collected to the U.S. Department of Treasury and the Department of Treasury updates the Ca\$hLink system.	Lockbox	Bank	Daily
	5.	An electronic file is received from the bank giving detailed case level information to the Servicing Area and is interfaced into one of FHA's collection systems.	SFPCS (A80R) HECM (F12) MFIS (F47) TIIS (F72)	FHA Office of the Comptroller	Daily
Treasury sends an electronic file	6.	A file from Department of Treasury Ca\$hLink is downloaded to the FHA Subsidiary Ledger (FHA-SL).	FHA-SL (P013)	U.S. Department of Treasury	
Payments are	7.	Reconciliation is performed between FHA-SL and the	SFPCS (A80R)	FHA Office of the	Daily

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
downloaded into Receivable systems		subsidiary receipt systems.	HECM (F12) MFIS (F47) FHA-SL (P013)	Comptroller	
	8.	All activity is posted to the General Ledger.	FHA-SL (P013)	FHA Office of the Comptroller	Daily

Diagram Error! No text of specified style in document.-12 FHA Receivables Process



2.1.1.3.3 Asset Management

[Note: These process narratives have not been validated by FHA and as such, may not be accurate.]

2.1.1.3.3.1 Real Estate Acquisition

FHA assumes custody of a real estate property. HUD acquires and takes possession of properties foreclosed or taken by deed-in-lieu of foreclosure of FHA-insured mortgages and certain special acquisitions, the most common of acquisition types. Special acquisitions arise as a result of foreclosure or deed-in-lieu of Secretary-held mortgages, Section 202 elderly home loans, and Title I Home Improvement Loans. Day-to-day property management is provided by a Real Estate Asset Manager.

2.1.1.3.3.2 Real Estate Disposition

FHA is responsible for the processing of collections and disbursements of funds for the maintenance and sale of FHA properties. Headquarters staff, Field Offices, Regional Offices, HUD's contractor, vendors, and contracted parties share the responsibilities for the administration of the property disposition. Each property represents a sizeable asset to the Department and must be protected to avoid potential fraud, waste, and mismanagement of HUD's funds. Field Offices are responsible for collecting and disbursing funds associated with the disposition and sale of acquired single family properties and for monitoring these activities to ensure that HUD's assets are protected.

2.1.1.3.4 Financial Reporting

2.1.1.3.4.1 SF 224 Statement of Transactions

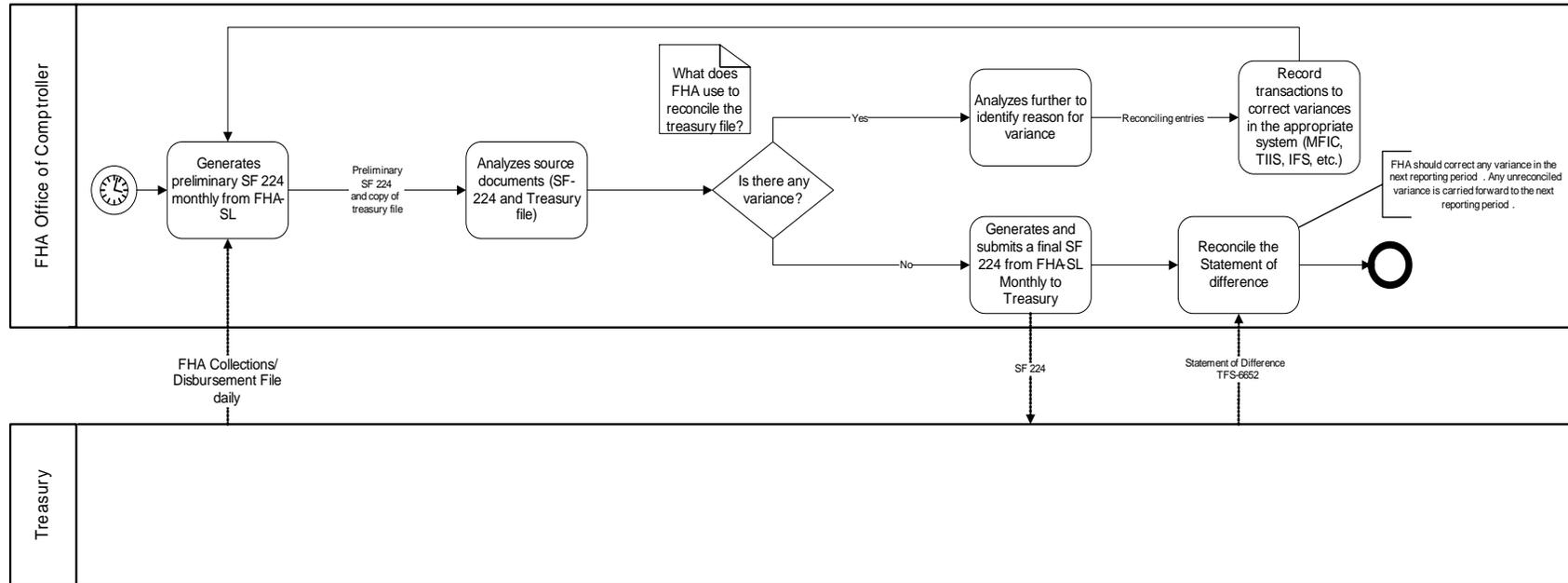
This process explains how FHA provides the U.S. Department of Treasury with a monthly statement of disbursements and collections initiated by FHA that affect funds held by the U.S. Department of Treasury. A separate SF 224 is prepared for each ALC assigned to FHA by the U.S. Department of Treasury's FMS. A separate ALC is assigned for each separate organization component that initiates, processes, and records transactions that affect the Fund Balance with Department of Treasury accounts. The SF 224 consists of three (3) sections: (1) Classification of Disbursements & Collections by Appropriation, Fund & Receipt Amount, (2) Control Total of Disbursements and Collections, and (3) Status of Collections.

Table Error! No text of specified style in document.-13 FHA SF 224 Statement of Transactions

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
Treasury sends file of FHA Collections / Disbursements on a daily basis	1.	FHA Subsidiary Ledger (FHA-SL) receives the daily collections/disbursements file for FHA and generates a preliminary SF 224 monthly.	FHA-SL (P013)	U.S. Department of Treasury	Daily
Both preliminary SF 224 and copy of Treasury file are received	2.	FHA staff performs analysis and comparison of the preliminary SF-224 and a copy of the U.S. Department of Treasury file		FHA	
Variance in Statements	2a.	If there are discrepancies, further analysis is conducted to identify the reason for the variance.		FHA	
	2b.	Transactions to correct the variances are made in the appropriate system; a new SF 224 is generated and again analyzed in step 2.	MFIC (F75) TIIS (F72) IFS	FHA	
No variance in statements	3.	Once there are no variances, FHA Office of the Controller staff generates and submits a final SF 224 from FHA-SL to	FHA-SL(P013)	FHA – Office of Controller	

Trigger	Activity Step No.	Activity Description	Source/ Systems	Performed By	Frequency
		Treasury.			
Final SF 224 received	4.	US Department of Treasury generates a Statement of Differences (TFS 6652)		FHA – Office of Controller U.S. Department of Treasury	
FHA receives TFS 6652	5.	FHA Office of the Controller staff reconciles the Statement of Differences: <ul style="list-style-type: none"> • FHA should correct any variance in the statement of difference in the next reporting period. • Any un-reconciled variance is carried forward to the next reporting period. 		FHA – Office of Controller	

Diagram Error! No text of specified style in document.-13 FHA SF 224 Statement of Transactions Reporting Process



2.1.1.3.5 Loans Management

2.1.1.3.5.1 *Guaranteed Loans*

FHA provides assurance to lenders who supply FHA backed loans. FHA issues an insurance policy on loans that meet the underwriting requirements of the National Housing Act. This insurance policy provides assurance to the lender that if the loan goes into default FHA will make the loan good by taking the property and paying off the lender either in cash or with debentures guaranteed by the United States government. This insurance is funded by a Mortgage Insurance Premium (MIP) charged to the borrower as either an installment or a lump sum payment.