

CHAPTER 4. ELECTRONIC DEPOSITS

4-1. BACKGROUND. The electronic collection of funds has been utilized by the Department routinely since 1982. This collection method allows for the automatic transfer of funds between a debtor's account and an account established in the Treasury's account in the Federal Reserve Bank of New York or a commercial bank in the name of the Department. The electronic collection methods used by the Department are:

- a. Wire Transfers
- b. Fixed and recurring Pre-Authorized Debits
- c. Customer Initiated Pre-Authorized Debits

4-2. WIRE TRANSFERS. The Federal Deposit System (FDS) offers individual and corporate remitters the ability to move funds electronically from their bank account to the Treasury. The remitter identifies the payment and the government agency to which funds will be credited on the funds transfer message.

a. Deposit Message Format. The message format and a description of each field in the message is included in Appendix 5. Field 10, Third Party Information (the last in the message format), is used to identify the reason for the transfer.

b. Wiring Large Payments. In several instances, because of the large amount of the money due the Department, remitters are instructed to wire their payments rather than submit a check. The benefits of this process are the faster and safer receipt of funds and the elimination of the manual deposit function. Therefore, when instructing a remitter to make a payment to the Department for any collection that is over \$2,000 and is not designated to come in by lockbox or another electronic method, the preferred collection method is wire transfer. Some of the payments submitted by wire are:

- (1) Proceeds from the sale of Single Family and Multifamily notes and properties;

- (2) Payoffs of Single Family and Multifamily mortgages;
- (3) Wage Restitution and Liquidated damages in connection with Labor Standards Enforcement.

- 4-3. FIXED AND RECURRING PRE-AUTHORIZED DEBITS (PADS). Now Title I debtors have the option of paying their loans by volunteering for PADS. This payment method results when the debtor gives HUD permission (Appendix 6) to take money from or debit his/her bank account on a specific day each month for a pre-arranged amount of money. This method saves the remitter from: writing and mailing checks; late payments resulting in increased interest costs; and a bad credit rating.
- a. How It Works. This is a totally automated process. Each month a tape is generated from the Title I System identifying remitters who have agreed to PADS. The tape contains the case number and the banking data for that case. The tape is processed through the Automated Clearing-house by our lockbox contractor who collects all the funds represented on the tape, pools them and wire transfers the total amount to the Treasury for credit to HUD's Title I program. The accounts are credited on the system at the time the tape is created. If there are insufficient funds in the debtor's bank account, the lockbox bank notifies HUD and the payment credit is removed from the debtor's account in the system.
 - b. Future Expansion. This collection process will be included for other programs when the appropriate systems are enhanced.
- 4-4. CUSTOMER INITIATED PRE-AUTHORIZED DEBITS. This payment method is designed for the collection of premium payments and the related data from mortgagees on behalf of mortgagors who have FHA insurance. The first application was implemented in 1985 for the One-Time Mortgage Insurance Premium Program.
- a. This automated system coexists with the paper lockbox process whereby mortgagees mail checks and a remittance advice, giving the information on the newly insured

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- (4-4) loan. With the paper process, the remitter runs the risk of incurring a late charge if the payment is not received within 15 days of the closing of the loan. The risk exists because the mailing of the forms by the mortgagee, must be done in sufficient time for the lockbox to receive and record the payment before the 15 days are up.
- b. To utilize this system, mortgagees must provide banking data, including their account number and the 9-digit ABA (American Banker's Association) number of their bank. They must have access to: a personal computer

or dumb terminal; data communications modem; and communications software which is provided by the Department. When the mortgagee is ready to submit a payment electronically, he uses the software to access the system, inputs the data on the case to be insured, and activates a message instructing our lockbox bank to effect a PAD for the amount of the insurance premium indicated. The lockbox bank retrieves this payment and any others initiated through this process each day, pools them and wire transfers the total to Treasury to be credited to HUD's One-Time Premium Program.