

U.S. Department of Housing and Urban Development

Special Attention of:

Transmittal for Handbook No.:

4566.2

Directors of Housing;

Directors of Multifamily

Issued: 8/95

Housing Division;

Asset Management Branch Chiefs;

Owners and Management Agents;

Contract Administrators

1.This Transmits change No. 1 to HUD Handbook 4566.2.

2.Explanation of Material Transmitted:

a.This change transmits clarifying instructions for the Computation of Surplus Cash in Line 3 (page 2) for completion of Form HUD-93486 "Computation of Surplus Cash, Distributions and Residual Receipts," dated 8/95 as Appendix No. 11 of Handbook 4370.1 REV-2.

The instructions now allow for the inclusion of any Government receivables that a project expects to receive within 60 days of fiscal year end as an addition to cash. For example: Nursing Homes usually have a large account receivable related to medicare billings. This may now be included in the Computation of Surplus Cash.

b.Previous editions of this form are obsolete. Supplies of these forms are available from Administrative Services Division located in the local HUD Office.

3. Effective Date: Upon Receipt.

Filing Instructions:

Remove:

Insert:

From Handbook 4370.1 REV-2

page marked, "Appendix 11,

pages 1 and 2 dated 12/80

Appendix 11, pages

1 and 2 dated 8/95

From Handbook 4566.2

page marked Appendix 13

Appendix 13, pages

1 and 2 dated 8/95

Assistant Secretary for Housing -
Federal Housing Commissioner

HMHP:Distribution: W-3-1,W-2 (H) ,W-3 (A) (H) (OGC) (ZAS) ,W-4 (H) ,R-1,R-2,R-3-1,
R-3-2,R-6,R-6-2,R-7-R-8

ATTACHMENT - FORM HUD 93486 - COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS.

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
H O U S I N G

Special Attention of:

TRANSMITTAL Handbook No.: 4566.2

Regional Administrators-Regional Housing

Commissioners, Directors of Regional Housing, Managers, Category A and Category 8 Offices, Directors of Housing Management Division, Loan Management Branch Chiefs, Coinsuring Lenders, and Owners and Management Agents of Projects with 223(f) Coinsured Loans. ISSUED: 5/08/84

1. This Transmits; HUD Handbook 4566.2, Management, Servicing and Disposition Requirements for Projects with 223(f) Coinsured Loans.
2. Explanation of Material Transmitted:
 - a. This Handbook sets forth HUD's policies and procedures for the operation, management and disposition of coinsured projects and the servicing of coinsured loans. The Handbook provides guidance for coinsuring lenders, HUD Field staff, project owners and management agents. Each chapter explains the responsibilities of all program participants. Participants should read the entire Handbook in order to understand their own responsibilities and how they will relate to the other participants. The list below highlights some of the roles and responsibilities discussed In this Handbook.
 - o Coinsuring Lenders. This Handbook contains the administrative requirements and procedures which participating lenders must follow for servicing coinsured loans; overseeing project management; monitoring projects' financial and physical conditions; acquiring, managing and disposing of defaulted projects; and filing claims for insurance benefits. This Handbook delegates to coinsuring lenders certain responsibilities which HUD Field Offices generally perform for projects with fully-insured and HUD-held mortgages. These include, but are not limited to, reviewing monthly and annual financial statements; processing requests for rent increases; reviewing management agents and fees; authorizing withdrawals from the replacement reserve; conducting on-site reviews of project operations; processing applications for transfers of physical assets; and negotiating workouts and mortgage relief. This Handbook also sets forth those actions for which the lender must obtain HUD's advance approval.
 - o Project Owners and Management Agents. This Handbook includes the administrative requirements and procedures which project owners and management agents must follow in operating projects with coinsured loans. These include the responsibilities set forth in the mortgage, regulatory agreement and management certification. This Handbook provides a detailed explanation of many of these requirements, including, but not limited to, owner's and agent's accounting and financial reporting; use of project funds; management

agents and fees; maintenance and use of the reserve for replacements; rent increases; and transfers

of physical assets. Owners and agents of coinsured projects will find that their responsibilities are essentially the same as those of owners and agents of fully-insured projects. However, owners and agents of coinsured projects will interact less with HUD Field Offices, since HUD has delegated most servicing responsibilities to coinsuring lenders.

- o HUD Field Offices. Under the 223(f) Coinsurance Program, HUD Field Offices will have minimal day-to-day contact with coinsured projects. The Field Offices' responsibilities will generally include monitoring the lender's servicing activities; maintaining the data base on coinsured projects in MIDLIS and OLMS; processing previous participation clearances; and reviewing certain lender or owner actions which require HUD's advance approval (e.g., using insurance proceeds to pay for repairs if the mortgage is delinquent or executing an agreement to permanently modify the terms of the mortgage).
 - b. While Section 431 of the 1984 Housing Act gave HUD discretionary authority to deregulate rents and charges for 207 and 223(f) projects endorsed for mortgage insurance on or after November 30, 1983, this Handbook does not implement that discretion. To implement that authority, HUD must first amend the regulations that govern the 207 and 223(f) programs (24 CFR Parts 207 and 255). That regulation change is now being drafted. Until the regulation and related administrative procedures are published, owners and lenders must follow Chapter 7's procedures for requesting and processing rent increases.
4. Implementation. All of the policies, procedures and forms set forth in this Handbook are effective immediately.
- a. Forms Superseded. The forms listed below supersede forms which were included as appendices in HUD Handbook 4566.1 REV-1, dated January, 1984. Participants must disregard HUD Handbook 4566.1's forms and any previously published or circulated drafts of these forms.

Form Title	This Handbook's Appendix Number	Handbook 4566.1's Appendix Number
Regulatory Agreement for Projects Coinsured By HUD	3	33
Management Certification for Coinsured Projects		

o For Owner-Managed Projects	4a	8
o For Projects with Identity-of-Interest or Independent Management Agents	4b	8a
Management Agent Profile	15	5
5/84	2	

- b. Annual Reporting Requirements. While Paragraph 1-17 of this Handbook requires lenders to submit an Annual Inventory Reconciliation and Servicing Report, this Handbook does not contain the format or instructions for preparing that report. HUD is finalizing the report format and will send it to lenders in June. Lenders must maintain accurate records on their coinsured loans and servicing activities so that they will be able to provide the type of information required by Paragraph 1-17.
5. How to Obtain Copies of this Handbook. Lenders and other interested persons may obtain five or fewer copies of this Handbook from HUD Headquarters' Publications Service Center, Room B-258, 451 Seventh Street, S.W., Washington, D.C. 20410. Additional copies must be ordered through the Administrative Services Branch of the local HUD Field Office.
6. Distribution. Lenders must immediately distribute copies of this Handbook to the following:
- a. Owners and management agents of projects already endorsed for coinsurance;
 - b. Owners and management agents of projects which have applied for coinsured financing and persons who have expressed an interest in participating in the program.

Assistant Secretary for Housing -
Federal Housing Commissioner