

CHAPTER 9. FIELD OFFICE PROCESSING AND ADVERTISING EXPENSES

- 9-1. PURPOSE. This chapter provides instructions for the control of FHA processing expenses, Section 202 inspection fees and advertising expenses, and Property Disposition advertising expenses. Control functions for FHA processing expenses, Section 202 inspection fees and advertising expenses, and Property Disposition advertising expenses are also included in this chapter. Control for all of these categories are similar.
- 9-2. DEFINITIONS. This Section provides definitions of the various activities that are authorized to incur expenses for processing and related activities. For any other processing activities not included herein, a request, complete with justification, must be submitted to the Funding Control Division in Headquarters. These requests will be approved on a case-by-case basis and funded accordingly.

A. SINGLE FAMILY

1. Inspections: This category pertains only to construction inspections. Inspections of newly constructed or substantially rehabilitated properties are performed to assure insurability, and defaulted properties are inspected to assure reinsurability. Casualty inspections are also performed under this category. Casualty inspections are performed when damage occurs resulting from fire, flood, earthquake, tornado or vandalism.
2. Mortgage Credit Examinations: This category pertains to the examination, by contractors, of the credit-risk of an applicant for FHA Insurance, as well as examination of the mortgage credit worksheet prepared by the lender.
3. Field Review of Appraisals: Ten percent (10%) of all appraisals performed for Single Family Insurance are to be reviewed. This activity may be performed by contractors. This is a quality control review to see that HUD is getting good appraisals on the units it insures.
4. Architectural Reviews: Contractors may review proposed plans (blueprints) and specifications (kind and quality of construction materials) to determine if a dwelling proposed for construction under the plans and specifications will be insurable.

5. Field Reviews of Compliance Inspections: This is a quality control check performed by contractors on construction inspections prepared by Single Family Inspectors.
6. Mortgage Credit Insurance Endorsements: Contractors may review

the lender's closing package for overall compliance with policies and procedures. Also authorized under this category of activity is CHUMS data entry for the insurance endorsement.

7. Direct Endorsement Technical Reviews (Valuation): Contractors may perform a quality control review and rate the direct endorsement lenders appraiser on how he or she did in valuing a property.
8. Direct Endorsement Technical Reviews (Mortgage Credit): After direct endorsement, contractors may perform a quality control review and rating to determine if the staff of a direct endorsement mortgagee are doing an adequate job in underwriting a prospective borrower.
9. Case #/Appraiser Assignments: At the beginning of the insurance endorsement process, contractors may be employed to assign a case number and an appraiser in response to a lender's request for such services. This activity includes CHUMS data entry for the applicable case number and other related information from the lender's case number request sheet.

B. MULTIFAMILY

1. Inspections: This category pertains to construction inspections for FHA-insured processing. Fee inspection services are those ordinarily performed by Multifamily Construction Analysts or Construction Representatives.
2. Appraisals: This category pertains to the valuation of a Multifamily property as security for a long term insured mortgage. Assignments for fee appraisals are permitted only for 1) Site Appraisal and Market Analysis (SAMA) processing under Section 221 of the National Housing ACT (Act) and 2) commitment processing under Section 223(f) of the Act. Fee appraisers may perform an appraisal or reappraisal during SAMA processing stages for Section 221 cases and commitment processing stages for Section 223(f) cases. Prior Headquarters approval is required to use fee appraisers for processing applications for other programs or stages of processing.
3. Cost Analysis: Prior Headquarters approval is required to use fee personnel for cost analysis. Fee cost analysts may perform those functions typically performed by the cost analyst in the Architectural/Cost Branch within the Field Office.

4. Management: Fee personnel may be utilized to inspect the physical condition and the quality of maintenance operations in insured projects. In addition, such personnel are utilized in Transfer of Physical Assets (TPA) transactions for insured and HUD-held mortgages. Prior to a foreclosure sale, fee personnel are used to provide the appraised value

of HUD-held properties. HUD uses the appraisal to determine the bid price to be submitted at the foreclosure sale.

9-3. REQUESTS FOR FEES AND ADVERTISING EXPENSES

- A. Introduction: Headquarters cannot geographically allocate funds for the various processing categories and advertising expenses since the commitments are made at the Field Office level and based on needs at the field level. For this reason the Field Offices are required to report their commitments and projected needs on a regular basis. This Section outlines procedures for requesting funds for processing activities and advertising. Requests for funds should be sent to the Funding Control Division in Headquarters by the Regional Office.
- B. Quarterly Request for FHA Processing and Single Family PD Advertising Expense Funds: Requests for funds must originate in the Field Office and be submitted to the Regional Office six weeks prior to the beginning of the next quarter. The request should include information needed to substantiate the request. (See paragraph 8-3.E below) The Regional Office will review the Field Office requests and send a consolidated request to Headquarters no later than four weeks prior to the end of each quarter of the fiscal year. Field Offices and Regional Offices should keep in mind when estimating the first quarter needs that all assigned, but unpaid FHA Processing and Advertising Expense funds expire at the end of each fiscal year. Any vouchers paid after September 30 will be charged to the funds provided for the first quarter of the new fiscal year. Every effort should be made to keep this carryover commitment at a minimum. All requests for funds should include the following information.
1. Balances in Category: The Office should indicate the current or projected balances of funds in the category needed. Unused balances in the FHA processing categories carryover from quarter to quarter, within the fiscal year.
 2. Projected Workload: The request should include information on the workload for the period in question. The request should show what portion of the projected workload is to be completed by HUD staff and what portion is to be completed by fee personnel or contractors. This applies to FHA processing activities only.

3. Justification: The Office must justify the request by explaining why HUD staff cannot complete the projected workload. Justification usually demonstrates that projected workload exceeds staff capacity; the office anticipates unusually high use of sick and annual leave; office staff lacks certain skills; etc. For advertising expenses, a revised budget is required.

4. Funding Request Summary: To show the total funds required less the projected balance on hand. The amount remaining will represent the net amount requested.

C. Semi-Annual Request for Section 202 Inspection Fees: At least semi-annually, the Regional Offices should survey the Field Offices for Section 202 inspection fee needs. The surveys should be in early March and August to determine the needs for the next six months. The report from the Field Office to the Regional Office of Housing should include information as follows:

- Total of funds disbursed for projects that are complete (see "Purge Project 1" line on PAS A96CYCA report). Show on first line.
- Section 202 project number (s) for all projects not fully disbursed and any new projects.
- Previously Issued. Include all obligated amounts (via HUD-3650) both prior year and current year.
- Projected Needs. Show by quarter. Include increases required for projects already reserved and amounts For new projects. Show decreases for projects with surplus obligations. These amounts will be available for reassignment to other projects.
- Total Funds Required. Represents total of all projected needs.
- Units. Show units applicable to all projects requiring inspection.
- Start and Completion dates for all projects listed.

The request for Section 202 inspection fees will be reviewed in the Regional Office to determine if the request is reasonable. Various ADP system reports such as MIDLIS Report 2088, PAS Reports A96CYCA and A96CICA will be used in this review, therefore, it is important that the data In the systems be current and accurate. The Regional Office will consolidate the Field Office reports and request the additional funds from Headquarters.

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D. Special Requests: Special requests may be submitted to the Regional Office for any of the processing categories and advertising expenses. The Regional Office will generally keep a small reserve for special requests and urgent needs. Any large request will require a supplemental allocation from Headquarters and will require four to six weeks. The special request should be sent to the Regional Housing Director with complete documentation of needs and the justification for the increase.

9-4. FUND ASSIGNMENTS. The assignments of FHA Processing and Section 202

Inspections Fee funds are made by the Funding Control Division in Headquarters, and are based upon requests from each Regional Office. The Funding Control Division is dependent upon the requests and reports made by the Regional Office for estimating the national needs; therefore, it is very important that the reports of usage and requests for funds be timely and accurate. For more detailed information on fund assignments, refer to paragraph 3-8.

9-5. SUBASSIGNMENTS. When funds are requested, reviewed, and approved the Regional Administrator subassigns them to the Field Office Manager. The subassignment is communicated by the applicable form HUD-185.1 with an accompanying memorandum addressed to the Office Manager. FHA processing and PD advertising expense funds are subassigned on the same form (Appendix 2.4), and Section 202 inspection fees and advertising expenses on a different form (Appendix 2.3). The HUD-185.1 and cover memorandum are prepared by Regional Office of Housing staff. For more detailed information on subassignment formats see paragraph 5-3.

9-6. TRACKING ASSIGNED FEES

A. Introduction: A Field Office must never reserve more funds than have been assigned. In the case of Section 202, funds are committed to a specific project and the disbursement should never exceed the funds obligated to that project.

B. Definition - Obligation at the Voucher Approval Stage: For some fee categories, obligation should be tracked at the time the voucher is approved for payment by the Field Office staff. When work is completed by a fee panel member, the dollar amount of the approved voucher should be considered committed and the available balance reduced by that amount. This applies to the following:

1. Single Family

(a) Inspections

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2. Multifamily

- (a) Inspections
- (b) Appraisals
- (c) Cost Analysts
- (d) Management Inspections

C. Obligation at Contract Commitment Stage: Fund obligations should be tracked at the contract commitment stage for the following single family categories:

- 1. Field Review of Appraisals
- 2. Architectural Reviews
- 3. Field Reviews of Compliance inspections
- 4. Mortgage Credit Examinations

5. Mortgage Credit Insurance Endorsements
6. Direct Endorsement Technical Reviews - Valuation and Mortgage Credit
7. Case Number/Appraiser Assignments

The contract commitment stage for these categories occurs where either a purchase order is signed by the Regional Contracting Officer, or a contract is executed by both HUD and the person or business to perform the service(s). Obligations must be tracked at the contract commitment stage because the signed purchase order or executed contract obligates these funds and prevents them from being used for other fee expense categories. The amount committed is the funding level stated in the purchase order/contract. Such funds only become available for recommitment after a purchase order has been terminated for cause, resulting in the recovery of obligated funds, or a contract has been amended to reflect the actual funds disbursed. The amount committed for these categories should therefore be adjusted to reflect revised contract commitments.

- D. Obligations of Single Family PD Advertising Expenses: Purchase orders/contracts are to be used when acquiring advertising services in accordance with Chapter 1-10, Handbook 4320.1 REV 1, Property Disposition Contracting. Obligations must be tracked at the contract commitment stage similar to paragraph 9-6.C. above. The funding level included in the purchase order/contract represents the committed amount to be reported.
- E. Ledgers for Tracking Commitments and Disbursements: All offices must maintain a system for recording assigned funds, and for tracking commitments and disbursements. All offices, both regional and field, are encouraged to automate their systems and expand on the minimum requirements set out in this Section. The

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tracking system may be similar to a checkbook register and should include but not be limited to (1) DATE (record date of transaction); (2) TRANSACTION (include a brief description of action); (3) OBLIGATION (show dollar amount of commitment; (4) CREDIT (record credits such as additional funds being assigned or credits due to previously over estimating); (5) BALANCE (a running balance).

- F. Monthly Fund Commitment Report: The Single Family and Multifamily Fee Commitment Report is due in the Regional Office the second working day following the end of each month. See Appendix 8 for the report format for FHA Processing and SFPD Advertising fund commitments (RMS HI-00506R). For all FHA processing categories and for PD advertising expenses, the Field Office should report the cumulative fiscal year to-date commitment.

Commitments and disbursements for Section 202 inspections and advertising are tracked in PAS by RAD and a monthly report is generated. The A96CYCA Report from PAS shows cumulative

obligations and disbursements for each project. This report should be used to reconcile the tracking log kept in the Field Offices. Monthly usage reporting by the field is no longer required for Section 202 Inspection Fees.

9-7. SECTION 202 INSPECTION FEES

- A. Fiscal Year Subassignment and Fund Reservation: Funds assigned to the Region for Section 202 inspections are based on needs surveys performed in the Field Offices and verified by the Regional Office. The subassignment of an allocation for fee inspections is by form HUD-185.1 and carries a "HE" program designation in the subassignment number. Fees subassigned are project specific and a listing of projects for which funds are subassigned must be attached to the HUD-185.1 or included in the transmittal memorandum. The list must include the project number, units and the amount of Section 202 Inspection funds earmarked for each project. This project specific information will be the basis for fund reservations in the PAS. Funds reserved may be transferred from one project to another within a field office by memorandum. The memorandum requesting the transfer should be addressed to the Regional Director of Housing and include a revised listing indicating the transfer. No commitments may be made by the Field Office until the transfer is approved and the RAD has entered the transfer in PAS. Transfers between Field Offices require a HUD-185.1.
- B. Tracking Commitments and Disbursements: A control log should be established by each Field Office and used to account for inspection fees subassigned/reserved, obligated, and disbursed. The log should provide at least four columns. Column I should indicate, by

project, the total fees subassigned/reserved to each project at the end of the prior fiscal year plus any fees subassigned/reserved in the current fiscal year. The first line of Column I should indicate the cumulative total fees disbursed on all completed projects that have received fees and are no longer active. (Use Purge Report 1 total from A96CYCA report). The last line will be the total of all fees subassigned/reserved and not withdrawn by a HUD-185.1. A project will only be removed from the log at the end of the fiscal year. Column II should indicate the fees obligated by the Appraisal Inspection or Credit Analysis Assignment (form HUD-3650) for each project that has not been fully disbursed. Column III should indicate the total fees for which vouchers (SF-1034) have been submitted to RAD for payment. This column will be helpful in determining the completion of the work assignments as evidenced by the submission of the voucher. Column IV will show the unobligated balance (difference between Column I and Column II). The outline above is a minimum and may be expanded to the needs of individual Field Office.

At the end of each month, Field Offices must reconcile their control log with the monthly PAS reports; in particular, the A96CICA, Status of Funds Report and A96CYCA, Grant Status Report.

- C. Assignment and Payment of Inspectors: Prior to an inspection assignment to a fee inspector, the Field Office will prepare a form HUD-3650. This assignment is for one inspection and the inspection should be completed within 30 days of the date of the assignment. The inspector should be advised of the maximum fee allowed. The HUD-3650 should be given a control number to facilitate matching RAD's copy with the copy submitted with the inspector's voucher. Copies of the HUD-3650 will be given to the inspector and a copy will be sent to the RAD for recordation of the commitment in the PAS. The inspector will complete his/her portion of the HUD-3650 and submit it with the inspection report to the Field Office. When the Field Office concludes that the work has been satisfactorily completed, the HUD-3650 will be signed and returned to the inspector. The signed copy must be attached to the inspector's SF-1034 (voucher) and be submitted to the Field Office. The Field Office will process the voucher and submit it to the RAD for payment. The signed HUD-3650 submitted with the voucher must be the original HUD-3650; the date of the inspection may not exceed 30 days from the assigned date; and only one inspection may be included on each HUD-3650.

9-8. SECTION 202 ADVERTISING EXPENSES

- A. Fiscal Year Subassignment and Fund Reservation: The subassignment of funds for Section 202 Advertising Expenses is by form HUD-185.1 and carries a "HE" program designation.

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Once the newspaper(s) has been selected and the estimated cost is determined the Field Office sends the newspaper(s) a copy of the advertisement and a voucher, SF-1143, Public Voucher for Advertising. The voucher is completed and signed by the newspaper and is returned to the Field Office. If acceptable, the Field Office approves the voucher and submits it to the RAD for recording in PAS. Fund reservation and obligation is based on the approved SF-1143.

- B. Tracking Commitments: A control log should be established by each Field Office and used to account for advertising expenses subassigned and obligated. The log should provide at least three columns. Column I should include each fund subassignment, including date and subassignment number. Column II should include each individual advertising expense reserved based on approved vouchers (SF-1143), and Column III should show the unobligated balance. At the end of each month, Field Offices must reconcile their control log with the monthly PAS reports. In addition, they will need to work closely with RAD staff to establish a practical method for monitoring and tracking the 202

Advertising Expense funds.

9-9. CONTRACTUAL CATEGORIES

- A. Introduction: This Section provides guidelines for tracking commitments and disbursements of funds obligated under contracts for certain categories of work such as Field Reviews of Appraisals, Architectural Reviews, Field Reviews of Compliance Inspections, Mortgage Credit Examinations, Mortgage Credit Insurance Endorsements, Direct Endorsement Technical Reviews (both Mortgage Credit and Valuation); and Case Numbers/Appraiser Assignments. It also provides an overview of the responsibilities and procedures for executing these contracts.
- B. HUD Administration Staff Responsibilities: The Regional Contracting Officers (RCOs), under the Regional Directors of Administration, are responsible for the award and administration of the purchase orders/contracts. In cases where the dollar amount will not exceed \$10,000, the awards may be made by the Regional Administrative Services Division (ASD). The RCO/ASD is responsible for issuing all solicitations and synopsisizing requirements in the Commerce Business Daily, when necessary.
- C. HUD Housing Staff Responsibilities: Field Office Housing staff is responsible for determining whether the use of fees in contractual categories is necessary for submitting an appropriate request for fees to the Regional Office. Regional Housing staff coordinates with the RCO to inform him/her of the Offices that intend to use fees in contractual categories and the amounts of fees requested. The Housing Field staff will be responsible for designating a Government Technical Representative (GTR) for evaluating

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quotes/proposals received in response to a solicitation issued by the RCO. (Note that competition cannot be limited to current fee personnel, but must be open to all entities). Once the quotes or proposals have been received, the GTR(S) must evaluate them based on the technical qualifications listed in the solicitation, make their recommendation(s) for award, and forward the following to the RCO: who should receive an award; the estimated number of reviews allotted to each offeror who is recommended for award; and, the justification for the recommendation(s).

Housing staff is also responsible for tracking usage of fees and for ensuring that usage does not exceed the amounts subassigned and under contract.

- D. Contractual Category Fund Requests and Assignments: Because of the amount of staff work involved in executing purchase orders/contracts, staff should initially establish purchase orders/contracts for a fiscal year period. Purchase orders/contracts cannot be executed until sufficient funds have been subassigned to a Field Office to cover the funding levels

established for all purchase orders/contracts. To the extent possible, funding will be provided to cover the maximum work level stated in the purchase order/contract. However, at the beginning of each fiscal year it will be necessary to fund the more significant contractual categories, e.g., Field Reviews of Appraisals, Mortgage Credit Insurance Endorsements, etc., at fifty (50) percent of the maximum amount required. Accordingly, purchase orders/contracts applicable to these categories would initially be executed with funding levels established at fifty (50) percent of the maximum work level. Therefore, additional information is needed in requests for funds in contractual categories. The additional information includes the total funds subassigned in the category fiscal year to-date; the total of the maximum amounts in purchase orders/contracts that have been executed; and the total amount of work given to contractors for that fiscal year to-date. Regional Housing funding control staff use information in the fund requests to obtain funds to cover purchase orders/contracts for at least a six-month period. If additional funds are needed later in the fiscal year, a request can be submitted to Headquarters by the Region, and purchase orders/contracts can be amended after the funds have been assigned and subassigned.

- E. Executing Purchase Orders/Contracts: Purchase orders/contracts are to be of an indefinite delivery type, with a minimum work level and maximum work level and a funding level per purchase order/contract. The minimum amount is the lowest level of work the Department is obligated to provide to each contractor. The minimum should be established at a very low level, and no more than approximately one

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month of work for each contractor. The maximum amount is the total amount of work an Office can give a contractor during the contract period. The funding level is the total dollar amount available within the executed purchase order/contract. The total of the funding levels for all purchase orders/contracts in one category cannot exceed the amount of Funds subassigned in that category. The RCO should send copies of all executed purchase orders and contracts (including amendments) to the Headquarters Office of Finance and Accounting at: Property Expense Division - P.O. Box 23290 - Washington, DC 20026-3290.

- F. Tracking Fund Usage: The procedures for tracking fund usage for contractual categories are somewhat different from the other fee categories. With regard to the Single Family and multifamily Fee Commitment Monthly Report submitted to the Regional Office of Housing, the amount of usage reported in a contractual category should be the total of the funding levels included in all purchase orders and/or contracts executed for that category. If an Office amends its purchase orders/contracts to decrease the funding level, the next monthly fee usage report should reflect the decrease. If the purchase orders/contracts have been amended

and decreased, the amount of the decrease is available for other purchase orders/contracts in the same category. If the amount of decrease is not needed by the office, or needed for some other category, field staff should notify staff in the Regional Office of Housing. The RCOs and Field Office staff shall establish a separate usage tracking system for each purchase order/contract. The purpose of the tracking system is to ensure that the amount of work assigned to a contractor does not exceed the maximum amount of the purchase order/contract. Therefore, a log should be maintained which indicates the maximum amount in the purchase order/contract, the number and amount of individual orders issued to the contractor, and the running balance.

- G. Vouchers: When a contractor has completed work assigned, the contractor should submit a voucher to the Field Office for approval. An authorized staff person in Housing should initial next to the approval line, indicating the acceptability of services rendered. The appropriate Section Chief should sign the SF-1034 as the approving official. The certifying officer in the Field Office should certify the voucher and send it to the Property Expense Section in OFA Headquarters) with a copy to the Regional Contracting Officer. Headquarters OFA will make the payment to the contractor. Each voucher must reference the purchase order/contract number and order number under which the work was authorized and the payee's name and address on the approved voucher must appear exactly as it appears on the purchase order or contract.

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- H. End of Fiscal Year Instructions: There are special instructions for contractual categories for the end of the fiscal year (also see Section 8-10.D.).
- I. Conflicts of Interest: Staff should pay particular attention to the Conflict of Interest clause in model purchase orders. No work from a mortgagee should be assigned to a contractor who is also an employee of that mortgagee, or who has a financial interest in the mortgagee. Similarly, a HUD employee should not assign fee work to a contractor to whom she/he is related by blood or marriage or which could result in a violation of HUD's Standards of Conduct.

9-10. PROPERTY DISPOSITION ADVERTISING EXPENSES

- A. Introduction: To strengthen controls and to determine FHA fund utilization of single family Property Disposition advertising expenses, funds are assigned to Regional Offices to cover the costs of advertising. The funds are assigned and subassigned on the same forms HUD-185 and 185.1 used for FHA fees (see Appendices 1.4 and 2.4). Usage of the advertising funds is to be reported on the Single Family and Multifamily Fee Usage Monthly Report. Because the same forms are used for assignments and usage reporting of PD advertising expense funds as for fees,

control procedures for all are contained in this Handbook.

- B. Budgets and Assignments: Each Field Office should develop and use an advertising budget. Each Region must submit its consolidated budget for each of its offices to Single Family Property Disposition, Headquarters, by September 15 of each year. The advertising budget shall be based upon a percentage of the projected gross sales revenue. The maximum percentage, together with any specific additional instructions, shall be provided annually by Single Family Property Disposition, Headquarters.

Items that may be included in the advertising budget include: newspaper listings, special display ads, magazines, radio, television, billboards, Multiple Listing Service, Claims Without Conveyance of Title listings, instructional sales videos, yard signs, home buyers seminars, flyers, brokers information packages, brokers meetings, promotional materials and pamphlets. Printing costs associated with eligible items may also be included.

Items that may not be included in the advertising budget include: voice response systems or associated equipment, office supplies, furnishings, ADP equipment, software, telecommunications equipment such as telephone, telefax machines, and code-a-phones, and multifamily advertising.

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Field Offices must periodically review their actual advertising expenditures to ensure that the best market exposure is being received for the money spent. If a Field Office has contracted with an ad agency, it should emphasize the need for cost effective advertising.

If, during the fiscal year, it becomes apparent that the advertising budget for a Field Office is inadequate to service its annual needs, Regional Housing staff should be contacted to determine if surplus funds exist within the Region. If there is a transfer of funds, the Region must inform Single Family Property Disposition, Headquarters.

Should an Office need additional funds a revised advertising budget should be submitted to the Single Family Property Disposition Division in Headquarters, after coordinating with Regional Fund Control staff.

Regional Offices are responsible for monitoring their Field Offices to ensure that advertising budgets are established promptly, that budgets are within the allowable limits and that expenditures are in line with projections.

- C. Tracking and Reporting Usage: Each Office should keep records of the actual funded amounts committed in purchase orders/contracts executed for advertising services. The contract commitments

should be recorded in a log or ledger as a record of the funding commitment. At no time should the amount committed exceed the amount of advertising expense funds subassigned to the Office. Each Office must report its cumulative fiscal year to-date commitment of advertising expense funds on the Single Family and Multifamily Fee Commitment Monthly Report. Because this report is due to the Regional Office of Housing by the second working day of each month, Property Disposition and Housing Development (where fee commitment is generally tracked) must coordinate the report and meet that deadline.

9-11. END OF FISCAL YEAR

- A. Introduction: At the end of each fiscal year, the remaining balances of fees are affected differently, depending on the fee category. This Section explains how the balances are affected.
- B. Section 202 Inspection Fees: Any unused (unreserved) funds are not carried over for Section 202 inspections. However, all subassigned funds should be reserved to a specific project prior to the end of the fiscal year in which they were subassigned. If funds are not obligated (HUD-3650) in the current fiscal year, funds remain reserved on that project or can be transferred to another project. Funds can be obligated or transferred in future fiscal years.

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- C. All Other Categories - No Carryover: For all other fee categories, and for Property Disposition advertising expense funds, unused fees and funds do not carry over at the end of the fiscal year. Therefore, if an Office has an excess of fees or advertising expenses, staff should notify the Regional Office of Housing staff before the end of the fiscal year so that the fees or funds can be used elsewhere. Carryover in FHA fee categories is not available for use. Therefore, offices cannot assign fee work in these categories until fees have been subassigned for the new fiscal year.
- D. Contractual Categories: If the purchase order/contract specifies options, the contractor's performance is satisfactory and the prices are still reasonable, an Office may want to extend the term of her/his purchase order/contract into the following fiscal year. This avoids the time-consuming process of seeking new contractors each year. However, the unutilized dollar portion of the previous year's contract cannot be extended into the following year. These "unused" funds cannot be carried over to the next year. While the Office may use the same contract, the term of the contract, the maximum and minimum amounts, and the funding level should be revised. The Office must request fees and receive a subassignment for the new fiscal year before work can be given to the contractor.
- E. Section 202 Advertising Expenses: Any unobligated funds are not

carried over for Section 202 Advertising Expenses, and are, therefore, returned to Headquarters at the end of the fiscal year.

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