

CHAPTER 10. FIELD OFFICE DELINQUENT DEBT COLLECTION ACTIVITIES

10-1. PURPOSE.

- a. This Chapter outlines the responsibilities of HUD Field Offices in the collection of amounts owed to HUD by PHAs in the Low-Income Public Housing Program when it has been determined that such amounts are delinquent. Specifically, the amounts to which this Chapter applies are: (1) Residual Receipts, as defined in Section 406 of the ACC, which are required to be remitted to HUD no later than 60 calendar days after the end of a PHA's fiscal year, and (2) payments of principal and interest on Administrative Loans, Unsubsidized Improvement, Offsite Facility and Commercial Facility Loans, and other Management Loans, which are required to be made in accordance with a repayment schedule approved by HUD at the time of the origination of a loan (or as subsequently revised). Debts resulting from audit findings are to be handled in accordance with instructions set forth in Chapter 9.
- b. The instructions provided in paragraphs 10-2 through 10-5 are intended to supplement the Departmental Delinquent Debt Collection Handbook 1900.25 REV-3, and provide guidance for applying the procedures contained in that handbook to the areas of the Low-Income Public Housing Program. Since certain provisions of Handbook 1900.25 REV-3, may not be applicable to amounts owed to HUD by PHAs, Field Offices shall request guidance from the Chief, Financial Management Branch, Office of Public Housing, Headquarters, and/or Claim Collection Office (CCO) prior to implementing any provisions of that handbook which appear to be inconsistent with established procedures for the Low-Income Public Housing Program and which are not covered below.

10-2. POLICY.

- a. Responsibilities of the Office of Finance and Accounting. The Office of Finance and Accounting (OFA), Headquarters, has the primary responsibility for taking appropriate actions such as identifying, booking, monitoring, collecting and aging accounts with respect to: (1) collecting Residual Receipts from public housing projects; (2) securing repayment of Administrative and other loans in accordance with approved repayment schedules; and (3) identifying such amounts as may become delinquent (e.g., Residual Receipts not remitted to HUD within 60 days after the end of a PHA's fiscal year and payments of principal and interest on Administrative and other loans not made in a timely manner in accordance with approved

repayment schedules).

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- b. Field Office Responsibilities. Field Offices shall assist OFA in the collection of the amounts owed to HUD when OFA notifies the Field Office, through the Regional Office with a copy to the Office of Public and Indian Housing in Headquarters, that it has been unsuccessful in its efforts to collect amounts due and has identified such amounts as delinquent. The lead role for this activity in each Field Office shall be assigned to a Claims Collection Officer (CCO), designated in accordance with Handbook 1900.25 REV-3. If the CCO is assigned to an area of the Field Office outside of the Assisted Housing Management Branch (AHMB), the CCO shall maintain close coordination with the Chief and appropriate staff of that Branch in carrying out the provisions of Handbook 1900.25 REV-3 and this Handbook in the areas identified in this chapter. In particular, the Chief, AHMB, shall be consulted by the CCO prior to effecting any collection through offset. In addition, the Chief, AHMB, shall be the lead person responsible for ensuring compliance with Chapter 3 paragraph 3-8 regarding the offset of delinquent Residual Receipts when approving PHA Operating Budgets.
- c. Regional Office Responsibilities. Regional Offices shall monitor each appropriate Field Office CCO's efforts toward securing payment of amounts for which OFA has requested Field Office assistance, by ensuring that the Department Claims Officer (DCO) is kept apprised of the collection and status of such amounts, in accordance with Handbook 1900.25 REV-3. The lead role for this activity in each Regional Office shall be assigned to the Regional Claims Collection Officer designated in accordance with Handbook 1900.25 REV-3.

10-3. RESIDUAL RECEIPTS.

- a. On a quarterly basis, OFA will provide each Regional Administrator, Attention: Regional Claims Collection Officer (RCCO) with a listing of delinquent Residual Receipts due from PHAs within the jurisdiction of each respective Regional Office. The RCCO shall immediately forward applicable portions of the above listing to appropriate Field Offices within the Region. Copies of the listing shall be provided to both the AHMB and the CCO, if located outside AHMB.

- b. Each appropriate Field Office CCO shall immediately initiate direct communication with the PHAs included in the listing provided by the RCCO in an effort to secure payment of the amounts due. PHAs shall be directed to remit payments in accordance with instructions in Exhibit 10-1. In order to

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facilitate Field Office monitoring of payments, the CCO shall request that PHAs provide him or her with a copy of any correspondence with OFA regarding the amounts due.

- c. In cases where the Field Office determines that immediate payment of an amount due would impose a severe financial hardship on a PHA, the Field Office may establish a repayment schedule which, in its opinion, represents the minimum amount of time needed by the PHA to pay the full amount due. The maximum length of a repayment schedule, however, shall be two years, except as otherwise authorized by the Assistant Secretary for Public and Indian Housing. The Chief, AHMB, shall be consulted by the CCO in developing any such repayment schedule and copies of approved repayment schedules shall be provided to OFA at the address in Exhibit 10-1. The Field Office shall have the responsibility for monitoring and ensuring a PHA's compliance with the approved repayment schedule.

10-4. ADMINISTRATIVE LOANS, UNSUBSIDIZED IMPROVEMENT LOANS, OFFSITE FACILITY AND COMMERCIAL FACILITY LOANS, AND OTHER MANAGEMENT LOANS.

- a. On a quarterly basis, OFA will advise the Office of Public Housing at Headquarters of PHAs which are delinquent in repaying, in accordance with approved repayment schedules, Administrative Loans, Unsubsidized Improvement Loans, Offsite Facility and Commercial Facility Loans, and other Management Loans. The Office of Public Housing, in turn, will notify the appropriate Field Office, with a copy to the Regional Office CCO to initiate direct communication with each PHA regarding its failure to meet the terms of the approved repayment schedule. Examples of actions which the Field Office should consider taking in order to secure compliance with the repayment schedule, including personal contact with PHA officials and collection through offset, are provided in Handbook 1900.25 REV-3. In all cases, however, the Chief, AHMB, shall be consulted by the CCO prior to effecting any collection through offset.

- b. In cases where the Field Office CCO determines that PHA compliance with the terms of an approved repayment schedule will result in the imposition of a severe financial hardship on the PHA, the Field Office should develop, in conjunction with the PHA, a revised repayment schedule which the PHA can reasonably be expected to meet. The Chief, AHMB, shall be consulted by the CCO in developing the revised payment schedule. All revised repayment schedules for Administrative Loans (as well as repayment schedules for Unsubsidized Improvement Loans, Offsite Facility and Commercial Facility Loans, and other Management Loans which provide for an

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extension of 3 years or more) must be approved by the Assistant Secretary for Public and Indian Housing. Once approved, the revised repayment schedule shall be provided to the Field Office Counsel so that a waiver of the ACC or Loan Note and Contract, as appropriate, incorporating the revised repayment schedule, may be processed. The Field Office Manager shall ensure that the following Headquarters units receive copies of all revised repayment schedules:

Director, Office of Finance and Accounting
Attention: Subsidized Housing Programs
Division, AFGH

Director, Office of Public and Housing
Attention: Director, Financial Management
and Occupancy Division, PPF

- c. PHAs shall be directed to remit payments of \$2,000 or less on the above loans in accordance with instructions set forth in Exhibit 10-1. Payments of \$2,000 or more shall be wire transferred as noted in the referenced Exhibit. In all instances, PHAs shall remit a copy of the check or applicable wire transfer attachment to the Field Office to be maintained on file and serve as a record of payment remittal.

10-5. UNCOLLECTABLE AMOUNTS DUE.

Due to the unique contractual relationship between HUD and PHAs in the Low-Income Public Housing Program (e.g., amounts owed HUD by a PHA create a lien on the PHA's property), Residual Receipts and Administrative Loans, Unsubsidized Improvement Loans, Offsite Facility and Commercial Facility Loans, and other Management Loans,

shall not be written off, terminated, referred to the General Accounting Office (GAO), or otherwise compromised. This shall not, however, preclude Field Offices from approving the retention of Residual Receipts in accordance with Chapter 5 paragraph 5-4. In addition, Regional and Field Offices shall obtain written authorization from the Assistant Secretary for Public and Indian Housing prior to referring to the DCO any amounts due HUD from PHAs.

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EXHIBIT 10-1

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FUNDS DUE AND PAYABLE TO HUD BY WIRE TRANSFER

Remittance Procedures.

A remittance of \$2,000 or less shall be forwarded to the following address:

Director, Office of Finance and Accounting
Attention: Director, Financial Control and Accounting
Division/Cash and Securities Section, AFGAC,
U.S. Department of Housing and Urban Development
Washington, DC 20410

A remittance over \$2,000 shall be wired in accordance with the instructions in 10.1(A). These instructions have been provided by the Treasury Department and are presently being used by the banking industry. When remitting Funds, the PHA is to request its financial institution to wire the funds using the appropriate formats on Exhibits 10-1(B), 10-1(C) and 10-1(D).

Exhibit 10-1(B) used for principal and/or interest repayment, excess advances, and excess financing. Exhibit 10-1 is used for audit findings. Exhibit 10-1(D) is used for residual receipts (initial and subsequent operating period). Exhibit 10-1(E) is used for a sample advice.

Wire Transfer Process.

The Treasury Department has established a computer interface with the Federal Reserve Bank which offers a secure instantaneous transfer mechanism between Treasury and the commercial banking industry. The Treasury Financial Communications System (TFCS) provides the Treasury with "on-line" access to the Federal Reserve Bank of New York computer and utilizing the Federal Reserve Communication System (FRCS or Fedwire System) with access to all other Federal Reserve Banks, their branches, member banks and correspondents of member banks.

When remitting funds, the PHA is to indicate under line 12, Third Party Information Reason Code, one of the following:

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FUNDS DUE AND PAYABLE TO HUD BY WIRE TRANSFER

Reasons

- A - Principal and/or interest repayments
- B - Excess advances
- C - Excess financing
- D - Audit findings
- EI- Residual receipts (initial operating period)
- ES- Residual receipts (subsequent operating period)

The following is a step-by-step explanation of the actual TFCS deposit transaction:

1. The PHA notifies its general depository to wire funds to the Department of Treasury, supplying the bank with the specific information required by HUD.
2. If the general depository is an on-line member of the Federal Reserve System, it prepares the standard funds transfer wire message into the Fedwire System. Off-line members would initiate the funds transfer by contacting a servicing Federal Reserve Bank. If the general depository is not a member of the Federal Reserve System, the bank can make the transfer through a correspondent bank that is a member.
3. Via a computer-to-computer link, information on all TFCS funds transfers is transmitted from the New York Federal Reserve Banks computer to a computer maintained by the Treasury Department in Washington, DC.
4. As deposit data is received by the Treasury computer, it is categorized and maintained according to the Agency Location Code for HUD and all other receiving agencies as indicated on the wire message.
5. When accessed, the complete deposit message for each transaction is immediately transmitted from the Treasury computer to a teleprinter located at HUD on the day of funds transmission.
6. At the end of each day, Treasury prepares a computer listing, which details each deposit message. This listing is sent to HUD Headquarters the following work day.

TREASURY FINANCIAL COMMUNICATIONS SYSTEM (TFCS)
INSTRUCTIONS FOR COMPLETING A REQUEST TO TRANSFER FUNDS BY WIRE

- ITEM 1 - PRIORITY CODE: The priority code will be provided by the sending bank. (Note: Some Federal Reserve District banks may not require this item.)
- ITEM 2 - TREASURY DEPARTMENT CODE: The 9-digit identifier "021030004" is the routing symbol of the Treasury Department. This item is a constant and is required for all funds transfer messages sent to the Treasury Department. The code must be left justified as shown in the attached sample formats.
- ITEM 3 - TYPE CODE: This 9-digit identifier will be provided by the sending bank.
- ITEM 4 - SENDING BANK CODE: This 9-digit identifier will be provided by the sending bank.
- ITEM 5 - CLASS CODE: This class code may be provided by the sending bank at its option (if permitted by its Federal Reserve District bank).
- ITEM 6 - REFERENCE NUMBER: The reference number may be inserted by the sending bank to identify the transaction.
- ITEM 7 - AMOUNT: The amount will include the dollar sign and the appropriate punctuation, including cents digits. This item will be provided by the depositor.
- ITEM 8 - SENDING BANK NAME: The telegraphic abbreviation which corresponds to Item 4 will be provided by the sending bank.
- ITEMS 9, 10, 11 - TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE, AGENCY NAME: These items are of critical importance. They must appear on the funds transfer message in the precise manner as stated to allow for the automated processing and classification of the funds transfer message to the agency location code of HUD. These items are comprised of a rigidly formatted, NONVARIABLE, sequence of 35 characters defined as shown below:

TREAS NYC/(86010300) HUD-WASH, D.C.

These characters must be left justified on Line 5 of the funds transfer message.

TREASURY FINANCIAL COMMUNICATIONS SYSTEM (TFCS)
INSTRUCTIONS FOR COMPLETING A REQUEST TO TRANSFER FUNDS BY WIRE

ITEM 12 - THIRD-PARTY INFORMATION: This item identifies the purpose of the transfer in the space provided using one of the following designations: Principal and/or interest repayment - Prin/Int Repay; Excess Advances - Excess Ad; Excess Financing - Excess Finan; Audit Findings - Audit Fdg; and Residual Receipts Payments - Rec Resid. FY Ending is the PHA's fiscal year that the residual receipts should be applied to. The proper appropriation number should be noted in the space provided. For principal and/or interest repayment, disposition, excess advances, excess financing use appropriation number A/C 86X4098. For all residual receipts use appropriation number (04) 86X0164. The reason code is the alphabet designations provided on page 10-6. In some instances, the audit report states a finding that requires excess financing to be remitted. Therefore, in the reason code section the "C" should be noted. The reason(s) identified by the audit findings report should be noted by one of the reason codes. The HUD Field Office is the office that services the PHA. The PHA name, the modernization project number (i.e., M1480901) or individual development number (i.e., AK06P017001) as appropriate, and project name should be provided. The Billed By section should provide the office that sent the bill, i.e., Field or Headquarters Office. If no billing office is identified put "NA". When remitting as the result of an audit report, provide the audit report number (i.e., 86-NY-203-2204) in the Billed By section.

This item is limited to 230 character positions of information and must be entered in the format shown in Exhibit 10-1(E).

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REMITTANCE BY WIRE TRANSFER FUNDS MESSAGE
FORMAT

1. PRIORITY CODE: _____

2. TREASURY DEPARTMENT CODE: 021030004
3. TYPE CODE: _____
4. SENDING BANK CODE: _____
5. CLASS CODE: _____
6. REFERENCE NUMBER: _____
7. AMOUNT: \$_____
8. SENDING BANK NAME: _____
- 9, 10, AND 11. TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE,
AGENCY NAME:

TREASURY NYC/(06010300) HUD-WASH, D.C.

12. THIRD PARTY INFORMATION:

PURPOSE OF TRANSFER Prin/Int Repay
APPROPRIATION NUMBER A/C 86X4098 REASON CODE: A
HUD FIELD OFFICE: _____ PHA: _____
PROJECT NUMBER: _____ PROJECT NAME: _____

BILLED BY: _____

All lines in Item 12 must be completed
to ensure proper credit to your account!

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EXHIBIT 10-1(C)

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REMITTANCE BY WIRE TRANSFER FUNDS MESSAGE
FORMAT

1. PRIORITY CODE: _____
2. TREASURY DEPARTMENT CODE: 021030004
3. TYPE CODE: _____
4. SENDING BANK CODE: _____
5. CLASS CODE: _____
6. REFERENCE NUMBER: _____

7. AMOUNT: \$_____

8. SENDING BANK NAME: _____

9, 10, AND 11. TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE,
AGENCY NAME:

TREASURY NYC/(06010300) HUD-WASH, D.C.

12. THIRD PARTY INFORMATION:

PURPOSE OF TRANSFER Audit Fdg FY ENDING: _____
APPROPRIATION NUMBER A/C 86X4098 REASON CODE: C
HUD FIELD OFFICE: _____ PHA: _____
PROJECT NUMBER: _____ PROJECT NAME: _____
BILLED BY: FIELD (AUDIT REPORT #86-NY-203-2204)

All lines in Item 12 must be completed
to ensure proper credit to your account!

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EXHIBIT 10-1(D)

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REMITTANCE BY WIRE TRANSFER FUNDS MESSAGE
FORMAT

1. PRIORITY CODE: _____

2. TREASURY DEPARTMENT CODE: 021030004

3. TYPE CODE: _____

4. SENDING BANK CODE: _____

5. CLASS CODE: _____

6. REFERENCE NUMBER: _____

7. AMOUNT: \$_____

8. SENDING BANK NAME: _____

9, 10, AND 11. TREASURY DEPARTMENT NAME, AGENCY LOCATION CODE,
AGENCY NAME:

TREASURY NYC/(06010300) HUD-WASH, D.C.

12. THIRD PARTY INFORMATION:

PURPOSE OF TRANSFER Resid. Rec FY ENDING: _____
APPROPRIATION NUMBER (04)86X0164 REASON CODE: ES
HUD FIELD OFFICE: _____ PHA: _____
PROJECT NUMBER: _____ PROJECT NAME: _____
BILLED BY: Headquarters

All lines in Item 12 must be completed
to ensure proper credit to your account!

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EXHIBIT 10-1(E)

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SAMPLE ADVICE

NATIONAL BANK OF LOUISIANA

WIRE TRANSFER DEPARTMENT
ADVICE

Account of: White Castle PHA

Principal and/or Interest Repayments

ON THIS DATE 07/24/86 WE HAVE:

DEBITED YOUR ACCOUNT 001-00818456 \$60,000.00
NBO LOUISIANA WIRE/TRANSFER 6784590000014
TREAS NYC/(86010300) HUD-WASH, D.C.
ACCT: 86X4098 PRIN/INT PROJECT NAME: Oakleaf

PROJ NO.: LA48P092008 HUD FIELD OFFICE: New Orleans, LA
PHA: White Castle Housing Authority REF NO.: 6784590000014

* U.S. GOVERNMENT PRINTING OFFICE: 1968-2 0 1 -9 1 2 / 8 0 0 0 8

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