

The Affordable Housing Association of Certified Public Accountants (AHACPA) and its members have requested additional clarification on changes to the definition of surplus cash found in the new Regulatory Agreement (Form HUD-92466M, Rev. 4/11). The definition of surplus cash found in the Re. 4/11 Regulatory Agreement is found below:

gg. **“Surplus Cash”** means any cash plus amounts receivable under Section 8 project based subsidy payments (earned in the applicable fiscal period) remaining after:

(1) The payment of: (i) all sums immediately due or currently required to be paid under the terms of the Note, the Security Instrument and this Agreement on the first day of the month following the end of the fiscal period; including without limitation, all amounts required to be deposited in the Reserve for Replacement or other reserves as may be required by HUD; and (ii) all other obligations of the Project (accounts payable and accrued, unescrowed expenses) unless funds for payment are set aside or deferment of payment has been approved by HUD

Specifically, further clarification is requested regarding the revisions found in Section (1)(i).

The Department interprets this section as requiring the owner to include the mortgage principal and reserve for replacements deposit due in the month following the end of the fiscal year in the Surplus Cash computation. These amounts should be included in the “Other Current Obligations” account (S1300-110) found in the Surplus Cash and Fixed Asset Data Chart of Appendix A of the Industry User Guide for the Financial Assessment Subsystem – FASS-FHA. This account is used to record other current obligations not specifically included in one of the other obligation accounts in the chart (e.g., overdrafts). Therefore, the mortgage principal and reserve for replacement deposit due in the month following the end of the fiscal year should be recoded in this account. These amounts should not be included in this account if they were prepaid.

As in past years, accrued mortgage or bond interest payable should be included in account number S1300-050.