



U.S. Department of Housing and Urban Development
Public and Indian Housing

Special Attention of:

ONAP Administrators; Facilities Planning
& Development Directors; Finance &
Budget Directors; and
Indian Housing Authorities (IHAs)

Notice: PIH 97-18 (IHA)

Issued: 4/21/97

Expires: 4/30/98

Cross Reference: 24 CFR Part 950

Subject: Modification of Mutual Help Contribution Drawdown Procedures in LOCCS

1. Purpose: This Notice modifies the policies and procedures for the drawdown of Mutual Help Contribution funds from the Line of Credit Control System - Voice Response System (LOCCS-VRS) for Indian Housing projects.
 2. Background: As a condition of occupancy, a Mutual Help homebuyer is required to provide a Mutual Help Contribution. When an Indian housing authority's development project reaches the Date of Full Availability (DOFA), the Mutual Help Contribution is credited to the homebuyer's account and retained by HUD. After DOFA, the Mutual Help Contribution may only be drawn down from LOCCS-VRS to cover a debit balance in the Monthly Equity Payment Account (MEPA) for a vacated unit, to the extent of the credit balance in this account, or upon the homebuyer's purchase of the home. In order to simplify the administration of the Mutual Help Contribution and in anticipation of the programmatic changes which will occur with the implementation of the Native American Housing Assistance and Self-Determination Act of 1996, this Notice modifies the above policies and procedures to provide for the drawdown of the Mutual Help Contribution at the time of DOFA. The Mutual Help Contribution will then be held by the housing authority rather than by HUD.
 3. Applicability: All Mutual Help projects shall be covered by the provisions of this Notice.
 4. Policy:
 - a. Mutual Help Contributions of cash are not included in this procedure. Cash contributions are retained and held by the housing authority at the time of payment by the homebuyer.
 - b. Upon entry of the DOFA date, LOCCS-VRS will disburse all Mutual Help Contribution funds as approved on the current Development Cost Budget, form HUD-52484 or HUD-53045A.
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- c. Upon receipt by the housing authority, the funds may be invested in securities selected by the housing authority and approved by HUD (see Notice PIH 96-33, Required HA Cash Management and Investment Policies and Procedures).
- d. Interest accrued on Mutual Help Contribution investments are considered "Other Income" for the Mutual Help program and become part of the operating reserve.
- e. The instructions in this Notice in no way affect the purposes for which Mutual Help Contributions can be used by the housing authority or homebuyer. Mutual Help Contributions can only be used to reimburse the housing authority to cover a debit balance in MEPA for a vacated unit, to the extent of the credit balance in this account (24 CFR 950.446(d)), or at homebuyer purchase of the home (24 CFR 950.440(e)(4)).
- f. After conveyance of the home, the Mutual Help Contribution becomes part of the "proceeds of sale" and is eligible for loan forgiveness. The housing authority must continue to follow the procedures outlined in Notice 96-25, Indian Housing Homeownership Programs - Loan Forgiveness Procedures. This includes the execution of the Consolidated Annual Contributions Contract (ACC) or a Loan Forgiveness ACC Amendment in order to authorize the housing authority to retain "proceeds from sale". Also, the use of "proceeds" will be governed by the procedures in Notice 96-25.

5. Procedure:

a. **Housing Authority Responsibilities**

- 1) Prior to DOFA, verify that the funds budgeted for Mutual Help Contributions on the latest approved development budget equals the correct number of units built times \$1,500. If corrections are necessary, submit a revised Development Cost Budget, form HUD-52484 or HUD-53045A.
- 2) Upon notification by HUD of the disbursement of Mutual Help Contributions funds to the housing authority bank account, record the accounting transactions as usual. Only the timing of the drawdowns are affected by this Notice.

b. **Area Offices of Native American Program (ONAP)**

- 1) For all Mutual Help projects with a DOFA date entered into LOCCS, verify and make necessary corrections to budget line item (BLI) 1503, Mutual Help Contributions, in LOCCS. All corrections must be complete 30 days from the date of this Notice.
- 2) On June 5, 1997, LOCCS will automatically disburse the balance of funds in BLI 1503 for all Mutual Help projects with a DOFA date in LOCCS. The area ONAP will receive a report listing the disbursement of Mutual Help Contribution funds. Within 5 workdays of receipt of the report, the Area ONAP must notify each affected housing authority of the amount of Mutual Help Contributions funds disbursed from each project. The Area ONAP may accomplish this task by providing a cover letter and a copy of the applicable section of the report to each housing authority.

- 3) Upon notification of DOFA from an IHA, the date should be promptly entered into LOCCS. Entry of the DOFA will automatically create a voucher in LOCCS which will disburse the funds in BLI 1503. The Area ONAP must verify the amount of funds on the voucher and notify the housing authority of the scheduled date of disbursement and the amount of funds to be disbursed.

_____/s/_____
Kevin Emanuel Marchman, Acting Assistant Secretary