October 26, 2011

TO: State Directors
Rural Development

ATTN: Program Directors
Multi-Family Housing

FROM: Tammye Treviño *(Signed by Robert Lewis)* *for*
Administrator
Housing and Community Facilities Programs

SUBJECT: Implementation of Revisions to Unauthorized Assistance

The purpose of this Unnumbered Letter (UL) is to provide guidance in implementation of the revision of HB-3-3560, Chapter 9, Unauthorized Assistance (UA), as set out in Procedure Notice (PN) #450, dated July 29, 2011.

HB-3-3560, Chapter 9 is revised to process UA as an audit receivable. Any newly identified UA accounts, as of July 29, 2011, will be handled in accordance with the newly revised Handbook provisions. HB-3-3560, Chapter 9 covers Agency procedures for identifying and collecting UA received by tenants and borrowers. Section 4 discusses recapture of UA to borrowers, and Section 5 discusses recapture of UA to tenants. In order to assist the field in the recapture of UA, Handbook Letters 304 and 305 (3560) were added. They are the Preliminary Determination Notice and Final Determination Notice/Demand Letter. Along with these letters, Form RD 3560-65, "MFH Unauthorized Assistance Notification/Repayment Agreement," has been added.

Some key points include:

- The Agency will seek repayment of all UA;
- The amount due will be the amount stated in the notice letter (HB Letters 304 or 305(3560));
- When all attempts to obtain a repayment agreement fail or if a repayment agreement is reached, Form RD 3560-65 will be completed and forwarded to Deputy Chief Financial Officer, Direct Loan and Grant Branch (DCFO/DLGB) so the UA can be established as an audit receivable. The burden of collection is shifted to the DCFO/DLGB, rather than Management or the Servicing Office;

EXPIRATION DATE:
November 31, 2012

FILING INSTRUCTIONS:
Housing Programs

- Servicing Office will notify management agents of the new procedure to not correct the project worksheets as an adjustment for the UA debt, on these newly discovered debts. On existing debts the adjustments to project worksheets will also be discontinued, and CSC will work with the borrowers to submit a check to CSC for the repayment of UA.
- No interest will be charged against the debt if the borrower/tenant agrees to repay the money in a lump sum or by payment plan within 90 days from the date of debt on Form RD 3560-65;
- A repayment longer than 90 days will charge a fixed interest rate using the 3 month Treasury Constant Maturities percentage based on the date of the debt on Form RD 3560-65. Any repayment agreement will show the payment due as the 15th of the month and at least 21 days from the fax date of Form RD 3560-65. The repayment period may be no longer than 24 months from the date of the first payment due.
- The 3 month Treasury Constant Maturities percentage rate can be found at: http://www.federalreserve.gov/releases/H15/current/default.htm . Locate the release date before Date of Debt (Agency signature date).

    - If you need a date in the current week select "Daily Update".
    - If you are searching for a date prior to the week you are in, select "Release Dates". Locate and select the first release date before the Date of Debt.
    - Go down to Treasury Constant Maturities – 3 month, and select the rate for that day.
    - The attached Level Debt Installment Worksheet will be used to calculate the amortized installment (rounded up to the next whole dollar), and will be faxed by the servicing office to DCFO/DLGB along with Form RD 3560-65. (Fax 314-457-4283) This Excel spreadsheet, titled "Unauth Chapter 9 Installment Calculation" can be found in the MFH Information Sharepoint site at: https://rd.sc.egov.usda.gov/teamrd/hcfp/mfh/MultiHousing%20Family%20Information/Forms/AllItems.aspx .
    - Please note: The Treasury listing of the interest rates (3 month Treasury Constant Maturities) is reflected as a percentage – for example the week ending 7-1-11 shows .02 which is .02% and would be shown on the worksheet to figure the amortized installment as .0002. If the rate is shown as 1.47 it would be listed on the worksheet as .0147.

- If no agreement is made with the borrower or tenant, the servicing office will fax Form RD 3560-65 to the DCFO/DLGB with no debtor signature, to begin the process of referring the debt to Treasury for collection actions. No interest rate or payment agreement will be reflected on the form in this case.

After the servicing official faxes both the Form RD 3560-65 and Level Debt Installment Worksheet (if applicable) to DCFO/DLGB, the following will take place:

- If the agreement was for a lump sum payment, or payments to be submitted in less than 90 days, the Servicing Office will collect the payment from borrower/tenant and mail payment to the Centralized Servicing Center (CSC) Multifamily Housing (MFH) Lockbox, at "**USDA Rural Development, MFH Payments, P.O. Box 979082, St. Louis, MO 63197-9000",** with a MFH Transmittal form. MFH Transmittal form can

be found in the MFH Information Sharepoint site at: https://rd.sc.egov.usda.gov/teamrd/hcfp/mfh/MultiHousing%20Family%20Information/Forms/AllItems.aspx?RootFolder=%2fteamrd%2fhcfp%2fmfh%2fMultiHousing%20Family%20Information%2fCSC%20Teleconference%20Notes&FolderCTID=&View=%7bCE2DA827%2dDCED%2d42FC%2d893C%2d94885F5AE3DB%7d

- If the agreement is a monthly agreement of greater than 90 days, the DCFO/DLGB will mail a monthly billing invoice directly to the tenant/borrower. All unpaid debt balances delinquent for more than 30 days from the schedule bill due date or after the lump sum due date will begin the process for potential Treasury referral. The tenant/borrower will be provided mailing instructions on the billing invoice directing them to mail payments to the CSC/MFH Lockbox.
- For payments received by the servicing office, MFH Transmittal Form will be completed and mailed with payments and any associated documents to the CSC/MFH Lockbox.
- If the UA is due from the tenant, the Servicing Office will add a Tenant Tracked Account in MFIS, after faxing the Form RD 3560-65. As payments are made, CSC will update the tracked account, regardless of where the payments are collected.
- If the UA is due from the borrower, the Servicing Office will add an "Other" Tracked Account (Unauthorized Assistance Account) in MFIS, after faxing the Form RD 3560-65. As payments are made, CSC will update the tracked account.
- If the account is turned over to Treasury for Cross Servicing, CSC will update the tracked account to indicate the referral.
- The Servicing Office will add a servicing effort in MFIS, 2029 - Collect Unauthorized Assistance, and populate the tracking steps as follows: Identified - date of Form RD 3560-65; Paid - when debt is fully paid; and Follow-up - as needed. Payments on these accounts will be serviced by DCFO/DLGB, so no further follow-up is needed by the Servicing Office.
- Any adjustments to an incorrectly figured debt or debt repayment by the field or identified by DCFO/DLGB will be made by amending Form RD 3560-65 and faxing to DCFO/DLBG for notification, or by faxing a memorandum signed by the recipient and Rural Development.

UA determined before the issuance of PN #450, dated 7/29/11, for revisions to HB-3-3560, Chapter 9 will retain their original agreements for repayment. We will be providing a list in the near future of old open debts for the Servicing Office to verify the status.

If you have any questions, please contact Diane Larson with MFH Portfolio Management at (712) 243-2107 Ext. 124.

Attachment

Attachment

LEVEL DEBT INSTALLMENT

for RD Form 3560-65

MFH Unauthorized Assistance Notification/Repayment Agreement

Monthly Payment Calculation

Formulas are in Highlighted Cells

Debt Information		**Instructions**
Fax Date	6/24/2011	Enter Fax Sent Date from RD Form 3560-65
Debtor Name	JOHN DOE	Enter Date of Signature for Servicing Office Official from Form RD 3560-65
Date of Debt	6/23/2011	
Installment =	$ 25.00	
Installment Factors		**Instructions**
Interest Rate	0.0250	Enter in decimal format [2.5% = .025] / Use Date of Debt rate from 3 Month Treasury Constant Maturities
Payments Due per Year	12	Calculated field
Interest Rate per Month / IRM	0.002083333	Calculated field
Rental Assistance Claim	$500.00	Enter amount of debt from Form RD 3560-65
Overage Claim	$70.00	Enter amount of debt from Form RD 3560-65
Other Claim	$0.00	Enter amount of debt from Form RD 3560-65
Principal Balance / PB	$570.00	Calculated field
First Due Date	7/15/2011	Enter full date using the 15th [mm/dd/yyyy] / Not less than 21 days from the Fax Date
Last Due Date	6/15/2013	Enter full date using the 15th [mm/dd/yyyy] / Not greater than 24 payments due from First Due Date
Total Payments Due / TPD	24	Calculated field

Completed by:

Please include this calculation form when you fax the Form RD 3560-65 to DCFO / St. Louis, MO

Rural Development Field Office City/State: _____

Contact Phone No: _____

Computation Date: _____