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CHAPTER 6. PROVIDING FUNDS FOR HUD-APPROVED URBAN  
HOMESTEADING PROGRAMS

6-1. FUND CONTROL

- A. Allotment, Assignment, and Subassignment Stages. Section 810 funds will be allotted to the Assistant Secretary for CPD at the beginning of each fiscal year by the Department Budget Office using a HUD-158, Advice of Allotment. This will include the new apportionment as well as funds not obligated during the previous fiscal year. The Assistant Secretary will assign funds using a HUD-185, Regional Fund and Contract Authority Assignment (Appendix 9), validated by OFA to each Regional Office. The Regional Office in turn will subassign funds using a HUD-185.1, Regional Fund and Contract Authority Subassignment (Appendix 10) validated by RAD to each Field Office. A flow chart, Urban Homesteading Program Fund Control Procedures, is shown in Appendix 12, and HUD-40074, Tracking Guide for HUD-718, is shown in Appendix 13.
- B. Property Reservation stage (HUD-718). Prior to acquisition of any properties by the LUHA, the Urban Homesteading Coordinator shall annually transmit a copy of the executed Urban Homesteading Program Participation Agreement and approval letter to the RAD for filing in the related program file.

The Field Office will reserve funds for LUHAs on a first-come, first-served basis except for the temporary 60-day allocation for LUHAs, referenced in paragraph 6-3 C. of this Handbook. The LUHA requests a property utilizing a HUD-40050, Verification of Fund Availability (Appendix 14). The Urban Homesteading Coordinator shall confirm the eligibility and prepare a HUD-718, Funds Reservation and Contract Authority (Appendix 11) for each property that the LUHA identifies for potential acquisition.

Use of the HUD-718 ensures that obligations and expenditures do not exceed the amount of Section 810 funds needed to acquire properties. The HUD-718 reserves an amount for a specific property for reimbursing the VA, FmHA, FHA, or the Section 312 Rehabilitation Loan Fund, as appropriate.

A single HUD-718 can be prepared for a bulk (group) package of properties, if the closings on all properties within the package will occur on the same day. Otherwise, a separate HUD-718 must be prepared for each individual property, even though the Federal Agency may have offered the properties at the same time and the LUHA may have accepted them on the same day.

The HUD-718 merely reserves funds for the future acquisition and obligation of funds for a specific property. The obligation of funds does not occur until the property closing or settlement is held and the closing documents (used as source documents for

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reimbursement to the appropriate Federal Agency) are received by the RAD. (See item C. below.) The HUD-718 document will be prepared in an original and one copy for the CPD Director's signature and will show the current fiscal year project number in block 1B under which the reservation was made. The original HUD-718 and copy together with a copy of the HUD-40050 from the LUHA are transmitted to the RAD. The acquisition price plus good faith estimate of the closing costs of the property listed on the HUD-40050 are to be listed in block 5E of the HUD-718. The RAD will indicate in block 10 of the HUD-718 whether there are sufficient funds available for transferring the property. The RAD retains the copy for the project file and the original is returned to the Urban Homesteading Coordinator within five calendar days. The Urban Homesteading Coordinator shall notify the VA, FmHA, or Property Disposition (PD) in Housing, as appropriate, and the LUHA confirming that funds have been reserved so closing can proceed. This notification shall state the specific Section 810 amount, and the address of the property. A copy of the executed HUD-718 shall be enclosed. The RAD records the amount indicated on the HUD-718, block F, in the PAS.

Note: For internal accounting purposes only, the RAD will add an alpha-suffix to the LUHA project number to identify the source of property in PAS. The identifying characters are:

F=FHA  
 V=VA  
 H=FmHA  
 R=Section 312  
 M=Miscellaneous

#### C. Contract and Disbursement (Transfer of Funds) Stage

##### 1. HUD-held properties

When a HUD-held property is transferred to the LUHA, the customary closing documents HUD-9589, Transmittal of Closing Information (Appendix 15), and HUD-1, Settlement Statement (Appendix 16) are prepared by the PD staff. The amount of Urban Homesteading funds to be transferred to the FHA Fund or the Section 312 Rehabilitation Loan Fund is indicated on the reverse side of the HUD-9589 block 5, line 4 (see Chapter 7, paragraph 7-5). A closing must not be held unless the amount of funds reserved as shown on the HUD-718 is equal to or greater than the amount to be transferred to the HA fund or the Section 312 Rehabilitation Loan Fund. If the amount shown on the HUD-9581 s greater than the amount shown on the HUD-713, LUHA staff should notify the Urban Homesteading Coordinator immediately, and a revised HUD-718 will be prepared by the Urban Homesteading Coordinator and sent to the RAD for

validation. After closing it is the responsibility of the PD staff to route a copy of the closing documents, (HUD-1 and HUD-9589) to the Urban Homesteading Coordinator, who will attach a copy of the executed HUD-718 or revised HUD-718, if appropriate for the property, and immediately forward these forms to the RAD. Upon receipt of the closing documents, RAD will record the obligation of funds in PAS. RAD will transfer or disburse the funds to the FHA Fund (86X4070) or the Section 312 fund (86X4036) on the basis of the transfer document. Executed forms HUD-718, HUD-9589 and the HUD-1 will serve to support the RAD transfer document, SF-1081, Voucher and Schedule of Withdrawals and Credits.

2. Veterans Administration (VA) and Farmers Home Administration (FmHA)

When VA and FmHA properties are being transferred, the steps related to reservations for properties remain as explained in paragraph B. above. Again, a closing must not be held unless the amount of funds reserved on the HUD-718 is equal to or greater than the actual acquisition and closing costs shown on the VA/FmHA closing documents. If it is not, the LUHA should immediately request the Urban Homesteading Coordinator to obtain a RAD-validated HUD-718 for the correct amount prior to closing. The VA or FmHA shall forward its closing documents immediately to the Urban Homesteading Coordinator for review. The Urban Homesteading Coordinator will then prepare a Standard Form 1034, Public Voucher For Purchases and Services other than Personal (Appendix 17), a HUD-40075, Costs Chargeable to Section 810 for VA/FmHA Properties (Appendix 18), the closing documents, and an executed copy of the HUD-718 showing the amount of funds that were reserved by the RAD for the VA/FmHA property being transferred to the LUHA. The Urban Homesteading Coordinator may prepare a Standard Form 1034 to cover more than one set of closing papers, if all closings took place within the same month.

The RAD will process the payment to the VA or FmHA and record the obligation and disbursement in PAS.

- D. Cancellation of Unused Reservation of Funds (HUD-718). When a reservation for a specific property or a portion thereof is not used within the time period specified in 24 CFR 590.17(c) or 590.18(d), it shall be the responsibility of the Urban Homesteading Coordinator to review the reasons for the delay, and if closing will not occur in a reasonable time, to prepare a HUD-718 either decreasing a portion of a reservation to the amount used, or cancelling a whole reservation. Upon receipt of the HUD-718, RAD will record the decrease or cancellation.

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E. LUHA Repayment to Section 810 Account. When it is necessary for a LUHA to reimburse the Section 810 account (see Chapter 10, paragraph 10-2, F., and Chapter 13, paragraph 13-2, B.3.), the LUHA shall:

1. (Regular Program -- RAD Account) -- send a letter to the Urban Homesteading Coordinator in the Field Office providing the Section 312/FHA/VA/FmHA case number, as appropriate, address of the property, acquisition date, amount charged to the Section 810 account for acquisition of the property, the amount of reimbursement to HUD, the circumstances under which the reimbursement is being made, and the LUHA's program number. A copy of the letter shall be sent to the RAD and to the Director, Urban Homesteading Program in Headquarters.

(Local Property Demonstration -- Headquarters Account)  
-- send a letter to the Director, Urban Homesteading Program in Headquarters, providing the local property case number and other requisite information as noted above. A copy of the letter shall be sent to the Urban Homesteading Coordinator in the Field Office.

2. (Remittances under \$1,000.00) -- send a check to the RAD made payable to the U. S. Department of Housing and Urban Development (see paragraph 1 above).
3. (Remittances of \$1,000.00 or more) -- wire funds to the Treasury for credit to the RAD's account or to the Headquarters' account (see paragraph 1 above) utilizing the Treasury Financial Communications System (TFCS). A list of HUD agency location codes which corresponds to the appropriate accounting office is contained in Appendix 19.

- a. The LUHA must furnish the financial institution making the funds transfer with the following information:

Treasury Department Code: 021030004  
(This item is constant.)

Amount: \$\_\_\_\_\_ (Include appropriate punctuation, including dollar sign and cents, e.g., \$1,000.00.)

Treasury Department Name, Agency Location, Code,  
Agency Name: (These items are, computer read and must appear in this precise manner.)

EXAMPLE: TREAS NYC/(86010301) HUD-PHIL PA

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Third Party Information: (This item provides information needed by the accounting office to identify the LUHA's account to be credited.)

EXAMPLE: Urban Homestead-Regular Program/  
Philadelphia, Pa. - Project H87UH420001PHL  
-Reimburse Improper Use of Property-\$15,100.00 Acct.  
86X0171/Excess Charge-\$8,000.00 Acct. 863220

EXAMPLE: Urban Homestead-Demo/Harrisburg, Pa.  
Project H85UL420013HAR LOC 8600H052 Excess  
drawdown-\$10,000.00 Acct. 86X0171/Interest  
-\$18.20 Acct. 861435

- NOTE:
- Funds returned to reimburse the Section 810 account are credited to Acct. 86X0171.
  - Funds returned in excess of the amount to reimburse the Section 810 account are credited to Acct. 863220 (general fund proprietary receipts - not otherwise classified).
  - Interest earned on funds on deposit in a financial institution are credited to Acct. 861435.

F. Individuals Authorized to Sign Documents Routed to Regional Account Division (RAD).

It will be the responsibility of each Field Office Manager to provide specimen signatures of the individuals who are authorized to sign documents that are routed to RAD for processing. When an individual is no longer authorized to sign documents, the RAD must be advised.

6-2. FUNDING ASSESSMENTS

- A. The funding needs and allocation process will begin at least 60 days prior to the end of the Federal fiscal year as follows:
1. The active LUHAs will make annual funding level requests in their annual requests for program participation no later than August 1 (see paragraph 4-7 A.).
  2. The Urban Homesteading Coordinator will evaluate the basis for requests from the LUHAs and adjust the funding levels reflecting PD, VA and FmHA data (see paragraph 4-7 B. 3.) to arrive at an overall summary of Funding needs for the Field Office.

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3. An assessment of funding needs for existing LUHAs (includes newly approved LUHAs that were not funded in the current Fiscal year) and potential new applicants will be forwarded to the Regional Office by September 1. The Field Office will show by LUHA a breakdown of proposed funding needs and numbers of properties, and names, telephone numbers and addresses of LUHA contacts.
4. The Regional Office will forward a summary of its proposed suballocations (based on 3 above) for each Field Office under its jurisdiction. This summary will include the names, telephone numbers and addresses of the LUHA contacts. (This may simply be a copy of the Field Office memorandum,) This summary shall be submitted to the Director, Office of Urban Rehabilitation, no later than October 15.

6-3. FUNDING ALLOCATIONS.

- A. Headquarters. The Assistant Secretary for CPD will make fund assignments to the Regional Administrator based on prior year performance and inventory of eligible properties within the Regional Offices. Headquarters will generally hold back a percentage of funds, which will be earmarked for use by specific Regional Offices, providing they are able to expeditiously reserve all their previously assigned funds by a date determined by the Assistant Secretary for CPD.

The Regional Offices that are not able to reserve all their previously assigned funds by HUD-718 for specific properties by the specified date will lose their earmarked funds. These funds will be made available on a first-come, first-served basis to other Regions that are able to reserve their initial allocations and their initial percentage of the holdback.

Regional Offices that are not able to reserve all funds from the initial assignment by a date to be determined by the Assistant Secretary for CPD will be required to return the funds to Headquarters for reallocation to other Regions.

- B. Regional Offices. In determining subassignments of Section 810 funds to Field Offices, the Regional Director for CPD may consider:
  1. Subassigning funds to Field Offices for their active LUHAs based on their performance. Performance should be based on utilization of Section 810 funds assigned previously, monitoring reviews, program audits, production reports, and any other management information obtained during the program

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2. Setting aside a reasonable holdback amount for those Field Offices that utilize their funds quickly.
- C. Field Offices. Field Offices may designate a temporary, minimum initial allocation of Section 810 funds to be exclusively available for each LUHA each year. The period of this temporary allocation cannot exceed 60 days from the date the LUHA is notified of the allocation. During this temporary period, all reservations made by HUD-718 for specific properties will be charged to the temporary allocation. After the allocation has been used or the 60 days has expired, Field Offices will reserve Section 810 funds on a first-come, first-served basis for each LUHA from the balance of the Field Office subassignment. HUD-718s will be prepared based upon receipt of a HUD-40050 from each LUHA for specifically identified properties.

#### 6-4. FOURTH QUARTER FUNDING ADJUSTMENTS

- A. At the beginning of the fourth quarter of the fiscal year, Urban Homesteading Coordinators shall evaluate their actual and projected fund use. If funds are needed for the remainder of the fiscal year, a request to the Regional Office by the Field Office shall be made stating the amount and reasons for the funds needed. If previously projected funds usage has not materialized in the Field Office, previously assigned funds which are not now expected to be used by the end of the fiscal year shall be withdrawn from the Field Office by the Regional Administrator using a HUD 185.1.
- B. The Regional Office shall attempt to accommodate Field Offices' requests by shifting funds among Field Offices (HUD-135.1). Generally when funds are shifted it is not for punitive reasons, but due to change in the housing market and the unavailability of affordable properties which have occurred since the request for funds for that fiscal year was submitted. If Field Office requests cannot be met, the Regional Office shall make a request to the Assistant Secretary for CPD only after all funds within the Region have been reserved for properties. If projected funds usage within the Region has not materialized, funds which are not projected to be obligated by the end of the fiscal year shall be returned to Headquarters by the Regional Office as early as possible (HUD-185), in order for the Assistant Secretary for CPD to assign returned Funds to other Regions needing funds.

#### 6-5. ANNUAL RECONCILIATION AND RETURN OF FUNDS TO HEADQUARTERS

- A. As of September 30 of each year, the RAD will assist the Field

Office Urban Homesteading Coordinator and Regional Director for CPD in performing a reconciliation of all transactions for the year, and report the results to the Office of Finance and Accounting and the Director, Urban Homesteading Program, in Headquarters. On a

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monthly basis, the disbursements made by the RAD and the reports on the automated OFA PAS shall be reconciled with the assistance of the Regional Director for CPD.

- B. All unobligated outstanding Section 810 funds as of September 30 shall be dereserved and returned to Headquarters for inclusion in the succeeding year's allotment and reassignment.
1. The RAD will cancel any reservations upon receipt of a decrease HUD-718, if the closing on a property has not taken place on or before September 30.
  2. The Regional Budget Officer will prepare a decrease HUD 185.1 for each Field Office's unused subassignment balance and forward it to the RAD who will process it to return the funds to Headquarters.
  3. The Headquarters Budget Office will prepare a HUD-185 to withdraw the unused balance from the Region.
- C. All property closings must be completed by September 30 and closing documents must reach the RAD by close of business of the third work day in October unless prior arrangements are made with the appropriate accounting office (See Handbook 1971.19, Fiscal Year End Closing Requirements). The HUD-718 is not an obligating document. The obligation of funds occurs upon settlement.

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