



Debt Classification

(Accounting Issue #2)

Reference: IV-54 through IV-62: Handbook 7510.1 “PIH Low-Rent Technical Accounting Guide” (1/96)

HUD Account #	<u>Account Description</u>	<u>Account Classification</u>
2122 ¹	Project Loan Notes – HUD	The credit balance of this account represents development loans payable to HUD. Grant funds received from HUD for development and modernization are not recorded to Account 2122, but to Account 8029 ²
2123 ¹	Administrative Notes – HUD	The credit balance of this account represents the amount of outstanding administrative notes payable to HUD.
2126 ¹	Project Notes – Non-HUD	The remaining balance of all private market project notes issued for development and modernization funding were purchased by HUD in 1985-86 and converted to HUD Permanent Notes, Account 2311.
2129 ³	Sundry Notes	The credit balance of this account represents the amount of outstanding notes not allocable to other specific accounts.
2131.1 ¹	Interest Payable – Development Notes – HUD	The credit balance of this account represents the accrued interest payable to HUD on project loan or permanent notes. Interest on HUD Permanent Notes subject to forgiveness (see Account 2311) need not be accrued after an actual development or modernization cost certificate has been approved by HUD.
2131.2 ¹	Accrued Liabilities – Interest Payable – Administrative Notes – HUD	The credit balance of this account represents the accrued interest payable to HUD on Administrative Loan Notes.
2131.3 ¹	Interest Payable – Other Notes (Deferred Payment) – HUD	The credit balance of this account represents accrued interest payable to HUD on notes for which payment has been deferred until payment in full of all obligations for which any annual contributions are pledged (see description of Account 2351)
2132 ⁴	Interest Payable –	The credit balance of this account represents the accrued interest on notes

¹Account #'s 2122, 2123, 2126, 2131.1, 2131.2, and 2131.3 are designated for HUD **direct debt**. Provisions for forgiveness have been dictated by Section 4 of the United States Housing Act of 1937 (Basic Laws on Housing and Community Development *Revised through December 31, 1998*) as amended by P.L. 99-272. Such law dictates that HUD may forgive all loans or commitments made by the Secretary to public housing agencies to help refinance the development, acquisition, or operation of low-income housing projects. **This right to forgiveness applies only to HUD direct debt.**

²Account #8029.1 (Development Grant Funds Received During the Current Year), shall be credited with the amount of HUD funds received in the current year for development of public and Indian Housing projects covered under an ACC. Account #802.9.2 (Modernization Grant Funds Received During Current Year) is credited with the amount of HUD funds received in the current year for modernization of projects as authorized in an amendment to the ACC. At the close of each fiscal year, the credit balances in those 8029 accounts shall be transferred to Account 2845, Cumulative HUD Grants for Development/Modernization. Note that transferring of these accounts to Account 2845 is based on the old HUD basis of accounting. For GAAP basis accounting, reference should be made to the **GAAP Conversion Guide**.

³Account #2129 represents a special classification account for all debt not identified as HUD direct or HUD guaranteed debt. Note however that ACC contracts generally prohibit Housing Authorities from issuing and/or obtaining Non-HUD related debt.

⁴Account 2132 and 2133 are designated for HUD **guaranteed debt**.

	Notes Non-HUD	payable to others than HUD.
2133 ⁴	Interest Payable – Bonds Non-HUD	The credit balance of this account represents accrued interest payable on Bonds, Non-HUD. The accrued interest received on the sale of Bonds shall be credited to this account.
Account #	Account Description	Account Classification
2311 ⁵	Permanent Notes – HUD	The credit balance of this account represents the unpaid balance of permanent notes issued. This account shall be subdivided or a subsidiary record shall be maintained to show the amount of the note applicable to each homeownership project. Provisions of Public Law 99-272, enacted April 7, 1986, authorized the Secretary to forgive outstanding principal and interest on HUD-held notes and loans made to HA's. Debt service annual contributions on HUD-held notes ceased as of April 1986. Notes are forgiven periodically by HUD (principal plus interest less any excess financing) for projects for which there is a record of an approved actual development or modernization certificate.
2312 ⁷	Permanent Notes F.F.B.	The credit balance of this account represents the unpaid balance of notes which have been issued to the Federal Financing Bank (F.F.B.)
2321 ⁶	Series "A" Notes and Bonds issued	The credit balance of this account represents the face amount of Series "A" Notes or Series "A" Bonds issued.
2322 ⁶	Series "A" Notes and Bonds retired	The debit balance of this account represents the face amount of Series "A" Notes or Series "A" Bonds retired.
2331 ⁶	Series "B" Notes and Bonds issued	The credit balance of this account represents the face amount of Series "B" Notes or Series "B" Bonds issued.
2332 ⁶	Series "B" Notes and Bonds retired	The debit balance of this account represents the face amount of Series "B" Notes or Series "B" Bonds retired.
2341 ⁷	New Housing Authority Bonds Issued	The credit balance of this account represents the face amount of New Housing Authority Bonds issued.
2342 ⁷	New Housing Authority Bonds Retired	The debit balance of this account represents the face amount of New Housing Authority Bonds retired.
2351	Other Notes Payable to HUD (Deferred Payment)	The credit balance of this account represents the unpaid principal balance of promissory notes, including mortgage and deed of trust notes, relating to projects for which the preliminary planning or development program has been canceled, for which payment has been deferred until payment in full of all obligations for which any annual contributions are pledged or until funds are otherwise available. The credit balance of this account shall also include the unpaid principal balance of any note payable to HUD for any other type of obligation for which payment has been deferred until payment in full of all obligations for which any Annual contributions are pledged.

⁵ Permanent Notes-HUD is HUD **direct debt**.

⁶ Series "A" and "B" Notes and Bonds no longer exist. They have been removed from the 1996 Accounting Handbook.

⁷ Account #s 2312, 2341 and 2342 represent HUD **guaranteed debt line items**.