

- d. Debt service annual contributions on HUD-held notes ceased as of April 1986. Since the debt service annual contributions contract and budget authority are no longer needed for future debt service payments on HUD-held notes, they will be recaptured and rescinded annually based on the approved ADCC or AMCC.
- (1) For Public Housing (PH) rental development projects, Headquarters has provided the Field Offices (FOs) with a report of PH rental projects with contract and budget authority recaptured at the end of Federal Fiscal Year (FY) 1986. The recaptures, as part of forgiveness, were based on Forms HUD-52427, ADCC, and HUD-52484, "Statement of Actual Development Cost," approved before October 1, 1986. (There were no Indian Housing project or Modernization Project recaptures, as part of forgiveness, processed in FY 1986.) If the FO has approved an ADCC for a PH rental development project not on the report, it shall use the procedures in subparagraph d(3)(a).
 - (2) For modernization approved before modernization as a separate project (before July 1, 1978), the FO does not need to send the approved Form HUD-53001, AMCC, to either the Regional Accounting Division (RAD) or the Office of Finance and Accounting (OFA). OFA will process contract and budget authority recaptures as part of forgiveness automatically at the end of FY 1987.
 - (3) For development projects and for Modernization Projects approved after modernization as a separate project (on or after July 1, 1978), the following procedures apply.
 - (a) For Modernization Projects where the AMCC is approved on or after October 1, 1986 and for development projects, where there is a downward adjustment, the FO shall forward the approved ADCC or AMCC to the RAD (see Note 1) which will subsequently forward it to OFA. Where there is no downward adjustment, the FO shall forward the approved ADCC or AMCC directly to OFA. Upon receipt of the AMCC or ADCC, OFA will determine the amount of excess financing, if any, reclassify the amount of loans that represent excess financing, record the AMCC or ADCC amounts in the Assisted Housing Accounting System (AHAS), and process contract and budget authority recaptures as part of forgiveness automatically at the end of each Fiscal Year.

- (b) For Modernization Projects where the AMCC has been approved before October 1, 1986, Headquarters has forwarded to the FO a computer-generated list of approved Modernization Projects. The FO has annotated the list, indicating whether the Modernization Project has an approved AMCC and, if so, the date and AMCC amount approved. If the AMCC amount was less than the amount on the list, the AMCC must be forwarded to RAD (see Note 1) which will subsequently forward the AMCC to OFA. If the AMCC amount agreed with the amount on the list, annotating the listing was all that was required. The FO certified the accuracy of the annotated listing and returned it to Headquarters, Office of Public and Indian Housing. For those Modernization Projects with approved AMCCs, OFA will determine the amount of excess financing, if any, reclassify the amount of loans that represent excess financing, record the AMCC amount in AHAS, and process contract and budget authority recaptures.

*Note 1: Refer to the procedures set forth in Notice PIH 87-4 (HUD), Policies and Procedures for Reservation and Recaptures of Development and Modernization Funds for the Public Housing and Indian Housing Programs, dated 4/15/87.

3. Submission of ADCCs and AMCCs.

- a. Field Office Managers/Indian Office Directors shall ensure that the PHAs/IHAs submit the ADCCs or AMCCs promptly after a development project or modernization program is completed.
- b. ADCCs shall be submitted no later than 24 months after Date of Full Availability (DOFA). If the PHA/IHA fails to submit an ADCC, the FO must establish the actual development cost for ADCC purposes as required by existing procedures (Paragraph 12-112b, Handbook 7417.1 Rev-1, Chg.-3 (7/82)).

4. Debt Forgiveness Amendment to Consolidated ACC.

- a. Within 60 days of the date of this Notice, Regional or Chief Counsel shall prepare and forward to each PHA/IHA Form HUD-53010J (8/87), Debt Forgiveness Amendment to Consolidated ACC, Appendix 1. Within an additional 30 days, PHAs/IHAs shall sign and return the debt forgiveness amendment for execution by the FO Manager/Indian Office Director. The FO shall forward the original of the executed debt forgiveness amendment to OFA. OFA will then forgive the outstanding HUD-held project debt, less any excess financing, for any development project or Modernization Project, where there is record of an approved ADCC or AMCC. OFA will cancel the notes and return them to the PHAs/IHAs.
- b. The debt forgiveness amendment shall cover all rental projects within the PHA's/IHA's consolidated or individual ACC. Where the PHA/IHA has more than one ACC, the debt forgiveness amendment shall be executed for each ACC.

5. Excess Financing

- a. OFA will work with the appropriate Field Office to determine if there is any excess financing (borrowings in excess of ADCC or AMCC amounts) and will notify each PHA/IHA in writing that such funds must be repaid within 30 calendar days of notification of the amount of excess financing and that failure to repay the excess financing by the deadline will result in interest charges being assessed at a percentage rate based on the value of funds to the U.S. Treasury, as required by Federal Claims Collection standards until the amounts owed, including accrued interest, are repaid to the extent legally permissible. A copy of this notification to the PHA/IHA and a copy of the note history establishing the excess financing will be sent to the appropriate FO.
- b. If payment has not been received by the 30-day deadline, OFA will advise the FO and send a second and if necessary a third notification to the PHA/IHA requesting the payment of the excess financing and accrued interest, indicating that failure to repay the amount due may result in an offset against other approved assistance and/or may adversely affect future participation in Public or Indian Housing assistance programs. A copy of each notification will be sent to the appropriate FO. The FO shall initiate direct contact with the PHA/IHA to effect collection of the debt.
- c. If the FO is unable to effect payment of the debt within 90 days of the initial notification, OFA will refer the debt to the appropriate Claims Collection Official pursuant to Delinquent Debt Collection Handbook 1900.25, REV-2.

6. PHA/IHA Accounting Entries. Upon completion of items in paragraphs 3, 4 and 5, the PHA/IHA shall record in its accounting records the accounting entries to reflect that the project's indebtedness to the Department has been forgiven.

- a. When the approved actual development or modernization cost for a project is less than the total funding provided, the PHA/IHA shall return the excess financing amount to HUD and post the following accounts with the excess financing amount:

Debit	2122	- Project Loan Notes (HUD)
		and/or
	2311	- Permanent Notes (HUD)
Credit	1111.1	- General Fund (Development and/or Operations)

Then the PHA/IHA shall remove the project's indebtedness to HUD from its general ledger with the following entries using the amount necessary to reduce the project's debt to zero or to reduce the project's debt to the amount of the debt owed to private bondholders or the FFB.

Debit	2122	- Project Loan Notes (HUD)
		and/or
	2131.1	- Interest Payable - Development Notes and Bonds (HUD)
		and/or
	2311	- Permanent Notes (HUD)
Credit	5610	- Interest on Notes and Bonds Payable
	2840	- Surplus-Cumulative HUD Annual Contributions

- b. Account 1176, Debt Amortization Funds, Annual Contributions Receivable, will continue to be debited for those amounts required annually for the payment of interest and principal on bonds and/or notes sold to the FFB.
- 7. Replacement Reserve. Appendix 1, Debt Forgiveness Amendment to the Consolidated Annual Contributions Contract provides for deposit of residual receipts into a Replacement Reserve under certain circumstances. The procedures and accounting entries for the establishment, maintenance and use of the Replacement Reserve will be issued under a separate notice.
- 8. Form HUD-53010J. This Form is now being printed and will be distributed to FOs.

/s/ J.E. Baugh
General Deputy Assistant Secretary
for Public and Indian Housing