
CHAPTER 15. COLLECTIONS AND DEPOSITS

SECTION I - POLICY

- 15-1 Collections related to the Single Family Property Disposition program are received by Field Offices, closing agents, selling brokers, and property managers, i.e., Real Estate Asset Managers (REAMs) and Exclusive Listing Brokers (ELBs). All collections are deposited in a financial institution, to HUD's account, by the organization or company initially receiving the funds. The deposits are made to either HUD's lockbox in a Federally-insured financial institution or to HUD's account at the U. S. Department of the Treasury by wire transfer. This chapter discusses collections deposited to HUD's lockbox. Refer to Chapter 11, Sales Closing, for wire transfer policy and procedures. The exhibit included in this chapter summarizes the types of collections that are received for single family acquired properties.

SECTION II - INTERNAL CONTROL OBJECTIVES

- 15-2 Accountability for cash and cash items received is established in Field Office collection functions, before these amounts can be misdirected. Appropriate segregation of duties is maintained between SFPD collection and disbursement functions within the Field Office.
- 15-3 All remittances are forwarded to HUD's lockbox within 24 hours of receipt. Remittances received late on Friday are safeguarded in accordance with instructions in Handbook 1911.1, Handling and Protecting Cash and other Negotiable Instruments, and forwarded to the lockbox on the following Monday.
- 15-4 Documentation supporting collection transactions contains necessary signatures and the signatures are original and not facsimile.
- 15-5 Collections are promptly deposited upon receipt and appropriate documentation is retained. Deposits of collections are confirmed in SAMS on a daily basis.
- 15-6 Segregation of Duties. Individuals assigned as single family acquired property Alternate Assistant Collection Officers (AACOs) are not responsible for confirming deposits in the Single Family Accounting Management System (SAMS).
- 15-7 Security for Collection Handling. Each Field Office provides adequate security for all HUD collection handling locations, as described in Handbook 1911.1, Handling and Protecting Cash and other Negotiable Instruments.
- 15-8 SAMS Documentation. Copies of all documentation for information entered into SAMS are retained in the case file and reviewed for accuracy, timeliness, and completeness.

SECTION III - PROCEDURES FOR PROCESSING COLLECTIONS

15-9 Recording the Collection.

- A. Designated Individual(s). The receiving and handling of single family acquired property disposition collections in the Field Office shall be restricted to the Alternate Assistant Collection Officer (AACO). Each Field Office shall designate, in writing, at least two (one primary and one substitute) AACOs to receive, process, and deposit single family acquired property funds. The substitute AACO shall be assigned collection duties in the absence of the primary AACO. Handbook 1911.1, Handling and Protecting Cash and Other Negotiable Instruments, discusses AACO functions.

Some Field Offices use alternate cash handling procedures in which an employee not officially designated as an AACO records the collection and deposits the remittance in the

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lockbox or safeguards checks which cannot be deposited immediately. This alternate procedure is acceptable, provided the alternate cash handling practice conforms to the principles of Handbook 1911.1.

- B. Recording Receipt of the Collection. The AACO shall record all collections on a Collection Register, Form HUD-235, immediately upon receipt of the collection. This procedure assures that one document, the Form HUD-235, will provide the initial point of an audit trail regarding all collections. Form HUD-235 is illustrated in Appendix 67 and shall be completed as follows:
1. Date of Remittance. Enter the date that the remittance is received by the AACO.
 2. Name of Remitter. Enter the name of the remitter who forwarded the funds to the Field Office.
 3. Type. Use the codes for the type of remittance, as shown at the bottom of Form HUD-235.
 4. Amount. Enter the dollar amount of the remittance.
 5. Received at Mail Opening Point:
 - a. Date. Enter the date that the remittance was received at the mail opening point.
 - b. Name. Enter the name of the person opening the mail which contained the remittance.

6. Fund Symbol or Disposition. Enter the FHA case number.
7. C.D. No. Enter the transmittal number and the date shown on the related Form SAMS-1100, Cash Transmittal, used for depositing the funds.
8. Remark. Use this part of the form to record explanatory remarks, e.g., returned to remitter for correction of payee.

15-10 Form of Remittance.

- A. Acceptable methods for making payment include money order, certified check, and cashier's check.
- B. If cash is offered (except for earnest money deposits as discussed in paragraph 15-24), it may be accepted. The AACO shall immediately convert the cash to money order, cashier's check, or certified check, payable to HUD, before additional processing. The money order, cashier's check or certified check shall be deposited within 24 hours of receipt of the original cash payment. Purchase a separate money order for each payer to ensure an audit trail. See paragraph 15-11 for additional information.

15-11 Cash Receipts.

- A. Receipt for Each Remittance. When cash is received, the remitter shall be provided a receipt prepared on Form HUD-235.1, Receipt for Remittance Delivery (Appendix 68). In addition to other information required by the form, it shall show the case number and the time of day that the collection took place. Field Offices are responsible for printing Form HUD-235.1 in an original and two copies. All printed Forms HUD-235.1 shall be prenumbered and the AACO is responsible for accounting for each number used. Voided Forms HUD-235.1 shall be retained and shall be clearly marked "Void."

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- B. Obtaining a Stock of Form HUD-235.1. It is the Field Office's responsibility to obtain a sufficient stock of the Form HUD-235.1 for Field Office use. Property managers and closing agents are responsible for providing their own cash receipt forms.
- C. Distribution. The original copy of Form HUD-235.1 will be given to the remitter, one copy shall be retained with a copy of the Form SAMS-1100 in the case file pertaining to the property for which the deposit is made, and the other copy

shall be retained by the AACO.

- D. Cash Collected Away from the Field Office. When cash is collected while away from the Field Office, the employee shall immediately convert the cash to money order, cashier's check, or certified check made payable to HUD. Purchase a separate money order for each payer to ensure an audit trail. The money order, cashier's check or certified check shall be delivered to the AACO within 24 hours of receipt of the original cash payment. The remittance advice should indicate all information required on the Form SAMS-1100 and indicate that cash was received. The AACO shall prepare a Form SAMS-1100 and forward the funds, with the original Form SAMS-1100, to HUD's contract bank for lockbox deposits. A Form HUD-235.1, Receipt for Remittance Delivery, (Appendix 68) should be prepared and forwarded to the remitter.

15-12 Collection Deposits.

- A. Form SAMS-1100. Form SAMS-1100, Cash Transmittal, shall be used for making deposits. Funds to be deposited are those recorded on the Collection Register, Form HUD-235 (Appendix 67). The Form SAMS-1100 requires that a separate deposit be made for each remittance received. Therefore, the Field Office should record collections on the Collection Register as they will appear on the related Form SAMS-1100. This procedure will facilitate making the deposit and will assist in locating the related Forms SAMS-1100 if an adjustment is necessary.
- B. Instructions for Form SAMS-1100. Instructions for preparing the Form SAMS-1100 are contained in the SAMS User's Handbook and on the back of the form. It is important to complete the Form SAMS-1100 accurately and completely. Of particular importance is the accuracy of the post code designation which describes the type of collection and is used for financial and reporting purposes. Erroneous information may result in an unreconciled sale or may affect the profit or loss calculation on the sale of an individual property. See the exhibit included in this chapter for the types of collection post codes. If a post code describing the reason for the collection is not listed, contact the Chief Property Officer.
- C. Daily Deposits. Unless the funds are returned to the remitter, collections recorded on the Collection Register, Form HUD-235 (Appendix 67), are to be mailed for deposit in HUD' single family acquired property lockbox on the same day received or not later than the next business day.
- D. Three-Part Form SAMS-1100. All single family acquired property collections by Field Offices shall be recorded on a three-part Form SAMS-1100. It is the Field Office's responsibility to obtain a sufficient stock of these forms.
- E. Mailing Address. The Form SAMS-1100, with the collection to be deposited, shall be mailed to the address below. In no circumstance shall cash be included with a deposit

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transmittal. The mailing address of HUD's lockbox for single family acquired properties is:

U. S. Department of Housing & Urban Development
 Single Family Property Disposition
 Post Office Box 952484
 St. Louis, MO 63195-2484

F. Distribution of the Form SAMS-1100. The original and two copies of the Form SAMS-1100 shall be distributed as follows:

Originator	Original	Copy 1	Copy 2
AACO	Sent with deposit	Filed with the Collection Register, Form HUD-235	*Forwarded to CPO
Closing Agent/ Selling Broker	Sent with deposit	Filed in closing agent's/selling broker's records	*Sent to CPO attached to remittance advice regarding forfeited earnest money or extension fee
Property Manager	Sent with deposit	Filed in property manager's records.	*Sent to CPO attached to transmittal letter that notifies of collection

*Before filing with case binder, Form SAMS-1100 should be kept in a separate file of unconfirmed deposits until confirmed in SAMS. See deposit confirmation procedures in paragraphs 15-12 through 15-19.

15-13 Confirmation of Lockbox Deposits in SAMS.

A. Deposits to be Confirmed. Field Offices are responsible for confirming that all deposits of single family acquired property funds are properly recorded in SAMS. Deposits to be confirmed are wire transfers and those made by using Form SAMS-1100. Wire transfers made by closing agents are to be confirmed following the HUD-1 reconciliation process and are discussed in Chapter 11 of this handbook. Deposits using

Form SAMS-1100 are to be confirmed in accordance with procedures in this chapter.

- B. Designated individual(s). The Chief Property Officer (CPO) shall designate, in writing, one or more individual(s) to confirm that deposits made by using Forms SAMS-1100 have been properly recorded in SAMS. The individual(s) designated shall complete all confirmation and documentation action, as outlined below, and shall not be an individual who is the CPO or is designated as an AACO. Documentation and approval requirements are contained in paragraph 15-20 of this chapter.

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- C. Two-Step Process for Confirming Deposits. To confirm deposits in SAMS, a two-step process shall be followed:
1. Determine if deposits, as evidenced by Field Office copies of Form SAMS-1100, are accurately recorded in SAMS.
 2. Determine if SAMS shows deposits which are not reflected in Field Office copies of Form SAMS-1100.
- D. Preparation for Deposit Confirmation. The following documents are required to confirm deposits in SAMS:
1. Applicable Forms SAMS-1100 which have not been confirmed as being recorded in SAMS, including those Forms SAMS-1100 from property managers and closing agents.
 2. Daily copy of the SAMS Lockbox Posting Report (CL RP LP). See SAMS User Handbook for instructions on retrieving this report.
- E. Frequency of Deposit Confirmation. Confirmation of deposits should be done daily regardless of the frequency of lockbox submissions. It is only through this procedure that collections incorrectly credited to a Field Office can be detected.
- 15-14 Comparison of Form SAMS-1100 with SAMS CL RP LP. Compare deposits on the Lockbox Posting Report (CL RP LP) with deposits as recorded on the applicable copy of Form SAMS-1100 (see paragraph 15-12.F.). Keep in mind that lockbox deposits are posted to SAMS within 7 work days of the date the Form SAMS-1100 was mailed. If the case number, post code(s), and the amount of the lockbox deposit agree, write the words "Posted in SAMS on (date)" in the upper right portion of the Form SAMS-1100. Immediately below these words shall be the date of the confirmation and the initials of the person making the confirmation.

- 15-15 If Case Numbers or Post Codes do not Agree. If funds reclassification action is required due to differences in the case number or post codes, follow procedures outlined in paragraph 15-19.
- 15-16 If Deposit Amounts do not Agree. If the SAMS reports show a deposit amount that does not agree with the amount on the related Form SAMS-1100, contact the Chief, Real Property Branch, Office of Mortgage Insurance Accounting and Servicing, and provide the details of the deposit being researched. The Real Property Branch will advise the Field Office of any additional processing that is required.
- 15-17 If the Deposit is not Found in SAMS. If a deposit made on a Form SAMS-1100 is not found on the Lockbox Posting Report, CL RP LP, (including the "Lost and Found" entity) within 14 work days of mailing, the CPO shall request of the remitter, supporting documentation of the payment, e.g., front and back of a cancelled check. If this documentation does not provide information to locate the deposit, the supporting documentation and a copy of the Form SAMS-1100 shall be sent to the Chief, Real Property Branch. If the deposit cannot be located by the Real Property Branch, the CPO shall contact the remitter and request that another remittance be forwarded to HUD. After the remittance is received, it shall be deposited in accordance with paragraph 15-12 of this Chapter. If desired, the property manager may be requested to contact the remitter if the related Form SAMS-1100 pertains to a property manager collection.
- 15-18 If the Deposit is not in Field Office Records. After completing the deposit confirmation process in paragraphs 15-12 through 15-17, any remaining deposits on the SAMS CL RP LP report must be researched. The individual designated to confirm the deposits shall follow up with the AACO, property manager, selling broker or closing agent to determine the origination of the collection and to request a copy of the Form(s) SAMS-1100. If the origin of the collections

cannot be determined, notify the Chief, Real Property Branch, of the discrepancy. The Real Property Branch will assist in researching the deposit transactions and in determining required corrective action.

- 15-19 Funds Reclassification. If a discrepancy in a post code or case number is found, determine the correct post code or case number pertaining to the transaction and prepare a Form SAMS-1120, Funds Reclassification, to reclassify the transaction. Forward the Form SAMS-1120 to the Real Property Branch. The Real Property Branch has 48 hours from receipt of the form to complete the reclassification action. The CPO shall notify the Chief, Real Property Branch, of any delays in reclassification processing.

- 15-20 Documentation Supporting Deposits Confirmation. The individual(s) designated in accordance with paragraphs 15-13 B. shall document confirmation action taken on each deposit. Each step applied while attempting to confirm a deposit shall be fully documented to show (i) the procedures applied, (ii) results obtained, (iii) any adjustments needed to correct data in SAMS and (iv) approvals obtained regarding the adjustments. The documentation should be prepared so that another individual can identify the confirmation procedures applied, amounts, and other data confirmed, and the final results of the confirmation. Also to be retained are all SAMS reports or other Field Office information used in the review process. The documentation may be filed in any manner desired, provided that a local procedure is established for identifying confirmation information for each Form SAMS-1100.
- 15-21 CPO Responsibility. In all cases, the CPO shall review documentation regarding deposit confirmation actions and shall ensure that the local procedures applied were thorough and complete. If the confirmation action is found to be insufficient, the CPO shall indicate the additional action that is required. All action on unconfirmed deposits and deposits with discrepancies shall be completed within 30 calendar days from the time the deposit was mailed to HUD's lockbox.
- 15-22 Dishonored Deposits.
- A. Field Office Notification. HUD's contractor for SAMS receives notification if a collection sent for deposit is not honored. Upon being notified of the dishonored deposit, HUD's contractor for SAMS will notify the appropriate CPO. The notification, in the form of a memorandum, will identify the applicable case number and will include the remittance originally deposited. The CPO shall contact the individual or organization that remitted the original deposit to HUD, and arrange for another remittance immediately.
- B. Collection of Funds. If the funds are collected, a new Form SAMS-1100 shall be prepared by the Field Office to deposit the remittance, following procedures outlined in paragraph 15-12 of this chapter.
- 15-23 Collection of Debts Owed to HUD. Instances may arise where Field Offices are required to bill for and collect miscellaneous debts owed to HUD. Examples are disallowed expenditures, dishonored deposits, or penalties for liquidated damages that are not paid promptly. Policy and procedures for collection of debts incurred in the normal course of business is described in Chapter 17. See Chapter 7 for policy and procedures applicable to the collection of tenant rent. When funds are collected, the Field Office shall follow the procedures described in this chapter.
- 15-24 Processing Earnest Money Collections.
- A. Earnest Money Deposit Requirements. Selling brokers (including ELBs) are required to collect from potential purchasers the full amount of earnest money specified by HUD when a sales

contract is submitted to HUD. Earnest money deposits must be in the form of a

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cashier's check, certified check, or money order. Selling brokers must certify on the sales contract that they are in compliance with HUD's earnest money deposit policy.

B. Holding Earnest Money Deposits. HUD alone determines the party which will hold the deposit pending closing of the sale. The eligible parties are:

1. Closing Agents Under Contract to HUD. To be held in the contractor's trust account.
2. Selling Broker (including ELB). To be held in the broker's escrow account which has been established according to state and/or local law and is monitored by the state or local regulatory body.
3. Field Office. To be deposited via Form SAMS-1100 upon acceptance of a sales contract. If an earnest money deposit is received by the Field Office which should have been directed to the closing agent or selling broker, it shall be accepted and processed as described in paragraph 15-12. If the sales contract has been rejected, follow procedures shown in Chapter 10. The deposit may be returned to the submitting party.

C. Earnest Money Forfeitures on a Cancelled Sale.

1. If the Closing Agent Holds the Earnest Money. If any part of the earnest money is to be forfeited to HUD, the closing agent shall be instructed to use a Form SAMS-1100, Cash Transmittal Form, for depositing the funds at HUD's lockbox. This requires that Form SAMS-1100, along with required procedures for completing the form, be included in the written instructions sent to the closing agent. The closing agent shall show post code "EF" on the completed Form SAMS-1100. The closing agent shall be instructed to forward Copy 2 of the completed Form SAMS-1100 to the Field Office.
2. If the Field Office Deposited the Earnest Money.
 - a. If any portion of the earnest money is to be forfeited, the Field Office shall prepare a Form SAMS-1120, Funds Reclassification, and forward the completed form to the Real Property Branch. The amount forfeited shall be shown on the Form SAMS-1120

as a transfer from post code "EM" to post code "EF." The Real Property Branch will take action to reclassify the deposit. Reclassification procedures are outlined in paragraph 15-19. Procedures for refunding earnest monies to the purchaser can be found in Chapter 16.

- b. If the purchaser of the property is indebted to HUD for rent and it is determined that the earnest money deposit is available for refund, it may be applied against the rental indebtedness without the consent of the debtor, provided the parties who executed the Form HUD-9532, Lease, and the Form HUD-9548, Sales Contract, are identical. In such cases, a Form SAMS-1120 shall be sent to the Real Property Branch for reclassification action. The Form SAMS-1120 shall show a transfer from post code "EM" to post code "RT."
3. If the Selling Broker Holds the Earnest Money. If a selling broker is holding the earnest money that is to be forfeited to HUD, the CPO shall instruct the selling broker to send the funds and advice explaining the nature of the remittance to the CPO.

Chapter 15 - Exhibit

COLLECTIONS FOR SINGLE FAMILY ACQUIRED PROPERTIES

Type of Collection	Post Code	Received By		Closing Agent/ Selling Broker
		Field Office	Property Manager	
Collections Not Identified				
With A Specific Property				
(Allocated)	AF	X	X	X
Homestead Sales, Collections	AH	X		X
Other Single Family Sales	AT	X		X
Earnest Money Forfeitures	EF	X		X
Earnest Money Receipts	EM	X		X
Sales Extension Fees	EX	X		X
Insurance	IS	X		
Late Fee	LF		X	
Miscellaneous Sales Expense				
Recovery	MC	X	X	

Miscellaneous Income, Other Than Tenant	MI	X	
Refunds on Miscellaneous Major Repairs	MR	X	X
Miscellaneous Income, Tenant	MS	X	X
Prompt Payment Penalty Collection	P3	X	
Preservation & Protection Recoveries	PP	X	
Prepaid Rent	PR	X	X
Rent	RT	X	X
Termite Inspection Fee Refunds	TR	X	X
Tax Refunds	TX	X	
Utility Refunds	UT	X	