

LETTER OF CREDIT PROCEDURES

(Recipient Organization)

July 1968

A HUD HANDBOOK

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT WASHINGTON, D. C. 20410

FOREWORD

This Handbook establishes policies and procedures applicable to the use of letters of credit for funding purposes. Recipient organizations may obtain the necessary funds (Federal portion only) to carry out a HUD project by submitting a payment voucher to a local commercial bank. This technique (a) provides funds to a recipient organization promptly as they are needed, and (b) precludes the withdrawal of funds from the U. S. Treasury sooner than absolutely necessary.

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CHAPTER 1. INTRODUCTION

- 1. <u>PURPOSE</u>. Federal grant programs which involve cash advances to organizations outside the Federal Government constitute a significant portion of the Federal budget. The timing of advance grant payments to such organizations has a substantial impact on the United States Treasury Department, including the level of the public debt and financing costs. These procedures(a.) provide a system whereby the recipient organization may promptly obtain the funds necessary to finance the Federal portion of a project by presenting a payment voucher to a local commerical bank and (b.) preclude withdrawal of funds from the U.S. Treasury any sooner than absolutely necessary.
- 2. <u>METHOD OF OPERATION</u>. The following is a brief outline of the letter of credit procedures:
 - a. HUD makes a determination that a project will be funded through the letter of credit technique and requests certain information from the recipient organization.
 - b. The recipient organization selects a commercial bank and transmits certain information concerning its selection to HUD.
 - c. The recipient organization designates the employees which are authorized to drawndown funds against a letter of credit and certifies their signatures to HUD on a signature card.
 - d. HUD certifies the signatures appearing on the signature card to the Treasury Department.
 - e. HUD prepares a letter of credit. Copies are transmitted to the Treasury Department and to the recipient organization.
 - f. The Treasury Department transmits the letter of credit and the signature card to the applicable Federal Reserve Bank or branch which services the commercial bank selected by the recipient organization.
 - g. The recipient organization executes payment vouchers against the letter of credit to meet its immediate cash needs and presents them to the commercial bank for deposit.
 - h. The commercial bank credits the recipient organization's bank account.
 - i. The recipient organization reports drawdown information to HUD.
 - j. HUD reports to U.S. Treasury.

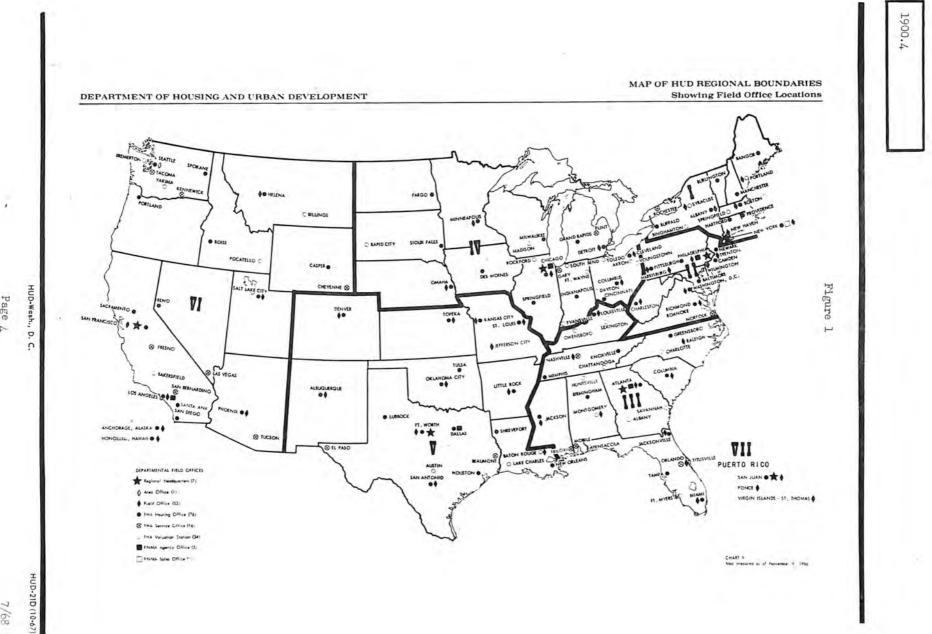
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CHAPTER 2. POLICY AND GENERAL PROVISION

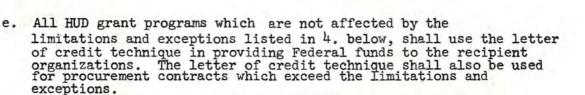
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3. POLICY.

- a. Cash advances shall be limited to the minimum amounts possible and shall be timed to be as close as administratively feasible to the daily needs of the recipient organization.
- b. In instances where the contract between the U.S. Department of Housing and Urban Development (HUD) and the recipient organization provides that the recipient organization shall pay a part of the project costs in cash, the recipient organization shall provide its pro-rata share of the cash on a current basis pursuant to the contract. Generally, for instance, Federal funds should not be used exclusively until exhausted and then the non-Federal funds be used to pay the remaining project costs.
- c. Letters of credit shall be issued either by a HUD regional office or the central office (Washington) depending on whether the accounting for the program is performed on a centralized or a decentralized basis. The central office shall issue all letters of credit pertaining to all projects under the jurisdiction of the San Juan, Puerto Rico Regional Office. Hereinafter, all references to the regional offices shall exclude the San Juan, Puerto Rico Region and all references to the central office shall include the San Juan, Puerto Rico Region.
- d. The map (Figure 1) on the following page shows, among other things, the locations of each HUD regional office and the geographical boundaries assigned to each office. The mailing address and telephone number of the Washington central office and of each regional office are shown on page 6.



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f. In instances where the letter of credit recipient organization is operating more than one project under the same HUD program, the amount of grant for each project shall be added together and, if the aggregate amount exceeds \$250,000, a single letter of credit shall be issued covering the aggregate amount provided all other limitations and exceptions are exceeded. Hereinafter all references to project shall mean the aggregate of all projects operated under the same HUD program by the recipient organization.

4. LIMITATIONS AND EXCEPTIONS.

- a. Letters of credit shall not be used in the following instances:
 - (1) When the disbursements are made, or will be made, on a reimbursable basis.
 - (2) When the aggregate annual amount required for advance payment does not equal or exceed \$250,000 per recipient.
 - (3) When the project(s) is not of a continuing nature of at least one year duration.
 - (4) When a method other than letter of credit, but meeting the objectives of Treasury Department Circular No. 1075, has been approved by the Treasury Department.
 - (5) When the existing legislation specifies the timing of payment in a manner which makes the letter of credit technique impracticable.
- b. Payment vouchers on letters of credit shall not be for amounts less then \$10,000 or more than \$1,000,000 unless so stated on the letter of credit.
- 5. ACCOUNTING STATION SYMBOLS. The following are the eight-digit accounting station symbols assigned to the HUD regional offices and the central office. These symbols shall be used exclusively for letters of credit transactions.

	Regional or Central Office Location		8-Digit Accounting Station Symbol
	New York, New York Philadelphia, Pennsylvania Atlanta, Georgia Chicago, Illinois Fort Worth, Texas San Francisco, California Washington, D.C.		86-00-9701 86-00-9702 86-00-9703 86-00-9704 86-00-9705 86-00-9706 86-00-9709
6. LO	CATIONS OF HUD OFFICES.		
Region Number	Street, City and State	Zip Code	Telephone
I	346 Broadway New York, New York	10013	212 264-8068
II	Widener Building 1339 Chestnut Street Philadelphia, Pennsylvania	19107	215 597 - 2560
III	Peachtree-Seventh Building Atlanta, Georgia	30323	404 526-5585
IV	360 North Michigan Avenue Chicago, Illinois	60601	312 353-5680
v	Federal Office Building 819 Taylor Street Fort Worth, Texas	76102	817 334-2867
VI	450 Golden Gate Avenue P. O. Box 36003 San Francisco, California	94102	415 554-4752
VII	P. O. Box 3869 GPO San Juan, P.R.	00936	767-1515 (Dial Long Distance Operator)
		Zip	
	Central Office Address	Code	Telephone
	U.S. Department of Housing and Urban Development Office of Financial Systems and Services 451 7th Street, S.W. Washington, D.C.	20410	202 755-56314

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CHAPTER 3. RECIPIENT ORGANIZATION'S REQUIREMENTS

- 7. SELECTION OF A COMMERCIAL BANK.
 - a. The recipient organization shall select a commercial bank which agrees to receive payment vouchers drawn on the Treasurer of the United States and to forward such vouchers to the applicable Federal Reserve Bank or branch.
 - b. The recipient organization shall furnish the applicable HUD regional office or central office the following information pertaining to the selection of a commercial bank:
 - 1. Name, address, and telephone number of the commercial bank selected.
 - 2. Name and title of two principal officers of the bank.
 - 3. Title and account number of the recipient's bank account.
 - 4. Address of the Federal Reserve Bank or branch which serves the commercial bank selected. (The recipient organization must obtain this information from the selected commercial bank.)

8. SIGNATURE SPECIMEN (S.F. 1194).

- a. The recipient organization shall submit to HUD two original Standard Form 1194, Authorized Signature Card for Payment Vouchers on Letter of Credit.
- b. On the following page is a facsimile of S.F. 1194 (Figure 2) and an explanation of what information shall be entered in the numbered blocks:

Standard Form 1194 Treasury F R M 1000		SIGNATURE CARD	Letter of Credit Number		
Yiscal Service Aureau of Accounts	FOR PAYMENT VOUCHERS ON LETTER OF CREDIT		Federal Reserve Bank		
Letter of Credit Issued in	Favor of (Recipient)	Issued by (Federal Age	ency)		
3			Ъ.		
SIGNATURES OF INDIV. DRAW ON THE CITE	DUALS AUTHORIZED TO D LETTER OF CREDIT	6.	REQUIRED ON PAYMENT VOUCHERS or REQUIRED TO SIGN OR COUNTERSIGN		
Typed Name and Signature		Typed Name and Signat	Typed Name and Signature		
7.			7.		
Typed Name and Signature		Typed Name and Signat	ure		
· 7.		7.			
I CERTIFY THAT THE SIGNATURES					
AUTHORIZED TO DRAW PAYMENT VOUCHERS FOR THE CITED LETTER OF CREDIT. 8.		UP .			

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Preparation of Standard Form 1194:

Block Number	Explanation
1.	Leave blank - to be completed by HUD.
2.	Enter the city address of the Federal Reserve Bank or branch which services the recipient organization's selected commercial bank.
3.	Enter the name, address, project(s) number and contract(s) number of the recipient organization. If additional space is required, use the reserve side of this form for listing project(s) and contract(s) numbers.
4.	Enter "U.S. Department of Housing and Urban Development", plus the appropriate address of the applicable regional or the central office which is to issue the letter of credit.
5.	Leave blank.
6.	Enter an "X". (All payment vouchers against a letter of credit shall be countersigned.)
7.	Enter the typed names and signatures of the officials of the recipient organization which are authorized to execute Form TUS 5401, Payment Voucher on Letter of Credit.
8.	Enter the date, typed name, title, and signature of the recipient organization's official who is authorized to certify the authenticity of the signature of individuals authorized to execute Form TUS 5401.
	The recipient organization shall attach authenticated documentation, including a specimen signature, establishing the authority and the delegation of this authority to the official signing in this block.
9.	Leave blank to be completed by HUD.

- c. The Federal Reserve Bank or branch will accept only the signature of persons named on current signature cards (S.F. 1194) on file. Recipient organizations shall, therefore, submit new signature cards (S.F. 1194) whenever there is a change, including additions or deletions in the persons authorized to sign payment vouchers. Change in the title or position of a person so authorized does not require a superseding signature card if the person's authority to sign payment vouchers (Form TUS 5401) remains unchanged.
- 9. EXECUTION OF PAYMENT VOUCHERS (FORM TUS 5401). The recipient organization shall execute a Form TUS 5401, Payment Voucher on Letter of Credit, each time it is determined that funds are needed to meet current expenses. On the following page is a facsimile of Form TUS 5401 (Figure 3) and an explanation of what information shall be entered in the numbered blocks.

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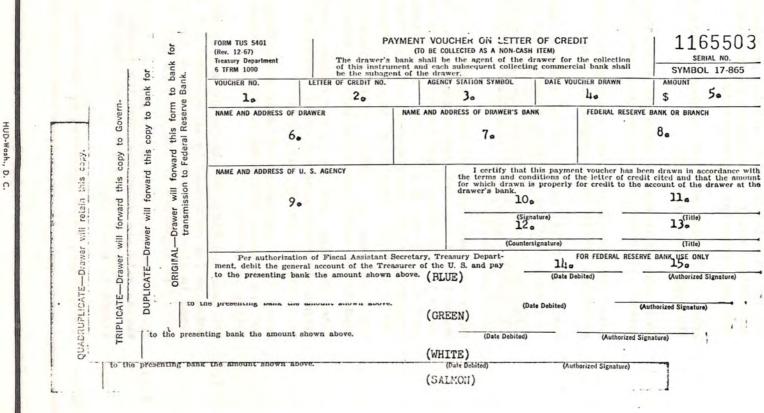


Figure 3. Sample of Form TUS 5401.

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Block	of TUS-5401.
Number	Explanation
1.	Enter the payment voucher number commencing with number "1" for each letter of credit and progressing in consecutive order. Amendments to the letter of credit will not interrupt the progression.
2.	Enter the letter of credit number exactly as shown on the applicable S.F. 1193.
3.	Enter the applicable eight-digit accounting station symbol of the HUD office executing the letter of credit.
4.	Enter the actual date that the payment voucher is presented to the local commercial bank.
5.	Enter the dollar amount of the drawdown against the letter of credit. If the drawdown covers funds for more than one project, each project number and the amount of drawdown applicable to each project shall be shown on the reverse side of Form TUS 5401.
6.	Enter the name, address, project number(s), and the contrac number(s) of the recipient organization. The information shown in this block shall be exactly the same as shown on S.F. 1193 and on S.F. 1194. If additional space is required, use the reverse side of this form for listing project(s) and/or contract(s) numbers.
7.	Enter the name and address of the commercial bank which handles the recipient organization's bank account.
8.	Enter the city location of the Federal Reserve Bank or branch which services the local commercial bank, exactly as it appears on the S.F. 1193.
9.	Enter "U.S. Department of Housing and Urban Development" and the address of the HUD office executing the applicable letter of credit.
10. & 11.	The name and title of the person authorized to sign payment vouchers (as evidenced by an executed S.F. 1194) shall be typed in block 11. and the person so authorized shall affix his signature in ink in block 10.
12. & 13.	The instructions provided in 10. and 11. above shall apply, with the exception that the countersignature shall be accomplished by a person other than the person who signed in block 10
14. & 15.	Leave blank to be completed by the Federal Reserve Bank.

- 10. <u>DISTRIBUTION OF FORM TUS 5401</u>. The executed Form TUS 5401 shall be distributed as follows:
 - a. <u>Original and Duplicate</u> The recipient organization shall present these forms to the commercial bank for transmission to the Federal Reserve Bank or branch which services the local commercial bank.
 - b. <u>Triplicate</u> The recipient organization shall transmit this copy directly to the HUD office which issued the letter of credit on the same day that the payment voucher is presented to the commercial bank.
 - c. <u>Quardruplicate</u> The recipient organization shall retain this copy for its files.

11. REPORTING TO HUD (HUD-267).

- a. Each calendar quarter, the recipient organization shall submit, in duplicate, a Status of Funds Report Relating to Letters of Credit, HUD-267, to the HUD office which issued the letter of credit. The report shall be mailed no later than the tenth day of the month following the close of the calendar quarter.
- b. On the following page is a facsimile of the Status of Funds Report Relating to Letters of Credit, HUD-267, (Figure 4) and an explanation of what information shall be entered in the numbered blocks and lines.

Figure 4.

						n Approved net Bureau No. 63-P1	
STA	U.S. DEPARTMENT OF				OF CREI	DIT	
1. NAME OF RECIPIENT O	RGANIZATION	2. COMP	LETE MAILING	DDRESS A	ND ZIP COD	DE	
3. CONTRACT AND PROJECT NUMBERS CONTRACT NUMBER PROJECT NUMBER		4. LETT	4. LETTER OF CREDIT NUMBER			5. REPORT FOR CALENDAR QUARTER ENDED	
R	ECAPITULATION OF ACTION	S EFFECTING TH	E CASH POSIT	ION OF T	HE PROJE	ст	
	EXPLANATION		IRST MONTH	1	ND MONTH	THIRD MONTH	
6. TOTAL CASH ON HAND	BEGINNING OF MONTH	\$		5		5	
ADD CASH RECEIPTS	ii						
7.FEDERAL							
8. NON-FEDERAL							
9. LESS: TOTAL CASH DISE	BURSEMENTS						
0. TOTAL CASH ON HAND	END OF MONTH	\$		\$		\$	
I. NUMBER OF PAYMENT	VOUCHERS EXECUTED		-				
* This amount represents the	cash requirements for the ensuing		days.				
	AVAILABILITY OF		TTERS OF CRE	DIT	1	CUMULATIVE	
	EXPLANA	TION			_	TO DATE	
12. AMOUNT OF ORIGINAL LETTER OF CREDIT				\$			
3. ADD: INCREASES (Per	Amendment to Letter of Credit)						
4. LESS: DECREASES (Pe	r Amendments to Letter of Cred	it)					
5. LESS: TOTAL DRAWDO	WN						
16. TOTAL AVAILABILITY	(Ending)				5		
I certify that the above	information is true and correct.	CERTIFICATION					
17. DATE REVIEWED	18. SIGNATURE		19. TYPE	D NAME A	ND TITLE		
	F(OR HUD USE ONL	Y				
DATE	SIGNATURE OF REVIEWING O	FFICIAL	TYPED N	AME AND	TITLE OF RI	EVIEWING OFFICIAL	
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10 0 601 (a.00)						J2J.	

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Preparatio	n of HUD-267.
Block Number	Explanation
1.	Enter the name of the recipient organization which is submitting the report.
2.	Enter the mailing address of the recipient organization.
3.	Enter the project and contract number. In instances where a letter of credit has been issued to cover more than one project, a separate report shall be submitted covering each project.
4.	Enter the letter of credit number to which this report applies.
5.	Enter the last month, day and year of the calendar quarter covered by this report.
6.	Enter the total amount of cash on hand at the beginning of the month. This shall include all funds on deposit, in transit, imprest funds, undeposited collections, etc.
7.	Enter the total of all Federal funds received during the month.
8.	Enter the total of all non-Federal funds received during the month.
9.	Enter the total cash disbursements made during the month.
10.	Enter the total amount of cash on hand at the end of the month. This shall include all funds on deposit, in transit, imprest funds, undeposited collections, etc. <u>Complete the</u> footnote indicated by an asterisk (*) as of the end of the calender quarter.
11.	Enter the total number of Forms TUS 5401 issued during the month.
12.	Enter the amount of authorization as shown on the first letter of credit. This amount shall remain constant.
13.	Enter the cumulative amount of increases resulting from all amendments to the letter of credit issued through the reporting date.
14.	Enter the cumulative amount of descreases resulting from all amendments to the letter of credit issued through the reporting date.

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Block	
Number	Explanation
15.	Enter the cumulative amount of drawdowns through the reporting date.
16.	Enter the amount computed by adding the amounts in blocks 12. and 13. and subtracting the amounts in blocks 14. and 15
17.	Enter the actual date that the report is submitted to the appropriate HUD office.
18.	The authorized official of the recipient organization shall affix his signature in ink after he is satisfied that the report is correct.
19.	The name and the title of the official signing the report on line 18. shall be typed herein.

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