



1900. 4

LETTER OF CREDIT PROCEDURES
(Recipient Organization)

July 1968

A HUD HANDBOOK

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. PURPOSE. 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 commercial bank and (b.) preclude withdrawal of funds from the U.S. Treasury any sooner than absolutely necessary.
2. METHOD OF OPERATION. 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 drawdown 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.

CHAPTER 2. POLICY AND GENERAL PROVISION

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.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

MAP OF HUD REGIONAL BOUNDARIES
Showing Field Office Locations



Figure 1

CHART 2
Map prepared as of November 4, 1962

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- e. All HUD grant programs which are not affected by the limitations and exceptions listed in 4. below, shall use the letter of credit technique in providing Federal funds to the recipient organizations. The letter of credit technique shall also be used for procurement contracts which exceed the limitations and exceptions.
- 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 than \$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.

| <u>Regional or Central Office Location</u> | <u>8-Digit Accounting Station Symbol</u> |
|--|--|
| New York, New York | 86-00-9701 |
| Philadelphia, Pennsylvania | 86-00-9702 |
| Atlanta, Georgia | 86-00-9703 |
| Chicago, Illinois | 86-00-9704 |
| Fort Worth, Texas | 86-00-9705 |
| San Francisco, California | 86-00-9706 |
| Washington, D.C. | 86-00-9709 |

6. LOCATIONS OF HUD OFFICES.

| <u>Region Number</u> | <u>Street, City and State</u> | <u>Zip Code</u> | <u>Telephone</u> |
|----------------------|--|-----------------|--|
| 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) |
| | <u>Central Office Address</u> | <u>Zip Code</u> | <u>Telephone</u> |
| | 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 |

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:

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| | | |
|--|---|---|
| Standard Form 1194 6 Treasury F R M 1000 Fiscal Service Bureau of Accounts | AUTHORIZED SIGNATURE CARD FOR PAYMENT VOUCHERS ON LETTER OF CREDIT | Letter of Credit Number 1. |
| Federal Reserve Bank 2. | | |
| Letter of Credit Issued in Favor of (Recipient) 3. | | Issued by (Federal Agency) 4. |
| SIGNATURES OF INDIVIDUALS AUTHORIZED TO 5. <input type="checkbox"/> ONLY ONE SIGNATURE REQUIRED ON PAYMENT VOUCHERS DRAW ON THE CITED LETTER OF CREDIT 5. <input type="checkbox"/> ANY TWO SIGNATURES REQUIRED TO SIGN OR COUNTERSIGN or | | |
| Typed Name and Signature 7. | | Typed Name and Signature 7. |
| Typed Name and Signature 7. | | Typed Name and Signature 7. |
| I CERTIFY THAT THE SIGNATURES ABOVE ARE OF THE INDIVIDUALS AUTHORIZED TO DRAW PAYMENT VOUCHERS FOR THE CITED LETTER OF CREDIT. 8. <hr/> DATE AND SIGNATURE OF AUTHORIZING OFFICIAL (RECIPIENT) | | APPROVED : 9. <hr/> DATE AND SIGNATURE OF AGENCY CERTIFYING OFFICER |

Figure 2. Sample of Standard Form 1194.

Preparation of Standard Form 1194:

| <u>Block Number</u> | <u>Explanation</u> |
|-------------------------|---|
| 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. |

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- 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.

Figure 3. Sample of Form TUS 5401.

| FORM TUS 5401 (Rev. 12-67) Treasury Department 6 TFRM 1000 | | PAYMENT VOUCHER ON LETTER OF CREDIT (TO BE COLLECTED AS A NON-CASH ITEM) | | | 1165503 SERIAL NO. SYMBOL 17-865 | |
|---|----------------------------|---|--|--------------------------------------|--|--|
| The drawer's bank shall be the agent of the drawer for the collection of this instrument and each subsequent collecting commercial bank shall be the subagent of the drawer. | | | | | | |
| VOUCHER NO. 1. | LETTER OF CREDIT NO. 2. | AGENCY STATION SYMBOL 3. | DATE VOUCHER DRAWN 4. | AMOUNT \$ 5. | | |
| NAME AND ADDRESS OF DRAWER 6. | | NAME AND ADDRESS OF DRAWER'S BANK 7. | | FEDERAL RESERVE BANK OR BRANCH 8. | | |
| NAME AND ADDRESS OF U. S. AGENCY 9. | | | I certify that this payment voucher has been drawn in accordance with the terms and conditions of the letter of credit cited and that the amount for which drawn is properly for credit to the account of the drawer at the drawer's bank. | | | |
| | | | 10. (Signature) 12. (Countersignature) | | 11. (Title) 13. (Title) | |
| Per authorization of Fiscal Assistant Secretary, Treasury Department, debit the general account of the Treasurer of the U. S. and pay to the presenting bank the amount shown above. (BLUE) | | | 14. (Date Debited) | | FOR FEDERAL RESERVE BANK USE ONLY 15. (Authorized Signature) | |
| to the presenting bank the amount shown above. | | | (GREEN) (Date Debited) | | (Authorized Signature) | |
| to the presenting bank the amount shown above. | | | (WHITE) (Date Debited) | | (Authorized Signature) | |
| to the presenting bank the amount shown above. | | | (SALMON) (Date Debited) | | (Authorized Signature) | |

QUADRUPPLICATE—Drawer will retain this copy.

TRIPPLICATE—Drawer will forward this copy to Govern-

DUPLICATE—Drawer will forward this copy to bank for

ORIGINAL—Drawer will forward this form to bank for transmission to Federal Reserve Bank.

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Preparation of TUS-5401.

**Block
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 contract 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.

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10. DISTRIBUTION OF FORM TUS 5401. The executed Form TUS 5401 shall be distributed as follows:
- a. Original and Duplicate - 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. Triplicate - 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. Quadruplicate - 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.

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Figure 4.

Form Approved
Budget Bureau No. 63-P1193

| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | | |
|--|---------------------------------|--|--------------------------------------|
| STATUS OF FUNDS REPORT RELATING TO LETTERS OF CREDIT | | | |
| 1. NAME OF RECIPIENT ORGANIZATION | | 2. COMPLETE MAILING ADDRESS AND ZIP CODE | |
| 3. CONTRACT AND PROJECT NUMBERS | | 4. LETTER OF CREDIT NUMBER | 5. REPORT FOR CALENDAR QUARTER ENDED |
| CONTRACT NUMBER | PROJECT NUMBER | | |
| RECAPITULATION OF ACTIONS EFFECTING THE CASH POSITION OF THE PROJECT | | | |
| EXPLANATION | FIRST MONTH | SECOND MONTH | THIRD MONTH |
| 6. TOTAL CASH ON HAND BEGINNING OF MONTH | \$ | \$ | \$ |
| ADD CASH RECEIPTS: | | | |
| 7. FEDERAL | | | |
| 8. NON-FEDERAL | | | |
| 9. LESS: TOTAL CASH DISBURSEMENTS | | | |
| 10. TOTAL CASH ON HAND END OF MONTH | \$ | \$ | \$ * |
| 11. NUMBER OF PAYMENT VOUCHERS EXECUTED | | | |
| * This amount represents the cash requirements for the ensuing days. | | | |
| AVAILABILITY OF FUNDS FROM LETTERS OF CREDIT | | | |
| EXPLANATION | CUMULATIVE TO DATE | | |
| 12. AMOUNT OF ORIGINAL LETTER OF CREDIT | \$ | | |
| 13. ADD: INCREASES (Per Amendment to Letter of Credit) | | | |
| 14. LESS: DECREASES (Per Amendments to Letter of Credit) | | | |
| 15. LESS: TOTAL DRAWDOWN | | | |
| 16. TOTAL AVAILABILITY (Ending) | \$ | | |
| CERTIFICATION | | | |
| I certify that the above information is true and correct. | | | |
| 17. DATE REVIEWED | 18. SIGNATURE | 19. TYPED NAME AND TITLE | |
| FOR HUD USE ONLY | | | |
| DATE | SIGNATURE OF REVIEWING OFFICIAL | TYPED NAME AND TITLE OF REVIEWING OFFICIAL | |

HUD-267 (4-68)

HUD-Wash., D.C.

228254-P

Preparation of HUD-267.

| <u>Block Number</u> | <u>Explanation</u> |
|---------------------|--|
| 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. <u>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.</u> |
| 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 footnote indicated by an asterisk (*) as of the end of the calendar quarter.</u> |
| 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 decreases 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.