



FAQ's - Surplus Cash

Q: When can projects submit their requests to distribute surplus cash, and how should requests be submitted?

A: AMRS allows the property to submit their request to distribute surplus cash with the submission of their annual financial statement. If the property is in a surplus cash position, the system will ask the property at the end of their financial statement submission if they would like to request approval to distribute surplus cash. If the property answers "Yes" a Surplus Cash request form will appear for the property to complete. An answer of "No" will submit only the financial statements to MHDC. The property may submit their request in the Owner Distribution module through December 1. All requests will be processed on a first come first serve basis AFTER the financial statements have been reviewed and closed. Surplus cash may not be distributed without MHDC's written approval!

Surplus Cash distribution requests will only be accepted for properties that are required to submit financial statements, and must have their surplus cash approved by MHDC because the property falls under HUD's "Old Reg" rules.

Q: How are general partnership loans treated (loans to cover temporary cash flow needs of the property)?

A: General Partnership loans are allowed, but should not to be included in the calculation of surplus cash. GP loans are paid from available surplus cash only if there is surplus cash at the end of the year. A property should make sure that all the operating expenses are appropriately covered before repaying the GP loan.

Q: When are Deferred Developer fees payable?

A: Generally, deferred developer fees are allowed, but the payment terms in the Note and the Regulatory Agreement should be reviewed for property-specific terms.

Q: How does a property know if MHDC or HUD is to approve surplus cash for a HUD insured project?

A: MHDC will approve surplus cash for a HUD insured property when MHDC is the mortgagee and is considered an "Old Reg" property by HUD. "Old Reg" projects are those that have a new construction date of 11/4/79, or earlier, or that have a substantial rehabilitation date of 2/27/80, or earlier. "Old or New Reg" projects can be determined by checking the subsidy status screen in REMS. Surplus Cash for "New Reg" projects must be approved by HUD.

Q: How do projects determine what amount to report on Line 9 of the Surplus Cash Computation, and does supporting documentation need to be provided?

A: Line 9 of the Surplus Cash Computation is one of the few items that is actually not a Balance Sheet entry.

For example, if the taxes were due December 31 and they were in the amount of \$10,000 and the mortgage company had only escrowed \$9,000, they would then have a deficiency in the escrow of \$1,000. This \$1,000 could then be entered on Line 9 of the Surplus Cash Computation. The calculation to support the Deficient Tax Insurance or MIP Escrow Deposits amount on Line 9 of the Computation of Surplus Cash, Distributions, and Residual Receipts form is a required disclosure in the notes to financial statements or other supplementary data section. Escrow deficiencies on line 9 will need to be funded properly and returned to MHDC for deposit in your escrow account.