



RESERVE FOR REPLACEMENT

- * Bookletter #6 (2005) Request for Withdrawal from the Reserve for Replacement Fund
 - * Reserve for Replacement Tips



U.S. Department of Housing and Urban Development
New York State Office
Jacob K. Javits Federal Building
26 Federal Plaza
New York, New York 10278-0068
<http://www.hud.gov/local/nyn/nynopen.html>

Bookletter # 6
FY 2005 - 2AHMFAM

DATE: May 1, 2005

MEMORANDUM FOR:

All Owners/Managing Agents, Project Attorneys,
Property Disposition (formerly HUD-owned and
resold with Section 8 Assistance), Public Housing
Agencies, Contract Administrators, and all HUD
insured and assisted properties.

FROM: Deborah VanAmerongen, Director, New York Multifamily Hub

SUBJECT: REQUESTS FOR WITHDRAWAL FROM THE RESERVE FUND
FOR REPLACEMENTS

This Bookletter is intended to streamline and facilitate the review process for requests for withdrawals from the Reserve Fund for Replacements. While compliance with this Bookletter will expedite the review process, all parties are urged to submit requests for withdrawals **no more than quarterly**, unless an emergency exists. The owner should make reimbursement requests during the **same fiscal year** in which the expenditure occurred, **preferably** at least sixty days prior to the close of the project's fiscal year. Be advised, if the aforementioned criteria is not complied with, HUD may reject your request. It is imperative that your request be complete. For work already completed, this would include a cover letter, summary sheet (sample attached), and copies of paid invoices with cancelled checks, if available. For advance approval of work to be done, submit at least three formal or informal bids, together with a copy of the specifications. All requests must be in writing.

SUBMISSION OF PACKAGE FOR REVIEW:

COVER LETTER

All requests for withdrawals must be made in writing. The cover letter should include the following information:

- a) Description of work completed for reimbursement
- b) Summary sheet
- c) Financial institution information:
 - Financial institution name: _____
 - Telephone number: (_____) _____
 - Contact name: _____
 - Account number: _____
 - Balance in account: \$ _____
 - How are funds invested: _____
 - Monthly deposit amount: \$ _____
- d) Management Representative contact info:
 - Contact person name: _____
 - Telephone number: _____

To avoid any delays in processing your request, please inform your financial institution that HUD will call to confirm the above information.

However, if the request is for work that is yet to be done, the letter must contain a detailed explanation of the work proposed. It is most important that an authorized individual (owner or agent) properly execute the request for withdrawal.

FOR CO-OPS ONLY: All of the above *plus*:

- An original resolution from the board authorizing the release of funds from the Reserve Fund for Replacements signed by an officer of the corporation with the corporate seal affixed to it.

FOR OMHAR PROJECTS - *Indicate the following in your cover letter:*

- Is there a rehabilitation escrow account and is it open or closed?
- Is the work projected on the reserve for replacement 20-year schedule?
- Is the work included in the rehabilitation escrow deposit agreement?
If yes, owner must contact the rehabilitation escrow administrator.

FOR DEVELOPMENTS UNDER A MIO PLAN - *Indicate in your cover letter that the following requirements have been met:*

- Submit a revised MIO updating work completed.
- Specify on the Summary Sheet which items are included in the MIO Plan.

SUMMARY SHEET

The owner is required to provide this office with a detailed description of the work that was done. In an effort to obtain your withdrawal request in an orderly fashion, we refer you to the sample summary sheet attached. Completion of this summary sheet will enable us to expedite your request.

Note: Owners may be asked to discuss requests for large withdrawals (\$20,000 or more than 20% of the existing Replacement Reserve balance) before making the written request so that an agreement can be made as to replenishing the Fund. An inspection will be performed by the construction analyst for all requests that exceed \$20,000. *HUD has the option, at its sole discretion, to inspect even if the request does not exceed \$20,000; this would also apply to work required under a MIO Plan.*

The recommended minimum threshold for the Replacement Reserve Fund is \$1,000 per unit, the main purpose of which is to have funds available for an emergency. If an emergency situation exists, then this threshold amount may be relaxed.

Owners may be allowed to borrow from the Reserve Fund for Replacements, rather than making a permanent withdrawal, under a limited number of circumstances:

- No available funds in Residual Receipts Account
- An immediate crisis exists
- Owner agrees in writing to repay the Replacement Reserve Fund

ELIGIBLE ITEMS (CAPITAL ITEMS) VS. INELIGIBLE ITEMS (MAINTENANCE ITEMS)

As a guideline, capital items are traditionally assumed to be eligible for withdrawal from the Reserve Fund for Replacements, as opposed to routine maintenance items that are ineligible. We refer you to the HUD Handbook 4350.1 Rev-1, pages 4-5 through 4-7, for additional information regarding a list of eligible and ineligible items.

It is absolutely necessary that you read and comply with HUD Handbook 4350.1 Rev.1 Chapter 4, Reserve Fund for Replacements.

If you have any questions, please call Michele Anteri at (212) 542-7869 or Lindsay Collins at (212) 542-7775.

Attachment



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Tips to Remember when submitting Replacement Reserve Requests to the New York HUD Office:

1. Request for withdrawals should be made during **the same fiscal year** in which the expenditure occurred.
2. Ensure that the items being requested for reimbursement from the Replacement Reserve Account are considered eligible in accordance with **HUD Handbook 4350.1 REV-1, pages 4-5 through 4-7.**
3. Remember to inform your financial institution that HUD will call to confirm the following: the balance, the monthly deposit as well as how the monies are being invested in the Replacement Reserve Account.
4. Always refer to the **Replacement Reserve Bookletter #6 dated May 1, 2005** as well as **HUD Handbook 4350.1 REV-1, Chapter 4.**