



A Deep Dive into Escrow Account Administration Roles & Responsibilities

June 4, 2020

Presenters:

Lesley Freiman & Jeffrey Lubell, Abt Associates

Chelsea Pennucci & Sandra Suarez, Compass Working Capital

Multifamily Housing Family Self-Sufficiency Program



Housekeeping

- Best practices for smooth audio:
 - ✓ Join meeting using the **Call Me** feature.
 - ✓ Join each training session individually (rather than in a group or conference setting) with your own computer and telephone connection.
 - ✓ If you have followed the instructions for connecting and are still experiencing issues, please contact Jeanne_Goodman@abtassoc.com.
- During the webinar, everyone will be muted. If you have a question please:
 - ✓ Use the Q&A box to type any questions, or
 - ✓ Use the raised hand button to get our attention





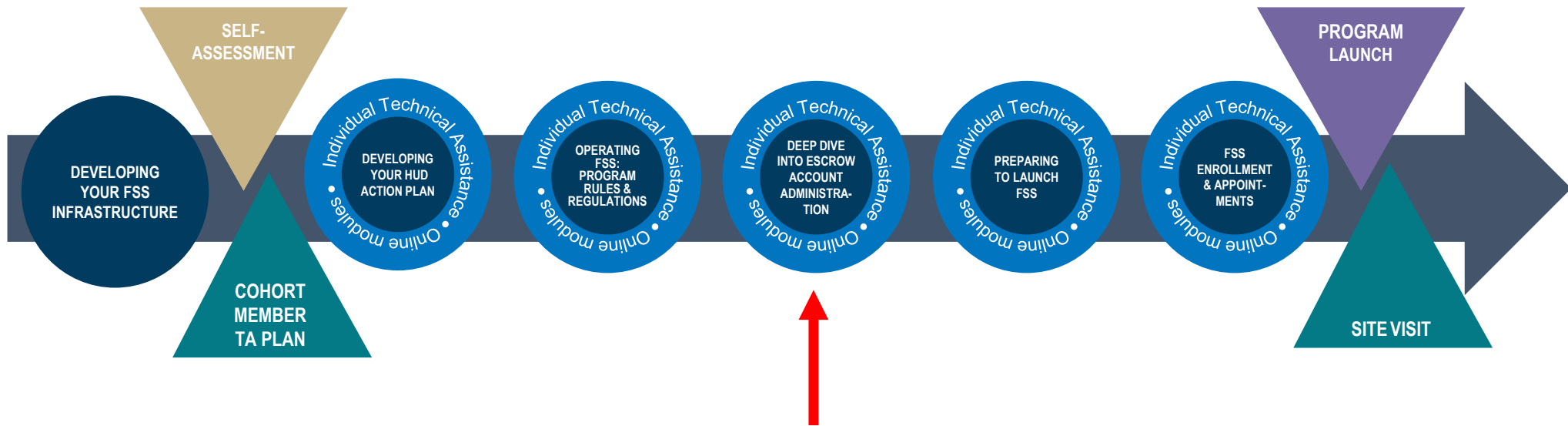
Welcome Back!

- Welcome Back!
- Updated Webinar Schedule:
 - ✓ June 4th (1-2:30p ET): A Deep Dive Into Escrow Account Administration Roles & Responsibilities
 - ✓ June 25th (1-2:30p ET): Preparing to Launch
 - ✓ July 16th (1-2:30p ET): FSS Enrollment and Appointments
- Extended Technical Assistance Period: Through September 30th
- Site Visits: Will now be virtual and as needed
- Individual TA: <https://fsslanch.youcanbook.me/>





Reminder: Where Are We?



- Webinar 4
- FSS Action Plans in progress





Agenda

Agenda

- Responsibilities for FSS escrow tracking, disbursement and reporting
- Data recorded at FSS program enrollment
- Calculating escrow: when and how?
- Billing HUD for escrow
- Processing disbursements
- Auditing escrow accounts
- Quarterly reporting





But first...

- Your concerns or worries about implementing FSS escrow account
- Challenges you've experienced (if you have prior experience)
- What you most hope to get out of TA relating to the FSS escrow account and accounting





Escrow responsibilities and roles: coordinators and management

- FSS Coordinator / Supervisor
 - ✓ Enrollment, approving interim withdrawals, approving graduation (or determining non-grad exit), discussing escrow balances w/ participants, explaining the escrow account
- Property Management
 - ✓ Verifying program eligibility, Signing the CoP, Recertifications, Calculating escrow amount, Generating regular escrow reports (may be an accounting role)



Escrow responsibilities and roles: accounting

- Accounting
 - ✓ Making escrow deposits into a single depository account that includes the escrowed funds of all FSS participants
 - ✓ Tracking each resident's escrow balance. Unless and until your property management software can do this, we recommend keeping an escrow ledger that includes the following:
 - Dates and amounts of all deposits into (and withdrawals from) escrow depository account, tied to household ID
 - This should enable you to calculate the escrow balance of each household
 - You must pro-rate interest at least once a year.
 - ✓ Billing HUD through OARQ adjustments (also corrections)
 - ✓ Processing escrow withdrawals and disbursements
 - ✓ Escrow closeout





Escrow responsibilities and roles: combined roles

- Combined Roles
 - ✓ Quarterly reporting to HUD
 - ✓ Regular account audits or reconciliations
 - ✓ Communication between roles/systems
 - When a household enrolls in or exits FSS
 - When there is a recertification of an FSS household
 - When a household's monthly escrow accrual changes



Escrow management best practices

- Written procedures
 - ✓ Ensure that roles are clear at each step and that there are no gaps
 - ✓ Ensure a process for communication of changes in escrow or status
- Initial discussion and training for all staff members and occasional refreshers
 - ✓ Help ensure that all staff are aware of their roles and responsibilities.
- Point-person for FSS escrow account management
 - ✓ A single staff member who is informed of all escrow-related actions
 - ✓ An individual with primary responsibility for tracking and reconciliation





Yardi FSS Module

- The Yardi FSS beta module
 - ✓ Capabilities
 - ✓ Limitations
- Accessing the module
 - ✓ How to access
 - ✓ Restrictions and limitations on use





Questions on escrow roles and management

Questions?





Data recorded at FSS program enrollment

see § IV.D of the Notice (H-2016-08)

- When a participant joins FSS, the following information is recorded on the Contract of Participation (CoP). The first two items help establish a baseline that is used for purposes of calculating the FSS escrow:
 - ✓ Total Tenant Payment (TTP)
 - ✓ Annual Earned Income
 - ✓ Annual Income
- Upon completion of the CoP, the following items need to be recorded in the owner/agent's systems:
 - ✓ FSS enrollment status; effective date of enrollment, and the TTP and annual earned income as of FSS enrollment



Calculating escrow: when to do it

see § IV.E.4 of the Notice (H-2016-08)

When to calculate monthly escrow credit

- At recertification (annual or interim)
 - ✓ To ensure that this happens, every time a tenant has a recertification, staff should check whether the household participates in FSS.
 - ✓ Best practice: Calculate a new escrow worksheet after every recertification, even if there has not been a change in earned income. This will help ensure it becomes part of your routine
 - ✓ There should be no escrow credit until a recertification shows an increase in both TTP and annual earned income.





Calculating escrow: how to do it

see § IV.E.4 of the Notice (H-2016-08)

How to calculate monthly escrow credit: You will need

- Information from the CoP:
 - ✓ Household's TTP effective at FSS enrollment
 - ✓ Household's Annual Earned Income as of FSS enrollment
- New information (from Form 50059):
 - ✓ Household's new TTP
 - ✓ Household's new Annual Earned Income
 - ✓ Household's new Annual Adjusted Income
 - ✓ Effective date of the new recertification.
 - ✓ The Low-Income limit for the household's size
 - ✓ The Very Low-Income Limit for the household's size



Using the escrow calculation sheet: an example

Here's a simplified example that we'll use to calculate the proper FSS escrow amount using the multifamily FSS escrow calculation sheet:

- Jane's recertification:
 - ✓ Baseline annual earned income: \$10,000
 - ✓ Baseline TTP: \$300
 - ✓ New TTP: \$800
 - ✓ New Annual Earned Income: \$25,000
 - ✓ New Adjusted Annual Income: \$32,000
 - ✓ Low-Income Limit: \$80,000
 - ✓ Very Low-Income Limit: \$50,000
 - ✓ Current Monthly Gross Rent: \$900
 - ✓ Effective Date of new recertification: Feb 1, 2020





Questions on escrow calculation

Questions?





Billing HUD for escrow

- Bill HUD for FSS escrow deposits through OARQ Adjustments on your HAP voucher
- Update the monthly OARQ adjustment every time the escrow changes
 - ✓ Recalculate and update escrow amounts if there has been a recertification
 - ✓ Processing increases in escrow
 - Prospective (30 days' notice)
 - ✓ Processing decreases in escrow
 - May not have any notice
 - Retrospective OARQ adjustment may be needed





OARQ adjustment details

OARQ Adjustments

- All FSS OARQ adjustments must indicate the following in the comment section:
 - ✓ Voucher Month/Year for the Escrow Credit,
 - ✓ Unit Number,
 - ✓ Head of Household's Last Name, and
 - ✓ the words "FSS Participant"
- Types of OARQ adjustments
 - ✓ Positive vs. Negative
 - ✓ Prospective vs. Retroactive
 - If you have both on the same voucher, you will submit two separate adjustments



OARQ adjustment example

- You've already submitted the March HAP voucher:
 - ✓ It included an OARQ adjustment for Jane Doe of \$300 to reflect her anticipated March escrow accrual
- Based on recertification in February, you determine that rent should go down, effective March 1
 - ✓ You fill out a new escrow worksheet and determine monthly escrow accrual amount should now be \$225 per month
 - ✓ In your next HAP voucher, you submit the following OARQ adjustments
 - -\$75 03/2020, Unit #205, Doe, FSS Participant
 - \$225 04/2020, Unit #205, Doe, FSS Participant





OARQ adjustment example: considerations

- Negative, retroactive adjustments are probably the most common place to find an error
- Be sure to:
 - ✓ Make sure the right amount is deposited in the escrow account (\$225).
 - ✓ Or, if the higher amount has already been deposited: withdraw excess amount (\$75) and update escrow ledger
 - ✓ Update OARQ adjustment amount and escrow deposit amount going forward (\$225)



Questions on HUD Billing

Questions?





Processing interim disbursements

see § IV.E.5 of the Notice (H-2016-08)

Steps for interim disbursement

- Review and approve request
- Verify available escrow balance
- Withdrawal of the disbursement from the escrow account
- Note withdrawal amount in escrow ledger
- Issue check to tenant





Processing final disbursements

see § IV.E.5 of the Notice (H-2016-08)

Processing final disbursements

- Accounting staff receives confirmation that the FSS participant is graduating
- Reconcile or audit the account and ledger entries
- Withdraw the final disbursement amount from the escrow account and issue a check to the participant
- Update the escrow account ledger.
- Mark the participant as graduated from FSS in all relevant systems.
- Ensure that no more OARQ adjustments or escrow account deposits are made for the graduated household.





Processing escrow for non-graduate exits

- Households who leave FSS without graduating forfeit their escrowed funds.
- Current rules: owner must return escrow funds to HUD through a negative OARQ adjustment.
- The negative OARQ adjustment equals total escrow balance on most recent quarterly report + any escrow accumulated since.
- Mark the participant as having left FSS in all relevant systems.
- Ensure that no more OARQ adjustments or escrow account deposits are made for the exited household.



Auditing escrow accounts: why it's important

- The FSS escrow process has many moving parts
 - ✓ Easy to lose track of one or more actions or transactions
- Ensures accurate billing and deposits
- More accurate escrow balance information builds trust and understanding with participants
- Allows efficient process for escrow graduations and closeouts
- Allows efficient process for interim disbursements





When and how to audit escrow accounts

- When to do it:
 - ✓ Recommendation: at least quarterly
 - Ensures that quarterly reporting to HUD is accurate.
 - ✓ More frequent auditing and reconciliation (e.g. monthly)
 - Help ensure accurate escrow balance reporting to participants
 - Can limit the need for corrections in OARQ adjustments.
 - May increase administrative burden
- Who is involved:
 - ✓ Accounting team
 - ✓ Sometimes: Property management
 - ✓ Sometimes: FSS Coordinator



Quarterly reporting to HUD

see § V.B of the Notice (H-2016-08)

Quarterly reporting required for multifamily owners

- Reporting through the FSS Reporting Tool (Attachment D of Notice H-2016-8)
- Includes household-level information on:
 - ✓ FSS program participation
 - ✓ Earnings
 - ✓ Income
 - ✓ Referrals
 - ✓ Escrow

Other FSS information HUD reviews

- Data submitted at required income reexaminations

Required document retention

- Documents relating to recertifications, escrow deposits, withdrawals and program participation



Questions

Questions?





Resources

- These slides.
- **Escrow materials on the TA portal**
 - ✓ **Multifamily Escrow resource guide; Escrow Accounting and Reporting Basics; OARQ Adjustment Basics; Monthly Escrow Calculation Worksheet; Sample Escrow Tracker Template; Participant-Facing Escrow FAQ; Common Challenges in Escrow Accounting; An FSS Escrow Case Study**
- **The HUD multifamily FSS Notice: H-2016-8**
- **Notice H-2016-8, Attachment D: FSS Reporting Tool.**
(<http://portal.hud.gov/hudportal/documents/huddoc?id=16-08hsgn-atch-d.xlsx>)





Next Steps & Homework

- Review the escrow materials on the TA portal
- Get back in touch with Compass to schedule your next TA meeting
- Complete or continue to work on your FSS Action Plan if it has not already been submitted to HUD
- For technical assistance or questions related specifically to escrow account administration:
 - ✓ Contact Jeff Lubell, Jeffrey_Lubell@abtassoc.com
- Continue to review FSS resources on the TA Portal and HUD Exchange to build your program knowledge

