

**Strategic Cash Management Agreement
Between the
Department of Housing and Urban Development and the
Financial Management Service**

PURPOSE

The Department of Housing and Urban Development (HUD) and the Financial Management Service (FMS) enter into this agreement to improve the agency's overall cash management practices. This agreement commits both organizations to implement improvements over the next five years. These improvements will enhance the processing of financial transactions between HUD and its customers, while at the same time expediting the flow of funds into the Treasury's General Account.

GOALS

FMS's overarching goal is to establish a framework for moving to an all electronic Treasury; including, making full use of web and electronic technologies; streamlining the collection process; offering collection mechanisms that are easy to use, convenient, and secure; managing the depository services provided to Federal agencies by financial institutions/agents; and providing timely collection of federal government receipts. HUD and FMS will work together to accomplish the following goals in 3 - 5 years.

	<u>Baseline</u>	<u>Goal</u>
1. Electronic Funds Transfer (EFT) \$ Percentage	92%	95%
2. All collections will be deposited in a designated Treasury depository, unless HUD has statutory authority to hold those funds outside Treasury.		

IMPLEMENTATION STRATEGY

Ginnie Mae, Mortgage-Backed Securities (MBS) Program

Agency Location Code (ALC) 86004960. This program collects guarantee, commitment, and transfer fees for Ginnie Mae MBS guaranteed by the full faith and credit of the United States Government.

1. Fedwire activity is processed by FRB New York. Annual dollar volume represents \$381.3 million. This cash flow activity will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2009.
2. TGA activity is processed by PNC Bank. Annual dollar volume represents \$5.6 million. This cash flow activity will be converted to Paper Check Conversion Over The Counter (PCC OTC) and Pay.gov. Secondly, TGA.net will be implemented to support the processing of residual or exception checks that cannot be processed by PCC OTC. The PCC OTC, Pay.gov and TGA.net implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2009.

ALC 86004960 – Total collections for EFT conversion: \$387 million

HUD All Others/Office of the Chief Financial Officer (OCFO)

ALC 86010300. The OCFO Accounting Monitoring and Analysis Division collects monthly excess rental income. Other collections include Interstate Land Sales fees, Federal Manufactured Housing Program fees, Indian Loan Guarantee fees, Nehemiah Housing Loan Repayments, Section 312 Payments, Bonds Refunds, Wage Restitutions, Rental Assistance Program refunds, and other miscellaneous collections.

1. Fedwire activity is processed by FRB New York. Annual dollar volume represents \$21.1 million. This cash flow activity will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2012.
2. Lockbox collections processed by Mellon Bank were transitioned to Bank of America in October 2007; annual dollar volume represents \$4.1 million. Combined collections processed by Bank of America represent \$27.3 million annually. This cash flow activity will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2012.

ALC 86010300 – Total collections for EFT conversion: \$48.4 million

Administrative Collections – ALC 86011101. These administrative collections include three major categories: (1) Monthly mortgage payments for direct and flexible subsidy loans; (2) Restitution payments; and (3) Refunds and other receivables due on HUD grants monitored by the Office of Housing, Office of Public and Indian Housing, Office of Community Planning and Development, and Office of Healthy Homes and Lead Hazard Control.

1. Fedwire activity is processed by FRB New York. Annual dollar volume represents \$907.5 million. This cash flow activity will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2010.
2. Lockbox collections are processed by Bank of America. Annual dollar volume represents \$87.8 million. This cash flow activity will be converted to Paper Check Conversion Over The Counter (PCC OTC). Secondly, TGA.net will be implemented to support processing of residual or exception checks that cannot be processed by PCC OTC. The PCC OTC and TGA.net implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2010.

ALC 86011101 – Total collections for EFT conversion: \$995.3 million

Office of Federal Housing Enterprises Oversight (OFHEO)

ALC 86010303. This program collects assessments from Fannie Mae and Freddie Mac for operating expenses, miscellaneous deposits for FOIA fees, and vendor refunds and credit rebates.

1. Fedwire activity is processed by FRB New York. Annual dollar volume represents \$66.1 million. This cash flow is already electronic; no EFT conversion required.
2. TGA activity is processed by PNC Bank. Annual dollar volume represents \$37.2 thousand. This cash flow activity was converted to TGA.net on December 10, 2007. Due to low check volume, no EFT conversion required.

ALC 86010303 – Total collections for EFT conversion: \$66.1 million

Federal Housing Administration

Mortgage Collections Programs – ALC 86090300. These collections are for Single Family, Multifamily and Title I mortgage notes, claims, insurance premiums, property payments and collection of annual fees from Lenders.

1. Electronic (ACH) lockbox deposits previously processed by PNC Bank were converted to Pay.gov in October 2007; annual dollar volume represents \$66.4 million. Collections processed by Mellon Bank were converted to Pay.gov in October 2007; annual dollar volume represents \$2.3 billion. Collections processed by Bank of America represent an annual dollar volume of \$740.4 million. This cash flow will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2012.
2. Lockbox collections processed by JPM Chase Bank were transitioned to Bank of America in December 2006; annual dollar volume represents \$46.9 million. Combined Bank of America collections represents an annual dollar volume of \$417.4 million. US Bank collections represent an annual dollar volume of \$153.4 million. These cash flows will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2012.
3. Electronic Check Processing (ECP) activity is processed by FRB Cleveland. Annual dollar volume represents \$39 million. This cash flow will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2012.
4. Pay.gov activity is processed by FRB Cleveland. Annual dollar volume represents \$31.2 million. This cash flow is already electronic; no EFT conversion required.
5. Fedwire activity is processed by FRB New York. Annual dollar volume represents \$3.9 billion. This collection activity will be converted to Pay.gov. The Pay.gov implementation process and procedures will begin by December 31, 2008. EFT conversion metric: 95% of applicable transaction volume by December 31, 2012.

ALC 86090300 – Total collections for EFT conversion: \$1.3 billion

INEFFICIENCY CHARGE

If goals outlined in this agreement are not met by the specified date(s), effective January 1, 2010, FMS will invoke the noncompliance charge to agencies that fail to meet established EFT implementation targets. FMS will require the agency, pursuant to 31 U.S.C. § 3720, to pay a


charge of \$1.00 per item for any applicable collection that is not converted to EFT by the specified timeframe. In the future (at the discretion of FMS), this per item cost could possibly be reduced but will not exceed \$1.00.

KEY ASSUMPTION

1. HUD has an opportunity to take advantage of efficient and effective EFT mechanisms which streamline the collection processes overall for the Federal government.
2. FMS and HUD share common goals to eliminate paper.
3. By adopting the Holistic Approach, HUD is able to eliminate paper, delays in processing collections and ultimately increase EFT performance measures for the entire Department.
4. FMS will re-evaluate HUD's ability to fund the Pay.gov implementation on an annual basis.

SIGNATURE AUTHORITIES

FMS and HUD by their duly authorized officials hereby agree to execute this Strategic Cash Management Agreement as of the date as signed below.



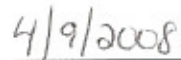
John W. Cox
Chief Financial Officer
U.S. Department of Housing and Urban Development



Date



Kristine S. Conrath, Director
Revenue Collection Group
U.S. Department of the Treasury/FMS



Date