



STATE OF FLORIDA

DEPARTMENT OF COMMUNITY AFFAIRS

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CHARLIE CRIST
Governor

THOMAS G. PELHAM
Secretary

MEMORANDUM

TO: All Florida Small Cities CDBG, Disaster Recovery and Neighborhood Stabilization Program Participants

FROM: Jackie Dupree, Community Program Manager
Florida Small Cities CDBG, Disaster Recovery and Neighborhood Stabilization Programs

SUBJECT: Escrow Accounts for Housing Rehabilitation Activities and Cash-on-Hand

DATE: February 24, 2010

For a number of years, the Department of Community Affairs has allowed CDBG program participants to establish escrow accounts for Housing Rehabilitation and has allowed grantees to retain up to \$5,000 cash-on-hand to meet daily cash needs. The Department has also allowed grantees 14 days in which to expend funds over \$5,000, after which they had to be returned to the Department.

Recently, the U.S. Department of Housing and Urban Development (HUD) informed the Department that the provisions of 24 CFR 570.511 were not followed correctly. (A copy of the regulation is attached.) HUD has specifically advised the Department that its grantees must adhere to the following guidelines:

1. Disburse funds in a timely manner.
 - Time draws as close as possible to the date needed [see 24 CFR 85.21 (b)]
 - The Federal Treasury rule requires that payment must take place within three business days of deposit.
 - If payment takes longer than three (3) business days, written justification must be submitted to the Department and retained in the grantee's official files (this should not be done on a routine basis)
2. Establish escrow accounts for Housing Rehabilitation
 - Limited to paying actual rehabilitation costs
 - Account must be interest-bearing and interest must be returned to the Department quarterly
 - Must be spent as close to the day funds were received as possible
 - Funds must be expended within 10 days
3. Cannot retain cash on hand

HUD regulations do not allow drawing funds in advance of need, but funds may be requested for a specific purpose when they can be expended within three (3) days. Grantees should anticipate

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necessary draws and submit requests for funds accordingly. It is very important that you begin immediately to make changes to your program that will allow you to comply with HUD's guidance on escrow accounts and cash-on-hand. If you request funds and, upon receipt of the funds, find that they cannot be disbursed within three (3) days, you must return the funds to the Department.

In order to comply with federal requirements to avoid duplication of benefits, recipients of CDBG funds may establish an escrow account to hold insurance proceeds or funds from other sources as appropriate. In such instances, the escrow account is an appropriate tool to account for non-CDBG funds and to ensure that non-CDBG funds are expended prior to the expenditure of CDBG funds.

Please contact your grant manager if you have questions.

JD/jp

cc: Kathryn White, HUD