



COMPTROLLER

UNDER SECRETARY OF DEFENSE
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WASHINGTON, DC 20301-1100



JUL 15 1996

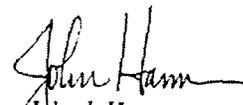
MEMORANDUM FOR DEPUTY UNDER SECRETARY OF DEFENSE FOR INDUSTRIAL
AFFAIRS AND INSTALLATIONS
ASSISTANT SECRETARY OF THE ARMY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE NAVY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: *Initial Financial Management Policy and Procedures for Department of Defense
Family Housing Improvement Fund (FHIF)*

In accordance with amendments to Title 10, U.S.C. contained in the FY 1996 National Defense Authorization Act, the DoD FHIF was established to aid the Department's effort to resolve housing problems through increased reliance on the private sector. A variety of new financing authorities were also provided. Treasury has assigned account symbol 97 X 0834 to identify the DoD Family Housing Improvement Fund and established two supporting financing accounts. The Military Construction Appropriations Act for FY 1996 appropriated \$22 million to the FHIF which will be available for obligation until expended.

Attached is the financial management policy and procedural guidance for the DoD FHIF, the DoD Family Housing Improvement Fund Direct Loan Financing Account (97 X 4166), and the DoD Family Housing Improvement Fund Guaranteed Loan Financing Account (97 X 4167). These policies and procedures may be amended as required by the Deputy Comptroller (Program/Budget) or the Deputy Chief Financial Officer.

Questions regarding this matter may be directed to Mr. De W. Ritchie, Jr., Directorate for Accounting Policy, ODCFO, on (703) 697-3135; or Mr. Kevin Urban, Directorate for Military Construction, ODC(P/B), on (703) 697-4133.


John J. Hamre

Attachments

Family Housing Improvement Fund
Financial Management Policies and Procedures

Overall Responsibilities

The Under Secretary of Defense (Comptroller) (USD(C)) shall establish and maintain the policies and procedures for the administrative control of funds and shall subdivide funds apportioned, reapportioned, or otherwise made available to the Family Housing Improvement Fund (FHIF) and subsidiary accounts.

The Deputy Under Secretary of Defense for Industrial Affairs and Installations (DUSD(IA&I)) will initially approve all projects and contracts to be executed using the authorities provided by Chapter 169 of Title 10, U.S.C., Subchapter IV - Alternative Authority for Acquisition and Improvement of Military Housing.

The Military Services (hereafter the Components) are responsible for executing approved projects under the authorities provided by Chapter 169 of Title 10, U.S.C., Subchapter IV - Alternative Authority for Acquisition and Improvement of Military Housing, in compliance with these policies and procedures.

The Defense Finance and Accounting Service (DFAS) is responsible for accounting, debt management, disbursing, collecting, reporting, and any other required financial services for the DoD Family Housing Improvement Fund; the DoD Family Housing Improvement Fund Direct Loan Financing Account, the DoD Family Housing Improvement Fund Guaranteed Loan Financing Account, and the Special Fund Receipt accounts. To the extent feasible, the aforementioned financial activities shall be performed at a single DFAS Center or Operating Location.

The Defense Logistics Agency (DLA) shall provide administrative support for the Housing Revitalization Support Office (HRSO) to include organizational and budgeting services.

Department of Defense Family Housing Improvement Fund

The Treasury symbol for this account is 97 X 0834. Funds deposited into the account will remain available until expended.

Funds deposited into the account shall be:

- Appropriations to the Fund.
- Transfers from Army, Navy, Air Force, and Defensewide Family Housing Construction accounts to include New Construction, Improvements, and Planning and Design funds.
- Proceeds from the conveyance or lease of DoD property or facilities.
- Income and gains from investments, and return of invested capital.

Subject to their availability in appropriations acts, funds in the account may be used for:

- Administrative costs of the Fund, including planning, execution, and administration of contracts.
- Direct loan subsidy cost payments and any subsequent subsidy cost reestimates or modifications of subsidies.
- Guaranteed loan subsidy cost payments and any subsequent subsidy cost reestimates or modifications of subsidies.
- Differential lease payments.
- Annual lease payments.
- Investments in nongovernmental entities for the purpose of obtaining or improving housing, to include:
 - Limited partnerships.
 - Purchase of stocks or other equity instruments.
 - Purchase of bonds or other debt instruments.
 - Any combination of these forms of investment.
- Other purposes approved by the Deputy Comptroller (Program/Budget) (DC(P/B)).
- Any subsidy cost reestimates for direct and guaranteed loans, and interest on subsidy reestimates will be paid from Permanent Indefinite appropriations.
- Any combination of these forms.

Department of Defense Family Housing Improvement Fund Direct Loan Financing Account

The Treasury symbol for this account is 97 X 4166.

Funds deposited into the account shall be:

- Direct loan subsidy cost payments from the Family Housing Improvement Fund (as defined and calculated in accordance with Office of Management and Budget (OMB) Circular A-34).
- Funds borrowed from Treasury for the unsubsidized portion of direct loans to borrowers.
- Interest and principal payments from borrowers.
- Proceeds from the sale of collateral.
- Interest earned from Treasury on uninvested borrowings.
- Borrower fees.

Subject to their availability, funds in the account may be used for:

- Direct loans to borrowers.
- Repayment of principal and interest on funds borrowed from Treasury.
- Payments of negative subsidy costs.
- Payments of downward reestimates of subsidy costs.

Department of Defense Family Housing Improvement Fund Guaranteed Loan Financing Account

The Treasury symbol for this account is 97 X 4167.

Funds deposited into, and held by, the account shall be:

- Loan guarantee subsidy cost payments from the Family Housing Improvement Fund (as defined and calculated in accordance with OMB Circular A-34).
- Funds transferred from Treasury to honor any unsubsidized portion of defaults on loan guarantees.
- Interest earned on uninvested funds held in the account.
- Borrower fees.
- Proceeds from the sale of collateral.

Subject to their availability, funds in the account may be used for:

- Payments of default claims against guaranteed loans.
- Payment of interest supplements to lenders.
- Payment of negative subsidy costs.
- Payment of downward reestimates of subsidy costs.
- Interest payments on Treasury borrowings.

Special Fund Receipt Accounts

The Treasury symbol will be established in the future. Funds deposited in the account shall be:

- Collections of negative subsidies and downward reestimate of subsidy costs in a cohort from the financing account.

Limitations on the Family Housing Improvement Fund

- Only funds from Family Housing Construction accounts (to include New Construction, Improvements, and Planning and Design funds) shall be available for transfer into the fund. These funds will then be available for obligation in addition to direct appropriations to the fund. All other funds in the fund are available for obligation subject to their availability in Appropriations Acts.
- Current transfer authority for the FHIF is limited by appropriation language to FY 1996 family housing construction funds; however, beginning in FY 1997 transfer authority is anticipated for all available family housing construction funds (i.e., appropriations in prior years).
- Transfer of appropriated family housing construction funds to the FHIF may be made only after the end of a 30-day period beginning on the date the Office of the Under Secretary of Defense (Comptroller) submits to the Senate Appropriations Committee, House

Appropriations Committee, Senate Armed Services Committee, and the House National Security Committee written notice of, and justification for, the transfer.

- The total value of budget authority of all contracts and investments undertaken through the Fund shall not exceed \$250,000,000.
- Funds shall not be available for obligation until 15 days after OMB has received a proposed project allocation.
- Before direct loans are obligated or loan guarantees committed, appropriate subsidy rates as required by the Credit Reform Act shall be approved by OMB and the subsidy cost payment amount based on the subsidy rate must be available in the FHIF and disbursed to the appropriate financing account.
- Obligation of funds in this account must be recorded to the full extent required in OMB Circular A-34 and Appendices A and B of OMB Circular A-11.
- Loan guarantees may not exceed the lesser of:
 - the amount equal to 80 percent of the value of the project, or
 - the amount of the outstanding principal of the loan.
- The cash amount of an investment in a nongovernmental entity may not exceed an amount equal to 33 1/3 percent of the capital cost of the project. If land or facilities are conveyed to a nongovernmental entity, the total value of an investment may not exceed an amount equal to 45 percent of the capital cost. The DUSD(IA&I) is responsible for issuing guidance on how the capital cost of a project is determined.

Housing Revitalization Support Office

- Family Housing Improvement Funds shall be allocated to DLA for the operations of the HRSO by the DC(P/B), OUSD(C), to carry out the activities contained in the Secretary's memorandum of September 25, 1995, subject: Military Housing Revitalization Act of 1995. Funds allocated to DLA shall be for HRSO administrative purposes such as travel, studies, expert consultant support, and administrative office expenses.
- Funds will be allocated to DLA on at least an annual basis via a Fund Allocation Document (FAD), such as the FAD at Attachment 1, to provide for the operation of the HRSO.
- The HRSO is responsible for preparing budget estimate submissions and budget justification for the FHIF. At a minimum, as required by section 2883 of Title 10, the budget submissions and justification will include a report on the expenditures and receipts of the FHIF, a methodology for evaluating the extent and effectiveness of the use of the authorities available to the FHIF, and a description of the objectives of the DoD for providing military family housing for member of the armed forces.

- The HRSO, in conjunction with the ODC(P/B) is responsible for determining the amount required in direct loans for each fiscal year and the amount of funds the Department needs to borrow from Treasury to finance direct loans and guaranteed loan claims.
- The HRSO, in conjunction with ODC(P/B), is responsible for calculating, and obtaining approval from OMB, the appropriate subsidy rate, and subsidy cost payment, as required by the Credit Reform Act for each direct loan or loan guarantee. These costs represent the estimated long-term cost to the government of direct loans and loan guarantees, calculated on a net present value basis, excluding administrative costs. Subsidy costs are described in detail in OMB Circular A-34, Instructions on Budget Execution.
- The HRSO, in conjunction with ODC(P/B), is responsible for obtaining budget scoring decisions for each project from OMB.
- The DUSD(IA&I), in coordination with the DC(P/B), is responsible for preparing required project reports to Congress as described in section 2883 of Title 10 to include congressional notification 30 days before the date on which contract solicitations are issued or the conveyance or lease of property or facilities are offered.
- The HRSO was established to facilitate implementation of the FHIF finance authorities and is chartered by the Secretary of Defense until February, 2001. The responsibilities of the DUSD(IA&I) and the HRSO outlined above and in other sections of these policies and procedures may be delegated to the Components at that time, or earlier, as determined by the DUSD(IA&I) in coordination with the DC(P/B).

Administrative Costs of Projects

- Once a potential project utilizing the authorities available to the FHIF has been officially designated a FHIF candidate project by the DUSD (IA&I), all costs required in connection with the planning, execution, and administration of contracts of that project will be financed by funds available in the FHIF. The DUSD (IA&I) will issue separate guidance on the process by which a project becomes officially designated a FHIF candidate project.
- Components sponsoring officially designated FHIF projects will provide written requests and justification for any required funding for the project's associated administrative costs to the Military Construction Directorate, ODC(P/B), through the HRSO.
- Upon determination of appropriate administrative costs for a project by the HRSO and the ODC(P/B), FHIF funds will be allocated by the DC(P/B) to the project's sponsoring Component via a Fund Allocation Document (Attachment 2).

Procedures for FHIF Projects Requiring Transfer of Funds

- Upon approval or notice to proceed by the DUSD(LA&I) of a particular FHIF project requiring the transfer of funds into the FHIF, the Component sponsoring the project shall submit a written request to the Military Construction Directorate, ODC(P/B), for congressional notification of the proposed transfer to the FHIF. The request shall identify the amount, the source of family housing construction funds proposed for transfer (identifying the specific project when a family housing new construction project is the source), and justification for the transfer.
- Congressional notification of a proposed transfer may also be made at the time Congress is provided the required 30-day notification prior to the date on which contract solicitations are issued. Transfer notifications included in contract solicitation notifications shall identify the amount, the source of family housing construction funds proposed for transfer (identifying the specific project when a family housing new construction project is the source), and justification for the transfer.
- When a family housing new construction project is identified as the source of funding to carry out a project through the FHIF, the full amount of the funds available for the source project shall be included in the transfer to the FHIF unless the DC(P/B), in coordination with the DUSD (LA&I), grants an exception.
- The ODC(P/B) will place funding for any family housing construction funds identified as a source for transfer into the FHIF on withhold and prepare written notification to Congress of proposed transfers, if transfer notification was not included in the 30-day notification to Congress made prior to contract solicitation.
- Within five days after the date of submission of written notification of a transfer to Congress, the Component sponsoring a project shall submit transfer proposals to the ODC(P/B) in accordance with DoD 7000.14-R, the DoD "Financial Management Regulation," Volume 3, Chapter 3, to include preparation of applicable apportionment and reappropriation schedules for Family Housing Construction accounts. This information shall be submitted through normal channels.
- The Program and Financial Control Directorate, ODC(P/B), in coordination with the Military Construction Directorate, ODC(P/B), shall provide implementation instructions to the Components involved and direct the transmittal of a Nonexpenditure Transfer Authorization (SF 1151) to the Department of Treasury.
- The Directorate for Military Construction, ODC(P/B), shall prepare the Apportionment and Reappropriation Schedules (SF 132) for the Family Housing Improvement Fund for submission to OMB for its approval and shall notify OMB of proposed project allocations. The timing for notifications to OMB of proposed project allocations should ensure that the OMB 15-day notification and wait period is satisfied within the congressional 30-day notification and wait period for transfers into the FHIF.

- The Deputy Comptroller (P/B) shall, upon approval by OMB of the Apportionment and Reapportionment Schedules (SF 132) for the Family Housing Improvement Fund, and receipt from the project's sponsoring component of a Family Housing Improvement Fund Project Financial Plan (Format 450-FHIF, Attachment 3), provide a Fund Authorization Document to the Component for the approved FHIF project. The FAD will constitute authority to enter into approved contracts.

Procedures for FHIF Projects Not Requiring Transfer of Funds

- Upon approval or notice to proceed by the DUSD(IA&I) of a particular FHIF project not requiring a transfer, the DUSD(IA&I) shall submit a written request to the Military Construction Directorate, ODC(P/B), for congressional notification of the proposed FHIF project. The request shall provide the amount of FHIF funds required to execute the project, if any, and justification for the project.
- The ODC(P/B) will prepare a written notification to the appropriate committees on the Department's intent to proceed with the project and any associated obligations from the FHIF.
- Prior to, or concurrent with congressional notification, the Directorate for Military Construction, ODC(P/B), shall notify OMB of the proposed project allocations.
- Fifteen days after OMB has been notified of proposed project allocations and upon receipt from the project's sponsoring component of a Family Housing Improvement Fund Project Financial Plan (Format 460-FHIF, Attachment 3), the ODC(P/B) will provide a Fund Authorization Document to the sponsoring Component for the approved FHIF project. The FAD will constitute authority to enter into approved contracts.

Special Procedures for Direct and Guaranteed Loans

- The USD(C), on behalf of the Secretary of Defense, shall enter into separate agreements with the Treasury Department concerning the terms and conditions of borrowing for the Direct Loan Financing account and the Guaranteed Loan Financing account.
- The HRSO, in conjunction with ODC(P/B), is responsible for determining the amount required in direct loans for each fiscal year cohort and the amount of funds the Department needs to borrow from the Treasury to finance direct loans.
- Based on the determination of loan requirements, the Military Construction Directorate, ODC(P/B), in coordination with the Program and Financial Control Directorate, ODC(P/B), will prepare Nonexpenditure Transfer Authorizations, Standard Form 1151, for submission to Treasury to effect the transfer of funds from Treasury into the financing accounts. Additional Nonexpenditure Transfer Authorization requests may be made as necessary during the course of a fiscal year.

DFAS is responsible for calculating and reporting on the amount of interest earned on funds borrowed from Treasury that reside in FHIF financing accounts, as described in the agreement entered into with Treasury and as described in OMB Circular A-34. In addition, accounting for financing accounts shall be by cohort and risk category.

- DFAS will prepare Nonexpenditure Transfer Authorizations, Standard Form 1151, for submission to Treasury to effect the transfer of funds from the financing accounts to Treasury for the repayment of loan principal and interest as stipulated in the borrowing agreement with Treasury.
- When a project involves a direct or guaranteed loan, the HRSO is responsible for calculating and obtaining approval for the appropriate subsidy rate and associated subsidy cost payment amount from OMB.
- Subsidy cost amounts, as approved by OMB, shall be obligated and disbursed from the Family Housing Improvement Fund program account into the appropriate financing account before direct loans may be obligated or guarantees of loans are entered into.
- The combination of funds borrowed from Treasury and subsidy cost payments made to the financing accounts will constitute the corpus from which the ODC(P/B) will allocate obligation authority to the sponsoring Component of a direct loan or to the sponsoring Component of a guaranteed loan in which a claim has been made against the guarantee.

General

- In addition to a FHIF Parent account, administrative subaccounts will be established by DFAS to differentiate, by Component (Army, Navy, Air Force, Marine Corps, DLA), funds deposited, obligated, or otherwise debited or credited to or from the FHIF program and financing accounts. Should a project be canceled or terminated, any unobligated balance from amounts transferred into the FHIF by a component shall remain in that Component's subaccount and be available for future FHIF projects sponsored by that Component.
- FHIF funds allocation, accounting and reporting will be by Component, by project, by use of funds (i.e., administrative costs, payments of claims for guarantees, differential lease payments, lease payments, investments, subsidy costs, etc.). Further, accounting for funds deposited into the account will be by Component, by project, by type of deposit (i.e., transfers, proceeds from conveyance or lease of property or facilities, income from interest on loans and amounts borrowed from Treasury and held in a financing account, income and gains from investments, and return of invested capital).

Reporting

DFAS is responsible for preparation of the Departmental-level appropriation and fund status reports for the FHIF that are required by chapter 93 of the DoD Accounting Manual (DoD 7220.9-M). The budget execution reports required for the FHIF are as follows:

- Year-end Closing Statement;
- Report on Budget Execution (SF 133);
- Flash Report on Obligation Status (AR 1445);
- Report on Appropriation Status by Fiscal Year Program and Subaccounts (AR 1002); and
- Report on Reimbursements (AR 725).

At a minimum, the AR 1002 reports will provide detail for each subaccount specified in a FAD and attached Formats 460-FHIF issued by DC(P/B) for the program and financing accounts.

The DUSD (IA&I) is responsible for preparing required project reports to Congress as described in section 2883 of Title 10.

The USD(C), in consultation with the DUSD(IA&I), is responsible for preparing annual reports included in the budget submissions to Congress as described in section 2883 of Title 10.

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

DEPARTMENT OF DEFENSE FAMILY HOUSING IMPROVEMENT FUND
97 X 0834 5100

PROGRAM YEAR 1996 OBLIGATION AUTHORITY

BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED
Housing Revitalization Support Office	\$	\$	\$
TOTAL	\$	\$	\$

The approved amounts represent limitations subject to the provision of section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations are not to be incurred beyond the revised approved amounts shown on each budget activity without the specific prior approval of this office.

This document provides obligation authority for the Housing Revitalization Support Office (HRSO) for fiscal year 1996. These funds are to be used for HRSO administrative purposes, e.g., travel, studies, and expert consultant support and may not be used to enter into contracts for the acquisition or construction of family housing units or unaccompanied housing units without the specific prior approval of this office.

Authorization No.	Date	Approved
FHIF-HRSO-96-1		

MEMORANDUM FOR (ASA(FM&C), ASN(FM&C), or ASAF(FM&C))

Department of Defense Family Housing Improvement Fund, 97 X 0834.xx
PROGRAM YEAR 1996 OBLIGATION AUTHORITY

BUDGET ACTIVITY	PREVIOUSLY APPROVED -	THIS ADJUSTMENT	REVISED APPROVED
ADMINISTRATIVE COSTS	\$	\$	\$
INVESTMENTS			
PAYMENTS ON OCCUPANCY GUARANTEE CLAIMS			
LEASING			
DIFFERENTIAL LEASE PAYMENTS			
DIRECT LOAN SUBSIDY COSTS			
GUARANTEED LOAN SUBSIDY COSTS			
TOTAL	\$	\$	\$

Department of Defense Family Housing Improvement Fund
 Direct Loan Financing Account 97 X 4166.xx
PROGRAM YEAR 1996 OBLIGATION AUTHORITY

BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED
DIRECT LOANS	\$	\$	\$

Department of Defense Family Housing Improvement Fund
 Guaranteed Loan Financing Account 97 X 4167.xx
PROGRAM YEAR 1996 OBLIGATION AUTHORITY

BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED
PAYMENTS FOR CLAIMS AGAINST GUARANTEED LOANS	\$	\$	\$

The approved amounts represent limitations subject to the provision of section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations are not to be incurred beyond the revised approved amounts shown for each budget activity without the specific prior approval of this office.

Program funding in this and subsequent documents is to be executed only in accordance with all applicable provisions of the FY 1996 National Defense Authorization and Military Construction Appropriations Acts.

The amounts provided in the Direct Loan and Guaranteed Loan financing accounts are not available for obligation until all applicable Direct and Guaranteed loan subsidy costs have been obligated and disbursed from the Family Housing Improvement Fund program account (97 X 0834) to the respective Direct Loan Financing Account or Guaranteed Loan Financing Account.

The amounts provided are to be used only for approved projects as documented on the attached Forms 460-FHIF.

Authorization No. FHIF-96-X	Date	Approved
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Family Housing Improvement Fund Project Financial Plan

1. Component:
2. Installation:
3. Location:
4. Brief Description of Project:
5. Title 10, U.S.C. Chapter 169, Subchapter Authorities to be Used:
6. FY XXXX Obligation Authority:

	Previously Approved	Proposed	OSD Approved
Administrative Costs			
Investments:			
a. Limited Partnerships			
b. Stock or Other Equity Instruments			
c. Bonds or Other Debt Instruments			
Payments on Occupancy Guarantee Claims			
Leasing			
Differential Lease Payments			
Direct Loan Subsidy Costs			
Guaranteed Loan Subsidy Costs			
Total Obligation Authority			

7. OMB approved subsidy rate for direct loans: _____
 - 7a. Subsidy cost amount to be disbursed to the Direct Loan Financing Account: _____
 - 7b. Subsidy cost amount for modification of direct loan terms: _____
8. OMB approved subsidy rate for loan guarantees: _____
 - 8a. Subsidy cost amount to be disbursed to the Guaranteed Loan Financing Account: _____
 - 8b. Subsidy cost amount for modification of guaranteed loan terms: _____
9. Estimated Future-Years Annual Recurring Costs: (Such as annual lease payments)