CHAPTER 3: AUTOMATED SYSTEMS

3.1   INTRODUCTION

Many of the Agency's account servicing activities are dependent on data submitted to the Agency by tenants and borrowers. These data are tracked by the Agency using automated systems. This section describes the Agency's four primary automated information management systems—the Management Agent Interactive Network Connection (MINC), the Automated Multi-Family Housing Accounting System (AMAS), the Multi-Family Information System (MFIS), and the Prepayment Tracking and Concurrence (Pre-Trac)—including their purpose and capabilities, staff responsibilities, and training and certification requirements.

It is important to understand that while this section identifies the specific activities that may be accomplished using the various automated systems, many of the activities listed for a particular system cannot be accomplished without inputs from one or more of the others. For instance, monthly loan payment amounts are tracked using AMAS, but those amounts cannot be determined without inputs from MFIS. Similarly, while MFIS is used to identify and track the status of borrower noncompliance, the standards by which compliance is measured come from AMAS.

Every MFH Servicing official is required to be familiar with each of the Agency's automated systems. This includes gaining familiarity with not only the basic information in this chapter, but the more detailed user manuals for each system and periodic training offered to staff.

3.2   MANAGEMENT INTERACTIVE NETWORK CONNECTION

MINC is a database used by the Agency to reduce the cost of compliance and increase the effectiveness of supervisory actions in the Multi-Family Housing program.

A. Background

Before a borrower can submit a payment to the Agency for review and processing, the Agency needs to determine and inform the borrower of the correct payment amount. Before the payment amount can be determined, the borrower needs to collect and submit to the Agency the tenant data that is used in the calculation of rental assistance, interest credit, and ultimately, the "net" payment amount that must be submitted by the borrower. To make the required calculations, tenant data are entered into MFIS, and the outputs from MFIS are ultimately entered into AMAS for tracking. It is crucial that tenant data be correct, because over $1 billion in tenant subsidy is awarded annually based on each tenant's status.

Previously borrowers have submitted tenant data to the Agency by mailing paper copies to the Servicing Office each month to reflect current occupancy status. Borrowers now must submit data through an automated interface with the Agency – MINC.

B. Purpose and Capabilities

MINC enables management agents to transmit tenant data electronically, via the Internet. In addition to tenant data, management agents can transmit *Form RD 3560-7, Multiple Family Housing Project Budget/Utility Allowance*, and *Form RD 3560-10, Borrower Balance Sheet*. Data that are transmitted correctly, and contain changes that are within the allowable parameters, are automatically uploaded into MFIS. Data that are transmitted incorrectly, or that does not comply with Agency regulations, are "rejected" by MINC. Questionable data transactions, containing changes requiring review by the Agency, are held in a "pending" status in the MFIS electronic transmission web page. A message is sent to the management agent, detailing the result of each transaction transmitted such as accepted, rejected, pending, etc. The Agency reviews transmitted transactions, through the use of a "Daily Report," to determine if there is any action necessary on the Agency's part. MINC provides the capability of Borrowers to view, approve and submit their *Form RD 3560-29* to the Agency. If the borrower discovers any discrepancies in the report, a correcting transaction is transmitted or the Servicing Office is contacted for guidance. Once the report is determined to be correct, the borrower approves and submits the payment.

C. Staff Responsibilities

In accordance with 7 CFR Part 3560, all borrowers are required to electronically transmit their tenant and financial data and process their payments, for projects with eight units or more. Agency Staff should contact all borrowers/management agents, and provide them with instructions for accessing and using MINC. The steps involved in this process are as follows:

- Contact the borrower/management agent, and verify that the taxpayer identification number on file with the Agency is correct for the management agent;

- Validate that all projects for said management agent are associated to the taxpayer identification number;

- Inform the borrower/management agent to access the MINC Web site at https://usdaminc.sc.egov.usda.gov, and print a copy of the training handbook; and

- Instruct the borrower/management agent to follow the step-by-step instructions contained in the training handbook to obtain a MINC access code and password. The help manual should be consulted for any problems they encounter while completing this process. In the event that questions still exist after having consulted the help manual, the borrower/management agent should then contact the Servicing Office for assistance.

The borrower/management agent will be required to electronically accept an automated version of the Trading Partner Agreement (TPA) while obtaining their MINC access code and password. The date of acceptance is stored within the system should this information be needed at a later date.

The Servicing Office goals are to:

- Maintain project information on MFIS, completing primary processing of submissions of changes to tenant data between the first and tenth days of each month;

- Provide MFIS reports in a timely manner, or as requested by the borrower/management agent; and

- Confirm the receipt of data transmission when asked.

The Servicing Office should refer borrowers/management agents to vendors to troubleshoot software as needed. Some borrowers/management agents with small projects do not use vendor software; instead, they transmit through MINC using the "Fill-a-Form" option and may need more assistance from the Servicing Office. Any automation or program-related issues that are discovered by the Servicing Office should be reported to the Leadership Designee.

D. Benefits of MINC

MINC benefits all parties involved. Electronic submission of data saves borrowers the burden and cost of generating and mailing paper documentation to the Agency. The Agency saves the burden and cost of handling mail, sorting and copying paper documentation, and reentering tenant data by hand. Freeing staff from clerical tasks allows them to focus on analytical responsibilities, such as reviewing occupancy patterns to uncover civil rights violations, tenant fraud, unacceptable management practices, and warning signs of occupancy problems.

In addition, MINC allows borrowers more time to meet deadlines. Changes submitted through MINC are required to be filed by the tenth of the month, an extension of 10 days. For borrowers, this provides more time to ensure that their information is assembled properly, and is complete and accurate. More accurate information results in fewer mistakes to correct with the borrower. Even if there are mistakes, MINC allows for next-day response by the Agency. As a result, corrections can be made while the borrower's memory is still fresh.

MINC also reduces the chance that borrowers will be charged overage for late certifications, which can result in a substantial penalty for borrowers, management agents, and site managers. Extended submission deadlines and faster turnaround on submission reviews reduce the possibility of overage being charged for late data.

MINC reduces the chance that borrowers will be charged a late fee due to the receipt of their mortgage payment being delayed by delivery issues such as mail routing errors and incorrect postage. Borrowers have the ability to review the accuracy of their *Form RD 3560-29* online, making any corrections and approving it for processing. Borrowers who are required to submit a payment with their *Form RD 3560-29* can sign up for Pre-Authorized Debit (PAD), which electronically transfers the funds owed from the borrower's bank account to Rural Development. Borrowers who receive an RA check

must be signed up for Electronic Funds Transfer (EFT), whereby the RA due to the borrower is transferred from the Agency to the project's operating account.

E. Staff Training and Certification Requirements

Beyond gaining familiarity with the functions of the system, there are few formal training or certification requirements for MFH Servicing officials using MINC.

3.3   AUTOMATED MULTI-FAMILY HOUSING ACCOUNTING SYSTEM

A. Purpose and Capabilities

AMAS maintains loan account information, tracks loan status, and disburses project subsidy. AMAS has been operational since 1985 and is located on the U.S. Department of Agriculture (USDA) Kansas City mainframe. The Systems Development Division in St. Louis administers AMAS.

AMAS is the Agency's primary financial accounting system. Any data relating to a borrower's account (e.g., payment amount, payment due date, account status) are tracked using AMAS. In addition, payment entry, verification, and reconciliation are accomplished using AMAS.

B. Staff Responsibilities

Agency staff using AMAS are responsible for the following activities:

- Closing loans, including reamortized loans;

- Disbursing loan funds;

- Determining note, rental assistance, and interest credit payment amounts;

- Determining payment due dates;

- Verify loan payment processing;

- Converting accounts from Daily Interest Accrual System (DIAS) to Predetermined Amortization Schedule System (PASS);

- Determining current loan balances for transfer;

- Obligating loan funds;

- Adjusting accounts in response to unauthorized assistance;

- Processing recaptured unauthorized assistance;

- Adjusting accounts for interest rate changes;

- Tracking rental assistance;

- Tracking inventory property status and acquisitions;

- Tracking Servicing Office and overall Agency loan and subsidy totals;

- Tracking and correcting account discrepancies; and

- Tracking account payment history.

C. Staff Training and Certification Requirements

MFH Servicing officials must be certified by the Leadership Designee to process payments in AMAS. The AMAS Coordinator is responsible for the payment processing certification process and will make recommendations to the Leadership Designee, based on certification examination. Uncertified staff may access the view-only screens within the system, but cannot alter any of the data.

1. Basic Skills Required

The basic areas a Loan Servicer must master to receive certification include the following:

- The employee must successfully review and process payments for three call dates;

- The employee must understand the process for verifying that payment processed in MFIS is updated correctly in AMAS; and

- For offices on the wholesale lockbox system, the employee must properly prepare the Field Office Remittance Reconciliation Report and all related forms for submission to the wholesale lockbox.

2. Procedures for Certification Training

The procedures for certification training are as follows:

- The employee will be trained by the AMAS Coordinator, or by a qualified Agency employee. The training must cover the following areas:

  ◊ Release *Form RD 3560-29* for borrower's review;

  ◊ Reviewing and processing the borrower's payment transmittal;

  ◊ Establish and maintain PAD accounts;

  ◊ Understanding the payment logic;

  ◊ Signing onto the AMAS Cash System (AMAS-CSH);

◊ Inputting regular payments and special collections into MFIS;

◊ Handle any pending transactions in AMAS; and

◊ Submitting checks, cash, and accounting data to the Finance Office.

- The trainee will make copies of all the records related to preparing the test collections and will include them in an envelope as if they were being mailed to the Finance Office. The envelope will be marked "Payment Certification for (trainee name)" and submitted to the AMAS Coordinator.

3. *Recommendation of Certification*

The AMAS Coordinator will review the balanced blocks and the accounting data envelope prepared for the examination. When the employee has demonstrated an understanding of the payment process and proficiency in all steps listed above, the AMAS Coordinator will recommend certification to the Leadership Designee. The Leadership Designee will:

- Instruct the IRM to notify the Security Officer in the Finance Office to add AMAS payment process to the employee's user identification number; and

- Notify the Loan Servicer and employee, by letter, of the employee's certification to process payments. The letter must list the possible reasons for withdrawal of certification.

4. *Monitoring Payment Processing*

After certification, the AMAS Coordinator will periodically monitor Field Office payment processing activities to ensure that payments are being input properly and verified. For newly certified employees, monitoring should be daily for a <u>30-day</u> period. For experienced employees, monitoring should be no less than monthly, provided monitoring reports do not indicate any of the problems that could lead to withdrawal of certification.

A log of each monitoring activity should be kept by the AMAS Coordinator for documentation using *Form RD 3560-64, Online Payment Certification Monitoring Log*.

5. *Withdrawal of Certification and Recertification*

Certification may be withdrawn from an employee if the effective date of the payment and the call date differ by more than 3 days and there is not sufficient justification (e.g., office was closed on the regularly scheduled work day that the payment was received; weekend and holidays caused a 3-day delay before the payment could be processed).

After the third occurrence of any of the above errors in a <u>12-month period</u>, the Leadership Designee will notify the Loan Servicer and employee in writing that

certification may be withdrawn. The notice will include plans and requirements for remedial training.

The Leadership Designee will withdraw certification after the fourth occurrence in a 12-month period of any of the above errors. The Leadership Designee will notify the Loan Servicer and employee in writing, with a copy to the IRM for the State. The IRM will notify the Security Office in the Finance Office to remove online payment authority from the employee's identification number.

6. *Retraining*

An employee should be retrained immediately when a payment processing problem occurs as a result of an employee error. This training should cover the areas causing problems and should prevent recurrence of the error. After certification has been withdrawn, the Leadership Designee must determine whether it is desirable for the employee to process payments. If so, the retraining should be performed immediately. The employee may be recertified if retraining has been completed, the employee demonstrates the necessary skills to process payments, the AMAS Coordinator recommends recertification, and the Leadership Designee concurs.

3.4   MULTI-FAMILY INFORMATION SYSTEM

A. Purpose and Capabilities

MFIS assists MFH Servicing officials in monitoring the Multi-Family Housing program, maintains data on clients, and provides comprehensive and flexible reporting. MFIS was designed to improve management and supervision routines of MFH Servicing officials. It is the monitoring and scheduling system used by the Agency and provides the analytical tools to review budgets and financial information. MFIS has a classification system that uses information entered during normal supervisory activities to identify projects needing additional servicing attention.

MFIS is used by the Agency to track tenant data, and it is employed mainly to ensure that each tenant receives the correct amount of subsidy. MFIS uses the tenant data to calculate tenant rents and rental assistance, which drive many subsequent account servicing activities. MFIS is also the source for occupancy statistics used to describe Multi-Family Housing program beneficiaries.

MFIS is the primary tool used by the Agency to track the status of borrowers' compliance with loan agreements and all other program requirements. Account status data from AMAS are transferred to MFIS, where MFH Servicing officials use them to monitor the status of borrower compliance. For instance, the system holds data on project classification based on compliance status (i.e., Classification codes A, B, C, or D). In addition, the system tracks the status of project budgets (i.e., when they are due, when they are received, and when they are approved).

The goal of using MFIS for tracking is to identify borrower compliance violations, as well as to track the status of servicing letters, workout agreements, and other Agency

servicing actions. For instance, MFIS tracks the 15-day period for responses to servicing letters or monitoring letters and alerts staff to the need for follow-up when that period has expired.

MFIS also is used to track each team's performance in meeting Agency goals, and evaluates those teams that may need additional assistance in determining solutions to problem accounts and the effectiveness of actions previously taken. The Agency uses the information from MFIS in monthly staff meetings and to provide information to borrowers. MFIS allows for timely assembly of this information with minimal effort from the MFH Servicing official.

All regular borrower payments are processed through MFIS. MFIS maintains a collection history for each borrower.

B. Major Components of MFIS

The MFIS home page displays icons that each represents a Web page of their own that link to each other and are capable of interacting by accessing the data contained therein. The five main icons a MFH Servicing official should be concerned with are Projects, Project Payments, Customers, Reports, Electronic Transmissions, and Message Board. Each web page contains links for data input and analysis of important multi-family housing portfolio issues such as borrower compliance with their loan agreement/resolution, management efficiency, financial stability, occupancy trends, rent structures, and identities-of-interest, as well as program strengths and deficiencies. Moreover, MFIS archives a history of the multi-family housing portfolio nationwide, providing information necessary for determining the need for program changes and/or enhancements as well as funding needs.

- **Projects.** This page is used when working on information specific to a single project. It contains the data on the borrower, management agent, project tenants, type of project, and the like. Basically it contains all information that was formerly contained on the Management Card System for each project. Any incorrect information on this page could lead to improper calculations on *Form RD 3560-29, Notice of Payment Due Report*, that the borrower uses to make their monthly/annual installment from, thus causing unnecessary delinquencies.

  The Projects page is also where the Agency maintains information concerning borrower/management agent compliance with Agency regulations. One link on this page is Supervisory Activities. Supervisory Activities, when properly populated, can serve as an excellent tickler system to let the MFH Servicing official know when action is needed on their part. The same is true for the link Servicing Efforts, Findings, Financial Instruments, and Rents. When all components are analyzed, a clear and concise picture of the needs of the project can easily be determined.

- **Project Payments.** This page is used to perform activities related to payment processing. These functions include scheduling the release of Form Rd 3560-29 to borrowers, processing payments, and review payments. In addition, users can view

and make adjustments for a specific pay period, monitor uncollectible returns, review and edit RA Obligations tracking for projects receiving RA units due to an obligation or transfer of units. The Project Payments page can be a very valuable tool when evaluating the feasibility of various servicing actions, providing collection history for a specific project at any given time.

- **Customers.** This page should be used when working on information across projects or specific only to the borrower, key member, or management agent. This is the page used to enter the key members of the borrower and management agent. It also allows the user to access all of the projects managed by a particular management agent, enabling an identical change to multiple projects with ease.

- **Reports.** This page contains predesigned reports by category, such as borrower, financials, findings, management agent, project, project summary, tenant, and tracking. Under each category, several different reports that may be generated are listed. The user is allowed to complete various data fields to allow one to zero in on the particular information that is desired. *The accuracy of these reports is based on the information that has been input into the Projects and Customer Web pages.*

- **Electronic Transmissions.** This page allows the MFIS user to view the individual transactions that have been electronically transmitted by the borrower/management agent. It is an important tool in assisting the borrower/management agent in correctly transmitting the data necessary to reflect the correct tenant and/or financial data.

- **Message Board.** Below the icons for the individual Web pages is a link to the message board. Each user of MFIS is encouraged to view the message board on a regular basis. This shows information on changes that have been made to the system. Step-by-step instructions for the input of all requested and/or required data are provided in the training manuals that are accessible from the message board.

C. Staff Responsibilities

MFH Servicing officials are responsible for populating all data fields contained in the MFIS system with accurate and current information. The upgrading of the MFIS system is an ongoing process. It is extremely important that the information contained in MFIS III for each borrower/management agent/project be input and accurate.

3.5   PREPAYMENT TRACKING AND CONCURRENCE

Pre-Trac is a Web-based automated application that allows the Agency to significantly reduce the reporting burden required to process and monitor Multi-Family Housing prepayment activity. This means that the Agency enters prepayment-tracking information once for use by all administrative levels. The Agency uses Pre-Trac to process all prepayment requests to meet the Agency's requirements. Pre-Trac is designed to lead the user through the statutorily prescribed prepayment process.

The Portfolio Management Branch uses Pre-Trac to issue all concurrence and authorizations of incentives to avert prepayment, and equity loans and prepayments. The MFH Servicing official can view prepayment status and will complete the final prepayment servicing steps using PreTrac. See Chapter 15 for more detailed information on using Pre-Trac.

3.6   FURTHER INFORMATION

Because there is a detailed users' manual for each of the Agency's automated systems, the discussion provided here is intended to be more of a basic introduction to the systems and their uses and requirements than an exhaustive step-by-step tutorial. Agency staff requiring more detailed information on any of the automated systems should refer to the relevant users' manual.