

Rural Housing Service (RHS) – What’s New?

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RHS has made available for public review the Interim Final Rule 3560 and the accompanying handbooks—Multifamily Housing Origination, Asset Management, and Servicing. The 3560 can be found at <http://www.rurdev.usda.gov/regs/comments/3560.pdf>. The handbooks are located at http://www.rurdev.usda.gov/rhs/mfh/3560-Handbooks/3560_Handbooks.htm. The effective date of the Interim Final Rule 3560 and handbooks is February 24, 2005. The new handbooks, when adopted, will replace the RD Instructions 1930-C as well as several out-of-date regulations.

Handbooks:

- Multifamily Housing Origination covers loan application and processing procedures.
- Asset Management covers the ongoing management of the MFH projects and the Agency’s oversight of borrower performance.
- Servicing provides guidance for servicing loan accounts and the Agency actions in the event of compliance violations or project default.

Some Highlights of What to Expect

- Conventional Rents for Comparable Units (CRCU) – In essence, basic rents are capped at conventional rents for comparable units in the area where the housing is located. Comparable units would be units located in the same community with similar quality and amenities. The Agency may grant exceptions, but the upper limit of basic rents may never be more than 150 percent of the CRCU.
- Management Fees – Fees are to be computed using the per unit per month (PUPM) formula. The management fee structure will consist of two components: occupied-unit fee and add-on fee. Occupied-unit fee provides an incentive to maximize occupancy. Management agents currently using the percent on income collected method are required to convert to PUPM.
- Recertification of Tenant Eligibility – Recertification is simplified by eliminating the requirements of an interim recertification for household monthly income change less than \$100. The new regulation also allows tenants to request an interim recertification if their income changes by \$50 per month.
- Limited English Proficiency (LEP) – Owners and agents must take reasonable steps (free of charge) to ensure that LEP persons receive the language assistance necessary to afford them meaningful access to housing assistance programs. HUD is working on final implementation of this rule.
- Transferring Rental Assistance – Rental assistance that is unused for six months may now be reclaimed by the RD office and transferred to another property.
- Lease Protection – Leases for rental units that receive rental assistance must include a clause stating tenants’ contribution to rent will not increase if rental assistance is terminated due to actions by the borrower/owner.
- Unauthorized Assistance – Project owners are relieved of the responsibility of recovering unauthorized assistance due to tenant error once the tenant has moved out of the unit.
- Disability – 3560 Regulation will only use the term “disability” and it will be considered equivalent to the term “handicap.”
- Rent Increases – The Agency requires 60 days of review time for budgets with rent increases. Project owners, when requesting a rent increase, are no longer required to submit

tenants' written comments. Increases for \$25 or less are automatically approved if not reviewed by RD within 60 days.

- Imputed Income – RD has adopted the current HUD rate (passbook rate of 2 percent) for calculating imputed income.
- Social Security Numbers (SSNs) – All tenants and co-tenants of the household must have SSNs. Residents will need to have SSNs for their next recertifications.
- Citizenship – Although the new handbook states that tenant, co-tenant, and members of the household must be either U.S citizens or qualified aliens in order to be eligible for rental assistance, there is indication that this requirement is deferred.
- Applications – Project owners/agents must notify applicants within 10 calendar days of their application statuses.

For more detail on the changes, visit the USDA web site at <http://www.rurdev.usda.gov/rhs/index.html>