

Signature Date: August 25, 1988

Appendix 3

MEMORANDUM FOR: All Regional Administrators--Regional Housing
Commissioners
All Regional Directors, Office of Housing
All Field Office Managers
All Field Directors, Housing Development
All Valuation Branch Chiefs

FROM: Thomas T. Demery, Assistant Secretary for Housing, H

SUBJECT: Interim Valuation Instructions to Utilize the Revised
Form HUD-92410 as a Basis to Maintain the Multifamily
Expense Data Bank

The Office of Multifamily Housing Management revised and expanded the chart of accounts included on the Form HUD-92410, Statement of Profit and Loss. The revised Form HUD-92410, (92410) was distributed June 23, 1987, as a part of Change 1 to HUD Handbook 4370.2, Financial Operations and Accounting Procedures for Multifamily Housing Projects. In accordance with outstanding instructions, project owners whose fiscal year concluded December 31, 1987, have begun to submit the revised form.

The acceptability of the 92410 submission is the responsibility of the HUD Field Office Housing Management Division. This report is utilized by that staff to monitor the financial status of all HUD-insured, HUD-held, cooperative and Section 202 direct loan projects. However, this document is also a valuable source of multifamily operating expense data which serves as a basis for estimation of the total project expenses used in processing housing development proposals. Housing Management, therefore, shares the 92410 document with Valuation which becomes the source document for development of the multifamily expense data bank.

When fully operational, the Multifamily Insurance Processing System (MIPS) is designed to continue this arrangement by interfacing the appropriate Housing Management and Valuation MIPS applications.

Unfortunately, the schedule for MIPS limited implementation did not consider the necessity to bring these processes on line simultaneously. At the present time, Housing Management has begun to enter the 92410 data; however, valuation does not yet have the capability to access it nor the procedure to format the revised and expanded chart of accounts in a manner usable by

Valuation. As a result, during this transition period, Valuation cannot update its multifamily expense data bank nor utilize the current 92410 submissions as a basis to estimate expenses because the account numbers from the "old" 92410 do not match the account numbers on the "new" 92410. Accordingly, the following procedure will provide an interim solution to this problem until such time as the related MIPS Valuation applications are implemented.

Maintenance of the Multifamily Expense Data Bank During this Transition Period.

a. Completion of the Form FHA-2275

The Form FHA-2275 is a Valuation form that is used to record the physical characteristics and yearly expense data on individual multifamily projects. The HUD Handbook 4480.1, pages 2275-9 through 2275- 13, identifies the 92410 accounts that up until now have comprised the expense items on the Form FHA-2275. As mentioned, these instructions are no longer appropriate because some accounts have been deleted, others added, etc. Attachment A, column A, lists the Form FHA-2275 component expense items. Column C, identifies the revised 92410 accounts that must now be assigned to each expense item. This will permit the Valuation staff to reestablish the use of the data as intended by Valuation.

You will note that some of the Form FHA-2275 expense items have fewer or a greater number of 92410 accounts assigned to them than before. Additionally, a number of the former 92410 accounts that have been reinstated are now redefined. These changes may result in unusual differences in the expense indicated on the Form FHA-2275, for the same expense item between the 1987 and 1986 effective operating years. Similar differences may also occur between identical expense items of selected comparables bearing the same effective operating years. In the event this should occur, the appraiser should provide an explanation on the Form FHA-2275 or in the latter circumstance, make the appropriate adjustment on the Form HUD-92274 accompanied by an explanation.

The physical characteristics data portion of the Form FHA-2275 shall be completed in accordance with outstanding HUD Handbook 4480.1 instructions. HUD Handbook 4480.1 will be revised in the near future to show the recording of the new Form HUD-92410 accounts in the manner shown in Attachment A.

b. Use of the Computerized Underwriting Processing System (CUPS)

Multifamily expense data is entered into the CUPS system in

much the same way that the Form FHA-2275 is completed. Data is manually extracted from the 92410, reconfigured and recorded. CUPS produces a report, entitled Exdata, that is a facsimile of the completed Form FHA-2275. The expense items on both documents are comprised of the same former 92410 accounts. Accordingly, the current CUPS coding which assigns 92410 accounts to the Exdata report expense items is also no longer appropriate. Valuation may reconcile the revised 92410 accounts by the following steps:

1. For each expense item, total the assigned revised account expenses in Column C of Attachment A.
2. Enter this total amount into the single former account assigned to that expense item and identified in Column B.

Any questions regarding the above instructions may be directed to Edward M. Winiarski, Chief, Valuation Branch, at FTS 426-7624.

4560.3		
Attachment A		Appendix 3
(A)	(B)	(C)
Form FHA-2275 & CUPS Exdata Report Expense Items	Former Form HUD-92410 Accounts	Revised Form HUD-92410 Accounts
Administrative		
Advertising	6210	6210
Management	6220	6320
Other Adm	6290	6250 6251 6310 6311 6330 6340 6350 6351 6360 6390 6721
Operating		
Elevator	6410	6545
Fuel	6420	6420

Lighting & Misc. Power	6411	6450
Water	6451 6453	6451
Gas	6452	6452
Garb. & Trash Removal	6470	6525
Payroll	6421	6510 6515 6517 6530
Other	6431	6570

Page 4

5/91

4560.3

Attachment A

Appendix 3

(A)	(B)	(C)
Form FHA-2275 & CUPS Exdata Report Expense Items	Former Form HUD-92410 Accounts	Resised Form HUD-92410 Accounts
Maintenance		
Decorating	6530	6560 6561
Repairs	6540	6540 6541 6542 6546
Exterminating	6460	6519 6520
Insurance	6720	6720
Ground Expense	6520	6535 6536 6537 6548
Other	6570 6547	6590
Taxes		
Real Estate	6710	6710

Personal Prop.	6712	None
Empl. Payroll Tax	6711	6711
Other	6713	6719 6722 6723 6729

4560.3 Attachment A	Appendix 3
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(A)	(B)	(C)
To Derive CUPS Exdata Report Occupancy Percentage	Former Form HUD-92410 Accounts	Revised Form HUD-92410 Accounts
Annual Residential Rent	5120	5120 5121
Annual Residential Vacancy	5220	5220