

CHAPTER 7. RENTS AND CHARGES

7-1. GENERAL INSTRUCTION. Follow Chapter 7 of HUD Handbook 4566.2, as modified by this supplement.

7-2. CHARGES FOR FACILITIES AND SERVICES IN ADDITION TO RENT

- A. The HUD Field Office must review and approve charges for all units receiving Section 8 assistance.
- B. Except as noted in subparagraph C.2) below, owners of 221(d) (4) projects may establish and periodically adjust charges for unsubsidized units without obtaining the lender's approval.
- C. The lender must review and approve charges for unsubsidized units in:
 - 1) all 221(d) (3) projects
 - 2) 221(d) (4) projects built exclusively for the elderly or handicapped.

The lender may approve only amounts that do not exceed what similar projects in the same market area charge for comparable services.

- D. Projects with elderly/handicapped units may not require applicants to:
 - 1) pay founders fees;
 - 2) sign life care contracts; or
 - 3) obligate themselves under any similar arrangement.

7-3. INITIAL APARTMENT RENTS

- A. Initial rents for all units receiving Section 8 assistance are established in accordance with HUD Handbook 4561.1. For units assisted under the Section 8 Moderate Rehabilitation Program, the PHA Contract Administrator may recommend what these rents should be.
- B. During processing, the lender establishes initial rents for unsubsidized units. The lender does this using Chapter 9 of HUD Handbook 4561.1. Owners of unregulated 221(d) (4) projects may increase those rents without advance lender approval.

7-4. RENT ADJUSTMENTS FOR SUBSIDIZED UNITS. FOR UNITS RECEIVING ASSISTANCE UNDER ANY OF THE SECTION 8 PROGRAMS, OWNERS MUST FOLLOW THE HUD REGULATIONS AND ADMINISTRATIVE PROCEDURES THAT APPLY TO THE TYPE OF SECTION 8 THOSE UNITS RECEIVE.

7-5. RENT ADJUSTMENTS FOR UNSUBSIDIZED UNITS. The rent adjustment method that applies to a particular project is shown in paragraph B.2.a. of that project's regulatory agreement (Appendix 36 of HUD Handbook 4561.1).

- A. 221(d) (3) unsubsidized projects. The lender must process rent increase requests using the "cost approach" described in paragraph 7-5a. of HUD Handbook 4566.2.
- B. Other 221(d) (4) unsubsidized projects
 - 1) Except as noted in subparagraph B.2) below, owners are free to periodically adjust rents without obtaining the lender's approval.
 - 2) The lender may control rents if:
 - a) the owner requests rent control
 - or
 - b) the project is financed with tax-exempt bonds and the lender determines that regulation of rents is necessary to comply with the Internal Revenue Code or State law.
 - 3) If the lender controls rents, the owner may choose to have rent increase requests processed using either:
 - a) the "cost approach" described in paragraph 7-5.a of HUD Handbook 4566.2
 - or
 - b) the "market approach" described in paragraph 7-5.b. of HUD Handbook 4566.2.
 - 4) The owner can switch between having rents regulated or deregulated. The owner and lender must amend paragraph B.2.a. of the regulatory agreement in order to change the rent adjustment method.

7-6. RENT SCHEDULE (FORM HUD-92458)

- A. Project owners/agents must submit rent schedules to the lender as provided below. (Follow Appendix 22 of HUD Handbook 4566.2 for completing the rent schedule.)
 - 1. All projects. Whenever there is a change in the composition of the ownership entity.
 - 2. Regulated projects. With any request for increases in charges or rents.
 - 3. Unregulated projects. Immediately after implementing a change in scheduled rents or charges.

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- B. In addition to the rent schedules and decision letters required by paragraph 7-13.b. of HUD Handbook 4566.2, the lender must send the HUD Field Office copies of all rent schedules for unregulated projects. HUD needs this information for market studies and rent comparability reviews on Section 8 New Construction and Substantial Rehabilitation projects.