



U.S. Department of Housing and Urban
Development

Office of Public and Indian Housing

Special Attention:
Directors, Offices of Public Housing;
Administrators, Offices of Native American
Programs; Section 8 Public Housing
Agencies and Indian Housing Authorities

Notice PIH 96-22 (HA)

Issued: April 19, 1996
Expires: April 30, 1997

Cross References:

Subject: Procedures for Calculating Earned Administrative Fees in the Section 8 Rental Certificate and Rental Voucher Programs

1. **Purpose.** This Notice provides guidance to housing agencies and Indian housing authorities (HAs) for the calculation of ongoing administrative fees for the Section 8 rental certificate and rental voucher programs.

The procedures detailed in this Notice apply only apply to the Section 8 rental certificate and rental voucher programs. These procedures do not apply to the Section 8 Moderate Rehabilitation program. Ongoing administrative fees for the Section 8 Moderate Rehabilitation program will continue to be calculated at 7.65% of the Federal Fiscal Year (FFY) 1995 two bedroom Fair Market Rent (FMR).

2. **BACKGROUND.** On January 24, 1995, the Department published the annual factors for use in determining the ongoing administrative fees for HAs administering the rental certificate and rental voucher programs during FFY 1995. Section 403 (b) of the Continuing Resolution passed January 26, 1996, extended the January 24, 1995 provisions, including the FFY 95 monthly administrative fee amounts, through FFY 1996. Instructions and procedures for calculating administrative fees in subsequent years will be provided after the appropriate Congressional action.

This Notice provides a summary of the procedures for the calculation of ongoing administrative fees for the Section 8 rental certificate and rental voucher programs, and the approval of housing agency (HA) requests for

higher administrative fees. A sample Lotus generated worksheet, which may be used to calculate the proration of reserved units and leased units between the pre 1989 and post 1988 categories, is attached to this Notice. State and Area Offices may obtain a copy of the Lotus file by contacting the Finance Division at (202) 708-2934.

3. **UNITS FUNDED IN FFY 1989 AND SUBSEQUENT YEARS.**

All rental certificates and rental vouchers funded from FFY 1989 and subsequent appropriations (post 1988) will have the ongoing fee calculated using a monthly per unit fee amount. The monthly fee amount, regardless of the total number of units issued, is found in column C of the January 24, 1995 Federal Register Notice.

4. **UNITS FUNDED PRIOR TO FFY 1989.** Rental certificates and rental vouchers funded before FFY 1989 (pre 1989) will also have the ongoing administrative fee calculated using a monthly per unit fee amount. Two monthly per unit fee amounts were published in the January 24, 1995 Federal Register. The fee amount in column A must be used for the first 7,200 unit months (600 units), and the amount in column B must be used for any unit months in excess of 7,200 unit months. (7,200 unit months is a cumulative total for both the certificate and voucher programs. The total units charged to Column A for **both** programs may not exceed 7,200 for any HA.)

5. **LEASE-UP.** The HA must prorate all units between the pre 1989 and post 1988 ongoing administrative fees based on the total number of units issued by HUD and the date of their issuance, and the total number leased by the HA. This proration method applies to both overleasing and underleasing.

EXAMPLE I: HA X was issued a total of 1,400 certificates by HUD, of which 700 are pre 1989 units. Therefore, 50 percent of the units are considered pre 1989 units, and 50 percent are considered post 1988 units. The HA has 1,500 units under lease (total 18,000 unit months, of which 9,000 are pre 1989 unit months). The ongoing administrative fee shall be calculated using the monthly per unit fee amount from the appropriate column in the January 24, 1995 Federal Register Notice, times the unit months under lease.

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
7,200 UMs	1,800 UMs	9,000 UMs
x \$50.27	x \$47.75	x \$53.71
-----	-----	-----
\$361,944	\$ 85,950	\$ 483,390

6. **DISTRIBUTION OF UNITS BETWEEN THE PRE-FFY 1989 AND POST-FFY 1988 CATEGORIES.** The HA can use any combination of certificates and vouchers to make up the 7,200 unit months in the pre 1989 category for column A, as long as the lease-up is prorated between pre 1989 and post 1988.

EXAMPLE II: (HA WITH A FYE OF 9/30/95) The HA has 800 rental vouchers reserved for its rental voucher program, of which 200 are pre 1989. The HA also has 1,400 rental certificates reserved for its rental certificate program, of which 700 units are pre 1989. The HA has 10,800 unit months under lease in the rental voucher program, and 18,000 unit months under lease in the rental certificate program.

The ongoing administrative fee for the rental vouchers under lease is calculated as follows:

Proration based on original allocation of reserved units:

Pre 1989 units	=	200 (25%)
Post 1988 units	=	600 (75%)

		800 (100%)

<u>pre 1989 UMs (Col A or B)</u>	<u>post 1988 UMs (Col C)</u>
10,800 unit months under lease	10,800 UMs under lease
x25%	x75%
-----	-----
2,700 UMs under lease	8,100 UMs under lease

<u>Column A</u>	<u>Column C</u>
2,700 UMs x \$50.27 = \$135,729	8,100 x \$53.71 = \$435,051

Total administrative fee for rental vouchers = \$570,780

The ongoing administrative fee for the rental certificates under lease is calculated as follows:

Proration based on original allocation of reserved units:

Pre 1989 units	=	700 (50%)
Post 1988 units	=	700 (50%)

		1,400 (100%)

7,200 unit months maximum allowed under Column A
 for both the voucher and certificate programs
 -2,700 unit months charged to the HA's voucher program
 ----- under Column A
 4,500 unit months allowed under Column A for the HA's
 certificate program

Proration of unit months under lease:

pre-FFY 1989 UMs (Col A or B) post-FFY 1988 UMs (Col C)

18,000 UMs	18,000 UMs
x50%	x50%
-----	-----
9,000 UMs under lease	9,000 UMs under lease

Column A

9,000 UMs - 4,500 UMs (allowed in Column A)
 4,500 UMs x \$50.27 = \$226,215

Column B

9,000 UMs - 4,500 UMs (from Column A)
 4,500 UMs x \$47.75 = \$214,875

Column C

9,000 UMs x \$53.71 = \$483,390

Total Administrative Fees for Rental Certificates:

\$924,480

7. **NEW FUNDING INCREMENTS.** If an HA receives a new funding increment during its fiscal year, the HA may choose, but is NOT required, to recalculate its percentage of pre 1989 units and post 1988 units when the budget is revised to include the new funding. However, the HA must recalculate its percentage of pre 1989 units and post 1988 units, including the new funding issued during the fiscal year, at the end of the HA's fiscal year before calculating its earned ongoing administrative fees to be reported on the Form HUD-52681. These new percentages are applied to the total number of unit months under lease from the beginning of the HA's fiscal year.

8. **RENEWALS.** The ongoing administrative fee is calculated using the same monthly per unit fee which is applicable to the expiring funding increment. For example, if the expiring funding increment was initially funded pre 1989, the ongoing administrative fee for the renewal would be calculated using the monthly per unit fee from Column A

if the HA had 600 or less units, and the monthly per unit fee from Column B for units exceeding 600. If the expiring funding increment was post 1988, the ongoing administrative fee for the renewal would be calculated using the monthly per unit fee from Column C.

9. **MULTIPLE EXPIRATIONS.** If an HA has more than one rental voucher or rental certificate funding increment expiring in a Federal fiscal year, and within one HA fiscal year, the State or Area Office may combine all the expiring units and approve one renewal funding increment for each program, as long as the expiring units are either all pre 1989 units or all post 1988 units. Pre 1989 units cannot be combined with post 1988 units under one renewal funding increment, since different rates are used for calculating the administrative fees.
10. **REQUESTS FOR HIGHER ADMINISTRATIVE FEES.** State and Area Office staff should continue to follow the guidelines and procedures in Notice PIH 93-63 for approving and/or disapproving an HA's request for an increase in administrative fees. However, instead of calculating the "break-even" fee percentage which is needed to fully fund the HA's administrative expenses, field staff may approve an HA's request to use the higher of the monthly fee amount from Column A or Column C to calculate the ongoing administrative fee.

If the State or Area Office determines that the monthly per unit fee from Column A or Column C is not an adequate increase, the State/Area Office may submit to Headquarters written justification for a higher fee for the HA.

Please note that all other guidelines and procedures in Notice PIH 93-63 (and subsequently extended under Notice PIH 95-3) are still in effect. State and Area Offices must ensure that the higher fees are approved only for HAs that administer a small program or administer a program over a large geographic area. When the HA submits its year-end settlement statement after the close of the fiscal year for which the higher fee was approved, the State or Area Office must review the operating reserve balance to make certain that it does not exceed 20 percent of the current year's projected operating expenses.

If the State or Area Office determines that the HA has received an overpayment of administrative fees, or if HUD owes the HA additional fees, the overpayment/underpayment should be handled in accordance with the procedures found in 7420.3 REV-2 CHG-14.

11. **PORTABILITY.** Ongoing administrative fees under portability shall be calculated using the monthly per unit fee amount from Column A of the Initial HA, when the Initial HA and Receiving HA enter into a billing arrangement. Portability units charged to Column A should be included in the initial HA's maximum of 600 units for Column A.
12. **HA OWNED UNITS.** These units will continue to earn an ongoing administrative fee of three percent of the FFY 1995 two-bedroom FMR (not the current FMR), regardless of the source year of the increment.
13. **MULTICOUNTY HAS.** HAS that administer the rental voucher and rental certificate programs over multiple FMR areas may use a weighted average of the monthly per unit fees for the purpose of estimating the administrative fees for budget and requisition submissions. However, the HA must report the actual fees earned for each FMR area when preparing the year-end settlement statement.
14. **REPLACEMENT OF EXPIRING PROJECT BASED ASSISTANCE.** Rental certificates (or vouchers if approved by Headquarters) which are provided as replacement funding for expiring Moderate Rehabilitation housing assistance payments contracts are considered to be pre 1989 certificates. The ongoing administrative fee shall be calculated using the monthly per unit fee from Column A or Column B.

Expiring project based units previously managed by HUD's Office of Housing will be renewed by Public and Indian Housing and placed under ACC by State and Area Offices. These units will also be considered to be pre 1989 certificates or vouchers.
15. **CONTACT.** If additional information or clarification is needed, please contact the Finance Division at (202) 708-2934.

Kevin Emanuel Marchman, Deputy
Assistant Secretary for Distressed
and Troubled Housing Recovery