

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT

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For Administrative Use Only

Missouri RD AN No. 1402 (1930-C)

November 7, 2002

TO: All Rural Development Managers and
Community Development Managers

/s/
FROM: GREGORY C. BRANUM
State Director, Rural Development

SUBJECT: Utility Allowance Documentation for
Rural Rental Housing Borrowers

PURPOSE/INTENDED OUTCOME: This Administrative Notice clarifies what utility allowance documentation is required with the annual budget review process.

COMPARISON WITH PREVIOUS AN: This administrative notice replaces MO AN No. 1383 dated September 19, 2001.

IMPLEMENTATION RESPONSIBILITIES: RD Instruction 1930-C, Section 1930.122 requires an annual review to assure that utility allowances minimize the use of tenant subsidy, yet do not cause tenants to contribute more than legislatively required for shelter costs. Support information should document that both objectives are met. Exhibit C, paragraph IV A 5 requires that documentation include "information on actual utility costs for representative units in the project". The recommended utility costs can now be reflected in Part V of the Budget, Form RD 1930-7.

The provisions of Exhibit A-6, paragraph II A of 1944-E establishes good general directions on how to prepare this information. To reduce paperwork burden, we have established guidelines per Attachment A for appropriate levels of information needed for reviewing utility allowances.

MFIS can assist Area Offices in tracking whether utility allowance documentation is required or not by using tracking code 1029.

EXPIRATION DATE:
September 30, 2003

FILING INSTRUCTION: Preceding
Rural Development Inst. 1930-C

GUIDELINES FOR INFORMATION TO SUPPORT UTILITY ALLOWANCES

1. Utility costs have changed significantly (over 10 percent)
 - Documentation of the extent of utility rate changes. This may include billing information or documents from utility companies.
 - A significant sampling of tenant utility usage from the utility company. If tenant utility information is unavailable from the utility company or only provided at a cost, you may accept utility billings received by tenants.
2. If utility costs have changes moderately (10 percent or less)
 - Information regarding rate changes.
 - A sampling of individual tenant utility usage.
3. If there are no changes in utility costs.
 - A statement or public release from the borrower and the utility providers indicating that no change in rates has occurred during the period being reviewed.
4. If there has been no documentation provided on utility usage for over 3 years.
 - Documentation as if utility costs have changed significantly (see 1 above).

Threshold for changing Utility Allowance:

- All changes of \$5 or 10% of the current Utility Allowance, whichever is higher, must be processed as a Utility Allowance change.