United States Department of Agriculture
Rural Development
Richmond

VA AN No. 440 (1930-C)
August 23, 2004

SUBJECT: Multi-Family Housing Management Fee Guidelines for Virginia

TO: Area Directors and Rural Development Specialists

PURPOSE/OUTCOME:

The purpose of this Administrative Notice (AN) is to provide the management fee structure for Rural Development financed multi-family housing properties in Virginia. Borrowers/agents may use these fees when preparing their FY 2005 budgets.

COMPARISON WITH PREVIOUS AN:

This AN replaces VA AN 436 (1930-C) dated August 2, 2004.

IMPLEMENTATION RESPONSIBILITIES:

In accordance with paragraph V E 3 of Exhibit B of RD Instruction 1930-C, we have established the management fees that borrowers/agents may claim to perform duties as detailed in their management plans. Rural Development will consider management fees outside of these guidelines when a borrower/agent provides evidence that such fees are reasonable for the services performed. Area Offices may forward these requests, along with the Servicing Official's recommendation, to the State Office for approval. Maintenance and services for the residents must not suffer at the expense of an increased management fee.

Management fees will be calculated on an occupied unit, per month (PUPM) basis. Occupied units include all units occupied at any time during a month, not just the first day of a month.

The maximum annual management fee to be entered on the budget and management agreement should be calculated as if there was 100 percent occupancy of all revenue producing units. Non-revenue producing units are not included. The actual annual

EXPIRATION DATE:
August 31, 2005

FILING INSTRUCTIONS: Preceding RD Instruction 1930-C

management fee paid will not exceed the same ratio of actual rents earned versus the maximum possible rental collections at 100 percent occupancy. This would include the current year's rents and rental assistance due but not received by year-end. The final adjustments to the annual maximum management fee must occur by year-end and be so reflected in the audit or year-end budget (Form RD 1930-7). These adjustments should occur in the final quarter of the year in order to be in compliance by the end of the year. Management fees must be earned and should be paid monthly based on the previous month's activities. Management fees should be paid from the general operating account as an operations and maintenance expense.

Area Offices may approve budgets and management agreements based on the following management fee structure. Affordability, performance, complexity, program compliance, involvement, etc., will be considered in determining the applicable management fee.

MANAGEMENT FEE STRUCTURE – MAXIMUM PUPM

Tax Credit Property	$45
Interest credit with less than 50% project based tenant subsidy (RA or Section 8)	$44
Interest credit with 50% or more project based tenant subsidy (RA or Section 8)	$43
Troubled property with recent change of management agent on special note rate rent/workout plan	$42
Troubled property – no fault of existing management agent on special note rate rent/workout plan	$41
Electronic transmission of TC's and financial data If site personnel completes these transactions, expense will be entered on Line 22, Part II, of the budget. The management agreement must stipulate who is processing the transactions.	$ 2
Electronic funds transfer and/or PAD	$ 1

If the management is deficient in any one of the following items, the management fee will be reduced by $5 PUPM. If there are deficiencies in two areas, the management fee will be reduced by $9 PUPM. ***If there are deficiencies in all three areas, the Servicing Official can require new management.***

1. Day-to-day operations, which include payments, submission of tenant certifications, quarterly reports, follow-up on noncompliance issues, etc; or

2. Annual operations, which include year-end information, budgets, utility allowances, tax receipts, addendums to the management plan, annual inspections, training and oversight, etc., or

3. Long-term operations, which include management documents, Affirmative Fair Housing Marketing Plans, supervisory visits, compliance reviews and triennial physical inspections.

When requesting the maximum management fees, borrowers must carefully consider the affordability of the increased rents. Care must be taken to assure that the increased management fee will not create or exacerbate an existing vacancy problem.

If you have any questions, please contact the applicable Area Office or the Multi-Family Housing Program Division in the State Office.

JOSEPH W. NEWBILL
State Director