



RURAL DEVELOPMENT Vermont/New Hampshire

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Committed to the future of rural communities

MULTI-FAMILY HOUSING NEWS

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**WELCOME TO OUR VT/NH WINTER EDITION FOR 2008
NEWSLETTER!**

UPCOMING TRAINING/MEETINGS

SPECTRUM TRAINING

There is a training scheduled March 25th in West Lebanon, NH slated to cover changes in policies and regulations for Rural Development, HUD, and Tax Credits. This is an excellent opportunity for managers to obtain the most current information on these programs. For registration please visit: <http://www.gsma.net>.

HOUSING PRESERVATION CONFERENCE

RD will be sponsoring a housing preservation conference for Section 515 properties on May 8th. We plan to highlight RD programs that are now available for preserving 515 properties for owners who wish to remain in the RD program, and also discuss transfer options for owners and buyers who are seeking to transfer ownership. The target audience will be owners, consultants, and buyers. The meeting will be at New Hampshire Housing Finance Agency space. The conference will include New England RD and National office RD staff with borrower and guests throughout New England. Space will be limited so sign up early after the announcement goes out.



**RURAL DEVELOPMENT IS AN EQUAL OPPORTUNITY LENDER, PROVIDER AND EMPLOYER. COMPLAINTS OF
DISCRIMINATION SHOULD BE SENT TO: USDA, DIRECTOR, OFFICE OF CIVIL RIGHTS, 141 INDEPENDENCE AVENUE
WASHINGTON DC 20250-9410**

2008 PROJECT BUDGETS

We would like to share with you a new budget template that provides specific details of how to complete the individual line items of a budget. We thought this would be helpful for both projected and year-end budgets. We stole this from Missouri and will soon have it on our web site for future reference. In the meantime, you can find it at:

<http://www.rurdev.usda.gov/mo/3560-7-2008%20Proposed%20Budget.pdf>.

We want to remind you the allowable management fees for 2008 in Missouri (on the template) are quite different than ours. For 2008 they are \$55.00 for Vermont properties, and \$56.00 for New Hampshire properties. Remember, if you are requesting a change in management fees, RD Form 3560-13 (Management Certification), must be submitted to RD along with the proposed budget for approval. The Management Certification has been revised, so be sure to use the new form (Rev. 11-07). Use of the Budget Template can be a tool for helping assure that you are including all the required information.

INQUIRING MINDS WANT TO KNOW.....

Over the last few years we have received some “what if” questions. Below, we will try to give you our Best answers to them.

Question #1: “Can we designate our entire property or certain buildings as smoke-free?”

The short answer is YES you can, but the appropriate answer is that this is an option that can be considered by owners since smokers are not a protected class under discrimination laws. If this is something you are interested in, we recommend that you thoroughly think about all of the questions or situations that may arise if you do make your property smoke-free. For example, how will you handle the current smoking residents at your property? Will there be areas outside the buildings where residents can smoke? How will you be able to verify if a resident is smoking or not and terminate their lease if needed? If you designate certain units as smoke-free, how will you handle your waiting list? What happens if you have some units vacant in a non-smoking building and there is no one on the waiting list, will you make exceptions?

If this is an option that you are interested in, we strongly suggest that you seek legal advice so you will have all the bases covered. At a minimum, the rules and regulations would need to be revised to address this situation. Please refer to Section 6.15 of the Asset Management Book for modifying the rules and regulations. As a reminder, the rules and regulations are to be attached to the Lease Agreement. This would require prior review by Rural Development.

Question #2: “Can we charge an additional security deposit for smokers vs. non-smokers?”

Regulations state that a security deposit can be charged as long it does not exceed the greater of the tenant’s net contribution or the basic rent. In most cases the required security deposit is typically the basic rent. Furthermore, Section 7.8 E of the Asset Management Handbook covers “additional deposits” that can be charged. Typically this would be applicable to a pet deposit. It further states “*Borrowers must not charge additional security deposits based on disabilities of tenants or other personal characteristics.*” We think that smoking is a personal characteristic. Therefore, we think the answer is NO, an additional security deposit may not be charged for smokers.

Question #3: “Can we require renter’s insurance for our residents?”

Yes you can! Again, we encourage you to think through this entire process. This would require a change in your tenant selection criteria, rules and regulations, and possibly your lease agreement. Some things to consider are whether or not this would cause a financial burden for your residents which are primarily very low income and possibly in turn affect your occupancy. How would you monitor and enforce it? Meaning, would you require proof of renter’s insurance at move-in time and at every recertification? Again, we recognize that by requiring your residents to carry renter’s insurance, it could reduce the property insurance cost, but you also need to consider how it would impact your residents and the sustainability of your property. We recommend that if this is an option you want to implement that you do seek legal advice for getting this accomplished.

The final and last question is: “Can we require that our tenants/applicants pay a minimum rent or have a minimum income amount?”

A minimum rental payment is not allowable by our regulations. It is allowable for Section 8 properties financed by HUD, but not allowable for Rural Development financed properties. This may be a change in the future, but for now a minimum tenant rent payment is not allowed.

It is allowable in our regulations to require tenants/applicants that would not be receiving any type of rental assistance (Refer to Section 6.3 of the Asset Management Handbook) to have a minimum income. This means that if you have a 20 unit complex with 10 units of rental assistance and all of the rental assistance was being used, you could require that the 10 applicants for the non-subsidized units have a certain amount of income in order to demonstrate that they can pay the rent established for your property. If this is something you would like to implement, it would need to be addressed in your management plan and tenant selection criteria. For those who do receive rental assistance, it is the policy of Rural Development not to accept a tenant certification for an applicant or tenant with zero income unless all income is specifically exempted.

CSC PAYMENT PROCESSING CENTER



Centralized Servicing Center (CSC). We want to remind you again that if you have any questions and/or problems relating to tenant certifications or payments the toll Free number is 866-600-7984. Email address: multifamily@stl.usda.gov. Many borrowers and managers continue to contact field offices relating to these matters. When this happens, you will be referred CSC.

We want to remind you again not to give the CSC number to tenants or encourage tenants to call them. These calls need to go to the appropriate Management agent.

We want to advise you of payment issues being observed by CSC related to payments and tenant certifications. Here are some items that may help you with this process:

- **Late/Overage Fees** – We have noticed that CSC is sending out a lot of letters about late fees due to late payments, and overage fees due to late and expired tenant certifications. Having late or expired tenant certifications and late payments may create unnecessary and avoidable fees to your complex or management company. Due dates are:
 - **Payments** – due the first day of each month
 - **Tip #1** – Project Worksheets are released on the 17th of each month prior to the due date, so your payment can be made anytime after the 17th!
 - **Tip # 2** – Sign up for PAD (Pre-Authorized Debit) to expedite your payment. Contact your RD Servicing Office to discuss this process.
- **Tenant Certifications** – due by the 10th of the month in which it is effective.
 - **Tip #1** – Tenant Certifications and Re-certifications can be transmitted up to 90 days prior to the effective date.
- **Evictions** – Once you have issued a notice of lease termination, you need to transmit via MINC an eviction using the effective date of the letter.
 - **TIP** - Many of the overage fees can be avoided by transmitting the eviction through MINC as soon as you issue the lease termination notice to the tenant. If the tenant certification expires while the eviction code is in place it will not show a late certification and thus no late/overage fees.



RD GUIDANCE LETTERS AND REG UPDATES

Please Note: Recently there have been occasions when RD staff had referenced the 3560 handbook to managers and references in the handbooks. As we have mentioned before, there are changes to the handbooks from time to time. We recommend that you get in the habit of using the on-line version at <http://www.rurdev.usda.gov/regs/> so you are using the most up to date HB references.

YEAR END REPORTING

On October 5, 2007, RD issued changes for year end reporting once again for fiscal years ending December 31, 2007, and thereafter. We believe you all have seen the updated changes, but in case we missed anyone, we want to direct your attention to Chapter 4 of **HB-2-3560** and can also be found in the **USDA Rural Development Audit Program guide** at: <http://www.rurdev.usda.gov/rd/auditprogram.pdf> .

ANNUAL INSPECTION REQUIREMENTS

On December 19, 2007 RD staff no longer have to conduct annual inspections on every property. These inspections are only required when there is an outstanding physical findings that needs to be corrected. This spells relief! If you want to check it out, you can find the regulation at: <http://www.rurdev.usda.gov/regs/handbook/hb-2-3560/AM%20Chapter%209.pdf> .

IDENTITY OF INTEREST

We have received many requests to copy Identity of Interest forms for auditors to conduct their engagements. Please remember to keep these RD Forms 3560-30 and 3560-31 current with RD. They should be renewed every three years.

SITE MANAGER OF THE YEAR AWARD

We will soon be sending information requesting nominations for the annual Site Manager Award. We love to recognize the important work done in both New Hampshire and Vermont. Please give it consideration and submit your nominations as soon as possible. The nomination form is attached which we expect will be required once again this year. The deadline is anticipated to be May 15, 2008

ALERT YOUR TENANTS

We have had a very serious accident where a child fell out of a second story window leaning on the screen. Fortunately, he was not critically injured as he was small and fell into several bushes at ground level. Please be sure your tenants are aware of this danger. If they want a window open, be sure they open the top sash, and keep the bottom window in place

HAVE A WONDERFUL SPRING AND UPCOMING SUMMER SEASON!

SITE MANAGER OF THE YEAR NOMINATION FORM FOR 2007

Nominee or Housing Manager's name:

Housing Project:

Nominee:

Please address the following criteria in the space provided (or provide any attachments if needed). Remember, keep your answers short and to-the-point; however, the more letters, pictures, and documentation you can provide, the better.

I. Tenant Satisfaction. Overall, are tenants happy with the efforts this manager makes on their behalf and on the behalf of the housing complex? How do you know? Attach any letters from tenants or other supporting documentation. Include photographs.

II. Curb Appeal. Is the property attractively maintained and landscaped? Please submit at least two pictures that demonstrate the appeal of the property. Also, please describe in writing in the space below. If applicable, you may wish to discuss particular actions the manager has taken to increase the appeal of the property.

III. Accurate and complete records. An employee familiar with the manager's recordkeeping should address this criterion. There must be no unresolved violations or incidents of noncompliance.

IV. Action above and beyond what is expected. Please describe any actions this manager takes on a consistent basis which make him or her truly exceptional and outstanding. Good pictures also help in this