



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 97-11 (HA)

Issued: March 11, 1997
Expires: March 31, 1998

Cross References:

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

1. **Purpose.** HUD's Fiscal Year 1997 Appropriations Act, enacted on September 26, 1996, as Public Law 104-204, changed the procedures for calculating ongoing administrative fees for the Section 8 rental certificate, rental voucher, **and moderate rehabilitation** programs (including Single Room Occupancy and Shelter Plus Care subcomponent). This Notice provides guidance to housing agencies and Indian housing authorities (HAs) for the calculation of the ongoing administrative fees.

Due to recent changes in program policy, the procedures outlined in this Notice differ substantially from information recently communicated from Headquarters staff to program participants. The primary differences concern the number of leased units charged to the three different fee rates. Please read this Notice carefully.

This Notice rescinds Notice 96-84, issued October 18, 1996.

2. **CHANGES IN CALCULATION METHODOLOGIES.** In Federal fiscal years (FY) 1995 and 1996, there were three possible fees used to calculate the total Section 8 ongoing administrative fee for each HA. The proper fee was determined based on the FY from which each increment was funded by HUD, and the total number of units awarded to a HA. Units were divided into pre FY 89 and post FY 88 categories, with pre FY 89 units further divided by the first cumulative 600 units for the certificate and voucher programs, and all subsequent pre FY 89 units. Potentially, fees were calculated for all three categories using an assigned fee and summed together to determine a final administrative fee for the HA's program.

The 1997 Appropriations Act eliminates, for the purpose of calculating the administrative fee, the relevance of the year in which the units were awarded to the housing authority. (The provisions for Section 8 administrative fees are in Section 202 of the Appropriations Act.) Instead, fees will only be based on the total number of units leased by a HA. The first 600 units leased in **the HA's combined certificate and voucher programs, and, separate from those programs, the moderate rehabilitation program** shall be calculated using column A, and each unit in excess of 600 shall be calculated using column B of the administrative fee rates published in the March 12, 1997 Federal Register.

These new procedures were effective **October 1, 1996** and will affect HAs with fiscal years ending December 31, 1996; March 31, 1997; June 30, 1997; September 30, 1997; and all subsequent submissions until these procedures are modified.

3. **CALCULATION OF ANNUAL ONGOING ADMINISTRATIVE FEES.** HAs with a fiscal year covering periods before **and** after October 1, 1996, must use the calculation procedures for FY 1996 and FY 1997. The FY 1996 calculation method (detailed in the January 24, 1995 Federal Register and HUD Notice PIH 96-22) will cover the period from the beginning of the HA's FY until September 30, 1996; and the FY 1997 calculation procedure will cover the period from October 1, 1996 until the end of the HA's FY.

The per unit per month administrative fees for FY 1997 were published in the March 12, 1997 Federal Register. The amount in column A shall be applied to the first 600 units leased by the housing authority in the combined certificate and voucher programs, as well as the first 600 **housing assistance payment contracts (HAP)** with a HA in the **moderate rehabilitation program**; the amount in column B shall be applied to all remaining leased units (HAP contracts), and the amount in column C shall be applied to all units leased in HA owned units. The fee is paid for every unit under a HAP contract on the first day of each month in the HA's fiscal year. The maximum number of unit months charged to column A for the combined certificate and voucher program, and, for the moderate rehabilitation program separately, in one year is 7,200.

The 7,200 unit month maximum must be prorated between the two Federal FYs during the first year of implementation. The proration will be based on the number of months in the HA's fiscal year before and after October 1, 1996. For example:

HA X, with a FY ending December 31, 1996, was issued a total of 1,400 certificates by HUD, of which 700 are pre 1989 units. Therefore, 50% of the units are considered pre 1989 units and 50% are considered post 1988 units. The HA

had 1,500 units under lease (18,000 unit months for the entire FY, distributed evenly during each month of the FY). The ongoing administrative fee shall be calculated using the monthly per unit fee amount from the January 24, 1995 Federal Register for the period between January 1, 1996 and September 30, 1996, per Notice 96-22.

<u>Column A</u>	<u>Column B</u>	<u>Column C</u>
7,200 UMs	1,800 UMs	9,000 UMs
<u>X .75</u>	<u>X .75</u>	<u>X .75</u>
5,400 UMs	1,350 UMs	6,750 UMs
<u>X 50.27</u>	<u>X 47.75</u>	<u>X 53.71</u>
\$271,458	\$64,463	\$362,543

The total administrative fee earned for the first three quarters of the fiscal year is \$698,464.

The March 12, 1997 fees and the procedures in this Notice should be used for the units under lease from October 1, 1996 through December 31, 1996.

<u>Column A</u>	<u>Column B</u>
7,200 UMs	10,800 UMs
<u>X .25</u>	<u>X .25</u>
1,800 UMs	2,700 UMs
<u>X 48.32</u>	<u>X 45.10</u>
\$ 86,976	\$121,770

The total administrative fee earned for the last quarter of the fiscal year is \$208,746 and the earned administrative fee for the entire fiscal year is \$907,210.

4. **REQUESTS FOR HIGHER ADMINISTRATIVE FEES.** Program participants should follow the guidelines and procedures in Notice PIH 96-57 for approving a HA's request for an increase in administrative fees. If the Field Office determines the HA is entitled to a higher administrative fee, the Field Office may approve a fee up to 10% more than the column A fee for the requesting HA. Any recommendations for a fee higher than 110% of column A must be submitted to Headquarters for approval.

Please note that all other guidelines and procedures in Notice PIH 96-57 are still in effect. Field 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 Field 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.

6. **PORTABILITY.** The monthly administrative fee for portable units prior to October 1996 shall be charged to column A of the January 24, 1995 fee chart. Beginning October 1, 1996, all portable units shall be charged to column B of the March 12, 1997 Federal Register fee chart.
7. **HA OWNED UNITS.** HUD will pay 3% of the Federal FY 1995 2 bedroom fair market rent for all HA owned units under HAP prior to October 1996. Beginning October 1, 1996, HAS should charge all HA owned units to column C of the FY 1997 administrative fee chart.
8. **ADMINISTRATIVE FEES FOR PRIOR YEARS.** Effective October 1, 1996 HUD will no longer reimburse HAS for incorrectly calculated administrative fees for a closed fiscal year, unless the incorrect calculation is a result of a HUD error. HAS must ensure the administrative fee calculation is correct before it is submitted to HUD for approval.

HUD will collect excess administrative fees paid to HAS in previous years, when detected.

9. **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.
10. **PRELIMINARY FEES.** Preliminary fees are provided by HUD to cover the initial cost of implementing a Section 8 program and housing families in newly authorized units. Prior to October 1, 1996, HUD paid up to \$275 per unit to cover preliminary expenses for each new Section 8 funding increment awarded to a HA. HUD will continue to pay this fee for funding increments awarded based on NOFAs published prior to October 1, 1996. However, for funding increments awarded based on NOFAs published after October 1, 1996, HUD will pay up to \$500 per unit for preliminary expenses only to HAS that have not administered the Section 8 program prior to the awarding of the new funding increment(s). This changes HUD's policy to providing preliminary fees to pay for the preliminary expenses associated with new programs instead of new funding increments.

HAS are not required to submit justifications with the HUD form 52681. HAS must, however, provide justifications for claimed preliminary fees at the request of the HUD Field Office.

11. **CONTACT.** If additional information or clarification is needed, please contact the Finance Division at (202) 708-2934.

/s/

Kevin Emanuel Marchman, Acting Assistant
Secretary for Public and Indian Housing