



Rural Development

March 30, 2018

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TO: State Directors
Program Directors
Multi-Family Housing

THROUGH: Curtis M. Anderson /s/ *Curtis M. Anderson*
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FROM: Joyce Allen /s/ *Joyce Allen*
Deputy Administrator
Multi-Family Housing

SUBJECT: Non-Profit Asset Management Fee in Multi-Family Housing
Properties

The purpose of this Unnumbered Letter (UL) is to provide guidance for the Multi-Family Housing (MFH) Non-Profit Asset Management Fee.

A Non-Profit Asset Management Fee of up to \$7,500 will now be an allowable expense to be charged on a per property basis instead of per owner.

We are in the process of amending Handbook 2-3560, Chapter 4, 4.19 to read; “A Non-Profit Asset Management Fee may be requested by non-profits and cooperatives. Non-profit owners are entitled to up to \$7,500 per project for certain organizational expenses, such as Errors and Omissions insurance and actual expenses prorated by the number of Rural Development projects.”

This guidance revises the information regarding Non-Profit Asset Management fees provided in the April 28, 2017, Unnumbered Letter entitled “Allowable Expenses to Multi-Family Housing Properties”, Attachment A.

The fee continues to only cover reimbursement of actual organizational costs and the justification of expenses still needs to be provided by the owner. 7 CFR 3560.303 lists the expenses that may be included in the asset management expenses. The expenses are:

- A. Errors and omissions insurance policy for the Board of Directors.
- B. Board of Directors’ review and approval of proposed Agency’s annual operating budgets, including proposed repair and replacement outlays and accruals.
- C. Board of Directors’ review and approval of capital expenditures, financial statements, and consideration of any management comments notes.
- D. Long-term asset management reviews.

EXPIRATION DATE:
March 31, 2019

FILING INSTRUCTIONS:
Housing Programs

When reviewing the justification, and the organization expenses attributed to each property, the owner should make sure that the expenses are prorated across all of the properties, and each expense is not charged in full to each property. For example – if the errors and omissions insurance policy for the Board of Directors is covering all the properties and costs \$3,000, the \$3,000 needs to be prorated for all of their non-profit properties and non-profit properties cannot charge \$3,000 per property for the insurance policy.

Servicing Officials are to notify **ALL** non-profit borrowers and their management agents to ensure they understand program guidance concerning the Non-Profit Asset Management Fee and the responsibilities of MFH staff to evaluate proposed operating budgets and actual operating expenses.

Eligible borrowers may revise their fiscal year (FY) 2018 budgets to include the \$7,500 on a per property basis. For FY 17 annual reports, eligible borrowers may report \$7,500 in accordance with Public Law 115-31, dated May 5, 2017, which authorized the Agency to “allow reimbursement of organizational costs associated with owner’s oversight of asset referred to as “Asset Management Fee” of up to \$7,500 per property.

Loan Specialists and Servicing Officials should continue to closely review proposed and actual operating budgets to ensure that property operating expenses are in compliance with 7 CFR 3560, are reasonable and necessary, and follow the guidance in HB-2-3560, Chapter 4.

Servicing Officials should direct questions regarding the subject of this UL to their assigned Portfolio Management Analyst or any staff member of the Portfolio Management Division.