



Rural Development

Joaquin Altoro
Administrator

Rural Housing Service
1400 Independence Ave, SW
Room 5011-S
Washington, D.C. 20250

TO: All RHS MFH National Office Directors
Field Office Staff
Rural Development

ATTN: Leadership Designees
Field Operations Division Program Staff
Rural Development

FROM: Joaquin Altoro
Administrator
Rural Housing Service

SUBJECT: MFH Reserve Account Bid Requirements

PURPOSE

This unnumbered letter (UL) provides updated guidance on the bid requirements for reserve account withdrawals for Multifamily Housing (MFH) properties. Previously, MFH required a minimum of two bids for estimated reserve expenses over \$5,000. This UL changes the threshold to \$10,000 for MFH properties with 24 units or less, and \$25,000 for MFH properties with 25 units or more.

BACKGROUND

Multifamily Housing (MFH) properties must maintain a reserve account to fund major capital expenses. Previously, MFH required at least two bids for reserve expenditures over \$5,000 (for all work in one contract). If there is an identity of interest (IOI) between the borrower or property manager and a bidder, at least three bids had to be submitted to the MFH servicing official.

The Agency has observed that recent inflation has increased capital and maintenance replacement costs as well as average construction rates, leading to an increase in withdrawal requests for capital improvement work over \$5,000.

The Agency is raising the bid requirement threshold for reserve account requests. This change will align the Agency with other federal agencies, benefiting MFH borrowers and property managers, while reducing unnecessary oversight for MFH staff.

EXPIRATION DATE:
November 30, 2025

FILING INSTRUCTIONS:
Housing Programs

IMPLEMENTATION

For eligible MFH Section 515 and 514 properties, reserve withdrawal requests for expenditures (all work included in one contract) of \$10,000 or less for MFH properties with 24 units or less, or \$25,000 or less for MFH properties with 25 units or more, may be approved by the Agency without minimum bid requirements. These withdrawal requests will not require bids even if there is an IOI entity.

All borrowers must continue to keep records of all expenses paid from the reserve account and follow the requirements in [7 CFR 3560.306 \(g\) and \(l\)](#). The regulations in § [3560.102 \(g\), \(j\), and \(k\)](#), along with all other Agency requirements on procurement, bidding, IOI, cost reasonableness, and construction management, still apply to any work paid for with reserve funds.

MFH is in the process of updating [Handbook 2-3560, Chapter 4, paragraph 4.13\(D\)\(1\)](#), and [Form RD 3560-12, Request for Authorization to Withdraw Reserve Funds](#), to reflect these changes in reserve account bid requirements.

If you have any questions, please contact Joanna Rogers, Finance & Loan Analyst, Asset Management Division, Policy & Budget Branch (Joanna.rogers2@usda.gov).