



**United States Department of Agriculture  
Rural Development**

Ms. Michelle Kitchen  
National Affordable Housing Management Association  
400 N. Columbus St.  
Alexandria, VA 22314

SEP 09 2008

Dear Ms. Kitchen:

We announced several months ago our intent to hold management fees at their current levels going into calendar year (CY) 2009 due to budgetary concerns over the cost of the Rental Assistance program and the findings from this year's Improper Payment Information Act (IPIA) audit.

I want to thank you and other industry groups for the response to those concerns we raised regarding the state of income verification documentation in the Rural Development Multi-Family Housing (MFH) Section 515 and Section 514 tenant files. At our meeting in May, after much productive discussion between Rural Development and industry representatives, the Council of Affordable Rural Housing (CARH) offered to collaborate with other industry groups and develop a plan to address this issue.

In July, CARH provided us with letters from 10 state-member organizations, some indicating that they plan to add a component to their upcoming training sessions to particularly deal with file documentation and appropriate reporting so as to avoid improper payments. Others of these organizations indicated their intent to conduct their standard training, but no specific mention was made of addressing this issue.

The National Affordable Housing Management Association supported Rural Development's legislative proposal for access to electronic income verification (EIV) for property managers, similar to that offered by HUD. As you may be aware, the Department has initiated national wage matching legislation for the past several years, and use of EIV is one way of accomplishing the intent to confirm a proper subsidy payment.

Property managers, however, do need to heed instructions provided by Rural Development and utilize aids and checklists we have provided to help managers through the income certification process. Rural Development has streamlined our policies to more closely align with HUD's to reduce any management agent confusion. As we pointed out in our industry meetings, errors that occurred tended to be related more to carelessness rather than confusion over the appropriate procedure or requirement. We applaud the initial efforts of CARH members and urge them to continue their training efforts and perhaps initiate some aids or checklists to ensure that the appropriate subsidy is requested.

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In recognition of these initial efforts to correct the IPIA errors, and understanding the impact of rising energy and insurance costs, Rural Development will increase management fees for CY 2009 by \$1.50 per occupied, revenue-producing unit per month. Owners and property managers should include this increase in the budgets they prepare for CY 2009. If budgets have already been submitted, a revised budget should be forwarded to the Servicing Official.

We intend to conduct our next IPIA audit this fall with results next Spring. Following completion of that audit and preparation of our report to the Office of Management and Budget, we will again inform industry groups of our findings. We know that you will continue your efforts to reduce improper payment errors and we appreciate the attention you have shown to-date on this important issue.

If you have any questions, please contact Stephanie White at 202-720-1615.

Sincerely,

A handwritten signature in black ink, appearing to read "Russell T. Davis". The signature is written in a cursive style with a small vertical mark above the 'i' in "Davis".

RUSSELL T. DAVIS  
Administrator  
Housing and Community Facilities Programs