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RENT SUPPLEMENT PROGRAM

Public Information Guide and Instruction Handbook

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D.C. 20411**

The Housing and Urban Development Act of 1965 authorized a new program of rent supplements for low-income families and individuals. This information guide and instruction handbook is intended to provide basic information about the rent supplement program, and to answer the principal questions of concern to potential sponsors, mortgagees, and the low-income families and individuals to be served. It is also intended to serve as an instruction handbook for FHA insuring offices and others who may participate in administering the program.

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ATTACHMENTS

Form 2500 - Reservation of Funds
Form 2501 - Application for Tenant Eligibility
Form 2502 - Physical Inspection of Housing
Form 2503 - Rent Supplement Contract
Form 2503 A - Model Form of Lease
Form 3010-11 - Basic Multifamily Amortization Plans
Form 2505 - Schedule of Rent Supplement Payments Due
Form 1034 - Voucher
Income Limits for Eligibility for Rent Supplements

RENT SUPPLEMENT PROGRAM

I. INTRODUCTION

In his message to Congress, President Johnson described the rent supplement program as "the most crucial new instrument in our effort to improve the American city." The program, as authorized by the Congress, makes it possible for private enterprise to provide housing for low-income families and individuals who have incomes which would make them eligible for public housing, and who in addition qualify as one of the following:

- has been displaced by governmental action,
- either he or his spouse is 62 years of age or older,
- either he or his spouse is physically handicapped,
- now lives in substandard housing,
- occupies or did occupy living units destroyed or extensively damaged by natural disaster.

For approved projects, Federal rent supplement payments will be made directly to the owners of projects on behalf of qualified tenants. Only new housing projects or existing housing projects involving major rehabilitation are eligible to receive rent supplement payments. For the most part, projects must be approved for mortgage insurance and rent supplements by the Federal Housing Administration before construction or rehabilitation, and must be owned by one of the following:

- private nonprofit organization
- limited dividend mortgagor
- cooperative housing corporation

Housing owners will obtain financing from private lenders with mortgages insured by FHA. Mortgages are eligible for purchase by FNMA in its secondary market operations.

Families and individuals who are eligible for rent supplements will be required to pay 25 percent of their income for rent. The difference between this amount and the full market rent for the particular dwelling unit occupied will represent the amount of the rent supplement for that family or individual.

Part of the units in a rent supplement project may be occupied by tenants who pay the full market rent without any subsidy. Also, the program permits a tenant with rising income to continue to live in the project, paying a higher rent and receiving a lower supplement as his income rises; or to continue to live in the project after he is no longer eligible for rent supplements.

II. DELEGATION OF AUTHORITY

The Secretary of the Department of Housing and Urban Development has delegated certain responsibilities for administering the rent supplement program to the Federal Housing Administration, and has retained certain responsibilities within the Office of the Secretary. The following responsibilities have been retained by the Secretary:

1. Allocation of funds to localities and specific projects.
2. Determination of low-income housing need in various localities.
3. Establishment of income and asset ceilings for tenant eligibility.
4. Coordination with other means of satisfying low-income housing demand.

The Federal Housing Administration will receive proposals and applications from potential sponsors and will evaluate these proposals and issue commitments to insure. In addition, FHA will review and certify tenant eligibility, and will make rent supplement payments to project owners in approved amounts. FHA will negotiate a rent supplement contract with the housing owner providing for monthly rent supplement payments during the term of the insured mortgage.

III. ALLOCATION OF FUNDS

Within the amounts authorized by the Congress, the Secretary will allocate funds for rent supplement contract authorizations to the Regional Offices. The Regional Administrators will in turn allocate funds to localities,

based upon their estimates of need for low-income housing, and taking into consideration expressions of interest by qualified and well-motivated sponsors.

The Regional Administrators will make preliminary allocations of funds to specific projects, when it appears that a proposed project and its sponsor will qualify and when FHA submits a request. At a later stage in processing, if FHA determines the project to be feasible, FHA will submit Form 2500 to the Regional Administrator for a formal reservation of funds for the project. The Regional Administrator will review the facts presented, and, if he approves, will indicate the amount of funds reserved and the expiration date of the reservation.

RENT SUPPLEMENT PROJECTS

IV. ELIGIBLE PROJECTS

For the most part, FHA will insure rent supplement projects under Section 221(d)(3) at market interest rates plus the regular ½ percent FHA insurance premium. They must be approved for rent supplements and insurance after August 10, 1965, (except in a limited number of elderly housing projects, as described in Part XXVII). A project must contain five or more dwelling units. These may be located in detached, semi-detached, row, walk-up, or elevator structures.

Applications may be filed for projects involving either new construction or major rehabilitation, and may be for insured advances to finance construction or for insurance upon completion. Projects must be built to specifications which equal or exceed the applicable FHA minimum property standards. Projects are subject to regulation by the Commissioner as to rents, rate of return, methods of operation and rent supplement payments. Prevailing wages, as determined by the Secretary of Labor, are required to be paid during construction, and the actual costs of the completed project must be disclosed and certified prior to the final endorsement of the mortgage note.

All rent supplement projects must be of modest design and suitable to the market and the location proposed. Swimming pools, two bathrooms per unit, air conditioning, and similar items will not be permitted. Projects should incorporate good design principles and not have features that will contribute to premature obsolescence.

In either proposed or rehabilitation projects, early consideration should be given to accomplishing maximum unit livability for the most reasonable expenditure of construction dollars. This may be realized by good design and specification of materials that will reduce construction costs as well as future maintenance and operating costs.

Generally, because of higher construction costs, elevator buildings will be feasible only if the community provides long-term real estate tax abatement and/or land costs are reduced by write-down or donation.

V. ELIGIBLE SPONSORS AND MORTGAGORS

The law provides that rent supplement projects must be owned by private nonprofit, limited dividend, or cooperative mortgagor entities. For use in connection with the rent supplement program, these terms are defined as follows:

Private nonprofit mortgagor means a corporation or association which is organized for purposes other than making a profit or gain for itself or for persons identified with it, and which is in no manner controlled by nor under the direction of persons or firms seeking to derive profit or gain from it.

Limited dividend or limited distribution mortgagor means a corporation, trust, partnership, individual, or other legal entity which is restricted by law or by the Commissioner as to distribution of income and rate of return on investment.

Cooperative mortgagor means a nonprofit cooperative ownership housing corporation which is approved by the Commissioner.

A project may be sponsored by an organization which intends to create a separate mortgagor entity to own and operate the project. All mortgagors will be regulated by the Commissioner as to rents or other charges, sales, rate of return, and will be audited to determine propriety of disbursements of project income.

The effectiveness of sponsors and housing owners is a prime requisite in the planning, development and long term operation of a successful rent supplement project.

FHA will give careful consideration to the qualifications of sponsors and housing owners and will examine carefully the character, integrity, and motivation of such organizations.

A history of successful participation in housing, experience in the field of social improvement activities relating to housing, or a demonstrable interest in this type of housing are most important considerations.

Sponsors and housing owners must demonstrate their recognition of the continuing responsibility essential to creating and maintaining the proposed housing pursuant to the regulations incorporated in the contract for mortgage insurance.

Financial ability must be demonstrated as well as the possession of, or provision for, the necessary professional services for legal and organization requirements, experienced architectural and engineering personnel, and adequate knowledge of housing finance.

Further, the proponent must evidence its capacity to provide competent management of the project, during the term of the mortgage and rent supplement contract.

FHA will give the guidance and assistance necessary to sponsors with a potential for low-income housing ownership when deficiencies appear in organization, continuity, representation, or capacity. This guidance will be intended to assist such sponsors in remedying such deficiencies.

FHA will also endeavor to see that sponsors who are not considered to be qualified for ownership and continued operation of rent supplement projects are so advised before they have spent unnecessary time and effort on a hopeless venture.

The charter of a nonprofit mortgagor corporation must provide for a board of directors or trustees, membership of which will assure continuity in the provision of appropriate policy making personnel.

VI. PROJECT MANAGEMENT

Experience has shown that the difference between success and failure of rental projects, especially those of a special purpose nature, depends to a great degree on the competence of project management. This is a particularly important consideration in connection with rent supplement projects.

The operation of public housing projects has demonstrated that housing for low-income families requires certain management skills and services beyond those required in the typical rental project. Although the management of a rent supplement project will not be required to provide social services, the housing owner will be expected to assist tenants in preparing applications for rent supplements, which he will submit to FHA for approval. Management will have other fiscal responsibilities in connection with preparing monthly statements for rent supplement payments, and will be responsible for obtaining recertification of incomes every year for FHA approval as described in Part XXII.

If a housing owner does not have experience in managing projects for the kinds of tenants to be served in a rent supplement project, he should secure an experienced manager or contract with a professional management firm which is acceptable to FHA and is capable of dealing effectively with the type of problems likely to arise. If possible, the project manager or management firm should participate in the planning stages of the project.

General management objectives and requirements will be discussed at a pre-application conference between the sponsor and FHA. A firm management program, with contract if proposed, must be submitted for FHA approval as early as possible and at least 30 days prior to initial endorsement of the mortgage note.

The management program should include:

- a. Organization and development (the relation of the sponsor and working committee to the property manager).
- b. Personnel (property manager, assistants, accountant).

- c. Method of handling initial occupancy and rent up.
- d. Procedure for determination of rent supplement requirements and preparation of monthly statement and voucher for rent supplement payments.
- e. Certification and recertification of rent supplement tenants.
- f. Landlord-tenant relationships and lease provisions.
- g. Collection policies and actions.
- h. Maintenance and repair program.

VII. MORTGAGE LIMITS

The project mortgage limits and term which apply to other Section 221 (d) (3) market rate projects apply also to rent supplement projects insured under Section 221 (d) (3). Special unit limitations have been established to assure that living units will be modest in design and that rents will be compatible with rent levels in the community.

A. Maximum Amount

The total project mortgage may not exceed \$12,500,000. Although the law permits projects of this size, in most cases market considerations will favor smaller projects.

B. Unit Limits

Special mortgage limits will be established for rent supplement projects with local adjustments to reflect the cost of providing modest housing units for low-income families and individuals. These limits will be furnished each insuring office. If limits are needed for additional localities, the insuring office should submit a request to the Zone Operations Commissioner. These limits may be exceeded only when long-term tax abatement or other factors will reduce debt service requirements to achieve rents at or below the maximum rent limits described in Part IX.

C. Mortgage Term

The mortgage term shall not exceed 40 years or 3/4 of the economic life of the property.

D. Repayment

Mortgage repayments will be based on the Level Annuity Monthly Plan set forth in FHA Form 3010-11, which is attached. This plan provides for equal monthly payments to principal and interest throughout the life of the mortgage.

VIII. SPECIAL MARKET CONSIDERATIONS

The rent supplement program opens a new market area for FHA, and will require special kinds of market data and analysis dealing with low-income families and individuals meeting the special eligibility requirements for rent supplements.

On request from FHA, the Regional Administrator will furnish market data for communities in which interest is expressed in rent supplement projects. The market data will contain estimates of overall need for low-rent housing in the community, distribution of eligible families by income and size, and estimates of the number of families who are eligible for rent supplements by reason of each of the eligibility criteria.

During the initial period of implementing the rent supplement program, Regional Administrators will not be staffed to furnish complete market data. The insuring office will develop local data required to estimate effective demand and market absorption capacity, and such additional data as may be needed, utilizing the services of the FHA market analysis staff to estimate low-income housing need.

It is important to recognize that the existence of eligible tenants is not synonymous with effective demand for a project in a specific location at any particular time. FHA will utilize data from available market analyses,

information from the local public housing and urban renewal agency or agencies, public housing waiting lists, and data from local welfare and social agencies, etc.

In evaluating the supply of rental housing, careful consideration should be given the availability of decent housing in the community at rentals low-income tenants can afford to pay. Even though substantial vacancies may exist, rentals may be far above rents low-income families can afford. In such a case, the insuring office would approve a feasible rent supplement project proposal, unless it has knowledge of other means in process to provide low-rent housing sufficient to meet the demand.

Adequate data are important for proper project planning and for advising sponsors, but the program cannot be unnecessarily delayed waiting for refined market data. The insuring office should use available and readily obtainable data, and its best judgment.

The Regional Administrators will maintain a record of housing made available by various programs to serve low-income families and individuals, and will update and adjust community market estimates as needed. To assist them in doing this, the insuring offices should keep the Regional Administrators fully informed of the status of rent supplement proposals being considered. The Regional Administrators will also keep the insuring offices informed of developments that would affect the low-income housing market.

IX. MAXIMUM RENTS

FHA will approve rentals for living units in a rent supplement project. As a means of assuring that rent supplement units will serve tenants in the income range intended by the Congress, FHA will establish, in addition to the special mortgage limits discussed in Part VII, maximum limits on gross rentals for units of different size. These are:

<u>Size Unit</u>	<u>Maximum Gross Monthly Rental</u>
0 - bedroom	\$ 85
1 - bedroom	\$105
2 - bedroom	\$120
3 or more bedrooms	\$140

These are maximum rentals. In areas where suitable housing can be produced for lower rentals this will be done. In high cost areas, the maximum rentals may be increased up to 25 percent where necessary. Determination of the amount of increase over the basic rent limits found necessary in the various high cost areas will be made by the Commissioner on the basis of facts and recommendations submitted by the insuring office.

When the terms "economic rent," "fair market rent," "FHA-approved rent" are used in connection with a rent supplement project, they refer to the lower of the rents established in accordance with the maximum rent limits shown above or the rents needed to pay the requirements under the established debt service limitations, the maximum allowable return on investment to a limited distribution mortgagor of 6 percent of 11.11 percent of the mortgage amount finally endorsed, or, for nonprofit mortgagors, residual income of 5 percent which may be used as a contingency reserve.

Unit rentals will be gross rentals and will include all utilities except telephone. Kitchens will contain a cooking stove and refrigerator.

X. FHA'S EVALUATION OF PROPOSALS

Preliminary Conference. A sponsor interested in developing a rent supplement project should arrange for a Preliminary Conference with the FHA insuring office Director before he makes definite plans or commitments for land or professional services.

In preparing for the Preliminary Conference, the sponsor should identify the locality and general site area (or the specific site, if he has one in mind) on which he hopes to develop a project. To the extent possible, he should also identify the type and number of living units to be included and the group or groups the housing is intended to serve. If possible, the sponsor should convey this information to the FHA insuring office Director in writing in advance of the Preliminary Conference. This information may enable the insuring office to accumulate data pertinent to the proposal prior to the Preliminary Conference.

At the Preliminary Conference, the sponsor should discuss with the insuring office Director his concept of the proposed rent supplement project, the location, the type of construction contemplated, the approximate number and type of units, the need for the housing and type of people to be served, the principals who will own and operate the project, plans for management, and other matters known at the time. The Director will assist the sponsor by pointing out any deficiencies in his proposal, and will give the sponsor positive assistance in the development of a successful and feasible project.

If the sponsor is a nonprofit group, the sponsor should be informed that, if necessary, he may secure the services of a housing finance specialist to assist and represent him in the development of his proposal. If such a housing finance specialist or "packager" is contemplated, and if his fee is to be paid from mortgage proceeds, his record of service in this field, the scope of work that he will perform, and the fee that is to be charged should be submitted to FHA for approval prior to the establishment of a contractual relationship between the sponsor and the "packager." Fees on such services may range from ½ percent to 2 percent depending on the size of the project and the scope of the work to be performed. The sponsor should also be informed of the continuing advice, consultation, and assistance which FHA is prepared to provide at all stages of processing in the development of a successful project.

During the Preliminary Conference, the FHA Director will also review the contents of this Handbook with the sponsor in order to emphasize his responsibilities and to make sure he understands fully the policies and procedures which apply to rent supplement projects.

If it appears that the sponsor has a feasible project and that he has or can acquire the skills necessary to develop and manage it, the Director will inform the sponsor that the next step is the development by the sponsor of the materials and exhibits necessary for a Pre-application Analysis by FHA. The Director will furnish the sponsor with the necessary forms and a list of the exhibits required for Pre-application Analysis and will explain these forms and exhibits to the extent necessary to give the sponsor a full understanding of what is needed. The Director should also inform the sponsor of FHA's willingness to assist and advise in the preparation of these forms and exhibits.

The forms and exhibits required for Pre-application Analysis are: Form 2010--Equal Employment Opportunity; Form 2012--Request for Pre-application Analysis; and, for nonprofit sponsors, Form 3433--Determination of Eligibility of Nonprofit Sponsors. In addition to the exhibits listed on the reverse side of Form 2012, the sponsor should furnish a list of professional services he intends to use, an outline of the management program he intends to follow when the project is completed, and an analysis of the types of families and individuals eligible for rent supplements the project is designed to serve, their incomes (based on averages or ranges for each size family) and the sponsor's estimate of the annual rent supplement requirements for the project. To assist the sponsor in this calculation, the Director should furnish the sponsor with the income ceilings for various size families established in the locality for eligibility for rent supplements.

In addition, the FHA Director should notify the sponsors that rent supplement funds are allocated for proposed rent supplement projects by the Regional Administrators, and that, based on the information developed at the Preliminary Conference, the Director will make a rough calculation of the probable rent supplement requirements of the proposed project, notify the Regional Administrator, and find out whether rent supplement funds in this amount are available. The Director should tell the sponsor that he will inform him of the availability or nonavailability of rent supplement funds for the proposed project before the sponsor undertakes to prepare the forms and exhibits required for Pre-application Analysis.

Following the Preliminary Conference the Director should prepare and furnish to the sponsor copies of the minutes of the Preliminary Conference.

Also, after the Preliminary Conference, the Director should make a rough estimate of the probable rent supplement requirements of the proposed project, notify the Regional Administrator of this fact (in writing or by telephone with written confirmation), and receive from the Regional Administrator information on whether or not rent supplement funds are available for the project, and whether or not he is prepared to make a preliminary allocation of rent supplement funds for the project, pending the Pre-application Analysis and a formal request for a reservation of funds for the project at the completion of Pre-application Analysis. The Director should notify the sponsor (in writing or by telephone with written confirmation) whether rent supplement funds have been tentatively allocated and whether or not the sponsor should proceed with preparation of the forms and exhibits required for Pre-application Analysis. The Director's rough estimate of the rent supplement requirements should be based on such data as the sponsor furnishes and FHA possesses bearing on the average in-

comes of eligible rent supplement tenants for which the project is intended. If the meaningful information on this point is unavailable at this preliminary stage, the Director may estimate the probable annual rent supplement needs of the project by multiplying the estimated number of units to be occupied by rent supplement recipients by \$50 (the average monthly rent supplement requirement used for budget estimates) and multiplying this figure by 12.

Pre-application Analysis. Upon receipt of the pre-application forms and exhibits from the sponsor (which the sponsor has prepared based on the advice given at the Preliminary Conference and any subsequent assistance which the sponsor may have requested FHA to provide) the FHA insuring office will:

1. Examine the sponsor's eligibility, organization and capability to develop, own, and operate the project in accordance with criteria described above in Part V. (If deficiencies are found, FHA will assist the sponsor to remedy these deficiencies.)
2. Examine the proposed site, in terms of its suitability for the construction proposed, its location in terms of the market to be served, and make an approximate estimate of its value for mortgage insurance purposes. Prepare the standard Land-use Intensity of Site Form No. 1095 (and Project Planning Program Form No. 1028, if needed).
3. Examine the type of construction proposed and the unit composition in the light of the market to be served, FHA's Minimum Property Requirements, and the requirements of the rent supplement program for modest and efficient construction. Make a rough calculation of the probable cost of such construction by use of the square foot or cubic foot method.
4. Examine the sponsor's proposed management program.
5. Make an estimate of gross income based on judgments of the market and operating expenses, projected net income, and the maximum mortgage amount. After deducting cost of land, carrying charges, financing, organization and legal fees, estimate the amount of the mortgage available to cover construction costs. In the light of this analysis, make a judgment on the feasibility of constructing the units proposed within the mortgage amount available, keeping in mind that the special maximum mortgage limits and maximum rents applying to rent supplement projects may not be exceeded. Make an estimate of economic rents for various size units in the proposed project.

In making this feasibility analysis, the FHA insuring office should give full weight to the assurance of long term income available from rent supplements in determining economic life. In estimating the net income required to support the mortgage, FHA should give full consideration to any special financial benefits such as tax abatement to which the sponsor may be entitled on a long term basis which will make available a larger amount of net income for debt services and permit a higher mortgage amount.

If, based on the above-described analysis, the project appears feasible, the FHA insuring office should then develop its estimate of the rent supplement requirements of the project. This estimate should be based on the proposals and supporting evidence provided by the sponsor, information on rent supplement needs provided by the Regional Administrator, and FHA's own data derived by the insuring office staff or with the help of a market analyst. The final estimate of rent supplement requirements should reflect the insuring office's best judgment of the average incomes of the rent supplement eligibles likely to occupy different size units in the project (based on the criteria for relating family size to unit size set forth in Part XX of this Handbook). These estimates of average incomes are then related to estimated economic rents for the different size units. The difference between 25 percent of the estimated average family income and the economic rent for the appropriate size of unit is the average rent supplement requirement for the unit in question. By multiplying this average rent supplement requirement by the number of such units in the project and doing the same for units of other size, an estimate of the total rent supplement requirement for the project can be derived. In making these estimates, the FHA insuring office should keep in mind the probability that eligible families with a fairly wide range of incomes may apply for admission to the project.

The insuring office's estimate of rent supplement requirements for the project should be placed on FHA Form 2500 and sent to the Regional Administrator through the Assistant Regional Administrator for FHA. This form constitutes a formal request that rent supplement funds be reserved for the proposed project in the amount estimated.

When an approval of the recommended reservation of rent supplement funds has been received from the Regional Administrator, the FHA insuring office will send the sponsor a Format Letter "B" inviting him to submit an application for mortgage insurance with a processing fee, and also informing him that rent supplement funds have been reserved and will be available when the project is ready for occupancy, provided the application for mortgage insurance is received in the FHA insuring office within 90 days, and processing results in a commitment to insure the mortgage.

Pre-commitment Processing. This stage begins with the receipt of the formal application with fee and other exhibits that were requested by the Director or listed as requirements in the application form. One of the required exhibits will be sketch plans for the buildings and general specifications. Sketches, drawn roughly to scale of the floor plan of the living units and building elevations, will usually be sufficient at this stage.

The insuring office will review the applications and exhibits to assure that the proposal is in accord with the agreements reached in the pre-application stage. Once this has been established, FHA technicians will work closely with the sponsor, his architect and builder to develop the most suitable, economical project consistent with the needs of the market. FHA underwriting personnel will be available for consultation and will stand ready to advise the sponsor on any and all of the many factors that go into making a successful project. Washington-trained specialists in the rent supplement program will also be available for advice and guidance to both the sponsor and the insuring office.

Underwriting considerations will include an estimate of economic life, the use of appropriate occupancy ratios, the determination of project rentals, rent supplement requirements, preparation of a rent supplement contract (see Part XI) and an estimate of operating expenses. Other elements of Pre-commitment Processing will be completed in accordance with outstanding instructions for 221(d)(3) projects.

Prior to the issuance of the commitment, the Director will hold a second conference with the sponsors and their representatives. At this time, the results of the Pre-commitment Processing will be reviewed. The responsibilities of the sponsors should again be emphasized. Subjects to be discussed should include; prevailing wage requirements, employment requirements, procedure for requesting insured advances of funds during construction, procedure for requesting changes during construction. This conference should also provide the sponsor with the necessary instructions and requirements relative to the initial endorsement of the mortgage note.

Minutes of the meeting should be prepared by the insuring office and transmitted to the sponsor by mail.

XI. RENT SUPPLEMENT CONTRACT

The FHA insuring office will be responsible for negotiating rent supplement contracts with sponsors on all projects which are eligible for rent supplement payments, including elderly projects financed under Section 202 described in Part XXVII. A copy of the contract form is attached (FHA Form 2503).

For FHA insured projects, FHA's agreement to pay rent supplements will be incorporated into the commitment by attaching to the commitment a completed but unexecuted form of rent supplement contract. The commitment will provide that the contract will be executed prior to initial closing (or before start of construction if the project is to be insured upon completion). This rent supplement contract provides for adjustment at the end of a prescribed rent-up period to reflect actual rent supplement requirements.

The amount of the initial rent supplement contract will be based on the estimated occupancy pattern developed by the insuring office for the specific project. The sponsor is to be encouraged to achieve a pattern of occupancy and tenant income as close as possible to that on which the original allocation was based. If the amount of the initial or adjusted contract will be different than the amount of the reservation of funds for the project, the Director will submit a report through the Assistant Regional Administrator for FHA to the Regional Administrator substantiating a request for a change in funds reservation. In no case may a contract be executed or adjusted to an amount in excess of that authorized by the Regional Administrator.

The contract will be executed in quintuplicate. The original and three copies of all contracts are to be sent to the Assistant Regional Administrator for FHA, who will forward the original to the Assistant Commissioner-Comptroller, and will retain one copy and will forward one copy each to the Regional Administrator and to the FHA Assistant Commissioner for Multifamily Housing. One copy will be retained in the insuring office.

The rent supplement contract will provide that payment of rent supplements on behalf of eligible tenants will be made monthly to the housing owner or his designee by FHA in accordance with terms of the contract. The total payments due on behalf of each eligible tenant will be requested by voucher initiated by the housing owner and sent to the FHA, in accordance with the Fiscal Instructions contained in Part XXXII of this Handbook.

The contract will require the housing owner to execute an FHA-approved lease with each tenant who is eligible for rent supplements. The lease will require recertification of tenant incomes, as described in Part XXII, and will provide for corresponding adjustments in payments to be made to the project owner. It will also cover other statutory, regulatory, or reporting provisions needed to protect the interest of the Secretary and the Commissioner. A copy of a model lease form (FHA Form 2503 A) is attached.

XII. OPERATING EXPENSES

An allowance will be made in the operating cost for expenses incurred by management in certifying and recertifying of tenants for rent supplement eligibility, and for other administrative requirements imposed by the rent supplement program; and typical costs for providing managerial services in connection with housing for low-income tenants.

The usual sources of data may not be applicable for such operating and management expense estimates. Public housing experience in the area should be examined as well as operating expenses from any below-market interest rate projects in the insuring office jurisdiction.

Real estate taxes should be computed and entered as an expense item. If long-term real estate tax exemption or abatement is claimed by the sponsor the claim must be substantiated in writing from the public official or agency authorized to grant such exemption or abatement and approved by the FHA General Counsel.

The sponsor will be expected to file a complete and detailed operating and management budget as a pre-commitment exhibit.

XIII. REHABILITATION

Rent supplements are available for rehabilitation projects as well as for new construction. In many downtown urban areas, rehabilitation of sound existing buildings may be the only way to produce good housing within the cost and mortgage limits permitted.

To be eligible, the required rehabilitation work must involve major repairs and improvements or result in the creation of standard units in structures previously containing substandard units.

The rent supplement program will not be used to refinance existing projects of standard living units in financial difficulty, because one of the purposes of the program is to increase the supply of decent housing for low-income families.

XIV. SPECIALLY DESIGNED PROJECTS FOR ELDERLY OR HANDICAPPED

It is expected that the rent supplement program will be especially helpful in providing good housing for low-income elderly or handicapped individuals and their families. Under the law, any person who is 62 years of age or who is handicapped, or whose spouse is 62 years of age or handicapped, is eligible for a rent supplement, if such a tenant qualifies also under the asset limitation and the income limits established for the locality, and is admitted as a tenant in a rent supplement project.

Rent supplement projects may be designed for the special needs of the elderly or handicapped in accordance with FHA's minimum property standards for elderly or handicapped. These standards permit considerable flexibility in design, and permit the inclusion of special facilities such as central dining, lounges, infirmaries, and other features. The unit rental on which the amount of rent supplement is based shall include shelter rent with utilities, but shall exclude meals and personal services.

An entire rent supplement project may be designed for elderly or handicapped persons and insured under Section 221(d)(3) at market interest rates, or certain living units in a project may be designed for the conven-

ience of elderly or handicapped persons, depending upon the interest of the sponsor and anticipated market needs. The units must be produced within the mortgage and rent ceilings applicable to rent supplement projects.

In addition, the law provides for experimental use of rent supplements in elderly housing projects which are insured or financed under Sections 231 or 202. This is explained more fully in Part XXVII.

XV. CONVERSIONS

Multifamily project proposals which are being processed by FHA under other programs may be converted to rent supplement applications as follows:

1. If a commitment has not been issued, the sponsor should have a preliminary conference with FHA to determine if his project might qualify for rent supplements. If approval is indicated by the insuring office Director, the sponsor may then by letter from the mortgagee request FHA to process the proposal under the rent supplement program.
2. If a commitment has been issued but construction has not started, the same procedure as outlined in (1) should be followed, except that the mortgagee should return the commitment with its letter request. If the application is approved, the FHA will reprocess the project following criteria applicable to the rent supplement program.

In all cases, proposals must comply with criteria applicable to rent supplement projects, and to the instructions in this Handbook. If construction has started or if the project has been initially insured under another program, it cannot be converted to rent supplements (except as described under the experimental program in a limited number of elderly housing projects).

TENANTS

XVI. ELIGIBLE TENANTS

Owners of rent supplement projects will be responsible for selecting tenants, and may rent units to families or individuals who can afford to pay full market rents or to families and individuals eligible to receive rent supplements. There is no established proportion of tenants paying market rents and those receiving rent supplements. The proportion may vary from project to project.

The law provides that a tenant must meet certain eligibility tests before he can receive rent supplements. First, his income must be within the income group served by public housing. Second, he must qualify under one of the following categories: (1) he must have been displaced by governmental action, such as urban renewal, code enforcement, highway development, etc.; (2) either he or his spouse must be 62 years of age or older; (3) either he or his spouse must be physically handicapped; (4) he must now be living in substandard housing; or (5) his present or former dwelling must have been destroyed or extensively damaged by natural disaster in an area determined by the Small Business Administration since April 1, 1965, to be a disaster area.

A handicapped person is one who has a physical impairment which is expected to be of long-continued and indefinite duration, which substantially impedes his ability to live independently, and which is of such a nature that his ability to live independently could be improved by more suitable housing conditions.

Satisfactory evidence that an applicant is eligible for rent supplements must be submitted for approval by FHA. If an applicant claims that he is now living in substandard housing, or that his house has been destroyed or damaged, the FHA insuring office (or an appropriate local agency with which FHA has made arrangements) will make a physical inspection of his present housing, using Form 2502 for this purpose.

XVII. INCOME LIMITS

The Department of Housing and Urban Development has established income ceilings in cities with a population of more than 250,000 and in a number of smaller cities. These income limits are in no instance higher than the income limits in the same locality for admission of regular tenants to public housing. In a few cases, the rent supplement income limits are below the comparable public housing limits.

The initial list of income limits is attached. When income limits for other communities are needed, the insuring office should request the Regional Administrator to furnish income ceilings for such localities.

In localities where there is no public housing authority, income limits for rent supplements are based on available rental information and the income limits for public housing in a nearby locality having comparable cost levels.

In determining whether or not a family or individual is eligible for rent supplements, gross income from all sources, before taxes or withholding, of all members of the household who propose to live in the unit will be counted. Income of children or other dependents who will live in the unit should be included. No deductions from gross income will be allowed for dependents.

If two or more eligible single persons (such as elderly individuals) want to live together in the same unit, their income will be added together for purposes of determining rent supplement eligibility.

Current gross income will be derived by reviewing reported income for the previous 12 months and estimated income for the next 12 months, and making an adjustment for unusual or temporary income which will not be forthcoming during the current 12-month period.

XVIII. ASSET LIMITATIONS

In addition to restricting gross income to the limits established for a family or household of a certain size or for a single individual, an examination will be made of each applicant's assets before he is approved for rent supplements.

Total assets cannot exceed \$2,000 unless the applicant is 62 years of age or older, in which case his assets may total \$5,000. The asset limitation is higher for elderly than for other tenants because elderly persons must often rely on savings to supplement social security or other retirement to pay current living expenses.

Furniture, clothing, and personal property will not be counted as assets for the purpose of determining eligibility. The estimated value of any automobiles or real estate owned by members of the household, less indebtedness, will be included in total assets.

XIX. DETERMINING TENANT ELIGIBILITY

Project owners and their managers will be responsible for tenant selection and for the usual landlord-tenant relationships. However, FHA will be responsible for determining whether or not an applicant is eligible for rent supplements.

In determining eligibility, the rent supplement for any tenant may not exceed 70 percent and must represent at least 10 percent of the FHA-approved rent for the living unit. The maximum subsidy will only be required for families of extremely low income.

A low-income family will apply for rent supplements directly to the project manager by filling out FHA Form No. 2501, specimen copy of which is attached. The housing owner or manager will assist the applicant in completing this form. Instructions are on the front of the form.

The housing owner will calculate the amount of monthly supplement payments to which the tenant is entitled, and will send the original and two copies of the completed Form 2501 to the FHA insuring office for final review and approval. After approval, FHA will return a copy of Form 2501 to the housing owner and will retain the original and a copy.

After occupancy of a particular living unit by an approved tenant, the housing owner will note the date of occupancy and address or apartment number on his copy of the approved application which he will retain for his own records. On the first monthly schedule of rent supplement payments due (Form 2505) he will record the date of occupancy and unit occupied so FHA can enter this information on the two copies retained in its files. Thereupon, the insuring office will keep one copy for reference in checking monthly rent supplement statements submitted by the housing owner, and will send one copy to the Statistics Section, Federal Housing Administration, Department of Housing and Urban Development, Washington, D. C. 20411.

XX. SIZE OF UNIT

Subject to FHA review, housing owners will be responsible for not assigning larger living units to eligible rent supplement families or individuals than are needed, based on the number of persons, relationship, and sex of members of the household. The following minimum and maximum limits will apply:

Number of Bedrooms	Number of Persons	
	Minimum	Maximum
0	1	2
1	1*	2
2	2	4
3	4	6
4	6	8

*Only if no single rooms or efficiencies are available, and only until such a unit becomes available for transfer of the tenant.

These limits are intended to provide for varying needs without overcrowding. For example, a four-person family may need only two bedrooms if both children are boys. However, a four-person family may need three bedrooms if there is one boy and one girl.

If the family or household changes in size after initial occupancy, the housing owner will be responsible for assigning a larger or smaller unit (as soon as one is vacant) and for submitting a new Form 2501 to FHA with current information for approval and an appropriate adjustment in subsequent rent supplements.

XXI. RENT SUPPLEMENT AMOUNT

The amount of each rent supplement will be based on the difference between 25 percent of the income of the eligible family or individual and the FHA approved rental for the living unit occupied. The amount of the supplement will be rounded to the nearest dollar. Amounts from 01¢ through 50¢ will be rounded down to the next lower dollar, and amounts of 51¢ through 99¢ will be rounded up to the next higher dollar.

Although gross income will be used to determine eligibility for rent supplements, the following deductions from gross income will be permitted in determining the amount of the rent supplement payments, such as:

1. Not to exceed \$300 of any income earned per annum by each working member of the family under 18 years of age.
2. Continuing cost (as established by FHA) attributable to a permanent disability or chronic illness which is not compensated by insurance or otherwise.
3. Expenses incurred for the care of children under 13 years of age if necessary to the employment of a wage earner in a household.

XXII. RECERTIFICATION OF INCOMES

A provision must be included in each rent supplement tenant's lease, except elderly, requiring the recertification of current income each year from the date of original certification with appropriate documentation on FHA Form 2501. FHA will review the facts submitted and will make appropriate revisions in the amount of subsequent rent supplement payments so that the tenant will pay 25 percent of his income as his share of the rent. When 25 percent of the tenant's monthly income equals the full monthly rent for the unit he occupies, rent supplements will be discontinued.

The housing owner will be responsible for obtaining annual recertifications of income from all rent supplement tenants, except elderly.

In addition to annual recertification of income, each lease must contain a provision which will require rent supplement tenants to report immediately to the housing owner if their income increases to four times the full FHA-approved rent for the living unit occupied, which will result in the elimination of the rent supplement payment. This requirement will apply also to elderly.

XXIII. REDUCTION OF INCOME

If a tenant's income drops after initial occupancy, he may file an amended application (Form 2501) with the housing owner or manager and request an increase in his rent supplement. The housing owner may submit the amended application to FHA for approval, if an increase in the tenant's supplement could be made without exceeding the limits of the rent supplement contract.

If the tenant's amended application is approved, he will be required to report any subsequent increases in income for a corresponding reduction in rent supplements.

XXIV. LANDLORD-TENANT RELATIONSHIPS

The usual landlord-tenant relationships will apply in rent supplement projects. Housing owners will be responsible for tenant selection, conditioned upon FHA's approval of rent supplement eligibility. Living units may be rented to tenants who can pay the full rentals without supplement. Housing owners can evict tenants for violation of lease provisions as permitted by local or state laws.

XXV. WELFARE TENANTS

The amount of rent to be paid by an applicant who is receiving public welfare assistance shall not be less than the rental allowance which is provided by the welfare agency, nor less than 25 percent of the household income including welfare assistance.

XXVI. FOUNDERS' FEES

Founders' fees are not permitted in rent supplement projects.

SPECIAL PROGRAMS

XXVII. EXPERIMENTAL PROJECTS

In addition to projects to be insured under Section 221(d)(3) at market interest rates, as covered in the preceding instructions, the law provides that a limited number of projects having mortgages insured or to be insured under other sections of the National Housing Act and projects financed by direct loans under Section 202 of the Housing Act of 1959 may be approved for rent supplements, as follows:

1. Not to exceed five percent of the contract authority authorized in appropriation acts may be used in Section 221(d)(3) below-market interest rate projects sponsored by private non-profit, limited dividend, or cooperative organizations for which commitments to insure are issued after August 10, 1965; except that for projects approved after Congress has given contract authority in an appropriation act, the project must have been approved for rent supplements prior to the commitment.
2. In addition, not to exceed five percent of contract authority authorized in appropriation acts may be used in Section 231 and Section 202 direct loan housing for the elderly projects. A Section 231 elderly project must have a private nonprofit mortgagor and must be finally endorsed and approved for rent supplements after August 10, 1965; except that for projects approved after Congress has given contract authority in an appropriation act, the project must have been approved for rent supplements prior to final endorsement. A Section 202 project may be sponsored by a private nonprofit or cooperative housing corporation or by a public body or agency and may have been financed prior to August 10, 1965. In any 202 project in which the loan agreement was entered into on or before August 10, rent supplements shall not be made with respect to more than 20 percent of the dwelling units in the project. This same limitation is applicable to any Section 231 project where the mortgage is finally endorsed after August 10, 1965, pursuant to a commitment issued on or before such date.

The FHA central office must approve each project recommended for rent supplements under the experimental program, so that proper controls may be maintained.

XXVIII. LEASE-OPTION PROJECTS

The law contains a special provision authorizing rent supplement payments on behalf of selected tenants occupying rental units under a lease with option to purchase. Projects should be planned for this special purpose so living units can be separated from the project mortgage when the family or individual qualifies for home ownership. Generally, such projects should consist of detached, semi-detached, or row houses, but they could also be garden-type apartments or other multifamily structures developed as condominiums.

Under the law, tenants selected for lease-option projects should have the capacity and probability of future increases in their incomes. No time limit is set for exercising the option to purchase, but it is expected that tenants would be selected who could become home owners within a reasonable period of time. Sponsors of this type of project should anticipate ultimate conversion of all living units to owner-occupancy.

Selected tenants will occupy their units on a rental basis, paying as their portion of the monthly rent 25 percent of their income, just as in the case of any other rent supplement tenant. In addition, the lease-option tenant will be permitted to pay additional sums from his own resources to be placed in an escrow account in his name by the housing owner. When the tenant has accumulated the required cash downpayment, and when his income has increased sufficiently to qualify for ownership, and his other credit characteristics are acceptable, his unit will be eligible for individual ownership and will have its own insured mortgage.

Initial proposals for lease-option projects should be submitted to the FHA central office for review so that specific procedures and contract forms may be developed to meet the special conditions involved.

XXIX. COOPERATIVES

A nonprofit cooperative housing corporation may sponsor a rent supplement project for the benefit of members of the cooperative who live in the project. The law makes special provision for sponsorship by cooperatives and provides that the monthly charges paid by cooperative members shall be treated the same as rental charges for purposes of calculating the amount of rent supplement. In other words, if the monthly payment for the living unit in a cooperative is more than 25 percent of the income of the family or individual occupying the unit, a rent supplement may be paid to make up the difference. If the cooperative member should sell his membership after receiving supplements, the amount of the supplements paid to him would be deducted from any equity to which he would otherwise be entitled, and such amount shall be disbursed as directed by the Commissioner.

Regular FHA procedures require that at least 90 percent of the residents in a cooperative be members, so that projects would have to be specially planned as cooperatives in order to qualify.

ADMINISTRATION

XXX. PROJECT NUMBERING

In order to identify those projects approved for rent supplements, the suffix letters "SUP" (for supplement) should be added to the prescribed Section 221 or 231 project number. This suffix should be included on all forms and other documents related to the project where the project number is used.

XXXI. NOTICE OF CANCELLATION

In the event plans for a proposed rent supplement project are cancelled after funds have been reserved, the Director shall issue a notice in writing to the Assistant Regional Administrator for FHA who will notify the Regional Administrator in writing, with one copy to the Statistics Section, Federal Housing Administration, Department of Housing and Urban Development, Washington, D. C. 20411, so that the reservation of funds may be cancelled.

XXXII. FISCAL INSTRUCTIONS

FHA will make rent supplement payments directly to the housing owner monthly in accordance with the rent supplement contract and approved supplements for tenants in occupancy. The following procedure will apply:

1. The application for Tenant Eligibility for Rent Supplement, Form 2501, will be prepared as set forth in Part XIX above.
2. The housing owner will submit the original and two copies of Form 2501 to the insuring office with its recommendation.
3. FHA will review the application, and will indicate on each copy whether the applicant is eligible or ineligible for rent supplements, and, if eligible, the amount of supplement which is approved.
4. For eligible applicants, the original and first carbon of Form 2501 will be retained by the Insuring Office in an "approved" file, set up by project, and within each project, alphabetically by the applicant's last name. The second carbon of the approved application will be returned to the housing owner.
5. For ineligible applicants, the original will be retained temporarily by the Insuring Office in a "reject" file by project, and the first carbon will be sent to the FHA Statistics Section, Washington, D. C. (write in the margin the reason for rejection). The second carbon of a rejected application will be returned to the housing owner.
6. If an approved rent supplement tenant does not occupy a dwelling unit in the project as planned, the housing owner should return to the Insuring Office his copy of the approved application. These applications will be so marked and the application will be considered cancelled; the original and first carbon will be removed from the approved file and both will be destroyed. The second carbon, which has been returned by the housing owner and has been checked in Part B, item 11, will be mailed to the FHA Statistics Section, Washington, D. C. After this screening, the approved file for each project should then contain the original and first carbon copy of each application (a) that was approved and (b) where the applicant occupied a dwelling unit. When the Insuring Office is notified of the date and the unit occupied by the applicant by entry on Form 2505, Schedule of Rent Supplement Payments Due, the office will record the date and unit number on both the original and first carbon of the Form 2501 application in Part B, item 10. The office will then detach and send the first carbon copy to the FHA Statistics Section, Washington, D.C. The housing owner will attach to his office copy of the executed lease the copy of the approved application and any required certifications or proof for each tenant who occupies a dwelling unit pursuant to a rent supplement contract.
7. As of the first day of each month the housing owner will prepare Form No. 2505, Schedule of Rent Supplement Payments Due, for the preceding month listing thereon (a) the month and year; (b) project name and number; (c) contract number; (d) tenant's name (head of family or household) listed in straight alphabetical order by last name; (e) unit number or address, and (f) the amount of the rent supplement, as approved by FHA on Form 2501. In all cases the amount of rent supplement shown on the schedule will be dollars only. In addition, for the first month of occupancy, the date occupied will be shown, and for the last month of occupancy, the date vacated.

Rents will be prorated for partial month occupancy. All prorations will be based upon a 30-day month, and will be derived by multiplying the number of days for which the tenant is chargeable by the monthly rent supplement, dividing by 30 and rounding to the nearest dollar. For example, if the tenant was in occupancy 13 days and the monthly rent supplement is \$48, the amount due for the partial month occupancy is \$21, calculated as follows:

$$\$48 \times 13 \div 30 = \$20.80 \text{ (rounded to \$21)}$$

Prorated rent supplements will be shown in Column (5) of the Schedule of Rent Supplements Due.

After determining and entering the total number of units and amount of rent supplement due, an authorized official will sign and date the schedule. Where more than one page is prepared, only the last page is to be signed and dated.

The original and one copy of Form 2505, prepared by ballpoint pen or typewriter, is to be submitted to the insuring office, together with a covering voucher as indicated below.

8. The housing owner will prepare a Public Voucher for Purchases and Services Other Than Personal, Standard Form 1034, original and 3 copies, Standard Form 1034a, in accordance with the attached exhibit. The amount shown thereon must agree with the total developed on the Schedule of Rent Supplement Payments Due. The original and 3 copies of the SF 1034 and the original and one copy of Form 2505, Schedule of Rent Supplement Payments Due, are to be submitted to the insuring office not later than the 10th day of the month following the operating month for which payment is claimed.

9. Upon receipt in the insuring office, each line item on the Schedule of Rent Supplement Payments Due will be verified against the file of approved Applications for Eligibility for Rent Supplement. The total will be adding-machine checked; the amount transferred to the voucher will be verified.

All errors and discrepancies will be corrected in the insuring office by making appropriate pen and ink changes in the schedule and voucher. Corrected totals will be shown on the original and copy of the supporting schedule and on the original and all copies of the SF 1034 and 1034a voucher. Each correction on the original voucher (SF 1034) and on the schedule will be initialed by an authorized certifying officer whereupon the original voucher, SF 1034, will be certified by an authorized certifying officer. A photo copy of the corrected voucher and schedule will be promptly transmitted to the housing owner as advice of the amount of rent supplement being approved for payment. Vouchers that are verified correct as submitted will not be photo copied. These vouchers will be promptly submitted to the FHA Comptroller's Division as indicated below for prompt payment.

One copy of the SF 1034a will be retained in the insuring office to which will be attached the copy of Form 2505, Schedule of Rent Supplement Payments Due. The copy of the voucher and supporting schedule will be retained in the insuring office file until such time as disposal is authorized by approved Records Control Schedules. The original certified SF 1034, to which will be attached the original signed Form 2505, and 2 copies of the SF 1034a will be promptly air-mailed to the Assistant Commissioner-Comptroller, Attention: Administrative Expense Section. Within 5 working days after receipt the voucher will be scheduled for payment to the Treasury Department; the check in payment of the total rent supplement due for the month will be mailed directly to the housing owner, or his designee, accompanied by a copy of the SF 1034a voucher for identification purposes.

If the housing owner takes exception to any corrections and it is determined that the submission was correct and the adjustments were in error, appropriate adjustment will be made on a subsequent schedule and voucher.

XXXIII. LOCAL APPROVAL

The law requires that no part of the rent supplement appropriation or contract authority shall be used for incurring any obligation in connection with any dwelling unit or project which is not either part of a workable program for community improvement meeting the requirements of Section 101 (c) of the Housing Act of 1949, as amended (42 U.S.C. 1451(c)), or which is without local official approval for participation in this program.

RENT SUPPLEMENT PROGRAM RESERVATION OF FUNDS

PART I - REQUEST FOR RESERVATION OF RENT SUPPLEMENT FUNDS

TO: **REGIONAL ADMINISTRATOR**
(Thru Assistant Regional
Administrator for FHA)

FROM: **FHA INSURING OFFICE**
City _____
State _____

A reservation of rent supplement funds is requested for the proposed housing project described below.

Project Location (Street, City and State) _____ Description of Project (Type of construction, etc.) _____

Name and Address of Sponsor _____ Type of Proposed Mortgage _____

Section of Act		Interest Rate	%	Total Number of Units	Est. No. of Rent Supp. Units	
Number of Units	No. of Bedrooms per Units	Proposed Rent per Unit	RENT SUPPLEMENT ESTIMATES			
			Number of Units	Av. Mo. Supp. per Unit	Total Monthly Supp.	Estimated Annual Supp.
		\$		\$	\$	\$
					TOTAL	\$
					Contingencies 10%	\$
					AMOUNT OF FUNDS REQUESTED	\$

REMARKS: (Total effective demand in area and distribution of family income among eligibles, if data developed by FHA)

Date _____ Signature of FHA Insuring Office Director _____

PART II - RESERVATION OF RENT SUPPLEMENT FUNDS

TO: **FHA INSURING OFFICE**
(Thru Assistant Regional
Administrator for FHA)

FROM: **REGIONAL ADMINISTRATOR**

TOTAL FUNDS RESERVED \$ _____ ☐ REQUEST DISAPPROVED

RESERVATION OF FUNDS TERMINATION DATE: _____

REMARKS: (Additional data or in case of disapproval, reasons therefor)

Date _____ Signature of Regional Administrator _____

INSTRUCTIONS: This form is to be initiated by the FHA Insuring Office during preapplication analysis prior to the invitation of a formal application for mortgage insurance. The invitation is to be withheld until reservation of funds is approved. The form is to be submitted in triplicate to the Assistant Regional Administrator for FHA, who will forward the original and three copies to the Regional Administrator. Upon approval or disapproval, the Regional Administrator will send the original and two copies to the Assistant Regional Administrator for FHA, who will retain one copy, and who will transmit the original to the FHA Insuring Office and a copy to the Statistics Section, Federal Housing Administration, Department of Housing and Urban Development, Washington, D. C. 20411.

INSTRUCTIONS FOR FILLING OUT APPLICATION FOR TENANT ELIGIBILITY FOR RENT SUPPLEMENT FHA FORM NO. 2501

1. Housing owner or managing agent should assist applicant in filling out this form.
2. List in Part A item 4 all members of family or household who will live in dwelling unit for which application is being made. Include head of family or household as identified in item 1. If there are more than six persons in the household, show same information for these on attached sheet of paper (four copies).
3. Show in Part A item 5 total income for the previous 12 months before taxes or other deductions for each member of family or household, including children. Show in Part A item 5a estimated income for next 12 months.
4. List in Part A item 6 the name and address of the employer for each working member of the household and indicate type of work for the member of the household.
5. List in Part A item 7 the combined assets of all members of the household, whether related or unrelated, who will live in the dwelling unit. "Other" assets should include cash surrender value of life insurance, but should exclude personal property, such as furniture and clothing. The estimated value of any automobiles or real estate owned by any member of the household, less indebtedness, should be listed. Unpaid bills for food, medical expenses, etc. (but not for furniture, clothing, or other personal property) may be deducted.
6. Show in Part A item 8 the amount and source of annual income before taxes or other deductions for the previous 12 months. Report separately for husband (or household head) and wife, and on a combined basis for all other members of the family or household, including children. Include income from all sources. The sum of the figures on the total income line in item 8 should equal the total income shown in item 5. A reduction from total income is permitted for unusual income which will not be forthcoming during the current 12 month period. This is intended to provide a more meaningful appraisal of current income. Such a reduction may include discontinuance of all or part of overtime pay, loss of income due to departure of secondary wage earner or minor, unemployment compensation which does not occur regularly, etc.
7. If the family has unusual and continuing expenses for disability or illness which are not compensated for by insurance or otherwise, show the amount of such monthly expenses in Part A item 9 and explain the nature of the disability or illness, on a separate sheet (three copies). Include a similar justification in those cases where a wage earner in a household who is gainfully employed or is actively seeking gainful employment incurs expenses for the care of children (under 13 years of age) or dependent persons (excluding husband or wife) physically or mentally incapable of caring for themselves.
8. To be eligible for rent supplements, the applicant's family or household income must be below the ceiling established for the locality, and he must qualify under one of the eligibility requirements listed in Part A item 10. Check the appropriate box or boxes and furnish proof as indicated if handicapped, 62 years old or older, or displaced by governmental action. Proof of age for other Federal benefits, such as Social Security or Medicare, will be satisfactory. If the applicant lives in substandard housing, a physical inspection of the property will be made. Proof shall be submitted or an inspection will be made if his present or former residence has been destroyed or extensively damaged by natural disaster.
9. The applicant shall sign and date the application.
10. Part B items 1 through 6 are to be filled in by the housing owner or his authorized managing agent. The "adjusted total income" to be entered in Part B item 3 will be the combined adjusted total income shown in Part A item 8. To determine the "Income for Supplement Payment" in Part B item 5, deductions from "Adjusted Total Income" may be made of not to exceed \$300 a year of income earned by each child under 18 years of age, for disability or continuing illness and for child care.
11. The original and two copies of the application (with one copy of any required certification or proof) shall be submitted to the Federal Housing Administration Insuring Office for review. The housing owner or manager will remove and keep the fourth copy of the application. After review, the FHA Insuring Office will return the second carbon copy and attachments to the housing owner, and FHA will retain the original and first carbon copy.
12. If the applicant moves in, the housing owner should note the date of move-in and identification of the dwelling unit in the space provided in Part B item 10 on his copy, and file the approved applications and attachments with the corresponding leases, alphabetically by applicant's last name, for future reference and audit. If the applicant does not move in and the application is cancelled, the box in Part B item 11 should be checked and the cancelled application should be sent to FHA.
13. Certifications required in Part A item 10 should be retained by the housing owner after review by FHA, and attached to the approved copy of the application and lease of eligible tenants. They may be returned to the applicant in the case of rejection or cancellation.
14. After receiving the first monthly voucher from the housing owner which includes the initial listing of the applicant and date of occupancy, the FHA Insuring Office will record the date of occupancy and apartment number or address of the unit occupied by the applicant in Part B, item 10, on the original and first copy of the application, and will then mail the first carbon copy to the Statistics Section, Federal Housing Administration, Department of Housing and Urban Development, Washington, D.C. 20411. Upon receipt of cancelled applications which have been checked by the housing owner in Part B, item 11, the original and first carbon copy will be removed from the file and destroyed, and the second carbon copy will be mailed to the Statistics Section.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
Form Approved
Budget Bureau No. 63-R1098.1

FHA FORM NO. 2501
May 1964

APPLICATION FOR TENANT ELIGIBILITY FOR RENT SUPPLEMENT

Project Name and Location _____

Tenant ☐ Lease Option ☐ Rent Supp. Con. No. _____ FHA Project No. _____

Coop Member ☐

PART A - APPLICANT'S STATEMENT:

1. Name (Head of Family or Household) _____ 2. Present Address _____ 3. Total Persons in Household _____

4. HOUSEHOLD COMPOSITION:

Age	Sex	Relationship	Social Security No.	Before Deductions
(1)		HUSBAND or HEAD		
(2)				
(3)				
(4)				
(5)				
(6)				

5. Income Previous 12 Mos. _____ 6. EMPLOYMENT: (Last Name and Address of Employer and Type of Work)

(1) Husband or Head of Household _____

(2) Wife _____

(3) Other Household Members _____

TOTAL ANNUAL INCOME → \$ _____

ASSETS: (All Household Members Combined)

ASSETS	Auto: (Make and Year)	SOURCE	HUSBAND	WIFE	Other House- hold Members
Cash on Hand		Regular Salary			
Checking Account		Other Wages (Part Time)			
Savings Account		Social Security			
U.S. Savings Bonds		Other Retirement			
Other Bonds or Stocks		Military or Vet. Disability			
Other (List)		Unemployment Benefits			
		Welfare Benefits			
		Other (Specify)			
		TOTAL INCOME			
		Less: Unusual Income (see Instr. 6)			
		Adjusted Total Income			

SubTOTAL (All Assets) - \$ _____

Less: Unpaid Bills (See Instr. 5) - \$ _____

TOTAL ASSETS - \$ _____

9. ANNUAL EXPENSE FOR: (a) Disability or Continuing Illness - \$ _____ (See Instr. 7 - Attach Details) (b) Care of Children - \$ _____

10. ELIGIBILITY REQUIREMENTS: (Check Appropriate Box(es))

A. ☐ Physically Handicapped (Either Household Head or Spouse has a physical impairment which (a) is expected to be of long-continued and indefinite duration, (b) substantially impedes his ability to live independently and (c) is of such a nature that such ability could be improved by more suitable living conditions.) (Submit letter from Doctor, Clinic, or VA.)

B. ☐ Sixty-two or Older (Either Household Head or Spouse) (Submit Birth Certificate or other evidence)

C. ☐ Displaced by Government Action (Submit Certificate of Eligibility, FHA Form No. 3176)

D. ☐ Present Housing Substandard -

1. ☐ Dilapidated Condition 3. ☐ No usable Flush Toilet

2. ☐ No Hot Running Water 4. ☐ No Tub or Shower

E. ☐ Disaster Victim (Dwelling destroyed or extensively damaged by Natural Disaster)

I hereby certify that the foregoing information is true and complete to the best of my knowledge and inquiries may be made to verify the statements made herein.

Date _____ Signature of Applicant _____

WARNING Section 1001 of Title 18 of the United States Code makes it a Criminal Offense to make a wilfully false statement or misrepresentation to any Department or Agency of the United States or to any matter within its jurisdiction.

PART B - ELIGIBILITY FOR RENT SUPPLEMENT:

1. Number of Bedrooms Needed	7. Unit Rent Per Month
2. Area Income Ceiling	8. Applicant's Share (25% of Item 6 or Welfare Rent Allowance if Larger)
3. Adjusted Total Income (Part A Item 8)	9. Amount of Rent Supplement (7 - 8)
4. I.E.S.S. Children's Income (See Instr. 10)	
Disability Expenses (Part A Item 9a)	
Care of Children (Part A Item 9b)	
5. Income For Supp. Payment (3 - 4)	
6. Average Monthly Income (Item 5 ÷ 12)	

RECOMMENDED FOR APPROVAL

Date _____ Signature _____ (Housing Owner or Manager)

10. ☐ Applicant occupied Unit No. _____ Address _____

On _____ (Date)

11. ☐ Applicant did not move in and application is cancelled. (Check box and send to FHA)

12. CERTIFICATE OF ELIGIBILITY:

The above information has been reviewed and the applicant is ☐ is not ☐ eligible for rent supplement payments in an amount of \$ _____ per month.

☐ ENTRIES IN PART B CORRECTED AS SHOWN

The housing owner shall include in the lease a requirement that the tenant shall report immediately to the housing owner when his total gross income (before deductions) reaches \$ _____; and also that the tenant shall recertify his current income one year from the date shown below.

FEDERAL HOUSING ADMINISTRATION

Date _____ By _____ (Authorized Agent)

FHA FORM NO. 2502

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION

RENT SUPPLEMENT PROGRAM
PHYSICAL INSPECTION OF HOUSING FOR TENANT ELIGIBILITY

FOR COMPLETION BY FHA

Name of Applicant _____ FHA Project No. _____

Applicant Claims

A. ☐ PRESENT HOUSING SUBSTANDARD -

1. ☐ Dilapidated Condition 3. ☐ No usable Flush Toilet

2. ☐ No Hot Running Water 4. ☐ No Tub or Shower

B. ☐ Disaster Victim (Dwelling destroyed or extensively damaged by Natural Disaster)

Address of Property (Presently or formerly occupied by Applicant) _____

FOR COMPLETION BY INSPECTOR

A. ☐ Substandard Housing (check and complete, if applicable)

This is to certify that I have personally inspected the above premises and find that from the criteria set forth below, they are substandard for the reason or reasons checked:

1. ☐ Dilapidated Condition (A dilapidated housing unit is one that does not provide safe and adequate shelter, and in its present condition endangers the health, safety, or well-being of the occupants. Such a housing unit has one or more critical defects, or has a combination of intermediate defects in sufficient number or extent to require considerable repair or rebuilding, or is of inadequate original construction. The defects are either so critical or so widespread that the structure should be extensively repaired, rebuilt, or torn down.

Critical defects include: Holes, open cracks, or rotted, loose or missing material (clapboard siding, shingles, bricks, concrete, tile, plaster, or floorboards) over a large area of the foundation, outside walls, roof, chimney, or inside walls, floors or ceilings; substantial sagging of floors, walls, or roof, and extensive damage by storm, fire, or flood.

To be classified as dilapidated on the basis of intermediate defects, a housing unit must have such defects in sufficient number or extent that it no longer provides safe and adequate shelter.

Inadequate original construction includes: Shacks, huts or tents; structures with makeshift walls or roofs, or built of packing boxes, scrap lumber or tin; structures lacking foundations (walls rest directly on the ground); structures with dirt floors; and cellars, barns, garages, or other places not originally intended for living quarters and inadequately converted to such quarters.)

2. ☐ No Hot Running Water (Any unit which does not have piped hot water available in the unit will be considered substandard.)

3. ☐ No Usable Flush Toilet (Any unit which does not have a usable flush toilet inside the structure available for the exclusive use of the occupants of the unit will be considered substandard.)

4. ☐ No Tub or Shower (Any unit which does not have a tub or shower inside the structure supplied with piped hot and cold water available for the exclusive use of the occupants of the unit will be considered substandard.)

(Facilities are located inside the structure if they are located inside the same structure as the housing unit. They may be located within the housing unit itself or they may be located in a hallway.)

B. ☐ Natural Disaster (check, if applicable)

This is to certify that I have personally inspected the above premises and find that they are in an area designated by the Small Business Administration as a disaster area since April 1, 1965, and the property has been destroyed or extensively damaged by natural disaster.

C. ☐ Condition(s) Claimed Not Found

Remarks _____

Date _____ Signature of Inspector _____

Name of Inspecting Agency _____

Contract No. _____
(Project No.)**RENT SUPPLEMENT CONTRACT**

THIS AGREEMENT (herein called the "Contract"), entered into this _____ day of _____, 19____, between _____ (herein called the "Housing Owner"), and its successors, and the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner (herein called the "Commissioner"), and his successors, WITNESSETH:

In consideration of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Purpose of Contract -- The purpose of this Contract is to provide financial assistance to enable certain private housing to be available for low income families and individuals who are elderly, handicapped, displaced, victims of natural disasters, or occupants of substandard housing, by the Commissioner's payment of a portion of the rent on behalf of qualified tenants, pursuant to Section 101 of the Housing and Urban Development Act of 1965, Public Law 89-117 89th Congress, H.R. 7984, August 10, 1965 (herein called the "Rent Supplement Program").

SECTION 2. Description of Project -- The housing project covered by this Contract is identified as follows:

FHA Project No. _____, located at _____, consisting of _____ units (herein called the "Project"). The Project is subject to a mortgage in the amount of \$ _____, insured under Section _____ of the National Housing Act bearing interest at a permanent rate of _____ % (herein called the "Insured Mortgage").

SECTION 3. Housing Owner's Certification of Authority - Commissioner's Certification of Eligibility of Housing Owner -- The Housing Owner certifies that it has the legal authority to enter into this Contract and to own, operate and manage the Project in accordance with this Contract and the regulations of the Secretary of Housing and Urban Development and the Commissioner governing the Rent Supplement Program.

The Commissioner certifies that the Housing Owner is eligible and has been approved for receiving the benefits of the Rent Supplement Program.

SECTION 4. Term -- This Contract shall continue until the termination or maturity of the Insured Mortgage, or 40 years from the date of the first payment made hereunder, whichever occurs first.

SECTION 5. Maximum Annual Contract Amount -- The maximum dollar amount of rent supplement payments that may be made under this Contract in any one fiscal year shall be limited to an amount fixed by the Commissioner in the following manner:

Based upon probable effective demand and distribution of tenant income, the Commissioner has estimated that rent supplement payments in any one year plus a contingency allowance of 10% will not exceed \$ _____.

The Housing Owner agrees, during a rent-up period as defined herein, to use its best efforts to secure tenants whose annual rent supplement requirements would not exceed the Commissioner's estimate.

At the termination of the rent-up period, the Commissioner will adjust the original estimate to reflect the actual rent supplement requirements of tenants during the rent-up period plus a contingency allowance of 10%. Upon such adjustment being made, the Commissioner shall give written notice thereof to the Housing Owner by an Addendum to be made a part of this contract.

The amount stated in the Addendum shall constitute the maximum annual contract amount and limit the amount of rent supplement payments that may be made under this Contract in any one fiscal year. It shall be effective, on a non-cumulative basis, from the time commencing after the rent-up period through the remaining term of the Contract.

The rent-up period shall commence on the date occupancy is first approved by the Commissioner and shall terminate _____ months thereafter, or upon such later date as the Commissioner has consented to in writing.

SECTION 6. Qualified Tenants -- The benefits of the rent supplement program shall be available only to an individual or family with respect to whom the Commissioner has issued a certificate of eligibility.

SECTION 7. Certificate of Eligibility - Amount of Rent Supplement Payments - Termination for Reported Increased Income - Increase for Hardship - Yearly Recertification Requirements and Adjustment. -- The Housing Owner will assist a tenant in preparing an application for rent supplement payments. Upon request of the Housing Owner, the Commissioner will review the application for eligibility. If the application meets the requirements of the Commissioner, the Commissioner shall issue the initial certificate of eligibility. The initial certificate shall state the amount of rent supplement payment that the Commissioner will make monthly to the Housing Owner on behalf of the qualified tenant. This shall be the amount by which the fair market rental for the unit approved by the Commissioner exceeds one-fourth of the tenant's income as determined by the Commissioner, or exceeds any welfare allowance for housing if such allowance is larger than one-fourth of the tenant's income, except that the amount of rent supplement payment stated in the initial certificate of eligibility shall not, regardless of the tenant's income, exceed 70% of the fair market rental for the unit. An initial certificate of eligibility will not be issued in any case where the amount of rent supplement payment would be less than 10% of the fair market rental for the unit.

The Commissioner may terminate rent supplement payments upon a reported increase in income by the tenant pursuant to Section 9 hereof.

Where a tenant's income has decreased due to illness, loss of job, or other hardship beyond his control, the Commissioner may grant a temporary increase in rent supplement payments.

A recertification of income shall be obtained by the Housing Owner each year from the date the initial certificate was issued, except with respect to tenants who are 62 years of age or older. The rent supplement payment shall be adjusted to reflect income changes shown by the recertification.

SECTION 8. Commissioner's Agreement to Make Rent Supplement Payments to Housing Owner -- During the rent-up period the Commissioner agrees to make rent supplement payments to the Housing Owner on behalf of qualified tenants in the amounts set forth in the certificate of eligibility. Thereafter, the Commissioner agrees to make rent supplement payments to the Housing Owner on behalf of qualified tenants in the amounts set forth in the certificates of eligibility subject to the adjustment provided herein and the maximum annual contract amount limiting the amount of payments in any one fiscal year. Payments shall be made monthly in accordance with procedures prescribed by the Commissioner. In no event shall payments be made for vacant units.

SECTION 9. Lease - Continuing Occupancy - Size of Units -- Occupancy by qualified tenants shall be permitted only upon the execution of a lease in form approved by the Commissioner. The lease must provide that the tenant report immediately any increase in income which results in a monthly income of four or more times the full monthly rental for the housing unit occupied. The Housing Owner agrees to immediately notify the Commissioner in writing of such report so that termination of rent supplement payments can be made. Failure of the Housing Owner to notify the Commissioner of the report shall obligate the Housing Owner to reimburse the Commissioner for any rent supplement payments made during the period the tenant is receiving the reported increase in income. The lease shall also contain a provision obligating the tenant to reimburse the Commissioner for any rent supplement payments made by the Commissioner during a period when the tenant's income has increased to four or more times the full monthly rental and the payments have not been terminated because of the tenant's failure to report such increase to the Housing Owner.

Where, by reason of an increase in income, a tenant is no longer entitled to rent supplement benefits, he may continue to occupy the unit, but in no event shall the rent for the unit exceed the fair market rental as determined by the Commissioner.

Qualified tenants shall not be permitted to occupy units larger than the Commissioner determines necessary for their needs.

SECTION 10. Tenant Selection -- The Housing Owner will be responsible for tenant selection and for the usual landlord-tenant relationships, conditioned on the Commissioner's approval if the tenant is eligible for rent supplements. The Housing Owner will be free to evict tenants for violation of lease provisions or for other causes. The Housing Owner may rent units to families or individuals who can afford to pay market rents or to families and individuals eligible to receive rent supplements.

SECTION 11. Records -- The Housing Owner shall maintain accurate records, books and accounts in such form and manner as the Commissioner may prescribe. Such records, books and accounts shall be available to the Commissioner for inspection and audit.

SECTION 12. Defaults -- The violation of the regulations, or of any covenant of this Contract, or of the insured mortgage, or of the regulatory agreements, or the filing of any false statement or misrepresentation to the Commissioner on the part of the Housing Owner, shall constitute a default under this Contract. Upon such default, the Commissioner may terminate this Contract without further liability hereunder and bring action to recover from the Housing Owner any excess rent supplement payments received in violation of this Contract.

SECTION 13. Non-Assignment -- This Contract or any interest therein may not be assigned without the prior written approval of the Commissioner.

SECTION 14. Exclusion - No member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of this Contract or to any benefits which may arise therefrom; but this provision shall not be construed to extend to this Contract if made with a corporation for its general benefit.

SECTION 15. Provisions Applicable if Housing Owner is a Cooperative Corporation --

(a) As used in this Contract the term "tenant" shall mean a member of a cooperative, and the term "rent" shall mean the charges under the occupancy agreement between the members of the cooperative.

(b) A member of a cooperative that obtains a certificate of tenant eligibility shall be required, as a condition of receiving such certificate, to agree that upon a sale of such membership any equity increment accumulated through rent supplement payments will be turned over to the cooperative housing owner and will not be made available to the member. Funds received by a cooperative representing equity increment accumulated through rent supplement payments shall be deposited in a special account by the cooperative and disbursed as directed by the Commissioner.

SECTION 16. Renegotiation, Modification, Termination -- If, at any future time, the parties find that it would be to their best interests and to the best interests of the Rent Supplement Program, the maximum annual contract amount may be increased or decreased, or any other provision of the Contract may be modified or amended, or the entire contract be terminated, upon written agreement of the parties.

SECTION 17. Special Conditions -- The following special conditions shall be applicable to this Contract:

(SEAL)

Attest:

(Housing Owner)

By _____

SECRETARY OF HOUSING AND URBAN DEVELOPMENT

by FEDERAL HOUSING COMMISSIONER

Attest:

By _____

MODEL FORM OF LEASE
(for use under rent supplement program)

FHA PROJECT NO. _____

This Agreement made and entered into this _____ day of _____, between _____, as LANDLORD, and _____, as TENANT

WITNESSETH:

WHEREAS, LANDLORD has entered into a Rent Supplement Contract with the Secretary of Housing and Urban Development, acting by and through the Federal Housing Commissioner, which provides that the Commissioner will pay a portion of the rent on behalf of qualified tenants pursuant to Section 101 of the Housing and Urban Development Act of 1965, Public Law 89-117, 89th Congress, H. R. 7984, August 10, 1965; and

WHEREAS, the Commissioner has reviewed an Application for Tenant Eligibility and has certified that TENANT is eligible for rent supplement payments in the amount of \$ _____ per month; and

WHEREAS, the Rent Supplement Contract provides that a recertification of TENANT's income shall be made yearly, except with respect to tenants who are 62 years of age or older, and that the rent supplement payment shall be adjusted by the Commissioner to reflect income changes shown on the recertification; and

WHEREAS, the Rent Supplement Contract requires that TENANT agree to report immediately to the LANDLORD any increase in income which will result in a monthly income of four or more times the monthly rental in order that the Commissioner may discontinue rent supplement payment; and

WHEREAS, the Commissioner may grant a temporary increase in rent supplement payments where a tenant's income has decreased due to illness, loss of job, or other hardship beyond his control,

NOW THEREFORE,

1. The LANDLORD leases to the TENANT and the TENANT hires from the LANDLORD dwelling unit _____ in the premises known as _____ for the term commencing on the _____ day of _____ and ending on the _____ day of _____ at a monthly rental of \$ _____.

2. The monthly rental, stipulated herein, shall include the costs of all hot and cold water, janitor service, electric current, gas and heat (all of which utilities LANDLORD covenants and agrees to furnish to the TENANT at reasonable times and in reasonable amounts). LANDLORD shall not collect any charges for such utilities in addition to the monthly rental.

3. Of the monthly rental, TENANT agrees to pay, as TENANT's share, the sum of \$ _____, being the difference between the monthly rental and the aforesaid amount of monthly rent supplement payment to be made by the Commissioner pursuant to the Rent Supplement Contract.

4. TENANT further agrees, in the event the amount of monthly rent supplement payment is adjusted by the Commissioner, as provided above, to pay in lieu of the amount specified in the preceding paragraph, the difference between the monthly rental and the adjusted amount of rent supplement payment. LANDLORD agrees to give written notice to TENANT, by an addendum to be made a part of this lease, immediately upon such adjustment made by the Commissioner, stating the new amount the TENANT will be required to pay as TENANT's share of the monthly rental.

5. Said rent shall be payable monthly in advance on or before the first calendar day of each month at _____ to LANDLORD or to such other person or persons as the LANDLORD from time to time by written notice designates.

6. This lease shall be automatically renewed for successive terms of one month each at the aforesaid rental, subject to adjustment as herein provided, payable in advance without demand on the FIRST day of each month.

7. TENANT agrees that the family income, family composition and other eligibility requirements shall be deemed substantial and material obligations of his tenancy with respect to the amount of rent supplement benefits for which TENANT is eligible and in determining TENANT's share of the monthly rental.

8. TENANT agrees to comply promptly with all requests by the LANDLORD or the Federal Housing Commissioner for information and certifications concerning the total current family income of the TENANT, the composition of the TENANT's family and other requirements for occupancy.

9. TENANT agrees to report immediately to the LANDLORD if his monthly income increases to or is more than \$ _____ (this amount is equal to four times the monthly rental for the unit).

10. TENANT, except in the case of tenants who are 62 years of age or older, agrees that a recertification of income shall be made to the Commissioner each year from the date of the original certification by the Commissioner.

11. TENANT understands that the rent supplement payment and TENANT's share of the monthly rental is subject to adjustment to reflect these income changes and agrees to be bound by such adjustment.

12. LANDLORD and TENANT understand that, where by reason of an increase in income, TENANT is no longer entitled to rent supplement benefits, TENANT may continue to occupy the unit but in no event shall the rent exceed the monthly rental.

13. Without LANDLORD's written consent, the TENANT shall not assign this lease; give accommodation to any roomers, lodgers, or other persons not listed in this paragraph; permit the use of the premises for any purpose other than as a private dwelling solely for the TENANT and his family, consisting of the following named persons:

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

14. TENANT agrees to reimburse the Commissioner for any excess rent supplement payments made by the Commissioner during any period when an appropriate adjustment or termination of payments was not made.

(a) because of TENANT's failure to report an increase in income to the Housing Owner, as required by paragraph 9.

(b) because of TENANT's misrepresentation of statements made in TENANT's application for rent supplement payments, recertification of income or any other information furnished to LANDLORD or Commissioner; or

(c) because of TENANT's failure to supply information requested by the LANDLORD or the Commissioner.

15. TENANT for himself and his heirs, executors and administrators agrees as follows:

(a) to pay the rent herein stated promptly when due, without any deductions whatsoever, and without any obligation on the part of the LANDLORD to make any demand for the same.

(b) to keep the premises in a clean and sanitary condition, and to comply with all laws, health and policy requirements, with respect to said premises and appurtenances, and to save the LANDLORD harmless from all fines, penalties and costs for violations or noncompliances by TENANT with any of said laws, requirements, or regulations, and from all liability arising out of any such violations or noncompliance.

(c) not to use premises for any purpose deemed hazardous by insurance companies carrying insurance thereon.

(d) that if any damage to the property shall be caused by his acts or neglect, the TENANT shall forthwith repair such damage at his own expense, and should the TENANT fail or refuse to make such repairs within a reasonable time after the occurrence of such damage, the LANDLORD may, at his option, make such repairs and charge the cost thereof to the TENANT, and the TENANT shall thereupon reimburse the LANDLORD for the total cost of damages so caused.

(e) to permit the LANDLORD, or his agents, or any representative of any mortgage on the property, or when authorized by the LANDLORD the employees of any contractor, utility company, municipal agency or others, to enter the premises for the purpose of making reasonable inspections and repairs.

(f) not to install a washing machine or dryer in the apartment without the prior written approval of the LANDLORD.

(g) to have no animals or pets of any kind on the premises, other than those expressly permitted in writing by the LANDLORD.

(h) to permit the LANDLORD or his agents to bring unlawful detainer and any other appropriate legal action in the event of a breach or threatened breach by the TENANT of any of the covenants or provisions of this Lease.

(i) the TENANT, by the execution of this Agreement, admits that the dwelling unit described herein has been inspected by him, and meets with the approval of the TENANT. The TENANT acknowledges hereby that said premises have been satisfactorily completed, and that the LANDLORD will not be required to

repaint, replaster, or otherwise perform any other work, labor, or service which it has already performed for the TENANT. The TENANT admits that the premises are in a tenantable condition, and agrees that at the end of the occupancy hereunder to deliver up and surrender said premises to the LANDLORD in as good condition as when received, reasonable wear and tear excepted.

16. No alteration, addition, or improvements shall be made in or to the premises without the consent of the LANDLORD in writing.

17. TENANT agrees not to waste utilities furnished by the LANDLORD; not to use utilities or equipment for any improper or unauthorized purpose; and not to place fixtures, signs, or fences in or about the premises without the prior revocable permission of the LANDLORD in writing.

18. TENANT agrees to make a deposit of \$25.00 against any damage except reasonable wear done to the premises by the TENANT, his family, guest, or agent; to pay when billed the full amount of any such damage in order that the deposit will remain intact. Upon termination of this Lease, the deposit is to be refunded to the TENANT or to be applied to any such damage or any rent delinquency.

19. TENANT further agrees that if he should fail to pay the rent herein stipulated promptly when due, or should fail to comply with any and all other provisions of this Agreement, or in the event that this Agreement shall terminate pursuant to the provisions hereof, then in any of said cases it shall be lawful for the LANDLORD, at his election or option, to re-enter and take possession, the TENANT hereby expressly waiving any and all notices to vacate said premises, and thereupon this demise shall absolutely terminate.

20. If TENANT defaults in making any payment required by this Agreement, and the LANDLORD has obtained the services of any attorney with respect to the collection thereof, the TENANT covenants and agrees to pay to the LANDLORD any costs or fees involved, including reasonable attorney's fees, notwithstanding the fact that a suit has not yet been instituted, and if a suit is instituted, the TENANT shall also pay the costs of the suit.

21. This instrument shall not be a lien against said premises in respect to any mortgages that are now on or that hereafter may be placed against said premises, and the recording of such mortgage or mortgages shall have preference and precedence and be superior and prior in lien of this Agreement, irrespective of the date of recording and the TENANT agrees to execute any such instrument without cost, which may be deemed necessary or desirable to further effect the subordination of this Agreement to any such mortgage or mortgages, and a refusal to execute such instrument shall entitle the LANDLORD, or the LANDLORD's assigns and legal representatives to the option of cancelling this Agreement without incurring any expense or damage and the term hereby granted is expressly limited accordingly.

22. Failure of the LANDLORD to insist upon the strict performance of the terms, covenants, agreements and conditions herein contained, or any of them, shall not constitute or be construed as a waiver or relinquishment of the LANDLORD's right thereafter to enforce any such term, covenant, agreement, or condition, but the same shall continue in full force and effect.

23. In return for the TENANT's continued fulfillment of the terms and conditions of this Agreement, the LANDLORD covenants that the TENANT may at all times while this Agreement remains in effect, have and enjoy for his sole use and benefit the property hereinabove described.

WITNESS:

_____ LANDLORD
By: _____

_____ TENANT
Husband
_____ Wife

**BASIC MULTIFAMILY AMORTIZATION PLANS
RENT SUPPLEMENT PROGRAM**

The LEVEL ANNUITY MONTHLY PAYMENT plan is authorized for Rent Supplement Housing projects. The allowable mortgage terms and monthly payments to principal and interest for several possible interest rates follow. In new construction, the maximum mortgage amortization period is forty years. Since in the case of existing construction, no mortgage may have an amortization period appreciably in excess of 75% of the estimated remaining economic life of the project, the maximum amortization period for each finding of economic life is also presented.

Interest Rate	Years of Remaining Economic Life	Maximum Term Years	Term Months	Number of Payments	Initial Curtail Rates	Monthly Payment to Principal and Interest Rate per \$1,000 *
5-1/2%	55	40	0	480	.689244%	\$5.157703
5-1/2%	50	37	6	450	.805432	\$5.254527
5-1/2%	45	33	9	405	1.023711	\$5.436426
5-1/2%	40	30	0	360	1.313468	\$5.677890
5-1/2%	35	26	3	315	1.706696	\$6.005580
5-1/2%	30	22	6	270	2.256639	\$6.463866
5-1/2%	25	18	9	225	3.059006	\$7.132505
5-1/2%	20	15	0	180	4.305002	\$8.170835
5-1/4%	55	40	0	480	.736444%	\$4.988703
5-1/4%	50	37	6	450	.856300	\$5.088583
5-1/4%	45	33	9	405	1.080428	\$5.275357
5-1/4%	40	30	0	360	1.376444	\$5.522037
5-1/4%	35	26	3	315	1.776320	\$5.855267
5-1/4%	30	22	6	270	2.333270	\$6.319392
5-1/4%	25	18	9	225	3.142962	\$6.994135
5-1/4%	20	15	0	180	4.396532	\$8.038777
3-7/8%	55	40	0	480	1.047377%	\$4.101981
3-7/8%	50	37	6	450	1.186300	\$4.217750
3-7/8%	45	33	9	405	1.440364	\$4.429470
3-7/8%	40	30	0	360	1.767845	\$4.702371
3-7/8%	35	26	3	315	2.200607	\$5.063006
3-7/8%	30	22	6	270	2.791719	\$5.555599
3-7/8%	25	18	9	225	3.636652	\$6.259710
3-7/8%	20	15	0	180	4.926274	\$7.334395
3-3/8%	55	40	0	480	1.184159%	\$3.799299
3-3/8%	50	37	6	450	1.329256	\$3.920213
3-3/8%	45	33	9	405	1.592846	\$4.139872
3-3/8%	40	30	0	360	1.930154	\$4.420962
3-3/8%	35	26	3	315	2.373012	\$4.790010
3-3/8%	30	22	6	270	2.974450	\$5.291208
3-3/8%	25	18	9	225	3.829886	\$6.004072
3-3/8%	20	15	0	180	5.130119	\$7.087599
3-1/8%	55	40	0	480	1.257708%	\$3.652257
3-1/8%	50	37	6	450	1.405678	\$3.775565
3-1/8%	45	33	9	405	1.673679	\$3.998899
3-1/8%	40	30	0	360	2.015506	\$4.283755
3-1/8%	35	26	3	315	2.462979	\$4.656649
3-1/8%	30	22	6	270	3.069111	\$5.161759
3-1/8%	25	18	9	225	3.929302	\$5.878585
3-1/8%	20	15	0	180	5.234312	\$6.966093
3%	55	40	0	480	1.295813%	\$3.579844
3%	50	37	6	450	1.445160	\$3.704300
3%	45	33	9	405	1.715268	\$3.929390
3%	40	30	0	360	2.059248	\$4.216040
3%	35	26	3	315	2.508916	\$4.590763
3%	30	22	6	270	3.117274	\$5.097728
3%	25	18	9	225	3.979714	\$5.816428
3%	20	15	0	180	5.286979	\$6.905816

*The monthly payment for a loan on the Level Annuity Monthly Payment basis is calculated by dividing the mortgage amount by 1,000, multiplying the result by the applicable figure in the "Monthly Payment to Principal and Interest" column and rounding off the total to the next higher whole cent.

SCHEDULE OF RENT SUPPLEMENT PAYMENTS DUE

Month of _____, 19____ Page ____ of ____ Pages

Project Name		Project No. (Use suffix "202" if Section 202 elderly)		
Tenant Name	Unit Number or Address	Date Occupied (Initial period only)	Date Vacated (If applicable)	Amount of Rent Supplement
(1)	(2)	(3)	(4)	(5)
TOTALS		XXXXXXXXXXXX	XXXXXXXXXXXX	
I hereby certify that the above information is true and correct.				
Signature of Authorized Official: _____ Date: _____				

Standard Form No. 1034 7 GAO 5000 1034-111		PUBLIC VOUCHER FOR PURCHASES AND SERVICES OTHER THAN PERSONAL				VOUCHER NO.	
U.S. DEPARTMENT, BUREAU, OR ESTABLISHMENT AND LOCATION				DATE VOUCHER PREPARED October 5, 1966		SCHEDULE NO.	
				CONTRACT NUMBER AND DATE 000-35001-NP-SUP 4-1-66		PAID BY	
				REQUISITION NUMBER AND DATE			
PAYEE'S NAME AND ADDRESS ABC HOUSING CORPORATION 1234 Main Street Anywhere, United States 00996				DATE INVOICE RECEIVED			
				DISCOUNT TERMS			
				PAYEE'S ACCOUNT NUMBER			
				GOVERNMENT B/L NUMBER			
SHIPPED FROM				TO		WEIGHT	
NUMBER AND DATE OF ORDER	DATE OF DELIVERY OR SERVICE	ARTICLES OR SERVICES <i>(Enter description, item number of contract or Federal supply schedule, and other information deemed necessary)</i>		QUAN- TITY	UNIT PRICE COST PER		AMOUNT (-)
		Rent supplements for the month of September 1966 as per the attached schedule for Project No. 000-35001-NP-SUP					\$5,000.00
(Use continuation sheets if necessary)				(Payee must NOT use the space below)		TOTAL \$5,000.00	
PAYMENT: <input type="checkbox"/> COMPLETE <input type="checkbox"/> PARTIAL <input type="checkbox"/> FINAL <input type="checkbox"/> PROGRESS <input type="checkbox"/> ADVANCE		APPROVED FOR = \$		EXCHANGE RATE = \$1.00		DIFFERENCES	
		BY :					
		TITLE				Amount verified; correct for (Signature or initials)	
Pursuant to authority vested in me, I certify that this voucher is correct and proper for payment. FRANK C. BROWN Auth. Certifying Officer OCT. 6, 1966 (Date) (Authorized Certifying Officer) (Title)							
ACCOUNTING CLASSIFICATION							
PAID BY	CHECK NUMBER	ON TREASURER OF THE UNITED STATES			CHECK NUMBER	ON (Name of bank)	
	CASH	DATE			PAYEE ¹		
						PER	
						TITLE	

¹ When stated in foreign currency, insert name of currency.
² If the ability to certify and authority to approve are combined in one person, one signature only is necessary; otherwise the approving officer will sign in the space provided, over his official title.
³ When a voucher is received in the name of a company or corporation, the name of the person writing the company or corporate name, as well as the capacity in which he signs, must appear. For example: "John Doe Company, per John Smith, Secretary", or "Treasurer", as the case may be.

Income Limits for Eligibility^{1/} for Rent Supplements
in 51 Cities of Over 250,000 Population
and 20 Cities of Under 250,000 Population

	Number of Persons in Family						
	One	Two	Three	Four	Five	Six	Seven or More
<u>Cities of 250,000 or More</u>							
New York, New York	\$3,888	\$5,256	\$5,760	\$5,760	\$6,100	\$6,100	\$6,100
Chicago, Illinois	3,000	4,200	4,400	4,600	4,800	5,000	5,200
Los Angeles, Calif.	3,900	3,900	4,300	4,300	4,600	4,600	4,600
Philadelphia, Pa.	3,200	3,600	3,800	3,800	4,000	4,000	4,200
Detroit, Mich.	4,200	4,200	4,300	4,300	4,700	4,700	4,700
Baltimore, Md.	3,000	3,400	3,650	3,650	4,000	4,000	4,200
Houston, Texas	2,640	2,640	3,040	3,040	3,780	3,780	3,780
Cleveland, Ohio	2,900	4,000	4,200	4,400	4,600	4,800	5,000
Washington, D. C.	3,200	3,500	3,700	3,900	4,100	4,300	4,500
St. Louis, Mo.	3,700	3,700	4,400	4,400	4,900	4,900	4,900
Milwaukee, Wisc.	3,500	3,500	3,800	3,800	4,200	4,200	4,200
San Francisco, Calif.	2,880	4,000	4,200	4,200	4,500	4,500	4,500
Boston, Mass.	3,600	3,600	3,800	3,800	4,100	4,100	4,400
Dallas, Texas	3,000	3,000	3,300	3,300	3,600	3,600	3,600
New Orleans, La.	2,700	2,700	3,000	3,000	3,300	3,300	3,300
Pittsburgh, Pa.	3,400	4,000	4,400	4,400	4,600	4,600	4,800
San Antonio, Tex.	2,700	2,900	3,100	3,100	3,400	3,400	3,400
San Diego, Calif.	3,900	3,900	4,300	4,300	4,600	4,600	4,600
Seattle, Wash.	2,800	3,600	4,200	4,200	4,600	4,600	4,600
Buffalo, New York	3,600	3,900	4,500	5,000	5,000	5,880	5,880
Cincinnati, Ohio	2,700	3,200	3,500	4,000	4,200	4,400	4,600
Memphis, Tenn.	2,400	2,880	3,100	3,200	3,700	3,800	4,000
Denver, Colo.	3,000	3,000	3,600	3,600	4,000	4,000	4,500
Atlanta, Ga.	3,000	3,000	3,200	3,200	3,500	3,500	3,500
Minneapolis, Minn.	2,400	3,300	4,300	4,300	4,800	4,800	4,800
Indianapolis, Ind.	2,900	3,800	4,300	4,600	4,900	5,200	5,500
Kansas City, Missouri	3,000	3,000	3,600	3,600	4,100	4,100	4,100
Columbus, Ohio	2,500	3,700	4,100	4,400	4,700	5,000	5,200
Phoenix, Ariz.	3,300	3,300	3,500	3,500	3,800	3,800	3,800
Newark, New Jersey	3,600	4,200	4,380	4,560	4,740	4,920	5,100
Louisville, Kentucky	2,400	2,950	3,600	3,800	4,000	4,100	4,200
Portland, Oregon	3,500	3,500	3,800	3,800	4,100	4,100	4,100
Oakland, Calif.	3,300	3,300	3,600	3,600	4,000	4,000	4,000

^{1/} Based on gross income before taxes or any deductions.

Income Limits for Eligibility for Rent Supplements

	Number of Persons in Family						Seven or More
	<u>One</u>	<u>Two</u>	<u>Three</u>	<u>Four</u>	<u>Five</u>	<u>Six</u>	
<u>Cities of 250,000 or More</u>							
Fort Worth, Texas	\$2,400	\$2,400	\$2,700	\$2,700	\$3,000	\$3,000	\$3,000
Long Beach, Calif.	3,900	3,900	4,300	4,300	4,600	4,600	4,600
Birmingham, Alabama	3,200	3,200	3,600	3,600	3,800	3,800	3,800
Oklahoma City, Okla.	2,800	2,800	3,000	3,000	3,300	3,300	3,300
Rochester, New York	3,600	4,200	4,400	4,600	4,800	5,000	5,200
Toledo, Ohio	2,600	4,000	4,200	4,400	4,600	4,800	5,000
St. Paul, Minn.	2,800	3,200	3,800	4,200	4,400	4,600	4,700
Norfolk, Va.	3,200	3,200	3,400	3,400	3,700	3,700	3,700
Omaha, Nebraska	2,400	3,900	4,200	4,200	4,700	4,700	4,700
Honolulu, Hawaii	4,200	4,200	4,400	4,400	4,600	4,600	4,800
Miami, Florida	3,000	3,600	3,800	3,900	4,100	4,200	4,300
Akron, Ohio	2,800	3,800	4,100	4,400	4,600	4,800	5,000
El Paso, Texas	3,250	3,550	3,750	3,950	4,150	4,250	4,350
Jersey City, N. J.	3,600	4,200	4,500	4,700	4,900	5,000	5,100
Tampa, Florida	3,200	3,200	3,400	3,500	3,800	3,900	4,000
Dayton, Ohio	2,600	4,000	4,200	4,400	4,600	4,800	5,000
Tulsa, Oklahoma	2,800	2,800	3,000	3,000	3,300	3,300	3,300
Wichita, Kansas	2,500	3,000	3,300	3,600	3,700	3,800	3,900
<u>Cities of Under 250,000</u>							
Topeka, Kansas	2,500	3,100	3,400	3,500	3,600	3,700	3,800
Saginaw, Michigan	2,800	3,800	4,300	4,700	5,000	5,200	5,300
Huntsville, Ala.	3,000	3,500	3,700	3,900	4,100	4,200	4,300
Chester, Pa.	3,200	3,740	4,000	4,200	4,400	4,600	4,800
Watertown, New York	3,400	3,400	4,000	4,000	4,600	4,600	4,800
Pekin, Illinois	3,000	3,600	3,900	3,900	4,200	4,200	4,200
Annapolis, Md.	3,000	3,400	3,600	3,800	4,000	4,200	4,400
Vincennes, Indiana	2,700	4,000	4,250	4,500	4,700	4,900	5,100
Asbury Park, N. J.	3,600	4,000	4,200	4,400	4,600	4,800	5,000
Braddock, Pa.	3,400	3,800	3,900	4,000	4,100	4,200	4,300
Milwaukie, Oregon	3,400	3,400	3,800	3,800	4,200	4,200	4,200
Kelso, Washington	3,300	3,300	3,500	3,500	3,800	3,800	3,800
Dover, Delaware	3,000	3,400	3,600	3,800	4,000	4,200	4,400
Norton, Virginia	2,600	3,200	3,400	3,600	3,800	4,000	4,200
Clinton, Tenn.	2,200	3,000	3,300	3,500	3,700	3,800	3,900
Belding, Michigan	3,300	3,300	3,500	3,500	3,700	3,700	3,700
Bridgeport, Texas	2,500	3,100	3,400	3,500	3,600	3,700	3,800
Vinton, Louisiana	2,500	3,100	3,400	3,500	3,600	3,700	3,800
Dublin, Texas	2,700	2,700	3,300	3,300	3,500	3,500	3,500
Hampton, Georgia	2,600	3,200	3,400	3,500	3,700	3,800	3,900

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