

FORMS MANUAL INSERT

FORM RD 3560-7

USDA
Form RD 3560-7
(Rev. 05-06)

Position 3
**MULTIPLE FAMILY HOUSING PROJECT BUDGET/
UTILITY ALLOWANCE**

FORM APPROVED
OMB NO. 0575-0189

| | | | | | |
|---|--|--|---|---|--|
| PROJECT NAME | | BORROWER NAME | | BORROWER ID AND PROJECT NO. | |
| Loan/Transfer Amount \$ | | Note Rate Payment \$ | | IC Payment \$ | |
| Reporting Period <input type="checkbox"/> Annual <input type="checkbox"/> Quarterly <input type="checkbox"/> Monthly | Budget Type <input type="checkbox"/> Initial <input type="checkbox"/> Regular Report <input type="checkbox"/> Rent Change <input type="checkbox"/> SMR <input type="checkbox"/> Other Servicing | Project Rental Type <input type="checkbox"/> Family <input type="checkbox"/> Elderly <input type="checkbox"/> Congregate <input type="checkbox"/> Group Home <input type="checkbox"/> Mixed <input type="checkbox"/> LH | Profit Type <input type="checkbox"/> Full Profit <input type="checkbox"/> Limited Profit <input type="checkbox"/> Non-Profit | The following utilities are master metered: <input type="checkbox"/> Electricity <input type="checkbox"/> Gas <input type="checkbox"/> Water <input type="checkbox"/> Sewer <input type="checkbox"/> Trash <input type="checkbox"/> Other _____ | |
| | | | | <input type="checkbox"/> I hereby request _____ units of RA. Current number of RA units _____. Borrower Accounting Method <input type="checkbox"/> Cash <input type="checkbox"/> Accrual | |

PART I-CASH FLOW STATEMENT

| | CURRENT BUDGET | ACTUAL | PROPOSED BUDGET | COMMENTS or (YTD) |
|--|----------------|--------|-----------------|-------------------|
| BEGINNING DATES> | | | | |
| ENDING DATES> | | | | |
| OPERATIONAL CASH SOURCES | | | | |
| 1. RENTAL INCOME _____ | | | | |
| 2. RHS RENTAL ASSISTANCE RECEIVED _____ | | | | |
| 3. APPLICATION FEES RECEIVED _____ | | | | |
| 4. LAUNDRY AND VENDING _____ | | | | |
| 5. INTEREST INCOME _____ | | | | |
| 6. TENANT CHARGES _____ | | | | |
| 7. OTHER -PROJECT SOURCES _____ | | | | |
| 8. LESS (Vacancy and Contingency Allowance) _____ | () | | () | |
| 9. LESS (Agency Approved Incentive Allowance) _____ | () | | () | |
| 10. SUB-TOTAL [(1 thru 7) - (8 & 9)] _____ | 0.00 | 0.00 | 0.00 | |
| NON-OPERATIONAL CASH SOURCES | | | | |
| 11. CASH-NON PROJECT _____ | | | | |
| 12. AUTHORIZED LOAN (Non-RHS) _____ | | | | |
| 13. TRANSFER FROM RESERVE _____ | | | | |
| 14. SUB-TOTAL (11 thru 13) _____ | 0.00 | 0.00 | 0.00 | |
| 15. TOTAL CASH SOURCES (10+14) _____ | 0.00 | 0.00 | 0.00 | |
| OPERATIONAL CASH USES | | | | |
| 16. TOTAL O&M EXPENSES (From Part II) _____ | | | | |
| 17. RHS DEBT PAYMENT _____ | | | | |
| 18. RHS PAYMENT (Overage) _____ | | | | |
| 19. RHS PAYMENT (Late Fee) _____ | | | | |
| 20. REDUCTION IN PRIOR YEAR PAYABLES _____ | | | | |
| 21. TENANT UTILITY PAYMENTS _____ | | | | |
| 22. TRANSFER TO RESERVE _____ | | | | |
| 23. RETURN TO OWNER/NP ASSET MANAGEMENT FEE _____ | | | | |
| 24. SUB-TOTAL (16 thru 23) _____ | 0.00 | 0.00 | 0.00 | |
| NON-OPERATIONAL CASH USES | | | | |
| 25. AUTHORIZED DEBT PAYMENT (Non-RHS) _____ | | | | |
| 26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6) _____ | | | | |
| 27. MISCELLANEOUS _____ | | | | |
| 28. SUB-TOTAL (25 thru 27) _____ | 0.00 | 0.00 | 0.00 | |
| 29. TOTAL CASH USES (24+28) _____ | 0.00 | 0.00 | 0.00 | |
| 30. NET CASH (DEFICIT) (15- 29) _____ | 0.00 | 0.00 | 0.00 | |
| CASH BALANCE | | | | |
| 31. BEGINNING CASH BALANCE _____ | | | | |
| 32. ACCRUAL TO CASH ADJUSTMENT _____ | | | | |
| 33. ENDING CASH BALANCE (30+31+32) _____ | 0.00 | 0.00 | 0.00 | |

According to the Paperwork Reduction Act of 1995, an agency may not conduct sponsor and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0189. The time required to complete this information collection is estimated to average 2 1/2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

Form RD 3560-7 is to be submitted within the timeframes established in 7 CFR part 3560.

| | | |
|----------------------------------|---|--|
| <u>PROCEDURE FOR PREPARATION</u> | : | 7 CFR part 3560. |
| <u>PREPARED BY</u> | : | RRH, RCH, or LH borrowers or the borrower's authorized representative. |
| <u>NUMBER OF COPIES</u> | : | Original and three. |
| <u>SIGNATURES REQUIRED</u> | : | Original by borrower or the borrower's authorized representative. Copies will be conformed. Servicing Official will sign the original and conform the remaining copies. |
| <u>DISTRIBUTION OF COPIES</u> | : | Original and two copies to Servicing Office. Copy retained by borrower. Servicing Official inserts comments and forwards original and one copy to State Office. State Director inserts comments and returns original to Servicing Official. (Signed copy forwarded to State Office when Servicing Official has received delegated approval authority. State Director reviews and follows-up as appropriate.) |

PART II-OPERATING AND MAINTENANCE EXPENSE SCHEDULE

| | CURRENT BUDGET | ACTUAL | PROPOSED BUDGET | COMMENTS or (YTD) |
|--|----------------|--------|-----------------|-------------------|
| 1. MAINTENANCE AND REPAIRS PAYROLL _____ | | | | |
| 2. MAINTENANCE AND REPAIRS SUPPLY _____ | | | | |
| 3. MAINTENANCE AND REPAIRS CONTRACT _____ | | | | |
| 4. PAINTING _____ | | | | |
| 5. SNOW REMOVAL _____ | | | | |
| 6. ELEVATOR MAINTENANCE/CONTRACT _____ | | | | |
| 7. GROUNDS _____ | | | | |
| 8. SERVICES _____ | | | | |
| 9. ANNUAL CAPITAL BUDGET (From Part V- Operating) _____ | | | | |
| 10. OTHER OPERATING EXPENSES (Itemize) _____ | | | | |
| 11. SUB-TOTAL MAINT. & OPERATING (1 thru 10) _____ | 0.00 | 0.00 | 0.00 | |
| 12. ELECTRICITY <input type="checkbox"/> If master metered _____ | | | | |
| 13. WATER <input type="checkbox"/> check box on _____ | | | | |
| 14. SEWER <input type="checkbox"/> front _____ | | | | |
| 15. FUEL (Oil/Coal/Gas) _____ | | | | |
| 16. GARBAGE & TRASH REMOVAL _____ | | | | |
| 17. OTHER UTILITIES _____ | | | | |
| 18. SUB-TOTAL UTILITIES (12 Thru 17) _____ | 0.00 | 0.00 | 0.00 | |
| 19. SITE MANAGEMENT PAYROLL _____ | | | | |
| 20. MANAGEMENT FEE _____ | | | | |
| 21. PROJECT AUDITING EXPENSE _____ | | | | |
| 22. PROJECT BOOKKEEPING/ACCOUNTING _____ | | | | |
| 23. LEGAL EXPENSES _____ | | | | |
| 24. ADVERTISING _____ | | | | |
| 25. TELEPHONE & ANSWERING SERVICE _____ | | | | |
| 26. OFFICE SUPPLIES _____ | | | | |
| 27. OFFICE FURNITURE & EQUIPMENT _____ | | | | |
| 28. TRAINING EXPENSE _____ | | | | |
| 29. HEALTH INS. & OTHER EMP. BENEFITS _____ | | | | |
| 30. PAYROLL TAXES _____ | | | | |
| 31. WORKMAN'S COMPENSATION _____ | | | | |
| 32. OTHER ADMINISTRATIVE EXPENSES (Itemize) _____ | | | | |
| 33. SUB-TOTAL ADMINISTRATIVE (19 thru 32) _____ | 0.00 | 0.00 | 0.00 | |
| 34. REAL ESTATE TAXES _____ | | | | |
| 35. SPECIAL ASSESSMENTS _____ | | | | |
| 36. OTHER TAXES, LICENSES& PERMITS _____ | | | | |
| 37. PROPERTY& LIABILITY INSURANCE _____ | | | | |
| 38. FIDELITY COVERAGE INSURANCE _____ | | | | |
| 39. OTHER INSURANCE _____ | | | | |
| 40. SUB-TOTAL TAXES& INSURANCE (34 thru 39) _____ | 0.00 | 0.00 | 0.00 | |
| 41. TOTAL O&M EXPENSES (11 +18+33+40) _____ | 0.00 | 0.00 | 0.00 | |

PART III-ACCOUNT BUDGETING/STATUS

| | CURRENT BUDGET | ACTUAL | PROPOSED BUDGET | COMMENTS or (YTD) |
|--|-------------------|----------|--------------------|----------------------|
| RESERVE ACCOUNT: | | | | |
| 1. BEGINNING BALANCE _____ | | | | |
| 2. TRANSFER TO RESERVE _____ | | | | |
| TRANSFER FROM RESERVE _____ | | | | |
| 3. OPERATING DEFICIT _____ | | | | |
| 4. ANNUAL CAPITAL BUDGET (<i>Part V - Reserve</i>) _____ | | | | |
| 5. BUILDING & EQUIPMENT REPAIR _____ | | | | |
| 6. OTHER NON-OPERATING EXPENSES _____ | | | | |
| 7. TOTAL (3 thru 6) _____ | (0.00) | (0.00) | (0.00) | |
| 8. ENDING BALANCE [(1 +2)-7] _____ | 0.00 | 0.00 | 0.00 | |

GENERAL OPERATING ACCOUNT:*

| | | |
|-------------------------|--|--|
| BEGINNING BALANCE _____ | | |
| ENDING BALANCE _____ | | |

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*

| | | |
|-------------------------|--|--|
| BEGINNING BALANCE _____ | | |
| ENDING BALANCE _____ | | |

TENANT SECURITY DEPOSIT ACCOUNT:*

| | | |
|-------------------------|--|--|
| BEGINNING BALANCE _____ | | |
| ENDING BALANCE _____ | | |

(*Complete upon submission of actual expenses.)

| | | | |
|--|--|----------------------------------|--|
| NUMBER OF APPLICANTS ON THE WAITING LIST _____ | | RESERVE ACCT. REQ. BALANCE _____ | |
| NUMBER OF APPLICANTS NEEDING RA _____ | | AMOUNT AHEAD/BEHIND _____ | |

A CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

| UNIT DESCRIPTION | | | RENTAL RATE S | | | POTENTIAL INCOME FROM EACH RATE | | | UTILITY ALLOWANCE |
|----------------------|-----------|--------|---------------|-----------|-----|---------------------------------|-----------|--------|-------------------|
| BR. SIZE | UNIT TYPE | NUMBER | BASIC | NOTE RATE | HUD | BASIC | NOTE RATE | HUD | |
| | | | | | | | | | |
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| | | | | | | | | | |
| CURRENT RENT TOTALS: | | | | | | \$0.00 | \$0 | \$0.00 | |
| | | | | | | BASIC | NOTE | HUD | |

B. PROPOSED RENTS - Effective Date: _____

| UNIT DESCRIPTION | | | RENTAL RATES | | | POTENTIAL INCOME FROM EACH RATE | | |
|-----------------------|-----------|--------|--------------|-----------|-----|---------------------------------|-----------|------|
| BR. SIZE | UNIT TYPE | NUMBER | BASIC | NOTE RATE | HUD | BASIC | NOTE RATE | HUD |
| | | | | | | | | 0.00 |
| | | | | | | | | 0.00 |
| | | | | | | | | 0.00 |
| | | | | | | | | 0.00 |
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| | | | | | | | | 0.00 |
| | | | | | | | | 0.00 |
| | | | | | | | | 0.00 |
| | | | | | | | | 0.00 |
| PROPOSED RENT TOTALS: | | | | | | 0.00 | 0.00 | 0.00 |
| | | | | | | BASIC | NOTE | HUD |

C: PROPOSED UTILITY ALLOWANCE - Effective Date: _____

MONTHLY DOLLAR ALLOWANCES

| BR. SIZE | UNIT TYPE | NUMBER | ELECTRIC | GAS | WATER | SEWER | TRASH | OTHER | TOTAL |
|----------|-----------|--------|----------|-----|-------|-------|-------|-------|-------|
| | | | | | | | | | |
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PART V - ANNUAL CAPITAL BUDGET

| | Proposed Number of Units/Items | Proposed from Reserve | Actual from Reserve | Proposed from Operating | Actual from Operating | Actual Total Cost | Total Actual Units/Items |
|--|--------------------------------|-----------------------|---------------------|-------------------------|-----------------------|-------------------|--------------------------|
| Appliances: | | | | | | | |
| Range _____ | | | | | | | |
| Refrigerator _____ | | | | | | | |
| Range Hood _____ | | | | | | | |
| Washers & Dryers _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Carpet & Vinyl: | | | | | | | |
| 1BR _____ | | | | | | | |
| 2BR _____ | | | | | | | |
| 3BR _____ | | | | | | | |
| 4BR _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Cabinets: | | | | | | | |
| Kitchens _____ | | | | | | | |
| Bathrooms _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Doors: | | | | | | | |
| Exterior _____ | | | | | | | |
| Interior _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Window Coverings: | | | | | | | |
| List: _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Heating & Air Conditioning: | | | | | | | |
| Heating _____ | | | | | | | |
| Air Conditioning _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Plumbing: | | | | | | | |
| Water Heater _____ | | | | | | | |
| Bath Sinks _____ | | | | | | | |
| Kitchen Sinks _____ | | | | | | | |
| Faucets _____ | | | | | | | |
| Toilets _____ | | | | | | | |
| Other _____ | | | | | | | |
| Major Electrical: | | | | | | | |
| List: _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Structures: | | | | | | | |
| Windows _____ | | | | | | | |
| Screens _____ | | | | | | | |
| Walls _____ | | | | | | | |
| Roofing _____ | | | | | | | |
| Siding _____ | | | | | | | |
| Exterior Painting _____ | | | | | | | |
| Other _____ | | | | | | | |
| Paving: | | | | | | | |
| Asphalt _____ | | | | | | | |
| Concrete _____ | | | | | | | |
| Seal & Stripe _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Landscape & Grounds: | | | | | | | |
| Landscaping _____ | | | | | | | |
| Lawn Equipment _____ | | | | | | | |
| Fencing _____ | | | | | | | |
| Recreation Area _____ | | | | | | | |
| Signs _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Accessibility Features: | | | | | | | |
| List: _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Automation Equipment: | | | | | | | |
| Site Management _____ | | | | | | | |
| Common Area _____ | | | | | | | |
| Other: _____ | | | | | | | |
| Other: | | | | | | | |
| List: _____ | | | | | | | |
| List: _____ | | | | | | | |
| List: _____ | | | | | | | |
| TOTAL CAPITAL EXPENSES: | | | | | | | |

PART VI -- SIGNATURES, DATES AND COMMENTS

Warning: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both.

I HAVE READ THE ABOVE WARNING STATEMENT AND I HEREBY CERTIFY THAT THE FOREGOING INFORMATION IS COMPLETE AND ACCURATE TO THE BEST OF MY KNOWLEDGE.

(DATE)

(Signature of Borrower or Borrower's Representative)

(Title)

AGENCY APPROVAL (*Rural Development Approval Official*):

DATE:

COMMENTS:

[Large blue shaded area for comments]

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GENERAL INSTRUCTIONS FOR COMPLETING FORM RD 3560-7, MFH PROJECT BUDGET/UTILITY ALLOWANCE

USE OF THE FORM:

1. Borrowers use this form to plan and report the financial activity of their multiple family housing (MFH) project as required by Agency regulations, 7 CFR 3560.303.
2. For smaller projects, all specific operation and maintenance (O&M) expense line items may not need to be completed, provided that applicable O&M expenses are reflected within the appropriate O&M subtotals.
3. Use this form to establish initial budgets and rents, for monthly, quarterly or annual reports, to request rent changes, or to describe special servicing budgets (7 CFR 3560.303 and 3560.454).
4. Identify the accounting method used to prepare this form.
5. Significant changes to an Agency approved budget that occur during the budget operating year will require Agency review and approval according to 7 CFR 3560.303.
6. The three budget columns on this form are defined as follows: **Actual Expenses should be reflected under same line items as**
 - CURRENT BUDGET - most recently approved budget.
 - ACTUAL - this period's actual activity.
 - PROPOSED BUDGET - next year's planned activity.
7. The three budget columns are used as follows:
 - INITIAL BUDGETS - Use PROPOSED BUDGET only.
 - MONTHLY REPORTS
(For special servicing) - Use the three columns as follows:
CURRENT BUDGET (most recent approved annual budget), ACTUAL (current month actual), and
PROPOSED BUDGET (leave blank).
 - QUARTERLY REPORTS
(For normal servicing) - Use the three columns as follows:
CURRENT BUDGET (most recent approved annual budget),
ACTUAL (current quarter actual), and
PROPOSED BUDGET (leave blank).
 - ANNUAL REPORT
OF ACTUALS - Use all three columns.
 - ANNUAL BUDGET
PROPOSALS AND
RENT CHANGES - Use columns 1 and 3. The actual column will be used the previous FY when submitting actual expense at year end.
- The Agency may request this information for budget proposals if deemed necessary in special servicing cases.
8. A fourth column, "COMMENTS or YTD" is available for the borrower's use to show year-to-date actual for monthly or quarterly reports, an annual report of actuals, or to note appropriate comments for an annual report, or to make comparisons between proposed and actual budget items.
9. Options acceptable to Rural Development.
 - a. The format and content of this form may be prepared and submitted to the Agency using automated technology according to the guidance in 7 CFR 3560.302(f).
 - b. A column for the borrower's Chart of Accounts numbering may be used provided space is available and the Form RD line numbering remains for reference.

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c. Borrowers are encouraged to submit additional information detailing sources and uses of cash required by this form. However, detailed breakouts must relate back to the specific line subtotal, or total entry as listed on the form.

INSTRUCTIONS FOR PREPARATION

PROJECT AND BORROWER IDENTIFICATION. Enter the following general information as it is maintained by the Automated Multiple Housing Accounting System (AMAS). Contact your Servicing Official if unknown.

PROJECT NAME.

BORROWER NAME.

BORROWER ID AND PROJECT NO. (Example: 987654321 01-2)

Loan/Transfer Amount/Note Rate Payment/IC Payment Check the most appropriate

box for each of the following:

- REPORTING PERIOD
- BUDGET TYPE
- PROJECT RENTAL
- TYPE PROFIT TYPE
- UTILITIES MASTER METERED. [Check this box if utilities are master metered and not included in a utility allowance. When a utility allowance is used, include only the project related expense for utilities on Lines 12, 13 and 14 of Part II.]
- BORROWER ACCOUNTING METHOD
- RENTAL ASSISTANCE. [Check this box if additional servicing rental assistance is requested. Insert number of units needed. Insert current number of RA units.]

PAGE 9 OF FORM RD 3560-7/BUDGET ANALYSIS PROCESS

BUDGET ANALYSIS PROCESS DEFINITIONS

1. **GENERAL RULE** - for some YEA line items
 - If the proposed budget had a non-zero value, the actual should have a non-zero value.
2. **10 PERCENT RULE** – for some Proposed and YEA line items
 - Proposed items- if proposed budget value differs from last year's value by more than 10% (even if last year's value was zero) inquire about narrative explanation
 - Actuals items - if actual budget differs from proposed by 10% or more then flag it.
3. **\$12 RULE** – for direct comparison of numbers on some Proposed and YEA line items
 - If values differ by more than +- \$12.00 then flag as a REVIEW item
 - If values differ by less or equal to +- \$12.00 then flag as an OBSERVATION item
4. **COMMENT RULE** – for some Proposed and YEA line items
 - OTHER type line items with a value require a comment
 - LIST type line item with a value require a comment
5. **INHERITANCE RULE** – for some Proposed line items
 - If last year's actual had a value and this year's proposed does not
6. **TYPO CHECK** – all input values of Proposed, Monthly/Quarterly (MQ) or Year-End Actual (YEA) budget line items
 - If the input value equal or greater than 100 x the last year's value (if last year's value is not zero).
 - If the input value equal or greater than \$1,000,000.
7. **MQ CHECK** – some MQ budget line items
 - All Part I input lines period and YTD get compared to the proposed for expected period value
 - All Part II subtotals period and YTD get compared to the proposed for expected period value
 - For all comparisons: The MQ budget is compared with the proposed budget in effect as of the Ending Date of the MQ budget. Example: MQ budget is for the 1st quarter of Fiscal Year (FY) cycle 1-12. The MQ budget would compare against the proposed budget in effect as of 3/31 of that FY.

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PART I—CASH FLOW STATEMENT

BEGINNING DATES and ENDING DATES. Enter the dates for the reporting period each of the three budget columns is to reflect; either the fiscal year, three month quarter, or month.

NOTE: Enter the appropriate amount for each of the items described below.

1. **RENTAL INCOME.** For proposed columns, the appropriate “TOTAL” from PART IV. The actual column includes rental payments actually received from tenants. Also included are any non-RHS rental subsidies received from other governmental sources such as Section 8 housing assistance payments.

(P) Validates rent schedule structure to project subsidy. Flag and put II budget in pending if not matched & Calculates total yearly rental income for all units (except non-revenue or Z coded) assuming 100% occupancy and compares to entered value. Flag and put II budget in pending if not matched. The flagged items are **REVIEW** type for project subsidy codes 1 through 8. They are **OBSERVATIONS** for project subsidy codes 20 through 24.

(A) Performs ACCRUAL and CASH calculation of NTC on all the worksheets that fall within the FY; 1. Accrual is based on worksheet effective date 2. Cash is based on worksheet collection date. * If 12 or more worksheets then compare the values using **\$12 RULE**. (This does not factor partial month’s NTC or Bad Debt. Bad Debt should also be reported in Accounts Receivable.)

2. **RHS RENTAL ASSISTANCE RECEIVED.** For the actual column only, all RHS rental assistance received by the project either as cash or netted from the RHS payment.

(A) Checks Rental Assistance against actual from worksheets; Performs ACCRUAL and CASH calculation of RA on all the worksheets that fall within the FY; Accrual is based on worksheet effective date or Cash is based on worksheet collection date. * If 12 or more worksheets then compares to both values using **\$12 RULE**.

3. **APPLICATION FEE RECEIVED.** When application fees are required from applicants for occupancy, enter income received.
4. **LAUNDRY AND VENDING.** Income from laundry or vending at the project. Use net income if under a contract, or gross income if not.

(P) - **INHERITANCE RULE** & (A) **GENERAL RULE**

5. **INTEREST INCOME.** Interest from all project accounts, including the Reserve Account. Interest on tenant security deposits is excluded, unless transferred to the General Operating Account when permitted by state law.

(P) - **INHERITANCE RULE** & (A) **GENERAL RULE**

6. **TENANT CHARGES.** Income from non-sufficient fund and late charges, damage and cleaning fees, forfeited tenant security or damage deposits, and other tenant charges.

(A) – **GENERAL RULE**

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7. **OTHER—PROJECT SOURCES.** Income from all other project sources. Notate.

(P) & (A) **COMMENT RULE** – line items with a value require a comment.

8. (**VACANCY AND CONTINGENCY ALLOWANCE**). For proposed columns only, the estimated loss to rental income for either vacancy or contingencies.

(P) - **Looks at a vacancy analysis period 3 years prior the budget effective date.** Vacancy Counting Rules:

- If project was consolidated within the last 3 years, set the vacancy analysis period starting on consolidation date.
- Only consider months of existence for each unit within the 3 year (or less) vacancy analysis period.
- Only consider project units whose latest revenue status (effective before the vacancy analysis period) is NOT non-revenue.

Calculates Resident Turnover Ratio - Move In/Move Out Rules:

- Count the number of vacates during the last 36 months and dividing that by 3. A vacate could be the normal vacate or an outside transfer.
- Count the number of current households for each of the last 36 months, adding them together and dividing by 36

Resident Turnover Ratio is Average number of vacates per year (for the last 3 years) divided by Average number of households currently residing in the project (for the last 36 months).

(A) - **Looks at 1 year vacancy analysis period starting on FY effective date.** Vacancy Counting Rules:

- If project was consolidated within the budget FY, set the vacancy analysis period starting on consolidation date.
- Only consider months of existence for each unit within the 1 year (or less) vacancy analysis period.
- Only consider project units whose latest revenue status (effective before the vacancy analysis period) is NOT non-revenue.

Calculates Resident Turnover Ratio - Move In/Move Out Rules:

- Count the number of vacates during the last 12 months A vacate could be the normal vacate or an outside transfer.
- Count the number of current households for each of the last 12 months and divide by 12.

Resident Turnover Ratio is number of vacates this year divided by number of households currently residing in the project.

9. (**AGENCY APPROVED INCENTIVE ALLOWANCE**). For proposed columns only, the Rural Development approved project funded rental incentives.

(P) - **Checks for existence of serving effort type. Looks for 3022** (approved or follow-up) rental incentives servicing effort if amount is greater than 0

10. **TOTAL OPERATIONAL CASH SOURCES.** Add 1 thru 7 and subtract 8 and 9.

11. **CASH—NON PROJECT.** Income from all non-project sources not in the form of a loan such as insurance claims. Include borrower provided tenant subsidy and cash contributions. Also include funds to pay RHS late fees and owner contributions due to tax credit rent limitations. On the first operational budget include 2% deposit.

(P) Flags new project and check for initial operating cash deposit &

(A) – **GENERAL RULE** (Makes sure line 11 (non-project cash) is at least as much as line 19 (RHS Payment (late fees))

12. **AUTHORIZED LOAN (NON-RHS).** Any non-RHS loan to the project which must be authorized by the Agency according to 7 CFR 3560.66.

(P) - Compares to 3027 loan advance servicing: It looks for 3027 (approved or follow-up) loan advance servicing effort; If budget item > 0 and no servicing effort then flags it. If servicing effort exists and budget item = 0 then flags it.

(A) – **GENERAL RULE**

13. **TRANSFER FROM RESERVE.** Total of all withdrawals from the reserve account (from PART III, line 7). All withdrawals must be authorized according to 7 CFR 3560.306.

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14. **TOTAL NON-OPERATIONAL CASH SOURCES.** Add 11, 12 and 13.

15. **TOTAL CASH SOURCES.** Add 10 and 14.

16. **TOTAL O&M EXPENSES (FROM PART II).** From PART II, line 41.

17. **RHS DEBT PAYMENT.** The interest credit reduced payment (or full note rate payment when a loan has no interest credit) for all RHS project loans, recoverable cost items, and audit receivables. When an SNR is in effect, the amount of the mortgage payment under SNR should be inserted in column 4.

(P) - Checks against 12 Installment amount to validate Debt Payment, if disagree then looks for 3018 servicing effort to cover it. Compares values using **\$12 RULE**, if no (approved or follow-up) 3018 servicing effort, flags it. Checks Debt Payment against actual from worksheets.

(A) - Performs ACCRUAL and CASH calculation of Debt Payment on all the worksheets that fall within the FY; 1. Accrual is based on worksheet effective date; 2. Cash is based on worksheet collection date. If 12 or more worksheets then compares to both values using **\$12 RULE**.

18. **RHS PAYMENT (OVERAGE).** For the actual column only, the amount of overage or surcharge paid to the Agency.

(A) - Checks Overage against actual from worksheets; Performs ACCRUAL and CASH calculation of Overage on all the worksheets that fall within the FY; Accrual is based on worksheet effective date or Cash is based on worksheet collection date. If 12 or more worksheets then compares to both values using **\$12 RULE**.

19. **RHS PAYMENT (LATE FEE).** For the actual column only, the amount of late fees paid to the Agency.

(A) - Checks Late Fees against actual from worksheets; Perform ACCRUAL and CASH calculation of Late Fees on all the worksheets that fall within the FY; Accrual is based on worksheet effective date or Cash is based on worksheet collection date. If 12 or more worksheets then compares to both values using **\$12 RULE**.

20. **REDUCTION IN PRIOR YEAR PAYABLES.** Expenses paid during current fiscal year for previous year's expenses. This line should be used primarily in conjunction with a workout plan that in part is implemented to reduce overdue payables.

21. **TENANT RA UTILITY PAYMENTS.** For the actual column only, the amount of RHS rental assistance (RA) paid to tenants for utilities.

(A) - Checks Utility Payments against actual from worksheets; Performs ACCRUAL and CASH calculation of Tenant Utility on all the worksheets that fall within the FY; Accrual is based on worksheet effective date or Cash is based on worksheet collection date. If 12 or more worksheets then compares to both values using **\$12 RULE**.

22. **TRANSFER TO RESERVE.** The amount transferred to the reserve account. This equals PART III, line 2.

23. **RETURN TO OWNER/NPASSET MANAGEMENT FEE.** On the proposed columns, enter the amount authorized by RHS unless you have mutually agreed with the Agency to waive all or a part of it. For the actual column, return to owner may only be taken in accordance with 7 CFR 3560.305. For NP Asset Management Fee, refer to 7 CFR 3560.303 (b)(1)(vii).

(P) - Follows specific logic for return to owner allowances: If non-profit (type 3) then only allows \$7500 max, If (approved or follow-up) 3003 workout plan exists need national office approval, **If different from last year's proposed budget value then flags it.**

(A) - Follows specific logic for return to owner allowances: If non-profit (type 3) then only allows \$7500 max, **If surplus cash is negative then flags it.**

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24. TOTAL OPERATIONAL CASH USES. Add 16 thru 23.

25. AUTHORIZED DEBT PAYMENT (NON-RHS). Repayment of Non-RHS loans must be approved by the Agency in accordance with 7 CFR 3560.66.

(P) - Checks for authorized debt by existence of 3019 Junior Liens, 3025 Subordination, or 3027 Loan Advance servicing efforts if this budget item is non-zero.

(A) - **GENERAL RULE**

26. ANNUAL CAPITAL BUDGET (From Part III, Lines 4-6). Amount authorized by the Agency for capital expenditures to be paid from the reserve account. Amount must match Part III, lines (4-6).

27. MISCELLANEOUS. Amount authorized by the Agency.

(P) - **COMMENT RULE** & (A) - **GENERAL RULE/COMMENT RULE**

28. TOTAL NON-OPERATIONAL CASH USES. Add 25, 26 and 27.

29. TOTAL CASH USES. Add 24 and 28.

30. NET CASH (Deficit). Subtract 29 from 15.

31. BEGINNING CASH BALANCE. All project operating funds in the General Operating Account including any 2% initial operating capital, and any funds in a Real Estate Tax and Insurance Escrow Account. (On the initial project budget, enter the 2% initial operating capital contribution on line 31.) This balance does not include funds in the Reserve Account or Tenant Security Deposits.

(P)- **Flags if the field less or equal to zero.** (A) - Compares Beginning Cash Balance to previous year's ending. Uses **\$12 RULE.**

32. ACCRUAL TO CASH ADJUSTMENT. Enter "Zero" when the cash accounting method is used. When the accrual accounting method is used, the borrower may, with assistance of the project accountant, use this line to reconcile the accrual accounting records with the Beginning and Ending CASH Balances.

33. ENDING CASH BALANCE.

A. Add lines 31 and 32.

B. Enter the ACTUAL COLUMN amount on line 31 of the FUTURE PROPOSED column unless it is a negative balance, then enter zero.

C. The PROPOSED BUDGET column ENDING BALANCE must be a positive balance and not cause an unwarranted rent increase. It should not exceed the total of:

(1) approximately twenty percent of line 16, Part I

(2) amount held for taxes and insurance

(3) any 2% initial operating capital (during the first 7 years or until it is withdrawn, whichever comes first)

For additional guidance, refer to HB-2-3560, "Asset Management Handbook", Chapter 4.

(A) - Compares Ending Cash Balance to sum of lines balance sheet line items 1, 2, 5 and 6. The values should be same. **Uses \$12 RULE.**

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PART II—OPERATING AND MAINTENANCE EXPENSE SCHEDULE

NOTES: (1) Enter the expense for the following items on the most appropriate line. Break down costs as requested. (For example: separate HEALTH INS. & OTHER EMP. BENEFITS from “SITE MANAGEMENT PAYROLL” costs.)

- (2) The practice to prorate or not to prorate the cost of one person who performs multiple tasks should be consistent from one year to the next for cost comparison purposes.
- (3) When this form is used for monthly or quarterly reports, SUB-TOTAL lines are the only lines required to be completed.
- (4) Please refer to Unnumbered Letter on Allowable Expense in Multi-family Housing Properties for detail on expenses.

1. **MAINTENANCE & REPAIRS PAYROLL.** Payroll salary or hourly wages for project maintenance and janitorial or custodial staff who maintain a project’s buildings and related facilities.
2. **MAINTENANCE & REPAIRS SUPPLY.** Includes buildings and equipment repair parts and items such as light bulbs, carpet cleaner, and similar items not included in maintenance contracts.

(P)- Flags if the field less or equal to zero.

3. **MAINTENANCE & REPAIRS CONTRACTS.** Contracts or lump sum invoices for project building and system (*heating, cooling, electrical, plumbing*) maintenance and janitorial or custodial service.
4. **PAINTING.** Includes exterior and interior painting or covering and labor, materials and supplies, not covered by a maintenance and repair contract and not considered major capital expenditures.

(P)- Flags if the field less or equal to zero.

5. **SNOW REMOVAL.** Contract, job service, or equipment amortization and maintenance expense.

(P) - Checks that the field is greater than zero for northern states. Northern states are defined in MIFS BUDGET ANALYSIS PROCESS document.

6. **ELEVATOR MAINTENANCE OR CONTRACT.** For contract maintenance service or specific repair and maintenance of project elevators.

(P) - INHERITANCE RULE

7. **GROUNDS.** Grounds maintenance contracts or supplies such as seed, fertilizer and additional shrubs or trees not covered by maintenance & repair contracts

(P)- Flags if the field less or equal to zero.

8. **SERVICES.** Includes pest control, security, window washing, laundry and vending.

9. **ANNUAL CAPITAL BUDGET** (*from Part V - Operating*). Amount must match totals from Part V, columns titled “Proposed from Operating” or “Actual from Operating”.

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10. OTHER OPERATING EXPENSES. Notate others not listed above.

11. SUB-TOTAL MAINTENANCE AND OPERATING. Add lines 1 thru 10.

12. NOTE FOR UTILITIES EXPENSES: Lines 12-16 are self-explanatory. Report only expenses paid by the project. Do not include utility costs paid by tenants on this form.

(P) - INHERITANCE RULE Lines 12-16

17. OTHER UTILITIES. Notate other utilities not listed above.

(P) & (A) COMMENT RULE

18. SUB-TOTAL UTILITIES. Add lines 12 thru 17.

(P) - 10 PERCENT RULE - Shows percentage of Utilities to Total O&M. (A) - 10 PERCENT RULE.

NOTES FOR ADMINISTRATIVE EXPENSES:

(1) For projects operating with a zero or reduced rent "manager's apartment," be sure to designate the appropriate UNIT TYPE in PART IV - RENT SCHEDULE.

(2) Expenses below reflect project expenses only. Expenses that a management firm incurs are included in the MANAGEMENT FEE, which is defined in the management agreement/management certification according to the management plan.

19. SITE MANAGEMENT PAYROLL. Salary or wage expense for site management personnel.

(P) - INHERITANCE RULE

20. MANAGEMENT FEE. The management fee is compensation for performance of duties and responsibilities described in the management plan and shall not exceed the amount specified in the management agreement/management certification. The management fee is based on the Agency's prescribed "bundle of services." For proposed budgets, the fee should not exceed 100 percent occupancy of revenue producing units. For actual budgets, fee should be based on the maximum per revenue producing unit occupancy achieved during the fiscal year.

(P) - Compares management fee from calculated base structure based on 100% occupancy. Determines management fee using the per unit per month method (PUPM) and multiplies by 12 and number of units (except non-revenue or Z coded). Compares to input value and flags it if they do not match. Uses \$12 RULE. Records OBSERVATION if no mgmt fee structure exists.

(A) - Checks Management Fee against actual from tenant data. Calculates using actual occupancy figured unit by unit and month by month, including months based on Date of Initial Entry. Flags if more than maximum compensation allowed (from old method). Flags if more or less than calculated amount. Uses \$12 RULE. Records OBSERVATION if no mgmt fee structure exists. These are normal Operating Expense and if booked as payable what is underlying issue with budget.

21. PROJECT AUDITING EXPENSE. Fees paid for engagement, auditing expenses or verification of accounts when required by 7 CFR 3560.308.

(P) - INHERITANCE RULE

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22. PROJECT BOOKKEEPING OR ACCOUNTING. To the extent not included in the management fee as specified in the management agreement/management certification, project bookkeeping and accounting.

(P) - **INHERITANCE RULE**

23. LEGAL EXPENSES. Expense for legal items for project operation.

(P) - **INHERITANCE RULE**

24. ADVERTISING. Project advertising.

(P) - **Flags if the field less or equal to zero.**

25. TELEPHONE & ANSWERING SERVICE. For appropriate project related service not covered by the management fee.

26. OFFICE SUPPLIES. Include paper, forms, computer software, floppy disks used exclusively by the project not covered by the management fee.

27. OFFICE FURNITURE & EQUIPMENT. Includes approved computer hardware, fax machines, copiers, desks, chairs and file cabinets used exclusively by the project.

28. TRAINING EXPENSE. Includes approved costs associated with site staff training. Does not include training of management agent central office staff.

29. HEALTH INS. & OTHER EMP. BENEFITS. Health insurance and other project employee benefits.

30. PAYROLL TAXES. Payroll taxes for all project employees.

31. WORKER'S COMPENSATION. Worker's compensation insurance paid for project employees.

32. OTHER ADMINISTRATIVE EXPENSES. Notate others not listed above.

(P) & (A) **COMMENT RULE**

33. SUB-TOTAL ADMINISTRATIVE. Add lines 19 thru 32.

(P) - **10 PERCENT RULE** - Shows percentage of Administrative to Rental Income, **flags if over 23%.**

(A) - **10 PERCENT RULE**

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34. REAL ESTATE TAXES. Includes all general real estate taxes for project property.

(P) - **INHERITANCE RULE** - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

(A) - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

35. SPECIAL ASSESSMENTS. Special assessments directly charged to the project.

(P) - **INHERITANCE RULE**

36. OTHER TAXES, LICENSES & PERMITS. Includes personal and other property taxes, special licenses or permits required to operate the project.

(P) - **INHERITANCE RULE/COMMENT RULE:** Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

(A) - **COMMENT RULE** - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

37. PROPERTY & LIABILITY INSURANCE. Includes all hazard and extended coverage, flood, liability and other project insurance required for one year.

Notate and prorate the cost of multi-year insurance policies.

(P) - **INHERITANCE RULE** - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

38. FIDELITY COVERAGE INSURANCE. Fidelity coverage for one year, not covered by the management fee.

(P) - **INHERITANCE RULE** - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

(A) - **COMMENT RULE** - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

39. OTHER INSURANCE. Notate other project insurance not listed above.

(P) - **COMMENT RULE** - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

(A) - **COMMENT RULE** - Calculate the amount of money needed in the escrow account at year's end to cover taxes and insurance from the last month they were paid to the FY end. Use the tax months defined in project details and the property insurance policy month/date. Use the totals from the next year's proposed budget.

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40. SUB-TOTAL TAXES & INSURANCE. Add lines 34 thru 39.

(P) - **10 PERCENT RULE** - Shows percentage of Taxes and Insurance to Total O&M

(A) - **10 PERCENT RULE**

41. TOTAL O&M EXPENSES. Add 11, 18, 33 and 40.

(P) - **10 PERCENT RULE** - Shows the following: Per unit per month total O&M expense and Percentage of total O&M to Rental Income.

(A) - **10 PERCENT RULE** - Shows the following: Per unit per month total O&M expense and Percentage of total O&M to Rental Income.

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PART III—ACCOUNT BUDGETING/STATUS

RESERVE ACCOUNT:

1. BEGINNING BALANCE.

(A) - Compares Beginning Cash Balance to previous year's ending. **Uses \$12 RULE.**

2. TRANSFERS TO RESERVE. Must equal PART I, line 22.

(P) - Compares Transfer to Reserve. Flags if not greater than or equal to the annual deposit amount on tracked account.

(A) - Compares Transfer to Reserve to proposed budget value. **Uses \$12 RULE.**

TRANSFER FROM RESERVE. Reserve account use is restricted by 7 *CFR* 3560.306. All withdrawals require prior Agency approval. The use of reserve funds is also reflected on PART I, CASH FLOW STATEMENT, line 13.

3. OPERATING DEFICIT. For deficit operating expenses.

(P) - **Flags if Operating Deficit greater than 0. This should be a FLAG for deeper analysis.**

4. ANNUAL CAPITAL BUDGET (Part V - Reserve). For annual capital budget item. Must match totals from Part V, columns titled "Proposed from Reserve" or "Actual from Reserve".

5. BUILDING & EQUIPMENT REPAIR. For major building equipment repair or replacement (Not included in PART V).

6. OTHER NON-OPERATING EXPENSES. Notate others not listed above. This line may be used for-profit or limited profit borrowers for the 25% of interest earned on the reserve account.

(P) & (A) **COMMENT RULE**

7. TOTAL TRANSFERS FROM RESERVE. Add lines 3, 4, 5 and 6.

(A) - Sums authorizations created during fiscal year and compares to Transfer from Reserve. **Uses \$12 RULE**

8. ENDING BALANCE. Add 1 and 2 and subtract 7.

(A) - Compares Account Ending Balance to balance sheet line 3. **Uses \$12 RULE. Indicates if Reserve Account balance is on schedule or delinquent.**

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GENERAL OPERATING ACCOUNT:

BEGINNING BALANCE:

(A) - Compares General Operating beginning balance against last year's Balance Sheet. **Uses \$12 RULE.**

ENDING BALANCE:

(A) - Compares General Operating ending balance against this year's Balance Sheet. **Uses \$12 RULE.**

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:

(The BEGINNING and ENDING BALANCE for each account is shown when actual expenses are submitted. Complete when not included in the GENERAL OPERATING ACCOUNT.)

BEGINNING BALANCE:

(A) - Compares Real Estate & Tax beginning balance against last year's Balance Sheet. **Uses \$12 RULE.**

ENDING BALANCE:

(A) - Compares Real Estate & Tax ending balance against this year's Balance Sheet. **Uses \$12 RULE.**

TENANT SECURITY DEPOSIT ACCOUNT:

(The BEGINNING and ENDING BALANCE for each account is shown when actual expenses are submitted.)

BEGINNING BALANCE:

(A) - Compares Tenant Security Deposit beginning balance against last year's Balance Sheet. **Uses \$12 RULE.**

ENDING BALANCE:

(A) - Compares Tenant Security Deposit ending balance against this year's Balance Sheet. **Uses \$12 RULE.**

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1. BEGINNING BALANCE.
2. TRANSFERS TO RESERVE. Must equal PART I, line 22.

TRANSFER FROM RESERVE. Reserve account use is restricted by 7 CFR 3560.306. All withdrawals require prior Agency approval. The use of reserve funds is also reflected on PART I, CASH FLOW STATEMENT, line 13.

3. OPERATING DEFICIT. For deficit operating expenses.
4. ANNUAL CAPITAL BUDGET (*Part V - Reserve*). For annual capital budget item. Must match totals from Part V, columns titled "Proposed from Reserve" or "Actual from Reserve".
5. BUILDING & EQUIPMENT REPAIR. For major building equipment repair or replacement (*Not included in PART V*).
6. OTHER NON-OPERATING EXPENSES. Note others not listed above. This line may be used for-profit or limited profit borrowers for the 25% of interest earned on the reserve account.
7. TOTAL TRANSFERS FROM RESERVE. Add lines 3, 4, 5 and 6.
8. ENDING BALANCE. Add 1 and 2 and subtract 7.

PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

NOTES: (1) The rent schedule documents the rent and utility allowance structure and establishes the RENTAL INCOME entered in PART I, Line 1.

(2) The BASIC rent is the level required to cover all uses of cash and the repayment of the Rural Development loan at the interest credit reduced payment, the NOTE RATE rent is the level required to cover all uses of cash and the repayment of the Rural Development loan at the unsubsidized or promissory note rate. Consequently, the difference in the total revenue generated at the BASIC rent and the NOTE RATE rent is the project's total potential Rural Development interest credit available, or overage, that could be charged.

(3) **When establishing rental rates, need for cash is established first.**

(4) For each of the columns in PART IV, enter the required information for each unit size.

A. CURRENT APPROVED RENTS/UTILITY ALLOWANCE: The current project rental rates, approved by the Agency according to 7 CFR part 3560.205.

UNIT DESCRIPTION:

- 1. BR SIZE. The UNIT SIZE is: 0 for efficiencies; 1 for 1 bedroom units; 2 for 2 bedroom units, etc....
- 2. UNIT TYPE. This is used only to distinguish different rental rates for one UNIT SIZE. Example, "S" - small, "M" - medium, "L" - large. **Leave blank where there is only one rental rate per UNIT SIZE.** The valid UNIT TYPE codes are any letter. The only codes with specific references are:

R = Manager/Caretaker Unit, Reduced Rent
Z = Manager/Caretaker Unit, Zero Rent

- 3. NUMBER. NUMBER OF UNITS.

RENTAL RATES:

- 4. BASIC. BASIC RENT. *(Described in Note No. 2 above)*
- 5. NOTE RATE. NOTE RATE RENT. *(Described in Note No. 2 above)*
- 6. HUD. The HUD approved contract rent.

NOTE: When HUD grants a rent change, but Rural Development does not approve all or part of the same change, use the rent columns as follows:

BASIC RENT—Rural Development approved rent level at the interest credit reduced rate, NOTE RATE RENT—Rural Development approved rent level at the note rate,
HUD RENT—HUD approved rent.

POTENTIAL INCOME FROM EACH RATE:

- 7. BASIC. Multiply the NUMBER OF UNITS times the BASIC RENT, and multiply the result by 12. $[(NUMBER \times BASIC) \times 12]$
- 8. NOTE RATE. Multiply the NUMBER OF UNITS times the NOTE RATE RENT, and multiply the result by 12. $[(NUMBER \times NOTE RATE) \times 12]$

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9. HUD. Multiply the NUMBER OF UNITS times the HUD RENT, and multiply the result by 12.
[(NUMBER x HUDx12)]

10. UTILITY ALLOWANCE. Enter the current utility allowance.

11. CURRENT RENT TOTALS - BASIC. Add all entries in the INCOME-BASIC column.

12. CURRENT RENT TOTALS - NOTE RATE. Add all entries in the INCOME-NOTE RATE column.

13. CURRENT RENT TOTALS - HUD. Add all entries in the INCOME-HUD column.

B. PROPOSED RENTS. Use this area when establishing the initial rent schedule or proposing a change to current rents.

1. EFFECTIVE DATE OF RENT. Enter the projected effective date for proposed rent change.

C. PROPOSED UTILITY ALLOWANCE. Enter monthly dollar allowance detail.

1. EFFECTIVE DATE OF UTILITY ALLOWANCE CHANGE. Enter the projected effective date for proposed utility allowance change.

NOTE 1: Enter RENT TOTALS on PART I, line 1, according to NOTE #2, and the following:

a. For budgets with annual reporting periods:

(1) Enter RENT TOTALS on the BUDGET column.

(2) Enter **PROPOSED** RENT TOTALS on the PROPOSED BUDGET column.

(3) When there is no proposed change to current rents, enter **CURRENT** RENT TOTALS on both CURRENT BUDGET and PROPOSED BUDGET column.

(4) Actual rental income will be entered on the ACTUAL column.

b. For budgets with less than annual (*monthly, quarterly*) reporting periods:

(1) Enter CURRENT RENT TOTALS on the CURRENT BUDGET column.

(2) Actual rental income will be entered on the ACTUAL column.

NOTE 2: Follow this process to establish new rent rates:

1. Enter operational use of cash

(From Part I - Lines 16, 17, 22 & 23)

2. Enter non-rent income

(From Part I - Lines 4, 5, 6 & 7)

3. Rental Income Needed - Subtract Line 2 from Line 1

4. Projected occupancy level factor (. _ _)

(For example enter ".95" for 95% expected occupancy)

5. Total income needed from rent *(Divide Line 2 by Line 4)*

6. Calculate BASIC and NOTE RATE rents for each size unit. *(Refer to 7 CFR part 3560.205)*

PART V -- ANNUAL CAPITAL BUDGET

1. Prepare Part V of this form when the proposed budget or the annual report of actual expenditures include capital items funded from the Reserve Account or the General Operating Account (GOA).
2. Entries included in Part V are considered major capital expenditures and should not be duplicated expenses entered on Part II. Part II should only be used for minor routine repair and/or replacement. This distinction is necessary to assume comparability of costs during the budget approval process.

Recording the proposed capital use on Part V does not constitute a reserve account withdrawal request; however, it does constitute Agency pre-approval. Follow the request authorization process of Form RD 3560-12.
4. With Agency approval, capital expenditures may be paid from the GOA when funds are available, as long as the financial integrity of the project is not affected. In most cases, the reserve account should be used as the primary source for capital expense.
5. This form provides several general descriptions of typical items. You should attempt to categorize your capital expenses on the most appropriate line.
6. This form is separated into seven columns: Proposed Number of Units/Items, Proposed from Reserve, Actual from Reserve, Proposed from Operating, Actual from Operating, Actual Total Cost, and Total Actual Units/Items.

Proposed Number of Units/Items: Use when entering quantity being replaced or repaired; however, there are some circumstances when a unit/item figure will not be entered, such as roofing and siding.

Proposed from Reserve: Use when entering the proposed cost of each unit/item to be funded from the reserve account. Total must match Part III, line 4 of the Proposed column.

Actual from Reserve: Use when entering the actual cost of each unit/item funded from the reserve account. Total must match Part III, line 4 of the Actual column.

Proposed from Operating: Use when entering the proposed cost of each unit/item to be funded from the operating account. Total must match Part II, line 9 of the Proposed column.

Actual from Operating: Use when entering the actual cost of each unit/item funded from the operating account. Total must match Part II, line 9 of the Actual column.

Actual Total Cost: Use to show the sum of the actual amount funded from the reserve account and the actual amount funded from the operating account.

PART VI—SIGNATURES, DATES AND COMMENTS

Borrower signature is required. Rural Development’s approval may be by letter submitted electronically or by signing and returning this form. Use the comment area if additional disclosures or analyses are necessary. Comments are encouraged to better explain the contents of the submitted budget. Rural Development Servicing Official should document additional relevant information or record issues or concerns noted during Rural Development’s review.