

MEMORANDUM OF UNDERSTANDING

Between the
U.S. Department of Housing and Urban Development
and the
Rural Housing Service of the
U.S. Department of Agriculture

PURPOSE

This Memorandum of Understanding (MOU) reiterates the continuing working relationship between the U.S. Department of Housing and Urban Development (HUD) and the Rural Housing Service (RHS) of the U.S. Department of Agriculture in providing housing assistance to low-income households in Rural America.

BACKGROUND

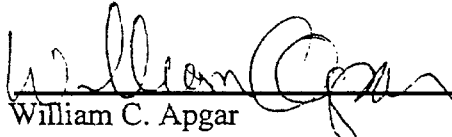
There are approximately 1500 RHS 515/8 projects with 20 year Section 8 contracts which were entered into by HUD and Project Owners during the years from 1978 to 1985. Contract rents for these projects have been adjusted on an annual basis by application of Automatic Adjustment Factors in accordance with 24 CFR 884.109(b). Section 524 of the Multifamily Assisted Housing Reform and Affordability Act of 1997, as amended, establishes the current requirements for the renewal of Section 8 project-based assistance contracts. Section 524(b) provides that rents for RHS 515/8 projects at Initial renewal shall be set at the lesser of the current rent adjusted by an Operating Cost Adjustment Factor (OCAF) or the budget-based rent. Section 524(c) provides that subsequent rent increases shall be determined by OCAF, unless the owner requests and the Secretary approves a budget-based increase. RHS approves budgets annually for 515/8 projects.

AGREEMENT

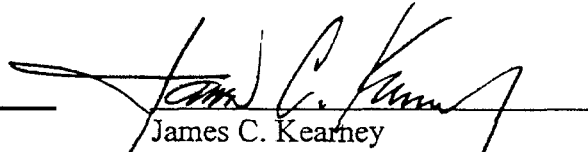
The RHS-approved budget will be submitted to HUD by the Project Owner and will serve as the basis for the budget-based rent in the contract renewal process. The rents at initial renewal will be determined by the HUD staff, who will compare the RHS approved budget-based rent as submitted by the Project Owner to the current rents adjusted by an OCAF, and will set the contract rent at the lesser of the two amounts. HUD staff will

then notify both the RHS and the owner of the new contract rents. Rent adjustments at subsequent renewals will be determined by OCAF, unless the owner requests and HUD approves a budget-based increase that has been approved by the RHS.

SIGNATORIES



William C. Apgar
Assistant Secretary for Housing,
Federal Housing Commissioner



James C. Kearney
Administrator, Rural Housing
Service