

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

[Docket No. FR-4057-N-01]

Office of the Secretary; Utility Allowances for Use by the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation

AGENCY: Office of the Secretary, HUD.

ACTION: Notice of utility allowances.

SUMMARY: This notice issues the utility allowances established in accordance with the Secretary's authority to regulate the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") (each enterprise is also referred to as a "Government-Sponsored Enterprise" or "GSE"). These allowances are used to determine whether rental units financed by GSE mortgage purchases are affordable and may count toward the achievement of the income-based housing goals established by the Secretary. For these purposes, the allowances in this notice shall be added to the contract rent for rental units in which: (1) tenant income is not available; (2) contract rent does not include the cost of utilities; and (3) the GSE does not use the HUD Section 8 utility allowances.

EFFECTIVE DATE: April 23, 1996.

FOR FURTHER INFORMATION CONTACT: Janet Tasker, Director, Office of Government-Sponsored Enterprises Oversight, Department of Housing and Urban Development, Room 6154, 451 Seventh Street, S.W., Washington, D.C. 20410, telephone (202) 708-2224 (this is not a toll-free number). For hearing- and speech-impaired persons, this number may be accessed via TTY (text telephone) by calling the Federal Information Relay Service at 1-800-877-8339.

SUPPLEMENTARY INFORMATION: Environmental Impact

In accordance with 40 CFR 1508.4 of the regulations of the Council on Environmental Quality and 24 CFR 50.20(l) of the HUD regulations, the policies and procedures contained in this notice relate only to cost determinations that do not affect the physical condition of any building and,

therefore, are categorically excluded from the requirements of the National Environmental Policy Act.

Background

The Federal Housing Enterprise Financial Safety and Soundness Act of 1992, enacted as Title XIII of the Housing and Community Development Act of 1992 (Pub. L. 102-550, approved October 28, 1992; codified generally at 12 U.S.C. 4501-4561) ("the Act"),¹ requires the Secretary, *inter alia*, to establish and monitor the performance of the GSEs in meeting annual goals for mortgage purchases on housing for low- and moderate-income families and special affordable housing, *i.e.*, housing meeting the needs of and affordable to low-income families in low-income areas and very low-income families. On January 2, 1996, the Secretary's new regulation of the GSEs, codified at 24 CFR part 81, became effective. *See* 60 FR 61846 (Dec. 1, 1995).

Under the Act and regulations, in considering whether a rental dwelling unit that is financed by a GSE mortgage purchase is affordable and counts toward any housing goal, the Secretary must consider the income of tenants if income information is available. Where income information is not available, rent on the dwelling unit is used as a proxy and compared to the rent levels affordable to very-low-, low-, and moderate-income families and families whose incomes do not exceed 50 percent of the area median income ("especially low-income families").² To be considered affordable and count under the goal, the rent cannot exceed 30 percent of the maximum income level of the family's classification, *i.e.*, especially low-, very-low-, low-, or moderate-income, with adjustments for unit size.³

Under the regulation, "rent" is defined as contract rent, but only where the contract rent includes the cost of all utilities.⁴ In all other instances, rent is contract rent plus either: the actual cost of utilities, or a utility allowance.⁵ The regulation allows the GSEs to choose

from two different utility allowances—the allowances used in the HUD Section 8 Program or the utility allowances derived from the American Housing Survey (AHS) and issued annually by the Secretary.⁶

This notice issues the AHS-derived utility allowances for 1996 and 1997. In establishing these allowances, the Department analyzed AHS data on the median costs,⁷ based on unit type, paid by renters in both multifamily and single family properties for electricity, gas, oil, water, and other utilities.

The GSEs were advised by letter dated March 22, 1996, that these allowances were to be issued in the Federal Register.

The Utility Allowances

In accordance with sections 1321, 1331-33, and 1336 of the Federal Housing Enterprise Financial Safety and Soundness Act (12 U.S.C. 4541, 4561-63, and 4566), and as provided in paragraph (1) under the definition of "utility allowance" in section 81.2(b) of Title 24 of the Code of Federal Regulations, the AHS-derived utility allowances for 1996 and 1997 are as follows:

Type of property	Number of bedrooms			
	Efficiency	1	2	3 or more
Multifamily	\$51	\$59	\$78	\$102
Single family	67	78	104	134

Effect of Notice Beyond 1997

For 1998 and thereafter, the Secretary shall establish AHS-derived utility allowances by subsequent notice. Pending establishment of such allowances for 1998 and thereafter, the allowances in this notice shall continue to be used by the GSEs.

Dated: April 23, 1996.

Henry G. Cisneros,

Secretary.

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¹ Unless otherwise specified, all sections cited herein are in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. Sections 1331-1336 of that Act are codified at 12 U.S.C. 4561-66.

² Sections 1332(c) and 1333(c).

³ Sections 1332(c)(2) and 1333(c)(2).

⁴ 24 CFR 81.2.

⁵ *Id.*

⁶ *Id.*

⁷ The AHS medians have been adjusted for the percentage change in the Consumer Price Index for Fuel and Other Utilities between July-December 1993 (the period when the AHS was conducted) and November 1995, and have been projected forward using the Data Resources Incorporated (DRI) predicted increase from November 1995 through the fourth quarter of 1996.