

Position 3

Form RD 3560-7 (Rev. 05-06) **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"/> SNR <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)]				
NON-OPERATIONAL CASH SOURCES				
11. CASH - NON PROJECT				
12. AUTHORIZED LOAN (Non-RHS)				
13. TRANSFER FROM RESERVE				
14. SUB-TOTAL (11 thru 13)				
15. TOTAL CASH SOURCES (10+14)				
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)				
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)				
29. TOTAL CASH USES (24+28)				
30. NET CASH (DEFICIT) (15-29)				
CASH BALANCE				
31. BEGINNING CASH BALANCE				
32. ACCRUAL TO CASH ADJUSTMENT				
33. ENDING CASH BALANCE (30+31+32)				

According to the Paperwork Reduction Act of 1995, an agency may not conduct or 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.

To be used for Multi-Family Housing (MFH) borrowers to plan and report the financial activity of their MFH project.

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.)

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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)				
12. ELECTRICITY <input type="checkbox"/> If master metered				
13. WATER <input type="checkbox"/> check box on front				
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)				
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. WORKER'S COMPENSATION				
32. OTHER ADMINISTRATIVE EXPENSES (Itemize)				
33. SUB-TOTAL ADMINISTRATIVE (19 thru 32)				
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)				
41. TOTAL O&M EXPENSES (11+18+33+40)				

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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)	()	()	()	
8. ENDING BALANCE [(1+2)-7]				
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				
<i>(*Complete upon submission of actual expenses.)</i>				
NUMBER OF APPLICANTS ON THE WAITING LIST		RESERVE ACCT. REQ. BALANCE.....		
NUMBER OF APPLICANTS NEEDING RA.....		AMOUNT AHEAD/BEHIND		

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PART IV—RENT SCHEDULE AND UTILITY ALLOWANCE

A. CURRENT APPROVED RENTS/ UTILITY ALLOWANCE

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
CURRENT RENT TOTALS:									
						BASIC	NOTE	HUD	

B. PROPOSED RENTS - Effective Date: ____/____/____

UNIT DESCRIPTION			RENTAL RATES			POTENTIAL INCOME FROM EACH RATE			UTILITY ALLOWANCE
BR SIZE	UNIT TYPE	NUMBER	BASIC	NOTE RATE	HUD	BASIC	NOTE RATE	HUD	
PROPOSED RENT TOTALS:									
						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:							

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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:

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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 budgeted.**
 - 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.]

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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.
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.
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.
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.
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.
7. OTHER—PROJECT SOURCES. Income from all other project sources. Notate.
8. (VACANCY AND CONTINGENCY ALLOWANCE). For proposed columns only, the estimated loss to rental income for either vacancy or contingencies.
9. (AGENCY APPROVED INCENTIVE ALLOWANCE). For proposed columns only, the Rural Development approved project funded rental incentives.
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.
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.
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.
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.

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

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

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.

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

23. RETURN TO OWNER/NP ASSET 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).

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.

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.

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.

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.

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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.

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.
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.
5. SNOW REMOVAL. Contract, job service, or equipment amortization and maintenance expense.
6. ELEVATOR MAINTENANCE OR CONTRACT. For contract maintenance service or specific repair and maintenance of project elevators.
7. GROUNDS. Grounds maintenance contracts or supplies such as seed, fertilizer and additional shrubs or trees not covered by maintenance & repair contract.
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".
10. OTHER OPERATING EXPENSES. Notate others not listed above.
11. SUB-TOTAL MAINTENANCE AND OPERATING. Add lines 1 thru 10.

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.

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

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

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.

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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.

21. **PROJECT AUDITING EXPENSE.** Fees paid for engagement, auditing expenses or verification of accounts when required by 7CFR3560.308.

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.

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

24. **ADVERTISING.** Project advertising.

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.

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

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

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

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

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.

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

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

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

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

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PART III—ACCOUNT BUDGETING/STATUS

RESERVE ACCOUNT:

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. 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.
7. TOTAL TRANSFERS FROM RESERVE. Add lines 3, 4, 5 and 6.
8. ENDING BALANCE. Add 1 and 2 and subtract 7.

GENERAL OPERATING ACCOUNT:*

REAL ESTATE TAX AND INSURANCE ESCROW ACCOUNT:*,**

TENANT SECURITY DEPOSIT 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.

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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)

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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.
3. 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.

Total Actual Units/Items: Use when entering quantity of actual units/items funded from both the reserve account and 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.