U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-8000

ASSISTANT SECRETARY FOR HOUSING-
FEDERAL HOUSING COMMISSIONER

Special Attention of:

Multifamily Hub Directors
Multifamily Program Center Directors
Rural Housing Services (RHS) Directors
Supervisory Housing Project Managers
Housing Project Managers
Contract Administrators
Multifamily Owners and Management Agents

NOTICE: H 2014-15

Issued: October 31, 2014

Expires: This notice remains in effect until amended, revoked, or superseded.

Subject: Passbook Savings Rate Effective February 1, 2015 and Establishing Future Passbook Savings Rates

I. **Purpose**: This notice provides guidance to owners of HUD Multifamily Housing subsidized properties related to the passbook savings rate used to determine annual income from net family assets. Beginning February 1, 2015, Multifamily will annually publish the passbook savings rate to be used for all certifications to replace the previously set rate of 2% with a rate reflective of the national average.

II. **Background**: Under 24 CFR §5.609(b)(3), when determining annual income for families who receive assistance in a Multifamily Housing subsidized unit, the owner includes in annual income the greater of either: (1) actual income resulting from all net family assets; or (2) a percentage of the value of such assets based upon the current passbook savings rate as determined by the U.S. Department of Housing and Urban Development (HUD) when a family has net assets in excess of $5,000. The Office of Multifamily Housing Programs had previously set the passbook savings rate at 2% because, historically, interest rates had fluctuated around that number. As interest rates have now dropped and maintained a level significantly below 2%, Multifamily Housing acknowledges the need to adjust the passbook savings rate at least annually to represent current national averages.

III. **Applicability**: This notice applies to the following programs:

A. Project-based Section 8
   1. New Construction
   2. State Agency Financed

3. Substantial Rehabilitation
4. Section 202/8
5. Rural Housing Services (RHS) Section 515/8
6. Loan Management Set-Aside (LMSA)
7. Property Disposition Set-Aside (PDSA)

B. Section 101 Rent Supplement
C. Section 202/162 Project Assistance Contract (PAC)
D. Section 202 Project Rental Assistance Contract (PRAC)
E. Section 202 Senior Preservation Rental Assistance Contracts (SPRAC)
F. Section 811 PRAC
G. Section 811 Project Rental Assistance Demonstration units under a Rental Assistance Contract (PRA)
H. Section 236
I. Section 236 Rental Assistance Payments (RAP)
J. Section 221(d)(3) Below Market Interest Rate (BMIR)

IV. **Passbook Savings Rate**: This notice provides guidance regarding the passbook savings rate that will supersede information in the HUD Handbook 4350.3 Section 5-7.F. When calculating tenant income, owners should refer to the information in this notice to determine the appropriate interest rate at which to impute income from assets.

A. **Setting the Rate:** The passbook savings rate will be based on the national average provided by the Federal Deposit Insurance Corporation.

B. **Publication of the Rate:** The Office of Policy Development and Research publishes income limits on an annual basis to which owners must refer. Likewise, Multifamily Housing will publish the passbook savings rate, and its effective date, on a similar timeframe through a Housing program notice. Owners must begin using the new rate for all move-in, initial, annual, and interim certifications concurrent with the effective date provided. The provided effective date will allow for sufficient time to update software to include the new passbook savings rate.

C. **Updates to the Rate:** Multifamily Housing will retain the authority to update the passbook savings rate within the calendar year. If during the year the national average differs by at least 2% from the published rate, Multifamily Housing may publish a new rate, along with its effective date, to be used in the interim.

V. **Interim Recertifications:** According to Handbook 4350.3 and the model lease, tenants have the right to request an adjustment through the interim recertification process if their income changes before the next annual recertification. Because a

change in the passbook savings rate may change the reported income for individuals with more than $5000 in assets, these tenants are permitted to request an interim recertification. Owners should refer to HUD Handbook 4350.3, Section 7-10 when processing interim recertifications.

VI. Passbook Savings Rate Effective February 1, 2015

Effective February 1, 2015, the passbook savings rate to be used for all move-in, initial, annual, and interim recertifications when a family has net assets over $5,000 is .06%. This .06% rate must be used until Multifamily Housing publishes and makes effective a new passbook savings rate.

VII. Environmental Impact

In accordance with § 50.19(c)(6) of the HUD regulations, this Notice sets forth rate determinations which do not constitute a development decision that affects the physical condition of specific project areas or building sites, and therefore is categorically excluded from the requirements of the National Environmental Policy Act and related Federal laws and authorities.

VIII. Paperwork Reduction Act

There are no information collection requirements in this Notice and therefore the Paperwork Reduction Act of 1995 (44 U.S.C. 3501-3520) does not apply. In accordance with the Paperwork Reduction Act, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.

IX. Inquiries

Questions about this notice should be directed to Catherine Brennan in the Office of Asset Management and Portfolio Oversight at 202-402-6732 or Catherine.M.Brennan@hud.gov .

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Federal Housing Commissioner