

**DEPARTMENT OF HOUSING AND
URBAN DEVELOPMENT**

[Docket No. FR-5066-N-01]

**Public Housing Assessment System;
Revision to the Financial Condition
Scoring Process**

AGENCY: Office of the Assistant Secretary for Public and Indian Housing, HUD.

ACTION: Notice.

SUMMARY: This notice provides information to public housing agencies (PHAs) and members of the public about HUD's process for issuing scores under the Financial Condition Indicator of the Public Housing Assessment System (PHAS). This notice includes revised threshold values and associated points/scores for the expense management component of the Financial Condition Indicator based on available data for PHAs with fiscal years ending March 31, 2004, June 30, 2004, September 30, 2004, and December 31, 2004. The data analyzed is based on generally accepted accounting principles (GAAP) information submitted by PHAs as part of the financial data schedule submission.

DATES: *Comment Due Date:* June 1, 2006.

ADDRESSES: Interested persons are invited to submit comments regarding this rule to the Department of Housing and Urban Development, Office of General Counsel, Regulations Division, 451 Seventh Street, SW., Room 10276, Washington, DC 20410-0500. Interested persons also may submit comments electronically through The Federal eRulemaking Portal at <http://www.regulations.gov>. Commenters should follow the instructions provided on that site to submit comments electronically.

Facsimile (FAX) comments are not acceptable. In all cases, communications must refer to the docket number and title. All comments and communications submitted to HUD will be available, without change, for public inspection and copying between 8 a.m. and 5 p.m. weekdays at the above address. Due to security measures at the HUD Headquarters building, an advance appointment to review the public comments must be scheduled by calling the Regulations Division at (202) 708-3055 (this is not a toll-free number). Copies of comments submitted electronically are available for

inspection and downloading at <http://www.regulations.gov>.

FOR FURTHER INFORMATION: Contact the Office of Public and Indian Housing, Real Estate Assessment Center (REAC), Attention: Wanda Funk, Department of Housing and Urban Development, Real Estate Assessment Center, 550 12th Street, SW., Suite 100, Washington, DC 20410; telephone the PIH-REAC Technical Assistance Center at (888) 245-4860 (this is a toll free number). Persons with hearing or speech impairments may access this number through TTY by calling the toll-free Federal Information Relay Service at (800) 877-8339. Additional information is available from the PIH-REAC Internet site at <http://www.hud.gov/reac/>.

SUPPLEMENTARY INFORMATION:
I. Background

HUD published the first Public Housing Assessment System; Financial Condition Scoring Process notice in the **Federal Register** on May 13, 1999 (64 FR 26222). HUD republished the notice to coincide with the June 22, 1999, publication of the PHAS proposed rule. Subsequently, HUD revised the notice twice to reflect additional changes to the financial scoring process. The third notice was published on June 28, 2000 (65 FR 40008), and the fourth notice was published on December 21, 2000 (65 FR 80685). This notice is an update of the financial condition scoring process notice published on December 21, 2000. In the December 21, 2000, notice HUD stated that any changes to the scoring process and any modifications to the thresholds would be communicated through a subsequent **Federal Register** notice. Accordingly, this notice updates the December 21, 2000, notice and provides information on the revisions made to the financial condition scoring process. HUD is revising the thresholds based on a full year's worth of unaudited and available audited financial information.

This change has been made in accordance with the threshold revaluation schedule set forth in the December 21, 2000, notice. The December 21, 2000, notice stated that the thresholds established in that notice would remain in effect for all unaudited and audited PHA financial submissions for PHAs for a three year period, unless REAC found a need for revisions. In October 2001, July 2003, November 2004, and May 2005, REAC conducted an analysis of the thresholds established

in the December 21, 2000, notice and determined not to revise the established thresholds. In August 2005 another analysis was conducted of the threshold established in the December 21, 2000, notice and it was determined that a revision to the expense management component was warranted.

II. Appendix 2, Expense Management, Revision

The analysis of the thresholds conducted in August 2005 is based on the financial information submitted by PHAs with fiscal years ending March 31, 2004, June 30, 2004, September 30, 2004, and December 31, 2004. As a result of this analysis, it was determined that a revision to the expense management thresholds was warranted, but not to the remaining component thresholds for current ratio, months expendable fund balance, tenants receivable outstanding, occupancy loss and net income and loss. The thresholds for the five financial condition components that will not be changed are included in Appendix 2, Thresholds for Entity-Wide GAAP Scoring, of the December 21, 2000, Public Housing Assessment System; Financial Condition Scoring Process. The table, below, includes the new thresholds for expense management.

The revised expense management thresholds included in this notice, and the remaining five component thresholds included in the December 21, 2000, financial condition notice, which are based on a full year of unaudited and audited financial data based on GAAP, will remain in effect for all unaudited and audited PHA financial submissions for PHAs with fiscal year end on or after September 30, 2006, for a three year period, unless the REAC finds a need for revisions. Any revisions to the thresholds will be communicated through a notice.

The expense management table can be interpreted in the following manner:

- Identify a size category for expense management;
- The rows under that size category identify ranges of possible values for expense management; and
- The column to the right labeled "Points/Score" identifies the points/scores that is awarded to each expense management value for that size category.

The thresholds presented here have been rounded for presentation purposes, whereas those used to calculate scores at the REAC are not rounded.

EXPENSE MANAGEMENT (EM)

Region	Very small and small	Low medium and high medium	Large and extra large	Points/score
0	EM<\$112.39	EM<\$108.52	EM<\$128.15	1.5
0	EM≥\$112.39	EM≥\$108.52	EM≥\$128.15	0
1	EM<\$114.12	EM<\$107.69	EM<\$112.87	1.5
1	EM≥\$114.12	EM≥\$107.69	EM≥\$112.87	0
2	EM<\$94.59	EM<\$118.23	EM<\$117.07	1.5
2	EM≥\$94.59	EM≥\$118.23	EM≥\$117.07	0
3	EM<\$89.22	EM<\$86.68	EM<\$101.71	1.5
3	EM≥\$89.22	EM≥\$86.68	EM≥\$101.71	0
4	EM<\$91.51	EM<\$97.55	EM<\$103.73	1.5
4	EM≥\$91.51	EM≥\$97.55	EM≥\$103.73	0
5	EM<\$86.66	EM<\$95.36	EM<\$110.68	1.5
5	EM≥\$86.66	EM≥\$95.36	EM≥\$110.68	0
6	EM<\$79.96	EM<\$82.36	EM<\$122.17	1.5
6	EM≥\$79.96	EM≥\$82.36	EM≥\$122.17	0
7	EM<\$99.87	EM<\$71.81	EM<\$86.02	1.5
7	EM≥\$99.87	EM≥\$71.81	EM≥\$86.02	0
8	EM<\$111.02	EM<\$133.50	EM<\$97.86	1.5
8	EM≥\$111.02	EM≥\$133.50	EM≥\$97.86	0
9	EM<\$120.96	EM<\$109.90	EM<\$136.55	1.5
9	EM≥\$120.96	EM≥\$109.90	EM≥\$136.55	0

Dated: April 24, 2006.

Orlando J. Cabrera,

Assistant Secretary for Public and Indian Housing.

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