regulations currently provide for two sources of survey data: (1) The decennial Census and (2) post-Census American Housing Surveys (AHSs). The regulations also currently provide for base-year FMRs to be updated each year using Consumer Price Index (CPI) data for rents and for utilities. This rule would amend the regulations to include Random Digit Dialing (RDD) telephone surveys as a third data source for baseyear estimates and for rent-change factors for updating rents in FMR areas without a local CPI survey. The RDD telephone survey technique is based on a sampling procedure that uses computers to select random samples of telephone numbers. Each sampled number is phoned to establish eligibility for the survey and, if eligible, the respondent is asked about the unit's rent and utility usage

Three types of RDD surveys are used, the first two on behalf of HUD, and the third by individual PHAs. Under contract with HUD, a professional survey firm does large-scale RDD surveys to establish base-year FMRs for areas where HUD suspects FMRs might not correspond well with current market conditions. About 60 areas are chosen to be surveyed each year. In addition, the same firm also does 20 RDD surveys to establish rent-change factors in the metropolitan and nonmetropolitan parts of each of the ten HUD geographic

regions. Finally, individual PHAs are encouraged to sponsor or conduct various levels of RDD surveys if they wish to comment on proposed FMRs. The larger PHAs are encouraged to contract with professional survey firms to do large-scale RDD surveys. Smaller PHAs are allowed to use a simplified version of the RDD survey that makes it possible for them to do their own RDD surveys. (PHAs and other commenters are not required to use RDD surveys as long as they provide statisticallyreliable, unbiased estimates of the 40th percentile gross rent.)

All of the RDD survey techniques involve drawing random samples of renter units. All exclude public housing units and other subsidized housing where the respondent does not know the full market rent. The surveys also exclude newly-built units and units for which no cash rent is paid. They do not exclude substandard units because there is no practical way to determine housing quality from telephone interviews. However, a HUD analysis conducted specifically to address this issue has shown that the slight downward bias caused by including some rental units that are in substandard condition is almost exactly

offset by the slight upward bias that results from surveying only units with telephones.

Tests in areas where Census, AHS, and CPI data on rents are available have shown that professionally-conducted RDD surveys have a high degree of statistical accuracy. In those tests, HUD concluded that there was a 95 percent likelihood that the rent estimates developed using this approach were within 3 to 4 percent of the actual rent value and that virtually all were within 5 percent. The PHA-conducted surveys using the modified RDD technique are less precise but are still within acceptable ranges of accuracy.

FMRs for Manufactured Home Spaces (§ 888.113(e))

This rule also proposes to calculate FMRs for manufactured home spaces as a percentage of the FMR for two-bedroom units. The base estimates used to calculate the FMRs for manufactured home spaces were not revised in FY 1994 because no data were available in the 1990 Census on manufactured home space rentals, and no other source of reliable data was found that could be used for this purpose.

Originally the FMRs for rental of manufactured home spaces were established using AHS data (no longer available) for the nonmetropolitan parts of states and HUD Field Office surveys of the metropolitan areas. Over the years the FMRs for additional individual areas were established on the basis of local surveys submitted as public comments.

Because the FMRs for manufactured home spaces are based on old survey data, and there is no current data source to update these estimates, HUD does not consider them to be sufficiently accurate for continued use. Further, the very limited use of this part of the Certificate program does not justify the cost of obtaining the necessary survey data to re-benchmark the FMRs. HUD is proposing, therefore, to amend this rule to establish FMRs for manufactured home spaces at 30 percent of the applicable Section 8 two-bedroom FMR for the Rental Certificate program. HUD arrived at the 30 percent standard after analyzing the existing manufactured home space FMRs and concluding that the substantial majority of the FMRs were within a 20 to 30 percent range of the two-bedroom FMRs.

HUD will continue to accept public comments requesting modification of the proposed manufactured home space FMRs for those areas where space rentals are thought to differ from the 30 percent standard. To be considered for approval, the comments must contain statistically-valid survey data that show

the 40th percentile manufactured home space rent (excluding the cost of utilities) for the FMR area. This program uses the same FMR area definitions as the Rental Certificate program. In addition HUD is proposing to retain the manufactured home space FMR revisions approved since 1990. The reason for continuing to use the revised FMRs is that they are based on recent survey data that HUD determined to be valid. Once approved, the revised manufactured home space FMRs establish new base-year estimates that will be updated annually using the same data used to update the Rental Certificate program FMRs.

## FMR Areas (§ 888.113(b)

Section 888.113(b) would be amended to authorize the Secretary to make exceptions to the use of the Office of Management and Budget definitions of Metropolitan Statistical Areas (MSAs) and Primary Metropolitan Statistical Areas (PMSAs) as FMR areas where HUD determines that use of an MSA or PMSA would encompass an area that is larger than a housing market area.

Public Comments On Proposed FMRs (§ 888.115)

The proposed rule states the requirement that, in order to be considered for approval, public comments on proposed FMRs must contain statistically-valid rental housing survey data justifying the requested revision. Each year, the Department receives, in response to its request for public comments on proposed FMRs, comments that merely object to the proposed FMRs for the area, but do not contain any documentation to support the assertion that the FMRs are inaccurate. The Notice announcing proposed FMRs has always stipulated that such documentation be included in the comment. This rule would make the regulations for the program clear that adequate supporting rental housing survey data are necessary to justify a requested change.

## III. Justification for Reduced Comment Period

HUD's general policy is to provide a 60-day public comment period. For this proposed rule, however, HUD is providing only a 30-day comment period. The reduced comment period is justified because the public has had ample notice that HUD was contemplating the 40th percentile Fair Market Rent (FMR) standard.

On June 23, 1994 (59 FR 32492), HUD published a notice in the **Federal Register** containing two separate sets of proposed FMRs—one based on the 45th