percentages of neighborhoods with rent eligible units, ranging from 71 to 95 percent of the census tracts with 30 percent or more of the units below the FMR. This is strongly suggestive that families will continue to have an adequate choice of good housing and neighborhoods at the 40th percentile FMR.

A similar analysis was conducted and similar results found for a number of nonmetropolitan counties, supporting the conclusion that rural areas also will have an ample proportion of rental housing that families with housing certificates can afford at the 40th percentile FMR standard.

2. *Comment:* Many commenters were concerned that lower FMRs would result in landlords dropping out of the

Section 8 Existing program.

Response: Lowering the standard from the 45th to the 40th percentile rent will reduce FMRs by a small amount, 3.3 percent on average. While some participating landlords with units renting very close to the current FMRs may choose to drop out of the program, the vast majority of units now in the program will continue to be eligible under the new 40th percentile standard. In addition, HUD will be able to use the FMR exception authority available for submarkets of FMR areas to mitigate this situation.

3. *Comment:* The proposed rule was viewed by commenters as an attempt by OMB and HUD to reduce budgets at the expense of low-income Americans.

Response: The reduction in the FMR standard is a cost savings measure. The streamlined Section 8 program will save taxpayers money while still assuring that low-income families participating in the program will be able to improve their housing situations. HUD is confident that providing Section 8 families access to 40 percent of the standard quality rental housing stock in a housing market offers them the opportunity to afford decent, safe, and sanitary housing. Further, a lower FMR standard permits assistance for more families with available funding.

4. Comment: Commenters thought that lower FMRs would result in more program vacancies and therefore lower administrative fees to HAs increasing their financial burden and impacting their ability to operate the program.

Response: The fact that FMRs are lower does not mean there will be a lower lease-up rate in the program. Lower FMRs are an issue only for new families entering the program or for families that move. Families in need of housing will find units that rent below the lower FMR rather than give up their rental assistance. Current program

participants desiring to move will be less likely to move if they have difficulty finding a unit.

HUD is in the process of decoupling the HA ongoing administrative fees from the current FMR to the extent allowed by law. Under the notice on administrative fees for the Section 8 Rental Voucher and Rental Certificate Programs that was published in the Federal Register on January 24, 1995 (59 FR 32492), the HA ongoing administrative fees for the rental vouchers and certificates funded from pre-FY 1989 appropriations, representing more than one-half of the program units, were decoupled from the current FMRs. HUD is seeking legislation to decouple fees from the FMRs for rental vouchers and certificates funded from FY 1989 and subsequent appropriations. Changes in the monthly per unit fee amount would be based on changes in wage data or other objectively measurable data, as determined by HUD, that reflect the costs of administering the program.

5. Comment: Commenters objected that the proposed rule encourages HAs to conduct RDD surveys which are too costly and are not as reliable as local surveys of real estate agents, renters, and visual inspections of rental units. RDD surveys do not account for substandard housing, and households with telephones are not necessarily standard quality units, especially in rural areas. HUD requires HAs to use statistically valid surveys, implying the required use of the RDD approach. HUD should allow a common sense, inexpensive approach to rental housing surveys.

Response: HUD encourages HAs that believe their FMRs are too low to conduct statistically valid surveys to test these numbers. HUD recommends the use of RDD-type surveys, but these surveys are not mandatory. Both the RDD and the traditional methods that HUD recommends emphasize the need to obtain a complete list of the rental universe and conduct the survey in an unbiased way. Very small samples, if carefully drawn and surveyed, are more accurate than large samples drawn from biased sources or surveyed in a biased manner. Regardless of how the survey itself is conducted, the universe list must reflect the entire rent distribution of the FMR area. HAs may continue to submit traditional rental housing surveys and HUD will continue to evaluate them in terms of their sample validity.

HUD provides extensive step-by-step guidance on how to conduct statistically valid surveys, including sample selection (using either the RDD or traditional method), questionnaire wording, follow-ups of nonrespondents, and data processing. HUD is also willing to help HAs that want to conduct their own surveys.

HUD's past analysis indicates that RDD surveys appropriately reflect the rent levels of the standard quality housing stock. The impact of substandard housing is offset by the use of samples of rental housing units with telephones. The upward rent bias from surveying only units with telephones is offset by the high proportion of nontelephone units that would not meet

quality standards.

HUD has always required the use of statistically valid housing surveys in FMR comments and has stated the requirements for such surveys in the preambles to the notices of proposed FMRs. In recent years, HUD has also publicized the availability of its rental housing survey guides and has conducted an outreach program to help HAs conduct statistically valid surveys. These surveys need not be conducted by professionals, and are cheap enough that most HAs can afford to conduct them. Even very small HAs have been able to use these surveys by joining their resources and conducting combined surveys.

6. *Čomment:* The proposed change was particularly perplexing to several commenters in view of the Section 8 NOFA selection criteria—Efforts of HA to Provide Area-Wide Housing Opportunities for Families.

Response: Prior to issuing the proposed regulation, HUD considered the impact of this change on efforts to encourage families to move from high poverty neighborhoods. As discussed in the response to the first comment, HUD is confident that rental housing units meeting the program standards are available throughout FMR areas, and will favorably consider requests for submarket exception rents in order to maintain opportunities for families to rent units in non-poverty neighborhoods.

7. Comment: The reduction in the FMR standard would make it more difficult to administer a program that mandates Family Self-Sufficiency (FSS).

Response: HUD provided special funding in FY 1994 for HAs to hire a service coordinator under the FSS program. The Notice of Funding Availability for FY 1995 provides additional funding for HAs to hire FSS service coordinators.

8. Comment: Several commenters stated that reduced FMRs were insufficient to support new construction programs like the Low Income Housing Tax Credit (LIHTC) or HOME program.