not be appropriate because the housing quality measures for Puerto Rico are inadequate. To obtain additional information on this matter, HUD conducted specially designed RDD surveys of the San Juan, Mayaguez and Caugas FMR areas. These surveys were modified by adding housing quality questions to account for the greater incidence of substandard rental housing in Puerto Rico. The surveys of San Juan and Caugas found FMR estimates higher than 1990 Census-based estimates, but lower than the current FMRs. The results of the Mayaguez survey suggested that the current FMRs were

Based on the RDD survey results, HUD is proposing reduced FMRs for the San Juan and Caugas areas and a small increase reflecting the normal inflation adjustment for the Mayaguez area. Pending completion of the scheduled RDDs, the FMRs for the Arecibo, Aguadilla, and Ponce areas are being proposed with changes similar to those indicated by RDD results of the areas in Puerto Rico with comparable rents. The FMRs of the nonmetropolitan FMR areas are being held at the current levels, except for Isabella and Quebradillas Municipios, which, because they are no longer part of a metropolitan area, have their FMRs proposed at levels consistent with the other nonmetropolitan areas.

Because the surveys confirmed the concern about the accuracy of the FMRs for Puerto Rico, HUD has decided to conduct additional RDD surveys of the three other metropolitan FMR areas—Arecibo, Aguadilla, and Ponce—and of the nonmetropolitan areas. Results of these surveys will be available in time to be incorporated into the second final publication of the FY 1996 FMRs.

VI. Manufactured Home Space FMRs

Manufactured home space FMRs are 30 percent of the applicable Section 8 Rental Certificate program FMR for a two-bedroom unit. HUD accepts public comments requesting modifications of these FMRs where they are thought to be inadequate to run the program. In order to be accepted as a basis for revising the FMRs, such comments must contain statistically valid survey data that show the 40th percentile space rent (excluding the cost of utilities) for the entire FMR area. This program uses the same FMR area definitions as the Section 8 Rental Certificate program. Manufactured home space FMR revisions are published as final FMRs in Schedule D. Once approved, the revised manufactured home space FMRs establish new base year estimates that are updated annually using the same

data used to update the Rental Certificate program FMRs.

VII. FMRs for Federal Disaster Areas

Under the authority granted in 24 CFR part 899, the Secretary finds good cause to waive the regulatory requirements that govern requests for geographic area FMR exceptions for areas that are declared disaster areas by the Federal **Emergency Management Agency** (FEMA) during FY 1996. HUD is prepared to grant disaster-related exceptions up to 10 percent above the applicable FMRs. HUD field offices are authorized to approve such exceptions for: (1) single-county FMR areas and for individual county parts of multi-county FMR areas that qualify as disaster areas under the Robert T. Stafford Disaster Relief and Emergency Assistance Act; if (2) the PHA certifies that damage to the rental housing stock as a result of the disaster is so substantial that it has increased the prevailing rent levels in the affected area. Such exceptions must be requested in writing by the responsible PHAs. Once approved by HUD, they will remain in effect until superseded by the publication of the final FY 1998 FMRs.

VIII. Request for Comments

HUD seeks public comments on FMR levels for specific areas. Comments on FMR levels must include sufficient information (including local data and a full description of the rental housing survey methodology used) to justify any proposed changes. Changes may be proposed in all or any one of the bedroom-size categories on the schedule. Recommendations and supporting data must reflect the rent levels that exist within the entire FMR area.

The Department also seeks comments on the proposal to establish State minimum FMRs at the State-wide average of FMRs for nonmetropolitan counties, subject to a maximum ceiling rent of \$450. This proposal may be subject to change, based on further analysis and public comments.

HUD recommends use of professionally-conducted Random Digit Dialing (RDD) telephone surveys to test the accuracy of FMRs for areas where there is a sufficient number of Section 8 units to justify the survey cost of \$10,000-\$12,000. Areas with 500 or more program units usually meet this criterion, and areas with fewer units may meet it if the actual two-bedroom FMR rent standard is significantly different than that proposed by HUD. In addition, HUD has developed a version of the RDD survey methodology for smaller, nonmetropolitan PHAs. This

methodology is designed to be simple enough to be done by the PHA itself, rather than by professional survey organizations, at a cost of \$5,000 or less.

PHAs in nonmetropolitan areas may, in certain circumstances, do surveys of groups of counties. All grouped county surveys must be approved in advance by HUD. PHAs are cautioned that the resultant FMRs will not be identical for the counties surveyed; each individual FMR area will have a separate FMR based on its relationship to the combined rent of the cluster of FMR areas.

PHAs that plan to use the RDD survey technique may obtain a copy of the appropriate survey guide by calling HUD USER on 1–800–245–2691. Larger PHAs should request "Random Digit Dialing Surveys; A Guide to Assist Larger Public Housing Agencies in Preparing Fair Market Rent Comments." Smaller PHAs should obtain "Rental Housing Surveys; A Guide to Assist Smaller Public Housing Agencies in Preparing Fair Market Rent Comments."

HUD prefers, but does not mandate, the use of RDD telephone surveys, or the more traditional method described in the small PHA survey guide. Other survey methodologies are acceptable as long as the surveys submitted provide statistically reliable, unbiased estimates of the 40th percentile gross rent. Survey samples should preferably be randomly drawn from a complete list of rental units for the FMR area. If this is not feasible, the selected sample must be drawn so as to be statistically representative of the entire rental housing stock of the FMR area. In particular, surveys must include units of all rent levels and be representative by structure type (including single-family, duplex and other small rental properties), age of housing unit, and geographic location. The decennial Census should be used as a starting point and means of verification for determining whether the sample is representative of the FMR area's rental housing stock.

Local rental housing surveys conducted with alternative methods must include the same type of documentation required of the RDD surveys. Specifically, PHA submissions must include:

- —Identification of the 40th percentile gross rents (gross rent is rent including the cost of utilities) and the actual distribution (or distributions if more than one bedroom size is surveyed) of the surveyed units rank ordered by gross rent.
- —An explanation of how the rental housing sample was drawn and a