

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FLEXIBLE SUBSIDY FUND

PROGRAM HIGHLIGHTS

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
(Dollars in Thousands)				
<u>Program Level: (Regular Program)</u>				
Unobligated Balance, soy .....	\$264,454	\$279,189	\$249,189	-\$30,000
Obligations .....	-\$11,622	-\$38,000	...	+\$38,000
Offsetting Collections, Net .....	\$24,861	\$8,000	\$24,000	+\$16,000
Recapture from prior years: .....	\$1,496	...	...	...
Unobligated Balance, eoy .....	\$279,189	\$249,189	\$273,189	+\$24,000
Transfers from the Rental Housing				
Assistance Fund .....	\$19,000	\$17,000	\$16,000	-\$1,000

SUMMARY OF BUDGET ESTIMATES

The Budget assumes that the Flexible Subsidy Fund will continue to serve as a repository for excess rental charges transferred from the Rental Housing Assistance Fund. However, no additional authority is being requested for the use of these collections. During fiscal year 2002, only carryover from fiscal year 1995, the last year which authority was provided, will be used for new reservations. Activity will be restricted to structure and health and safety needs in projects that received Section 202 loans and capital advances.

PROGRAM DESCRIPTION AND ACTIVITY

The Flexible Subsidy Fund was initially authorized by the Housing and Community Development Amendments of 1978, subsequently amended by the Housing and Community Development (HCD) Act of 1987, and further amended by the McKinney Homeless Assistance Amendments Act of 1988. The HCD Amendments of 1978 established the Flexible Subsidy Fund into which repaid funds would be credited along with any transfer from the Rental Housing Assistance Fund.

The projects eligible for Flexible Subsidy assistance originally included those assisted under the Section 236 interest reduction program, the Section 221(d)(3) below market interest rate program, and the Section 101 rent supplement program. Eligibility was expanded in 1983 to include projects converted from Section 236 or Section 101 to assistance under Section 8 of the 1937 Housing Act; and in 1987 to include certain projects which had received Section 202 loans for elderly or handicapped housing, and projects assisted under Section 23 of the 1937 Act (as in effect prior to 1975).

Projects under Sections 236, 221(d)(3), 101, and 202 which are acquired and subsequently sold by HUD with mortgage insurance and affordability restrictions also were eligible for Flexible Subsidy assistance.

The original objectives of the Flexible Subsidy program were to: (1) reduce claims on the Department's mortgage insurance funds by aiding projects in financial distress where existing sources of financial relief are inadequate to cure the projects' problems, and (2) preserve and protect the existing supply of low- and moderate-income housing by upgrading the quality of management services and effecting short-term improvements which will enable projects to become self-sustaining and remain affordable.

The enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997 expands the tools available to address the needs of insured and HUD-held multifamily projects. The use of alternative funding for FHA-insured projects has eliminated the need for the Flexible Subsidy.

Flexible Subsidy Fund

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

The Flexible Subsidy Fund supports the Department's Strategic Goal #5, "Ensure public trust in HUD" by providing activities related to health and safety needs in projects that received Section 202 loans and capital advances.

SELECTED PERFORMANCE MEASURES

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
<b>Strategic Goal 5: Ensure public trust in HUD.</b>			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE	11	11	11