

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING ASSISTANCE PROGRAM  
(Section 236)

PROGRAM HIGHLIGHTS

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
(Dollars in Thousands)				
<u>Budget Authority</u>				
Unobligated Balance, SOY .....	\$397,495	\$365,918	\$600,918	+\$235,000
Recapture from prior years: .....	\$15,632	\$400,000	\$200,000	-\$200,000
Use - IRP Grant Program .....	...	-\$100,000	-\$300,000	-\$200,000
Use - State Aided Amendments ....	-\$42,599	-\$60,000	-\$60,000	...
Restored/Lapsed .....	-\$4,610	-\$5,000	...	+\$5,000
Unobligated Balance, eoy .....	\$365,918	\$600,918	\$440,918	-\$160,000
<u>Units (pipeline)</u>				
Units Eligible for Payment, start of Year (Estimate) .....	464,020	446,300	425,329	-20,971
Units Eligible for Payment, Adjustments .....	...	...	...	...
Recaptures (Units) .....	-17,720	-20,971	-20,000	+971
Units Eligible for Payment, End of Year (Estimate) .....	446,300	425,329	405,329	-20,000

NA=Not Applicable

SUMMARY OF BUDGET ESTIMATES

No appropriation is requested for the Rental Housing Assistance program in 2002. No new commitment activity has occurred since the program was terminated in 1973, when contract approvals for new projects were discontinued. However, the program does have activity from recaptures or amendments in connection with State-aided projects, which continue to be funded utilizing the set-asides of contract authority provided for in the 1983 Supplemental Appropriations Act. Section 533 of the 2000 Appropriations Act (P.L. 106-74) provided authority to use recaptures from expiring and terminating Section 236 projects to fund the IRP Grant/Loan program for the rehabilitation of multifamily projects. The fiscal year 2002 Budget proposes repeal of the IRP Loan portion of the program and reflects implementation of IRP Grants funded rehabilitation activity beginning in fiscal year 2001. In addition, excess rental charges, once transferred to the Rental Housing Assistance Fund, and then to the Flexible Subsidy Fund, are now retained by the owner for project use pursuant to Section 532 of the 2000 Appropriations Act.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2002 Budget reflects full implementation of the IRP Rehab program. Proposed regulations for the new program are presently under review.

PROGRAM DESCRIPTION AND ACTIVITY

Original Program. The Section 236 program, as enacted in 1968, provides a subsidy to reduce mortgage interest payments. The maximum subsidy available to a project was set at the difference between the monthly payment for principal, interest, and mortgage insurance premium on the outstanding mortgage at the market rate of interest and the monthly payment that would be required under a mortgage bearing an interest rate of 1 percent.

A basic rental charge that was deemed sufficient to meet operating expenses plus debt service expenses at the 1 percent rate of interest was determined for each unit. Every tenant is required to pay the basic rental charge or up to 30 percent of income, whichever is higher. Contract approvals for new projects were discontinued in January 1973, except for "bona fide" commitments outstanding at that time and for amendments to prior contracts.

Rental Housing Assistance Program

"Deep Subsidy" Program. The Rental Assistance Payments (RAP/"deep subsidy") program, authorized by the Housing and Community Development Act of 1974, was designed to aid very low-income families in Section 236 projects by permitting HUD to provide additional subsidies equal to the difference between the basic rent and 30 percent of income for a certain percentage of units in a project. Most insured projects receiving RAP funding have converted to Section 8 assistance. The remaining inventory of RAP assisted projects is largely limited to State-aided, bond-financed, projects which continue to receive amendment funding from a special set-aside.

State Agency Financed Projects (RAP funding). Amendments to State agency sponsored RAP projects will continue to be funded utilizing the set-asides of contract authority provided for in the 1983 Supplemental Appropriations Act.

Preservation Prepayment. As an incentive to attract developers into the original Section 236 program, participants were given the right to prepay their subsidized mortgage after 20 years.

In the 1990's, when mortgages began to hit the 20-year mark, the Department implemented the Preservation program to encourage project owners to continue in the low-income housing program. Approximately 9,444 units were prepaid in 2000, and prepayments are anticipated at 11,330 units in 2001 and 13,596 units in 2002.

Within the projects whose owners were given the right to prepay, some of the units are already occupied by tenants receiving Section 8 assistance. Other tenants may be income eligible but not presently receiving assistance. When owners prepay, these tenants may face rent increases and will be assisted with Tenant Protection vouchers.

Once the Section 236 mortgage is prepaid and liquidated, the IRP interest subsidy contract terminates. Therefore, previously obligated contract authority and imputed budget authority are subject to recapture.

IRP Grant Program. Title V of the 1998 Appropriations Act makes IRP recaptures available for grants to project owners. Fiscal year 2001 program activity is expected to reflect the previously planned obligation of IRP budget authority becoming available as a result of Preservation prepayments that occurred during fiscal year 2000. Recaptured authority from fiscal year 2001, together with re-use of a portion of IRP recaptures anticipated in 2002 comprise the obligation estimate for fiscal year 2002.

The Housing and Urban Development Act of 1968 authorized the Secretary to establish a fund for the deposit of rental collections in excess of the established basic rent for units in subsidized Section 236 projects. Pursuant to Section 201 of the Housing and Community Development Amendments of 1978, excess rental collections that continue to be deposited into the fund are to be paid to the Flexible Subsidy Fund. However, recent Appropriations Acts contain provisions likely to result in reductions of the collections of these excess receipts. The following table reflects the status of funds:

	ACTUAL 2000	ESTIMATE 2001	ESTIMATE 2002
	(Dollars in Thousands)		
Fund balance, start of year.....	\$506	\$506	\$506
Recovery of prior year obligations...	...	...	...
Excess rental collection.....	19,001	17,101	16,246
Refund of Excess Income.....	...	...	...
Payments to Flexible Subsidy Fund....	<u>-19,001</u>	<u>-17,101</u>	<u>-16,246</u>
Fund balance, end of year.....	\$506	\$506	\$506

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

The Rental Housing Assistance program supports the Department's Strategic Goals #1, "Increase the availability of decent, safe and affordable housing in American communities" and #5, "Ensure public trust in HUD."

SELECTED PERFORMANCE MEASURES

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
<b>Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American communities.</b>			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE	5	5	5
<b>Strategic Goal 5: Ensure public trust in HUD.</b>			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE	16	16	16

