

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING ASSISTANCE PROGRAM
(Section 236)

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
(Dollars in Thousands)				
<u>Budget Authority</u>				
Unobligated Balance, SOY	\$354,896	\$318,528	\$335,528	+\$17,000
Recapture from prior years:	\$62,137	\$377,000	\$189,000	-\$188,000
Use - IRP Grant Program .....	...	-\$300,000	-\$100,000	+\$200,000
Use - State Aided Amendments	-\$36,368	-\$60,000	-\$60,000	...
Restored/Lapsed	-\$62,137	...	...	...
Unobligated Balance, EOY	\$318,528	\$335,528	\$364,528	+\$29,000
<u>Units (pipeline)</u>				
Units Eligible for Payment, start of Year (Estimate)	446,300	414,576	393,615	-20,961
Units Eligible for Payment, Adjustments .....	...	...	...	...
Recaptures (Units)	-31,724	-20,961	-20,951	+10
Units Eligible for Payment, End of Year (Estimate)	414,576	393,615	372,664	-20,951

SUMMARY OF BUDGET ESTIMATES

No appropriation is requested for the Rental Housing Assistance program in 2003. 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 and budget 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 Interest Reduction Payment (IRP) Grant/Loan program for the rehabilitation of multifamily projects. In addition, the refunding of excess rental income remitted to the Department may be made from either the Rental Housing Assistance Fund or the Flexible Subsidy Fund, as authorized by Section 532 of the fiscal year 2000 Appropriations Act and amended by Section 861 of the American Homeownership and Economic Opportunity Act of 2000.

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.

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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.

"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 funds in the 1983 Supplemental Appropriations Act.

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.

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/Loan Program. Title V of the 1998 Appropriations Act as amended, makes IRP recaptures available for rehabilitation grants/loans to project owners. Fiscal year 2002 and fiscal year 2003 program activities are expected to reflect the previously planned obligation of IRP budget authority becoming available as a result of prepayments that occurred in previous fiscal years. The actual availability of these recaptures for reuse is still under review by the Department and the Office of Management and Budget.

Rental Housing Assistance Fund. 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 Public Law 106-569, American Homeownership and Economic Opportunity Act of 2000, excess rental collections may be refunded from balances deposited in the Rental Housing Assistance Fund or balances transferred to the Flexible Subsidy account. The following table reflects the status of the funds:

	ACTUAL	ESTIMATE	ESTIMATE
	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(Dollars in Thousands)		
Fund balance, start of year.	\$506	\$9,907	\$20,907
Recovery of prior year obligations . . . . .	. . .	. . .	. . .
Excess rental collection	10,112	16,000	16,000
Refund of Excess Income.	<u>-711</u>	<u>-5,000</u>	<u>-5,000</u>
Fund balance, end of year.	\$9,907	\$20,907	\$31,907

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

The Rental Housing Assistance program supports the Department's Strategic Goals #3, Improve the quality of public housing and provide more choices for its residents.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of a full APP document.

Rental Housing Assistance Program

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.			
Discretionary BA (Dollars in Thousands)	\$0	\$0	\$0
FTE			
Headquarters	1	1	1
Field	2	2	2
Subtotal	3	3	3
Strategic Objective 3.2: Improve the management accountability for public and assisted housing.			
Indicator: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 2.5 percentage points.	Assisted MF 29.2% anticipated	Assisted MF 24.2%	Assisted MF 21.7%
Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.			
Indicator: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.	Assisted MF 92.5%	Assisted MF 95.5%	Assisted MF 97%
Indicator: The share of HUD-Assisted Properties observed with Exigent Health and Safety or Fire Safety Deficiencies decreases by 1.0 percentage point for public housing and by 0.6 percentage points for assisted multifamily housing.	Assisted MF 39.6% anticipated	Assisted MF 39%	Assisted MF 38.4%
Indicator: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases by 1 percentage point.	71%	72%	73%
Indicator: The share of units that have functioning smoke detectors and are in buildings with functioning smoke detectors increases by 1.2 percentage points for public housing and by 0.7 percentage points for assisted multifamily housing.	Assisted MF 90.8% anticipated	Assisted MF 91.5%	Assisted MF 92.2%
FTE Total	3	3	3