

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
Strategic Goal A: Promote decent affordable housing.			
Discretionary BA (Dollars in Thousands)
FTE			
Headquarters	1	1	1
Field	2	2	2
Subtotal	3	3	3
S&E Cost (Dollars in Thousands)			
Personal Services	\$253	\$260	\$267
Travel	3	2	3
Transportation of Things	0	0	0
Rent, Communications & Utilities	0	0	0
Printing	1	1	1
Other Services	1	0	0
Supplies	0	0	0
Furniture & Equipment	0	0	0
Subtotal	258	263	271

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

No appropriation is requested for the Rental Housing Assistance Program in fiscal year 2004. This account does continue to amend State-aided projects, which continue to be funded utilizing the set-asides of contract authority and budget authority provided in the 1983 Supplemental Appropriations Act. Also, during fiscal year 2000, excess rental income previously deposited into the Rental Housing Assistance Fund have been available for refund to project owners, 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.

This account reflects the monitoring and management of previously made agreements and financial obligations. No new commitment activity has occurred since the program was terminated in 1973, when contract approvals for new projects were discontinued. The last appropriation for this activity occurred in 1983. For these reasons, the justification contains no projections of specific program performance targets.

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.

Rental Housing Assistance Program (Section 236)

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. Approvals for new projects were discontinued in January 1973, except for "bona fide" commitments outstanding at that time. In addition, contracts approved prior to termination of the program could be amended.

"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 that 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 made utilizing funds provided 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, tenants receiving Section 8 assistance occupy some of the units. Other tenants may be income eligible but not presently receiving assistance. If owners prepay, and these unassisted tenants face rent increases, they will be assisted with Tenant Protection vouchers. This will allow them to stay in their current units or move if they choose. Once the Section 236 mortgage is prepaid and liquidated, the IRP interest subsidy contract terminates. Therefore, previously obligated funds are subject to recapture.

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. These funds were remitted to the Department by the project owners and deposited into the Rental Housing Assistance Fund. They were subsequently transferred to the Flexible Subsidy Fund. However, 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. However, excess rental income has been remitted to and refunded from the Rental Housing Assistance Fund only.

The assisted housing program under Amendments to State Agency Rental Housing Assistance Program funds are used to improve physical and related conditions in assisted housing. The Department uses Real Estate Assessment Center office to ensure that periodic inspections of the physical condition of all multifamily assisted properties are completed. These inspections play a central role in the referrals to the Enforcement Center for multifamily properties.

Resource Management Information

The FTE request remained constant for fiscal years 2002, 2003, and 2004.