

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FLEXIBLE SUBSIDY FUND

PROGRAM PERFORMANCE

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
<b>Strategic Goal A: Promote decent affordable housing.</b>			
Discretionary BA (Dollars in Thousands)	...	...	...
FTE			
Headquarters	0	0	0
Field	13	14	14
Subtotal	13	14	14
S&E Cost (Dollars in Thousands)			
Personal Services	\$1,048	\$1,161	\$1,192
Travel	14	12	13
Transportation of Things	0	0	0
Rent, Communications & Utilities	0	0	0
Printing	0	0	0
Other Services	1	0	0
Supplies	0	0	0
Furniture & Equipment	0	0	0
Subtotal	1,063	1,173	1,205

EXPLANATION OF PERFORMANCE

Performance/Means and Strategies

New obligation authority for the Flexible Subsidy program was last enacted in fiscal year 1995. Grant awards made since that time and amounts recaptured from previous obligations have depleted these funds. Therefore, there is no projection of specific program performance targets. No new obligations are estimated for fiscal year 2004 because all eligible resources from fiscal year 1995 and prior fiscal years will have been obligated.

Refunding of excess rental income remitted to the Department could 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. Excess rental income in the Rental Housing Assistance Fund not refunded to project owners will be transferred to the Flexible Subsidy Fund.

Offsetting collections for fiscal year 2004 are expected to be the same as in fiscal year 2003. The unobligated balance will consist of excess rental income, interest and principal on loans, and interest on investment.

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.

## Flexible Subsidy 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 were 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 would enable projects to become self-sustaining and remain affordable.

The enactment of the Multifamily Assisted Housing Reform and Affordability Act of 1997 expanded the tools available to address the needs of insured and HUD-held multifamily projects. Consequently, the Flexible Subsidy program is no longer needed.

### Resource Management Information

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