

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

HOUSING

FLEXIBLE SUBSIDY FUND

PROGRAM HIGHLIGHTS

	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004	INCREASE + DECREASE - 2004 vs 2003
	(Dollars in Thousands)			
<u>Program Level: (Regular Program)</u>				
Unobligated Balance, SOY	\$281,851	\$290,786	\$310,786	\$20,000
Offsetting Collections, Net	10,683	20,000	20,000	...
Recapture from prior years:	403	...	...	...
Obligations	-2,151	...	...	...
Unobligated Balance, EOY	290,786	310,786	330,786	20,000

SUMMARY OF BUDGET ESTIMATES

No new obligations are anticipated in fiscal year 2004. All resources from fiscal year 1995 and prior years that are available for obligation will have been exhausted. Recaptured funds from prior years in which fiscal year 1995 funds were obligated are also not anticipated in the budget. 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. However, excess rental income in the Rental Housing Assistance Fund not refunded to project owners will be transferred to the Flexible Subsidy Fund.

EXPLANATION OF INCREASES AND DECREASES

Offsetting collections for fiscal year 2004 are expected to be the same as in fiscal year 2003. Funds from fiscal year 1995 are not anticipated to be available for obligation in fiscal year 2004. The unobligated balance will consist of excess rental income, interest and principal on loans, and interest on investment.

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 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.

Flexible Subsidy Fund

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.

ADMINISTRATIVE EXPENSES

FTE/OBJECT CLASS	ACTUAL 2002	ESTIMATE 2003	ESTIMATE 2004
FTE			
Headquarters	...	...	...
Field	13	14	14
Total FTE	13	14	14
S&E Cost (Dollars in Thousands)			
Personal Services	\$1,048	\$1,161	\$1,192
Travel	14	12	13
Other Services	1	...	...
Total S&E Cost	\$1,063	\$1,173	\$1,205