

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
2005 Summary Statement and Initiatives
(Dollars in Thousands)

| RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236) | <u>Enacted/ Request</u> | <u>Carryover</u> | <u>Supplemental/ Rescission</u> | <u>Total Resources</u> | <u>Obligations</u> | <u>Outlays</u> |
|--|------------------------------------|-------------------------|--|-----------------------------------|----------------------------|-----------------------|
| 2003 Appropriation..... | ... | \$703,512 | -\$100,000 | \$603,512 | \$23,997 | \$566,059 |
| 2004 Appropriation/Request..... | ... | 579,515 | -303,000 | 276,515 | 34,000 ^b | 541,933 |
| 2005 Request..... | <u>...</u> | <u>276,515</u> | <u>-200,000</u> ^a | <u>76,515</u> | <u>34,000</u> ^b | <u>516,972</u> |
| Program Improvements/Offsets..... | ... | -303,000 | 103,000 | -200,000 | ... | -24,961 |

a/ Reflects a portion of the \$675 million rescission proposed for contract amendments, the balance is to be rescinded from the Rent Supplement Program.

b/ Recaptures are expected to equal obligations.

Summary Statement

No additional appropriation is requested for the Rental Housing Assistance program in 2005. Other than for amendments for cost increases, no new commitment activity has occurred since the program was terminated in 1973. Amendments to Rental Housing Assistance Payments Contracts for State-aided, non-insured projects are made utilizing the budget authority provided in the 1983 Supplemental Appropriations Act. Excess rental income remitted to the Department may be refunded to project owners 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. The \$100 million rescission for fiscal year 2003 reflects the rescission of Section 236 IRP recaptures, pursuant to Public Law 108-7. The \$303 million rescission for fiscal year 2004 is pursuant to H.R. 2673, also for Section 236 IRP recaptures.

The 1983 Supplemental Appropriations Act provided set-asides for amendment funding for both State-aided, non-insured Rent Supplement and Rental Housing Assistance Payments Contracts. While the Department will rely on these set-asides for fiscal year 2005 amendment needs, all excess balances will be rescinded and, beginning with fiscal year 2006, funding for amendment needs will be requested through annual appropriations. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances.

The number of Rental Housing Assistance Program units is 368,900 for fiscal year 2003, 347,958 for fiscal year 2004, and 327,026 for fiscal year 2005.

Obligations are anticipated to increase in the coming years as contracts age and are more likely to require amendment funding for cost increases.

Rental Housing Assistance Program

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM
 Summary of Resources by Program
 (Dollars in Thousands)

| <u>Budget Activity</u> | <u>2003 Budget Authority</u> | <u>2002 Carryover Into 2003</u> | <u>2003 Total Resources</u> | <u>2003 Obligations</u> | <u>2004 Budget Authority/ Request</u> | <u>2003 Carryover Into 2004</u> | <u>2004 Total Resources</u> | <u>2005 Request</u> |
|--|------------------------------|---------------------------------|-----------------------------|-------------------------|---------------------------------------|---------------------------------|-----------------------------|---------------------|
| Section 236 Rental Assistance Payments (RAP)..... | ... | \$283,186 | \$283,186 | -\$23,997 | ... | \$259,189 | \$259,189 | ... |
| Section 236 Interest Reduction Payments (IRP)..... | <u>-100,000</u> | <u>420,326</u> | <u>320,326</u> | <u>...</u> | <u>-303,000</u> | <u>320,326</u> | <u>17,326</u> | <u>...</u> |
| Total Rental Housing Assistance Program (Section 236)..... | -100,000 | 703,512 | 603,512 | -23,997 | -303,000 | 579,515 | 276,515 | ... |
| FTE | | | | | | | | |
| Headquarters..... | | | 1 | | | | 1 | 1 |
| Field | | | <u>2</u> | | | | <u>2</u> | <u>2</u> |
| Total | | | 3 | | | | 3 | 3 |

**HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Program Offsets
(Dollars in Thousands)**

| Section 236 Rental Assistance Payments (RAP) | <u>Amount</u> |
|---|----------------------|
| 2003 Appropriation | ... |
| 2004 Appropriation/Request | ... |
| 2005 Request | <u>...</u> |
| Program Improvements/Offsets | ... |

History of Program Offset

State Agency Financed Projects (RAP funding). The only commitments being made in this program are for amendments to contracts on State-aided, non-insured projects, historically funded by the 1983 Supplemental Appropriations Act.

"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.

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.

Proposed Actions

The 1983 Supplemental Appropriations Act provided set-asides for amendment funding for both State-aided, non-insured Rent Supplement and Rental Housing Assistance Payments Contracts. While the Department will rely on these set-asides for fiscal year 2005 amendment needs, all excess balances will be rescinded and, beginning with fiscal year 2006, funding for amendment needs will be requested through annual appropriations. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Program Offsets
(Dollars in Thousands)

| Section 236 Interest Reduction Payments (IRP) | <u>Amount</u> |
|--|----------------------|
| 2003 Appropriation | -\$100,000 |
| 2004 Appropriation/Request | -303,000 |
| 2005 Request | <u>...</u> |
| Program Improvements/Offsets | 303,000 |

History of Program Offset

The Section 236 program provided mortgage Interest Reduction Payments (IRP). The maximum subsidy available to a project was 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 payments that would be required under a mortgage bearing an interest rate of one percent. A basic rental charge was determined for each unit that was deemed sufficient to meet operating expenses plus debt service expenses at the one percent rate of interest. Every tenant is required to pay the higher of either the basic rental charge or up to 30 percent of his income. No new commitment activity has occurred since the program was terminated in 1973.

Proposed Actions

There are no proposed actions for this program.

**HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Performance Measurement Table**

| Program Name: Rental Housing Assistance Program | | | | | |
|---|---|--------------------|-------------|------------------|-----------|
| Program Mission: 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. | | | | | |
| Performance Indicators | Data Sources | Performance Report | | Performance Plan | |
| | | 2003 Plan | 2003 Actual | 2004 Enacted | 2005 Plan |
| The share of assisted and insured privately owned multifamily properties that meet HUD-established physical standards are maintained at no less than 95 percent. | MF Program Office and Annual Performance Plan | 95% | 95% | 95% | 95% |

Explanation of Indicators

This indicator tracks the progress made by multifamily properties receiving assistance, as a group, in meeting physical condition standards established under the Real Estate Assessment Center's (REAC) Physical Assessment Inspection program.

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Justification of Proposed Changes in Appropriations Language

The 2005 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

[Up to \$303,000,000 of recaptured section 236 budget authority resulting from prepayment of mortgages subsidized under section 236 of the National Housing Act (12 U.S.C. 1715z-1) shall be rescinded in fiscal year 2004: Provided, That the limitation otherwise applicable to the maximum payments that may be required in any fiscal year by all contracts entered into under section 236 is reduced in fiscal year 2004 by not more than \$303,000,000 in uncommitted balances of authorizations of contract authority provided for this purpose in prior appropriations Acts.] *Of the amounts made available under the heading, "Rent Supplement," in Public Law 98-63 for amendments to contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236(f)(2) of the National Housing Act (12 U.S.C. 1715 z-1) in State-aided, noninsured rental housing projects, \$675,000,000 is rescinded.* (Division G, H.R. 2673, Consolidated Appropriations Bill, FY 2004.)

Explanation of Changes

The 1983 Supplemental Appropriations Act provided set-asides for amendment funding for both State-aided, non-insured Rent Supplement and Rental Housing Assistance Payments Contracts. While the Department will rely on these set-asides for fiscal year 2005 amendment needs, all excess balances will be rescinded and, beginning with fiscal year 2006, funding for amendment needs will be requested through annual appropriations. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances.

Rental Housing Assistance Program

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM
 Crosswalk of 2003 Availability
 (Dollars in Thousands)

| <u>Budget Authority</u> | <u>2003 Enacted</u> | <u>Supplemental/ Rescission</u> | <u>Approved Reprogrammings</u> | <u>Transfers</u> | <u>Carryover</u> | <u>Total 2003 Resources</u> |
|--|---------------------|-------------------------------------|------------------------------------|------------------|------------------|-------------------------------------|
| Section 236 Rental Assistance Payments (RAP) | ... | ... | ... | ... | \$283,186 | \$283,186 |
| Section 236 Interest Reduction Payments (IRP) | ... | -100,000 | ... | ... | 420,326 | 320,326 |
| Total | ... | -100,000 | ... | ... | 703,512 | 603,512 |

NOTES

None.

Transfers to Other Accounts

There are no transfers to other accounts.

Rental Housing Assistance Program

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM
 Crosswalk of 2004 Changes
 (Dollars in Thousands)

| <u>Budget Authority</u> | 2004 President's Budget <u>Request</u> | Congressional Appropriations Action on 2004 <u>Request</u> | 2004 Supplemental/ <u>Rescission</u> | <u>Reprogrammings</u> | <u>Carryover</u> | <u>Total 2004 Resources</u> |
|---|---|---|--|-----------------------|------------------|---------------------------------|
| Section 236 Rental Assistance Payments (RAP) | ... | ... | ... | ... | \$259,189 | \$259,189 |
| Section 236 Interest Rate Payments (IRP) | <u>...</u> | <u>...</u> | -303,000 | <u>...</u> | <u>320,326</u> | <u>17,326</u> |
| Total Changes | ... | ... | -303,000 | ... | 579,515 | 276,515 |

NOTES

None.