

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM
 2006 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>
2004 Appropriation .....	...	\$1,226,947 ^a	...	\$1,226,947	\$529,820 ^b	\$559,171
2005 Appropriation .....	...	697,127	...	697,127	629,000 ^b	533,302
2006 Request	<u>18,800</u>	<u>68,127</u>	<u>...</u>	<u>86,927</u>	<u>18,800</u>	<u>523,045</u>
Program Improvements/Offsets	+18,800	-629,000	...	-610,200	-610,200	-10,257

- a/ Consists of unobligated balance of \$679 million carried forward from fiscal year 2003, recaptures of \$52.8 million realized from prior year Interest Reduction Payments (IRP) obligations, and \$495 million of permanent and indefinite authority restored from IRP during fiscal year 2004.
- b/ In fiscal year 2003, the Department adjusted its obligated balances in the amount of \$857 million pursuant to the Office of Inspector General's (OIG) recommendation. However, subsequent analyses showed that these adjustments should not have been made. Therefore, in fiscal year 2004, the Department used approximately \$420 million in carryover balances to partially restore obligations. In fiscal year 2005, the Department used approximately \$495 million in permanent indefinite authority to fully restore the original OIG recommended adjustment as well as additional obligations not originally reflected in accounting records.

Summary Statement

In fiscal year 2006, \$18.8 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts.

In prior years, these amendments were made utilizing funding provided in the 1983 Supplemental Appropriations Act, which provided set-asides for amendment funding for both State-aided, non-insured Rent Supplement and Rental Housing Assistance Payments Contracts. While the Department will continue to rely on these set-asides to fund needs through fiscal year 2005, any excess funds for contract amendments remaining in the account at the end of fiscal year 2005 could be subject to rescission in accordance with the fiscal year 2005 Consolidated Appropriations Act. Beginning with fiscal year 2006, funding for amendment needs will be requested through annual appropriations as needed. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances.

Other than for amendments for cost increases, no new commitment activity has occurred since the program was terminated in 1973. 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 number of Rental Housing Assistance Program units is 346,802 for fiscal year 2004, 325,870 for fiscal years 2005, and 304,947 for fiscal year 2006.

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>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Section 236 Rental Assistance Payments (RAP)	\$259,189	\$259,189	\$109,997	...	\$149,192	\$149,192	\$18,800
Section 236 Interest Rate Payments (IRP)	<u>967,758</u>	<u>967,758</u>	<u>419,823</u>	...	<u>547,935</u>	<u>547,935</u>	...
Total Rental Housing Assistance Program (Section 236)	1,226,947	1,226,947	529,820	...	697,127	697,127	18,800

2003 Carryover Into 2004

IRP amount includes unobligated balance of \$419.8 million carried forward from fiscal year 2003, recaptures of \$52.8 million realized and permanent indefinite authority of \$495 million restored during fiscal year 2004.

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters	1	1	1
Field	<u>3</u>	<u>3</u>	<u>3</u>
Total	4	4	4

Rental Housing Assistance Program

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

Section 236 Rental Assistance Payments (RAP)	<u>Amount</u>
2004 Appropriation .....	...
2005 Appropriation .....	...
2006 Request	<u>18,800</u>
Program Improvements/Offsets	+18,800

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

In fiscal year 2006, \$18.8 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts.

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 continue to rely on these set-asides for amendment needs through fiscal year 2005, any excess balances remaining at the end of the fiscal year could be subject to rescission in accordance with the fiscal year 2005 Consolidated Appropriations Act. Beginning with fiscal year 2006, funding for amendment needs will be requested through annual appropriations as needed. 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 (SECTION 236)
Program Offsets
(Dollars in Thousands)

Section 236 Interest Rate Payments (IRP)	<u>Amount</u>
2004 Appropriation
2005 Appropriation
2006 Request	<u>...</u>
Program Improvements/Offsets

History of Program Offset

The Section 236 program provided mortgage Interest Rate 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.

Rental Housing Assistance 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	
		2004 Plan	2004 Actual	2005 Plan	2006 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	94.7%	95.5%	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.

Rental Housing Assistance Program

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Justification of Proposed Changes in Appropriations Language

The 2006 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.

[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.)]

For amendments to contract 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. 1715z-1) in State-aided, non-insured rental housing projects, \$26,400,000, to remain available until expended.

Explanation of Changes

In fiscal year 2006, \$18.8 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts.

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 continue to rely on these set-asides for amendment needs through fiscal year 2005, any excess balances remaining at the end of the fiscal year could be subject to rescission in accordance with the fiscal year 2005 Consolidated Appropriations Act. Beginning with fiscal year 2006, funding for amendment needs will be requested through annual appropriations as needed. 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 2004 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</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>967,758</u>	<u>967,758</u>
Total	1,226,947	1,226,947

NOTES

Total 2004 Resources

The IRP amount consists of an unobligated balance of \$419.8 million carried forward from fiscal year 2003, recaptures of \$52.8 million realized and permanent indefinite authority of \$495 million restored during fiscal year 2004.

Rental Housing Assistance Program

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM
 Crosswalk of 2005 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2005 President's Budget <u>Request</u>	Congressional Appropriations Action on 2005 <u>Request</u>	2005 Supplemental/ <u>Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Section 236 Rental Assistance Payments (RAP)	\$149,192	\$149,192
Section 236 Interest Rate Payments (IRP)	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>547,935</u>	<u>547,935</u>
Total Changes	697,127	697,127