

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM
 2007 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>
2005 Appropriation	\$756,719	\$768,149 ^a	-\$92,200 ^b	\$1,432,668	\$1,144,420 ^c	\$544,177
2006 Appropriation	18,800 ^d	56,274 ^e	-188 ^f	74,886	74,886	516,968
2007 Request	<u>17,820</u>	...	...	<u>17,820</u>	<u>17,820</u>	<u>489,245</u>
Program Improvements/Offsets	-980	-56,274	+188	-57,066	-57,066	-27,723

- a/ Includes \$697 million of Interest Reduction Payments (IRP) and Rental Housing Assistance Payments (RAP) combined carryover and \$71 million of recaptures for RAP in fiscal year 2005.
- b/ Reflects a portion of the \$675 million rescission enacted for Contract Amendments, pursuant to the fiscal year 2005 Consolidated Appropriations Act (P.L. 108-447).
- c/ In fiscal year 2003, the Department adjusted its obligated balances for interest reduction payments (IRP) in the amount of \$857 million pursuant to the Office of Inspector General's (OIG) recommendation. However, subsequent analyses showed that these adjustments were in error. Therefore, in fiscal year 2004, the Department used approximately \$420 million in carryover balances to partially restore these obligations. Another \$495 million had been apportioned in fiscal year 2004 for this purpose but were not available for use until fiscal year 2005. In fiscal year 2005, a total of \$1,073 million of obligations were recorded to restore IRP obligated balances and \$72 million for amendments to Rental Assistance Payments (RAP) contracts.
- d/ Included in total of \$26.4 million appropriated for contract amendments, pursuant to the fiscal year 2006 Appropriations Act (P.L. 109-115); balance in the Rent Supplement program.
- e/ Not all of the carryover balance will be available. Of this amount, only the portion recaptured from the termination of contracts may be available for re-obligation. Amounts recovered from correction of estimated obligations will be cancelled.
- f/ Reflects a 1 percent governmentwide rescission pursuant to the fiscal year 2006 Department of Defense Appropriations Act (P.L. 109-148).

Summary Statement

In fiscal year 2007, \$17.8 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts.

Section 236 Interest Reduction Payments (IRP). The Section 236 IRP program was terminated in 1973. No new commitments have been made since that time. The number of units remaining in this program is estimated to be 301,333 at the end of fiscal year 2005, 280,510 at the end of fiscal years 2006, and 259,696 at the end of fiscal year 2007.

Rental Housing Assistance Payments (RAP). Many Section 236 IRP projects also receive rental subsidies. One such subsidy is Rental Housing Assistance Payments (RAP). Another is Rent Supplement, which is discussed in a separate justification. Those rental assistance programs were terminated with the introduction of Section 8. However, the Department continues to be statutorily required to amend the Rent Supplement and RAP contracts on non-insured, State-aided Section 236 projects. Amendment needs are anticipated to increase as contracts age and require more funding. The number of RAP contracts remaining is estimated to be 20,750 at the end of fiscal year 2005, 20,650 at the end of fiscal year 2006, and 20,550 at the end of fiscal year 2007.

Rental Housing Assistance Program

In prior years, these amendments were made with funding provided in the 1983 Supplemental Appropriations Act, which provided set-asides for amendment funding for these contracts. The Department relied on these set-asides to fund needs through fiscal year 2005. However, balances of the set-asides remaining at the end of fiscal year 2005 are rescinded, pursuant to the fiscal year 2005 Consolidated Appropriations Act, and beginning with fiscal year 2006, the funding 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
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2005 Obligations</u>	<u>2006 Budget Authority/ Request</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2007 Request</u>
Section 236 Rental Assistance Payments								
(RAP)	-\$92,200	\$220,213	\$128,013	\$71,739	\$18,612	\$56,274	\$74,886	\$17,820
Section 236 Interest Reduction Payments								
(IRP)	<u>756,719</u>	<u>547,936</u>	<u>1,304,655</u>	<u>1,072,681</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	664,519	768,149	1,432,668	1,144,421	18,612	56,274	74,886	17,820

2004 Carryover Into 2005. The RAP amount includes \$71 million recaptured during fiscal year 2005.

2005 Budget Authority. The RAP amount reflects a portion of the \$675 million rescission enacted for Contract Amendments, pursuant to the fiscal year 2005 Consolidated Appropriations Act (P.L. 108-447). The IRP amount reflects the permanent indefinite authority received for liquidating restored obligations.

2006 Budget Authority. The RAP amount reflects a 1 percent governmentwide rescission pursuant to the fiscal year 2006 Department of Defense Appropriations Act (P. L. 109-148).

2005 Carryover Into 2006. Not all of the carryover balance will be available. Of this amount, only the portion recaptured from the termination of contracts may be available for re-obligation. Amounts recovered from correction of estimated obligations will be cancelled.

<u>FTE</u>	<u>2005 Actual</u>	<u>2006 Estimate</u>	<u>2007 Estimate</u>
Headquarters	1	1	1
Field	<u>3</u>	<u>15</u>	<u>24</u>
Total	4	16	25

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>
2005 Appropriation	-\$92,200
2006 Appropriation	18,612
2007 Request	<u>17,820</u>
Program Improvements/Offsets	-792

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. In fiscal year 2005, a rescission of \$675 million was enacted with the assumption that future year amendment requirements would be appropriated on an annual basis.

"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. However, State-aided, non-insured projects were not required to convert to Section 8 and continue to receive amendments for cost increase for their RAP contracts.

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, the unassisted tenants who face rent increases will be assisted with Section 8 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, unless the subsidy has been decoupled under Section 236(b) or (e)(2) of the National Housing Act wherein the IRP subsidy continues until the maturity of the original mortgage. Any funds remaining on pre-paid or terminated contracts that are not decoupled are recaptured.

Proposed Actions

In fiscal year 2007, \$17.8 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 relied on these set-asides for amendment needs through fiscal year 2005, any excess balances remaining at the end of the fiscal year are 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. The fiscal year 2006 Appropriations Act included a provision that henceforth permits these contracts to be amended for a period less than the remaining contract term, thus substantially reducing funding requirements over the near term.

Rental Housing Assistance Program

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

Section 236 Interest Reduction Payments (IRP)	<u>Amount</u>
2005 Appropriation	\$756,719
2006 Appropriation .....	...
2007 Request	<u>...</u>
Program Improvements/Offsets .....	...

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, mortgage insurance premium, and interest 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 1 percent. A basic rental charge was determined for each unit that was deemed sufficient to meet operating expenses plus debt service expenses at the 1 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	
			2005 Plan	2005 Actual	2006 Plan	2007 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%	95.9%	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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RENTAL HOUSING ASSISTANCE PROGRAM
Justification of Proposed Changes in Appropriations Language

The 2007 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.

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. 1715z-1) in State-aided, non-insured rental housing projects, [~~\$26,400,000~~ \$24,750,000, to remain available until expended [: Provided That amendments to such contracts hereafter may be for a period less than the remaining term of the respective contract]. (Departments of Transportation, Treasury, Housing and Urban Development, the Judiciary, the District of Columbia, and Independent Agencies Appropriations Act, 2006)

Explanation of Changes

This language includes amendment funding for both the Rent Supplement (\$6.9 million) and Rental Housing Assistance Payment (\$17.8 million) programs.

Beginning fiscal year 2006, funding for amendment needs was requested through annual appropriations as needed. The Department believes this approach represents a more efficient use of limited resources and significantly reduces unexpended balances. The fiscal year 2006 Appropriations Act included a provision that henceforth permits these contracts to be amended for a period less than the remaining contract term. This permanent law provision need not be repeated in subsequent enactments.

Rental Housing Assistance Program

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

<u>Budget Activity</u>	<u>2005 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Section 236 Rental Assistance						
Payments (RAP) .....	...	-\$92,200	...	...	\$220,213	\$128,013
Section 236 Interest Reduction						
Payments (IRP)	<u>\$756,719</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>547,936</u>	<u>1,304,655</u>
Total	756,719	-92,200	...	...	768,149	1,432,668

Carryover. The RAP amount includes \$71 million recaptured during fiscal year 2005.

Rental Housing Assistance Program

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM
 Crosswalk of 2006 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2006 President's Budget Request	Congressional Appropriations Action on 2006 Request	2006 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Section 236 Rental Assistance						
Payments (RAP)	\$18,800	\$18,800	-\$188	...	\$56,274	\$74,886
Section 236 Interest Reduction						
Payments (IRP) .....	...	...	...	...	...	...
Total	18,800	18,800	-188	...	56,274	74,886

Carryover. Not all of the carryover balance will be available. Of this amount, only the portion recaptured from the termination of contracts may be available for re-obligation. Amounts recovered from correction of estimated obligations will be cancelled.