

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
 2008 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>
2006 Appropriation	\$18,800 ^a	\$677,142 ^b	-\$188 ^c	\$695,754	\$10,698	\$515,712
2007 Full-Year CR Estimate.....	17,820 ^d	685,056	...	702,876	17,820	491,363
2008 Request	<u>19,300^d</u>	<u>685,056</u>	<u>-19,300^e</u>	<u>685,056</u>	<u>19,300</u>	<u>446,398</u>
Program Improvements/Offsets	+1,480	...	-19,300	-17,820	+1,480	-44,965

- a/ Included in total of \$26.4 million appropriated for contract amendments, pursuant to the fiscal year 2006 Appropriations Act (P.L. 109-115); balance of \$7.6 million is in the Rent Supplement program.
- b/ Includes \$288 million in carryover from fiscal year 2005 and \$389 million recaptured in fiscal year 2006.
- c/ Reflects a 1 percent governmentwide rescission pursuant to the fiscal year 2006 Department of Defense Appropriations Act (P.L. 109-148).
- d/ Part of the total of \$24.8 million and \$27.6 million in fiscal years 2007 and 2008 appropriation requests, respectively. Balance of appropriation is in the Rent Supplement program; \$6.9 million in 2007 and \$8.3 million in 2008.
- e/ Reflects part of the proposed rescission of \$27.6 million recaptured from projects where rental assistance has been terminated, the balance of the rescinded amount would be derived from the Rent Supplement program.

Summary Statement

In fiscal year 2008, \$19.3 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts, an increase of \$1.5 million more than the fiscal year 2007 funding level under continuing resolutions. It will be offset by the rescission of budget authority recaptured from projects where rental assistance has been terminated.

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 300,830 at the end of fiscal year 2006, 280,916 at the end of fiscal years 2007, and 249,011 at the end of fiscal year 2008.

Rental Housing Assistance Payments (RAP). Many Section 236 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 17,731 at the end of fiscal year 2006, 17,531 at the end of fiscal year 2007, and 17,331 at the end of fiscal year 2008.

In prior years, these amendments were made with funding under authority of a 1983 Supplemental Appropriations Act. The Department relied on this authority through fiscal year 2005. Beginning in fiscal year 2006, new appropriations for amendments have been provided 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)
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Budget Authority</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2006 Obligations</u>	<u>2007 CR Estimate</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2008 Request</u>
Section 236 Rental Assistance Payments								
(RAP)	\$18,612	\$137,696	\$156,308	\$10,698	\$17,820	\$145,610	\$163,430	\$19,300
Section 236 Interest Reduction Payments								
(IRP) .....	...	<u>539,446</u>	<u>539,446</u>	...	...	<u>539,446</u>	<u>539,446</u>	...
Total	18,612	677,142	695,754	10,698	17,820	685,056	702,876	19,300

2006 Budget Authority. It is part of \$26.4 million appropriated for contract amendments, pursuant to the fiscal year 2006 Appropriations Act (P.L. 109-115). The balance is in Rent Supplement Program. It reflects the appropriated amount net of a 1 percent governmentwide rescission pursuant to the fiscal year 2006 Department of Defense Appropriations Act (P.L. 109-148).

2005 Carryover into 2006. It includes unobligated balance carried forward from fiscal year 2005 and recaptures realized in fiscal year 2006.

2008 Request. The Section 236 RAP program request of \$19.3 million for amendment needs will be offset with a rescission of \$19.3 million anticipated to be recaptured from projects whose rental assistance has been terminated. The Budget proposes a total of \$27.6 million in rescission; however, \$19.3 million will be contributed by this program, while the remainder (\$8.3 million) will be contributed by the Rent Supplement program.

<u>FTE</u>	<u>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Estimate</u>
Headquarters	1	1	1
Field	<u>25</u>	<u>25</u>	<u>25</u>
Total	26	26	26

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>
2006 Appropriation	\$18,612
2007 Full-Year CR Estimate.....	17,820
2008 Request	<u>19,300</u>
Program Improvements/Offsets	+1,480

2008 Request. The Section 236 RAP program request of \$19.3 million for amendment needs will be offset with a rescission of \$19.3 million anticipated to be recaptured from projects whose rental assistance has been terminated. The Budget proposes a total of \$27.6 million in rescission; however, \$19.3 million will be contributed by this program, while the remainder (\$8.3 million) will be contributed by the Rent Supplement program.

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. 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 mortgages 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 2008, \$19.3 million is requested to amend State-aided, non-insured Rental Housing Assistance contracts. It is offset by a proposed rescission of amounts recaptured from projects whose rental assistance has been terminated.

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. Beginning with fiscal year 2006, funding for amendment needs has been and will continue to 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>
2006 Appropriation
2007 Full-Year CR Estimate.....	...
2008 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 appropriations 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	
			2006 Plan	2006 Actual	2007 Plan	2008 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.		Real Estate Assessment Center's Physical Assessment Subsystem	No less than 95%	95%	No less than 95%	No less than 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

**HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Proposed Appropriations Language**

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, \$27,600,000, to remain available until expended.

(RESCISSION)

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. 1715z-1) in State-aided, non-insured rental housing projects, \$27,600,000 is cancelled.

Explanation of Changes

This language includes amendment funding for both the Rent Supplement (\$8.3 million) and Rental Housing Assistance Payment (\$19.3 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. The Budget also proposes an offsetting cancellation of budget authority from Rent Supplement and RAP contracts that are terminated with remaining unexpended balances.

Rental Housing Assistance Program

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
 Crosswalk of 2006 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Section 236 Rental Assistance						
Payments (RAP)	\$18,800	-\$188	...	...	\$137,696	\$156,308
Section 236 Interest Reduction						
Payments (IRP) .....	...	...	...	...	539,446	539,446
Total	18,800	-188	...	...	677,142	695,754

Supplemental/Rescission. Reflects a 1 percent governmentwide rescission pursuant to the fiscal year 2006 Department of Defense Appropriations Act (P. L. 109-148).

Rental Housing Assistance Program

HOUSING
 RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
 Crosswalk of 2007 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2007 President's Budget Request	FY 2007 CR Estimate	2007 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2007 <u>Resources</u>
Section 236 Rental Assistance						
Payments (RAP)	\$17,820	\$17,820	...	...	\$145,610	\$163,430
Section 236 Interest Reduction						
Payments (IRP)	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>539,446</u>	<u>539,446</u>
Total	17,820	17,820	...	...	685,056	702,876