

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
2011 Summary Statement and Initiatives
(Dollars in Thousands)

RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2009 Appropriation	\$19,300 ^{a/}	\$604,060 ^{b/}	-\$37,600 ^{c/}	\$585,760	\$19,890	\$504,984
2010 Appropriation/Request	31,000 ^{d/}	637,906 ^{e/}	-72,036 ^{f/}	596,870	30,690	483,370
2011 Request	<u>28,204^g</u>	<u>606,780^h</u>	<u>-40,600ⁱ</u>	<u>594,384</u>	<u>27,922</u>	<u>461,756</u>
Program Improvements/Offsets	-2,796	-31,126	+31,436	-2,486	-2,768	-21,614

- a/ Amount reflects part of the total of \$27.6 million appropriation enacted for fiscal year 2009, pursuant to Omnibus Appropriation Act, 2009 (P.L. 111-8). The balance of the appropriation, \$8.3 million, is in the Rent Supplement program.
- b/ Amount includes \$467 million carried over from fiscal year 2008 and \$137 million of recaptures in fiscal year 2009.
- c/ All of the \$37.6 million total cancellation for Other Assisted Housing programs in fiscal year 2009 was taken from the Rental Housing Assistance program.
- d/ Amount reflects \$31 million of the total appropriation of \$40 million for contract amendments in 2010, including a 1 percent transfer to the Departmental Transformation Initiatives account, pursuant to the 2010 Consolidated Appropriations Act, P.L. 111-117. The remaining \$9 million is in Rent Supplement.
- e/ Amount includes \$566 million carried over from fiscal year 2009 and \$72 million of recaptures anticipated in fiscal year 2010.
- f/ All of the \$72.036 million total cancellation proposed for Other Assisted Housing programs in fiscal year 2010 is expected to be taken from the Rental Housing Assistance program.
- g/ Amount reflects \$28.2 million of the total request of \$40.6 million for contract amendments, including a 1 percent transfer to the Departmental Transformation Initiatives account; the remaining \$12.4 million is proposed for Rent Supplement.
- h/ Amount includes \$566 million carried over from fiscal year 2010 and \$40.6 million of recaptures anticipated in fiscal year 2010.
- i/ All of the \$40.6 million total cancellation proposed for Other Assisted Housing programs in fiscal year 2011 is expected to be taken from the Rental Housing Assistance program.

Summary Statement

HUD requests \$28.2 million to provide funding for Contract Amendments to State-aided Section 236 Rental Assistance Payments (RAP) projects, under the Other Assisted Housing heading, in fiscal year 2011. Amendment requirements of \$12.4 million for the Rent Supplement program (86x0129) are also requested under the Other Assisted Housing heading. The total fiscal year 2011 Budget request under the Other Assisted Housing heading is, therefore, \$40.6 million.

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 249,345 at the end of fiscal year 2009.

Rental Housing Assistance Program

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 units remaining is 15,845, as of September 30, 2009.

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

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Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2009 Budget Authority	2008 Carryover Into 2009	2009 Total Resources	2009 Obligations	2010 Budget Authority/Request	2009 Carryover Into 2010	2010 Total Resources	2011 Request
Section 236 Rental Assistance Payments (RAP)	-\$18,300	\$153,080	\$134,780	\$19,890	-\$41,346	\$186,926	\$145,580	\$27,922
Transformation Initiative transfer ..	...	...	...	...	310	...	310	282
Section 236 Interest Reduction Payments (IRP) .....	...	450,980	450,980	...	...	450,980	450,980	...
Total	-18,300	604,060	585,760	19,890	-41,036	637,906	596,870	28,204

2009 Budget Authority. The -\$18.3 million for Section 236 RAP program reflects the net budget authority resulting from an appropriation of \$19.3 million for contract amendment needs offset with a rescission of \$37.6 million from RAP balances, pursuant to the Omnibus Appropriations Act, 2009, P.L. 111-8. The \$19.3 million is part of the total \$27.6 million appropriated for contract amendments, with the remaining \$8.3 million balance appropriated to the Rent Supplement program.

2008 Carryover Into 2009. The \$153.1 million RAP carryover consists of fiscal year 2008 carryover of \$142.5 million and fiscal year 2009 recaptures of \$10.6 million.

2010 Budget Authority/Request. The -\$41.036 million reflects the net budget authority from \$31 million provided for RAP offset by the full \$72.036 million rescission requirement. The \$31 million reflects part of the \$40 million total appropriated for contract amendments; the remaining balance of \$9 million is reflected in Rent Supplement.

2009 Carryover Into 2010. The \$186.9 million RAP carryover consists of fiscal year 2009 carryover of \$114.9 million and estimated fiscal year 2010 recaptures of \$72.036 million.

2011 Request. The \$28.2 million reflects part of the \$40.6 million total request for contract amendments. The remaining \$12.4 million is requested for Rent Supplement. This amount does not reflect the effect of recording the full proposed rescission of -\$40.6 million proposed for fiscal year 2011 in the RAP program.

Rental Housing Assistance Program

FTE	2009 <u>Actual</u>	2010 <u>Estimate</u>	2011 <u>Estimate</u>
Headquarters	3	3	3
Field	<u>24</u>	<u>24</u>	<u>24</u>
Total	27	27	27

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>
2009 Appropriation	-\$18,300
2010 Appropriation/Request	-41,346
2011 Request	<u>27,922</u>
Program Improvements/Offsets	+69,268

2009 Appropriation. This reflects the net effect of \$19.3 million provided pursuant to the fiscal year 2009 Omnibus Appropriations Act, offset by \$37.6 million of rescissions in the Section 236 RAP program, resulting in the -\$18.3 million shown in the table above.

2010 Appropriation/Request. This reflects the net budget authority resulting from \$31 million of the \$40 million total requested for contract amendments offset by a \$72.036 million rescission and excluding the \$310,000 transfer to the Departmental Transformation Initiatives account, resulting in the -\$41.346 million shown in the table above. The remaining \$9 million for Rent Supplement is reflected in a separate justification.

2011 Request. This reflects \$28.2 million of the \$40.6 million total request for contract amendments, excluding the \$282,040 proposed transfer to the Departmental Transformation Initiatives account. The remaining \$12.4 million is requested for Rent Supplement in a separate justification. This amount does not reflect the effect of recording the full rescission of -\$40.6 million proposed for fiscal year 2011 in the RAP 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 amendment funds for cost increase on 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,

Rental Housing Assistance Program

the Interest Reduction Payments (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 prepaid or terminated contracts that are not decoupled are recaptured.

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.

Proposed Actions

The fiscal year 2011 Budget request provides \$28.2 million for amendments to State-aided Sec 236 RAP contracts.

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Program Offsets
(Dollars in Thousands)**

Transformation Initiative transfer	<u>Amount</u>
2009 Appropriation .....	...
2010 Appropriation/Request	\$310
2011 Request	<u>282</u>
Program Improvements/Offsets	-28

Proposed Actions

The Budget proposes a transfer of 1 percent of the program appropriation to meet the needs of the Transformation Initiative, as in the fiscal year 2010 Budget. The fiscal year 2010 appropriation for this purpose was \$310,000 and the fiscal year 2011 request is \$282,040.

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(Dollars in Thousands)
Program Offsets**

Section 236 Interest Reduction Payments (IRP)	<u>Amount</u>
2009 Appropriation
2010 Appropriation/Request
2011 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.

Rental Housing Assistance Program

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Justification of Proposed Appropriations Language

OTHER ASSISTED HOUSING PROGRAMS
RENTAL HOUSING ASSISTANCE

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, ~~[\$40,000,000]~~ \$40,600,000, to remain available until expended.

RENT SUPPLEMENT
(~~[RESCISSION]~~ CANCELLATION)

Of the amounts recaptured from terminated contracts under section 101 of the Housing and Urban Development Act of 1965 (12 U.S.C. 1701s) and section 236 of the National Housing Act (12 U.S.C. 1715z-1) ~~[\$72,036,000]~~ \$40,600,000 are ~~[rescinded]~~ *hereby permanently cancelled: Provided, That no amounts may be [rescinded] cancelled* from amounts that were designated by the Congress as an emergency requirement pursuant to the Concurrent Resolution on the Budget or the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. (*Department of Housing and Urban Development Appropriations Act, 2010.*)

Explanation of Changes

This language includes amendment funding for both the Rent Supplement (\$12.396 million) and Rental Housing Assistance Payment (\$28.204 million) programs. The Budget also proposes an offsetting cancellation of \$40.6 million in recaptured budget authority from terminated Rent Supplement and RAP assistance contracts.

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Crosswalk of 2009 Availability
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Section 236 Rental Assistance						
Payments (RAP)	\$19,300	-\$37,600	...	...	\$153,080	\$134,780
Transformation Initiative transfer ...	...	...	...	...	...	...
Section 236 Interest Reduction						
Payments (IRP)	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>450,980</u>	<u>450,980</u>
Total	19,300	-37,600	...	...	604,060	585,760

Carryover. The amount for RAP includes \$142.5 million of unobligated balance carried forward from fiscal year 2008 into fiscal year 2009, and \$10.6 million recaptured during fiscal year 2009.

Carryover. The amount for IRP includes \$324.2 million of unobligated balance carried forward from fiscal year 2008 into fiscal year 2009, and \$126.8 million recaptured during fiscal year 2009.

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Crosswalk of 2010 Changes
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Section 236 Rental Assistance						
Payments (RAP)	\$31,000	\$30,690	-\$72,036	...	\$186,926	\$145,580
Transformation Initiative transfer ...	...	310	...	...	...	310
Section 236 Interest Reduction						
Payments (IRP) .....	...	...	...	...	<u>450,980</u>	<u>450,980</u>
Total	31,000	31,000	-72,036	...	637,906	596,870

Carryover. The amount for RAP includes \$114.9 million of unobligated balance carried forward from fiscal year 2009 into fiscal year 2010, and \$72 million of anticipated recaptures during fiscal year 2010.