

HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
2012 Summary Statement and Initiatives
(Dollars in Thousands)

RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2010 Appropriation	\$31,000	\$599,699 ^a	-\$72,036	\$558,663	\$10,232	\$467,366
2011 CR	31,000	362,429 ^b	-40,600	352,829	29,000	436,000
2012 Request	<u>11,147</u>	<u>393,829^c</u>	<u>-6,600</u>	<u>398,376</u>	<u>11,000</u>	<u>398,000</u>
Program Improvements/Offsets	-19,853	+31,400	+34,000	+45,547	-18,000	-38,000

a/ Reflects the sum of carryover balance of \$566 million and recaptures of \$34 million.

b/ Reflects the sum of estimated carryover balance of \$292 million and anticipated recaptures of \$70 million.

c/ Reflects the sum of estimated carryover balance of \$324 million and anticipated recaptures of \$70 million.

Summary Statement

HUD requests \$11.1 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 2012. Amendment requirements of \$4.6 million for the Rent Supplement program are also requested under the Other Assisted Housing heading. The total fiscal year 2012 Budget request under the Other Assisted Housing heading is, therefore, \$15.7 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 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 12,933, as of January 2011.

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.

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Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2010 Budget Authority</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2010 Obligations</u>	<u>2011 CR</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2012 Request</u>
Section 236 Rental Assistance Payments (RAP)	-\$41,346	\$146,496	\$105,150	\$10,232	-\$9,600	\$133,814	\$124,214	\$11,147
Transformation Initiative Transfer ..	310	...	310	...	...	...	...	...
Section 236 Interest Reduction Payments (IRP) .....	...	453,203	453,203	...	...	228,615	228,615	...
Total	-41,036	599,699	558,663	10,232	-9,600	362,429	352,829	11,147

<u>FTE</u>	<u>2010 Actual</u>	<u>2011 Estimate</u>	<u>2012 Estimate</u>
Headquarters	1	1	1
Field	26	26	27
Total	27	27	28

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

Section 236 Rental Assistance Payments (RAP)	<u>Amount</u>
2010 Appropriation	-\$41,346
2011 CR	-9,600
2012 Request	<u>11,147</u>
Program Improvements/Offsets	+20,747

2010 Appropriation. 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 of the \$40 million request is reflected in a separate justification for Rent Supplement.

2011 CR. This reflects the assumed enactment of a Continuing Resolution Appropriation for fiscal year 2011. It reflects net budget authority of -\$9.6 million from having \$31 million of the \$40 million total for contract amendments offset by a \$40.6 million rescission. The remaining \$9 million of the \$40 million for contract amendments is reflected in a separate justification for Rent Supplement.

2012 Request. This reflects \$11.1 million of the \$15.7 million total request for contract amendments. The remaining \$4.6 million requested for Rent Supplement is in a separate justification.

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, 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

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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 2012 Budget request provides \$11 million for amendments to State-aided Section 236 RAP contracts.

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Program Offsets
(Dollars in Thousands)**

Transformation Initiative Transfer	<u>Amount</u>
2010 Appropriation	\$310
2011 CR .....	...
2012 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

In fiscal year 2012, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; and technical assistance and capacity building. Departmentwide, no more than \$120 million will be transferred to the Transformation Initiative Fund account in fiscal year 2012. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

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**HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM
Appropriations Language**

Below is the italicized appropriations language for the Rental Housing Assistance Program.

**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, \$15,733,000, to remain available until expended.

**RENT SUPPLEMENT
(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) \$6,600,000 are hereby permanently cancelled: Provided, That no amounts may be 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.

Changes from 2010 Appropriations

Revisions reflect current estimates of needs and funds availability.

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Crosswalk of 2010 Availability
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Section 236 Rental Assistance						
Payments (RAP)	\$30,690	-\$72,036	...	...	\$146,496	\$105,150
Transformation Initiative Transfer ...	310	...	...	...	...	310
Section 236 Interest Reduction						
Payments (IRP) .....	...	...	...	...	<u>453,203</u>	<u>453,203</u>
Total	31,000	-72,036	...	...	599,699	558,663

Carryover. The amount for RAP includes \$114.9 million of unobligated balance carried forward from fiscal year 2009 into fiscal year 2010, and \$32 million of recaptures during fiscal year 2010. The amount for IRP includes \$451 million of unobligated balance carried forward from fiscal year 2009 into fiscal year 2010, and \$2.2 million of recaptures during fiscal year 2010.

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HOUSING
RENTAL HOUSING ASSISTANCE PROGRAM (SECTION 236)
Crosswalk of 2011 Changes
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Section 236 Rental Assistance						
Payments (RAP)	\$27,922	\$31,000	-\$40,600	...	\$133,814	\$124,214
Transformation Initiative Transfer ...	282	...	...	...	...	...
Section 236 Interest Reduction						
Payments (IRP)	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>228,615</u>	<u>228,615</u>
Total	28,204	31,000	-40,600	...	362,429	352,829

Carryover. The amount for RAP includes \$64 million of unobligated balance carried forward from fiscal year 2010 into fiscal year 2011, and \$70 million of anticipated recaptures during fiscal year 2011.