

RENT SUPPLEMENT PROGRAM

PART I. DESCRIPTION OF THE PROGRAM

1. Objectives

The program is intended to produce privately owned rental housing which will serve certain categories of low-income families. Housing to be provided under this program, whether new construction or substantially rehabilitated units, will be financed at market rates of interest under the FHA section 221(d)(3) program. Under ordinary circumstances, the rent required for such housing would be out of the financial reach of poor families. The rent supplement program, however, makes these units available to low-income households by virtue of a rent supplement payment, made by the Federal Government to the eligible private owner of the project. The amount of this rent supplement will represent the difference between the rent which the eligible occupant can pay, on the basis of a 25-percent rent-to-income ratio, and the market rent which is required to amortize the project and pay for its operation and maintenance. This program represents a radically new approach to answering the housing needs of low-income families, through a partnership between private ownership and the Federal Government. The private owners who are eligible to enter into rent supplement contracts are restricted to private nonprofit organizations, limited dividend corporations, and cooperative groups.

Families eligible to obtain rent supplement payment benefits are those with incomes below limits set in each locality—generally the same as for public housing—and who are either: (1) occupants of substandard housing, (2) elderly, (3) physically disabled, (4) governmental action displacees, or those whose housing units were severely damaged or destroyed by natural disasters occurring after August 10, 1965. In addition to the foregoing requirements, eligibility is confined to families with assets of less than \$2,000, or \$5,000 in the case of the elderly.

2. Operation

As of this reporting date the program is not yet in operation. Although authorized under the Housing and Urban Development Act of 1965, it has not yet been funded, and appropriation act approval from the Congress has been requested. The following describes how the program will operate once contractual authorization funds are made available.

The primary responsibility for administering the rent supplement program will rest with the Federal Housing Administration, a constituent agency of HUD. Responsibility for issuing mortgage insurance commitments will rest with the 76 individual local insuring offices of FHA. The Secretary of HUD, however, will retain responsibility for defining the eligible market for such housing (in terms of income limits), and he will also allocate the program authorizations for rent supplement payments by regions, and by individual market areas.

The project will be built under the FHA section 221(d)(3) mortgage insurance section. The mortgage limits to be established for such housing will assure that the housing production will be of modest, but