

**COMMUNITY PLANNING AND DEVELOPMENT
REVOLVING FUND (LIQUIDATING PROGRAMS)
2011 Summary Statement and Initiatives
(Dollars in Thousands)**

REVOLVING FUND (LIQUIDATING PROGRAMS)	<u>Appropriation</u>	<u>Receipts and Repayments</u>	<u>Repayments to Treasury-In Year Dividend</u>	<u>Repayments to Treasury- Cumulative</u>	<u>Book Value of Assets, EOY</u>	<u>Outlays</u>
2009 Appropriation.....	\$1,270	\$45	\$298	\$2,292,157	\$2,000	\$23
2010 Request.....	1,270	500	500	2,292,657	1,500	2,500
2011 Request.....	1,170	500	500	2,293,157	1,000	1,000
Program Improvements/ Offsets	-\$100	+500	-500	-\$1,500

Summary Statement

The expenses of the Revolving Fund (Liquidating Programs) are financed from permanent indefinite budget authority. This account's largest previous source of funds came from the Section 312 loan portfolio, the bulk of which was sold in fiscal year 2001 for \$64 million. Contract support of \$1.17 million in fiscal year 2011 is still required to support the loans sold to the private sector, as well as the remaining reduced portfolio, including Public Facility Loans. There are three components to this contract:

- (1) Property Disposition--resolution of the outstanding issues related to the July 2001 loan sale with the primary focus on compiling the necessary property documents required for placing the remaining assets into the Department's property disposition pipeline (goal is to sell these remaining assets);
- (2) Mortgage Satisfactions and Releases--preparation and processing of all Section 312 mortgage releases and satisfactions, as requested by 312 borrowers or their legally appointed representatives, who claim that their loans have been paid in full and include lien releases as well as Public Facility Loan responsibilities; and
- (3) File Storage and Servicing--storage of all Section 312 historical program files and resolution of correspondence and telephone inquiries pertaining to the portfolio as well as Public Facility Loan requirements.

The Section 312 loan program provided first and junior lien financing at below market interest rates for the rehabilitation of homes in low-income neighborhoods. This program ceased originating new loans over 15 years ago. More than 100,000 loans were made while this program, which was authorized by the Housing Act of 1964, was active. All of the remaining Section 312 properties will be sold. Since fiscal year 2007, funding for the Section 312 Property Disposition loan portfolio has been allotted directly to the Department's Office of Housing and this will continue in fiscal year 2011.

Revolving Fund (Liquidating Programs)

On October 1, 1991 the assets and liabilities of Public Facility Loans were transferred to the Revolving Fund (Liquidating Programs) pursuant to P.L. 102-27 and P.L. 102-139. HUD awarded these loans to the State housing finance agencies, State community and/or economic development agencies, local rural non-profits, and community development corporations. The Federal Reserve Bank of Richmond, acting as the United States Department of Treasury's Fiscal Agent, provides loan services for HUD, and ensures timely and cost effective collection of principal and interest that has accrued on public facility loans. HUD estimates that loan servicing for the remaining seven public facility loans will be required through fiscal year 2019.

Explanation of Increases and Decreases

Since the sale of the bulk of the Section 312 loan portfolio in fiscal year 2001, activity in this account has been substantially reduced, but there are variances depending on the timing of bills, tax considerations and other issues under legal review. There is an additional \$100 thousand in appropriations in fiscal year 2009 and an additional \$100 thousand in appropriations in fiscal year 2010 for a contract to research an amount of \$45 million which is due to the Revolving Fund from a bank in the Boston area. The contract has been awarded.

Revolving Fund (Liquidating Programs)

**COMMUNITY PLANNING AND DEVELOPMENT
REVOLVING FUND (LIQUIDATING PROGRAMS)
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Receipts and Repayments</u>	<u>2009 In year Dividend</u>	<u>2009 Cumulative</u>	<u>2010 Receipts and Repayments</u>	<u>2010 In year Dividend</u>	<u>2010 Cumulative</u>	<u>2011 Receipts and Repayments</u>	<u>2011 In year Dividend</u>
Liquidating Programs	\$45	\$298	\$2,292,157	\$500	\$500	\$2,292,657	\$500	\$500
Total Revolving Fund (Liquidating Programs).....	45	298	2,292,157	500	500	2,292,657	500	500

Revolving Fund (Liquidating Programs)

**COMMUNITY PLANNING AND DEVELOPMENT
REVOLVING FUND (LIQUIDATING PROGRAMS)
Program Offsets
(Dollars in Thousands)**

Liquidating Programs	<u>Amount</u>
2009 Receipts and Repayments.....	\$45
2010 Receipts and Repayments.....	500
2011 Receipts and Repayments.....	<u>500</u>
Program Improvements/Offsets.....	...

The Revolving Fund (Liquidating Programs) was established by the Independent Offices Appropriation Act, 1955, to provide a single fund to assist in the efficient liquidation of assets acquired under various housing and urban development programs. The assets of certain war and emergency housing constructed under the Lanham and Related Acts, Alaska Prefabricated Housing, War Public Works, Defense Community Facilities and Reconstruction Finance Corporation Public Agency Loan programs initially were included in this Fund. At the end of 1970, the Public Works Planning Advances, Grants to Aid Advance Acquisition of Land, and the Alaska Housing Grants and Loans programs were terminated and the assets were transferred to this Fund for liquidation.

In 1975, the assets and liabilities of four community development categorical programs, Basic Water and Sewer Facilities, Neighborhood Facilities, Open Space Land, and Public Facility Loans, were included in the Fund pursuant to Section 117(b) of the Housing and Community Development Act of 1974, which provided for such transfers to facilitate liquidation of the programs. In 1984, the New Communities program was transferred to the Revolving Fund, and on October 1, 1986, the Urban Renewal Program was transferred to the Fund.

The National Affordable Housing Act repealed the Rental Rehabilitation Grants and Rehabilitation Loan (Section 312) programs. Both programs were transferred to the Revolving Fund (Liquidating Programs), effective October 1, 1991, pursuant to P.L. 102-27 and P.L. 102-139.

The Office of Community Planning and Development has trailing management responsibilities associated with the Section 312 loan portfolio. These activities include loan support to former Section 312 borrowers who request lien releases provided through a Community Planning and Development contractor, and general inquiries related to the status of HUD loans and whether they were Section 312. In fiscal year 2007, funding for the Section 312 Property Disposition loan portfolio was allotted directly to the Department’s Office of Housing and this will continue in fiscal year 2011.

Revolving Fund (Liquidating Programs)

**COMMUNITY PLANNING AND DEVELOPMENT
 REVOLVING FUND (LIQUIDATING PROGRAMS)
 Crosswalk of 2009 Availability
 (Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Receipts and Repayments</u>	<u>2009 Repayments to Treasury-In Year Dividend</u>	<u>2009 Repayments to Treasury- Cumulative</u>	<u>2009 Book Value of Assets, EOY</u>
Liquidating Programs.....	<u>\$45</u>	<u>\$298</u>	<u>\$2,292,157</u>	<u>\$2,000</u>
Total Changes.....	45	298	2,292,157	2,000

Revolving Fund (Liquidating Programs)

**COMMUNITY PLANNING AND DEVELOPMENT
 REVOLVING FUND (LIQUIDATING PROGRAMS)
 Crosswalk of 2010 Changes
 (Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Receipts and Repayments</u>	<u>2010 Repayments to Treasury-In Year Dividend</u>	<u>2010 Repayments to Treasury- Cumulative</u>	<u>2010 Book Value of Assets</u>
Liquidating Programs.....	\$500	\$500	\$2,292,657	\$1,500
Total				
Changes.....	500	500	2,292,657	1,500