1. This Transmits

A revised Handbook 4355.1, entitled Flexible Subsidy

2. Explanation of Materials Transmitted.

A. The Flexible Subsidy Handbook incorporates existing instructions for both the Operating Assistance Program (OAP) and the Capital Improvement Loan Program (CILP), as well as the following Notices:

1) 90-13, Restrictions on Lobbying
2) 90-17, Combining LIHTC with HUD Programs
3) 91-30, Operating Assistance Instructions
4) 91-22, Comprehensive Multifamily Servicing Program

B. The following substantive changes have been made to the old handbook:

1) The handbook now properly reflects the competitive nature of the Flexible Subsidy award process.

2) Many of the requirements for receiving funding under the two Flexible Subsidy Programs (OA and CILP) are identical, as are many of the requirements for funding award, monitoring, close-out and accounting. Information that is substantially similar has been included in joint chapters. Basic program distinctions detailing the unique features of each program are included in individual chapters.

3) Flexible Subsidy contributions are no longer provided on a pro rata basis with the owner contributions. The entire owner contribution should be made and spent before Flexible Subsidy assistance can be tapped.

4) There is no longer a Depository Agreement
governing dispersal of Flexible Subsidy funds. Instead, the Field Office approves all requests for funding and the RAD instructs Treasury to deposit the required funds directly to the project improvement account.

5) Whenever possible, guidelines have been made identical for the two programs. This entails some minor changes in each program, but results in a single set of rules for Loan Management Staff to work from for most aspects of the program.

3. Effective Date: Upon receipt for use beginning with FY 1993 Flexible Subsidy applications.

4. Filing instructions:

Remove:                     Insert:
Flexible Subsidy            Flexible Subsidy
(including all changes)

Arthur J. Hill, Assistant Secretary
for Housing-Federal Housing Commissioner

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Handbook                            4355.1 REV-1
U.S. Department of Housing and Urban Development
Washington, D.C. 20410

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Program Participants
and Departmental
Staff

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May 1992                           Flexible Subsidy