

# Glossary

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**ADVANCE APPROPRIATION.** Budget authority or appropriation that becomes available in one or more fiscal years after the fiscal year for which the appropriation was enacted. For example, an advance appropriation in the “FY19 Appropriations Act” would become available for programs in FY20 or beyond. The amount is not included in the budget totals of the year for which the appropriation act is enacted but rather in those for the fiscal year in which the amount will become available for obligation.

**AFFORDABLE HOUSING.** Housing that costs an owner or renter no more than 30% of household income.

**AMORTIZE.** Decrease an amount gradually or in installments, especially in order to write off an expenditure or liquidate a debt.

**AFFORDABLE HOUSING PROGRAM (AHP).**

A program of the Federal Home Loan Bank system, AHP provides subsidized cash advances to member institutions to permit them to make below-market loans for eligible housing activities.

**ANNUAL ADJUSTMENT FACTOR.** The mechanism for adjusting rents in certain types of Section 8-assisted properties, including Section 8 New Construction/Substantial Rehab. HUD publishes annual percentage factors by unit type and region.

**“ANTI-DEFICIENCY ACT.”** A federal law forbidding federal employees from spending money or incurring obligations that have not been provided for in an appropriation.

**APPROPRIATION.** A provision of law providing budget authority that enables an agency to incur obligations and to make payments out of the U.S. Department of the Treasury for specified purposes. Non-entitlement programs are funded through annual appropriations.

**AREA MEDIAN INCOME (AMI).** The midpoint in the income distribution within a specific geographic area. By definition, 50% of households, families, or individuals earn less than the median income, and 50% earn more.

HUD calculates family AMI levels for different communities annually, with adjustments for family size. AMI is used to determine the eligibility of applicants for both federally and locally funded housing programs.

**ASSISTED HOUSING.** Housing where the monthly costs to the tenant are subsidized by federal or other programs.

**AUTHORIZATION.** Legislation that establishes or continues operation of a federal program or agency either indefinitely or for a specific period of time, or that sanctions a particular type of obligation or expenditure within a program.

**BELOW MARKET INTEREST RATE (BMIR).** See Section 221(d)(3) BMIR.

**BLOCK GRANTS.** Grants made by the federal government on a formula basis, usually to a state or local government.

**BORROWING AUTHORITY.** The authority to incur indebtedness for which the federal government is liable, which is granted in advance of the provision of appropriations to repay such debts. Borrowing authority may take the form of authority to borrow from the Treasury or authority to borrow from the public by means of the sale of federal agency obligations. Borrowing authority is not an appropriation since it provides a federal agency only with the authority to incur a debt, and not the authority to make payments from the Treasury under the debt. Appropriations are required to liquidate the borrowing authority.

**BROOKE RULE.** Federal housing policy that limits a tenant’s contribution to rent in public housing and under the Section 8 program to 30% of income. This amount is considered to be the maximum that one should have to pay for rent without becoming ‘burdened.’ The rule is based on an amendment sponsored by then Senator Edward Brooke (R-MA) to the public housing program in 1971. The original Brooke amendment limited tenant contributions to 25%. The limit was increased from 25% to 30% in 1981.

**BUDGET AUTHORITY.** The legal authority to enter into obligations that will result in immediate or future outlays of federal funds. Budget authority is provided in appropriations acts.

**“BUDGET ENFORCEMENT ACT” (BEA).** An expired 1990 act of Congress credited in part with creating a budget surplus by establishing limits on discretionary spending, maximum deficit amounts, pay-as-you-go rules for revenue and direct spending, new credit budgeting procedures, and other changes in budget practices. Congress has debated the re-establishment of pay-as-you-go rules and whether such rules should apply to both spending and taxation or only to spending.

**BUDGET RESOLUTION.** A concurrent resolution passed by both houses of Congress that does not require the signature of the president. The budget resolution sets forth various budget totals and functional allocations and may include reconciliation instructions to specific House or Senate committees.

**COLONIAS.** The rural, mostly unincorporated communities located in California, Arizona, New Mexico, and Texas along the U.S.-Mexico border. *Colonias* are characterized by high poverty rates and substandard living conditions and are defined primarily by what they lack, such as potable drinking water, water and wastewater systems, paved streets, and standard mortgage financing.

**COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO).** A federally defined type of nonprofit housing provider that must receive a minimum of 15% of all federal HOME Investment Partnership Funds.

**COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG).** The annual formula grants administered by HUD that are distributed to states, cities with populations of 50,000 or more and counties with populations of 200,000 or more. CDBG funds are to be used for housing and community development activities, principally benefiting low- and moderate-income people. The CDBG program is authorized by Title I of the “Housing and Community Development Act of 1974.”

**COMMUNITY DEVELOPMENT CORPORATIONS (CDCs).** Nonprofit, community-based

organizations that work to revitalize the neighborhoods in which they are located by building and rehabilitating housing, providing services, developing community facilities, and promoting or undertaking economic development.

**COMMUNITY DEVELOPMENT FINANCIAL INSTITUTION (CDFI).** A specialized financial institution that works in market niches that have not been adequately served by traditional financial institutions. CDFIs provide a wide range of financial products and services, including mortgage financing, commercial loans, financing for community facilities, and financial services needed by low-income households. Some CDFIs also provide technical assistance. To be certified as a CDFI by the CDFI Fund of Treasury, an institution must engage in community development, serve a targeted population, provide financing, have community representatives on its board, and be a non-governmental organization.

**“COMMUNITY REINVESTMENT ACT” (CRA).** The act prohibits lending institutions from discriminating against low- and moderate-income and minority neighborhoods. CRA also imposes an affirmative obligation on banks to serve these communities. Banks must proactively assess community needs, conduct marketing and outreach campaigns in all communities, and consult with community stakeholders in developing financing options for affordable housing and economic development activities. CRA has formal mechanisms for banks and regulators to seriously consider community needs and input. Members of the community can comment at any time on a bank’s CRA performance in a formal or informal manner. When federal agencies conduct CRA examinations of banks’ lending, investing, and service activities in low- and moderate-income communities, federal agencies are required to consider the comments of members of the public concerning bank performance. Likewise, federal agencies are required to consider public comments when deciding whether to approve a bank’s application to merge or open and relocate branches.

**CONGRESSIONAL BUDGET OFFICE (CBO).** An organization created by Congress that provides staff assistance to Congress on the federal budget.

**CONSOLIDATED PLAN (ConPlan).** The ConPlan merges into one process and one document all the planning and application requirements of four HUD block grants: Community Development Block Grants (CDBG), HOME Investment Partnerships, Emergency Solutions Grants (ESG), and Housing Opportunities for Persons With AIDS (HOPWA) grants.

**CONTINUING RESOLUTION (CR).** A spending bill that provides funds for government operations for a short period of time until Congress and the president agree on an appropriations bill.

**CREDIT UNION.** A nonprofit financial institution typically formed by employees of a company, labor union, or religious group and operated as a cooperative. Credit unions may offer a full range of financial services and pay higher rates on deposits and charge lower rates on loans than commercial banks. Federally chartered credit unions are regulated and insured by the National Credit Union Administration.

**DISCRETIONARY SPENDING.** Budget authority, other than for entitlements, and ensuing outlays provided in annual appropriations acts. The Budget Resolution sets limits or caps on discretionary budget authority and outlays.

**earmarks.** Appropriations that are dedicated for a specific, particular purpose. The funding of the Community Development Fund typically has earmarks as part of the Economic Development Initiative.

**“EMERGENCY LOW-INCOME HOUSING PRESERVATION ACT” (ELIHPA).** The 1987 statute authorizing the original federal program to preserve federally assisted multifamily housing. The program was active from 1987 to 1992.

**ENHANCED VOUCHERS.** The tenant-based Section 8 assistance provided to eligible residents when owners prepay their subsidized mortgages or opt out of project-based Section 8 contracts. Rents are set at market comparable levels, instead of the regular voucher payment standard, as long

as the tenant elects to remain in the housing.

**ENTITLEMENT JURISDICTION.** Under the Community Development Block Grant (CDBG), cities with populations of 50,000 or more and counties with populations of 200,000 or more are ‘entitled’ to receive funding under the program.

**ENTITLEMENTS.** Entitlements are benefits available to people if they meet a certain set of criteria. Entitlement programs, such as Social Security, are not constrained by the appropriations process.

**EXIT TAX.** The taxes paid on the recapture of depreciation and other deductions experienced upon sale of a property. In some affordable housing transactions, sellers may face a significant exit tax even when they do not receive net cash at sale.

**EXPIRING USE RESTRICTIONS.** The low- and moderate-income affordability requirements associated with subsidized mortgages under Section 221(d)3 BMIR and Section 236, which terminate when the mortgage is prepaid.

**EXTREMELY LOW INCOME (ELI).** A household income below 30% of area median income (AMI), as defined by HUD.

**FAIR MARKET RENTS (FMR).** HUD’s estimate of the actual market rent for a modest apartment in the conventional marketplace. FMRs include utility costs (except for telephones). Every year, HUD develops and publishes FMRs for every MSA and apartment type. FMRs are currently established at the 40th percentile rent, the top of the range that renters pay for 40% of the apartments being surveyed, with the exception of some high-cost jurisdictions, where it is set at the 50th percentile.

**FANNIE MAE (FEDERAL NATIONAL MORTGAGE ASSOCIATION).** A federally chartered government-sponsored enterprise that purchases mortgages from originators to facilitate new mortgage lending. Similar to Freddie Mac.

**FARMERS HOME ADMINISTRATION (FmHA).** The former name of the Rural Housing Service.

## **FEDERAL DEPOSIT INSURANCE**

**CORPORATION (FDIC).** The federal agency established in 1933 that guarantees (within limits) funds on deposits in member banks and thrift institution, and that performs other functions such as making loans to or buying assets from member institutions to facilitate mergers or prevent failures.

## **FEDERAL HOUSING ADMINISTRATION (FHA).**

A part of HUD that insures lenders against loss on residential mortgages. It was founded in 1934 to execute the provisions of the “National Housing Act” in response to the Great Depression.

## **FEDERAL HOUSING FINANCE AGENCY**

**(FHFA).** Created in 2008 to take over the functions of the Office of Federal Housing Enterprise Oversight (OFHEO) and the Federal Housing Finance Board (FHFB). OFHEO was the regulator for Freddie Mac and Fannie Mae, and the FHFB regulated the Federal Home Loan Banks.

## **FEDERAL HOUSING FINANCE BOARD (FHFB).**

Federal agency created by Congress in 1989 to assume oversight of the Federal Home Loan Bank System from the dismantled Federal Home Loan Bank Board. The FHFB was merged into the Federal Housing Finance Agency (FHFA) in 2008. The FHFA also regulates Freddie Mac and Fannie Mae.

**FEDERAL RESERVE BOARD (FRB).** The governing board of the Federal Reserve System. Its seven members are appointed by the president, subject to Senate confirmation, and serve 14-year terms. The board establishes Federal Reserve System policies on such key matters as reserve requirements and other bank regulations, sets the discount rates, and tightens or loosens the availability of credit in the economy.

**FEDERAL RESERVE SYSTEM.** The system established by the “Federal Reserve Act of 1913” to regulate the U.S. monetary and banking systems. The Federal Reserve System (“the Fed”) consists of 12 regional Federal Reserve Banks, their 24 branches, and all national and state banks that are part of the system. National banks

are stockholders of the Federal Reserve Bank in their region. The Federal Reserve System’s main functions are to regulate the national money supply, set reserve requirements for member banks, supervise the printing of currency at the mint, act as clearinghouse for the transfer of funds throughout the banking system, and examine member banks’ compliance with Federal Reserve regulations.

**FINANCIAL INSTITUTION.** An institution that collects funds from the public to place in financial assets such as stocks, bonds, money market instruments, bank deposits, or loans. Depository institutions (banks, savings and loans, saving banks, credit unions) pay interest on deposits and invest the deposit money, mostly in loans. Non-depository institutions (insurance companies, pension plans) collect money by selling insurance policies or receiving employer contributions and pay it out for legitimate claims or for retirement benefits. Increasingly, many institutions are performing both depository and non-depository functions.

**FISCAL YEAR (FY).** The accounting period for the federal government. The fiscal year for the federal government begins on October 1 and ends the next September 30. It is designated by the calendar year in which it ends; for example, FY16 began on October 1, 2015, and ends on September 30, 2016.

**FLEXIBLE SUBSIDY.** A direct HUD loan or grant for rehabilitation or operating losses, available to eligible owners of certain HUD-subsidized properties. Owners must continue to operate the project as low- and moderate-income housing for the original mortgage term. Not currently active.

**FORECLOSURE.** The process by which a mortgage holder who has not made timely payments of principal and interest on a mortgage loses title to the home. The holder of the mortgage, whether it is a bank, a savings and loan, or an individual, uses the foreclosure process to satisfy the mortgage debt either by obtaining the proceeds from the sale of the property at foreclosure or taking the title to the property and selling it at a later date. Foreclosure

processes vary from state to state and can be either judicial or non-judicial.

**FORMULA ALLOCATION.** The method by which certain programs distribute appropriated funds to state and local governments. The parameters for the formula are established by statute and are generally based on demographics (poverty) and housing conditions (overcrowding) in the jurisdiction. CDBG and HOME are formula allocation programs.

**FREDDIE MAC (FEDERAL HOME LOAN MORTGAGE CORPORATION).** A federally chartered government-sponsored enterprise that purchases mortgages from originators to facilitate new mortgage lending. Similar to Fannie Mae.

**“FREEDOM OF INFORMATION ACT” (FOIA).** The law providing for a means of public access to documents from HUD or other federal agencies.

**GOVERNMENT ACCOUNTABILITY OFFICE (GAO).** Formerly known as the General Accounting Office, the GAO is a Congressional agency that monitors the programs and expenditures of the federal government.

**GINNIE MAE (GOVERNMENT NATIONAL MORTGAGE ASSOCIATION).** An agency of HUD, Ginnie Mae guarantees payment on mortgage-backed securities, which represent pools of residential mortgages insured or guaranteed by the Federal Housing Administration (FHA), the Veterans Administration, or the Rural Housing Service (RHS).

**GOVERNMENT SPONSORED ENTERPRISE (GSE).** An enterprise established by the federal government but privately owned and operated. Fannie Mae and Freddie Mac are GSEs, as are the Federal Home Loan Banks.

**GUARANTEED LOAN.** A loan in which a private lender is assured repayment by the federal government of part or all of the principal, interest, or both, in the event of a default by the borrower.

**HOME INVESTMENT PARTNERSHIPS PROGRAM (HOME).** Administered by HUD’s Office of Community Planning and Development, this program provides formula grants to

states and localities (see also PARTICIPATING JURISDICTIONS) to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership, or to provide direct rental assistance to low-income people. The HOME program is authorized by Title II of the 1990 “Cranston-Gonzalez National Affordable Housing Act.”

**“HOME MORTGAGE DISCLOSURE ACT” (HMDA).** Created in 1975, HMDA requires most financial institutions that make mortgage loans, home improvement loans, or home refinance loans to collect and disclose information about their lending practices.

**“HOMELESS EMERGENCY ASSISTANCE AND RAPID TRANSITION TO HOUSING (HEARTH) Act of 2009.”** This law revises the McKinney-Vento Homeless Assistance Grant programs and provides communities with new resources and better tools to prevent and end homelessness. The legislation increases priority on homeless families with children, significantly increases resources to prevent homelessness, provides incentives for developing permanent supportive housing, and creates new tools to address homelessness in rural areas.

**HOUSING ASSISTANCE PAYMENTS (HAP).** HAP is the payment made according to a HAP contract between HUD and an owner to provide Section 8 rental assistance. The term applies to both the Housing Choice Voucher (HCV) Program and Section 8 Project-Based Rental Assistance Program. The local voucher program is administered by a public housing agency (PHA), whereas a Section 8 contract administrator makes payments in the Multifamily Housing Programs.

**HOUSING BONDS.** Bonds that are generally issued by states and secured by mortgages on homes or rental properties. Although homeowner housing financed by bonds are typically targeted to families or individuals with incomes below the median for the area or the state, rental housing is targeted to lower income families or individuals.

**HOUSING CHOICE VOUCHERS (HCV).** Also known as Section 8 or Section 8 vouchers, this

is a rental assistance program funded by HUD. The program helps some families, primarily extremely low-income (ELI) families, rent private housing. Families pay a percentage of their monthly adjusted income toward monthly rent and utilities (generally not more than 30%); the balance of the rent to the owner is paid with the federal subsidy.

**HOUSING COSTS.** Essentially, they are the costs of occupying housing. Calculated on a monthly basis, housing costs for renters include items such as contract rent, utilities, property insurance, and mobile home park fees. For homeowners, monthly housing costs include monthly payments for all mortgages or installment loans or contracts, as well as real estate taxes, property insurance, utilities, and homeowner association, cooperative, condominium, or manufactured housing park fees. Utilities include electricity, gas, fuels, water, sewage disposal, garbage, and trash collection.

**HOUSING FINANCE AGENCY (HFA).** The state agency responsible for allocating and administering federal Low-Income Housing Tax Credits (LIHTC) as well as other federal and state housing financing sources.

**HOUSING STARTS.** An indicator of residential construction activity, housing starts represent the start of construction of a house or apartment building, which means the digging of the foundation. Other measures of construction activity include housing permits, housing completions, and new home sales.

**HOUSING TRUST FUNDS.** Distinct funds, usually established by state or local governments that receive ongoing public revenues that can only be spent on affordable housing initiatives, including new construction, preservation of existing housing, emergency repairs, homeless shelters, and housing-related services.

**HUD INSPECTOR GENERAL.** The HUD official appointed by the president who is responsible for conducting audits and investigations of HUD's programs and operations.

**INCLUSIONARY ZONING.** A requirement or incentive to reserve a specific percentage of units

in new residential developments for moderate income households.

**INDEPENDENT AGENCY.** An agency of the United States government that is created by an act of Congress and is independent of the executive departments. The Securities and Exchange Commission is an example of an independent agency.

**LEVERAGING.** The maximization of the effects of federal assistance for a project by obtaining additional project funding from non-federal sources.

**“LOW-INCOME HOUSING PRESERVATION AND RESIDENT HOMEOWNERSHIP ACT” (LIHPRHA).** The 1990 statute prohibiting the sale of older HUD-assisted properties for market rate use, compensating the owners with financial incentives. The program was active from 1990 to 1996.

**LOW-INCOME HOUSING TAX CREDITS (LIHTC).** Enacted by Congress in 1986 to provide the private market with an incentive to invest in affordable rental housing. Federal housing tax credits are awarded to developers of qualified projects. Developers then sell these credits to investors to raise capital (equity) for their projects, which reduces the debt that the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can in turn offer lower, more affordable rents. Provided the property maintains compliance with the program requirements, investors receive a dollar-for-dollar credit against their federal tax liability each year throughout a period of 10 years. The amount of the annual credit is based on the amount invested in the affordable housing.

**LOW INCOME.** As applied to most housing programs, household income below 80% of metropolitan area median, as defined by HUD, is classified as low income. See also EXTREMELY LOW INCOME (ELI), VERY LOW INCOME (VLI).

**MARK-TO-MARKET.** HUD program that reduces above-market rents to market levels at certain HUD-insured properties that have project-based Section 8 contracts. Existing debt is restructured so that the property may continue to

be financially viable with the reduced Section 8 rents.

**MARK-UP-TO-MARKET.** A federal program to adjust rents on Section 8 assisted housing up to the market rate.

**METROPOLITAN STATISTICAL AREA (MSA).** The basic census unit for defining urban areas and rental markets.

**MORTGAGE INTEREST DEDUCTION.** The federal tax deduction for mortgage interest paid in a taxable year. Interest on a mortgage to acquire, construct, or substantially improve a residence is deductible for indebtedness of up to \$1 million.

**MORTGAGE.** The debt instrument by which the borrower (mortgagor) gives the lender (mortgagee) a lien on the property as security for the repayment of a loan. The borrower has use of the property, and the lien is removed when the obligation is fully paid.

**MOVING TO WORK (MTW).** A demonstration program for public housing agencies (PHAs) that provides them with enormous flexibility from most HUD statutory and regulatory requirements. The flexibilities, regarding key programmatic features such as rent affordability and income targeting requirements, can impact residents in both the public housing and Housing Choice Voucher (HCV) Programs. Authorized in 1996, the demonstration program continues even though it has not been evaluated on a broad scale.

**“MULTIFAMILY ASSISTED HOUSING REFORM AND AFFORDABILITY ACT” (MAHRA).** The 1997 statute authorizing the Mark-to-Market program and renewals of expiring Section 8 contracts.

**MULTIFAMILY.** A building with five or more residential units.

**NON-ELDERLY DISABLED (NED) VOUCHERS.** Since 1997, Housing Choice Vouchers (HCVs) have been awarded under different special purpose voucher program types to serve non-elderly persons with disabilities (NED). NED HCVs enable non-elderly disabled families to lease affordable private housing of their choice. NED

vouchers also assist persons with disabilities who often face difficulties in locating suitable and accessible housing on the private market.

**NEW CONSTRUCTION/SUBSTANTIAL REHAB.** A form of project-based Section 8 assistance used in the original development and financing of some multifamily housing. Projects could be both insured and uninsured (with conventional or state/local bond financing). These contracts were long-term (20-40 years). Active from 1976 to 1985.

**NOTICE OF FUNDING AVAILABILITY (NOFA).** A notice by a federal agency, including HUD, used to inform potential applicants that program funding is available.

**OFFICE OF AFFORDABLE HOUSING PRESERVATION.** Formerly the Office of Multifamily Housing Assistance Restructuring (OMHAR), HUD established this office to oversee the continuation of the Mark-to-Market program and provide assistance in the oversight and preservation of a wide spectrum of affordable housing programs.

**OUTLAYS.** Payments made (usually through the issuance of checks or disbursement of cash) to liquidate obligations. Outlays during a fiscal year (FY) may be for payment of obligations incurred in the previous year or in the same year.

**PARTICIPATING JURISDICTION (PJ).** A HUD-recognized entity that is an eligible recipient of HOME funding.

**PAY-AS-YOU-GO or PAYGO.** A requirement that Congress offset the costs of tax cuts or increases in entitlement spending with increased revenue or savings elsewhere in the budget.

**PAYMENT STANDARD.** Payment standards are used to calculate the housing assistance payment (HAP) that a public housing agency (PHA) pays to an owner on behalf of a family leasing a unit. Each PHA has latitude in establishing its schedule of payment standard amounts by bedroom size. The range of possible payment standard amounts is based on HUD's published fair market rent (FMR) for the area in which the PHA has jurisdiction. A PHA may set its payment standard

amounts from 90% to 110% of the published FMRs and may set them higher or lower with HUD approval.

**PERFORMANCE FUNDING SYSTEM.** Developed by HUD to analyze costs of operating public housing developments, used as the basis for calculating the need for operating subsidies.

**PERMANENT SUPPORTIVE HOUSING.** Decent, safe, and affordable permanent community-based housing targeted to vulnerable very low-income (VLI) households with serious and long term disabilities that is linked with an array of voluntary and flexible services to support successful tenancies.

**PREPAYMENT PENALTY.** A fee that may be levied for repayment of a loan before it falls due.

**PROJECT-BASED VOUCHERS (PBVs).** A component of a public housing agency's (PHAs) housing choice voucher program. A PHA can attach up to 20% of its voucher assistance to specific housing units if the owner agrees to either rehabilitate or construct the units, or the owner agrees to set-aside a portion of the units in an existing development for lower income families. In general, no more than 25% of the units in a property can be subsidized with PBVs.

**RENTAL ASSISTANCE DEMONSTRATION (RAD).** Congress authorized RAD as part of its FY12 and FY15 HUD appropriations bills. There are two RAD components. The first component allows HUD to approve the conversion of up to 185,000 public housing and moderate rehabilitation (Mod Rehab) units into either project-based Section 8 rental assistance (PBRA) contracts or project-based vouchers (PBVs) by September 30, 2018. The second component allows an unlimited number of units in three smaller programs administered by HUD's Office of Multifamily Housing Programs to convert tenant protection vouchers to PBVs or PBRAs. There is no deadline for the three second component programs – Rent Supplement (Rent Supp), Rental Assistance Program (RAP), and Mod Rehab.

**REAL ESTATE ASSESSMENT CENTER (REAC).** The office within HUD responsible for assessing

the condition of HUD's portfolio, both public housing and private, HUD-assisted multifamily housing. REAC oversees physical inspections and analysis of the financial soundness of all HUD housing, and REAC scores reflect physical and financial condition.

**REAL ESTATE INVESTMENT TRUST (REIT).**

A business trust or corporation that combines the capital of many investors to acquire or finance real estate, which may include assisted housing. Cash flow generated by the properties is distributed to investors in the form of stock dividends. The REIT can also provide an attractive tax deferral mechanism by enabling investors to exchange their partnership shares for interests in the REIT, a nontaxable transfer.

**"REAL ESTATE SETTLEMENT PROCEDURES ACT" (RESPA).** A statute that prohibits kickbacks and referral fees that unnecessarily increase the costs of certain settlement services in connection with real estate transactions and provides for disclosures in connection with such transactions. HUD enforces RESPA.

**RECONCILIATION BILL.** A bill containing changes in law recommended by House or Senate committees pursuant to reconciliation instructions in a budget resolution.

**RENT SUPPLEMENT (Rent Supp).** An older HUD project-based rental subsidy program used for some Section 221(d)(3) and Section 236 properties. The subsidy contract is coterminous with the mortgage. Most rent supplement contracts in HUD-insured projects were converted to Section 8 in the 1970s.

**RESIDUAL RECEIPTS.** Cash accounts maintained under joint control of the owner and HUD [or Housing Finance Agency (HFA)] into which is deposited all surplus cash generated in excess of the allowable limited dividend or profit. The disposition of residual receipts at the end of the Section 8 contract and/or mortgage is governed by the Regulatory Agreement.

**RIGHT OF FIRST REFUSAL.** The right of first refusal means the right to match the terms and conditions of a third-party offer to purchase a property, within a specified time period.

**RURAL DEVELOPMENT (RD).** A mission area of the U.S. Department of Agriculture (USDA), RD administers grant and loan programs to promote and support housing, public facilities and services such as water and sewer systems, health clinics, emergency service facilities, and electric and telephone service in rural communities. RD also promotes economic development by supporting loans to businesses and provides technical assistance to help agricultural producers and cooperatives.

**RURAL HOUSING SERVICE (RHS).** An agency of the U.S. Department of Agriculture's (USDA) Rural Development (RD), RHS is responsible for administering a number of rural housing and community facilities programs, such as providing loans and grants for single-family homes, apartments for low-income people, housing for farm workers, child care centers, fire and police stations, hospitals, libraries, nursing homes, and schools.

**RURAL.** As used in this Guide, areas that are not urbanized. The Census Bureau defines an urbanized area as "an incorporated place and adjacent densely settled (1.6 or more people per acre) surrounding area that together have a minimum population of 50,000." The Census Bureau defines rural as an area with a population of less than 2,500. The U.S. Department of Agriculture (USDA) definition of rural has several factors, including population: under 20,000 in non-metro areas, under 10,000 in metro areas, or under 35,000 if the area was at one time defined as rural but the populations has grown (a "grandfathered" area).

**SAVINGS AND LOAN ASSOCIATION (S&L).** A depository financial institution, federally or state chartered, that obtains the bulk of its deposits from consumers and holds the majority of its assets as home mortgage loans. In 1989, responding to a massive wave of insolvencies caused by mismanagement, corruption, and economic factors, Congress passed a savings and loan "bailout bill" that revamped the regulatory structure of the industry under a newly created agency, the Office of Thrift Supervision.

**SAVINGS BANK.** A depository financial institution that primarily accepts consumer deposits and makes home mortgage loans. Historically, savings banks were of the mutual (depositor-owned) form and chartered in only 16 states; the majority of savings banks were located in the New England states, New York, and New Jersey.

**SECONDARY MARKET.** The term secondary market refers to the market in which loans and other financial instruments are bought and sold. Fannie Mae (the Federal National Mortgage Association) and Freddie Mac (the Federal Home Loan Mortgage Corporation), for example, operate in the secondary market because they do not deal directly with the borrower, but instead purchase loans from lenders.

**SECTION 202.** A HUD program created in 1959 to provide direct government loans or grants to nonprofits to develop housing for the elderly and handicapped. Currently, the program provides capital grants and project rental assistance contracts.

**SECTION 221(d)(3) BELOW MARKET INTEREST RATES (BMIR).** A HUD program under which the federal government provided direct loans at a BMIR (3%) and Federal Housing Administration (FHA) mortgage insurance to private developers of low and moderate-income housing. Active from 1963 to 1970.

**SECTION 236.** A program under which HUD provided interest subsidies (known as Interest Reduction Payments or IRP subsidies) and mortgage insurance to private developers of low- and moderate-income housing. The interest subsidy effectively reduced the interest rate on the loan to 1%. Active from 1968 to 1975.

**SECTION 514 LOANS AND SECTION 516 GRANTS.** Administered by USDA RD's Rural Housing Service (RHS) and may be used to buy, build, improve or repair housing for farm laborers. Authorized by the "Housing Act of 1949."

**SECTION 515 RURAL RENTAL HOUSING PROGRAM.** Provides funds for loans made by USDA RD's Rural Housing Service (RHS)

to nonprofit, for profit, cooperatives, and public entities for the construction of rental or cooperative housing in rural areas for families, elderly persons, persons with disabilities, or for congregate living facilities. Authorized by the “Housing Act of 1949.”

### **SECTION 533 HOUSING PRESERVATION**

**GRANT PROGRAM (HPG).** This program, administered by USDA RD’s Rural Housing Service (RHS), provides grants to promote preservation of Section 515 properties. Authorized by the “Housing Act of 1949.”

### **SECTION 538 RENTAL HOUSING LOAN**

**GUARANTEES.** U.S. Department of Agriculture’s (USDA) Rural Development (RD) Rural Housing Service (RHS) may guarantee loans made by private lenders for the development of affordable rural rental housing. This program serves a higher income population than that served by the Section 515 program. Authorized the “Housing Act of 1949.”

### **SECTION 8 PROJECT-BASED RENTAL**

**ASSISTANCE (PBRA).** Administered by HUD’s Office of Multifamily Housing, Section 8 PBRA takes the form of a contract between HUD and building owners who agree to provide housing to eligible tenants in exchange for long-term subsidies. Project-Based Assistance limits tenant contributions to 30% of the household’s adjusted income. Assistance may be provided to some or all of the units in a project occupied by eligible tenants. Assistance is attached to the unit and stays with the unit after the tenant moves.

### **SECTION 8 PROJECT-BASED VOUCHERS**

**(PBV).** Public housing agencies (PHAs) are allowed to use up to 20% of their housing choice voucher funding allocation to project base, or tie, vouchers to a property. PHAs may contract with property owners to project base vouchers to up to 25% of the units in a property. These vouchers remain with the project even if the assisted tenant moves. The effect is similar to the project-based section 8 program in that the place-based funding helps preserve the affordability of the units. One difference between the two programs is the mobility feature of the project-based voucher

program that allows a tenant to move with continued assistance in the form of a housing choice voucher. This program is administered by HUD’s Office of Public and Indian Housing (PIH) and local PHAs.

**SECTION 8 VOUCHERS.** Administered by HUD’s Office of Public and Indian Housing (PIH) and local public housing agencies (PHAs), housing choice vouchers (HCVs) are allocated to individual households, providing a rent subsidy that generally limits tenant contribution to rent to 30% of adjusted household income. PHAs can attach a limited number of their housing choice vouchers to individual units, thereby ‘project basing’ them. See Section 8 project-based vouchers (PBVs).

**SECTION 811.** The Section 811 Supportive Housing for Persons with Disabilities is a federal program that assists the lowest income people with the most significant and long-term disabilities to live independently in the community by providing affordable housing linked with voluntary services and supports. The program provides funds to nonprofit organizations to develop rental housing, with supportive services, for very low-income (VLI) adults with disabilities, and it provides rent subsidies for the projects to help make them affordable. Two new approaches to creating integrated permanent supportive housing were recently introduced: the Modernized Capital Advance/Project Rental Assistance Contract (PRAC) multi-family option and the Project Rental Assistance (PRA) option. Both options require that properties receiving Section 811 assistance limit the total number of units with permanent supportive housing use restrictions to 25% or less. Congress directed that all FY12, FY13, and FY14 funding for new Section 811 units be provided solely through the PRA option.

**SEVERE HOUSING PROBLEMS.** As used by HUD in defining priorities, severe housing problems are homelessness, displacement, housing cost burden above 50% of income, and occupancy of housing with serious physical problems. Data on severe housing problems drawn from the American Housing Survey measures only cost burden and physical problems.

**SINGLE-FAMILY.** A single-family property is a residential property with fewer than five units.

**“STAFFORD DISASTER RELIEF AND EMERGENCY ASSISTANCE ACT” (STAFFORD ACT, P.L. 100-707).** Provides a systemic means of supplying federal natural disaster assistance to state and local governments. The act establishes the presidential declaration process for major emergencies, provides for the implementation of disaster assistance, and sets forth the various disaster assistance programs.

**“STEWART B. MCKINNEY HOMELESS ASSISTANCE ACT.”** Enacted in July 1987, the “McKinney Act,” P.L. 100-77, established distinct assistance programs for the growing numbers of homeless persons. Recognizing the variety of causes of homelessness, the original “McKinney Act” authorized 20 programs offering a multitude of services, including emergency food and shelter, transitional and permanent housing, education, job training, mental health care, primary health care services, substance abuse treatment, and veterans’ assistance services. The act was renamed the “McKinney-Vento Homeless Assistance Act” in 2000 to reflect the late Representative Bruce Vento’s (D-MN) work to improve housing for the poor and homeless. The act was revised in 2002 and again in 2009. See “Homeless Emergency Assistance and Rapid Transition to Housing (HEARTH) Act of 2009.”

**TAX CREDIT.** A provision of the tax code that specifies an amount by which a taxpayer’s taxes will be reduced in return for some specific behavior or action.

**TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF).** Provides block grants to states administered under the “Personal Responsibility and Work Opportunity Reconciliation Act of 1996,” which established a new welfare system. The TANF block grant replaced Aid to Families with Dependent Children (AFDC). The chief feature of TANF was the abolition of a federal entitlement to cash assistance.

**THRIFT.** See SAVINGS AND LOAN ASSOCIATION (S&L).

**VERY LOW INCOME (VLI).** A household with income is at or below 50% of area median income (AMI), as defined by HUD.

**VOUCHER.** A government payment to, or on behalf of, a household to be used solely to pay a portion of the household’s housing costs in the private market. Vouchers are considered tenant-based assistance because they are not typically connected to a particular property or unit (although they may be ‘project based’ in some cases) but are issued to a tenant.

**WORST CASE HOUSING PROBLEMS.**

Unsubsidized very low-income renter households with severe housing problems. HUD is required to submit a periodic report to Congress on worst case housing problems.