

# **Section 318**

# **FY 2006 Appropriations Act**

**May 24, 2006**

- **Authorizes the Secretary of HUD to approve the transfer of HUD mortgage debt, project-based assistance and use restrictions from one multifamily housing project (transferring project) to another multifamily housing project (receiving project).**
- **Authority only available until September 30, 2007.**

# Eligible Projects

- **FHA Insured;**
- **Projects currently receiving project-based assistance;**
- **Direct loan/capital advance under the Section 202 program; or**
- **Housing or vacant land that is subject to a Use Agreement.**

## **Eligible Project Based Assistance which can be transferred includes:**

- **Existing Section 8 contracts under Section 8(b) of the United States Housing Act of 1937 (old reg, new reg & loan management set-aside contracts.**
- **Rent Supplement**
- **Rental Assistance Payment (RAP) contracts under Section 236**
- **Project Rental Assistance (PRAC) for Section 202 projects**

**To approve the transfer, several conditions must met:**

- **The number of low-income and very low income units and the net dollar amount of Federal assistance provided by the transferring project shall remain the same in the receiving project;**
- **The transferring project must be either physically obsolete or economically non-viable, as determined by HUD;**

- **The receiving project shall meet or exceed physical standards established by HUD;**
- **The owner or mortgagor of the transferring project shall notify and consult with the residents in the transferring project and provide a certification of approval by all appropriate local government officials;**

- **The residents of the transferring project who remain eligible for assistance to be provided by the receiving project shall not be required to vacate their units in the transferring project until the units in the receiving project are available for occupancy;**
- **The Secretary determines that this transfer is in the best interests of the residents;**

- **If either the transferring or receiving project has an insured mortgage, any lien on the receiving project resulting from additional financing obtained by the owner shall be subordinate to any FHA-insured mortgage lien transferred to, or placed on, such project by the Secretary;**
- **If the transferring project has a use restriction, the receiving project must be subject to a recorded use restriction for at least the duration of the existing use restriction;**

- **Any financial risk to the FHA General and Special Risk Insurance Funds would be reduced as a result of a transfer completed under this section;**
- **HUD must determine that as a result of the transfer, the Federal liability will not increase with regard to the project.**