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**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET**

DATE: 8-21-74

TO: Bob Linder
FROM: Wilf Rommel

Attached is the HUD views letter on
S. 3066, the Housing and Community
Development Act of 1974. Please have
it included in the file which was
delivered today. Thanks.



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

August 21, 1974

Mr. Wilfred Rommel
Assistant Director for
Legislative Reference
Office of Management
and Budget
Washington, D.C. 20503

Attention: Mrs. Garziglia

Dear Mr. Rommel:

Subject: S. 3066, 93rd Congress
Enrolled Enactment

This is in response to your request for our views on the enrolled enactment of the proposed Housing and Community Development Act of 1974 (S. 3066). A summary of S. 3066 as passed is attached which should facilitate analysis of this complex measure.

Generally speaking, the Act affects community development, the unsubsidized, mortgage insurance programs, the subsidized housing programs, a number of institutions including FNMA, GNMA, FHLMC, S&Ls and national banks, mobile home standards, comprehensive planning and State housing and development agencies.

I. Community Development

Title I of S. 3066 had its origins in the proposed Urban Community Development Revenue Sharing Act of 1971 developed by the Administration. Updated and improved in early 1973, the Administration made a second proposal -- the Better Communities Act.

To a large degree, Title I incorporates the principles set out in the Administration proposal -- chiefly

- the elimination of the rigid categorical purposes for which communities may spend Federal grant funds

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OFFICE OF
MANAGEMENT & BUDGET

Aug 21 11:13 PM 1974

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- a formula based on population, housing overcrowding and poverty (counted twice) to determine entitlement amounts for cities over 50, 000 and urban counties, together with a phase out of hold harmless funds after three years
- earmarked discretionary funds for smaller communities in each metropolitan area and for rural communities in each State
- substantially reduced application requirements
- very substantially reduced Federal review of applications
- modifications to the National Environmental Policy Act to reduce substantial Federal reviews
- a loan provision specifically designed to mesh with formula entitlements and to assure repayment
- an urban renewal closeout provision authorizing HUD to require deficit projects to be closed out from a portion of formula-determined entitlements
- a first-year funding level of \$2.55 billion which is \$50 million over the Administration Budget request.

Title I differs from the Administration proposal in the following respects

- The application and Federal review process is more extensive than we desired.
- There is no role for the States in distributing discretionary funds.
- Full hold harmless was extended from two to three years and in the case of model cities for three additional action years at declining percentages.
- The purposes for which the funds are to be used have been narrowed -- in particular, funds must be applied for purposes to reduce or eliminate blight and deterioration or for the benefit of low- and moderate-income families unless the Secretary determines that some additional, urgent need ought to be met.

- Applicants must develop and submit a housing plan with particular emphasis on housing for low- and moderate-income families.

On balance, Title I contains far more desirable than undesirable features.

II. Housing

In September of 1973, the President announced a number of housing policies, many of which required legislative action and have been incorporated in S. 3066.

A. The Unsubsidized, Mortgage Insurance Programs.

To increase the availability of mortgage credit, the Act would

- extend all of the unsubsidized mortgage insurance programs until June 30, 1977 (in lieu of the usual one-year extensions)
- substantially increase the sizes of mortgages that can be insured
- lower the downpayments required on insured mortgages
- increase the sizes of insured mortgages and extend maturities for
 - mobile home loans
 - property improvement loans
- permit experimental mortgages with amortization payments increasing as family incomes are expected to rise over the course of the mortgages.

All of the above provisions are substantially in conformance with the Administration requests. Unfortunately, the Congress did not authorize use of variable interest rate mortgages, use of market interest rates for FHA and VA insured mortgages, reinsurance of private mortgage insurance companies and improved authority for foreclosing on insured properties.

Against substantial Departmental opposition, the Conferees adopted a provision for the correction of defects not discovered by FHA inspectors under the Section 203 and 221 programs. The Department was, however,

able to limit such authority to defects which "so seriously affect use and liveability as to create a serious danger to the life or safety of inhabitants", to limit applicability of the provision to the period between August 1, 1968, and January 1, 1973, and to require expenditures for such correction to be from the special risk insurance fund, which arguably could require appropriations.

B. The Subsidized Programs.

The President stated in the September Message that direct cash assistance was the most promising approach for meeting the housing needs of our lower-income families. The Congress was asked for authority to expand experimental housing allowance programs and to put in appropriate measuring mechanisms. S. 3066 contains such authority.

At the same time, the President stressed the need for a limited construction program -- the Section 23 program -- and urged the Secretary of Housing and Urban Development to eliminate abuses from that program and bring it in line as closely as possible with the direct cash assistance approach. A number of administrative steps have been taken to carry out that directive.

More importantly, Section 8 of the U.S. Housing Act of 1937, as consolidated in S. 3066, makes a substantial number of additional changes. In summary, Section 8 establishes a new program of housing assistance for lower-income families which authorizes the Federal Government to pay the difference between (i) the fair market rent for over 400,000 units of existing, substantially rehabilitated or new housing and (ii) a portion of such rent -- between 15 and 25% of his gross income -- affordable by the tenant. This program should have the following advantages over the old subsidized programs

- costs can be better controlled through the use of market determined rents, competition between private developers and local housing authorities, payments only for units which are occupied and a twenty-year subsidy term

- the lowest-income families can be reached since the formula will always pay the difference between what the family can afford and what it costs to rent the unit

- "projectitis" will be reduced and freedom of choice will be enhanced because tenants are free to negotiate with particular landlords and HUD is authorized to give priority to developers who put fewer than 20% of their units in a project under subsidy
- a better selection of sites will be available since both private developers and local housing authorities will be seeking sites to offer
- maintenance and operation will be improved because most units will be managed by private companies, there is no special tax treatment encouraging owners to abandon the property and in some cases the presence of non-subsidized tenants will compel better maintenance and operation.

Some undesirable changes were made in the Administration proposal. Principally

- projects will not be limited to areas of tight supply
- developers can use FHA mortgage insurance
- tenant payments can go below 25% of gross income.

The President also stated in the September Message that the operation of existing public housing needed substantial improvement. Title II makes a start in such direction by

- permitting the establishment of prototype cost standards
- funding modernization of projects
- establishing the principle that all tenants must pay some rent
- authorizing housing authorities to establish a "mix" of tenant incomes so that the aggregate rent paid equals 20% of aggregate tenant income
- increasing operating subsidies up to \$500 million for this fiscal year.

Unfortunately, the minimum rent provisions proposed by the Administration, 40% of operating costs, were changed to 5% of gross tenant income -- an unwarranted modification. Additionally, although tenant income definition was improved somewhat by elimination of double deductions, the 5% and 10% across-the-board deductions still remain.

The Section 235 insuring authority was extended to June 30, 1976, but new appropriations will be required after August 22, 1975. Given the decision in Commonwealth of Pennsylvania vs. Lynn and an interpretation of the Impoundment Control Act of 1974 that it does not govern funds appropriated prior to its date of enactment, the Department would not be required to reinstitute that program.

The Section 236 program was also extended to June 30, 1976, and the authorization increased by \$75 million but with Conference Report language to the effect that the Secretary is to approve commitment of available funds only for specially identified housing needs that cannot be met through the new Section 8 lower-income housing assistance program. It is unlikely that this test can be met in any appreciable number of situations.

The public housing contract authority section sets aside \$150 million for use through local housing authorities with the additional mandate that not more than 50% of the units committed to meet that set aside shall be under the new Section 8 program. Using current budget figures, we estimate that 30,000 units of Section 8 housing and 30,000 units of conventional public housing would be available for obligation under the set-aside. We presently have more than 30,000 units of conventional public housing in the pipeline to meet bona fide commitments exempt from the suspension of January 5, 1973.

Unfortunately, S. 3066 provides for reestablishment of the Section 202 program of direct loans for elderly projects but provides, at Departmental insistence, that the loans must be made at interest rates equal to the Treasury borrowing rate and that the loan fund must be approved in an appropriation act.

The Act would also authorize the Secretary to transfer HUD properties to communities for use in urban homesteading programs. This provision was not favored by the Department but, as written, contains a substantial number of safeguards to limit Secretarial involvement in the process and to minimize losses to the mortgage insurance funds.

Title V contains a number of rural housing amendments, including new authority for rent supplement type projects. This appears to be the only major undesirable feature that survived in an original rural housing proposal that contained many such features.

Finally, the Act would permit local communities to object to HUD grants of any of the foregoing subsidized housing assistance on the ground that the grant was not consistent with the community's housing plan. HUD could only overrule such objection if it found the grant to be consistent with such plan.

C. S&Ls, National Banks, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and the Government National Mortgage Association.

The Act would substantially increase the amounts of mortgage that could be provided or purchased by S&Ls, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the Government National Mortgage Association and would expand the authority of S&Ls to make construction loans. The ability of national banks to make real estate and real estate related loans would be substantially increased by a variety of measures. The increase in the loan amount for mortgages purchased by the Government National Mortgage Association to \$38,000 was supported by the Department. We understand that most of the changes affecting other agencies were supported by those agencies. One particular S&L provision authorizes savings and loan associations to borrow from State finance agencies, who borrow at tax-exempt rates, and to re-lend the borrowed funds at up to 1 3/4% higher interest. While this provision could lead to undesirable arbitrage operations, use of it is subject to Federal Home Loan Bank Board regulation.

III. Other Provisions

A. Mobile Home Standards.

The Act would provide that HUD, after consultation with the Consumer Product Safety Commission, is authorized to issue national standards with respect to the quality, durability, and safety of mobile homes, to enforce such standards and to require the repair of defects. While the Department would have preferred that the Act cover only safety standards, we do not object to the extension to standards for quality and durability.

Title VI now contains more than 50 changes made at Conference at the Department's request which, among other things, had the effect of

- eliminating an additional assistant secretary for mobile homes
- eliminating the separate warranty provision
- introducing the concept of "imminent safety hazards" to minimize law suits not based on violation of Federal standards
- deleting the provisions requiring adversary administrative-type hearings in connection with the assurance of standards.

B. Comprehensive Planning.

Title IV contains a series of amendments to the Section 701 comprehensive planning grant program, one of which requires that plans eligible for such grants include a land use element. In addition, the Report language would permit the Department to fund cities and areawides only where authorized under State law, and arguably this language could require funding to States in the absence of State enabling laws. In general, this title includes a number of silly and unnecessary amendments which, taken individually or in total, are annoying but not fatal.

C. State Development Corporations.

The Act authorizes HUD to guarantee, up to \$500 million, borrowings of State housing and development agencies provided that the proceeds of such borrowings are used for slum area revitalization and that the interest on such borrowings is taxable. In addition, HUD is authorized to make interest differential payments on taxable obligations of such agencies whether guaranteed or not; the proceeds of unguaranteed borrowings may also be used for housing, the development of industrial and commercial facilities and advance acquisition of land. Apparently, we can take the position that appropriations are necessary to pay interest differentials which are required in the case of guarantees. Moreover, I am advised that local bond counsel will be somewhat apprehensive about the contract authority/appropriations language in the provision. Normally, they prefer the total "backdoor" approach set out in the Title I CD loans and may not favorably opine on obligations issued under this authority.

D. Anti-A-70 Provision.

The Act provides that the Secretary may not condition subsidy assistance under virtually all of his programs on the use of taxable obligations by State and local government recipients. This provision is extremely unfortunate, and was strenuously opposed by the Department.

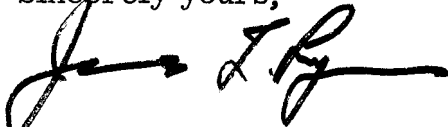
The use of tax-exempt financing in connection with subsidized Departmental programs has been used principally in the conventional public housing program and in the urban renewal program. The latter is being replaced by Title I which has a very limited loan provision and the former is being substantially replaced by the Section 8 lower-income housing assistance program. It is true that local housing authorities can issue tax-exempt obligations to finance projects assisted under Section 8, but the Federal Government is not authorized to guarantee such tax-exempt issues. The only guarantee available would be under Section 221(d)(3) and that amendment requires that obligations issued to finance projects to be subsidized under Section 8 be taxable.

With respect to the unsubsidized, mortgage insurance programs of the Department, we suspect that there will be an increase in the use of Federal Government insured mortgages and GNMA-guaranteed mortgage-backed securities -- whether involving the Tandem Plan or otherwise -- as collateral for the repayment of tax-exempt borrowings. As we understand it, to some extent the adverse effects of this process can be ameliorated through Treasury arbitrage regulation. Nevertheless, there would remain the objectionable features of favorable tax treatment for what are essentially Federal Government obligations and the lack of control over the kinds of purposes for which proceeds of such borrowings can be used.

In our view, the sentiment in the Congress is so strong at this time against any kind of limitation on State and local tax-exempt financing that a similar amendment would have been attached to virtually any housing measure passed by the Congress. Hopefully, however, if there should be a substantial increase in tax-exempt borrowings the cost of such borrowings would rise dramatically (because of the limited market for tax-exempts) and this would either result in lessened use or Congressional receptivity to greater Federal control.

On balance, the positive features of S. 3066 as described above substantially outweigh the negative features. Accordingly, I recommend that the President approve and sign the bill.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James T. Lynn". The signature is fluid and cursive, with a prominent initial "J" and a long, sweeping underline.

James T. Lynn

Attachment

August 20, 1974

SUMMARY OF THE
HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974
AS PASSED BY THE 93d CONGRESS

The Housing and Community Development Act of 1974 as passed by the 93d Congress is omnibus legislation the provisions of which, if implemented, will alter significantly Federal involvement in a wide range of housing and community development activities. The enrolled bill contains eight titles as follows:

- Community Development (Title I);
- Assisted Housing (Title II);
- Mortgage Credit Assistance (Title III);
- Comprehensive Planning (Title IV);
- Rural Housing (Title V);
- Mobile Home Construction and Safety Standards (Title VI);
- Consumer Home Mortgage Assistance (Title VII); and
- Miscellaneous (Title VIII).

Among the most significant features of the measure are the following.

COMMUNITY DEVELOPMENT

The enrolled enactment would consolidate several existing categorical programs for community development into a new single program of community development block grants. Major features would include:

Purposes. The primary objective of the title would be the development of viable urban communities by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. This objective would be achieved through elimination of slums and blight and detrimental living conditions, conservation and expansion of housing and housing opportunities, increased public services, improved use of land, increased neighborhood diversity, and preservation of property with special values. It also would be the purpose of the title to further development of a national growth policy by consolidating certain programs into a system which (1) provides assistance annually with maximum certainty and minimum delay, (2) encourages community development activities consistent with local and areawide planning, (3) furthers achievement of the national housing goal, and (4) provides for coordinated and mutually supportive housing and community development activities.

Programs To Be Terminated.

- Open Space - Urban Beautification - Historic Preservation grants,
- Public Facility Loans,
- Water and Sewer and Neighborhood Facilities Grants,
- Urban Renewal and NDP Grants,
- Model Cities Supplemental Grants, and
- Rehabilitation Loans (program to be ended one year from enactment).

Date Funds for New Program To Be Available. January 1, 1975.

Amount of Federal Funds To Be Committed Each Year. \$8.4 billion

in contract authority for three years with annual disbursement limitations of \$2.5 billion in fiscal year 1975, \$2.95 billion in fiscal year 1976 and \$2.95 billion in fiscal year 1977.

To the extent not otherwise obligated, sums appropriated for open space, water and sewer, neighborhood facilities, and model cities supplemental grants could be used during the first program year to liquidate contracts entered into pursuant to the \$8.4 billion authorization.

In addition, up to \$50 million for each of fiscal years 1975 and 1976 and \$100 million for fiscal year 1977 would be authorized for transition grants to communities with urgent community development needs which cannot be met through the title's allocation provisions.

Eligible Recipients of Funds. States, cities, counties and other units of general local government (including designated public agencies). In addition, certain private "new community" developers and "new community" citizens associations would be eligible to receive funds.

Required Contribution of State or Local Funds as a Condition of Federal Assistance. No requirement for State or local contributions. Grants could be for up to 100% of activity costs.

What a Community Must Do To Secure Funding.

-- Need for an application. Applicants would be required to submit an annual application for Federal approval.

-- Contents of application. All applications would have to contain:

(1) a summary of a three-year plan which identifies community development needs and objectives developed in accordance with areawide development planning and national urban growth policies and which demonstrates a comprehensive strategy for meeting those needs.

(2) formulation of a program which:

• includes activities to meet community development needs and objectives.

.indicates resources other than assistance under the title expected to be available to meet such needs and objectives.

.takes account of environmental factors.

(3) a description of a program to:

.eliminate or prevent slums, blight, and deterioration where such conditions or needs exist.

.provide improved community facilities and public improvements, including supporting health and social services where necessary and appropriate.

(4) a housing assistance plan which:

.accurately surveys the condition of the community's housing stock and assesses the housing assistance needs of lower income persons residing or expected to reside in the community.

.specifies a realistic annual goal for the number of units or persons to be assisted, including the mix of new, existing and rehabilitated units and the size and types of projects and assistance best suited to the needs of area lower income persons.

.indicates the general locations of proposed lower income housing with a view to furthering revitalization,

promoting greater housing choice and avoiding undue concentration of low-income persons, and assuring availability of adequate public facilities and services for such housing.

In limited circumstances, requirements 1, 2, and 3 above could be waived in the case of smaller communities.

--Requirements applicants must meet .

- .compliance with Civil Rights Acts
- .adequate citizen participation
- .A-95 review of applications
- .annual performance report including an assessment of of past activities' relationship to this title's and the recipient's stated objectives.

--Time allowed for Federal action on application. Applications from "metropolitan cities" and "urban counties" if submitted after the date set for consideration of applications would be deemed approved after 75 days unless HUD notifies otherwise.

Scope of Federal Review -- Application .

Applications from "metropolitan cities" and "urban counties" must be approved unless:

- .the description of community development and housing needs and objectives is plainly inconsistent with generally available information,
- .the activities proposed are plainly inappropriate to meeting stated needs and objectives, or

.the application does not comply with the requirements of this title or other applicable law or proposes ineligible activities.

Federal Authority to Review Performance of Approved Applicants and Adjust Assistance Levels Accordingly.

HUD would review programs at least annually and could make adjustments in assistance amounts where:

- . the program carried out was not substantially that described in the application
- . the program did not conform to the requirements of the title or other law
- . the recipient does not have the continuing capacity to carry out the program in a timely manner.

Environmental Impact Statements.

Under regulations of the Secretary, impact statements would not be required at the time applications were reviewed.

Instead recipients would prepare NEPA-type statements on specific projects having major impacts on the environment before they committed funds to those projects and would have to certify compliance to HUD before funds were released.

Permissible Uses of Funds. In general, funds received under this title could be used to assist the type of activities which were eligible under the prior community development programs.

Specific activities could include:

--acquisition of real property which is

- . blighted, deteriorated, deteriorating, or inappropriately developed
- . appropriate for rehabilitation and conservation activities
- . appropriate for preservation or restoration of historic sites, urban beautification, conservation of open spaces, natural resources or scenic areas, provision of recreation, or the guidance of urban development
- . to be used for the provision of eligible public works, facilities, and improvements
- . to be used for other public purposes.

--acquisition, construction, or installation of public works, facilities, and site or other improvements -- including neighborhood facilities, senior centers, historic properties, utilities, streets, street lights, water and sewer facilities, foundations for air rights sites, malls and walkways, and recreation facilities. Flood and drainage facilities would be eligible only where assistance under other Federal programs is unavailable. Parking and solid waste disposal facilities and fire protection services and facilities would be eligible only if located in or serving designated community development areas.

--code enforcement in deteriorated or deteriorating areas expected, together with public improvements and services, to arrest area decline.

--clearance, demolition, removal, and rehabilitation of buildings and improvements including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities.

--special projects to remove material and architectural barriers restricting mobility and accessibility of elderly and handicapped persons.

--payments to housing owners for losses of rental income while temporarily holding units to be used for relocation.

--disposition or retention of acquired real property.

--provision of public services not otherwise available in areas of concentrated activities if necessary to support such activities, if funding for such services was applied for under any Federal program and denied, and if such services are directed toward (a) improving public services (employment, economic development, crime prevention, child care, health, drug abuse, education, welfare, or recreation needs) and (b) coordinating public and private programs.

--payment of non-Federal share in connection with other Federal programs undertaken as part of the development program.

--relocation payments and assistance for those displaced by assisted activities.

--activities necessary to develop a comprehensive plan and a policy - planning - management capacity to more effectively determine needs, set goals, and objectives, develop and evaluate programs, and carry out management activities necessary for planning implementation.

--payment of reasonable administrative costs and carrying charges related to the planning and execution of activities.

Overall Limitations on Use of Funds. Grants would be conditional on a recipient's certification that its Community Development Program has been developed so as to give maximum feasible priority to activities which would benefit low- and moderate-income families or help prevent or eliminate slums or blight. However, approval could also be given to applications describing activities which the applicant certifies and HUD determines are designed to meet other community development needs having a particular urgency as specifically described in the application.

In addition, not more than 10 percent of estimated activity costs could be for local option activities or contingency accounts.

Distribution of Funds

Urban-rural split. 80 percent of funds to metropolitan areas (SMSAs); 20 percent to nonmetropolitan areas.

Formula used to allocate funds. An objective formula would be used for community development assistance of cities, counties, metropolitan and nonmetropolitan areas. The formula would be based on population, amount of housing overcrowding, and extent of poverty (counted twice).

Required distribution of funds to metropolitan cities and urban counties. If they meet application requirements, cities with populations of 50,000 and over and central cities of SMSAs would be entitled to formula funds. These funds would be distributed directly to them according to their needs measured against those of other cities. Formula funds could exceed prior program levels but, where there is an excess, the city would be "phased-in" up to its full formula level over a three-year period. Urban counties would also be entitled to formula funding based on their relative needs if they have power to undertake essential community development and housing assistance activities (directly or by agreement) in areas, excluding metropolitan cities and incorporated units of general local government which elect to be excluded, that have a population of 200,000 or more.

Funding based on prior program levels. In addition to formula entitlement which would be paid to all metropolitan cities and urban counties, those cities and counties which had been receiving a higher level of funding under the prior programs would continue to receive this higher level (be "held-harmless") during the first three years. Over the last three years of the title, the excess over formula would be phased out by thirds. However, cities and counties which had been receiving model cities grants would receive a full model cities "hold-harmless" amount long enough to give each the equivalent of five action years under the program and additionally would receive a declining percentage (80, 60 and 40 percent) of the full amount for a three year period following the community's fifth action year. Amounts released by phase-out of hold-harmless amounts would be available for discretionary funding.

Smaller communities which have been participating in model cities, urban renewal (including NDP) or code enforcement would receive the same "hold-harmless" treatment even though they have no formula entitlement.

Distribution of funds to communities not entitled to funds on a formula or hold-harmless basis. Communities which

have no formula entitlement, and which have not been participating in urban renewal, model cities, or code enforcement can apply for assistance out of funds not used for entitlement payments. These funds would be divided among SMSAs, and non-SMSA areas of the various States, based on relative needs as determined by formula. For each of fiscal years 1975 and 1976, \$50 million from appropriations would be added to the funds available for use in SMSAs.

Special provisions for assistance beyond the basic allocation as described above. Up to \$50 million in each of fiscal years 1975 and 1976 and \$100 million for fiscal year 1977 would be authorized for "transitional" grants to assist communities with special needs that cannot be met from the allocation provisions described above. Also, 2 percent of funds for each year would be set aside for a national "discretionary" fund which can be used for grants:

- in behalf of assisted "new communities"
- to carry out areawide housing and community development programs
- In Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands

- to demonstrate innovative community development projects
- to meet emergency community development needs caused by federally-recognized disasters (not more than one-fourth of total amount reserved for each year available for this purpose)
- to correct inequities resulting from the title's allocation provisions.

Loans. HUD would be authorized to guarantee obligations issued by grant recipients (or public agencies designated by them) to finance acquisition or assembly of real property (and related expenses) to serve or be used in carrying out eligible activities which are identified in the application and for which grants under this title have been or are to be made. HUD would (1) reserve out of grant funds for that recipient at least 110 percent of estimated difference between acquisition costs and disposition proceeds, (2) receive a local pledge of full faith and credit or revenues for the replacement of excess over amount reserved, and (3) receive local pledges of future grant proceeds of any additional sums not otherwise repaid. Guarantee obligations would be taxable or tax free at the option of the issuer. If taxable, HUD would make grants to the issuer for up to 30 percent of net interest cost.

Reporting Requirements. HUD would make annual reports to Congress concerning the progress made in accomplishing program objectives and use of funds during the preceding year.

Consultation. HUD would be required to consult with other Federal agencies in carrying out the provisions of the community development program.

Labor Standards. The prevailing wage requirements of the Davis-Bacon Act would apply to work by all laborers and mechanics employed on any construction funded under the title except for rehabilitation of residential property involving fewer than eight units.

Interstate Agreements. Congressional consent would be given to two or more States to enter into agreements and establish agencies for cooperative effort concerning interstate and local community development planning and programs.

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Transitional Authorizations. "Such sums as may be necessary" would be authorized for urban renewal and model cities programs for FY 1975. Amounts received pursuant to these authorizations would be offset against first year entitlement or "hold-harmless" amounts received by localities out of FY 1975 block grant funds.

Close-out of Urban Renewal Projects. The Secretary would be authorized to apply up to 20 percent of the grants made or to be made to the locality under the title toward repayment of outstanding temporary urban renewal loans where (1) he determines, after consultation with the local renewal agency and the chief executive officer of the locality, that an urban renewal project cannot be completed without additional capital grants, or (2) the local public agency makes an appropriate request. The Secretary could apply a higher percentage of a locality's allocation upon the request of the recipient.

In addition, upon application of the local renewal agency and approval of the locality, the Secretary could approve a financial settlement of an urban renewal project where he finds that there will be a surplus of capital grants after payment of temporary loan indebtedness. He could authorize the locality to transfer any such surplus for use under this title.

Advances. HUD would be authorized to make advances to metropolitan cities, urban counties and "hold-harmless" cities of up to 10 percent of their first year (FY 1975) entitlements for use in continuing urban renewal or model cities programs, or preparing for implementation of the block grant program.

Nondiscrimination and Remedies for Noncompliance. The proposal would expressly prohibit discrimination on the basis of race, color, national origin, or sex under the community development program. If discrimination is found, HUD must notify the chief elected official of the grant recipient, and request compliance. If compliance is not secured within 60 days, HUD may refer the matter to the Attorney General for suit; exercise the powers under title VI of the 1964 Civil Rights Act; terminate, reduce, or limit the availability of grant payments; or take other legal action.

If after hearing it finds substantial noncompliance, on the basis of discrimination or otherwise, with any provision of this title, HUD may terminate, reduce, or limit the availability of grant payments to the recipient until the noncompliance is remedied. Suits by the Attorney General would be authorized to recover payments in lieu of, or addition to, reduction, termination, or limitation of grant payments by HUD.

Employment Opportunities for Lower-income Persons. To the greatest extent feasible, training, employment, and work opportunities available under block grant program would have to be given to lower-income residents and business concerns located in areas of program activities.

PUBLIC HOUSING AMENDMENTS

The enrolled bill would revise the law governing the low-rent public housing program (eliminating some provisions and altering others), provide additional annual contributions contract authority, and authorize a new lower-income housing assistance program under the revised law. Among the many changes from existing law are the following:

Contract authority. Additional annual contributions contract authority of \$1.225 billion per annum would become available in the current fiscal year. At least \$150 million of the additional authority would be reserved for the development of housing owned by public housing agencies, with at least 50 percent of the units assisted with reserved funds required to be other than under the new program.

Also, at least \$15 million per annum of the aggregate subsidy authorization available in FY 1975 (increased to at least \$30 million in FY 1976) would be set aside for Indians other than under the new program, and operating subsidies would be required to cover "approved" operating cost deficits of projects financed with set-aside funds.

Operating subsidies. Operating subsidies would be separately authorized, but would be limited to \$500 million per annum of the aggregate FY 1975 contract authorization, increased by \$60 million in FY 1976.

Operating subsidies would be provided for in annual contributions contracts, subject to the availability of funds. For purposes of paying such subsidies, the Secretary would be directed to establish costs of project operation and reasonable projections of income, based either on actual project characteristics or on prototype well-managed project performance criteria.

Eligibility and occupancy. The enrolled bill would continue the provision authorizing public housing agencies to fix, subject to approval by the Secretary, income limits for occupancy and rents in traditional public housing. However, it would delete the requirements for (1) a gap of at least 20 percent between the highest income limits for admission and the lowest unassisted rents and (2) income limits for continued occupancy in projects.

Definition of income. Family income would be redefined. For families in units assisted under the new lower-income housing assistance program, details of which are outlined below, income would be defined as total family income. For families in regular public housing, income, for purposes of the Brooke I limitation, would continue to be adjusted in accordance with a statutorily prescribed formula which has been revised by eliminating double deductions for secondary wage earner spouses, clarifying deductions for dependents, eliminating deductions for

heads of households or their spouses, and adding a deduction for foster child care payments made to a family.

Definition of family. The enrolled bill would make eligible for occupancy two or more single elderly, disabled, or handicapped individuals living together, or one or more such individuals living with another person determined essential to their well-being.

Minimum rents. A requirement would be added under which every family in regular public housing would be required, regardless of the size of its income, to contribute at least 5 percent of its gross income to rent; if the family receives a welfare payment a part of which is specifically designated for housing, the family's minimum rent would be the higher of 5 percent of gross income or the amount so designated. However, increased rents for public housing tenants required as a result of amendments effected by the statutory revisions -- other than the welfare payment provision -- would be phased in at a rate of not more than \$5 every six months.

For families in the new program, the lowest possible contribution to rent would be 15 percent of total family income, with the Secretary authorized to establish a higher required contribution level (up to 25 percent of total family income) for certain classes of families (see below).

Also, the aggregate minimum rentals required to be paid in any year by families in any project administered by a public housing agency receiving operating subsidies would be an amount at least equal to 20 percent of the sum of the incomes of all such families.

Management practices. Public housing agencies would be required to establish (1) tenant selection criteria to assure an income mix in projects (but waiting for higher income tenants where lower income tenants are available would not be permitted), (2) procedures for prompt rent payments and evictions for non-payment, (3) effective tenant-management relationships to assure tenant safety and adequate project maintenance, and (4) viable homeownership opportunities.

Also, at least 20 percent of families in any project placed under annual contributions in any fiscal year beginning after the effective date of the requirement would have to have incomes not in excess of 50 percent of area median income.

Homeownership. Homeownership for public housing tenant families would be facilitated by authorizing the sale of projects to tenants (and the purchase and resale to tenants of structures under section 8) and the continuation of up to debt service annual contributions with respect to units sold to tenants.

Lower-income housing assistance program. The enrolled bill would authorize a new lower-income housing assistance program to be implemented not later than January 1, 1975. The new program authority would replace existing authority for assistance with respect to low-income housing in private accommodations (section 23). Major features of the new program (contained in

section 8 of the proposed revised U. S. Housing Act of 1937) are as follows:

-- Assistance would be provided on behalf of eligible families occupying new, substantially rehabilitated, or existing rental units through assistance payments contracts with owners (who could be private owners, cooperatives, or public housing agencies, which are broadly defined to include agencies assisting in the development or operation of low-income housing as well as those directly engaged in such activities).

-- Eligible families would be those who, at the time of initial renting of units, have total annual family incomes not in excess of 80 percent of area median income, with adjustments for smaller and larger families, but the Secretary of Housing and Urban Development could establish higher or lower income ceilings if he finds such variations necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors.

-- Major responsibility for program administration would be vested in the Secretary of Housing and Urban Development, who would contract directly with owners or prospective owners (which may be public housing agencies) who agree to construct or substantially rehabilitate housing. In the case of existing units, public housing agencies would contract with owners, except

that the Secretary could do so directly where no public housing agency has been organized or where he determines a public housing agency is unable to implement the program.

-- Assistance payments contracts would specify the maximum monthly rent which could be charged for each assisted unit. Maximum rents could not exceed by more than 10 percent a fair market rent established by the Secretary periodically but not less than annually for existing or newly constructed rental units or various sizes and types suitable for occupancy by eligible families, except that maximum rents could exceed fair market rents by up to 20 percent where the Secretary determines that special circumstances warrant or that such higher rents are necessary to implement an approved housing assistance plan. Fair market rent schedules would be published for comment prior to being implemented by publication in final form in the Federal Register.

-- The amount of assistance provided with respect to a unit would be an amount equal to the difference between the established maximum rent for the unit and the occupant family's required contribution to rent.

-- Aided families would be required to contribute not less than 15 nor more than 25 percent of their total family income to rent, with the Secretary authorized to establish required

contribution levels, taking into consideration the family's income, the number of minor children in the household, and the extent of medical or other unusual expenses incurred by the family; however, the required contribution level would be statutorily fixed at 15 percent of total income for (1) very large families with total incomes of between 50 and 80 percent of area median income, (2) large families with total incomes not over 50 percent of area median income, and (3) families with exceptional medical or other expenses.

-- At least 30 percent of the families assisted with annual contract authority allocations would have to be families with gross incomes not in excess of 50 percent of area median income, subject to adjustment by the Secretary.

-- Maximum rent levels would be adjusted annually or more frequently to reflect changes in fair market rentals established for the area for similar sizes and types of dwelling units or, if the Secretary determines, on the basis of a reasonable formula. Also, the Secretary would make additional adjustments to the extent he determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units which have resulted from substantial general increases in real property taxes, utility rates, or similar costs which are not adequately compensated for by the

annual adjustments. However, rent adjustments could not result in material differences between rents for assisted and comparable unassisted units.

-- Up to 100 percent of the units in a structure could be assisted, upon application of the owner or prospective owner, but in cases involving projects containing more than 50 units which are designed for use primarily by non-elderly and non-handicapped persons, the Secretary could give preference to projects involving not more than 20 percent assisted units.

-- Assistance payments for any unit could run for a minimum period of one month and for the following maximum periods. In the case of existing units, payments could be made for as long as 180 months. In the case of new or substantially rehabilitated units, payments could be made for up to 240 months (except that if the project is owned by, or financed by a loan or loan guarantee from, a State or local agency, payments could run for as long as 480 months.)

-- Owners of new or substantially rehabilitated assisted units would assume all ownership, management, and maintenance responsibilities, including the selection of tenants and the termination of tenancy, but the owner could contract for such services with any entity, including a public housing agency, approved by the Secretary for the performance of such responsi-

bilities. Owners of existing units also would select tenants, but selections would be subject to annual contributions contract requirements, and public housing agencies would have the sole right to give notice to vacate, although owners would have the right to make representations to the agency. Also, maintenance and replacement with respect to existing units would be in accordance with standard practice for the building concerned and the owner and the public housing agency would carry out other terms and conditions upon mutual agreement.

-- Assistance could be continued with respect to unoccupied units, but only for up to sixty days if a family vacates before its lease is up or where a good faith effort is being made to fill an unoccupied unit.

-- The Secretary would be directed to take such steps as may be necessary to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes. Such steps would include the making of assistance payments contracts in excess of the amounts required at the time of the initial renting of units, the reservation of annual contributions authority to amend housing assistance contracts, or the allocation of part of new authorizations to amend such contracts.

-- Newly constructed or substantially rehabilitated dwelling units to be assisted under the program would be eligible for mortgage insurance under FHA programs; and assistance with respect to such units could not be withheld or made subject to preferences because of the availability for such units of mortgage insurance on a co-insurance basis or by reason of the tax exempt status of the bonds or other obligations to be used to finance such construction or rehabilitation.

-- Assistance would be available with respect to (1) units in cooperatives (occupancy charges would be deemed to be rent for purposes of making assistance payments) and (2), in accordance with regulations of the Secretary, some or all of the units in a section 202 project for the elderly or handicapped.

-- Davis-Bacon Act labor standards requirements would apply to new construction or substantial rehabilitation projects containing nine or more units.

Other provisions would permit local housing authority bonds with flexible maturities and balloon payments to finance public housing projects; and prohibit HUD from applying new administrative policies to projects in derogation of rights of an owner under a lease entered into prior to establishment of the policy.

The enrolled bill would authorize the Secretary to make the new provisions effective up to eighteen months following enactment.

However, as previously noted, the new lower-income housing assistance program must be put into effect no later than January 1, 1975. Also, provisions relating to adjusted family income, minimum rents, and a requirement that at least 20 percent of the families in any project other than under the new program be very low income families would have to be implemented on a single date (not necessarily January 1, 1975), and provisions relating to debt service and operating subsidy authorizations also would have to be implemented on a single date.

HOUSING FOR THE ELDERLY

Project standards. The Secretary of HUD would be directed to consult with the Secretary of HEW to insure that special projects for the elderly or handicapped authorized pursuant to the public housing statute meet acceptable design standards, provide quality services and management, contain such "related facilities" as may be necessary to accommodate special needs of intended occupants, and are in support of and supported by applicable State and area plans.

Section 202 program. The enrolled bill would revise the section 202 direct loan program for housing for the elderly and handicapped. Major changes would include:

-- loans made at rate equal to Treasury borrowing rate plus adequate allowances for administrative costs and probable losses.

-- eligibility for occupancy expanded to include developmentally disabled individuals.

-- directions to the Secretary to seek to assure that housing and related facilities assisted under the program are in support of, and supported by, applicable States and local plans responding to Federal requirements for provision of an assured range of necessary services for occupants.

-- authority for the Secretary to issue notes for purchase by the Secretary of Treasury in the aggregate amount of \$800 million.

-- limiting lending to aid in development of 202 projects in any fiscal year to the limits on such lending authority established for such year in appropriation Acts.

-- requiring the Secretary to consider the availability of assistance under the section 8 program when determining section 202 project feasibility.

-- requiring the Secretary to assure that projects aided under both section 202 and the section 8 program serve both low- and moderate-income families in a mix appropriate for the area and viable project operation.

MORTGAGE CREDIT (FHA) AMENDMENTS

The enrolled bill would make a variety of changes in the existing FHA authorities, although it does not involve (as had been proposed) a complete rewriting and consolidation of the National Housing Act. Specific amendments include the following:

Increases in mortgage limits. FHA mortgage insurance limits would be increased as follows:

- Basic single-family home mortgage limits would be increased about 36 percent (from \$33,000 to \$45,000).
- Mortgage limits would be increased about 20 percent for the lower income non-subsidized section 221(d)(2) program and for the subsidized homeownership section 235 program.
- Basic multifamily per unit mortgage limits would be increased about 30 percent.
- The per unit mortgage limits would be increased about 20 percent for the sections 221(d)(3) and 236 multifamily lower income subsidy rental programs.

Overall project mortgage limits. Overall maximum project mortgage dollar limits currently applicable under FHA multifamily, group practice, hospital, nursing home, and land development programs would be removed.

Energy conservation. The Secretary would be required to promote the use of energy saving techniques through minimum property standards established for newly constructed residential housing subject to mortgages insured under the National Housing Act.

Co-insurance demonstration program. A new FHA co-insurance authority would be established and would contain the following major features:

- (1) Usage and liability -- Use would be optional with lenders, who would have to assume at least 10 percent of any loss, subject to a limitation on overall liability for catastrophic losses.
- (2) Expiration of authority -- June 30, 1977.

(3) Limits on use -- The aggregate principal amount of coinsured mortgages and loans could not exceed 20 percent of the aggregate dollar amount of all home mortgages insured and 20 percent of the aggregate dollar amount of all multifamily mortgages insured.

(4) Sharing of premiums -- The sharing of premiums between HUD and lenders would be required to be on an actuarially sound basis.

(5) Consumer protections -- Construction under the demonstration program would have to be inspected to ascertain whether minimum standards applicable under the regular program are met. HUD would have to consult with the mortgage lending industry to determine that the demonstration does not disrupt the mortgage market or make 100 percent mortgage insurance unavailable to those who need it. HUD could not withdraw, deny, or delay insurance under other programs because of the availability of co-insurance.

(6) Reports -- HUD would be required to report by March 1, 1975, and annually thereafter, describing the results of coinsurance experiments and presenting recommendations.

Section 235 program. Insurance authority for this subsidized homeownership program would be extended for two years only. The amount of unused contract authority previously approved in appropriation Acts would be available for one year from enactment and then would lapse. Any additional contract authority would be subject to approval in appropriation Acts.

Other amendments include:

- Continuation of HUD's authority to use up to 30 percent of funds for existing units;
- income limits set at 80 percent of median income for the area (rather than limits related to public housing admission limits);
- authority to insure advances of mortgage proceeds with respect to property constructed or rehabilitated pursuant to a self-help program; and
- minimum downpayment requirements increased to 3 percent of value.

Section 236 program. Insurance authority on this program would be extended for two years only. \$145 million currently in budgetary reserve would be available in both fiscal years 1975 and 1976. An additional \$75 million would be authorized in fiscal 1975. HUD would be expected to approve commitment of these additional funds where a community has identified its special housing needs and demonstrated that such needs cannot be met through the lower-income housing assistance program.

Further amendments include:

- additional assistance for tenants who cannot pay the basic subsidized rental charge with 25 percent of their income (i.e., rents for 20 percent of the units could be reduced to as little as the cost of utilities of the units);
- authority for increased subsidies to meet higher operating costs resulting from increased taxes or utility costs;
- a requirement that 15 to 25 percent of funds be allocated to projects for elderly or handicapped, with at least 5 percent for "integrated" projects (10 to 50 percent elderly occupants);
- a requirement that at least 10 percent of funds be used for rehabilitation projects;
- requirements that tenants living in existing structures prior to rehabilitation be allowed to remain in occupancy after rehabilitation and that over-income tenants pay no more than 25 percent of income toward rent;
- provision for reducing tenant contributions toward rent from 25 percent of income to as low as 20 percent where utilities are billed separately;

- income limits set at 80 percent of median income for area;
- removal of 10 percent project limitation on number of non-elderly single persons who may be subsidized;
- authority for HUD to contract with State or local agencies to monitor the management of assisted projects.

Insured advances. The measure would authorize insured advances of mortgage proceeds during construction to cover cost of building components prior to delivery to construction site.

Compensation for defects. The enrolled bill would extend compensation for structural defects in existing homes to cover two-family homes. Compensation would be made available to owners of properties located in older, declining urban areas and which are covered by mortgages insured under section 203 or 221 during the period August 1, 1968 through December 31, 1972. Further, to qualify for compensation, a defect would have to so seriously affect use and livability as to create a serious danger to the life or safety of the inhabitants.

Allocation of housing subsidies. The enrolled bill would provide a mechanism for disbursement of housing assistance funds:

- Urban-rural split. At least 20 but not more than 25 percent of funds would go to nonmetropolitan areas.

-- Basic allocation criteria. HUD would allocate funds on basis of objective criteria (e.g., population, poverty, housing conditions and vacancies) modified as necessary to fulfill approved local housing assistance plans submitted as part of community development application or otherwise.

-- Local approval. Localities with approved housing assistance plans would review applications for consistency with plan. HUD could disregard local objection and approve the applications, if the Secretary finds that the application is consistent with the housing plan. Local approval would not be required where an application involves:

- (1) 12 or fewer units in a single project or development;
- (2) housing in approved new communities where HUD determines such housing is necessary to meet new community housing requirements; or
- (3) housing financed by State loans or guarantees except if local housing assistance plan contains an objection to their exemption.

Where there is no local plan, HUD must consider any State plan.

Experimental financing. The enrolled bill would authorize, until June 30, 1976, demonstration of experimental financing techniques involving varying rates of amortization corresponding

to anticipated variations in family income. Insurance under this provision would be limited to one percent of the total dollar amount of all mortgages insured under Title II of the National Housing Act.

Counseling. Homeownership and tenant counseling would be authorized, subject to appropriations.

Property improvement and mobile home loan program. The measure would make the following amendments to existing authority under the National Housing Act with respect to property improvement and mobile home loans:

- Maximum property improvement loans amounts would be increased for multi-unit structures from \$15,000 to \$25,000.
- HUD would determine maximum loans and term for fire safety equipment in health facilities.
- Property improvement loans could finance provision of energy conserving improvements or solar energy systems.
- Loans to finance purchase of mobile home lots and preparation of such lots would be authorized.

Unsubsidized home mortgages -- downpayments. Loan-to-value ratios would be increased to:

- 97 percent of first \$25,000 of value;
- 90 percent of value between \$25,000 and \$35,000; and
- 80 percent of value over \$35,000.

Unsubsidized multifamily mortgages. The measure would make the following amendments to existing unsubsidized multifamily insuring authorities:

-- Management cooperatives. The loan-to-value ratio for management cooperatives would be increased from 97 percent to 98 percent.

-- Existing properties. The insurance of mortgages to finance purchase of existing multifamily projects or refinancing of mortgages on existing projects would be authorized.

-- Dormitory-style housing. The insurance of mortgages on "dormitory-type" projects would be authorized.

-- Public housing agencies. Public housing agencies would be eligible mortgagors of projects for which mortgages would be insured under section 221(d)(3), if the project receives assistance under the new lower-income housing assistance program. Interest on such mortgages would be taxable.

Group practice facilities. The following amendments would be made in existing authority to insure mortgages for group practice facilities:

-- The program would be enlarged to cover facilities for the practice of osteopathy.

-- Also authorized would be assistance with respect to medical facilities with as few as one medical professional

in certain rural areas, small towns, and low-income urban areas.

Supplemental project loans. Existing authority would be amended to authorize insured supplemental loans for repairs, improvements, or additions to multifamily projects or health facilities not covered by FHA-insured mortgages.

Land development. Existing authority would be amended by increasing the loan-to-value ratio on land development mortgages to the sum of 80 percent of the estimated value of land before development and 90 percent of estimated cost of development.

Guarantee of State housing agency obligations. The enrolled bill would authorize a new program of Federal full faith and credit guarantees of the obligations of State Housing Finance agencies and State Development agencies.

-- Purpose. The bill would encourage the formation and effective operation of State Housing Finance and Development Agencies which would be used to finance, carry out, or assist in:

- (1) provision of housing for low- and moderate-income persons;
- (2) revitalization of slum and blighted areas;
- (3) development of industrial and commercial facilities to improve employment opportunities; and

(4) advance acquisition of land and other development aspects of State land use plans.

-- Taxable bonds and interest subsidies. Only taxable bonds would be eligible for guarantee. Up to one-third of interest on such bonds could be subsidized. Interest subsidies would be available to State agencies for both guaranteed and unguaranteed bonds.

-- Limit on amount guaranteed. The aggregate principal amount of obligations guaranteed outstanding at any one time could not exceed \$500 million.

-- Guarantee fund. A revolving fund would be established to provide for payment of guarantees.

-- Labor standards. Davis-Bacon requirements with respect to payment of prevailing wages would be applicable to projects assisted under these guarantees except for residential projects with fewer than 8 units.

-- Investment in bonds by financial institutions. Savings and loan associations could invest in guaranteed bonds.

Dispositions of FHA-acquired properties to cooperatives.

Existing authority would be clarified by describing the authority of the Secretary to finance sales of acquired properties to cooperatives with 100 percent purchase money mortgages computed on the basis of use of the property as a cooperative. The Secretary

could repair such projects prior to sale.

Extension of regular (unsubsidized) FHA authorities.

Unsubsidized FHA programs would be extended through June 30, 1977.

Flexible interest rate authority. HUD's authority to set interest rates to meet the mortgage market would be extended through June 30, 1977.

Housing for military personnel. The enrolled bill would authorize insurance of home and multifamily mortgages with respect to housing for military or other personnel assigned to military bases where residual housing requirements are inadequate to sustain housing in event of substantial curtailment of base employment. Insurance under this section would be the obligation of the Special Risk Insurance Fund.

The enrolled enactment would revise section 701 of the Housing Act of 1954 and would amend title VIII of the Housing and Urban Development Act of 1964. Major features of the revised section 701 would include the following:

Eligible grantees. Grantees could be:

- States for planning assistance to local governments,
- States for State, interstate, metropolitan, district, or regional activities,
- cities of 50,000 or more,
- urban counties as defined in the community development title,
- metropolitan areawide organizations,
- Indian tribal groups or bodies, or
- other governmental units or agencies having special planning needs.

Eligible Activities. Activities which could be undertaken with grant money would include those necessary to develop and carry out a comprehensive plan, to improve management capability to implement the plan, and to develop a policy-planning-evaluation capacity to determine needs and goals and develop and evaluate programs.

Program requirements.

-- Each recipient would have to carry out an on-going comprehensive planning process. Biennial review of the plan would be required as well as provision for citizen participation where major plans, policies, or objectives are determined. All plans would have to provide at a minimum:

(1) a housing element which takes into account all available data so that the housing needs of the areas studied in the plan will be adequately covered in terms of existing and prospective population growth. Formulation of State and local goals pursuant to title XVI of the Housing and Urban Development Act of 1968 would be required.

(2) a land use element which includes (a) studies, criteria, and procedures necessary for guiding major growth decisions and (b) general plans with respect to the pattern and intensity of land use for residential, commercial, and other activities.

These elements would have to specify broad goals and annual objectives, programs, and evaluation procedures and be consistent with each other and stated national growth policies. With the exception of Indian tribes and agencies qualifying for direct grants because of special planning needs, recipients would be ineligible for further grants after three years from the date of enactment if the planning being carried out by the recipients does not include the above elements.

-- Recipients would be required to employ professionally competent persons to carry out assisted activities.

-- To the maximum extent feasible, assisted activities would have to cover entire areas with related development problems; use of existing plans and studies would be required.

-- Recipients would have to make reasonable progress in the development of comprehensive planning elements.

Special Purpose Activities. HUD could also make grants to certain recipients to develop and implement plans for controlling major growth decisions and to survey sites and structures of historical and architectural value; and to organizations of government officials to make studies and develop and implement areawide plans.

Applications. After initial application, an applicant must submit annually a work program for the succeeding year (including intended changes) and biennially an evaluation of the prior two year's progress (including changes in objectives).

Local contributions. With the exception of grants for developing and implementating plans for controlling major growth decisions, which can cover up to 80 percent of costs, grants could not exceed two-thirds of the estimated cost of the work for which the grant is made.

Authorizations. \$130 million for fiscal year 1975 and \$150 million for fiscal 1976 would be authorized.

Funds for Research and Demonstration Projects. Up to \$10 million plus 5 percent of appropriations would be available from amounts appropriated for research and demonstration projects.

Technical Assistance. HUD could provide technical assistance and make studies and publish information on planning and related management problems.

Interstate Agreements. The consent of Congress would be given to two or more States to enter into agreements, cooperative efforts and mutual assistance in comprehensive planning for growth and development of interstate, metropolitan or urban planning.

Limitations on Use of Funds. Funds could not be used to defray the cost of acquisition, construction, or rehabilitation of or preparation of engineering drawings or detailed specifications for specific housing, capital facilities, or public works projects.

Consultation With Other Federal Agencies. HUD is directed to consult with other Federal agencies having responsibilities relating to comprehensive planning, with respect to general standards and procedures, and specific grant activities of interest to such agencies.

Joint Funding. The title would provide for joint use of funds obtained under two or more Federal assistance programs for approved planning and related management activities, subject to regulations prescribed by the President.

Comprehensive planning definition. The definition in existing law would be expanded to include --

(1) identification and evaluation of area needs and formulation of specific programs to meet these needs, and

(2) surveys of structures and sites of historic or architectural value.

Extension of Program to the Trust Territory of the Pacific Islands. The Trust Territory of the Pacific Islands would be made eligible to receive grants under this section.

Amendments to Title VIII of the Housing and Urban Development Act of 1964 (Training and Fellowships). The following amendments would be made to title VIII of the HUD Act of 1964:

-- Title VIII urban fellowship program would be expanded to include not only urban and housing "specialists" but those with a "general capacity in urban affairs and problems."

-- HUD would be authorized to make grants directly to institutions of higher learning to assist them in developing, improving, and carrying out programs for preparation of graduate or professional students in city, regional planning and management housing and urban affairs or in research into improving methods of education in such professions.

-- Title VIII's annual appropriations limit would be increased by \$3.5 million on July 1, 1974 and by an equal amount on July 1, 1975.

RURAL HOUSING

The enrolled bill would make a number of changes in existing law. Specific amendments would include the following:

Extention of rural housing programs. Participation in rural housing programs would be extended to the territories and possessions of the United States (including Guam) and the Trust Territory of the Pacific Islands.

Refinancing of indebtedness. Authorization for financial assistance to refinance indebtedness would be extended to include those cases where such indebtedness is combined with a loan for improvement, rehabilitation, or repairs and if not refinanced is likely to cause hardship for the applicant. The applicant must have incurred indebtedness at least 5 years prior to his application for refinancing. The amendment would allow FmHA to refinance debts held or insured by the United States or a Federal agency.

Loans to leasehold owners. Leasehold owners would be eligible for financial assistance under all rural housing programs authorized by Title V of the National Housing Act.

Escrow accounts. The Secretary of Agriculture would be authorized to establish procedures whereby he would administer escrow accounts for the periodic payment of taxes, insurance,

and other necessary expenses which the Secretary may deem appropriate, at the option of FmHA borrowers.

Rehabilitation loans and grants. The maximum amount of assistance to any individual in the form of a loan, grant, or combined loan and grant would be increased to \$5,000. Any loan amount must be secured and repayable within 20 years except that a loan for less than \$2,500 may be evidenced only by a promissory note. The bill substitutes the term "rural" for the word "farm" to extend program to non-farm dwellings.

Research and study programs. The Secretary of Agriculture would be authorized to contract for rural housing research with private or public organizations if he determines that research work and study cannot feasibly be performed by the Department of Agriculture or by land-grant colleges.

Veterans Preference. Veterans preference would be extended to those persons who served after the Korean Conflict (January 31, 1955 to August 4, 1964) or during the Vietnam era (as defined in 38 U.S.C. 101(29)).

Utilization of county committees. The use of county committees to examine applications for assistance would be limited to those applicants involved in the operation of a farm.

Assistance Authorizations. Authorizations would be increased as follows:

- (a) Section 504 rehabilitation loans and grants would be increased by \$30 million (providing cumulative authorization of \$80 million) for the period ending June 30, 1977.
- (b) Section 516 farm labor housing would be increased by \$30 million (providing cumulative authorization of \$80 million) for the period ending June 30, 1977.
- (c) Section 506 research grants would be increased to \$1 million per year for the period ending June 30, 1977.
- (d) Section 523 mutual and self-help housing loans and grants would authorize annual appropriations of up to \$10 million for FY 1975, FY 1976 and FY 1977.

The authorization period of Section 515 loans for rental or cooperative housing and related facilities for the elderly and section 517 insured rural housing loans would be extended to June 30, 1977.

Maximum Loan Amount for Rental Housing for the Elderly.

The maximum loan amount would be the development cost or the value of the security, whichever is less. The term "development

costs" would be redefined to include initial operating expenses of up to 2 percent of certain stated costs.

Definition of "rural" area. The definition of "rural" area would be expanded to include places with a population in excess of 10,000 but less than 20,000 which is not contained within a SMSA and which has a serious lack of mortgage credit as determined by the Secretary of Agriculture and the Secretary of HUD.

Subsidy and Assistance Payments for Low-Income Persons and Families. The Secretary of Agriculture would be authorized to make and insure loans under the rural housing loan programs to provide rental or cooperative housing and related facilities for low-income persons who reside in multifamily housing projects. Assistance payments to owners of such rental housing would be authorized to make housing available to low-income occupants at a rate commensurate to income and not exceeding 25 percent of income. Assistance payments are to be made on a unit basis and shall not be made for more than 20 percent of the units in a project except that (1) projects financed by a section 515 elderly housing loan, a section 514 domestic farm labor housing loan, or a section 516 domestic farm labor low-rent housing grant may receive assistance for up to 100 percent of the units; and (2) assistance payments for more than 20 percent of project units may be made when the

Secretary determines such action is necessary or feasible. The Rural Housing Insurance Fund would be reimbursed by annual appropriations in the amount of assistance payments as described above.

Mutual and self-help housing. The Secretary of Agriculture would be authorized to make advances from the Self-Help Housing Land Development Fund to recipients of self-help housing grants to establish revolving accounts for purchase of land options advances to bear interest at a rate determined by the Secretary. The Secretary is directed to issue rules and regulations concerning the application process and the rights of grantees in those situations where grant assistance is ended prior to the grant agreement termination date.

Site loans. The section 524 site loan program would be expanded to permit public or non-profit organizations to acquire sites to be sold to families, nonprofit organizations, public agencies, and cooperatives eligible for assistance under Title V of the Housing Act of 1949, or any other law which provides for housing financial assistance.

Technical and supervisory assistance. The Secretary of Agriculture would be authorized to make grants to or contract with private or public nonprofit entities to pay the cost of the development and administration of comprehensive technical

and supervisory assistance programs designed to aid low-income persons in benefitting from Federal, State, and local rural housing programs. Preference in application would be given to those programs sponsored by a non-Federal governmental entity or public body.

The Secretary also would be authorized to make loans to such nonprofit entities for the necessary expenses, prior to construction, of planning and obtaining financing for the construction or rehabilitation of low-income housing built under a Federal, State, or local rural housing program.

Appropriations would be authorized for use in FY 1975 and 1976 in amounts not to exceed \$5 million for each of the purposes described above. Amounts appropriated would be available until expended; amounts authorized but not appropriated could be appropriated for any succeeding fiscal year. All funds appropriated would be deposited in a low-income sponsor fund and would be available without fiscal year limitation.

Condominium housing. The Secretary of Agriculture would be authorized, in his discretion and upon terms and conditions (substantially identical insofar as feasible with those specified in section 502) as he may prescribe, to make and insure loans to low and moderate income persons and families to cover a one-family

dwelling unit in a condominium located in rural areas. The Secretary also would be authorized, in his discretion and upon terms and conditions (substantially identical insofar as feasible with those specified in section 515) as he may prescribe, to make or insure blanket loans to a borrower who certifies that upon completion of a multifamily housing project, (1) each family unit will be eligible for a loan or insurance and (2) each dwelling unit will be sold only on a condominium basis and sold only to purchasers eligible for a loan or insurance.

Transfer of liabilities. Notes held by the Agricultural Credit Insurance Fund (7 U.S.C. 1929) which evidence loans for housing and related facilities for domestic farm labor, and loans for rental or cooperative housing and related facilities for the elderly would be transferred to the Rural Housing Insurance Fund. The Fund would compensate the Agricultural Credit Insurance Fund for the aggregate unpaid principal balance plus accrued interest of the notes so transferred.

Mobile homes. The term "housing" as used in Title V of the 1949 Housing Act would be broadened to include mobile homes and mobile home sites. The Secretary would be directed to prescribe minimum property standards for mobile homes and the sites upon which they are to be located. Loans for the purchase of mobile homes and sites would be made under the same terms and condi-

tions as applicable under section 2 of the National Housing Act to obligations financing the purchase of mobile homes and sites.

Contract services and fees. The authority of the Secretary to utilize the Rural Housing Insurance Fund would be expanded to permit the Secretary to pay from the Fund for services customary in the construction industry, construction inspections, commercial appraisals, servicing of loans, and other related program services and expenses.

State and local agencies. State and local public agencies would be eligible to participate in any rural housing program if those persons to be served by the applicant would be eligible to participate in the particular program under which assistance is sought.

MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

The enrolled bill would establish a new "National Mobile Home Construction and Safety Standards Act of 1974". The Secretary, after consultation with the Consumer Product Safety Commission, would be required to issue federal mobile home construction and safety standards to improve the quality and durability of mobile homes, taking into consideration existing State and local laws.

Other provisions would include the following:

- (1) National Mobile Home Advisory Council - The Secretary would be required to establish a 24-member National Mobile Home Advisory Council which shall be consulted, to the extent feasible, before the establishment, amendment, or revocation of any mobile home construction or safety standard.
- (2) Enforcement of standards - Promulgated standards could be enforced by HUD directly, through injunctive action by the Attorney General, or through state enforcement. HUD would be authorized to conduct factory inspections and obtain records and documents for the purpose of enforcing such standards.

- (3) If a mobile home did not conform to a federal safety standard, the manufacturer would have to repurchase the home or bring it up to standard.
- (4) State Role - The Secretary would be authorized to make 90 percent grants to States to assist in identifying needs and responsibilities in the subject area and in developing State enforcement plans. The Secretary would have to approve a State plan before its provisions could be used to enforce construction and safety standards. After approving a State plan, the Secretary would have the discretion to continue to carry out his functions under this title in that State.
- (5) Prohibited Acts - The bill would prohibit the use of the mails and of interstate commerce to sell or lease or offer for sale or lease mobile homes which do not meet safety standards promulgated under this title. Failure to yield records, to provide required notifications of defects, to issue required certifications or to comply with final Secretarial orders are also prohibited acts in the enactment. Civil and criminal penalties also

would be provided where violation of such prohibitions occur.

- (6) Notice of Defects - Manufacturers would be required to furnish notice of defects which might constitute a safety hazard to consumers, dealers and the Secretary. The manufacturer would have to correct the defect if it presented an unreasonable risk of injury or death.
- (7) Research - HUD would be authorized to conduct research, testing, and development and would be required to report on mobile home safety and disposal problems of used mobile homes.
- (8) Appropriations - Appropriations would be authorized in sums necessary to carry out the provisions of the Act.

CONSUMER HOME MORTGAGE ASSISTANCE

The enrolled bill would establish a new "Consumer Home Mortgage Assistance Act of 1974". Its provisions are as follows:

Part A. Lending and Investment Powers of Federal Savings and Loan Associations

(1) Construction loans

Savings and Loans would be authorized to make line of credit construction loans on residential real estate relying on borrower's general credit rating or other security. Such loans could not exceed the greater of (a) the sum of surplus, undivided profits, and reserves or (b) 3 percent of assets.

(2) Single-family dwelling limitations

The maximum loan amount for single-family dwellings would be increased from \$45,000 to \$55,000. FHLBB would be authorized to increase loan limits on dwellings in Alaska, Guam, and Hawaii by up to 50 percent above the present \$45,000 limit.

(3) Increased lending authority

S&Ls would be authorized to invest, subject to Federal Home Loan Bank Board (FHLBB) conditions in loans, advances of credit, and interests therein for primarily residential purposes without regard to limitations in existing law. Such investments could not exceed 5 percent of association's assets.

(4) Property improvement loans

The maximum amount for property improvement loans would be increased from \$5,000 to \$10,000.

(5) Loans from State mortgage finance agencies

S&Ls would be authorized to borrow funds from State mortgage finance agencies and reloan such borrowings at an interest rate which exceeds by not more than 1 3/4 percent the rate paid to mortgage finance agencies. The authority would be subject to FHLBB regulations and would be authorized to the same extent as State law permits State-chartered S&Ls to borrow from mortgage finance agencies.

Part B. National Banks

The real estate lending authority of national banks would be revised as follows:

- (1) National banks would be authorized to make various loan-to-value ratio loans secured by other first liens where the lien, when added to prior liens, does not exceed applicable loan-to-value ratio for a particular type of loan.
- (2) National banks would not be required to classify as real estate loans various loans insured, guaranteed, or backed by the full faith and credit of the Federal government or a State.

- (3) Loans secured by real estate would be considered real estate loans only in the amount of excess over non-real estate security. Loans secured by a lien on real property where a financially responsible party agrees to advance full amount of loan within 60 months would not be considered real estate loans.
- (4) National banks would be prohibited from making real estate loans in an amount in excess of the greater of unimpaired capital and surplus or time and savings deposits, except that real estate loans secured by other than first liens, when added to unpaid prior liens, would be limited to 20 percent of unimpaired capital and 20 percent of unimpaired surplus.
- (5) National banks would be authorized to make real estate loans secured by other than first liens upon forest tracts.
- (6) Loans with maturities of less than 60 months would be classified as commercial loans when made for construction of buildings and secured by a commitment to advance the full amount of the loan upon completion.
- (7) Loans for the construction of residential or farm buildings with maturities of not more than 9 months would be eligible for discount as commercial paper if accompanied by an

agreement for firm takeout upon completion of building.

- (8) Loans made upon a borrower's general credit standing or assignment of rent, and SBA participation loans, would be required to be classified as commercial loans.
- (9) National banks would be authorized to make real estate loans in excess of 70 percent of time and savings deposits if the total unpaid amount loaned does not exceed 10 percent of the maximum amount that may be invested in real estate loans.

Part C. Federal Credit Unions

(1) Lending and depositary authority

Federal credit unions would be authorized to make loans to its own directors and members of supervisory credit committees, subject to the approval of the board of directors where the loan amount exceeds \$2500 plus pledged shares. Credit unions operating foreign sub-offices would be authorized to maintain demand deposit accounts in foreign banks which are correspondents of U.S. mutual savings banks, subject to National Credit Union Administration (NCUA) regulations.

(2) Fees

Mandatory entrance fee requirement would be removed and a uniform entrance fee at discretion of the credit union board of directors would be established.

(3) Directors

Various changes in the rules governing boards of directors would be made, such as permitting appointment of 2-member investment committees, permitting executive committees to exercise authority delegated by boards of directors.

(4) Supervisory committees

The bill would change the semi-annual audit requirement to an annual requirement.

(5) Dividends

Dividends could be declared at intervals authorized by board of directors.

(6) Applicability to Trust Territories

The bill would make the Federal Credit Union Act applicable to the Trust Territories of the Pacific.

(7) Definition of members accounts

Federally-insured credit union funds invested in a Federally-insured credit union would be exempt from Federal share insurance premium charges.

(8) Termination of insurance coverage

Federal insurance coverage would be terminated after 90 days notice to FCUA if the credit union has obtained a certificate of insurance from the corporation authorized and licensed to insure its accounts. Terminations

would be approved by a majority of the board of directors and a majority of voting members provided that a minimum 20% of the total membership votes.

(9) Liquidation

FCUA would be authorized to assist in voluntary liquidation of solvent credit unions by loans, purchase of assets, or establishment of accounts in such credit unions. The bill would delete the provision of existing law which permitted such loans and accounts to be subordinated to the rights of members and creditors.

Miscellaneous

The enrolled bill contains various miscellaneous provisions which would make a number of changes in existing law as well as introducing new authorities. These provisions include the following:

Urban homesteading. The Secretary would be authorized to transfer, without payment, certain Secretary-held real property (deemed suitable by HUD) for use in an approved urban homestead program. Unoccupied one-to-four family dwellings could be transferred for improvement to States or units of general local government, or their public agency designees, upon their request for use in an urban homestead program. HUD Regional Offices would be required to keep an inventory of property available for urban homesteading purposes.

An acceptable urban homestead program would provide for:

- (1) the conditional conveyance of unoccupied residential property to an individual or family without substantial consideration;
- (2) an equitable procedure for selecting recipients of property;
- (3) an agreement under which the recipient agrees to occupy the property for a minimum of three years, make necessary repairs, and permit periodic inspections;

(4) an agreement of revocation of conveyance upon any material breach of the agreement and full conveyance upon compliance; and

(5) a coordinated approach toward neighborhood improvement and upgrading of community facilities.

Appropriations would be authorized in an amount not to exceed \$5,000,000 annually for fiscal years 1975 and 1976 to reimburse housing loan funds for the aggregate fair market value of properties transferred and to provide technical assistance.

State housing finance and development agencies. This provision encourages the formation and effective operation of State housing finance agencies and State development agencies which have the authority to finance, assist, or carry out activities designed to (1) provide housing and related facilities through land acquisition, and the construction or rehabilitation for low-moderate- and middle-income persons, (2) promote sound growth and development of neighborhoods through revitalization of slums and blighted areas, (3) increase and improve employment opportunities for the unemployed and underemployed through the development and redevelopment of industrial, manufacturing, and commercial facilities, or (4) implement the development aspects of State land use and preservation policies, including advance acquisition of land. The Secretary would be authorized to

provide technical assistance to State housing finance or State development agencies to assist in the planning and carrying out of development activities.

In addition, the Secretary would be authorized to guarantee, and enter into commitments to guarantee, financial obligations issued by State housing finance and development agencies, and to make or contract to make grants to or on behalf of such agencies to cover a maximum 33 1/3 percent of the interest payable on financial obligations issued. Appropriations would be authorized amounts necessary to make grants as provided for under the section with such payments not to exceed \$50 million per annum prior to July 1, 1975. The aggregate principal amount of guaranteed obligations could not exceed \$500 million. The guarantees are to be backed by the full faith and credit of the United States and are to be financed by Treasury purchase of Secretarial obligations.

Housing allowances. The Secretary would be authorized to undertake an experimental program to demonstrate the feasibility of providing housing allowance payments to families for rental or homeownership expenses. No payments could be made after July 1, 1985. Appropriations would be authorized in an amount necessary to carry out provisions of the program including payments made to recipients and administrative costs. The aggregate amount of contracts to make housing allowance payments could not exceed

amounts approved in Appropriation Acts and payments pursuant to such contracts could not exceed \$40 million per annum. The Secretary would be prohibited from entering into contracts under the U.S. Housing Act of 1937 to carry out the provisions of this program after January 1, 1975. The Secretary would be required to make a report to Congress on his findings no later than eighteen months after enactment of The Housing and Community Development Act of 1974.

Direct Financing study. The Secretary and the Secretary of the Treasury would be required to study the feasibility of financing programs authorized under section 236 of the National Housing Act and section 802 of the Housing and Community Development Act of 1974 (State housing finance and development agencies) through various methods of financing, including direct loans from the Federal Financing Bank, to determine whether any such method would result in net savings to the Federal Government. A report to Congress could be made one year after date of enactment of the Act.

Solar Energy. The Secretary would be authorized, after consultation with the National Science Foundation, to undertake a demonstration program to determine the economic and technical feasibility of utilizing solar energy for heating or cooling residential housing (including demonstration of new housing design or structure that makes use of solar energy). A report to Congress

would be made no later than 6 months after the close of the year in which a demonstration program is carried out.

Interstate land sales. The sale or lease of lots in bona fide industrial or commercial developments would be exempt from the requirements of the Interstate Land Sales Act in those cases where certain stringent requirements are met.

A cooling-off period of three business days (instead of the 48-hour period now in the law) would be provided to consumers to consider the offering report. The provision permitting a purchaser to waive his revocation right if he signs a statement that he has inspected his lot and read and understood property report would be deleted.

The language of the enactment would make it clear that the Interstate Land Sales Act applies to transactions involving communications between parties in the United States and a foreign country.

National Institute of Building Sciences. The bill would authorize the establishment of a non-profit, non-government institute to develop, promulgate and evaluate criteria for housing and building regulations. Appropriations would be authorized in an amount of \$5 million per year in FY 1975 and FY 1976 to provide the Institute with initial capital adequate to exercise its functions and responsibilities.

Additional research authority. Title V of HUD Act of 1970 would be amended to authorize the Secretary to undertake special demonstrations to determine housing design, structure, housing-related facilities services, and amenities most effective in meeting the special housing needs of certain groups including the elderly, handicapped, displaced, single individuals, broken families, and large households. The Secretary also would be authorized to utilize the contract and loan authority of any federally assisted housing program to carry out such demonstrations and authorizes an additional \$10 million from amounts approved in appropriation Acts.

GNMA mortgage limitations. The basic mortgage limit would be increased from the \$22,000 limit in existing law to \$33,000 with statutory language enabling \$38,000 to be the limit in high cost areas.

Federal Home Loan Mortgage Corporation.

Purchase of mortgages more than one year.

FHLMC purchases of older mortgages would be subject to a 20 percent limitation, provided an equivalent dollar amount of such mortgages is invested by seller in residential mortgages within 180 days.

FHLMC mortgage ceilings for Alaska, Guam, and Hawaii.

Ceiling would be increased to 50 percent above FHLBB

S&L ceiling.

FHLMC securities. The measure would clarify the authority of

national banks, FHL banks, S&L associations, and credit unions to invest in FHLMC securities.

Servicing of mortgage purchase by FHLMC. Any HUD-approved mortgagee would be authorized to service FHLMC mortgages.

Federal National Mortgage Association.

Purchase of mortgages more than one year old.

FNMA purchases of older mortgages would be subject to a 20 percent limitation provided an equivalent dollar amount of such mortgages is invested in residential mortgages within 180 days.

FNMA mortgage ceilings for Alaska, Guam and Hawaii.

Ceiling would be increased to 50 percent above FHLBB ceiling.

Civil Service retirement for FNMA employees.

Any person whose employment is made subject to the civil service retirement law by section 806 of the Housing and Community Development Act of 1974 shall not have considered, for purposes of that law, that portion of his basic pay in any one year which exceeds the basic pay listed in section 5316 of Title V of the Civil Service Act.

Mortgage proceeds. The Secretary would be required to initiate action to secure payment of any deficiency after foreclosure on a mortgage insured or assisted under Federal law where the Secretary believes that mortgage proceeds have been fraudulently misappropriated by the mortgager.

New Communities. Part B of Title VII of the HUD Act of 1970 would be amended as follows:

(a) Name change

The name of HUD's Community Development Corporation would be changed to "New Community Development Corporation".

(b) Board of directors

The sizes of the Corporation's board of directors would be increased from 5 to 7 members.

(c) Interest differential grants

The amount of interest differential grants which HUD is authorized to make to State or local public agencies would be increased to an amount equal to 30 percent of the interest paid on agency obligations.

(d) Supplementary grants

HUD would be authorized to make new community supplemental grants to projects assisted by the National Foundation on the Arts and Humanities.

(e) Waste disposal facilities, heating and air conditioning systems

Waste disposal installations and community or neighborhood central heating or air-conditioning systems could be financed within the proceeds of guaranteed loans.

Flood insurance. Federal agencies supervising lending institutions would be directed to require such institutions to notify a purchaser or lessee obtaining a loan secured by real property in a designated flood-prone area of such flood hazard in writing, notification would have to be within a reasonable period of time in advance of signing the purchase agreement, lease, or other documents.

Any community that has made adequate progress on construction of a flood protection system meeting the 100-year protection standard, as determined by HUD, would be eligible for flood insurance under the National Flood Insurance Program at subsidized premium rates if --

- (a) 100 percent of project cost of flood protection system (from Federal and local sources) has been authorized,
- (b) at least 60 percent of project cost of system has been appropriated,
- (c) at least 50 percent of project cost of system has been expended, and

(d) system is at least 50 percent completed.

National housing goal. Title XVI of the HUD Act of 1968 would be amended to express the sense of Congress that achievement of housing goals requires a greater effort to preserve existing housing and neighborhoods, and that such an effort requires greater concentration on housing and neighborhoods where deterioration is evident though not acute. The President's annual housing report would be required to include an assessment of preservation efforts and future plans.

Limitation on withholding or conditioning HUD assistance.

The bill would prohibit administrative withholding or conditioning of Federal housing or community development assistance by reason of the fact that State or local governments use proceeds of tax-exempt borrowings to provide financing for use in connection with such Federal assistance.

Counseling and technical assistance program (section 106 of HUD Act of 1968). Appropriations in those sums necessary to carry out the provisions of the section would be authorized for the counseling and technical assistance program. Local public housing agencies would be designated as sponsors eligible for section 106(b) loans for pre-construction expenses.

Condominium and cooperative study. The Secretary would be authorized and directed to conduct a full and complete investigation and study with respect to the problems, difficulties, and abuses or potential abuses that may be involved in condominium and cooperative housing, and report to Congress not later than one year after date of enactment of the Act.

Additional HUD Assistant Secretaries. The number of level IV Assistant Secretaries authorized for HUD would be increased from 6 to 8.

Fair housing with respect to sex. The Civil Rights Act of 1968 would be amended to prohibit discrimination on basis of sex in financing, sale, or rental of housing, or provision of brokerage services. Title V of the National Housing Act would be amended to prohibit discrimination on the basis of sex in the making of Federally-related mortgage loans, insurance guaranty, or related assistance; lenders would be required to consider combined incomes of husband and wife in extending mortgage credit.

Neighborhood Development -- Trenton, New Jersey. Local expenditures made for the Board and Front Street Garage in Trenton, N.J. would be counted as a local grant-in-aid to the first two action years of the Trenton Neighborhood Development Program, in accordance with provisions of title I of Housing Act of 1949.

Mass Transportation. The Urban Mass Transportation Act of 1964 and the Federal-Aid to Highways Act of 1973 would be amended to prohibit Federal assistance for the purchase of buses unless the applicant or public body receiving assistance or any publicly owned operator receiving assistance agrees that such public body or any operator for it will not engage in charter bus operations outside the urban area it regularly serves.

THE WHITE HOUSE
WASHINGTON

8/21/74

TO: WARREN HENDRIKS

Bob

*Full
Concurrence
Thanks,*

*(*Robert D. Linder*)*