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S. 3295

# Ninety-fourth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Monday, the nineteenth day of January,  
one thousand nine hundred and seventy-six*

## An Act

To amend and extend laws relating to housing and community development.

*Be it enacted by the Senate and House of Representatives of the  
United States of America in Congress assembled,*

### SHORT TITLE

SECTION 1. This Act may be cited as the "Housing Authorization Act of 1976".

### AMENDMENTS TO THE UNITED STATES HOUSING ACT OF 1937

SEC. 2. (a) Section 5(c) of the United States Housing Act of 1937 is amended—

(1) by striking out the first sentence and inserting in lieu thereof the following new sentence: "The Secretary is authorized to enter into contracts for annual contributions aggregating not more than \$1,524,000,000 per annum, which limit shall be increased by \$965,000,000 on July 1, 1974, by \$662,300,000 on July 1, 1975, and by \$850,000,000 on October 1, 1976, except that the additional authority to enter into contracts for annual contributions provided on or after July 1, 1975, shall be effective only in such amounts as may be approved in appropriation Acts."; and

(2) by inserting immediately after "on July 1, 1975," in the fourth sentence thereof the following: "and by not less than \$17,000,000 per annum on October 1, 1976."

(b) (1) Effective on October 1, 1976, the second and third sentences of section 5(c) of such Act are amended to read as follows: "Of the additional authority to enter into contracts for annual contributions provided on October 1, 1976, and approved in appropriation Acts, the Secretary shall (A) make available at least \$60,000,000 for the modernization of low-income housing projects, and (B) make available at least \$140,000,000 to assist in financing low-income housing projects for ownership by public housing agencies other than under section 8, of which not less than \$100,000,000 shall be available only for the purpose of financing the construction or substantial rehabilitation of low-income housing projects. The Secretary, in utilizing the additional authority to enter into contracts for annual contributions provided on October 1, 1976, shall administer the programs authorized by this Act to provide assistance for new, substantially rehabilitated, and existing units, to the maximum extent practicable and consistent with section 213(d) of the Housing and Community Development Act of 1974, in accordance with the goals of units of general local government for such types of housing as reflected in their housing assistance plans prepared pursuant to section 104(a)(4) of such Act."

(2) Effective on October 1, 1976, the fourth sentence of section 5(c) of such Act is amended by striking out "to the amount of contracts for annual contributions required to be entered into by the Secretary under the second sentence of this subsection".

(c) Section 9(c) of such Act is amended to read as follows:

“(c) There are authorized to be appropriated, for the purpose of providing annual contributions pursuant to this section not to exceed \$535,000,000 on or after July 1, 1975, not to exceed \$80,000,000 on or after July 1, 1976, and not to exceed \$576,000,000 on or after October 1, 1976.”.

(d) Section 8(c)(4) of such Act is amended by striking out the period at the end thereof and inserting in lieu thereof the following: “, and, subject to the provisions of the following sentence, such payments may be made, in the case of a newly constructed or substantially rehabilitated project, after such sixty-day period in an amount equal to the debt service attributable to such an unoccupied dwelling unit for a period not to exceed one year, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. No such payment may be made after such sixty-day period (i) if the unoccupied unit is in a project insured under the National Housing Act, except pursuant to section 244 of such Act, or (ii) if the Secretary determines that the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project.”.

(e) Section 8(f) of such Act is amended by striking out “and” at the end of paragraph (4), by striking out the period at the end of paragraph (5) and inserting in lieu thereof “; and”, and by adding the following new paragraph at the end thereof:

“(6) the term ‘debt service’ means the required payments for principal and interest made with respect to a mortgage secured by housing assisted under this Act.”.

(f) The third sentence of section 3(2) of such Act is amended by striking out the word “and” before “(C)” and inserting before the semicolon the following: “and (D) other single persons in circumstances described in regulations of the Secretary: *Provided*, That in no event shall more than 10 percent of the units under the jurisdiction of any public housing agency be occupied by single persons under this clause (D): *Provided further*, That in determining priority for admission to housing under this Act the Secretary shall give preference to those single persons who are elderly, handicapped, or displaced before those eligible under this clause (D)”.

(g) Section 8(e)(1) of such Act is amended by inserting after “State or local agency” the following: “or the Farmers’ Home Administration”.

(h) Notwithstanding any other provision of law, the value of any assistance paid with respect to a dwelling unit under the United States Housing Act of 1937, the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, or title V of the Housing Act of 1949 may not be considered as income or a resource for the purpose of determining the eligibility of, or the amount of the benefits payable to, any person living in such unit for assistance under title XVI of the Social Security Act. This subsection shall become effective on October 1, 1976.

SECTION 235 HOMEOWNERSHIP PROGRAM

SEC. 3. (a) Section 235(m) of the National Housing Act is amended by striking out “June 30, 1976” and inserting in lieu thereof “September 30, 1977”.

(b) The last proviso in section 235(b)(2) of such Act is amended by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and inserting in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000", respectively.

(c) Section 235(i)(3)(B) of such Act is amended by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and inserting in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000", respectively.

(d) Section 221(d)(2)(A) of such Act is amended—

(1) by striking out "\$21,600" and "\$25,200" in the matter preceding the first proviso and inserting in lieu thereof "\$25,000" and "\$29,000", respectively; and

(2) by striking out "\$25,200" and "\$28,800" in the second proviso and inserting in lieu thereof "\$29,000" and "\$33,000", respectively.

(e) Section 235(h)(2) of such Act is amended by striking out "80 per centum" wherever it appears and inserting in lieu thereof "95 per centum".

(f) (1) Section 235(a) of such Act is amended—

(A) by inserting "(1)" immediately after "(a)"; and

(B) by adding at the end thereof the following:

"(2) (A) Notwithstanding any other provision of this section, the Secretary is authorized to make periodic assistance payments under this section on behalf of families whose incomes do not exceed the maximum income limits prescribed pursuant to subsection (h)(2) of this section for the purpose of assisting such families in acquiring ownership of a mobile home consisting of two or more modules and a lot on which such mobile home is or will be situated, except that periodic assistance payments pursuant to this paragraph shall not be made with respect to more than 20 per centum of the total number of units with respect to which assistance is approved under this section after January 1, 1976. Assistance payments under this section pursuant to this paragraph shall be accomplished through payments on behalf of an owner of lower-income of a mobile home as described in the preceding sentence to the financial institution which makes the loan, advance of credit, or purchase of an obligation representing the loan or advance of credit to finance the purchase of the mobile home and the lot on which such mobile home is or will be situated, but only if insurance under section 2 of this Act covering such loan, advance of credit, or obligation has been granted to such institution.

"(B) Notwithstanding the provisions of subsection (c) of this section, assistance payments provided pursuant to this paragraph shall be in an amount not exceeding the lesser of—

"(i) the balance of the monthly payment for principal, interest, real and personal property taxes, insurance, and insurance premium chargeable under section 2 of this Act due under the loan or advance of credit remaining unpaid after applying 20 per centum of the mobile homeowner's income; or

"(ii) the difference between the amount of the monthly payment for principal, interest, and insurance premium chargeable under section 2 of this Act which the mobile homeowner is obligated to pay under the loan or advance of credit and the monthly payment of principal and interest which the owner would be obligated to pay if the loan or advance of credit were to bear interest at a rate derived by subtracting from the interest rate applicable to such loan or advance of credit the interest rate differential between the maximum interest rate plus mortgage insurance premium applicable to mortgages insured under subsection

- (i) of this section at the time such loan or advance of credit is made and the interest rate which such mortgages are presumed, under regulations prescribed by the Secretary, to bear for purposes of subsection (c) (2) of this section.”
- (2) Section 235(e) of such Act is amended by inserting “(a) (2) (B),” immediately before “(c)”.

SECTION 236 AMENDMENTS

SEC. 4. (a) Section 236(n) of the National Housing Act is amended by striking out “June 30, 1976” and inserting in lieu thereof “September 30, 1977”.

(b) Section 236(f) (2) of such Act is amended—

(1) by inserting “(including the amount allowed for utilities in the case of a project with separate utility metering)” immediately after “basic rentals” in the first sentence thereof and by striking out everything in such sentence which follows “of their income” and inserting in lieu thereof a period; and

(2) by inserting “(including the amount allowed for utilities in the case of a project with separate utility metering)” immediately after “rental payment” in the second sentence thereof and by striking out everything in such sentence which follows “tenant’s income” and inserting in lieu thereof a period.

FHA SUPPLEMENTAL LOANS FOR HOSPITALS

SEC. 5. Section 241(a) of the National Housing Act is amended—

(1) by inserting “, hospital,” immediately after “multifamily project” in the first sentence thereof;

(2) by inserting “, hospital,” immediately after “such project” in the material preceding the proviso in the second sentence thereof; and

(3) by inserting “, hospital,” immediately before “or a group practice facility” and immediately before “or facility” in the proviso in the second sentence thereof.

CO-INSURANCE

SEC. 6. (a) Section 244 of the National Housing Act is amended by inserting at the end thereof the following new subsection:

“(g) (1) Where the mortgagee is a public housing agency or an insured depository institution and the mortgage covers a multifamily housing project, the co-insurance contract may provide that the mortgagee assume (i) the full amount of any loss on the insured mortgage up to an amount equal to a fixed percentage of the outstanding principal balance of the mortgage at the time of claim for insurance benefits, or (ii) the full amount of any losses on insured mortgages in a portfolio of mortgages approved by the Secretary up to an amount equal to a fixed percentage of the outstanding principal balance of all mortgages in such portfolio at the time of claim for insurance benefits on a mortgage in the portfolio, plus a share of any loss in excess of the amount under clause (i) or (ii), whichever is applicable.

“(2) The second sentence of subsection (d) shall not apply to mortgages made to public housing agencies, but for purposes of such second sentence such mortgages shall not be counted in the aggregate principal amount of all mortgages insured under this title.

“(3) The Secretary may make loans, from the applicable insurance fund, to public housing agencies in connection with mortgages which have been insured pursuant to this subsection and which are in default.

“(4) The Secretary may insure and make a commitment to insure in connection with a co-insurance contract pursuant to this subsection (A) a mortgage on a project assisted under the second proviso in the first sentence of section 236(b) of this Act, and (B) a mortgage or advance on a mortgage made to a public housing agency on a project under construction which is not approved for insurance prior to construction.

“(5) As used in this subsection, the term ‘public housing agency’ has the same meaning as in section 3(6) of the United States Housing Act of 1937, and the term ‘insured depository institution’ means any savings bank, savings and loan association, commercial bank or other such depository institution whose deposits are insured by the Federal Deposit Insurance Corporation, by the Federal Savings and Loan Insurance Corporation, or by an agency or instrumentality of a State.

“(6) Notwithstanding any other provision of this Act, the Secretary may include in the determination of replacement cost of a project to be covered by a mortgage made to a public housing agency and insured pursuant to this subsection, such reserves and development costs, not to exceed 5 per centum of the amount otherwise allowable, as may be established or authorized by the public housing agency consistent with such agency’s procedures and underwriting standards.”

(b) Section 244(a) of such Act is amended by adding the following new sentence at the end thereof: “A mortgagee which enters into a contract of co-insurance under this section shall not by reason of such contract, or its adherence to such contract or applicable regulations of the Secretary, including provisions relating to the retention of risks in the event of sale or assignment of a mortgage, be made subject to any State law regulating the business of insurance.”

#### EXPERIMENTAL FINANCING

SEC. 7. Section 245 of the National Housing Act is amended by striking out “June 30, 1976” and inserting in lieu thereof “September 30, 1977”.

#### MULTIFAMILY MORTGAGE LIMITS

SEC. 8. (a) The National Housing Act is amended by striking out “by not to exceed 75 per centum in any geographical area” where it appears in sections 207(c)(3), 213(b)(2), 220(d)(3)(B)(iii), 221(d)(3)(ii), 221(d)(4)(ii), 231(c)(2), and 234(e)(3) and inserting in lieu thereof in each such section “by not to exceed 50 per centum in any geographical area”.

(b)(1)(A) Section 207(c)(3) of the National Housing Act is amended by striking out “\$13,000”, “\$18,000”, “\$21,500”, “\$26,500”, “\$30,000”, and “\$3,250” in the matter preceding the first semicolon and inserting in lieu thereof “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, “\$36,000”, and “\$3,900”, respectively.

(B) Section 207(c)(3) of such Act is further amended by striking out “\$15,000”, “\$21,000”, “\$25,750”, “\$32,250”, and “\$36,465” in the matter following the first semicolon and inserting in lieu thereof “\$22,500”, “\$25,200”, “\$30,900”, “\$38,700”, and “\$43,758”, respectively.

(2)(A) Section 213(b)(2) of such Act is amended by striking out “\$13,000”, “\$18,000”, “\$21,500”, “\$26,500”, and “\$30,000” in the matter preceding the first proviso and inserting in lieu thereof “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, and “\$36,000”, respectively.

(B) Section 213(b)(2) of such Act is further amended by striking out "\$15,000", "\$21,000", "\$25,750", "\$32,250", and "\$36,465" in the first proviso and inserting in lieu thereof "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758", respectively.

(3)(A) Section 220(d)(3)(B)(iii) of such Act is amended by striking out "\$13,000", "\$18,000", "\$21,500", "\$26,500", and "\$30,000" in the matter preceding "except" where it first appears and inserting in lieu thereof "\$19,500", "\$21,600", "\$25,800", "\$31,800", and "\$36,000", respectively.

(B) Section 220(d)(3)(B)(iii) of such Act is further amended by striking out "\$15,000", "\$21,000", "\$25,750", "\$32,250", and "\$36,465" in the matter following "except" where it first appears and inserting in lieu thereof "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758", respectively.

(4) Section 221(d)(3)(ii) of such Act is amended—

(A) by striking out "\$11,240", "\$15,540", "\$18,630", "\$23,460", and "\$26,570" and inserting in lieu thereof "\$16,860", "\$18,648", "\$22,356", "\$28,152", and "\$31,884", respectively; and

(B) by striking out "\$13,120", "\$18,630", "\$22,080", "\$27,600", and "\$32,000" and inserting in lieu thereof "\$19,680", "\$22,356", "\$26,496", "\$33,120", and "\$38,400", respectively.

(5)(A) Section 221(d)(4)(ii) of such Act is amended by striking out "\$12,300", "\$17,188", "\$20,525", "\$24,700", and "\$29,038" in the matter preceding the first semicolon and inserting in lieu thereof "\$18,450", "\$20,625", "\$24,630", "\$29,640", and "\$34,846", respectively.

(B) Section 221(d)(4)(ii) of such Act is further amended by striking out "\$13,975", "\$20,025", "\$24,350", "\$31,500", and "\$34,578" in the matter following the first semicolon and inserting in lieu thereof "\$20,962", "\$24,030", "\$29,220", "\$37,800", and "\$41,494", respectively.

(6)(A) Section 231(c)(2) of such Act is amended by striking out "\$12,300", "\$17,188", "\$20,525", "\$24,700", and "\$29,038" in the matter preceding the first semicolon and inserting in lieu thereof "\$18,450", "\$20,625", "\$24,630", "\$29,640", and "\$34,846", respectively.

(B) Section 231(c)(2) of such Act is further amended by striking out "\$13,975", "\$20,025", "\$24,350", "\$31,500", and "\$34,578" in the matter following the first semicolon and inserting in lieu thereof "\$20,962", "\$24,030", "\$29,220", "\$37,800", and "\$41,494", respectively.

(7)(A) Section 234(c)(3) of such Act is amended by striking out "\$13,000", "\$18,000", "\$21,500", "\$26,500", and "\$30,000" in the matter preceding the first semicolon and inserting in lieu thereof "\$19,500", "\$21,600", "\$25,800", "\$31,800", and "\$36,000", respectively.

(B) Section 234(e)(3) of such Act is further amended by striking out "\$15,000", "\$21,000", "\$25,750", "\$32,250", and "\$36,465" in the matter following the first semicolon and inserting in lieu thereof "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758", respectively.

## CORRECTION OF DEFECTS

SEC. 9. (a)(1) Section 518(b) of the National Housing Act is amended by striking out "not more than nineteen months after the date of enactment of the Housing and Community Development Act of 1974" in the first sentence thereof and inserting in lieu thereof "not more than four months after the date of enactment of the Housing Authorization Act of 1976".

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(2) Section 518(b) of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "Expenditures pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for."

(b) Section 518 of the National Housing Act is amended by adding at the end thereof the following new subsections:

"(d) The Secretary is authorized to make expenditures to correct or to reimburse the owner for the correction of structural or other major defects which so seriously affect use and liveability as to create a serious danger to the life or safety of inhabitants of any one-, two-, three-, or four-family dwelling which is more than one year old on the date of issuance of the insurance commitment, is located in an older, declining urban area, and is covered by a mortgage insured under section 203 or 221 on or after January 1, 1973, but prior to the date of enactment of this subsection if (1) the owner requests assistance from the Secretary not more than one year after the date of enactment of this subsection, and (2) the defect is one that existed on the date of the issuance of the insurance commitment and is one that a proper inspection could reasonably have been expected to have disclosed. The Secretary may require from the seller of any such dwelling an agreement to reimburse him for any payments made pursuant to this subsection with respect to such dwelling. Expenditures pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for.

"(e) The Secretary of Housing and Urban Development is authorized and directed to conduct a full and complete investigation and study and report to Congress, with recommendations, not later than March 1, 1977, with respect to an effective program for protecting home buyers from hidden or undisclosed defects seriously affecting the use and livability of the home, which would be applicable to existing homes financed with mortgages insured under this Act. In the study and report the Secretary shall particularly investigate the need for, cost and feasible structure of, a national home inspection and warranty program, with respect to such homes, to be operated by the Federal Government out of fees assessed on the home buyer and amortized over a period of two years. The Secretary's report shall also present an analysis of alternative Federal programs to meet these needs, and the cost and means of financing such programs. In the report the Secretary shall also outline administrative steps which can be taken to provide disclosure to purchasers of existing homes financed with mortgages insured under this Act of the actual condition of the home and the types of repairs or replacements likely to be needed within a period of two years, such as repairs or replacement of furnace, roof or major appliances, based on age and useful life expectancy of such appurtenances."

GENERAL INSURANCE FUND AUTHORIZATION

SEC. 10. Section 519 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(f) There are authorized to be appropriated to cover losses sustained by the General Insurance Fund not to exceed \$500,000,000."



## HOUSING FOR THE ELDERLY

SEC. 11. (a) Section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended—

(1) by striking out “\$800,000,000” in the first sentence and inserting in lieu thereof “\$1,475,000,000, which amount shall be increased to \$2,387,500,000 on October 1, 1977, and to \$3,300,000,000 on October 1, 1978”; and

(2) by inserting the following new sentence at the end thereof: “The Secretary may not issue notes or other obligations to the Secretary of the Treasury pursuant to this section in an aggregate amount exceeding \$800,000,000 except as approved in appropriation Acts.”

(b) Section 202(d)(4) of such Act is amended by adding the following new sentence at the end thereof: “Notwithstanding the preceding provisions of this paragraph, the term ‘elderly or handicapped families’ includes two or more elderly or handicapped persons living together, one or more such persons living with another person who is determined (under regulations prescribed by the Secretary) to be essential to their care or well-being, and the surviving member or members of any family described in the first sentence of this paragraph who were living, in a unit assisted under this section, with the deceased member of the family at the time of his or her death.”

(c) (1) Section 202(a)(3) of such Act is amended by striking out “current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans” and inserting in lieu thereof the following: “average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding the date on which the loan is made”.

(2) The second sentence of section 202(a)(4)(B)(i) of such Act is amended by striking out “the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations”, and inserting in lieu thereof the following: “the average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding the date on which the loan is made”.

## REHABILITATION LOAN PROGRAM

SEC. 12. (a) Section 312(d) of the Housing Act of 1964 is amended—

(1) by striking out “and not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975” and inserting in lieu thereof “not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975, and not to exceed \$100,000,000 for the fiscal year beginning on October 1, 1976”; and

(2) by adding at the end thereof the following new sentence: “The amount of commitments to make loans pursuant to this section entered into after August 22, 1976, shall not exceed amounts approved in appropriation Acts.”

(b) Section 312(h) of such Act is amended to read as follows:

“(h) No loan shall be made under this section after September 30, 1977, except pursuant to a contract, commitment, or other obligation entered into pursuant to this section prior to October 1, 1977.”

## EMERGENCY HOUSING

SEC. 13. (a) Section 109(b) of the Emergency Homeowners' Relief Act is amended by striking out "June 30, 1976" and inserting in lieu thereof "September 30, 1977".

(b) The first sentence of section 110(a) of such Act is amended—

(1) by striking out "Until one year from the date of enactment of this title, each" and inserting in lieu thereof "Each";

(2) by inserting "prior to October 1, 1977," immediately after "(1)"; and

(3) by inserting "until one year from the date of enactment of this title," immediately after "(2)".

(c) Section 111 of such Act is amended by striking out "July 1, 1976" and inserting in lieu thereof "October 1, 1977".

(d) Section 3(b) of the Emergency Home Purchase Assistance Act of 1974 is amended by striking out "July 1, 1976" and inserting in lieu thereof "October 1, 1977".

(e) (1) Section 313(b) of the National Housing Act is amended by striking out the period at the end thereof and inserting in lieu thereof "; and", and by inserting the following at the end thereof:

"(D) such mortgage involves a principal residence the sales price of which does not exceed \$48,000 (\$52,000 in high-cost areas as determined by the Secretary) per family residence or dwelling unit, except that such sales price in Alaska, Hawaii, and Guam may not exceed \$65,000."

(2) The amendment made by paragraph (1) shall apply only with respect to mortgages purchased pursuant to commitments made after the date of the enactment of this Act.

## FLOOD INSURANCE

SEC. 14. (a) Section 202(b) of the Flood Disaster Protection Act of 1973 is amended by striking out all that follows "shall not apply to" and inserting in lieu thereof the following: "(1) any loan made to finance the acquisition of a residential dwelling occupied as a residence prior to March 1, 1976, or one year following identification of the area within which such dwelling is located as an area containing special flood hazards, whichever is later, or made to extend, renew, or increase the financing or refinancing in connection with such a dwelling, (2) any loan, which does not exceed an amount prescribed by the Secretary, to finance the acquisition of a building or structure completed and occupied by a small business concern, as defined by the Secretary, prior to January 1, 1976, (3) any loan or loans, which in the aggregate do not exceed \$5,000, to finance improvements to or rehabilitation of a building or structure occupied as a residence prior to January 1, 1976, or (4) any loan or loans, which in the aggregate do not exceed an amount prescribed by the Secretary, to finance nonresidential additions or improvements to be used solely for agricultural purposes on a farm."

(b) Section 1336(a) of the National Flood Insurance Act of 1968 is amended by striking out "December 31, 1976" and inserting in lieu thereof "September 30, 1977".

(c) Section 1376 of the National Flood Insurance Act of 1968 is amended by adding at the end thereof the following new subsection:

"(c) There are authorized to be appropriated for studies under this title not to exceed \$100,000,000 for the fiscal year 1977."

## COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SEC. 15. (a) Section 103(a)(2) of the Housing and Community Development Act of 1974 is amended by inserting “, and \$200,000,000 for the fiscal year 1977, not more than 50 per centum of which amount may be used under section 106(d)(1),” immediately after “1976”.

(b) Paragraph (2) of section 105(a) of such Act is amended by inserting immediately after “neighborhood facilities,” the following: “centers for the handicapped.”

(c) Section 107(a)(1) of such Act is amended by inserting the following immediately before the semicolon at the end thereof: “or in behalf of new community projects assisted under title X of the National Housing Act which meet the eligibility standards set forth in title VII of the Housing and Urban Development Act of 1970 and which were the subject of an application or preapplication under such title prior to January 14, 1975”.

(d) Section 116 of such Act is amended by adding at the end thereof the following new subsection:

“(h) In the event that the total amount available for distribution in fiscal year 1977 in metropolitan areas is insufficient to meet all basic grant and hold-harmless entitlement needs, as provided by section 106(a), and funds are not otherwise appropriated to meet such deficiency, the Secretary shall meet the deficiency, first, from amounts available for use under section 107 and, if such amounts are exhausted, through a ratable reduction of all entitlements under section 106(a).”.

## COMPREHENSIVE PLANNING

SEC. 16. (a) The first sentence of section 701(e) of the Housing Act of 1954 is amended by striking out “and not to exceed \$150,000,000 for the fiscal year 1976” and inserting in lieu thereof “not to exceed \$150,000,000 for the fiscal year 1976, and not to exceed \$100,000,000 for the fiscal year 1977”.

(b) No eligible recipient under section 701 of the Housing Act of 1954 may be excluded from qualifying for funds under such section solely on the basis of participation or nonparticipation under such section prior to fiscal year 1977.

CONFIRMATION OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION  
PRESIDENT

SEC. 17. (a) The National Housing Act is amended by striking out the third sentence of section 308(a) and inserting in lieu thereof the following: “There is hereby established in the Department of Housing and Urban Development the position of President, Government National Mortgage Association, who shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary shall select and effect the appointment of qualified persons to fill the offices of vice president, and such other offices as may be provided for in the bylaws. Persons appointed under the preceding sentence shall perform such executive functions, powers, and duties as may be prescribed by the bylaws or by the Secretary, and such persons shall be executive officers of the Association and shall discharge all such executive functions, powers, and duties.”.

(b) Section 309(d) of such Act is amended by striking out the word “The” immediately preceding “Secretary” in the first sentence and inserting in lieu thereof “Subject to the provisions of section 308(a), the”.

(c) Section 5315 of title 5, United States Code, is amended by adding at the ending thereof the following new paragraph:

“(108) President, Government National Mortgage Association, Department of Housing and Urban Development.”

(d) Section 7(c) of the Department of Housing and Urban Development Act is amended by striking out “seven” in the proviso and substituting in lieu thereof “six”.

(e) Notwithstanding the amendment made by subsection (a), the rights, powers, and duties of the position of President, Government National Mortgage Association, as in effect on the day preceding the date of enactment of this Act shall remain in effect until the position established hereunder has been filled in accordance with the terms of this Act.

SPECIAL ASSISTANT FOR COOPERATIVE HOUSING

SEC. 18. The first sentence of section 102(h) of the Housing Amendments of 1955 is amended—

(1) by inserting after “section 221(d)(3)” a comma and the following: “section 235, section 236, section 241, section 243, section 246, and section 203(n)”;

(2) by inserting after “Housing and Urban Development Act of 1965” the following: “or section 8 of the United State Housing Act of 1937”; and

(3) by inserting before the period the following: “and Assistant Secretary for Housing Management”.

NEW COMMUNITIES

SEC. 19. Section 720(a) of the Housing and Urban Development Act of 1970 is amended by striking out “June 30, 1975” and inserting in lieu thereof “October 1, 1977”.

URBAN HOMESTEADING

SEC. 20. Section 810(g) of the Housing and Community Development Act of 1974 is amended by striking out “and not to exceed \$5,000,000 for the fiscal year 1976” and inserting in lieu thereof “not to exceed \$6,250,000 for the fiscal year 1976, and for the transition quarter, not to exceed \$5,000,000 for fiscal year 1977, and not to exceed \$5,000,000 for the fiscal year 1978”.

DAY CARE

SEC. 21. Section 7 of the Department of Housing and Urban Development Act is amended by adding at the end thereof the following new subsection:

“(n) Notwithstanding any other provision of law, the Secretary is authorized by contract or otherwise to establish, equip and operate a day care center facility for the purpose of serving children who are members of households of employees of the Department. The Secretary is authorized to establish or provide for the establishment of appropriate fees and charges to be chargeable against the Department of Housing and Urban Development employees or others who are beneficiaries of services provided by such a day care center.”

## HOME OWNER'S LOAN ACT

SEC. 22. The twelfth undesignated paragraph of section 5(c) of the Home Owner's Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding in the first sentence, immediately after the words "made pursuant to either of such sections" and before the period the following language: "and in the share capital and capital reserve of the Inter-American Savings and Loan Bank".

## RESEARCH AUTHORIZATION

SEC. 23. (a) Section 501 of the Housing and Urban Development Act of 1970 is amended by striking out the second sentence and inserting in lieu thereof the following: "There are authorized to be appropriated for activities under this title not to exceed \$65,000,000 for the fiscal year 1977."

(b) Section 504(b) of such Act is amended by striking out the first, third, and fourth sentences.

(c) Section 502(f) of such Act is amended by striking out the period at the end of the second sentence and inserting in lieu thereof the following: "and such departments and agencies are hereby authorized to execute such contracts and grants."

## NATIONAL INSTITUTE OF BUILDING SCIENCES

SEC. 24. Section 809(h) of the Housing and Community Development Act of 1974 is amended by inserting ", and \$5,000,000 for each of the fiscal years 1977 and 1978" immediately after "fiscal year 1976".

## RURAL HOUSING

SEC. 25. (a) Section 521(a)(1) of the Housing Act of 1949 is amended by striking out "rate determined annually by the Secretary of the Treasury" and inserting in lieu thereof "rate determined by the Secretary of the Treasury upon the request of the Secretary".

(b) Section 520(3)(B) of such Act is amended by inserting "for lower and moderate-income families" immediately after "has a serious lack of mortgage credit".

(c) Section 510 of such Act is amended by redesignating subsections (f) and (g) as subsections (h) and (i), respectively, and by inserting the following new subsections immediately after subsection (e):

"(f) continue processing as expeditiously as possible applications on hand received prior to the time an area has been determined by the Secretary not to be 'rural' or a 'rural area', as those terms are defined in section 520, and make loans or grants to such applicants who are found to be eligible on the same basis as though the area were still rural;

"(g) notwithstanding that an area ceases, or has ceased, to be 'rural', in a 'rural area', or an eligible area, make assistance under this title available in connection with transfers and assumptions of property securing any loan made, insured, or held by the Secretary or in connection with any property held by the Secretary under this title on the same basis as though the area were still rural;"

## COUNSELING

SEC. 26. Title V of the Housing and Urban Development Act of 1970 is amended by adding at the end thereof the following new section:

“COUNSELING TO MORTGAGORS

“SEC. 508. (a) In carrying out activities under section 501, the Secretary is directed to undertake programs of studies and demonstrations within at least three standard metropolitan statistical areas to determine the extent of need for and cost effectiveness of providing pre-purchase, default and delinquency counseling and related services to owners and purchasers of single-family dwellings insured or to be insured under the unsubsidized mortgage insurance programs of the National Housing Act.

“(b) Within one year from enactment of this section, the Secretary shall submit an interim report to the Congress with respect to the progress made under such studies and demonstrations, including an estimate as to the date when a final report on the results of such demonstrations will be made available to the Congress.”.

*Speaker of the House of Representatives.*

*Vice President of the United States and  
President of the Senate.*

HOUSING AMENDMENTS OF 1976

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REPORT  
OF THE  
COMMITTEE ON BANKING, HOUSING  
AND URBAN AFFAIRS  
UNITED STATES SENATE

TO ACCOMPANY

**S. 3295**

TOGETHER WITH

MINORITY AND ADDITIONAL VIEWS



APRIL 12, 1976.—Ordered to be printed

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WASHINGTON : 1976

HOUSING AMENDMENTS OF 1976

APRIL 12, 1976.—Ordered to be printed

Mr. PROXMIRE, from the Committee on Banking, Housing and Urban Affairs, submitted the following

REPORT

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany S. 3295]

The Committee on Banking, Housing and Urban Affairs, having considered the same, reports favorably a Committee bill (S. 3295) to extend the authorization for annual contributions under the United States Housing Act of 1937, to extend certain housing programs under the National Housing Act, and for other purposes, and recommends that the bill do pass.

INTRODUCTION

The primary purpose of this bill is to provide for the continuation of a number of current housing programs, either by extending the dates on which they expire or by increasing their funding authorizations, usually through September 30, 1977. The bill contains no significant new program proposals, but amends several existing programs.

The bill's new program authorizations may be summarized as follows:

(1)

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(II)



Program :	<i>Authorization (dollars in millions)</i>
Sec. 8 housing assistance for low- and moderate-income people :	
New construction.....	\$265. 00
Existing unit assistance.....	171. 00
Conventional public housing :	
New construction.....	200. 00
Operating subsidies.....	576. 00
Modernization.....	60. 00
Loans for elderly and handicapped (Sec. 202) (No expiration date on authorization).....	2, 500. 00
Homeownership assistance (Sec. 235).....	200. 00
Rehabilitation loans (Sec. 312).....	150. 00
Assistance to FHA-insured multifamily projects in or faced with foreclosure.....	154. 00
Comprehensive planning assistance to communities (Sec. 701).....	100. 00

A primary objective of the above funding allocation is to increase the concentration of current HUD programs on new housing construction, with the intent of increasing the housing supply and of creating jobs in the construction industry, one of the most highly depressed sectors of the economy. If these funds, plus the existing authorization of \$7 billion for the Government National Mortgage Association tandem plan, were fully and promptly used, the Committee estimates that they would produce housing starts and substantially rehabilitated units by the end of fiscal year 1977 at the following levels:

Program :	<i>Number of units</i>
Section 8 construction.....	66, 250
Public housing construction.....	75, 800
Elderly and handicapped.....	83, 330
Section 235 homeownership assistance.....	200, 000
Rehabilitation loans.....	18, 750
GNMA tandem plan.....	200, 000
<b>Total</b> .....	<b>644, 130</b>

The potential to produce 644,000 assisted housing starts or substantially rehabilitated units in turn has the capacity to generate over a million jobs for construction workers in the next fiscal year. Beyond this, the bill will create additional employment through programs such as the \$60 million in modernization funds for public housing, which will produce approximately \$645 million in capital, and payments available to correct structural defects in homes with FHA-insured mortgages. On the other hand, the number of jobs generated by the bill will fall below the million-plus estimate if the funds are not fully appropriated. If HUD fails to use its discretion to fund the GNMA tandem plan fully, if the Section 202 elderly housing funds are released over a period longer than the next fiscal year, and for similar reasons.

The bill's allocation of housing program funds has two features which are significant departures from past practice. The first is the high level of funding for the Section 202 direct loan program for elderly and handicapped housing. The Committee authorized \$2.5 billion for this program over an unspecified time period, an amount approximately sufficient to accommodate the level of applications which HUD received for this program last year. In addition, the bill amends the program's interest rate formula, to tie it to the average rate on all outstanding Treasury obligations. Under current market

conditions, this change would bring the rate paid by the sponsor down from about 9 percent to approximately 7½ percent. These action reflect the Committee's strong support for the Section 202 program, which has been popular and workable and which has helped to meet the needs of the constantly growing elderly portion of the population.

The second highly significant feature of the bill is its revised and tightened framework for governing HUD's use of funds for Section 8 and conventional public housing, the two major assistance programs for low-income families. These changes include earmarking of funds for new construction under Section 8 and an increase in the funds authorized and earmarked for construction of public housing.

This increased restrictiveness has become necessary because HUD has used, and in some cases over-stepped, its current discretionary authority to administer housing assistance programs in a way which has distorted the Congressional intent. In particular, HUD has continually displayed a preference for channeling program activity into existing rather than new housing. The result has been an extremely low level of assisted housing starts, far below the level needed by low and moderate income families, and far below the amount of construction and substantial rehabilitation intended by the Congress as clearly stated in the housing goals provision of the Housing and Urban Development Act of 1968 and the policy objectives of the Housing and Community Development Act of 1974.

The year 1975 was, in fact, one of the worst for housing production since World War II, with new starts totalling just 1.2 million units. Even when mobile homes are added to this record, 1975 production ran at more than a million units less than the 2.6 million level which Congress determined to be necessary when it enacted the Housing and Urban Development Act of 1968. Furthermore, the 10-year, 26-million target level set in that Act specifically included a goal of 6 million units for low and moderate income families. Eight years later, however, it is clear that these lower income production needs will not be met, largely because of the Administration's 1973 moratorium on housing subsidy programs and recent years of problems in the housing market at large. Now that the moratorium programs have been replaced with new ones proposed and structured by the Administration, assisted housing production should be set at levels higher than the 10-year average, in order to offset the accumulated deficit.

HUD's record on low-income housing programs, however, has been precisely the opposite. The Department's Section 8 program, which was enacted more than one and a half years ago with the understanding that it would be the Nation's major tool for assisting the construction of lower income housing, as of February 27, 1976 had produced a total of just 2,600 units—most of which are merely conversions from an earlier HUD program. The combined total for all government subsidized production in calendar year 1975 was just 124,000 units—86,000 of which were attributable to the Department of Agriculture.

The slow progress in the implementation of Section 8 is very difficult to understand. The claim made by HUD that the pace of new construction under the Section 8 program is no different than the experience under previous subsidy programs does not hold up with the facts. In 1969, the first full calendar year of operation for the

Sec. 235 and Sec. 236 programs, 24,400 mortgages were insured under Sec. 235 and mortgages for 77 projects with 11,800 units were insured under Sec. 236. These facts compare with the record of only 2600 units started under Section 8 during the entire year of 1975 and through February 27, 1976.

While the reasons for the poor construction record under Section 8 and other programs are complex, there is no question that one of the problems is HUD's continual tendency to use all available discretion to channel funds into the Section 8 assistance mechanism, and then to use these funds for purposes other than new construction or substantial rehabilitation. This pattern is carried further by HUD's recent proposal to use a major portion of the Section 8 funds—\$154 million—to “bail out” existing FHA apartment projects which are facing financial insolvency.

This bill, accordingly, has been drafted to provide a partial response to the housing start problem by breaking HUD's requested figure for total housing assistance into broad but clear-cut categories. This breakdown includes separate authorization amounts to be used for new and existing Section 8 and public housing, and a special and distinct authorization for bailing out the troubled FHA apartments. In addition, the funding categories have been structured to reflect the Committee's dissatisfaction with the Section 8 record by increasing the authorization for conventional public housing construction, on the grounds that the latter has proved itself to be, on the whole, a sound and economical program.

The Committee believes that this authorization framework, along with the bill's program extensions and in some cases amendments, will give the housing assistance programs a greater opportunity to generate new housing and meet housing needs in fiscal year 1977.

#### EXPLANATION OF THE BILL

##### *Section 8 and Public Housing Authority*

Section 2(a) of the bill would increase the authorization for annual contributions contracts by \$696 million on July 1, 1976. It would also provide that additional contract authority authorized on or after July 1, 1975, shall be available only as provided for in appropriations acts.

The increased amount is \$154 million less than that requested by the Administration. The Committee adjusted the amount downward in order to keep within the President's budget and provide contract authority amounting to \$154 million to make payments to reduce the rents for lower income families occupying financially troubled FHA projects (described in Section 8 of the bill). This amount of contract authority is the amount in the President's budget which is estimated for fiscal year 1977 as needed to assist in making these projects economically sound.

Section 2(b) would set aside at least \$60 million in annual contributions contract (ACC) authority for the modernization of existing public housing projects in fiscal year 1977. It is estimated that this contract authority will permit public housing agencies to undertake modernization projects in the amount of \$645 million in fiscal year 1977.

Some 1,235,000 units of low-rent housing will be eligible for annual contribution payments in the public housing program in fiscal year

1977. Many of these rental units were built more than 20 years ago and, while soundly built, reflect the wear and tear of having been lived in for that length of time. To replace these buildings would be extremely expensive and, in fact, unnecessary since a moderate investment in modernization can restore these structures to good condition.

The Committee received testimony that HUD has an estimated backlog of some \$2.8 billion in capital cost requirements for public housing projects. A survey of 19 housing authorities by one witness before the Committee found an immediate need for \$747 million in modernization in those 19 cities alone. However, over the last few years HUD has allocated only \$20 million per year in ACC authority for modernization, thus keeping the level of modernization at \$215 million per year. The Committee believes that this level is far short of the amount needed to maintain our Nation's stock of public housing units. Accordingly, the Committee is directing the Secretary of HUD to increase the use of ACC authority for modernization of public housing to the level of \$60 million per year. The Committee believes that this is a sensible investment needed to preserve thousands of basically sound public housing units.

Section 2(b) of the bill would also require that of the \$696 million new contract authority, not less than \$200 million would be used for new construction or substantial rehabilitation in projects to be owned by public housing agencies other than under the Section 8 program, and not less than \$265 million for newly constructed or substantially rehabilitated units financed under Section 8 of the act. In addition, this section requires that of the balance of authority to enter into annual contributions contracts which is available on and after October 1, 1976, (other than the \$696 million referred to above), the Secretary shall make available for new construction or substantial rehabilitation and for ownership by public housing agencies other than under Section 8, respectively, amounts which bear the same ratios to the total amount of such authority as the amounts required under this bill to be made available for new construction or substantial rehabilitation and for ownership by public housing agencies other than under Section 8, respectively, bear to \$696 million. The Committee intends that all funds which have not been committed in accordance with HUD's “Annual Contributions Contract (HAP) List Approved” shall be considered as “balance of authority” for purposes of this Act.

The purpose of these designations is to assure that the Congressional intent is carried out with respect to the funds appropriated under the Housing Act of 1937, which Act is primarily to provide additional housing to meet the needs of low and lower income families at rents they can afford. The Committee believes that the Congressional intent of the Housing and Community Development Act of 1974 was sound, namely that until such time that the Section 8 program is operational, HUD should continue the old programs. HUD has not done this, and, as a result, we have no effective housing production program for low-income families at this time. The mandatory allocation is intended to reduce the completely discretionary use of contract authority under the act for leased housing, and to direct more of the funds into new and rehabilitated projects and into public housing ownership projects, which for the most part have proven successful over the years.

Section 2(c) of the bill would increase the level of operating subsidies for public housing to \$576 million in fiscal year 1977.

This figure corresponds to HUD's estimate of the need for operating subsidies. When the President submitted his budget for fiscal year 1977, he requested operating subsidies for local housing authorities in the amount of \$463.6 million, although the Budget recognized the need for some \$576 million over expected rental receipts to finance the operations of public housing agencies in fiscal year 1977. The \$112.4 million difference between the \$576 million needed and the \$463.6 million requested was to be made up by increasing the minimum rents payable by low-income families living in public housing.

The Committee received testimony that the rent increases proposed by the Administration would mean an immediate rent increase of at least 10 percent per month for each elderly person living in public housing (approximately 43 percent of public housing units are occupied by elderly and handicapped). The HUD proposal would also cause substantial rent increases for low income families living in public housing.

At Oversight Hearings on HUD programs in February of this year, the Committee raised questions regarding the severe impact these proposed rent increases would have on public housing tenants, many of whom are on fixed incomes and are finding it difficult to meet their current expenses. In response to the Committee's questions, HUD stated that it had not determined the range and percentage of rent increases for public housing tenants before proposing these increases. The Department has agreed to withdraw its proposal for rent increases pending the development of data regarding the impact of these increases on public housing tenants. The Committee approves of HUD's decision in this regard and directs the Department to submit any new proposals for increasing rents in public housing to the Committee for approval.

While the Committee has received testimony from housing officials indicating the need for as much as \$600 million in operating subsidies for fiscal year 1977, it has accepted HUD's estimate of \$576 million in setting the level of operating subsidies for the next fiscal year and has included that figure in the bill.

The Committee notes that HUD testified that, in calculating the need for \$576 million in operating subsidies, the Department has presumed implementation of a revised and improved Performance Funding Formula developed for HUD by the Urban Institute. The Committee expects the Department to implement this revised formula as soon as possible.

Section 2(d) of the bill would increase the authorization for earmarked funds to be set aside to assist in financing low income housing for families who are member of Indian Tribes by \$17,500,000 on July 1, 1976.

It has been brought to the attention of the Committee that HUD has failed to implement the provision of the Housing and Community Development Act of 1974 which excludes Indian public housing from the regular requirement of eligibility for operating subsidies. This provision in section 5(c) was intended to resolve the special problems faced by Indians, which include very low incomes and extremes in climatic conditions. That provision of the law was not permissive, it was mandatory. The Committee feels that HUD's failure to implement the amendment dooms many poor Indian families to continue in bad

housing. The Committee expects HUD to implement this provision as required by law.

#### *Maximum Rents for Multi-family Projects under Section 8*

The Committee believes that HUD may be overly restrictive in establishing contract rents for certain kinds of new construction and rehabilitation projects under the Section 8 program. HUD is basing these rents upon a "comparability" standard which appears to be discouraging otherwise acceptable projects. This is particularly true in the case of new construction and rehabilitation in older cities where comparability involves use of locational considerations that may result in rents that are unrealistically low in view of costs of construction and operation. It is also a major problem in rural areas and smaller communities where there are no comparables and where the Farmers Home Administration has determined maximum rents on a cost basis. However, problems with HUD's comparability test are not restricted to older cities or rural areas. The projects affected may meet HUD site selection criteria and provide desperately needed housing for families who wish to live in such areas. The areas themselves may be the focus of local community development activities. In view of the great need for conservation and rehabilitation of sound existing neighborhoods and housing, we would expect HUD to encourage the use of Section 8 as a part of neighborhood improvement efforts undertaken by local authorities. In doing so, HUD should take into account reasonably expected increased market demand in such areas.

Since housing market areas may be large, the Committee believes that HUD may permit different maximum rents for different projects in the area, but it should show much greater sensitivity to program purposes, housing needs within market areas, present and projected development, financing and interest costs, and neighborhood conservation and community development objectives.

The Committee recognizes that low contract rents may be a reflection of HUD's determination that an area or neighborhood may not have adequate services, facilities and amenities to provide a strong enough market to justify rents obtainable in other parts of a large market area. The Committee would expect HUD not to use comparability as a back-door method of discouraging development in such areas because of these factors.

Further, the Committee is concerned that the comparability test for Section 202 projects utilizing Section 8 assistance may prove to be a major and unintended stumbling block that could kill the program before it gets off the ground. The Committee urges the Secretary to use the broad authority granted in Section 8(g) of the Housing Act of 1937 to issue regulations that will ensure that Section 8 subsidy levels are high enough to make the construction and operation of 202 projects feasible.

The Committee has been assured by the Secretary that she is making modification in HUD's contract rent procedures that will correct these deficiencies. It is obviously desirable that changes be made in a manner that will minimize disruptions in processing and attainment of Section 8 goals.

The Committee expects, however, to receive a full report on the actions taken within 30 days after enactment of this act, and will con-

tinue to follow this aspect of the program closely to determine whether HUD is being more restrictive than can be justified in light of Congressional intent.

#### *Homeownership assistance*

Section 3 of the bill would extend the authority for insurance under Section 235 of the National Housing Act until September 30, 1977. It would also increase the contract authority by \$200 million on July 1, 1976. In addition, it would establish a maximum mortgage insurance premium under the program at a level not in excess of that required to be paid under Section 203 (b).

The original Section 235 program, authorized by the Housing and Urban Development Act of 1968, as amended, provided for homeownership assistance for lower income families. Eligible families paid 20 percent of their adjusted monthly income toward the monthly mortgage payment. The balance was made up by Federal assistance payments, which could not exceed the difference between the required mortgage payment and the amount that would be required on a mortgage bearing an interest rate of one percent. This program was suspended on January 5, 1973, as part of the President's general moratorium on all HUD housing assistance programs.

As a result of litigation regarding the suspension, the Department obligated, pursuant to a court order of August 20, 1975, \$264 million in order to avoid a statutory lapse of this amount on August 22, 1975. On October 17, 1975, the Secretary announced the reactivation of a Section 235 Homeownership subsidy program, but exercised her prerogatives to place restrictions on the program, which she claims will ensure a significant financial commitment on the part of the borrowers to the property. The major features of the revised program are summarized below:

Any family with an adjusted gross income of up to 80 percent of the area median income (higher in certain circumstances) is eligible for participation.

The subsidy is available to the purchaser of a newly constructed or substantially rehabilitated home with a mortgage amount not exceeding \$21,600 (\$25,200 for a family of five or more) or in designated high-cost areas, \$25,200 (\$28,800 for a family of five or more). The house can be a single family detached, townhouse, condominium, or cooperative unit.

The home owner must provide a downpayment that is the greater of the amount which would be required in the basic Section 203 unsubsidized program or 6 percent of the total acquisition cost. However, the downpayment may include prepaid expenses.

Not more than 40 percent of the homes in any subdivision will be eligible for subsidy payments.

The home owner must contribute at least 20 percent of adjusted gross income toward monthly mortgage, insurance, and tax payments on the house. If this payment by the home owner is not enough to meet the monthly charges, direct cash subsidy payments will be made by HUD to reduce mortgage interest costs to as low as 5 percent.

Subsidy payments can continue throughout the term of the mortgage, until the property is sold, or until the home owner, with 20 percent of adjusted gross income, can pay monthly mortgage payment, including interest, insurance and taxes.

The new authority of \$200 million would be added to the current outstanding authority under the program of \$264 million to provide assistance for approximately 450,000 home ownership units under the terms and regulations now in effect.

The Committee believes this is the most effective subsidy program for a segment of the population whose incomes are too low to afford the cost of decent housing at today's prices, but who, with a little financial assistance, can become responsible home owners. The cost is relatively cheap compared with other subsidy programs. The initial subsidy under current regulations averages about \$850 per unit per year, but past experience indicates the subsidy will average \$550 per unit after a few years, and the average number of years for the subsidy is expected to be 10 years. Under the new underwriting rules issued by the Secretary, which tightened up the eligibility requirements for the program, the average subsidy cost will be probably less in the future than in the past.

The Committee feels that Section 235 assistance has many advantages over other subsidy programs. It is relatively inexpensive when compared, for example, to the Section 8 program, which will require an estimated subsidy of \$3200 a unit for the term of the lease, which in some cases is 40 years. Beyond this, it has the tremendous benefit of providing recipients with the opportunity to own their own homes. Despite the fact that the program is suitable only for a limited number of families and can generally not be used to provide housing for low-income families, it is a highly important form of housing assistance.

The Committee is concerned, however, about the administration of the program. In the first place, it objects to the slow pace with which the program is being put into place. Even though the Administration announced the reactivation the program last October, the Committee has been advised that there are only a few Section 235 starts under the new program as of this time.

Furthermore, the Administration's program would call for spending the available authority over a period of 3 years. The Committee would like to see a much accelerated program with the expectation that the new authority, plus the existing authority, will be committed over the next 2 years.

There is also a concern that the regulations issued by the Administration with respect to the program may be too strict, having the effect of making the program inoperable. The Committee is sympathetic with HUD requirements that are intended to reduce defaults, but cautions the Administration that the purposes of the program will hardly be served if the effect is to make it impossible for eligible applicants to qualify. In 1974, the Congress approved an increase in the down payment requirement up to 3 percent of the acquisition cost of the home in order to assure a more sound purchase than permitted by the original legislation. The Administration has doubled this amount by regulation, and there is a serious question whether this is so severe that it will exclude most of the lower income families otherwise eligible.

The Committee is also concerned about the Administration's failure to implement fully the mandatory counseling requirement for purchases of Section 235 homes. The counseling provision written into the Housing and Community Development Act of 1974 was intended to be



effective in reducing losses under the program. HUD itself has conducted studies showing that counseling is cost effective. The average cost of a foreclosure to HUD is approximately \$6,200, whereas the average cost of counseling a family in default on its mortgage is estimated at \$500. This would be a cheap cost to pay to reduce foreclosures under the program. Such results will not be obtained, however, unless counseling is properly performed by trained personnel who spend the necessary time with the family before the purchase and after occupancy, particularly when the first signs of financial difficulty begin to show.

#### *Section 236 Rental Housing Assistance*

Section 4 of the bill would extend the termination date of Section 236 of the National Housing Act from June 30, 1976, until September 30, 1977.

No additional authorization is provided in the bill. The Committee was informed that there is approximately \$125 million in unused authority available to provide interest subsidies and operating assistance and, in addition, approximately \$44 million in reserve as a result of the collection of excess rental charges. The reserve is required under Section 236(g) of the Act to be used for additional operating assistance payments under the terms specified in Section 236(f) (3). The Committee is concerned that HUD has not yet implemented this provision of the 1974 Act.

#### *Supplemental loan insurance for hospitals*

Section 5 of the bill would amend section 241 of the National Housing Act to permit the FHA to insure supplemental loans to FHA-insured hospitals, for the purpose of making necessary additions and improvements.

At present, the section 241 program provides for FHA insurance of supplemental expansion and improvement loans to FHA-insured nursing homes, group practice facilities and multifamily projects. However, FHA-insured hospitals, which number about 90 nationwide, are currently not eligible for the program. As a result, these hospitals find it necessary to refinance or secure conventional secondary loans in order to undertake urgently needed modernization and expansion projects or to replace obsolete equipment. These alternatives to loan insurance are expensive and often mean higher debt service cost for hospitals, which, in turn, means higher charges to their patients at a time when medical costs are already soaring. Increasing demands for medical care, rapid advances in medicine and technology, and federal and state health and safety standards make it important that a mechanism exist to encourage the supply of supplemental loans at reasonable interest rates.

The Committee believes that, by facilitating the financing of required hospital additions and improvements, this section would contribute to better medical care for the nation's citizens, while protecting HUD's interest in the economic viability of FHA-insured hospitals.

#### *Coinsurance*

Section 6 of the bill would amend the FHA loan coinsurance provision of Section 244 of the National Housing Act. The amendment would authorize the Secretary to make special exceptions to existing

law with respect to the coinsurance terms applicable to public housing agencies. The amended language is nearly identical to that approved as Section 5 of H.R. 9852 which passed the Senate on January 23, 1976.

The Committee has received representations from State Housing Finance Agencies that they are concerned that HUD's proposed multifamily coinsurance program will overregulate the activity of the agencies by requiring the agencies to alter their underwriting and processing procedures so that they are the same as existing procedures used by the HUD field offices, and by requiring HUD approval of certain agency personnel.

In view of the fact that under coinsurance the agencies will be assuming a significant share of any loss, the Committee wishes to emphasize that implementation of this program should not involve sweeping alterations of state agencies' underwriting and processing procedures and requirements so that they conform to existing HUD procedures or requirements or involve HUD in approving State Agency personnel. The Committee believes the agencies should be allowed to follow their own procedures and requirements established in underwriting, processing, and managing projects under the coinsurance program, except to the extent that express provisions of the National Housing Act require modification of those procedures or requirements, or except to the extent that the Secretary determines on the basis of substantial cause that such procedures or requirements are unsound.

A primary intent of the coinsurance program should be avoidance of excessive insurance risk. For this reason, the Committee believes HUD's emphasis in reviewing a state agency's program should be upon the capacity of the agency to evaluate the prospective financial soundness of projects rather than upon the particular procedures employed by the agency.

#### *Experimental financing*

Section 7 of the bill would extend the Experimental Financing Program under Section 245 of the National Housing Act from June 30, 1976 until September 30, 1977.

Under this authority, the FHA may insure loans which use flexible amortization plans corresponding to variations in family income. An extension is necessary because HUD has only recently begun to approve proposals for these experimental loans and needs this additional time to carry out other experiments which are only on the "drawing board."

No funding authorization is necessary for this program.

#### *Assistance payments with respect to projects in critical default*

Section 8(a) of the bill would add a new section 247 to the National Housing Act to provide rental assistance payments with respect to projects in foreclosure or threatened with foreclosure. The assistance payments would be made to lower income families in a project which is (1) financed by a mortgage insured under the National Housing Act, and threatened with foreclosure (2) subject to a mortgage held by the Secretary, or (3) owned by the Secretary. All three of these categories represent FHA projects which are in serious financial difficulty, the last of the three being those in which the mortgages have been foreclosed and the property is now owned by HUD. The phrase

"threatened with foreclosure" is intended to apply only to those projects in serious financial difficulty which will end up in foreclosure unless remedial action is taken by HUD under this section.

This new section was added to carry out the plan of the Administration that certain financially depressed FHA-insured projects could be made financially viable by providing rental assistance to some or all of the lower income tenants in the project. In addition, it would enable those tenants to remain in the project by benefit of the rental assistance payments.

The Committee recognized the merits of HUD's plan to help these projects, but disagreed with HUD's use of Section 8 funds for this purpose because it detracts from the basic intent of Congress that such funds be used to provide additional housing units for low and moderate income families.

Recognizing the problem, but wanting to avoid mixing housing assistance funds appropriated for additional housing with funds needed to reduce FHA foreclosure losses, the Committee agreed to set up a new program under the National Housing Act which would have its own housing assistance funds appropriated for the purpose specified.

Subsection (b) of the new section would establish a statutory procedure for processing these rental assistance payments. While the Committee wants to keep separate the two funds it believes it would be simpler for everyone concerned to process the rental assistance payments for bail-out purposes by following the same procedures and requirements as to eligibility, amount of payments, and other details contained in the provision under section 8 of the Housing Act of 1937.

Subsection (c) of the new section would place certain requirements on the Secretary of HUD with respect to assistance payments under this provision. The Secretary would be required to make a finding of fact as to the causes of the unsatisfactory financial condition of the project, and also to make a determination that there is a reasonable probability that with such assistance provided by this section, the project can be restored to economic feasibility and can contribute to the housing supply in the community in which it is located, particularly in relation to meeting the needs of the low and moderate income families of that community.

Subsection (d) of the new section would authorize an appropriation of \$154 million for the fiscal year ending September 30, 1977. This is the amount estimated in the President's budget intended by the Secretary to meet the needs of these projects, 20,000 units of which are in the "property disposition" category and 90,000 units of which are in the "loan management" category for fiscal year 1977.

Section 8(b) of the bill would bar the Secretary from using contracts authorized under the Housing Act of 1937 for the purpose for which the new section 247 is intended to provide. This is to emphasize the Committee's intention that appropriations for production should not be mixed with appropriations to meet FHA losses.

#### *Compensation for defects in newly constructed housing*

Section 9 would extend the deadline for the application period under Section 518(a) of the National Housing Act from the current limit of 4 years to 4 years and 7 months. It would also require that all poten-

tially eligible home owners be notified of the provisions of this amendment within 30 days of the enactment of the Act.

Section 518(a) provides that the Secretary shall have the authority to take remedial action where structural defects are found in an FHA-insured home approved for insurance prior to construction.

A structural defect is a serious flaw affecting the livability of the home. It does not include normal wear and tear, but does cover such problems as cracked foundations and faulty septic systems. To obtain relief, an owner must apply within 4 years from the date of his mortgage insurance contract, and a determination is then made by HUD as to whether the problem qualifies as a structural defect.

Experience has shown, however, that this program has not been well publicized and many eligible homeowners have not been able to meet the application deadline. Homeowners had no information about the program, the proper procedures for filing, or their rights in obtaining a final determination from HUD on the merits of their particular complaint.

#### *Compensation for defects in existing housing*

Section 10 of the bill would broaden the existing housing coverage of Section 518 of the National Housing Act and would create a permanent compensation program for existing, 1-4 family properties purchased with mortgages insured by FHA under the National Housing Act.

Section 518(b) currently provides owners of existing homes purchased with certain FHA-insured mortgages the opportunity to be reimbursed for serious structural defects present in the home when purchased. The defect must be one that a proper inspection by FHA in its appraisal process—which includes an inspection to determine whether the property is consistent with FHA's minimum property standards—could reasonably have been expected to disclose. The program presently covers houses purchased with FHA section 235 mortgages and houses purchased between 1968 and 1973 with mortgages insured under FHA sections 203 or 221.

The Committee amended section 518 to do the following:

(1) Extend the deadline for Section 518(b) applications for sections 203 and 221 houses purchased between 1968 and 1973 by an additional 4 months. The application deadline under present law was March 22, and applications fell short of the expectations of both local community groups and HUD. More time is necessary in order to assure that eligible homeowners are aware of the program and receive an adequate opportunity to apply.

(2) Extend the program to cover FHA sections 203 and 221 housing purchased after 1973 but prior to date of passage of this bill, giving applicants one year from date of passage to apply.

(3) Set forth a permanent program covering all FHA-insured existing one to four family housing purchased after passage of this provision, and giving applicants one year from the date of purchase to apply for reimbursement.

For housing purchased after 1973 as defined in (2) and (3) above, eligibility criteria in the existing Section 518(b) limiting coverage to housing located in older and declining urban areas would be eliminated, since the geographic location of the house has nothing to do

with its structural condition or the homeowner's problems in coping with the defects. At the same time, the standard for a reimbursable defect would be changed from "structural or other major defects which so seriously affect use and livability as to create a serious danger to the life or safety of inhabitants," to the less restrictive standard of "structural or other major defects which seriously affect use and livability."

Another Committee amendment would charge the cost of reimbursements under Section 518(b), the interim program for Sections 203 and 221, and the new, permanent program to the appropriate Insurance Fund chargeable for insurance benefits on the mortgage covering the structure for which the reimbursement is paid. To assure that sufficient monies are present in the appropriate fund to cover the disbursements charged to it, the Committee authorized an appropriation of such sums as may be necessary to cover the cost. However, the Committee does not expect the Department to await appropriations before undertaking this program.

#### *Housing for the elderly and handicapped*

Section 11 of the bill would increase the authorization for the Section 202 program by \$2.5 billion to an aggregate of \$3.3 billion. The Section 202 program provides long-term direct government loans to non-profit sponsors of housing for elderly and handicapped persons.

As an estimated one-third of the Nation's elderly live in substandard units and/or pay beyond their means for housing, the need for higher production is well documented. It is estimated that the additional \$2.5 billion in lending authority can provide more than 83,000 additional housing starts and twice as many jobs in construction and related industries.

The \$2.5 billion would approximately accommodate the initial level of response to the revised Section 202 program which has been overwhelming. In the 3 months during which applications were accepted, more than 1,500 proposals were made for more than 231,000 units. One reason for such interest is the high success rate of the old Section 202 program—only one default was reported in 330 projects.

The Committee expects that Section 8 rental assistance will be available to many of the occupants of Section 202 housing in order to keep the rent at levels affordable by lower income elderly and handicapped persons.

This section of the bill would also change the method for computing interest rates chargeable by HUD to sponsors under the Section 202 program. Under the existing law, interest rates are based on the current average market yield on outstanding marketable obligations of the United States of comparable maturities, which rate, when increased by administrative fees, results in an interest rate charge to the project of around 9 percent. This high interest rate is a serious impediment to the program, and the Committee was told in testimony that it would cause most proposed projects not to meet the feasibility test imposed by HUD. According to Sec. 202 sponsors, rents required to amortize a 9 percent mortgage and to pay reasonable operating costs would be in excess of market rents for comparable projects in the area, and the project would therefore fail to meet HUD's feasibility test. A lower interest rate is essential to make these projects meet HUD's standards.

This section changes the law to provide an interest rate based on the average interest rate on all outstanding interest-bearing obligations of the United States. This should lower the effective interest rate for the project to approximately 7½ percent, assuming HUD continues to charge a 1 percent administrative fee. This will in turn result in lower rental costs to the consumers—the elderly and handicapped.

In addition, the lower rate more closely represents the actual cost to the government of providing the 202 loan funds.

#### *Rehabilitation loan program*

Section 12 of the bill would extend the Section 312 rehabilitation loan program from August 22, 1976 until September 30, 1977, and increase the authorization for Fiscal Year 1977 by \$150 million. The Section 312 program provides for 3 percent loans from HUD to owners and renters of properties needing rehabilitation, with financing through a revolving fund.

The Committee strongly supports rehabilitation programs as one of the most important tools to help preserve neighborhoods within the nation's cities. Section 312 loans, at a below-market interest rate, have made it possible for communities to carry out comprehensive neighborhood renewal programs. The Federal Assistance Code Enforcement Program (FACE) has been one of our most successful programs to upgrade and restore neighborhoods which otherwise could become slums. Three percent loans to property owners in the area have been the key to success in this program.

The Administration has proposed that this program not be extended on the grounds that community development block grants are now meeting rehabilitation needs. The Committee feels, however, that the community development program is not adequate for this purpose because the high competition for block grant funds leaves an insufficient priority for rehabilitation of occupied housing. The latter need is a critical one, particularly since HUD's current major housing programs are rental-oriented and do little to help moderate income homeowners.

The block grant program is further limited by constitutional restrictions in some states which prohibit the use of community development funds for housing rehabilitation loans, and by the fact that many communities in the nation do not participate in the block grant program at all.

The Committee understands that many block-grant recipient communities are using their grants to establish revolving loan funds similar to Section 312 at the local level. This mechanism could in time replace some of the need for the Federal loan program. At present, however, the critical need for rehabilitation makes it necessary to extend the program.

The bill does, nevertheless, amend the Section 312 program to require that HUD set an interest rate above 3 percent for higher income borrowers up to a maximum reflecting the Treasury's long-term borrowing rate plus the administrative costs of processing the loans. The Committee felt that these more affluent borrowers should not be subsidized with the program's basic 3 percent rate, but that they should continue to be encouraged to undertake rehabilitation through the availability of a loan rate which is still below market levels. Through this two-tiered system of interest rates, the 312 program can make

rehabilitation possible for homeowners who otherwise could not afford it while at the same time efficiently tapping the private resources of inner-city property owners who can afford to rehabilitate but may not do so in the absence of an incentive.

*Comprehensive planning grants*

Section 13 of the bill provides a \$100 million authorization for the Section 701 Comprehensive Planning Grant Program in fiscal year 1977. This represents a cut of \$50 million from the fiscal year 1976 authorization. It would, if fully funded, permit by fiscal year 1978 a return to the stable funding level which characterized the program during fiscal years 1974-76 when its outlays were between \$100-110 million per year. Outlays for fiscal year 1977 will be only \$75 million as a result of a fiscal year 1976 appropriation of \$75 million (outlays are intended to lag behind appropriations by one year in the 701 program).

The 701 program, as revised in the 1974 Housing and Community Development Act, requires State and local governments and areawide agencies receiving grants to carry out a comprehensive planning process including, as a minimum, the preparation of housing and land use elements. The 1974 amendments also permit recipients to use funds for management and evaluation activities in order to direct the program toward the implementation of plans, and toward building government management capacity.

The interest of the Federal Government in this program is two-fold. First, it assists State and local jurisdictions in dealing with the complex problems of growth; second, it enables them to make more effective use of Federal programs and financial assistance. Improving state and local planning and management takes on increasing importance from the federal perspective as federal programs move toward revenue sharing and block grants with relatively few federal planning requirements. The potential for waste of these federal funds is great if states and localities do not have the capability for adequately applying them to their real needs. Section 701 provides this capability, particularly through the required housing and land use elements. The housing element, as administered, requires that states, areawide planning agencies, and localities devise housing goals, set forth housing needs, and, where appropriate, provide for the best distribution of housing resources (including federal subsidies) in terms of the location of existing and planned governmental services and public facilities (such as highways, mass transit, sewer lines, etc.).

Second, the program provides these jurisdictions with the ability to coordinate their various activities, including the large number of functional Federal grant programs, so that these activities are consistent both with each other and, where desirable, with the activities of neighboring jurisdictions. The A-95 mechanism, the primary device by which localities within a metropolitan area or nonmetropolitan region coordinate the various Federal programs they are engaged in, is funded primarily through the 701 comprehensive planning assistance program, at both the areawide and state levels.

It has been argued that 701 funds can be cut substantially because recipients will be able to use the community development block grant program to fund activities now being undertaken through 701.

However, the 701 program provides comprehensive planning of all activities, not simply planning for community development. Community development funds cannot be used for the wide variety of purposes 701 now supports, including A-95, planning for functions other than community development (land use, health, criminal justice, employment, transportation, etc.) and, perhaps most importantly, planning which coordinates and relates various functional plans to each other.

Furthermore, most of the eligible recipients of Section 701 funds are not eligible or do not have an entitlement for community development block grant funds. Section 701 funds go to states for their own use, for distribution to communities under 50,000 in population, or for distribution to non-metropolitan areawide organizations. They also go to areawide organizations in metropolitan areas charged with A-95 responsibilities (usually COGs), cities over 50,000 in population, Indian tribes, and interstate regional planning commissions and other government units with special planning needs. Of these, only cities over 50,000 in population and some urban counties receive community development entitlement funds, which, as already noted do not serve the same purpose as Section 701 funds.

*Emergency Homeowners' Relief Act*

Section 14 of the bill extends through September 30, 1977, the Emergency Homeowners' Relief Act, a standby program for HUD assistance to homeowners who are faced with foreclosure because of temporary unemployment or income reductions caused by adverse conditions in the general economy. HUD would provide or insure repayable loans to cover the amount needed by these homeowners to meet their mortgage payments, up to \$250 a month for up to two years.

The program was enacted as part of the Emergency Housing Act of 1975, and has not been implemented because HUD has considered national foreclosure rates too low to warrant its use. However, the Committee considers it advisable to extend the Act through fiscal year 1977. Financing would continue to be authorized through a revolving fund at the Treasury Department, allowing up to \$500 million for HUD assistance payments and \$1,500 million in outstanding HUD-insured loans and advances. All of these sums would be repaid by the homeowners at interest rates and terms prescribed by HUD.

*Emergency Home Purchase Assistance Act*

Section 15 of the bill extends from June 30, 1976 until September 30, 1977 the Emergency Home Purchase Assistance Act of 1974 as amended by the Emergency Housing Act of 1975. The program provides emergency assistance to the housing market during periods of credit shortages by subsidizing interest rates. As revised in 1975, it provides for 7½ percent loans on moderately priced single-family and multifamily properties with FHA or conventional financing. Under HUD regulations, over 90 percent of the funds have been used for newly constructed housing.

The program is financed through the "tandem plan" vehicle under which the originating lender sells the low-rate loan to the Government National Mortgage Association at market prices. The loans are then resold by GNMA either directly as mortgages or securities, or



indirectly through the Federal Financing Bank, with the government recouping all but a small portion of its outlay. The amount of subsidy depends upon market interest rates when the loans are made and sold.

The program has been implemented in stages since enactment in 1974. The 1975 Emergency Housing Act authorized increased assistance for up to \$10 billion in mortgages. Of this amount, \$5 billion has been appropriated, and \$3 billion has been offered by GNMA exclusively for new multifamily, FHA insured mortgages. Most of the \$3 billion is not yet committed, and release of the other appropriated \$2 billion rests with the discretion of HUD. No new authorization is required.

*Senate confirmation of Federal Insurance Administrator*

Section 16 of the bill would require Senate confirmation of the Federal Insurance Administrator effective on January 1, 1977.

The Committee received documentation from both the Library of Congress and the Comptroller General that this position should be subject to confirmation by the Senate and would automatically be so considered unless the law specifically indicates otherwise. Failure to include the requirement in the statute was apparently an oversight, and rather than depending completely upon the opinion by the Library of Congress and the Comptroller General, it was agreed by the Committee to clarify the issue by a statutory change.

*Senate confirmation of GNMA President*

Section 17 of the bill would require that the President of the Government National Mortgage Association be appointed by the President and confirmed by the Senate.

The Committee notes the tremendous growth in the operations of GNMA in recent years to the point that its responsibilities, including the volume of securities insured and the portfolio of mortgages held, now exceeds \$20 billion.

The President of GNMA carries a great responsibility in managing an operation of this magnitude. Decisions on purchases and sales of mortgages and mortgage-backed securities could result in serious losses to the Federal Government. Last year, the cost of the GNMA operation was well over \$700 million. Most of this was losses incurred due to the difference between the price GNMA paid for mortgages and the price GNMA received for mortgages when sold at auction or at established prices to recoup funds borrowed from the Treasury to conduct the program of special assistance required under the law.

The decision to require confirmation by the Senate of the GNMA President indicates the degree of importance the Committee attaches to this very responsible position. The Committee expects the President to act forthwith in making the appointment and sending the name to the Senate for confirmation.

SECTION-BY-SECTION SUMMARY

Section 2(a) would increase the authorization for housing assistance annual contributions contracts by \$696 million on July 1, 1976. It would also provide that additional contract authority authorized on or after July 1, 1975, shall be available only as provided for in appropriations acts.

Section 2(b) would provide that \$60 million of the contract authority shall be for modernization of existing low-rent public housing projects. It would also require that at least \$200 million of the amount authorized shall be for ownership by public housing agencies involving new construction or substantial rehabilitation other than under Section 8, and that at least \$265 million of the amount authorized be made available for new construction or substantial rehabilitation under Section 8. This subsection also requires that of the balance of authority to enter into annual contributions contracts which is available on and after October 1, 1976 (other than the \$696 million referred to above), the Secretary shall make available for new construction or substantial rehabilitation and for ownership by public housing agencies other than under Section 8, respectively, amounts which bear the same ratios to the total amount of such authority as the amounts required under this bill to be made available for new construction or substantial rehabilitation and for ownership by public housing agencies other than under Section 8, respectively, bear to \$696 million.

Section 2(c) would authorize for appropriations \$576 million on or after October 1, 1976, for the purpose of providing operating subsidies to public housing agencies.

Section 2(d) would increase the annual contributions contracts for low-income housing for members of Indian tribes by \$17.5 million per year on July 1, 1976.

Section 3 of the bill would extend the Section 235 Homeownership Assistance Program until September 30, 1977, and would increase the authorization by \$200 million on July 1, 1976. It would also establish a maximum mortgage insurance premium for Section 235 at a level not higher than the Section 203(b) premium.

Section 4 would extend Section 236 Rental Assistance until September 30, 1977.

Section 5 would broaden the program of FHA insurance for supplemental loans under Section 241 of the National Housing Act to cover hospitals.

Section 6 would amend Section 244 of the National Housing Act to provide co-insurance authority to the Secretary for multifamily projects sponsored by public housing agencies. The purpose of the amendment is to allow somewhat more flexibility in the assumption of risk for projects sponsored by public housing agencies than for those sponsored by other mortgagees as provided in existing law.

Section 7 would amend the experimental financing provision under Section 245 of the National Housing Act by extending the expiration date until September 30, 1977.

Section 8 would add a new section, Section 247, to the National Housing Act which would provide contract authority to the Secretary to make rental assistance payments in FHA-insured projects of the following three types: (a) projects threatened with foreclosure, (b) projects on which the mortgage has been assigned to the Secretary, and (c) projects owned by the Secretary. The rental assistance shall be made under the same terms provided under authority of Section 8 of the Housing Act of 1937. This subsection authorizes \$154 million for this program for the Fiscal Year ending September 30, 1977. This subsection also bars assistance for the above listed projects

under Section 8 of the U.S. Housing Act of 1937 for all assistance approved after September 30, 1976.

Section 9 would amend Section 518(a) of the National Housing Act, which provides for compensation to correct defects in new housing with FHA-insured mortgages, by extending the deadline for filing applications by an additional 7 months. This section would also require the Secretary to notify eligible home owners of the provisions of the new amendments within 30 days after enactment of this bill.

Section 10(a) would amend Section 518(b) of the National Housing Act, which provides compensation to correct defects in existing properties with mortgages insured by FHA between 1968 and 1973 under Sections 203 and 221 or at any time under Section 235 of the National Housing Act, to extend the time limit for applying for assistance on mortgages under Sections 203 and 221 to a date not more than 4 months after the date of enactment of this bill. It would also charge expenditures under Section 518(b) to the FHA insurance fund covering the mortgage on the property.

Section 10(b) would amend Section 518 of the National Housing Act by adding a new subsection (d) which does two things. First, it would create an interim program for compensation for defects in housing with 203 and 221 mortgages purchased between 1973 and enactment of this bill giving mortgagors one year from enactment to apply. Second, it would create a permanent compensation program applicable to existing 1-4 family properties with mortgages insured under the National Housing Act. (A permanent program already exists in Section 518(b) with respect to properties insured under Section 235 of the National Housing Act.) The programs created by the new subsection would be broader than the current temporary program in Section 518(b) for compensation on properties with Section 203 and 221 loans, in that they would not be subject to the existing restriction to properties in older, declining urban areas, and in that they would be eligible for reimbursement for defects which "seriously affect use and livability of properties," rather than only for "structural or other major defects which so seriously affect use and livability as to create a serious danger to the life or safety of inhabitants." The new subsection would also require that any expenditures for such corrections shall be chargeable to the insurance funds applicable to the mortgage covering the structure, and authority is given for necessary sums to reimburse the insurance funds through appropriations acts.

Section 11 would increase the authorization for Section 202 loans for housing for the elderly and handicapped by \$2.5 billion. It would also amend the interest rate formula with respect to this program to require that the maximum rate shall not exceed the average interest rates on all outstanding interest-bearing obligations of the U.S. Government, computed at the end of the fiscal year preceding the date on which the loan is made.

Section 12(a) would amend Section 312 of the Housing Act of 1964 by increasing the authorization by \$150 million for the period beginning July 1, 1976, and ending on September 30, 1977.

Section 12(b) would amend Section 312 of the Housing Act of 1964 by authorizing a higher interest rate to be charged for Section 312 borrowers whose incomes exceed the maximum income permitted

under HUD regulations for occupancy in projects financed with below market interest rate mortgages insured under Section 221(d)(3) of the National Housing Act. The rate for such borrowers shall not exceed the current average market yield on outstanding long-term marketable obligations of the U.S., plus an allowance for administrative costs.

Section 13 would amend Section 701 of the Housing Act of 1954 by increasing the authorization by \$100 million prior to October 1, 1977.

Section 14 would extend the termination date for the Emergency Home Owners Relief Act from June 30, 1976, to September 30, 1977.

Section 15 would extend the termination date of the Emergency Home Purchase Assistance Act from July 1, 1976, to October 1, 1977.

Section 16 would require Senate confirmation of the Federal Insurance Administrator effective January 1, 1977.

Section 17 would require Senate confirmation of the President of the Government National Mortgage Association effective as of the date of enactment of the bill.

#### COST OF LEGISLATION

In accordance with Section 252 of the Legislative Reorganization Act, the Committee reports that the bill would authorize \$27.2 billion in new budget authority, with anticipated outlays of \$420.7 million in fiscal year 1977, \$888.4 million in fiscal year 1978, \$587.6 million in fiscal year 1979, \$776.3 million in Fiscal Year 1980, and \$920.9 million in fiscal year 1981. These estimates are identical to those prepared by the Congressional Budget Office.

#### CORDON RULE

In the opinion of the Committee, it is necessary to dispense with the requirements of subsection 4 of Rule XXIX of the Standing Rules of the Senate in order to expedite the business of the Senate in connection with the report.

## MINORITY VIEWS OF MESSRS. TOWER AND GARN

There are two basic objections which we have to this bill. One objection is that we do not agree that the life of some of these programs should be extended. The bill does not merely extend the dollar authorization of some programs, but it also significantly alters some existing programs and certain functions of HUD. The other objection we have is more general in scope, but equally, if not more important. The basis for this objection is that the Committee and the Congress have failed to adequately analyze and evaluate existing housing programs, which has resulted in not having a comprehensive view as to how to effectively provide for this nation's housing needs. We continue to take a shotgun approach when we enact "piecemeal" housing legislation. It is time we broadened our perspective and realistically looked at our housing needs and developed a long-range program for meeting them.

### COMMENTS ON PARTICULAR SECTIONS

*Section 2.*—HUD had requested \$850 million to be used in the Section 8 lower income public housing program. Of this amount, about \$154 million was intended to be used to assist FHA-insured (non-public housing) projects that were in financial trouble. The Committee transferred these funds to a newly created Section 247 program, however, leaving \$696 million in new contract authority for public housing programs.

Instead of giving HUD flexibility in the use of these funds, we mandated that \$465 million or 64 percent of these funds be used for new construction. Additionally, at least \$200 million of this amount must be used for conventional, turnkey, or public housing programs other than that which is provided in Section 8. We do not quarrel with the need to use newly constructed units to provide housing under the Section 8 housing program. We do think, however, that where there are perfectly good units in a city, which are vacant, Federal funds should be used to fill the vacancies rather than used to build new units. The latter could result in overbuilding in a community which would result in losses to HUD and owners of already vacant units.

Our concern with Section 2 is that it mandates that well over half of the funds be used for new construction. Our first and foremost concern should be to provide decent housing for people who cannot afford it. It should make little difference whether the housing is new or existing. HUD should be able to determine for each community, whether the local markets can support new construction, or whether there is an adequate supply of existing units. Mandating new construction can reduce the flexibility, and perhaps the efficiency of HUD's effort to provide adequate housing to lower-income families.

We would also note that mandating use of \$200 million for new construction under the traditional public housing programs (turnkey and conventional) could result in significant delays in providing housing for lower-income families. HUD advises that the average time from application to occupancy in conventional public housing projects is almost 4 years (46 months) and for turnkey projects, the time is 33 months. HUD estimates the average time from application to occupancy in Section 8 new construction projects will be 21-24 months. We would also expect significant delays in HUD's implementation of the traditional programs. It must be remembered that a major retraining of HUD personnel would have to occur before applications could be received and processed. The total cost over the 40 year life of these traditional projects will be about \$8 billion.

Section 2 also authorizes \$575 million for operating subsidies for public housing projects that were built without Section 8 funding. It must be remembered that when these conventional and turnkey projects were built, they were designed to be financially sound, based on rental revenues and HUD annual contributions. Each year, however, the amount expended for operating subsidies for conventional and turnkey projects increases. These are the same kind of projects for which we mandate HUD funding in Section 2(b). HUD figures show that for every traditional public housing unit, over \$54,000 is paid in operating subsidies over the life of the annual contributions contract. We can only expect that because we will be building more of these units they will also need millions of dollars in operating subsidies in the years to come.

Section 2 also requires that \$60 million in new contract authority for modernization assistance be committed in fiscal year 1977. This figure is deceptive because, in reality, the total cost of this provision approaches \$1.26 billion! This includes the principal and interest on \$645 million in capital expenditures. This amount is three times as great as that provided in the current fiscal year. While we agree that modernization funds are needed, we question the wisdom of mandating that HUD spend this large amount in fiscal year 1977.

*Section 4.*—This part of the bill extends the life of the Section 236 subsidized housing program. Currently, there exists about \$125 million in unused authority in the program. We question the continuation of this program. If the \$125 million is to be used for operating subsidies, would it not be better to utilize the newly created Section 247 program instead? Section 247 was designed to provide assistance to FHA-insured multifamily projects that were suffering financial difficulty. Using Section 236 and Section 247 for the same purposes can only serve to confuse and complicate matters.

We also question the need to produce additional Section 236 units. This program has been plagued with many failures. Many projects have been foreclosed upon and HUD owns several of these projects. Additionally, many are in severe financial difficulties and are in need of additional Federal support in the form of operating subsidies under Section 236 or Section 247 or through the Section 8 program. Given these facts, additional new construction should be curtailed until there has been a proper investigation and evaluation of this program.

*Section 8.*—This part of the bill creates a new Section 247 to the National Housing Act. We think it will create another level of bureaucracy which can only result in greater costs and more red-tape.

There are many FHA-insured multifamily projects, both subsidized and unsubsidized, that are in financial trouble. Other projects are in some condition of default or foreclosure, and others are owned by HUD. The question is: What should be done with them? HUD has proposed making Section 8 public housing assistance available to eligible families who reside in these units. This would resolve many of the financial problems of these projects and still provide adequate housing for lower-income families. There is a specific line item in the budget for this request.

Proponents of Section 247 argue that Section 8 public housing funds should not be used to "bail out" FHA-insured projects. Consequently, the amount of Section 8 funds that HUD wanted to use for this purpose, \$154 million, was deleted from their \$850 million authorization request and transferred to Section 247. This left \$696 million in Section 8 authorization to be used for new construction and existing units. At the same time the money was transferred, however, the proponents stated that Section 247 funds ". . . shall be subject to the terms and conditions which are applicable to contracts under Section 8. . . ."

This does not seem to make sense. If Section 247 is to be administered and implemented in accordance with the provisions of the Section 8 public housing program, why create Section 247 as an exactly identical program? If one is concerned about knowing precisely how many dollars will be used to "bail out" existing FHA-insured projects that are in financial trouble, all one has to do is look at the figures in the budget for the Section 8 program. By doing so, the public can determine just how many Federal dollars are going into this area. If the authorizing or appropriations committees disagree with the Administration's figures for this program, they can act accordingly. The better approach would be to not create another identical program.

*Section 9.*—This section was intended to amend Section 518(a) of the National Housing Act, to extend the application deadline for this program from the current limit of four years to four years and seven months. In fact, however, this provision does something quite different. It allows a person, within seven months of enactment, to apply for Section 518(a) assistance, regardless of how old his home is, as long as it was purchased when it was new and FHA insured the mortgage at that time. For example, Section 518(a) benefits could be available to a homeowner who purchased a new house 12 years ago under an FHA program.

We think this completely distorts the program, and even a seven month extension of the application time limit is not justifiable. As we understand it, this amendment resulted from a particular problem in a particular community. We do not think a Federal law should be changed just because of a single set of circumstances.

*Section 10.*—This section also makes major changes in Section 518 (b), and, consequently, alters the basic role of the FHA in insuring mortgages. Since its inception, the role of the FHA was to insure that the mortgage would be paid should the mortgagor default on his mortgage payment. It appraised and inspected the house solely for the purposes of determining the value of the home. Once the value was determined, FHA could then decide whether it should or should not insure the mortgage.

This section completely changes the role of the FHA. From enactment forward, FHA will not only be responsible for appraising the home for its value, but it will now have to warrant that the house is free from any structural defect that would ". . . seriously affect use and liveability of any . . . dwelling which is more than one year old on the date of issuance of the insurance commitment. . . ."

The importance of this provision cannot be overstated. FHA processing of applications will now take infinitely longer because it will now have to examine houses to see if there are any structural defects that affect its use and liveability. To examine an existing house for structural defects is extremely difficult and will, therefore, increase processing time. Furthermore, nowhere in the legislation is "use and liveability" defined. This can only cause complications and confusion. What is useable and liveable to one inspector might not mean the same to another, even if regulations could be drafted so as to offer a guide to the inspectors in making their inspection.

Furthermore, this program will cover unsubsidized as well as subsidized homes. Originally, this program was designed to protect purchasers of existing Section 235 subsidized houses. These purchasers were often low-income urban dwellers who were not familiar with the problems of homeownership. Often, they were sold housing of questionable condition and value. Because of these circumstances, Congress decided that HUD should provide a greater service in the Section 235 program. In addition to appraising the value of the house, they should also, based on a reasonable inspection, make sure it is structurally sound. If it is later found to suffer structural defects, and these defects ". . . so seriously affect the use and liveability as to create a serious danger to the life or safety of inhabitants . . ." then HUD must provide compensation to correct the defects. It should be noted that this standard in existing law is stronger than that proposed in Sec. 10(b).

The effect of this amendment would extend this benefit to all owners of 1-4 family properties where the mortgages thereto are insured. These could be individuals with greater incomes who can purchase \$50,000 houses. We do not agree that these mortgagors should be so protected. If a person makes a major investment in a home, he should make a very small expenditure, if he desires, to have a qualified person in the private sector inspect it in order to determine its condition. When FHA was established, it was not envisioned that it would perform these services. We do not think its original role and purpose should be changed at this time.

If the role of the FHA is to be changed, we think change should come after careful review by this Committee. There are many other aspects of FHA programs which could be analyzed and evaluated at the same time.

**Section 11.**—This section provides for an increased authorization of \$2.5 billion for the Sec. 202 Elderly housing program. The Administration has proposed using \$375 million for this direct loan program for Fiscal Year 1977. The authorized amount represents over a 650 percent increase in the current program level.

No one can argue the need for providing decent housing for our elderly citizens. Many are on fixed incomes and housing costs are rising rapidly. We would note, however, the following about housing

programs for the elderly. The Section 202 program is not restricted to families with low incomes. There are no income limits applicable to this program, and families with low, moderate, and high incomes are eligible. As is made clear elsewhere in this report, about 43 percent of all public housing tenants are elderly and/or handicapped. It is expected that the majority of the tenants in the Section 8 program will be low-income elderly.

If sufficient funds are appropriated, nothing would prevent the entire \$2.5 billion being used in Fiscal Year 1977. We think this would be excessive, especially since this figure represents a direct Federal outlay. Much of the housing needs for elderly citizens can be provided through new construction or existing units under public housing programs. Since there are no income limits applicable to Section 202 tenants, we question whether the Federal government should directly finance housing which could be used by some higher income tenants. We think that Federal dollars should be used primarily to provide housing for families who can least afford decent shelter. Such is not always the case with Section 202.

#### SOLVING HOUSING NEEDS

We have another concern about this bill which is less specific than the above mentioned objections. This concern goes basically to the problem of how we approach solutions to our housing needs. We think that by many of our actions in Congress, we often thwart many of our well-intentioned efforts before they get off the ground.

For example, during the past 18 months, the housing industry has suffered tremendously, as have other industries. In response to this downturn, the Congress, HUD, the Federal Home Loan Bank Board, the Fed, VA, and the Farmers Home Administration offered literally dozens of programs to aid housing. We do not question the intent of these institutions in formulating these programs, nor do we deny that they had some positive effect. We would not deny, however, that so many programs, which were constantly changing, caused great confusion among builders, lenders, realtors, and purchasers. Additionally, many of these programs had limited funds and this caused expectations among consumers which could not be fulfilled.

We have talked with several in the industry which revealed the following about these programs. Builders who obtained commitments under a program that offered 8¾ percent money often lost the commitment fee because a month later, 8 percent money was made available under another program. This made his 8¾ percent money unattractive to prospective purchasers, and, consequently, he was forced to purchase commitments at the lower rate. Lenders often complained that they had to hire persons just to keep track of the ever-changing housing programs. They had to keep abreast of the changing interest rates applicable to the dozens of different programs. Additionally, while under some programs they could make commitments to builders as they saw fit, under other programs they had to dole out funds based on precise allocation guidelines. In addition to varying interest rates, the many programs contained different mortgage limits and income limits.

The results of these many efforts are mixed. Yes, housing was produced because of these programs. However, the overlap, duplication, volatility, and limitations of these programs, we submit, caused much unneeded hardship, and, in many cases, hindered housing production. We think this bill has characteristics of the approach we have taken these past several months. We think there should be a better approach to solving our housing needs.

For example, this bill contains at least four methods to provide additional Federal assistance to ailing multifamily projects. Section 236 has about \$125 million of unused contract authority, all or part of which can be used for operating subsidies for Section 236 projects. Section 247 has \$154 million to assist FHA-insured projects. Additionally, we authorize \$576 million for operating subsidies for public housing. Section 8 funds can also be used to assist Section 202 projects, and FHA-insured projects until September 30, 1976.

In addition to this operating assistance, we authorize new funds and extend the life of several production programs. We add funds to Section 235 and extend the life of Section 236. We provide additional funds for Section 8 and mandate the use of the turnkey and conventional public housing programs. We enlarge and extend the Section 312 Rehabilitation program and do the same for the Section 202 elderly housing program. We extend the life of the Emergency Home Purchase Assistance Act and we enlarge the public housing modernization program. We also set aside additional funds for Indian housing programs.

In addition to the above, it must be remembered that there are dozens of other subsidized and non-subsidized housing programs in HUD, Farmers Home Administration and the VA. Because of the sheer numbers involved, we think that the time and energy expended by agencies in attempting to implement these programs is not very productive. There are a finite number of people who do the processing, and every change we make in these programs requires additional delays in implementation and red-tape. We shudder at the delays we envision at HUD when they have to retrain personnel to process conventional and turnkey public housing applications, after having spent the better part of a year preparing them to process Section 8 applications. Because of the numbers of programs, consumers of these programs are terribly confused. Should they purchase before a certain deadline to take advantage of a tax credit? Is it better to buy under Section 235 or under the GNMA program offering 7½ percent mortgages? How do I know whether one program still has funds or not? Why is one builder advertising 7½ percent money, another 5 percent, and another 8 percent? The frustrations potential homeowners encounter should not be overlooked.

What disturbs us about this bill is that we have extended, enlarged, and created new programs without the benefit of any analysis or evaluation. Should we mandate the construction of conventional and turnkey units without first examining not only the direct costs, but the potential operating costs as well as potential management problems? Should we continue the Section 235 program in its present form without really knowing how it might work, or whether further changes might be needed? Should we just have one operating subsidy program instead of several? We think that many of the faults of the present programs

exist because there has been a lack of objective evaluation after they have been created.

It is incredible to us that we should adopt the amendments to Section 518(b) without more analysis. Should we not ask ourselves why participation in the FHA programs has decreased so markedly in the last few years? It is too simplistic to say the reason is increased red-tape and more Federal bureaucracy. If there is more red-tape, we must ask why. Is it because we require FHA to insure higher-risk loans, which might cause greater analysis by the underwriters? Is it because we require them to inspect homes, not just to determine value, but to determine how habitable it is? Would it not be beneficial to determine why the VA programs seem not to be plagued with the allegations that have been made against FHA?

These examples are just a few of many that cause us sincere concern. For every problem, we seem to adopt a new housing program without really evaluating the problem to determine if, in fact, what is needed is a new program. As previously stated, we often think this approach can serve to be counterproductive. We think the Committee should seriously look at our housing programs to determine if, in fact, they represent our best thinking as to how to meet the housing needs of this country. We would propose that the Committee work with the several Federal agencies, as well as those in the private sector who are involved in housing, in making this determination. We would also encourage the use of professional analysts who might not be closely tied to the housing industry, but who might be able to provide objective solutions to this problem.

No one can deny that new housing must be built and existing housing must be revitalized. Our concern is that we clearly identify the needs, that we recognize the time and cost elements involved, and that we, the Congress, the Administration and the private sector participants, work together to fulfill the identified needs. We think this bill does little to foster this objective.

JOHN TOWER.  
JAKE GARN.

## ADDITIONAL VIEWS OF SENATOR HELMS

I have read the minority views of Senator Tower and Garn and I am in basic agreement with them. Certainly, they are closer to my own views than are those agreed to by the majority of the Committee members. However, I seriously question the appropriateness of the Federal Government's role in our Nation's housing market. It is obvious to me that this legislation only represents more tinkering with housing by the Federal Government. This Bill will do little to help solve our Nation's housing problems. A much better solution would be to let the virtually unlimited ingenuity and energy of free enterprise, unsmothered by government interference, solve our Nation's housing problems—problems which, to a large extent, have been created by government interference with the marketplace.

JESSE HELMS.

(30)





## HOUSING ACT AMENDMENTS OF 1976

—————  
JUNE 25, 1976.—Ordered to be printed  
—————

Mr. REUSS, from the committee of conference,  
submitted the following

### CONFERENCE REPORT

[To accompany S. 3295]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3295) to extend the authorization for annual contributions under the United States Housing Act of 1937, to extend certain housing programs under the National Housing Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

#### SHORT TITLE

SECTION 1. This Act may be cited as the "Housing Authorization Act of 1976".

#### AMENDMENTS TO THE UNITED STATES HOUSING ACT OF 1937

SEC. 2. (a) Section 5(c) of the United States Housing Act of 1937 is amended—

(1) by striking out the first sentence and inserting in lieu thereof the following new sentence: "The Secretary is authorized to enter into contracts for annual contributions aggregating not more than \$1,524,000,000 per annum, which limit shall be increased by \$965,000,000 on July 1, 1974, by \$662,300,000 on July 1, 1975, and by \$850,000,000 on October 1, 1976, except that the additional authority to enter into contracts for annual contributions provided on or after July 1, 1975, shall be effective only in such amounts as may be approved in appropriation Acts,"; and

(1)



(2) by inserting immediately after "on July 1, 1975," in the fourth sentence thereof the following: "and by not less than \$17,000,000 per annum on October 1, 1976."

(b) (1) Effective on October 1, 1976, the second and third sentences of section 5(c) of such Act are amended to read as follows: "Of the additional authority to enter into contracts for annual contributions provided on October 1, 1976, and approved in appropriation Acts, the Secretary shall (A) make available at least \$60,000,000 for the modernization of low-income housing projects, and (B) make available at least \$140,000,000 to assist in financing low-income housing projects for ownership by public housing agencies other than under section 8, of which not less than \$100,000,000 shall be available only for the purpose of financing the construction or substantial rehabilitation of low-income housing projects. The Secretary, in utilizing the additional authority to enter into contracts for annual contributions provided on October 1, 1976, shall administer the programs authorized by this Act to provide assistance for new, substantially rehabilitated, and existing units, to the maximum extent practicable and consistent with section 213(d) of the Housing and Community Development Act of 1974, in accordance with the goals of units of general local government for such types of housing as reflected in their housing assistance plans prepared pursuant to section 104(a)(4) of such Act."

(2) Effective on October 1, 1976, the fourth sentence of section 5(c) of such Act is amended by striking out "to the amount of contracts for annual contributions required to be entered into by the Secretary under the second sentence of this subsection".

(c) Section 9(c) of such Act is amended to read as follows:

"(c) There are authorized to be appropriated, for the purpose of providing annual contributions pursuant to this section not to exceed \$535,000,000 on or after July 1, 1975, not to exceed \$80,000,000 on or after July 1, 1976, and not to exceed \$576,000,000 on or after October 1, 1976."

(d) Sections 8(c)(4) of such Act is amended by striking out the period at the end thereof and inserting in lieu thereof the following: "and subject to the provisions of the following sentence, such payments may be made, in the case of a newly constructed or substantially rehabilitated project, after such sixty-day period in an amount equal to the debt service attributable to such an unoccupied dwelling unit for a period not to exceed one year, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. No such payment may be made after such sixty-day period (i) if the unoccupied unit is in a project insured under the National Housing Act, except pursuant to section 244 of such Act, or (ii) if the Secretary determines that the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project."

(e) Section 8(f) of such Act is amended by striking out "and" at the end of paragraph (4), by striking out the period at the end of paragraph (5) and inserting in lieu thereof "; and", and by adding the following new paragraph at the end thereof:

"(6) the term 'debt service' means the required payments for principal and interest made with respect to a mortgage secured by housing assisted under this Act."

(f) The third sentence of section 3(2) of such Act is amended by striking out the word "and" before "(C)" and inserting before the semicolon the following: "and (D) other single persons in circumstances described in regulations of the Secretary: *Provided*, That in no event shall more than 10 percent of the units under the jurisdiction of any public housing agency be occupied by single persons under this clause (D): *Provided further*, That in determining priority for admission to housing under this Act the Secretary shall give preference to those single persons who are elderly, handicapped, or displaced before those eligible under this clause (D)".

(g) Section 8(e)(1) of such Act is amended by inserting after "State or local agency" the following: "or the Farmers' Home Administration".

(h) Notwithstanding any other provision of law, the value of any assistance paid with respect to a dwelling unit under the United States Housing Act of 1937, the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, or title V of the Housing Act of 1949 may not be considered as income or a resource for the purpose of determining the eligibility of, or the amount of the benefits payable to, any person living in such unit for assistance under title XVI of the Social Security Act. This subsection shall become effective on October 1, 1976.

#### SECTION 235. HOMEOWNERSHIP PROGRAM

SEC. 3. (a) Section 235(m) of the National Housing Act is amended by striking out "June 30, 1976" and inserting in lieu thereof "September 30, 1977".

(b) The last proviso in section 235(b)(2) of such Act is amended by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and inserting in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000", respectively.

(c) Section 235(i)(3)(B) of such Act is amended by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and inserting in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000", respectively.

(d) Section 221(d)(2)(A) of such Act is amended—

(1) by striking out "\$21,600" and "\$25,200" in the matter preceding the first proviso and inserting in lieu thereof "\$25,000" and "\$29,000", respectively; and

(2) by striking out "\$25,200" and "\$28,800" in the second proviso and inserting in lieu thereof "\$29,000" and "\$33,000", respectively.

(e) Section 235(h)(2) of such Act is amended by striking out "80 per centum" wherever it appears and inserting in lieu thereof "95 per centum".

(f) (1) Section 235(a) of such Act is amended—

(A) by inserting "(1)" immediately after "(a)"; and

(B) by adding at the end thereof the following:

"(2) (A) Notwithstanding any other provision of this section, the Secretary is authorized to make periodic assistance payments under this section on behalf of families whose incomes do not exceed the max-

imum income limits prescribed pursuant to subsection (h) (2) of this section for the purpose of assisting such families in acquiring ownership of a mobile home consisting of two or more modules and a lot on which such mobile home is or will be situated, except that periodic assistance payments pursuant to this paragraph shall not be made with respect to more than 20 per centum of the total number of units with respect to which assistance is approved under this section after January 1, 1976. Assistance payments under this section pursuant to this paragraph shall be accomplished through payments on behalf of an owner of lower-income of a mobile home as described in the preceding sentence to the financial institution which makes the loan, advance of credit, or purchase of an obligation representing the loan or advance of credit to finance the purchase of the mobile home and the lot on which such mobile home is or will be situated, but only if insurance under section 2 of this Act covering such loan, advance of credit, or obligation has been granted to such institution.

“(B) Notwithstanding the provisions of subsection (c) of this section, assistance payments provided pursuant to this paragraph shall be in an amount not exceeding the lesser of—

“(i) the balance of the monthly payment for principal, interest, real and personal property taxes, insurance, and insurance premium chargeable under section 2 of this Act due under the loan or advance of credit remaining unpaid after applying 20 per centum of the mobile homeowner’s income; or

“(ii) the difference between the amount of the monthly payment for principal, interest, and insurance premium chargeable under section 2 of this Act which the mobile homeowner is obligated to pay under the loan or advance of credit and the monthly payment of principal and interest which the owner would be obligated to pay if the loan or advance of credit were to bear interest at a rate derived by subtracting from the interest rate applicable to such loan or advance of credit the interest rate differential between the maximum interest rate plus mortgage insurance premium applicable to mortgages insured under subsection (i) of this section at the time such loan or advance of credit is made and the interest rate which such mortgages are presumed, under regulations prescribed by the Secretary, to bear for purposes of subsection (c) (2) of this section.”

(2) Section 235(e) of such Act is amended by inserting “(a) (2) (B),” immediately before “(c)”.

#### SECTION 236 AMENDMENTS

SEC. 4. (a) Section 236(n) of the National Housing Act is amended by striking out “June 30, 1976” and inserting in lieu thereof “September 30, 1977”.

(b) Section 236(f) (2) of such Act is amended—

(1) by inserting “(including the amount allowed for utilities in the case of a project with separate utility metering)” immediately after “basic rentals” in the first sentence thereof and by striking out everything in such sentence which follows “of their income” and inserting in lieu thereof a period; and

(2) by inserting “(including the amount allowed for utilities in the case of a project with separate utility metering)” immediately after “rental payment” in the second sentence thereof and by striking out everything in such sentence which follows “tenant’s income” and inserting in lieu thereof a period.

#### FHA SUPPLEMENTAL LOANS FOR HOSPITALS

SEC. 5. Section 241(a) of the National Housing Act is amended—

(1) by inserting “, hospital,” immediately after “multifamily project” in the first sentence thereof;

(2) by inserting “, hospital,” immediately after “such project” in the material preceding the proviso in the second sentence thereof; and

(3) by inserting “, hospital,” immediately before “or a group practice facility” and immediately before “or facility” in the proviso in the second sentence thereof.

#### CO-INSURANCE

SEC. 6. (a) Section 244 of the National Housing Act is amended by inserting at the end thereof the following new subsection:

“(g) (1) Where the mortgagee is a public housing agency or an insured depository institution and the mortgage covers a multifamily housing project, the co-insurance contract may provide that the mortgagee assume (i) the full amount of any loss on the insured mortgage up to an amount equal to a fixed percentage of the outstanding principal balance of the mortgage at the time of claim for insurance benefits, or (ii) the full amount of any losses on insured mortgages in a portfolio of mortgages approved by the Secretary up to an amount equal to a fixed percentage of the outstanding principal balance of all mortgages in such portfolio at the time of claim for insurance benefits on a mortgage in the portfolio, plus a share of any loss in excess of the amount under clause (i) or (ii), whichever is applicable.

“(2) The second sentence of subsection (d) shall not apply to mortgages made to public housing agencies, but for purposes of such second sentence such mortgages shall not be counted in the aggregate principal amount of all mortgages insured under this title.

“(3) The Secretary may make loans, from the applicable insurance fund, to public housing agencies in connection with mortgages which have been insured pursuant to this subsection and which are in default.

“(4) The Secretary may insure and make a commitment to insure in connection with a co-insurance contract pursuant to this subsection (A) a mortgage on a project assisted under the second proviso in the first sentence of section 236(b) of this Act, and (B) a mortgage or advance on a mortgage made to a public housing agency on a project under construction which is not approved for insurance prior to construction.

“(5) As used in this subsection, the term ‘public housing agency’ has the same meaning as in section 3(6) of the United States Housing Act of 1937, and the term ‘insured depository institution’ means any savings bank, savings and loan association, commercial bank or other

such depository institution whose deposits are insured by the Federal Deposit Insurance Corporation, by the Federal Savings and Loan Insurance Corporation, or by an agency or instrumentality of a State.

"(6) Notwithstanding any other provision of this Act, the Secretary may include in the determination of replacement cost of a project to be covered by a mortgage made to a public housing agency and insured pursuant to this subsection, such reserves and development costs, not to exceed 5 per centum of the amount otherwise allowable, as may be established or authorized by the public housing agency consistent with such agency's procedures and underwriting standards."

(b) Section 244(a) of such Act is amended by adding the following new sentence at the end thereof: "A mortgagee which enters into a contract of co-insurance under this section shall not by reason of such contract, or its adherence to such contract or applicable regulations of the Secretary, including provisions relating to the retention of risks in the event of sale or assignment of a mortgage, be made subject to any State law regulating the business of insurance."

#### EXPERIMENTAL FINANCING

SEC. 7. Section 245 of the National Housing Act is amended by striking out "June 30, 1976" and inserting in lieu thereof "September 30, 1977".

#### MULTIFAMILY MORTGAGE LIMITS

SEC. 8. (a) The National Housing Act is amended by striking out "by not to exceed 75 per centum in any geographical area" where it appears in sections 207(c)(3), 213(b)(2), 220(d)(3)(B)(iii), 221(d)(3)(ii), 221(d)(4)(ii), 231(c)(2), and 234(e)(3) and inserting in lieu thereof in each such section "by not to exceed 50 per centum in any geographical area".

(b)(1)(A) Section 207(c)(3) of the National Housing Act is amended by striking out "\$13,000", "\$18,000", "\$21,500", "\$26,500", "\$30,000", and "\$3,250" in the matter preceding the first semicolon and inserting in lieu thereof "\$19,500", "\$21,600", "\$25,800", "\$31,800", "\$36,000", and "\$3,900", respectively.

(B) Section 207(c)(3) of such Act is further amended by striking out "\$15,000", "\$21,000", "\$25,750", "\$32,250", and "\$36,465" in the matter following the first semicolon and inserting in lieu thereof "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758", respectively.

(2)(A) Section 213(b)(2) of such Act is amended by striking out "\$13,000", "\$18,000", "\$21,500", "\$26,500", and "\$30,000" in the matter preceding the first proviso and inserting in lieu thereof "\$19,500", "\$21,600", "\$25,800", "\$31,800", and "\$36,000", respectively.

(B) Section 213(b)(2) of such Act is further amended by striking out "\$15,000", "\$21,000", "\$25,750", "\$32,250", and "\$36,465" in the first proviso and inserting in lieu thereof "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758", respectively.

(3)(A) Section 220(d)(3)(B)(iii) of such Act is amended by striking out "\$13,000", "\$18,000", "\$21,500", "\$26,500", and "\$30,000" in the matter preceding "except" where it first appears and inserting in lieu thereof "\$19,500", "\$21,600", "\$25,800", "\$31,800", and "\$36,000", respectively.

(B) Section 220(d)(3)(B)(iii) of such Act is further amended by striking out "\$15,000", "\$21,000", "\$25,750", "\$32,250", and "\$36,465" in the matter following "except" where it first appears and inserting in lieu thereof "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758", respectively.

(4) Section 221(d)(3)(ii) of such Act is amended—

(A) by striking out "\$11,240", "\$15,540", "\$18,630", "\$23,460", and "\$26,570" and inserting in lieu thereof "\$16,860", "\$18,648", "\$22,356", "\$28,152", and "\$31,884", respectively; and

(B) by striking out "\$13,120", "\$18,630", "\$22,080", "\$27,600", and "\$32,000" and inserting in lieu thereof "\$19,680", "\$22,356", "\$26,496", "\$33,120", and "\$38,400", respectively.

(5)(A) Section 221(d)(4)(ii) of such Act is amended by striking out "\$12,300", "\$17,188", "\$20,525", "\$24,700", and "\$29,038" in the matter preceding the first semicolon and inserting in lieu thereof "\$18,450", "\$20,625", "\$24,630", "\$29,640", and "\$34,846", respectively.

(B) Section 221(d)(4)(ii) of such Act is further amended by striking out "\$13,975", "\$20,025", "\$24,350", "\$31,500", and "\$34,578" in the matter following the first semicolon and inserting in lieu thereof "\$20,962", "\$24,030", "\$29,220", "\$37,800", and "\$41,494", respectively.

(6)(A) Section 231(c)(2) of such Act is amended by striking out "\$12,300", "\$17,188", "\$20,525", "\$24,700", and "\$29,038" in the matter preceding the first semicolon and inserting in lieu thereof "\$18,450", "\$20,625", "\$24,630", "\$29,640", and "\$34,846", respectively.

(B) Section 231(c)(2) of such Act is further amended by striking out "\$13,975", "\$20,025", "\$24,350", "\$31,500", and "\$34,578" in the matter following the first semicolon and inserting in lieu thereof "\$20,962", "\$24,030", "\$29,220", "\$37,800", and "\$41,494", respectively.

(7)(A) Section 234(c)(3) of such Act is amended by striking out "\$13,000", "\$18,000", "\$21,500", "\$26,500", and "\$30,000" in the matter preceding the first semicolon and inserting in lieu thereof "\$19,500", "\$21,600", "\$25,800", "\$31,800", and "\$36,000", respectively.

(B) Section 234(e)(3) of such Act is further amended by striking out "\$15,000", "\$21,000", "\$25,750", "\$32,250", and "\$36,465" in the matter following the first semicolon and inserting in lieu thereof "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758", respectively.

#### CORRECTION OF DEFECTS

SEC. 9. (a)(1) Section 518(b) of the National Housing Act is amended by striking out "not more than nineteen months after the date of enactment of the Housing and Community Development Act of 1974" in the first sentence thereof and inserting in lieu thereof "not more than four months after the date of enactment of the Housing Authorization Act of 1976".

(2) Section 518(b) of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: "Expenditures pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for."

(b) Section 518 of the National Housing Act is amended by adding at the end thereof the following new subsections:

“(d) The Secretary is authorized to make expenditures to correct or to reimburse the owner for the correction of structural or other major defects which so seriously affect use and liveability as to create a serious danger to the life or safety of inhabitants of any one-, two-, three-, or four-family dwelling which is more than one year old on the date of issuance of the insurance commitment, is located in an older, declining urban area, and is covered by a mortgage insured under section 203 or 221 on or after January 1, 1973, but prior to the date of enactment of this subsection of (1) the owner requests assistance from the Secretary not more than one year after the date of enactment of this subsection, and (2) the defect is one that existed on the date of the issuance of the insurance commitment and is one that a proper inspection could reasonably have been expected to have disclosed. The Secretary may require from the seller of any such dwelling an agreement to reimburse him for any payments made pursuant to this subsection with respect to such dwelling. Expenditures pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for.

“(e) The Secretary of Housing and Urban Development is authorized and directed to conduct a full and complete investigation and study and report to Congress, with recommendations, not later than March 1, 1977, with respect to an effective program for protecting home buyers from hidden or undisclosed defects seriously affecting the use and livability of the home, which would be applicable to existing homes financed with mortgages insured under this Act. In the study and report the Secretary shall particularly investigate the need for, cost and feasible structure of, a national home inspection and warranty program, with respect to such homes, to be operated by the Federal Government out of fees assessed on the home buyer and amortized over a period of two years. The Secretary's report shall also present an analysis of alternative Federal programs to meet these needs, and the cost and means of financing such programs. In the report the Secretary shall also outline administrative steps which can be taken to provide disclosure to purchasers of existing homes financed with mortgages insured under this Act of the actual condition of the home and the types of repairs or replacements likely to be needed within a period of two years, such as repairs or replacement of furnace, roof or major appliances, based on age and useful life expectancy of such appurtenances.”

#### GENERAL INSURANCE FUND AUTHORIZATION

SEC. 10. Section 519 of the National Housing Act is amended by adding at the end thereof the following new subsection:

“(f) There are authorized to be appropriated to cover losses sustained by the General Insurance Fund not to exceed \$500,000,000.”

#### HOUSING FOR THE ELDERLY

SEC. 11. (a) Section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended—

(1) by striking out “\$800,000,000” in the first sentence and inserting in lieu thereof “\$1,475,000,000, which amount shall be increased to \$2,387,500,000 on October 1, 1977, and to \$3,300,000,000 on October 1, 1978”; and

(2) by inserting the following new sentence at the end thereof: “The Secretary may not issue notes or other obligations to the Secretary of the Treasury pursuant to this section in an aggregate amount exceeding \$800,000,000 except as approved in appropriation Acts.”

(b) Section 202(d)(4) of such Act is amended by adding the following new sentence at the end thereof: “Notwithstanding the preceding provisions of this paragraph, the term ‘elderly or handicapped families’ includes two or more elderly or handicapped persons living together, one or more such persons living with another person who is determined (under regulations prescribed by the Secretary) to be essential to their care or well-being, and the surviving member or members of any family described in the first sentence of this paragraph who were living, in a unit assisted under this section, with the deceased member of the family at the time of his or her death.”

(c) (1) Section 202(a)(3) of such Act is amended by striking out “current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans” and inserting in lieu thereof the following: “average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding the date on which the loan is made”.

(2) The second sentence of section 202(a)(4)(B)(i) of such Act is amended by striking out “the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations”, and inserting in lieu thereof the following: “the average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding the date on which the loan is made”.

#### REHABILITATION LOAN PROGRAM

SEC. 12. (a) Section 312(d) of the Housing Act of 1964 is amended—

(1) by striking out “and not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975” and inserting in lieu thereof “not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975, and not to exceed \$100,000,000 for the fiscal year beginning on October 1, 1976”; and

(2) by adding at the end thereof the following new sentence: “The amount of commitments to make loans pursuant to this section entered into after August 22, 1976, shall not exceed amounts approved in appropriation Acts.”

(b) Section 312(h) of such Act is amended to read as follows:  
 “(h) No loan shall be made under this section after September 30, 1977, except pursuant to a contract, commitment, or other obligation entered into pursuant to this section prior to October 1, 1977.”

#### EMERGENCY HOUSING

SEC. 13. (a) Section 109(b) of the Emergency Homeowners' Relief Act is amended by striking out “June 30, 1976” and inserting in lieu thereof “September 30, 1977”.

(b) The first sentence of section 110 (a) of such Act is amended—  
 (1) by striking out “Until one year from the date of enactment of this title, each” and inserting in lieu thereof “Each”;

(2) by inserting “prior to October 1, 1977,” immediately after “(1)”;

(3) by inserting “until one year from the date of enactment of this title,” immediately after “(2)”.

(c) Section 111 of such Act is amended by striking out “July 1, 1976” and inserting in lieu thereof “October 1, 1977”.

(d) Section 3(b) of the Emergency Home Purchase Assistance Act of 1974 is amended by striking out “July 1, 1976” and inserting in lieu thereof “October 1, 1977”.

(e) (1) Section 313(b) of the National Housing Act is amended by striking out the period at the end thereof and inserting in lieu thereof “; and”, and by inserting the following at the end thereof:

“(D) such mortgage involves a principal residence the sales price of which does not exceed \$48,000 (\$52,000 in high-cost areas as determined by the Secretary) per family residence or dwelling unit, except that such sales price in Alaska, Hawaii, and Guam may not exceed \$65,000.”

(2) The amendment made by paragraph (1) shall apply only with respect to mortgages purchased pursuant to commitments made after the date of the enactment of this Act.

#### FLOOD INSURANCE

SEC. 14. (a) Section 202(b) of the Flood Disaster Protection Act of 1973 is amended by striking out all that follows “shall not apply to” and inserting in lieu thereof the following: “(1) any loan made to finance the acquisition of a residential dwelling occupied as a residence prior to March 1, 1976, or one year following identification of the area within which such dwelling is located as an area containing special flood hazards, whichever is later, or made to extend, renew, or increase the financing or refinancing in connection with such a dwelling, (2) any loan, which does not exceed an amount prescribed by the Secretary, to finance the acquisition of a building or structure completed and occupied by a small business concern, as defined by the Secretary, prior to January 1, 1976, (3) any loan or loans, which in the aggregate do not exceed \$5,000, to finance improvements to or rehabilitation of a building or structure occupied as a residence prior to January 1, 1976, or (4) any loan or loans, which in the aggregate do not exceed an amount prescribed by the Secretary, to finance non-residential additions or improvements to be used solely for agricultural purposes on a farm.”

(b) Section 1336(a) of the National Flood Insurance Act of 1968 is amended by striking out “December 31, 1976” and inserting in lieu thereof “September 30, 1977”.

(c) Section 1376 of the National Flood Insurance Act of 1968 is amended by adding at the end thereof the following new subsection:

“(c) There are authorized to be appropriated for studies under this title not to exceed \$100,000,000 for the fiscal year 1977.”

#### COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

SEC. 15. (a) Section 103(a)(2) of the Housing and Community Development Act of 1974 is amended by inserting “, and \$200,000,000 for the fiscal year 1977, not more than 50 per centum of which amount may be used under section 106(d) (1),” immediately after “1976”.

(b) Paragraph (2) of section 105(a) of such Act is amended by inserting immediately after “neighborhood facilities,” the following: “centers for the handicapped.”

(c) Section 107(a)(1) of such Act is amended by inserting the following immediately before the semicolon at the end thereof: “or in behalf of new community projects assisted under title X of the National Housing Act which meet the eligibility standards set forth in title VII of the Housing and Urban Development Act of 1970 and which were the subject of an application or preapplication under such title prior to January 14, 1975”.

(d) Section 116 of such Act is amended by adding at the end thereof the following new subsection:

“(h) In the event that the total amount available for distribution in fiscal year 1977 in metropolitan areas is insufficient to meet all basic grant and hold harmless entitlement needs, as provided by section 106(a), and funds are not otherwise appropriated to meet such deficiency, the Secretary shall meet the deficiency, first, from amounts available for use under section 107 and, if such amounts are exhausted, through a ratable reduction of all entitlements under section 106(a).”

#### COMPREHENSIVE PLANNING

SEC. 16. (a) The first sentence of section 701(e) of the Housing Act of 1954 is amended by striking out “and not to exceed \$150,000,000 for the fiscal year 1976” and inserting in lieu thereof “not to exceed \$150,000,000 for the fiscal year 1976, and not to exceed \$100,000,000 for the fiscal year 1977”.

(b) No eligible recipient under section 701 of the Housing Act of 1954 may be excluded from qualifying for funds under such section solely on the basis of participation or nonparticipation under such section prior to fiscal year 1977.

#### CONFIRMATION OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION PRESIDENT

SEC. 17. (a) The National Housing Act is amended by striking out the third sentence of section 308(a) and inserting in lieu thereof the following: “There is hereby established in the Department of Housing and Urban Development the position of President, Government National Mortgage Association, who shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary shall select and effect the appointment of qualified persons to fill the



offices of vice president, and such other offices as may be provided for in the bylaws. Persons appointed under the preceding sentence shall perform such executive functions, powers, and duties as may be prescribed by the bylaws or by the Secretary, and such persons shall be executive officers of the Association and shall discharge all such executive functions, powers, and duties.”

(b) Section 309(d) of such Act is amended by striking out the word “The” immediately preceding “Secretary” in the first sentence and inserting in lieu thereof “Subject to the provisions of section 308(a), the”.

(c) Section 5315 of title 5, United States Code, is amended by adding at the ending thereof the following new paragraph:

“(108) President, Government National Mortgage Association, Department of Housing and Urban Development.”

(d) Section 7(c) of the Department of Housing and Urban Development Act is amended by striking out “seven” in the proviso and substituting in lieu thereof “six”.

(e) Notwithstanding the amendment made by subsection (a), the rights, powers, and duties of the position of President, Government National Mortgage Association, as in effect on the day preceding the date of enactment of this Act shall remain in effect until the position established hereunder has been filled in accordance with the terms of this Act.

#### SPECIAL ASSISTANT FOR COOPERATIVE HOUSING

SEC. 18. The first sentence of section 102(h) of the Housing Amendments of 1955 is amended—

(1) by inserting after “section 221(d)(3)” a comma and the following: “section 235, section 236, section 241, section 243, section 246, and section 203(n)”;

(2) by inserting after “Housing and Urban Development Act of 1965” the following: “or section 8 of the United States Housing Act of 1937”; and

(3) by inserting before the period the following: “and Assistant Secretary for Housing Management”.

#### NEW COMMUNITIES

SEC. 19. Section 720(a) of the Housing and Urban Development Act of 1970 is amended by striking out “June 30, 1975” and inserting in lieu thereof “October 1, 1977”.

#### URBAN HOMESTEADING

SEC. 20. Section 810(g) of the Housing and Community Development Act of 1974 is amended by striking out “and not to exceed \$5,000,000 for the fiscal year 1976” and inserting in lieu thereof “not to exceed \$6,250,000 for the fiscal year 1976, and for the transition quarter, not to exceed \$5,000,000 for fiscal year 1977, and not to exceed \$5,000,000 for the fiscal year 1978”.

#### DAY CARE

SEC. 21. Section 7 of the Department of Housing and Urban Development Act is amended by adding at the end thereof the following new subsection:

“(n) Notwithstanding any other provision of law, the Secretary is authorized by contract or otherwise to establish, equip and operate a day care center facility for the purpose of serving children who are members of households of employees of the Department. The Secretary is authorized to establish or provide for the establishment of appropriate fees and charges to be chargeable against the Department of Housing and Urban Development employees or others who are beneficiaries of services provided by such a day care center.”

#### HOME OWNER'S LOAN ACT

SEC. 22. The twelfth undesignated paragraph of section 5(c) of the Home Owner's Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding in the first sentence, immediately after the words “made pursuant to either of such sections” and before the period the following language: “and in the share capital and capital reserve of the Inter-American Savings and Loan Bank”.

#### RESEARCH AUTHORIZATION

SEC. 23. (a) Section 501 of the Housing and Urban Development Act of 1970 is amended by striking out the second sentence and inserting in lieu thereof the following: “There are authorized to be appropriated for activities under this title not to exceed \$65,000,000 for the fiscal year 1977.”

(b) Section 504(b) of such Act is amended by striking out the first, third, and fourth sentences.

(c) Section 502(f) of such Act is amended by striking out the period at the end of the second sentence and inserting in lieu thereof the following: “and such departments and agencies are hereby authorized to execute such contracts and grants.”

#### NATIONAL INSTITUTE OF BUILDING SCIENCES

SEC. 24. Section 809(h) of the Housing and Community Development Act of 1974 is amended by inserting “, and \$5,000,000 for each of the fiscal years 1977 and 1978” immediately after “fiscal year 1976”.

#### RURAL HOUSING

SEC. 25. (a) Section 521(a)(1) of the Housing Act of 1949 is amended by striking out “rate determined annually by the Secretary of the Treasury” and inserting in lieu thereof “rate determined by the Secretary of the Treasury upon the request of the Secretary”.

(b) Section 520(3)(B) of such Act is amended by inserting “for lower and moderate-income families” immediately after “has a serious lack of mortgage credit”.

(c) Section 510 of such Act is amended by redesignating subsections (f) and (g) as subsections (h) and (i), respectively, and by inserting the following new subsections immediately after subsection (e):

“(f) continue processing as expeditiously as possible applications on hand received prior to the time an area has been determined by the Secretary not to be ‘rural’ or a ‘rural area’, as those

terms are defined in section 520, and make loans or grants to such applicants who are found to be eligible on the same basis as though the area were still rural;

“(g) notwithstanding that an area ceases, or has ceased, to be ‘rural’, in a ‘rural area’, or an eligible area, make assistance under this title available in connection with transfers and assumptions of property securing any loan made, insured, or held by the Secretary or in connection with any property held by the Secretary under this title on the same basis as though the area were still rural;”.

#### COUNSELING

SEC. 26. Title V of the Housing and Urban Development Act of 1970 is amended by adding at the end thereof the following new section:

#### “COUNSELING TO MORTGAGORS

“SEC. 508. (a) In carrying out activities under section 501, the Secretary is directed to undertake programs of studies and demonstrations within at least three standard metropolitan statistical areas to determine the extent of need for and cost effectiveness of providing pre-purchase, default and delinquency counseling and related services to owners and purchasers of single-family dwellings insured or to be insured under the unsubsidized mortgage insurance programs of the National Housing Act.

“(b) Within one year from enactment of this section, the Secretary shall submit an interim report to the Congress with respect to the progress made under such studies and demonstrations, including an estimate as to the date when a final report on the results of such demonstrations will be made available to the Congress.”.

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the Senate bill and agree to the same.

HENRY S. REUSS,  
THOMAS L. ASHLEY,  
LEONOR K. SULLIVAN,  
WILLIAM S. MOORHEAD,  
ROBERT G. STEPHENS, Jr.,  
FERNAND J. ST GERMAIN,  
HENRY GONZALEZ,  
PARREN J. MITCHELL,  
JERRY M. PATTERSON,  
JOHN J. LaFALCE,  
LES AU COIN,

*Managers on the Part of the House.*

WILLIAM PROXMIRE,  
JOHN SPARKMAN,  
HARRISON A. WILLIAMS, Jr.,  
ALAN CRANSTON,  
ADLAI E. STEVENSON,

*Managers on the Part of the Senate.*

## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3295) to extend the authorization for annual contributions under the United States Housing Act of 1937, to extend certain housing programs under the National Housing Act, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The House amendment to the text of the bill struck out all of the Senate bill after the enacting clause and inserted a substitute text.

The Senate recedes from its disagreement to the amendment of the House with an amendment which is a substitute for the Senate bill and the House amendment. The differences between the Senate bill, the House amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

### HOUSING ASSISTANCE AUTHORIZATIONS

#### *General*

The Senate bill authorized \$696,000,000 in additional contract authority on October 1, 1976, for the public housing and section 8 programs. The House amendment authorized \$850,000,000. The conference report contains the House provision.

#### *Mix of new, rehabilitated, and existing units*

The Senate bill required the Secretary of HUD to make at least \$465,000,000 of the additional contract authority provided on October 1, 1976, available only for newly constructed and substantially rehabilitated housing units.

The House amendment did not specify a minimum level of funding for new and rehabilitated units under the public housing and section 8 programs. Thus, the House amendment did not alter the requirements of existing law that the proportion of new, rehabilitated, and existing units assisted be determined in accordance with approved housing assistance plans in those communities which submitted such plans. Section 104(a)(4) of the Housing and Community Development Act of 1974 requires each community, as a prerequisite to receiving a community development block grant, to prepare a housing assistance plan which assesses the housing assistance needs of lower-income persons and specifies an annual target for meeting those needs. With respect to the latter, section 104(a)(4)(B) of the 1974 Act requires the com-

munity to "specify a realistic annual goal for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units. . . ."

In order to ensure that the proportion of new, rehabilitated, and existing units specified in a housing assistance plan would be followed, section 213(a) of the 1974 Act gave each community with an approved housing assistance plan a veto, in effect, of applications for housing assistance which were inconsistent with the community's housing plan.

The conferees on the 1974 Act expected that the Secretary of HUD would take the appropriate steps to assure fulfillment of the intent of Congress that local communities, not the Federal Government, determine the mix of new and existing units. The importance of this objective is clearly recognized in the comments in the House committee report (Report No. 93-1114) on section 104:

The requirement that housing assistance plans specify the relative proportion of new, rehabilitated, and existing dwelling units to be assisted in the community introduces a much-needed flexibility in the provision of Federal housing assistance. These determinations would govern the use of housing assistance funds allocated to communities under title II of the bill. Communities with an ample supply of housing but with many older run-down units may wish to concentrate a substantial portion of their funds on rehabilitating and repairing the older units. Other communities, with expanding populations and vacant lands, may well allocate most of their funds toward the construction of new units. The committee believes this opportunity for communities to make such judgments is an extremely important innovation in Federal housing policy. (Page 7.)

Again the House committee report, in commenting on the allocation of housing assistance funds by HUD clearly states the same objectives:

The committee intends that the Secretary will allocate funds under all HUD housing programs which are funded and intended to be operative by the Congress. The proportion of such funds to be utilized with respect to each of the categories of newly constructed, substantially rehabilitated, or existing housing will be determined, of course, by local government through their housing assistance plans. (Page 23.)

Unfortunately, the Secretary of HUD has avoided carrying out the terms and intent of the 1974 Act by putting pressure on communities to stress existing housing over new and rehabilitated housing, by disregarding the contents of housing assistance plans in allocating housing assistance, by establishing national and area targets for the number of assisted new, rehabilitated, and existing units which bore no relationship to the contents of housing assistance plans, by failing to use the traditional public housing program to provide needed new housing units, and by structuring and administering the section 8 program in a way to make it a virtual nullity as a useful tool to assist newly constructed and rehabilitated units.

The conferees felt that the Senate bill, in mandating a minimum level of new construction, was an inappropriate response to HUD's

failure to carry out the 1974 Act provisions since it merely substituted a Congressional determination of housing mix for an executive determination. In either case the framework of the 1974 Act's reliance on local determination would be violated. The conference report accordingly reiterates the existing requirement that housing funds be allocated for new, rehabilitated, and existing units in communities with housing assistance plans in accordance with the goals specified in their housing assistance plans, to the maximum extent practicable and consistent with section 213(d) of the 1974 Act. This provision could be applied by HUD within areas as large as housing market areas.

With respect to the approval or disapproval of housing assistance plans as part of community development block grant applications, the Secretary of HUD would continue to have the same authority pursuant to section 104(c) of the Housing and Community Development Act of 1974 which the Secretary currently has.

Again, the conferees recognize that the success of the local determination policy contained in the conference report will depend on the performance of HUD in implementing that policy. The conferees have identified several abuses by HUD over the past 18 months but by no means should those which are identified here be considered as exhaustive.

The practice by HUD of establishing national targets for the number of assisted new, rehabilitated, and existing units is inconsistent with local determination of housing mix. These national targets have been translated into areawide targets. As a result, communities which have provided for new construction in their housing assistance plans and have sponsors interested in developing that housing have been required by HUD to accept existing housing units instead because the area's *target* for new construction have been reached.

It is apparent to the conferees that HUD is quite aware of the conflict between HUD targets and the contents of local housing assistance plans because it has attempted to pressure communities into preparing housing assistance plans which more nearly conform to HUD's targets for the mix of new and existing housing. The following letter from a HUD official is but one example:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,  
PHILADELPHIA AREA OFFICE,  
*Philadelphia, Pa., February 23, 1976.*

To: All community development block grant applicants.  
Subject: Section 8 Housing and CDBG applications.

For the foreseeable future, it appears that developers and state agencies will continue having difficulties in obtaining needed financing for Section 8 New Construction. We at HUD are concerned that communities and HUD work together to make maximum use of communities' existing housing stock—a priority of both HUD and the Congress.

When you are preparing your Second Year Housing Assistance Plan, therefore I urge you to seriously consider emphasizing the Section 8 Existing program—rather than New Construction or Substantial Rehabilitation in your three year goal. The Section 8 Existing program can be used either as a "finders keepers" program in which



households find and move into units meeting Housing Quality Standards or as an "in place" program to subsidize households living in units meeting Housing Quality Standards but now paying an excess of their incomes for rent. Either method can meet the housing needs of many elderly households and families.

In addition, I would like to encourage you to further consider the use of CDBG rehabilitation and code enforcement activities, rather than the use of CDBG funds for acquisition of sites for subsidized housing. In general, Section 8 New Construction projects do not require a financial write down in land costs or site improvements. Given limited resources at local and federal levels, you should utilize your CDBG dollars in other ways which still address your pressing housing and community development needs.

You should be prepared for a wait of perhaps three to five years for new Section 8 units to become available.

I recognize, of course, that not all communities can effectively utilize a Section 8 Existing Program. In addition, extraordinary local conditions may determine that Section 8 New Construction is the only strategy which addresses local housing needs and that CDBG monies should be spent for advance site acquisition and preparation. You should be aware, however, that all Section 8 sites must meet specified site and neighborhood criteria and that CDBG approval by HUD does not necessarily imply HUD approval of the cleared site for Section 8 units.

In general, I strongly urge you to consider the thrust of this message—to conserve the existing housing stock—in your housing planning for your CDBG application.

Sincerely,

PAUL T. CAIN,  
Area Director.

The reference in the above letter to the difficulties in developing new housing units under section 8 points up another aspect of HUD's performance. The conferees, in fashioning the 1974 Act, did not believe they were providing for a housing program for lower-income persons which was cyclical in nature, and which therefore could not produce housing when interest rates were high and when financing for multi-family units was generally tight. The unwavering housing policy of the Congress has been to provide programs and funds to produce a high volume of units for lower-income persons regardless of market conditions. When the new section 8 program was authorized in 1974, the conferees made clear that should HUD emphasize this program and should it not produce units in a timely manner, other programs, such as public housing and section 236, should be utilized.

Not only has HUD kept all its eggs in the section 8 basket, it has made that program, through numerous policies and administrative directives unattractive for the development of new and substantially rehabilitated housing units. One of the major HUD-imposed stumbling blocks to section 8 development has been the contract rent ceilings determined by HUD on the basis of "comparable" rents being charged in the community in existing rental projects. The conferees wish to reaffirm the statements in the House and Senate committee reports which direct HUD to establish contract rents which result in sound development rather than non-development. The conferees expect

that in the future HUD will not discourage the development of new and rehabilitated section 8 projects because market or other conditions make unassisted apartment development unattractive.

#### *Public housing*

The Senate bill required that at least \$200,000,000 of the new contract authority provided on October 1, 1976, be used under the traditional public housing program for newly constructed and substantially rehabilitated low-income projects. The House amendment left to the discretion of HUD the relative allocation of the new authority as between section 8 projects and traditional public housing projects, and also left open the relative use of funds to finance the development of new public housing projects and the acquisition of existing units.

The conference report directs HUD to allocate at least \$140,000,000 in contract authority for traditional public housing, at least \$100,000,000 of which must be used for the provision of additional new or rehabilitated low-income projects. Thus, the conference report both reduces the size of the public housing set-aside contained in the Senate bill and moves closer to the House provision which provided greater discretion in the use of the additional contract authority.

#### *Indian housing*

The Senate bill required that at least \$17,500,000 in contract authority be made available on July 1, 1976, for public housing for members of Indian tribes. The House amendment required that at least \$17,000,000 of the additional contract authority provided on October 1, 1976, be made available for public housing for members of Indian tribes. The conference report contains the House provision.

#### *Public housing modernization*

The Senate bill required that at least \$60,000,000 of the additional contract authority provided on October 1, 1976, be made available for the modernization of existing public housing projects. The House amendment contained no similar provision. The conference report contains the Senate provision.

#### *Public housing operating subsidies*

The Senate bill authorized \$576,000,000 for fiscal year 1977, and the House amendment authorized \$575,000,000 for grants to public housing authorities to meet deficits arising because operating costs exceed rental incomes. The conference report contains the Senate provision.

The conferees note that HUD testified that, in calculating the need for \$576 million in operating subsidies, the Department has presumed implementation of a revised and improved Performance Funding Formula developed for HUD by the Urban Institute. The conferees expect the Department to implement this revised formula as soon as possible and to report its progress to both committees within 30 days.

#### *Outstanding appropriations*

The Senate bill contained a provision, not in the House amendment, which required that any appropriations for public housing and section 8 available after October 1, 1976, be used for new construction and rehabilitation and for public housing in the same ratio as the additional authority provided on October 1, 1976, was required to be used. The conference report does not contain the Senate provision.

## ELIGIBILITY FOR TRADITIONAL PUBLIC HOUSING AND SECTION 8

The Senate bill contained a provision, not in the House amendment, which makes single non-elderly persons eligible for occupancy of public housing and section 8 units in up to 10 percent of a public housing agency's units, provided that single persons who are elderly, handicapped or displaced get preference for admission. The conference report contains the Senate provisions. The conferees expect the Secretary of HUD to limit the applicability of this provision to situations involving the rehabilitation of an existing structure, the conversion of an existing project to a public housing or section 8 project, the filling of vacant efficiencies which are not appropriate for occupancy by elderly or handicapped, and any other similar situation where it would be appropriate for single persons to receive assistance.

### DEFINITION OF ASSISTANCE PAYMENTS AS INCOME

The Senate bill contained a provision which provided that subsidies under the public housing or section 8 programs would not be considered as income in determining eligibility for, or the amount of assistance under, the Social Security Act or any other federal law. The House amendment contained a similar provision, but applicable to supplemental security income payments of beneficiaries of assistance payments under any federal housing program. The House amendment also contained a provision, not in the Senate bill, which excluded social security increases occurring after May 1976 from the income of occupants of subsidized housing units for purposes of determining the rentals to be paid by such occupants. The conference report contains the House provision only with respect to the exclusion of housing assistance payments in the determination of supplemental security income payments.

### CONTRACTS FOR SECTION 8 PAYMENTS IN FARMERS HOME PROJECTS

The Senate bill contained a provision, not in the House amendment, which authorized section 8 housing assistance contracts of up to 40 years in cases of projects financed by the Farmers' Home Administration. The conference report contains the Senate provision.

### PAYMENTS WITH RESPECT TO VACANT SECTION 8 UNITS

The House amendment contained a provision, not in the Senate bill, which authorizes the Secretary of HUD to make section 8 payments with respect to vacant units beyond the current 60-day period, but only for up to 12 months in the amount of the debt service attributable to the unit, and subject to other limitations. The conference report contains the House provision.

### ASSISTANCE PAYMENTS TO FHA PROJECTS

The Senate bill contained a provision, not in the House amendment, which authorized \$154,000,000 to provide section 8-type assistance payments with respect to FHA-insured projects threatened with foreclo-

sure, or where the projects are currently owned by HUD or subject to mortgages held by HUD. The conference report does not contain the Senate provision. Instead the conferees direct that any assistance provided by HUD for this purpose will be made available from the \$850,000,000 in additional contract authority provided by the conference report on October 1, 1976, for the public housing and section 8 programs, but only to the extent, in any community with an approved housing assistance plan, that the community has provided for such use in its housing assistance plan or has otherwise given its approval for such use. The conferees intend that the local communities with housing assistance plans, not HUD, will identify the projects for which such assistance could be made available.

### SECTION 235. HOMEOWNERSHIP ASSISTANCE

The Senate bill contained a provision not in the House amendment increasing the contract authority for section 235 by \$200 million. The conference report does not contain the Senate provision.

The Senate bill contained a provision not in the House amendment which would require that the mortgage insurance premium under section 235 not exceed the premium under 203(b). The conference report does not contain this provision.

The House amendment contained a provision not in the Senate bill which would raise the income limit for eligibility for section 235 assistance from 80 percent of median to 95 percent of median. The conference report contains the House provision.

Both the House amendment and the Senate bill contained provisions increasing the mortgage limits for section 235. The conference report contains the House provision which increased the mortgage limits for families with less than 5 persons from \$21,600 to \$25,000 (and from \$25,200 to \$29,000 in high-cost areas) and for families with five or more persons from \$25,200 to \$29,000 (and from \$28,800 to \$33,000 in high-cost areas).

### SECTION 236. RENTAL ASSISTANCE

The Senate bill contained a provision not in the House amendment extending the section 236 program to September 30, 1977. The conference report contains this provision.

The House amendment contained a provision not in the Senate bill stipulating that, in 236 projects with separate utility metering, an amount allowed for utility costs should be included in determining whether a tenant is paying 25 percent of income toward rent. The conference report contains this provision. The conferees expressed their intent, however, that the management of these projects should strongly discourage tenants from the over-use of utilities, and should work to promote energy conservation in the project.

### FHA MORTGAGE LIMITS IN MULTIFAMILY HOUSING

The Senate bill increased the mortgage limits for FHA insured mortgages on multifamily housing by 50 percent for 0 bedroom units and 20 percent for 1 bedroom units. The House amendment provided

an across-the-board 20 percent increase in mortgage limits, but reduced the allowable high-cost area increment from 75 percent to 50 percent. The conference report contains the House provision modified to include the Senate provision with respect to 0 bedroom units.

#### FHA INSURANCE FUNDS

The Senate bill authorized the transfer of all insurance obligations for Section 221 projects from the general insurance fund to the special risk insurance fund. The House amendment authorized appropriations of \$500 million to cover general insurance fund losses. The conference report contains the House language.

#### FHA INSURANCE FOR MILITARY HOUSING

The House amendment contained a provision, not in the Senate bill, which authorized FHA mortgage insurance for military personnel and others in housing markets impacted by military installations. The provision permitted HUD to waive any requirement in the National Housing Act, including economic soundness requirements, but excluding labor standards, if inconsistent with the objectives of the section. The conference report does not contain this provision.

#### CO-INSURANCE

The Senate bill contained a provision increasing HUD's authority to allow flexibility in risk-sharing between HUD and any co-insuring lender. The House amendment allowed this increased flexibility only for multifamily projects where the co-insurer is a public housing agency or insured depository institution. The conference report contains the House language, with an amendment extending this flexibility to State-insured depository institutions.

The Senate bill contained a provision allowing HUD to make loans to mortgages with respect to co-insured projects in default. The House amendment contained a similar provision, but restricted these loans to projects co-insured by a public housing agency. The conference report contains the House language.

The Senate bill contained a provision not in the House amendment allowing HUD to charge a higher premium on loans co-insured by a public housing agency than on loans insured under regular FHA programs. The conference report deletes this provision. The conferees wish to make clear, however, that public housing agencies are not prohibited under section 244 from charging an additional premium of their own, over and above the premium charged by FHA.

The House amendment contained a provision, not in the Senate bill, allowing an increase of up to 5 percent in the HUD-determined replacement cost reserve for a project if such an increase is allowed by the co-insuring public housing agency. The conference report contains this provision.

The House amendment contained a provision not in the Senate bill exempting co-insured loans from state insurance regulation. The conference report contains this provision.

#### COMPENSATION FOR DEFECTS IN EXISTING FHA HOUSING

The Senate bill contained a provision not in the House bill extending the application deadline for requesting defect compensation under Section 518(b) of the National Housing Act (covering certain FHA Section 203 and 221 homes purchased between 1968 and 1973) until 4 months after enactment of the bill. The conference report contains this provision.

The Senate bill contained a provision not in the House bill creating an interim compensation program under Section 518(b) for homes purchased between 1973 and enactment and covered by mortgages insured under sections 203 and 221, allowing one year from the date of enactment to apply. The conference report contains this provision.

The Senate bill contained a provision not in the House bill creating a new, permanent defect compensation program for all 1-4 family existing housing purchased with FHA insured loans. This new program applied to all existing homes purchased with FHA-backed financing after the date of enactment. The conference report contains the Senate provision with an amendment directing a study and report by HUD, instead of a new permanent program at this time, of the need for and feasibility of an inspection, buyer information and warranty against defect program for all 1-4 family existing homes purchased with FHA-backed financing. The conferees urge the Secretary to expand the study required by this provision to include homes purchased under other financing methods. The provision of the conference report, however, is no more extensive than the limits of the program proposed by the Senate and applies only to 1-4 family existing dwellings purchased with FHA-insured loans.

The Senate bill contained a provision not in the House bill providing that the interim 1973-76 compensation program created by the bill would differ from the current Section 518(b) program in that it would not be restricted to older, declining urban areas and would use a more liberal definition of an eligible defect. The conference report does not contain this provision.

#### SECTION 202. LOANS FOR HOUSING FOR ELDERLY AND HANDICAPPED

The Senate bill contained a provision which would increase the borrowing authority for section 202 loans by \$2.5 billion on July 1, 1976. The House amendment would increase the authority from \$800 million to \$1.475 billion upon enactment, to \$2,387,500,000 on October 1, 1977, and to \$3.3 billion on October 1, 1978. The conference report contains the House provision.

The House amendment contained a provision not in the Senate bill which would require approval in appropriations acts of all borrowing authority under section 202 in excess of \$800 million. The conference report contains the House provision.

The Senate bill contained a provision not in the House amendment which would establish the interest rate on loans under section 202 on the basis of the average interest rate on all interest bearing obligations

of the United States forming a part of the public debt, to be computed at the end of the fiscal year preceding the date on which the loan is made. Under current law, the 202 interest rate is established on the basis of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans. The conference report contains the Senate provision.

The House amendment contained a provision not in the Senate bill which would delete statutory language excluding the receipts and disbursements of the section 202 fund from the Budget of the United States. The conference report does not contain the House provision. It is anticipated that the Congress will be receiving the recommendations of its Budget Committees on this subject in the near future in the light of which this issue should be carefully reconsidered.

The House amendment contained a provision not in the Senate bill which would change the definition of an eligible elderly family to include two or more persons living together, one such person and another providing care to the first, or a surviving member of the family who was living in the unit at the time another member died. The conference report contains the House provision.

The conferees are concerned that the comparability test used to determine contract rents for section 8 projects may provide an obstacle to the feasibility of 202 projects. There are simply no comparable units to the housing and related facilities contemplated by the Housing and Community Development Act of 1974. Therefore, the conferees direct HUD to use total development cost and the cost of the land in determining the section 8 contract rents for 202 projects.

#### SECTION 312. REHABILITATION LOANS

The Senate bill contained a provision increasing the authorization for Section 312 by \$150 million for July 1, 1976 to September 30, 1977. The House amendment contained authorization of \$100 million for fiscal year 1977. The conference report contains the House provision.

The Senate bill contained a provision not in the House amendment creating a two-tiered interest rate structure for Section 312 loans, continuing the current 3 percent rate for low-income borrowers and allowing HUD to set a higher rate, up to the Treasury borrowing rate plus administrative costs, for higher income borrowers. The conference report does not contain this Senate provision.

#### EMERGENCY HOMEOWNERS RELIEF ACT

The Senate bill contained a provision not in the House amendment extending until October 1, 1977, the current requirement that Federal supervisory agencies and HUD encourage forbearance in residential mortgage foreclosures and that mortgagees notify the supervisory agency and mortgagor 30 days before starting foreclosure proceedings. The conference report contains this provision, with an amendment deleting the 30-day reporting requirement.

The Senate bill contained a provision not in the House amendment extending until October 1, 1977, the current requirement that HUD report every 2 months on mortgage foreclosures, forbearance and delinquencies. The conference report contains the Senate provision.

#### PURCHASE PRICE LIMIT ON HOUSING WITH GNMA TANDEM MORTGAGES

Both the Senate bill and the House amendment provided for purchase price limits for housing acquired with GNMA tandem plan mortgages authorized under the Emergency Home Purchase Assistance Act. The Senate bill provided that the purchase price limit would be the median purchase price in the local market area. The House amendment set a purchase price limit of \$52,000 (\$68,750 in Alaska, Hawaii and Guam). The conference report sets the purchase price limit at \$48,000, with an increment to \$52,000 in high cost areas and \$65,000 in Alaska, Hawaii and Guam.

#### ELIGIBLE COMMUNITY DEVELOPMENT ACTIVITIES

The House amendment contains a provision not in the Senate bill which authorizes the use of community development block grant funds for the provision of centers for the handicapped. The conference report contains the House provision.

#### PARTICIPATION OF NEW COMMUNITY PROJECTS

The House amendment contains a provision not in the Senate bill which makes certain new community projects carried out under Title X of the National Housing Act eligible for discretionary fund assistance of the community development block grant program if such projects meet the same eligibility criteria as new community projects being carried out under Title VII of the 1970 housing act. The conference report contains the House provision.

#### SUPPLEMENTAL BLOCK GRANT UNEMPLOYMENT PROGRAM

The House amendment contains a provision not in the Senate bill authorizing a program of supplemental community development block grants in areas of high unemployment. The conference report does not contain this provision.

#### HUD RESEARCH AUTHORIZATION

The House amendment contains provisions not in the Senate bill which establish a \$65 million authorization level for HUD research activities for fiscal year 1977, delete the separate authorization for the housing allowance experiment, and allow certain delegations of contract authority to other Federal agencies. The conference report contains the House provision.

#### FARMERS HOME ADMINISTRATION

The House amendments contain provisions not in the Senate bill which (1) make the determination of the Treasury going rate (as the basis for the FmHA rate) upon request of the Secretary of Agriculture rather than annually and (2) permit FmHA to continue processing loan applications and other actions received before an area is redesignated from rural to non-rural. The conference report contains the House provision.

## NATIONAL INSTITUTE OF BUILDING SCIENCES

The House amendments contain a provision not in the Senate bill which authorizes \$5 million in each of fiscal years 1977 and 1978 as startup funding for the National Institute of Building Sciences. The conference report contains the House provisions.

## HUD COUNSELING TO MORTGAGORS

The House amendments contain a provision not in the Senate bill which would require HUD to carry out a study on the need for and the effectiveness of unsubsidized mortgagor counseling. The conference report contains the House provision.

## FLOOD INSURANCE

The Senate bill contained a provision not in the House amendment extending the emergency flood insurance program, which allows flood insurance in areas awaiting rate map studies, from December 31, 1976, to September 30, 1977. The conference report contains this provision.

The Senate bill contained a provision exempting from the program's lending sanctions under Section 202(b) loans for acquisition or refinancing for residences completed and occupied prior to January 1, 1976. The House amendment exempted loans for acquisition or refinancing of residences occupied before March 1, 1976, or within 1 year after designation of area as a flood hazard area, whichever is later. The conference report contains the House provision.

The Senate bill contained three other provisions not in the House amendment allowing exemptions from the program's Section 202(b) lending sanctions:

(1) Loans for improvement or rehabilitation up to \$10,000 for residences occupied before January 1, 1976. The conference report contains this Senate provision, with an amendment reducing the maximum loan to \$5,000. It is the intention of the conferees that such home improvement loans permitted by this provision could not be used for major additions to the property.

(2) Loans for acquisition of buildings occupied by small business concerns before January 1, 1976. The conference report contains this provision, with an amendment authorizing the Secretary of HUD to define small businesses for the purposes of this exemption and to establish the maximum loan amounts.

(3) Loans up to a HUD-determined amount for non-residential additions or improvements to a farm. The conference report contains this provision, with an amendment restricting the exemption to loans for additions and improvements to buildings that are to be used solely for agricultural purposes. It is the intention of the conferees in this provision to enable farmers to obtain financing in order to assist them in making necessary improvements for the non-residential agricultural structures on their farms.

The House amendment contained a provision not in the Senate bill authorizing \$100 million for fiscal year 1977 for flood insurance maps and surveys. The conference report contains this provision.

The Senate bill contained a provision not in the House amendment allowing communities not participating in the flood insurance program to receive certain Federal assistance for disasters not involving flooding. The conference report does not contain this provision.

## COMMUNITY DEVELOPMENT GRANT ALLOCATION

The Senate bill contained a provision not in the House amendment clarifying the priority of funding under the Community Development Act in the event that the funds available are insufficient to meet total entitlements specified in the Act. The conferees agreed to the Senate provision amended to establish that, in the event that the amount appropriated for block grants is insufficient to meet formula and hold harmless entitlements as specified in the law, the Secretary shall make proportional reductions in such entitlements. In adopting this amendment, the conferees intend to make clear that all entitled communities would absorb any shortage of funding in amounts proportional to their entitlements.

*Section 701. Comprehensive Planning*

The Senate bill contained a provision authorizing \$100 million for fiscal year 1977 for section 701 planning. The House amendment contained an authorization of \$75 million. The conference report contains the Senate provision.

The House amendment contained a provision not in the Senate bill prohibiting HUD from allocating section 701 assistance funds on the basis of an applicant's prior participation in the program. The conference report contains this House provision.

The conferees also expressed their intent that HUD administer the program in a manner consistent with the provisions of section 701(a) which permit assisted governments to engage private planning consultants where they deem such services appropriate.

*Confirmation of the Federal Insurance Administrator*

The Senate bill contained a provision not in the House amendment requiring that the FIA Administrator be appointed by the President and confirmed by the Senate, effective January 1, 1977. The conference report does not contain this provision.

*Confirmation of Government National Mortgage Association President*

The Senate bill contained a provision not in the House amendment requiring that the President of GNMA be appointed by the President and confirmed by the Senate. The conference report contains this provision.

*Special Assistant for Cooperative Housing*

The Senate bill contained a provision not in the House amendment updating the duties of the HUD Special Assistant for Cooperative Housing. The conference report contains this provision.

*Planning assistance for new communities*

The Senate bill contained a provision not in the House amendment extending the new community planning assistance program until October 1, 1977. The conference report contains this provision.

*Urban homesteading*

The Senate bill contained a provision not in the House amendment increasing the authorization for the HUD urban homesteading program to \$6.25 million for fiscal year 1976 and the transition quarter, and by \$5 million in both fiscal year 1977 and fiscal year 1978. The conference report contains this provision.

*HUD day care center*

The Senate bill contained a provision not in the House amendment authorizing HUD to operate a day-care facility for children of employees. The conference report contains this provision. The conferees direct that HUD provide no funds for the operation or equipment of the facility but merely prepare and provide the space for the facility, and initial equipment on a reimbursable basis.

*Inter-American Savings and Loan Bank*

The Senate bill contained a provision not in the House amendment which would allow Federal savings and loan associations to invest up to 1 percent of assets in the Inter-American Savings and Loan Bank without requiring that such investments be guaranteed by AID. The conference report contains this provision.

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## HOUSING ACT AMENDMENTS OF 1976

JUNE 22, 1976.—Ordered to be printed

Mr. REUSS, from the committee of conference,  
submitted the following

### CONFERENCE REPORT

[To accompany S. 3295]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3295) to extend the authorization for annual contributions under the United States Housing Act of 1937, to extend certain housing programs under the National Housing Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following:

#### SHORT TITLE

*SECTION 1. This Act may be cited as the "Housing Authorization Act of 1976".*

#### AMENDMENTS TO THE UNITED STATES HOUSING ACT OF 1937

*SEC. 2. (a) Section 5(c) of the United States Housing Act of 1937 is amended—*

*(1) by striking out the first sentence and inserting in lieu thereof the following new sentence: "The Secretary is authorized to enter into contracts for annual contributions aggregating not more than \$1,524,000,000 per annum, which limit shall be increased by \$965,000,000 on July 1, 1974, by \$662,300,000 on July 1, 1975, and by \$850,000,000 on October 1, 1976, except that the additional authority to enter into contracts for annual contributions provided on or after July 1, 1975, shall be effective only in such amounts as may be approved in appropriation Acts.";* and

*(2) by inserting immediately after "on July 1, 1975," in the fourth sentence thereof the following: "and by not less than \$17,000,000 per annum on October 1, 1976,".*



(b) (1) Effective on October 1, 1976, the second and third sentences of section 5(c) of such Act are amended to read as follows: "Of the additional authority to enter into contracts for annual contributions provided on October 1, 1976, and approved in appropriation Acts, the Secretary shall (A) make available at least \$60,000,000 for the modernization of low-income housing projects, and (B) make available at least \$140,000,000 to assist in financing low-income housing projects for ownership by public housing agencies other than under section 8, of which not less than \$100,000,000 shall be available only for the purpose of financing the construction or substantial rehabilitation of low-income housing projects. The Secretary shall, in utilizing the additional authority to enter into contracts for annual contributions provided on October 1, 1976, make assistance available under this Act as among newly constructed, substantially rehabilitated, and existing housing units in any community in the same proportion as is specified by that community with respect to assistance under this Act in its housing assistance plan pursuant to section 104(a)(4)(B) of the Housing and Community Development Act of 1974."

(2) Effective on October 1, 1976, the fourth sentence of section 5(c) of such Act is amended by striking out "to the amount of contracts for annual contributions required to be entered into by the Secretary under the second sentence of this subsection".

(c) Section 9(c) of such Act is amended to read as follows:

"(c) There are authorized to be appropriated, for the purpose of providing annual contributions pursuant to this section not to exceed \$535,000,000 on or after July 1, 1975, not to exceed \$80,000,000 on or after July 1, 1976, and not to exceed \$576,000,000 on or after October 1, 1976."

(d) Section 8(c)(4) of such Act is amended by striking out the period at the end thereof and inserting in lieu thereof the following: "and, subject to the provisions of the following sentence, such payments may be made, in the case of a newly constructed or substantially rehabilitated project, after such sixty-day period in an amount equal to the debt service attributable to such an unoccupied dwelling unit for a period not to exceed one year, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing. No such payment may be made after such sixty-day period (i) if the unoccupied unit is in a project insured under the National Housing Act, except pursuant to section 244 of such Act, or (ii) if the Secretary determines that the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project."

(e) Section 8(f) of such Act is amended by striking out "and" at the end of paragraph (4), by striking out the period at the end of paragraph (5) and inserting in lieu thereof "; and", and by adding the following new paragraph at the end thereof:

"(6) the term 'debt service' means the required payments for principal and interest made with respect to a mortgage secured by housing assisted under this Act."

(f) The third sentence of section 3(2) of such Act is amended by striking out the word "and" before "(C)" and inserting before the semicolon the following: "and (D) other single persons in circum-

stances described in regulations of the Secretary: Provided, That in no event shall more than 10 percent of the units under the jurisdiction of any public housing agency be occupied by single persons under this clause (D): Provided further, That in determining priority for admission to housing under this Act the Secretary shall give preference to those single persons who are elderly, handicapped, or displaced before those eligible under this clause (D)".

(g) Section 8(e)(1) of such Act is amended by inserting after "State or local agency" the following: "or the Farmers' Home Administration".

(h) Notwithstanding any other provision of law, the value of any assistance paid with respect to a dwelling unit under the United States Housing Act of 1937, the National Housing Act, section 101 of the Housing Act of 1949 may not be considered as income or a resource for the purpose of determining the eligibility of, or the amount of benefits payable to, any person living in such unit for assistance under title XVI of the Social Security Act. This subsection shall become effective on October 1, 1976.

#### SECTION 255 HOMEOWNERSHIP PROGRAM

SEC. 3. (a) Section 235(m) of the National Housing Act is amended by striking out "June 30, 1976" and inserting in lieu thereof "September 30, 1977".

(b) The last proviso in section 235(b)(2) of such Act is amended by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and "inserting in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000", respectively.

(c) Section 235(i)(3)(B) of such Act is amended by striking out "\$21,600", "\$25,200", "\$25,200", and "\$28,800" and inserting in lieu thereof "\$25,000", "\$29,000", "\$29,000", and "\$33,000", respectively.

(d) Section 221(d)(2)(A) of such Act is amended—

(1) by striking out "\$21,600" and "\$25,200" in the matter preceding the first proviso and inserting in lieu thereof "\$25,000" and "\$29,000", respectively; and

(2) by striking out "\$25,200" and "\$28,800" in the second proviso and inserting in lieu thereof "\$29,000" and "\$33,000", respectively.

(e) Section 235(h)(2) of such Act is amended by striking out "80 per centum" wherever it appears and inserting in lieu thereof "95 per centum".

(f) (1) Section 235(a) of such Act is amended—

(A) by inserting "(1)" immediately after "(a)"; and

(B) by adding at the end thereof the following:

"(2) (A) Notwithstanding any other provision of this section, the Secretary is authorized to make periodic assistance payments under this section on behalf of families whose incomes do not exceed the maximum income limits prescribed pursuant to subsection (h)(2) of this section for the purpose of assisting such families in acquiring ownership of a mobile home consisting of two or more modules and a lot on which such mobile home is or will be situated, except that periodic assistance payments pursuant to this paragraph shall not be made with respect to more than 20 per centum of the total number of units with respect to which assistance is approved under this section

after January 1, 1976. Assistance payments under this section pursuant to this paragraph shall be accomplished through payments on behalf of an owner of lower-income of a mobile home as described in the preceding sentence to the financial institution which makes the loan, advance of credit, or purchase of an obligation representing the loan or advance of credit to finance the purchase of the mobile home and the lot on which such mobile home is or will be situated, but only if insurance under section 2 of this Act covering such loan, advance of credit, or obligation has been granted to such institution.

“(B) Notwithstanding the provisions of subsection (c) of this section, assistance payments provided pursuant to this paragraph shall be in an amount not exceeding the lesser of—

“(i) the balance of the monthly payment for principal, interest, real and personal property taxes, insurance, and insurance premium chargeable under section 2 of this Act due under the loan or advance of credit remaining unpaid after applying 20 per centum of the mobile homeowner's income; or

“(ii) the difference between the amount of the monthly payment for principal, interest, and insurance premium chargeable under section 2 of this Act which the mobile homeowner is obligated to pay under the loan or advance of credit and the monthly payment of principal and interest which the owner would be obligated to pay if the loan or advance of credit were to bear interest at a rate derived by subtracting from the interest rate applicable to such loan or advance of credit the interest rate differential between the maximum interest rate plus mortgage insurance premium applicable to mortgages insured under subsection (i) of this section at the time such loan or advance of credit is made and the interest rate which such mortgages are presumed, under regulations prescribed by the Secretary, to bear for purposes of subsection (c) (2) of this section.”

(2) Section 235(e) of such Act is amended by inserting “(a) (2) (B),” immediately before “(c)”.

#### SECTION 236 AMENDMENTS

SEC. 4. (a) Section 236(n) of the National Housing Act is amended by striking out “June 30, 1976” and inserting in lieu thereof “September 30, 1977”.

(b) Section 236(f) (2) of such Act is amended—

(1) by inserting “(including the amount allowed for utilities in the case of a project with separate utility metering)” immediately after “basic rentals” in the first sentence thereof and by striking out everything in such sentence which follows “of their income” and inserting in lieu thereof a period; and

(2) by inserting “(including the amount allowed for utilities in the case of a project with separate utility metering)” immediately after “rental payment” in the second sentence thereof and by striking out everything in such sentence which follows “tenant's income” and inserting in lieu thereof a period.

#### FHA SUPPLEMENTAL LOANS FOR HOSPITALS

SEC. 5. Section 241(a) of the National Housing Act is amended—

(1) by inserting “, hospital,” immediately after “multifamily project” in the first sentence thereof;

(2) by inserting “, hospital,” immediately after “such project” in the material preceding the proviso in the second sentence thereof; and

(3) by inserting “, hospital,” immediately before “or a group practice facility” and immediately before “or facility” in the proviso in the second sentence thereof.

#### CO-INSURANCE

SEC. 6. (a) Section 244 of the National Housing Act is amended by inserting at the end thereof the following new subsection:

“(g) (1) Where the mortgagee is a public housing agency or an insured depository institution and the mortgage covers a multifamily housing project, the co-insurance contract may provide that the mortgagee assume (i) the full amount of any loss on the insured mortgage up to an amount equal to a fixed percentage of the outstanding principal balance of the mortgage at the time of claim for insurance benefits, or (ii) the full amount of any losses on insured mortgages in a portfolio of mortgages approved by the Secretary up to an amount equal to a fixed percentage of the outstanding principal balance of all mortgages in such portfolio at the time of claim for insurance benefits on a mortgage in the portfolio, plus a share of any loss in excess of the amount under clause (i) or (ii), whichever is applicable.

“(2) The second sentence of subsection (d) shall not apply to mortgages made to public housing agencies, but for purposes of such second sentence such mortgages shall not be counted in the aggregate principal amount of all mortgages insured under this title.

“(3) The Secretary may make loans, from the applicable insurance fund, to public housing agencies in connection with mortgages which have been insured pursuant to this subsection and which are in default.

“(4) The Secretary may insure and make a commitment to insure in connection with a co-insurance contract pursuant to this subsection (A) a mortgage on a project assisted under the second proviso in the first sentence of section 236(b) of this Act, and (B) a mortgage or advance on a mortgage made to a public housing agency on a project under construction which is not approved for insurance prior to construction.

“(5) As used in this subsection, the term ‘public housing agency’ has the same meaning as in section 3(6) of the United States Housing Act of 1937, and the term ‘insured depository institution’ means any savings bank, savings and loan association, commercial bank or other such depository institution whose deposits are insured by the Federal Deposit Insurance Corporation, by the Federal Savings and Loan Insurance Corporation, or by an agency or instrumentality of a State.

“(6) Notwithstanding any other provision of this Act, the Secretary may include in the determination of replacement cost of a project to be covered by a mortgage made to a public housing agency and insured pursuant to this subsection, such reserves and development costs, not to exceed 5 per centum of the amount otherwise allowable, as may be established or authorized by the public housing agency consistent with such agency's procedures and underwriting standards.”

(b) Section 244(a) of such Act is amended by adding the following new sentence at the end thereof: “A mortgagee which enters into a contract of co-insurance under this section shall not by reason of such

contract, or its adherence to such contract or applicable regulations of the Secretary, including provisions relating to the retention of risks in the event of sale or assignment of a mortgage, be made subject to any State law regulating the business of insurance.”.

#### EXPERIMENTAL FINANCING

SEC. 7. Section 245 of the National Housing Act is amended by striking out “June 30, 1976” and inserting in lieu thereof “September 30, 1977”.

#### MULTIFAMILY MORTGAGE LIMITS

SEC. 8. (a) The National Housing Act is amended by striking out “by not to exceed 75 per centum in any geographical area” where it appears in sections 207(c)(3), 213(b)(2), 220(d)(3)(B)(iii), 221(d)(3)(ii), 221(d)(4)(ii), 231(c)(2), and 234(e)(3) and inserting in lieu thereof in each such section “by not to exceed 50 per centum in any geographical area”.

(b)(1)(A) Section 207(c)(3) of the National Housing Act is amended by striking out “\$13,000”, “\$18,000”, “\$21,500”, “\$26,500”, “\$30,000”, and “\$3,250” in the matter preceding the first semicolon and inserting in lieu thereof “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, “\$36,000”, and “\$3,900”, respectively.

(B) Section 207(c)(3) of such Act is further amended by striking out “\$15,000”, “\$21,000”, “\$25,750”, “\$32,250”, and “\$36,465” in the matter following the first semicolon and inserting in lieu thereof “\$22,500”, “\$25,200”, “\$30,900”, “\$38,700”, and “\$43,758”, respectively.

(2)(A) Section 213(b)(2) of such Act is amended by striking out “\$13,000”, “\$18,000”, “\$21,500”, “\$26,500”, and “\$30,000” in the matter preceding the first proviso and inserting in lieu thereof “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, and “\$36,000”, respectively.

(B) Section 213(b)(2) of such Act is further amended by striking out “\$15,000”, “\$21,000”, “\$25,750”, “\$32,250”, and “\$36,465” in the first proviso and inserting in lieu thereof “\$22,500”, “\$25,200”, “\$30,900”, “\$38,700”, and “\$43,758”, respectively.

(3)(A) Section 220(d)(3)(B)(iii) of such Act is amended by striking out “\$13,000”, “\$18,000”, “\$21,500”, “\$26,500”, and “\$30,000” in the matter preceding “except” where it first appears and inserting in lieu thereof “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, and “\$36,000”, respectively.

(B) Section 220(d)(3)(B)(iii) of such Act is further amended by striking out “\$15,000”, “\$21,000”, “\$25,750”, “\$32,250”, and “\$36,465” in the matter following “except” where it first appears and inserting in lieu thereof “\$22,500”, “\$25,200”, “\$30,900”, “\$38,700”, and “\$43,758”, respectively.

(4) Section 221(d)(3)(ii) of such Act is amended—

(A) by striking out “\$11,240”, “\$15,540”, “\$18,630”, “\$23,460”, and “\$26,570” and inserting in lieu thereof “\$16,860”, “\$18,648”, “\$22,356”, “\$28,152”, and “\$31,884”, respectively; and

(B) by striking out “\$13,120”, “\$18,630”, “\$22,080”, “\$27,600”, and “\$32,000” and inserting in lieu thereof “\$19,680”, “\$22,356”, “\$26,496”, “\$33,120”, and “\$38,400”, respectively.

(5)(A) Section 221(d)(4)(ii) of such Act is amended by striking out “\$12,300”, “\$17,188”, “\$20,525”, “\$24,700”, and “\$29,038” in the matter preceding the first semicolon and inserting in lieu thereof “\$18,450”, “\$20,625”, “\$24,630”, “\$29,640”, and “\$34,846”, respectively.

(B) Section 221(d)(4)(ii) of such Act is further amended by striking out “\$13,975”, “\$20,025”, “\$24,350”, “\$31,500”, and “\$34,578” in the matter following the first semicolon and inserting in lieu thereof “\$20,962”, “\$24,030”, “\$29,220”, “\$37,800”, and “\$41,494”, respectively.

(6)(A) Section 231(c)(2) of such Act is amended by striking out “\$12,300”, “\$17,188”, “\$20,525”, “\$24,700”, and “\$29,038” in the matter preceding the first semicolon and inserting in lieu thereof “\$18,450”, “\$20,625”, “\$24,630”, “\$29,640”, and “\$34,846”, respectively.

(B) Section 231(c)(2) of such Act is further amended by striking out “\$13,975”, “\$20,025”, “\$24,350”, “\$31,500”, and “\$34,578” in the matter following the first semicolon and inserting in lieu thereof “\$20,962”, “\$24,030”, “\$29,220”, “\$37,800”, and “\$41,494”, respectively.

(7)(A) Section 234(c)(3) of such Act is amended by striking out “\$13,000”, “\$18,000”, “\$21,500”, “\$26,500”, and “\$30,000”, in the matter preceding the first semicolon and inserting in lieu thereof “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, and “\$36,000”, respectively.

(B) Section 234(e)(3) of such Act is further amended by striking out “\$15,000”, “\$21,000”, “\$25,750”, “\$32,250”, and “\$36,465” in the matter following the first semicolon and inserting in lieu thereof “\$22,500”, “\$25,200”, “\$30,900”, “\$38,700”, and “\$43,758”, respectively.

#### CORRECTION OF DEFECTS

SEC. 9. (a)(1) Section 518(b) of the National Housing Act is amended by striking out “not more than nineteen months after the date of enactment of the Housing and Community Development Act of 1974” in the first sentence thereof and inserting in lieu thereof “not more than four months after the date of enactment of the Housing Authorization Act of 1976”.

(2) Section 518(b) of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: “Expenditures pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for.”.

(b) Section 518 of the National Housing Act is amended by adding at the end thereof the following new subsections:

“(d) The Secretary is authorized to make expenditures to correct or to reimburse the owner for the correction of structural or other major defects which so seriously affect use and liveability as to create a serious danger to the life or safety of inhabitants of any one-, two-, three-, or four-family dwelling which is more than one year old on the date of issuance of the insurance commitment, is located in an older, declining urban area, and is covered by a mortgage insured under section 203 or 221 on or after January 1, 1973, but prior to the date of enactment of this subsection if (1) the owner requests assistance from the Secretary not more than one year after the date of enactment of

this subsection, and (2) the defect is one that existed on the date of the issuance of the insurance commitment and is one that a proper inspection could reasonably have been expected to have disclosed. The Secretary may require from the seller of any such dwelling an agreement to reimburse him for any payments made pursuant to this subsection with respect to such dwelling. Expenditures pursuant to this subsection shall be made from the insurance fund chargeable for insurance benefits on the mortgage covering the structure to which the expenditures relate. There are hereby authorized to be appropriated such sums as may be necessary to cover the costs of such expenditures not otherwise provided for.

"(e) The Secretary of Housing and Urban Development is authorized and directed to conduct a full and complete investigation and study and report to Congress, with recommendations, not later than March 1, 1977, with respect to an effective program for protecting home buyers from hidden or undisclosed defects seriously affecting the use and livability of the home, which would be applicable to existing homes financed with mortgages insured under this Act. In the study and report the Secretary shall particularly investigate the need for, cost and feasible structure of a national home inspection and warranty program, with respect to such homes, to be operated by the Federal Government out of fees assessed on the home buyer and amortized over a period of two years. The Secretary's report shall also present an analysis of alternative Federal programs to meet these needs, and the cost and means of financing such programs. In the report the Secretary shall also outline administrative steps which can be taken to provide disclosure to purchasers of existing homes financed with mortgages insured under this Act of the actual condition of the home and the types of repairs or replacements likely to be needed within a period of two years, such as repairs or replacement of furnace, roof or major appliances, based on age and useful life expectancy of such appurtenances."

#### GENERAL INSURANCE FUND AUTHORIZATION

SEC. 10. Section 519 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(f) There are authorized to be appropriated to cover losses sustained by the General Insurance Fund not to exceed \$500,000,000."

#### HOUSING FOR THE ELDERLY

SEC. 11. (a) Section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended—

(1) by striking out "\$800,000,000" in the first sentence and inserting in lieu thereof "\$1,475,000,000, which amount shall be increased to \$2,387,500,000 on October 1, 1977, and to \$3,300,000,000 on October 1, 1978"; and

(2) by inserting the following new sentence at the end thereof: "The Secretary may not issue notes or other obligations to the Secretary of the Treasury pursuant to this section in an aggregate amount exceeding \$800,000,000 except as approved in appropriation Acts."

(b) Section 202(d)(4) of such Act is amended by adding the following new sentence at the end thereof: "Notwithstanding the preceding provisions of this paragraph, the term 'elderly or handicapped families' includes two or more elderly or handicapped persons living together, one or more such persons living with another person who is determined (under regulations prescribed by the Secretary) to be essential to their care or well-being, and the surviving member or members of any family described in the first sentence of this paragraph who were living, in a unit assisted under this section, with the deceased member of the family at the time of his or her death."

(c) Section 202(a)(3) of such Act is amended by striking out all that follows "and shall bear interest at a rate" up to "plus an allowance" and inserting in lieu thereof "of 7 per centum per annum."

#### REHABILITATION LOAN PROGRAM

SEC. 12. (a) Section 312(d) of the Housing Act of 1964 is amended—

(1) by striking out "and not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975" and inserting in lieu thereof "not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975, and not to exceed \$100,000,000 for the fiscal year beginning on October 1, 1976"; and

(2) by adding at the end thereof the following new sentence: "The amount of commitments to make loans pursuant to this section entered into after August 22, 1976, shall not exceed amounts approved in appropriation Acts."

(b) Section 312(h) of such Act is amended to read as follows:

"(h) No loan shall be made under this section after September 30, 1977, except pursuant to a contract, commitment, or other obligation entered into pursuant to this section prior to October 1, 1977."

#### EMERGENCY HOUSING

SEC. 13. (a) Section 109(b) of the Emergency Homeowners' Relief Act is amended by striking out "June 30, 1976" and inserting in lieu thereof "September 30, 1977".

(b) The first sentence of section 110(a) of such Act is amended—

(1) by striking out "Until one year from the date of enactment of this title, each" and inserting in lieu thereof "Each";

(2) by inserting "prior to October 1, 1977," immediately after "(1)"; and

(3) by inserting "until one year from the date of enactment of this title," immediately after "(2)".

(c) Section 111 of such Act is amended by striking out "July 1, 1976" and inserting in lieu thereof "October 1, 1977".

(d) Section 3(b) of the Emergency Home Purchase Assistance Act of 1974 is amended by striking out "July 1, 1976" and inserting in lieu thereof "October 1, 1977".

(e) (1) Section 313(b) of the National Housing Act is amended by striking out the period at the end thereof and inserting in lieu thereof "; and by inserting the following at the end thereof:

"(D) such mortgage involves a principal residence the sales price of which does not exceed \$48,000 (\$52,000 in high-cost areas

as determined by the Secretary) per family residence or dwelling unit, except that such sales price in Alaska, Hawaii, and Guam may not exceed \$65,000."

(2) The amendment made by paragraph (1) shall apply only with respect to mortgages purchased pursuant to commitments made after the date of the enactment of this Act.

#### FLOOD INSURANCE

Sec. 14. (a) Section 202(b) of the Flood Disaster Protection Act of 1973 is amended by striking out all that follows "shall not apply to" and inserting in lieu thereof the following: "(1) any loan made to finance the acquisition of a residential dwelling occupied as a residence prior to March 1, 1976, or one year following identification of the area within which such dwelling is located as an area containing special flood hazards, whichever is later, or made to extend, renew, or increase the financing or refinancing in connection with such a dwelling, (2) any loan, which does not exceed an amount prescribed by the Secretary, to finance the acquisition of a building or structure completed and occupied by a small business concern, as defined by the Secretary, prior to January 1, 1976, (3) any loan or loans, which in the aggregate do not exceed \$5,000, to finance improvements to or rehabilitation of a building or structure occupied as a residence prior to January 1, 1976, or (4) any loan or loans, which in the aggregate do not exceed an amount prescribed by the Secretary, to finance nonresidential additions or improvements to be used solely for agricultural purposes on a farm."

(b) Section 1336(a) of the National Flood Insurance Act of 1968 is amended by striking out "December 31, 1976" and inserting in lieu thereof "September 30, 1977".

(c) Section 1376 of the National Flood Insurance Act of 1968 is amended by adding at the end thereof the following new subsection:

"(c) There are authorized to be appropriated for studies under this title not to exceed \$100,000,000 for the fiscal year 1977."

#### COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

Sec. 15. (a) Section 103(a)(2) of the Housing and Community Development Act of 1974 is amended by inserting ", and \$200,000,000 for the fiscal year 1977, not more than 50 per centum of which amount may be used under section 106(d)(1)," immediately after "1976".

(b) Paragraph (2) of section 105(a) of such Act is amended by inserting immediately after "neighborhood facilities," the following: "centers for the handicapped."

(c) Section 107(a)(1) of such Act is amended by inserting the following immediately before the semicolon at the end thereof: "or in behalf of new community projects assisted under title X of the National Housing Act which meet the eligibility standards set forth in title VII of the Housing and Urban Development Act of 1970 and which were the subject of an application or preapplication under such title prior to January 14, 1975".

(d) Section 116 of such Act is amended by adding at the end thereof the following new subsection:

"(h) In the event that the total amount available for distribution in fiscal year 1977 in metropolitan areas is insufficient to meet all basic grant and holdharmless entitlement needs, as provided by section 106(a), and funds are not otherwise appropriated to meet such deficiency, the Secretary shall meet the deficiency, first, from amounts available for use under section 107 and, if such amounts are exhausted, through a rotatable reduction of all entitlements under section 106(a)."

#### COMPREHENSIVE PLANNING

Sec. 16. (a) The first sentence of section 701(e) of the Housing Act of 1954 is amended by striking out "and not to exceed \$150,000,000 for the fiscal year 1976" and inserting in lieu thereof "not to exceed \$150,000,000 for the fiscal year 1976, and not to exceed \$100,000,000 for the fiscal year 1977".

(b) No eligible recipient under section 701 of the Housing Act of 1954 may be excluded from qualifying for funds under such section solely on the basis of participation or nonparticipation under such section prior to fiscal year 1977.

#### CONFIRMATION OF GOVERNMENT NATIONAL MORTGAGE ASSOCIATION PRESIDENT

Sec. 17. (a) The National Housing Act is amended by striking out the third sentence of section 308(a) and inserting in lieu thereof the following: "There is hereby established in the Department of Housing and Urban Development the position of President, Government National Mortgage Association, who shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary shall select and effect the appointment of qualified persons to fill the offices of vice president, and such other offices as may be provided for in the bylaws. Persons appointed under the preceding sentence shall perform such executive functions, powers, and duties as may be prescribed by the bylaws or by the Secretary, and such persons shall be executive officers of the Association and shall discharge all such executive functions, powers, and duties."

(b) Section 309(d) of such Act is amended by striking out the word "The" immediately preceding "Secretary" in the first sentence and inserting in lieu thereof "Subject to the provisions of section 308(a), the".

(c) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

"(108) President, Government National Mortgage Association, Department of Housing and Urban Development."

(d) Section 7(c) of the Department of Housing and Urban Development Act is amended by striking out "seven" in the proviso and substituting in lieu thereof "six".

(e) Notwithstanding the amendment made by subsection (a), the rights, powers, and duties of the position of President, Government National Mortgage Association, as in effect on the day preceding the



date of enactment of this Act shall remain in effect until the position established hereunder has been filled in accordance with the terms of this Act.

SPECIAL ASSISTANT FOR COOPERATIVE HOUSING

SEC. 18. The first sentence of section 102(h) of the Housing Amendments of 1955 is amended—

(1) by inserting after "section 221(d)(3)" a comma and the following: "section 235, section 236, section 241, section 243, section 246, and section 203(n)";

(2) by inserting after "Housing and Urban Development Act of 1965" the following: "or section 8 of the United States Housing Act of 1937"; and

(3) by inserting before the period the following: "and Assistant Secretary for Housing Management".

NEW COMMUNITIES

SEC. 19. Section 720(a) of the Housing and Urban Development Act of 1970 is amended by striking out "June 30, 1975" and inserting in lieu thereof "October 1, 1977".

URBAN HOMESTEADING

SEC. 20. Section 810(g) of the Housing and Community Development Act of 1974 is amended by striking out "and not to exceed \$5,000,000 for the fiscal year 1976" and inserting in lieu thereof "not to exceed \$6,250,000 for the fiscal year 1976, and for the transition quarter, not to exceed \$5,000,000 for fiscal year 1977, and not to exceed \$5,000,000 for the fiscal year 1978".

DAY CARE

SEC. 21. Section 7 of the Department of Housing and Urban Development Act is amended by adding at the end thereof the following new subsection:

"(n) Notwithstanding any other provision of law, the Secretary is authorized by contract or otherwise to establish, equip and operate a day care center facility for the purpose of serving children who are members of households of employees of the Department. The Secretary is authorized to establish or provide for the establishment of appropriate fees and charges to be chargeable against the Department of Housing and Urban Development employees or others who are beneficiaries of services provided by such a day care center."

HOME OWNER'S LOAN ACT

SEC. 22. The twelfth undesignated paragraph of section 5(c) of the Home Owner's Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding in the first sentence, immediately after the words "made pursuant to either of such sections" and before the period the following language: "and in the share capital and capital reserve of the Inter-American Savings and Loan Bank".

RESEARCH AUTHORIZATION

SEC. 23. (a) Section 501 of the Housing and Urban Development Act of 1970 is amended by striking out the second sentence and inserting in lieu thereof the following: "There are authorized to be appropriated for activities under this title not to exceed \$65,000,000 for the fiscal year 1977."

(b) Section 504(b) of such Act is amended by striking out the first, third, and fourth sentences.

(c) Section 502(f) of such Act is amended by striking out the period at the end of the second sentence and inserting in lieu thereof the following: "and such departments and agencies are hereby authorized to execute such contracts and grants."

NATIONAL INSTITUTE OF BUILDING SCIENCES

SEC. 24. Section 809(h) of the Housing and Community Development Act of 1974 is amended by inserting ", and \$5,000,000 for each of the fiscal years 1977 and 1978" immediately after "fiscal year 1976".

RURAL HOUSING

SEC. 25. (a) Section 521(a)(1) of the Housing Act of 1949 is amended by striking out "rate determined annually by the Secretary of the Treasury" and inserting in lieu thereof "rate determined by the Secretary of the Treasury upon the request of the Secretary".

(b) Section 520(3)(B) of such Act is amended by inserting "for lower and moderate-income families" immediately after "has a serious lack of mortgage credit".

(c) Section 510 of such Act is amended by redesignating subsections (f) and (g) as subsections (h) and (i), respectively, and by inserting the following new subsections immediately after subsection (e):

"(f) continue processing as expeditiously as possible applications on hand received prior to the time an area has been determined by the Secretary not to be 'rural' or a 'rural area', as those terms are defined in section 520, and make loans or grants to such applicants who are found to be eligible on the same basis as though the area were still rural;

"(g) notwithstanding that an area ceases, or has ceased, to be 'rural', in a 'rural area', or an eligible area, make assistance under this title available in connection with transfers and assumptions of property securing any loan made, insured, or held by the Secretary or in connection with any property held by the Secretary under this title on the same basis as though the area were still rural."

COUNSELING

SEC. 26. Title V of the Housing and Urban Development Act of 1970 is amended by adding at the end thereof the following new section:

"COUNSELING TO MORTGAGORS

"SEC. 508. (a) In carrying out activities under section 501, the Secretary is directed to undertake programs of studies and demonstrations

within at least three standard metropolitan statistical areas to determine the extent of need for and cost effectiveness of providing pre-purchase, default and delinquency counseling and related services to owners and purchasers of single-family dwellings insured or to be insured under the unsubsidized mortgage insurance programs of the National Housing Act.

"(b) Within one year from enactment of this section, the Secretary shall submit an interim report to the Congress with respect to the progress made under such studies and demonstrations, including an estimate as to the date when a final report on the results of such demonstrations will be made available to the Congress."

And the House agree to the same.

That the Senate recede from its disagreement to the amendment of the House to the title of the Senate bill and agree to the same.

HENRY S. REUSS,  
THOMAS L. ASHLEY,  
LEONOR K. SULLIVAN,  
WILLIAM S. MOORHEAD,  
ROBERT G. STEPHENS, JR.,  
FERNAND J. ST GERMAIN,  
HENRY GONZALEZ,  
PARREN J. MITCHELL,  
JERRY M. PATTERSON,  
JOHN J. LAFALCE,  
LES AU COIN,  
*Managers on the Part of the House.*

WILLIAM PROXMIER,  
JOHN SPARKMAN,  
HARRISON A. WILLIAMS, JR.,  
ALAN CRANSTON,  
ADLAI E. STEVENSON,  
JOHN TOWER,  
EDWARD W. BROOKE,  
JAKE GARN,  
*Managers on the Part of the Senate.*

## JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3295) to extend the authorization for annual contributions under the United States Housing Act of 1937, to extend certain housing programs under the National Housing Act, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The House amendment to the text of the bill struck out all of the Senate bill after the enacting clause and inserted a substitute text.

The Senate recedes from its disagreement to the amendment of the House with an amendment which is a substitute for the Senate bill and the House amendment. The differences between the Senate bill, the House amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

### HOUSING ASSISTANCE AUTHORIZATIONS

#### *General*

The Senate bill authorized \$696,000,000 in additional contract authority on October 1, 1976, for the public housing and section 8 programs. The House amendment authorized \$850,000,000. The conference report contains the House provision.

#### *Mix of new, rehabilitated, and existing units*

The Senate bill required the Secretary of HUD to make at least \$465,000,000 of the additional contract authority provided on October 1, 1976, available only for newly constructed and substantially rehabilitated housing units.

The House amendment did not specify a minimum level of funding for new and rehabilitated units under the public housing and section 8 programs. Thus, the House amendment did not alter the requirements of existing law that the proportion of new, rehabilitated, and existing units assisted be determined in accordance with approved housing assistance plans in those communities which submitted such plans. Section 104(a)(4) of the Housing and Community Development Act of 1974 requires each community, as a prerequisite to receiving a community development block grant, to prepare a housing assistance plan which assesses the housing assistance needs of lower-income persons and specifies an annual target for meeting those needs. With respect to the latter, section 104(a)(4)(B) of the 1974 Act requires the community to "specify a realistic annual goal for the number of dwelling



units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units. . . .”

In order to ensure that the proportion of new, rehabilitated, and existing units specified in a housing assistance plan would be followed, section 213(a) of the 1974 Act gave each community with an approved housing assistance plan a veto, in effect, of applications for housing assistance which were inconsistent with the community's housing plan.

The conferees on the 1974 Act expected that the Secretary of HUD would take the appropriate steps to assure fulfillment of the intent of Congress that local communities, not the Federal Government, determine the mix of new and existing units. The importance of this objective is clearly recognized in the comments in the House committee report (Report No. 93-1114) on section 104:

The requirement that housing assistance plans specify the relative proportion of new, rehabilitated, and existing dwelling units to be assisted in the community introduces a much-needed flexibility in the provision of Federal housing assistance. These determinations would govern the use of housing assistance funds allocated to communities under title II of the bill. Communities with an ample supply of housing but with many older run-down units may wish to concentrate a substantial portion of their funds on rehabilitating and repairing the older units. Other communities, with expanding populations and vacant lands, may well allocate most of their funds toward the construction of new units. The committee believes this opportunity for communities to make such judgments is an extremely important innovation in Federal housing policy. (Page 7.)

Again, the House committee report, in commenting on the allocation of housing assistance funds by HUD clearly states the same objectives:

The committee intends that the Secretary will allocate funds under all HUD housing programs which are funded and intended to be operative by the Congress. The proportion of such funds to be utilized with respect to each of the categories of newly constructed, substantially rehabilitated, or existing housing will be determined, of course, by local governments through their housing assistance plans. (Page 23.)

Unfortunately, the Secretary of HUD has avoided carrying out the terms and intent of the 1974 Act by putting pressure on communities to stress existing housing over new and rehabilitated housing, by disregarding the contents of housing assistance plans in allocating housing assistance, by establishing national and area targets for the number of assisted new, rehabilitated, and existing units which bore no relationship to the contents of housing assistance plans, by failing to use the traditional public housing program to provide needed new housing units, and by structuring and administering the section 8 program in a way to make it a virtual nullity as a useful tool to assist newly constructed and rehabilitated units.

The conferees felt that the Senate bill, in mandating a minimum level of new construction, was an inappropriate response to HUD's

failure to carry out the 1974 Act provisions since it merely substituted a Congressional determination of housing mix for an executive determination. In either case the framework of the 1974 Act's reliance on local determination would be violated. The conference report accordingly reiterates the existing requirement that housing funds be allocated for new, rehabilitated, and existing units in a community in the proportion specified in that community's housing assistance plan. Thus, if a housing assistance plan provides for an annual target of 50 new units, 20 rehabilitated units, and 30 existing units, available funds, whether sufficient to support 100 units, 50 units, or some other number, generally should be allocated in a manner estimated to permit 50 percent of the units to be new, 20 percent to be rehabilitated, and 30 percent to be existing. The conferees expect the Secretary of HUD to adopt procedures to permit communities to modify the part of their housing assistance plans relating to the mix of housing units in order to reflect changed conditions or priorities or for the purpose of recapturing unused allocations.

Where the amount of housing assistance funds allocated to a particular community is not sufficiently large to make the proportionate use of each category of housing feasible, the community and HUD may informally work out a modification of the mix of housing units provided for in the community's housing assistance plan. It is not the intent of the conferees that every community with a housing assistance plan must necessarily receive some allocation of funds, and, therefore, current procedures in allocating housing assistance funds need not be modified for the purpose of assuring an allocation for each such community. However, the conferees expect HUD, in allocating funds, not to penalize any community because it has a housing assistance plan, and not to favor one community over another solely because of the mix of housing units called for in the community's housing assistance plan. With respect to the approval or disapproval of housing assistance plans as part of community development block grant applications, the Secretary of HUD would continue to have the same authority pursuant to section 104(c) of the Housing and Community Development Act of 1974 which the Secretary currently has.

Again, the conferees recognize that the success of the local determination policy contained in the conference report will depend on the performance of HUD in implementing that policy. The conferees have identified several abuses by HUD over the past 18 months but by no means should those which are identified here be considered as exhaustive.

The practice by HUD of establishing national targets for the number of assisted new, rehabilitated, and existing units is inconsistent with local determination of housing mix. These national targets have been translated into areawide targets. As a result, communities which have provided for new construction in their housing assistance plans and have sponsors interested in developing that housing have been required by HUD to accept existing housing units instead because the area's *target* for new construction had been reached.

It is apparent to the conferees that HUD is quite aware of the conflict between HUD targets and the contents of local housing assistance plans because it has attempted to pressure communities into preparing

housing assistance plans which more nearly conform to HUD's targets for the mix of new and existing housing. The following letter from a HUD official is but one example:

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT,  
PHILADELPHIA AREA OFFICE,  
Philadelphia, Pa., February 23, 1976.

To: All community development block grant applicants.  
Subject: Section 8 Housing and CDBG applications.

For the foreseeable future, it appears that developers and state agencies will continue having difficulties in obtaining needed financing for Section 8 New Construction. We at HUD are concerned that communities and HUD work together to make maximum use of communities' existing housing stock—a priority of both HUD and the Congress.

When you are preparing your Second Year Housing Assistance Plan, therefore I urge you to seriously consider emphasizing the Section 8 Existing program—rather than New Construction or Substantial Rehabilitation in your three year goal. The Section 8 Existing program can be used either as a "finders keepers" program in which households find and move into units meeting Housing Quality Standards or as an "in place" program to subsidize households living in units meeting Housing Quality Standards but now paying an excess of their incomes for rent. Either method can meet the housing needs of many elderly households and families.

In addition, I would like to encourage you to further consider the use of CDBG rehabilitation and code enforcement activities, rather than the use of CDBG funds for acquisition of sites for subsidized housing. In general, Section 8 New Construction projects do not require a financial write down in land costs or site improvements. Given limited resources at local and federal levels, you should utilize your CDBG dollars in other ways which still address your pressing housing and community development needs.

You should be prepared for a wait of perhaps three to five years for new Section 8 units to become available.

I recognize, of course, that not all communities can effectively utilize a Section 8 Existing Program. In addition, extraordinary local conditions may determine that Section 8 New Construction is the only strategy which addresses local housing needs and that CDBG monies should be spent for advance site acquisition and preparation. You should be aware, however, that all Section 8 sites must meet specified site and neighborhood criteria and that CDBG approval by HUD does not necessarily imply HUD approval of the cleared site for Section 8 units.

In general, I strongly urge you to consider the thrust of this message—to conserve the existing housing stock—in your housing planning for your CDBG application.

Sincerely,

PAUL T. CAIN,  
Area Director.

The reference in the above letter to the difficulties in developing new housing units under section 8 points up another aspect of HUD's performance. The conferees, in fashioning the 1974 Act, did not believe they were providing for a housing program for lower-income persons which was cyclical in nature, and which therefore could not produce housing when interest rates were high and when financing for multi-family units was generally tight. The unwavering housing policy of the Congress has been to provide programs and funds to produce a high volume of units for lower-income persons regardless of market conditions. When the new section 8 program was authorized in 1974, the conferees made clear that should HUD emphasize this program and should it not produce units in a timely manner, other programs, such as public housing and section 236, should be utilized.

Not only has HUD kept all its eggs in the section 8 basket, it has made that program, through numerous policies and administrative directives unattractive for the development of new and substantially rehabilitated housing units. One of the major HUD-imposed stumbling blocks to section 8 development has been the contract rent ceilings determined by HUD on the basis of "comparable" rents being charged in the community in existing rental projects. The conferees wish to reaffirm the statements in the House and Senate committee reports which direct HUD to establish contract rents which result in sound development rather than non-development. The conferees expect that in the future HUD will not discourage the development of new and rehabilitated section 8 projects because market or other conditions make unassisted apartment development unattractive.

#### *Public housing*

The Senate bill required that at least \$200,000,000 of the new contract authority provided on October 1, 1976, be used under the traditional public housing program for newly constructed and substantially rehabilitated low-income projects. The House amendment left to the discretion of HUD the relative allocation of the new authority as between section 8 projects and traditional public housing projects, and also left open the relative use of funds to finance the development of new public housing projects and the acquisition of existing units.

The conference report directs HUD to allocate at least \$140,000,000 in contract authority for traditional public housing, at least \$100,000,000 of which must be used for the provision of additional new or rehabilitated low-income projects. Thus, the conference report both reduces the size of the public housing set-aside contained in the Senate bill and moves closer to the House provision which provided greater discretion in the use of the additional contract authority.

#### *Indian housing*

The Senate bill required that at least \$17,500,000 in contract authority be made available on July 1, 1976, for public housing for members of Indian tribes. The House amendment required that at least \$17,000,000 of the additional contract authority provided on October 1, 1976, be made available for public housing for members of Indian tribes. The conference report contains the House provision.

*Public housing modernization*

The Senate bill required that at least \$60,000,000 of the additional contract authority provided on October 1, 1976, be made available for the modernization of existing public housing projects. The House amendment contained no similar provision. The conference report contains the Senate provision.

*Public housing operating subsidies*

The Senate bill authorized \$576,000,000 for fiscal year 1977, and the House amendment authorized \$575,000,000 for grants to public housing authorities to meet deficits arising because operating costs exceed rental incomes. The conference report contains the Senate provision.

The conferees note that HUD testified that, in calculating the need for \$576 million in operating subsidies, the Department has presumed implementation of a revised and improved Performance Funding Formula developed for HUD by the Urban Institute. The conferees expect the Department to implement this revised formula as soon as possible and to report its progress to both committees within 30 days.

*Outstanding appropriations*

The Senate bill contained a provision, not in the House amendment, which required that any appropriations for public housing and section 8 available after October 1, 1976, be used for new construction and rehabilitation and for public housing in the same ratio as the additional authority provided on October 1, 1976, was required to be used. The conference report does not contain the Senate provision.

## ELIGIBILITY FOR TRADITIONAL PUBLIC HOUSING AND SECTION 8

The Senate bill contained a provision, not in the House amendment, which makes single non-elderly persons eligible for occupancy of public housing and section 8 units in up to 10 percent of a public housing agency's units, provided that single persons who are elderly, handicapped or displaced get preference for admission. The conference report contains the Senate provisions. The conferees expect the Secretary of HUD to limit the applicability of this provision to situations involving the rehabilitation of an existing structure, the conversion of an existing project to a public housing or section 8 project, the filling of vacant efficiencies which are not appropriate for occupancy by elderly or handicapped, and any other similar situation where it would be appropriate for single persons to receive assistance.

## DEFINITION OF ASSISTANCE PAYMENTS AS INCOME

The Senate bill contained a provision which provided that subsidies under the public housing or section 8 programs would not be considered as income in determining eligibility for, or the amount of assistance under, the Social Security Act or any other federal law. The House amendment contained a similar provision, but applicable to supplemental security income payments of beneficiaries of assistance payments under any federal housing program. The House amendment also contained a provision, not in the Senate bill, which excluded social security increases occurring after May 1976 from the income of occupants of subsidized housing units for purposes of determining the

rentals to be paid by such occupants. The conference report contains the House provision only with respect to the exclusion of housing assistance payments in the determination of supplemental security income payments.

## CONTRACTS FOR SECTION 8 PAYMENTS IN FARMERS HOME PROJECTS

The Senate bill contained a provision, not in the House amendment, which authorized section 8 housing assistance contracts of up to 40 years in cases of projects financed by the Farmers' Home Administration. The conference report contains the Senate provision.

## PAYMENTS WITH RESPECT TO VACANT SECTION 8 UNITS

The House amendment contained a provision, not in the Senate bill, which authorizes the Secretary of HUD to make section 8 payments with respect to vacant units beyond the current 60-day period, but only for up to 12 months in the amount of the debt service attributable to the unit, and subject to other limitations. The conference report contains the House provision.

## ASSISTANCE PAYMENTS TO FHA PROJECTS

The Senate bill contained a provision, not in the House amendment, which authorized \$154,000,000 to provide section 8-type assistance payments with respect to FHA-insured projects threatened with foreclosure, or where the projects are currently owned by HUD or subject to mortgages held by HUD. The conference report does not contain the Senate provision. Instead the conferees expect that any assistance provided by HUD for this purpose will be made available from the \$850,000,000 in additional contract authority provided by the conference report on October 1, 1976, for the public housing and section 8 programs, but only to the extent, in any community with an approved housing assistance plan, that the community has provided for such use in its housing assistance plan. The conferees intend that the local communities with housing assistance plans, not HUD, will identify the projects for which such assistance could be made available.

## SECTION 235. HOMEOWNERSHIP ASSISTANCE

The Senate bill contained a provision not in the House amendment increasing the contract authority for section 235 by \$200 million. The conference report does not contain the Senate provision.

The Senate bill contained a provision not in the House amendment which would require that the mortgage insurance premium under section 235 not exceed the premium under 203(b). The conference report does not contain this provision.

The House amendment contained a provision not in the Senate bill which would raise the income limit for eligibility for section 235 assistance from 80 percent of median to 95 percent of median. The conference report contains the House provision.

Both the House amendment and the Senate bill contained provisions increasing the mortgage limits for section 235. The conference report contains the House provision which increased the mortgage

limits for families with less than 5 persons from \$21,600 to \$25,000 (and from \$25,200 to \$29,000 in high-cost areas) and for families with five or more persons from \$25,200 to \$29,000 (and from \$28,800 to \$33,000 in high-cost areas).

#### SECTION 236. RENTAL ASSISTANCE

The Senate bill contained a provision not in the House amendment extending the section 236 program to September 30, 1977. The conference report contains this provision.

The House amendment contained a provision not in the Senate bill stipulating that, in 236 projects with separate utility metering, an amount allowed for utility costs should be included in determining whether a tenant is paying 25 percent of income toward rent. The conference report contains this provision. The conferees expressed their intent, however, that the management of these projects should strongly discourage tenants from the over-use of utilities, and should work to promote energy conservation in the project.

#### FHA MORTGAGE LIMITS IN MULTIFAMILY HOUSING

The Senate bill increased the mortgage limits for FHA insured mortgages on multifamily housing by 50 percent for 0 bedroom units and 20 percent for 1 bedroom units. The House amendment provided an across-the-board 20 percent increase in mortgage limits, but reduced the allowable high-cost area increment from 75 percent to 50 percent. The conference report contains the House provision modified to include the Senate provision with respect to 0 bedroom units.

#### FHA INSURANCE FUNDS

The Senate bill authorized the transfer of all insurance obligations for Section 221 projects from the general insurance fund to the special risk insurance fund. The House amendment authorized appropriations of \$500 million to cover general insurance fund losses. The conference report contains the House language.

#### FHA INSURANCE FOR MILITARY HOUSING

The House amendment contained a provision, not in the Senate bill, which authorized FHA mortgage insurance for military personnel and others in housing markets impacted by military installations. The provision permitted HUD to waive any requirement in the National Housing Act, including economic soundness requirements, but excluding labor standards, if inconsistent with the objectives of the section. The conference report does not contain this provision.

#### CO-INSURANCE

The Senate bill contained a provision increasing HUD's authority to allow flexibility in risk-sharing between HUD and any co-insuring lender. The House amendment allowed this increased flexibility only for multifamily projects where the co-insurer is a public housing agency or insured depository institution. The conference report contains

the House language, with an amendment extending this flexibility to State-insured depository institutions.

The Senate bill contained a provision allowing HUD to make loans to mortgages with respect to co-insured projects in default. The House amendment contained a similar provision, but restricted these loans to projects co-insured by a public housing agency. The conference report contains the House language.

The Senate bill contained a provision not in the House amendment allowing HUD to charge a higher premium on loans co-insured by a public housing agency than on loans insured under regular FHA programs. The conference report deletes this provision. The conferees wish to make clear, however, that public housing agencies are not prohibited under section 244 from charging an additional premium of their own, over and above the premium charged by FHA.

The House amendment contained a provision, not in the Senate bill, allowing an increase of up to 5 percent in the HUD-determined replacement cost reserve for a project if such an increase is allowed by the co-insuring public housing agency. The conference report contains this provision.

The House amendment contained a provision not in the Senate bill exempting co-insured loans from state insurance regulation. The conference report contains this provision.

#### COMPENSATION FOR DEFECTS IN EXISTING FHA HOUSING

The Senate bill contained a provision not in the House bill extending the application deadline for requesting defect compensation under Section 518(b) of the National Housing Act (covering certain FHA Section 203 and 221 homes purchased between 1968 and 1973) until 4 months after enactment of the bill. The conference report contains this provision.

The Senate bill contained a provision not in the House bill creating an interim compensation program under Section 518(b) for homes purchased between 1973 and enactment and covered by mortgages insured under sections 203 and 221, allowing one year from the date of enactment to apply. The conference report contains this provision.

The Senate bill contained a provision not in the House bill creating a new, permanent defect compensation program for all 1-4 family existing housing purchased with FHA insured loans. This new program applied to all existing homes purchased with FHA-backed financing after the date of enactment. The conference report contains the Senate provision with an amendment directing a study and report by HUD, instead of a new permanent program at this time, of the need for and feasibility of an inspection, buyer information and warranty against defect program for all existing homes purchased with FHA-backed financing. The conferees urge the Secretary to expand the study required by this provision to include homes purchased under other financing methods.

The Senate bill contained a provision not in the House bill providing that the interim 1973-76 compensation program created by the bill would differ from the current Section 518(b) program in that it would not be restricted to older, declining urban areas and would use a more liberal definition of an eligible defect. The conference report does not contain this provision.

## SECTION 202. LOANS FOR HOUSING FOR ELDERLY AND HANDICAPPED

The Senate bill contained a provision which would increase the borrowing authority for section 202 loans by \$2.5 billion on July 1, 1976. The House amendment would increase the authority from \$800 million to \$1.475 billion upon enactment, to \$2,387,500,000 on October 1, 1977, and to \$3.3 billion on October 1, 1978. The conference report contains the House provision.

The House amendment contained a provision not in the Senate bill which would require approval in appropriations acts of all borrowing authority under section 202 in excess of \$800 million. The conference report contains the House provision.

The Senate bill contained a provision not in the House amendment which would establish the interest rate on loans under section 202 on the basis of the average interest rate on all interest bearing obligations of the United States forming a part of the public debt, to be computed at the end of the fiscal year preceding the date on which the loan is made. Under current law, the 202 interest rate is established on the basis of the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans. The conference report contains the Senate provision insofar as the Senate provision lowers the interest rate on 202 loans, with an amendment which would establish the interest rate at 7 per cent.

The conferees feel that the 7 percent rate is a good compromise between the interest rates established under the Senate bill and House amendment. The interest rate under the Senate provision for fiscal year 1976 is 6.35 percent. The rate as computed as of April 30, 1976, is 6.38 percent. The interest rate under the current formula was most recently calculated at 8.25 percent. The interest rate calculated on the basis of the Senate bill has historically never been higher on a fiscal year basis than 6.56 percent. The interest rate calculated on the basis of the formula in current law has never been as low on a calendar basis as 7 percent since the time long-term obligations have been freed from statutory interest rate limitations.

The House amendment contained a provision not in the Senate bill which would delete statutory language excluding the receipts and disbursements of the section 202 fund from the Budget of the United States. The conference report does not contain the House provision. It is anticipated that the Congress will be receiving the recommendations of its Budget Committees on this subject in the near future in the light of which this issue should be carefully reconsidered.

The House amendment contained a provision not in the Senate bill which would change the definition of an eligible elderly family to include two or more persons living together, one such person and another providing care to the first, or a surviving member of the family who was living in the unit at the time another member died. The conference report contains the House provision.

The conferees are concerned that the comparability test used to determine contract rents for section 8 projects may provide an obstacle to the feasibility of 202 projects. There are simply no comparable units

to the housing and related facilities contemplated by the Housing and Community Development Act of 1974. Therefore, the conferees direct HUD to use actual development cost in determining the section 8 contract rents for 202 projects.

## SECTION 312. REHABILITATION LOANS

The Senate bill contained a provision increasing the authorization for Section 312 by \$150 million for July 1, 1976 to September 30, 1977. The House amendment contained authorization of \$100 million for fiscal year 1977. The conference report contains the House provision.

The Senate bill contained a provision not in the House amendment creating a two-tiered interest rate structure for Section 312 loans, continuing the current 3 percent rate for low-income borrowers and allowing HUD to set a higher rate, up to the Treasury borrowing rate plus administrative costs, for higher income borrowers. The conference report does not contain this Senate provision.

## EMERGENCY HOMEOWNERS RELIEF ACT

The Senate bill contained a provision not in the House amendment extending until October 1, 1977, the current requirement that Federal supervisory agencies and HUD encourage forbearance in residential mortgage foreclosures and that mortgagees notify the supervisory agency and mortgagor 30 days before starting foreclosure proceedings. The conference report contains this provision, with an amendment deleting the 30-day reporting requirement.

The Senate bill contained a provision not in the House amendment extending until October 1, 1977, the current requirement that HUD report every 2 months on mortgage foreclosures, forbearance and delinquencies. The conference report contains the Senate provision.

## PURCHASE PRICE LIMIT ON HOUSING WITH GNMA TANDEM MORTGAGES

Both the Senate bill and the House amendment provided for purchase price limits for housing acquired with GNMA tandem plan mortgages authorized under the Emergency Home Purchase Assistance Act. The Senate bill provided that the purchase price limit would be the median purchase price in the local market area. The House amendment set a purchase price limit of \$52,000 (\$68,750 in Alaska, Hawaii and Guam). The conference reports sets the purchase price limit at \$48,000, with an increment to \$52,000 in high cost areas and \$65,000 in Alaska, Hawaii and Guam.

## ELIGIBLE COMMUNITY DEVELOPMENT ACTIVITIES

The House amendment contains a provision not in the Senate bill which authorizes the use of community development block grant funds for the provision of centers for the handicapped. The conference report contains the House provision.



### PARTICIPATION OF NEW COMMUNITY PROJECTS

The House amendment contains a provision not in the Senate bill which makes certain new community projects carried out under Title X of the National Housing Act eligible for discretionary fund assistance of the community development block grant program if such projects meet the same eligibility criteria as new community projects being carried out under Title VII of the 1970 housing act. The conference report contains the House provision.

### SUPPLEMENTAL BLOCK GRANT UNEMPLOYMENT PROGRAM

The House amendment contains a provision not in the Senate bill authorizing a program of supplemental community development block grants in areas of high unemployment. The conference report does not contain this provision.

### HUD RESEARCH AUTHORIZATION

The House amendment contains provisions not in the Senate bill which establish a \$65 million authorization level for HUD research activities for fiscal year 1977, delete the separate authorization for the housing allowance experiment, and allow certain delegations of contract authority to other Federal agencies. The conference report contains the House provision.

### FARMERS HOME ADMINISTRATION

The House amendments contain provisions not in the Senate bill which (1) make the determination of the Treasury going rate (as the basis for the FmHA rate) upon request of the Secretary of Agriculture rather than annually and (2) permit FmHA to continue processing loan applications and other actions received before an area is redesignated from rural to non-rural. The conference report contains the House provision.

### NATIONAL INSTITUTE OF BUILDING SCIENCES

The House amendments contain a provision not in the Senate bill which authorizes \$5 million in each of fiscal years 1977 and 1978 as startup funding for the National Institute of Building Sciences. The conference report contains the House provisions.

### HUD COUNSELING TO MORTGAGORS

The House amendments contain a provision not in the Senate bill which would require HUD to carry out a study on the need for and the effectiveness of unsubsidized mortgagor counseling. The conference report contains the House provision.

### FLOOD INSURANCE

The Senate bill contained a provision not in the House amendment extending the emergency flood insurance program, which allows flood

insurance in areas awaiting rate map studies, from December 31, 1976, to September 30, 1977. The conference report contains this provision.

The Senate bill contained a provision exempting from the program's lending sanctions under Section 202(b) loans for acquisition or refinancing for residences completed and occupied prior to January 1, 1976. The House amendment exempted loans for acquisition or refinancing of residences occupied before March 1, 1976, or within 1 year after designation of area as a flood hazard area, whichever is later. The conference report contains the House provision.

The Senate bill contained three other provisions not in the House amendment allowing exemptions from the program's Section 202(b) lending sanctions:

(1) Loans for improvement or rehabilitation up to \$10,000 for residences occupied before January 1, 1976. The conference report contains this Senate provision, with an amendment reducing the maximum loan to \$5,000. It is the intention of the conferees that such home improvement loans permitted by this provision could not be used for major additions to the property.

(2) Loans for acquisition of buildings occupied by small business concerns before January 1, 1976. The conference report contains this provision, with an amendment authorizing the Secretary of HUD to define small businesses for the purposes of this exemption and to establish the maximum loan amounts.

(3) Loans up to a HUD-determined amount for non-residential additions or improvements to a farm. The conference report contains this provision, with an amendment restricting the exemption to loans for additions and improvements to buildings that are to be used solely for agricultural purposes. It is the intention of the conferees in this provision to enable farmers to obtain financing in order to assist them in making necessary improvements for the non-residential agricultural structures on their farms.

The House amendment contained a provision not in the Senate bill authorizing \$100 million for fiscal year 1977 for flood insurance maps and surveys. The conference report contains this provision.

The Senate bill contained a provision not in the House amendment allowing communities not participating in the flood insurance program to receive certain Federal assistance for disasters not involving flooding. The conference report does not contain this provision.

### COMMUNITY DEVELOPMENT GRANT ALLOCATION

The Senate bill contained a provision not in the House amendment clarifying the priority of funding under the Community Development Act in the event that the funds available are insufficient to meet total entitlements specified in the Act. The conferees agreed to the Senate provision amended to establish that, in the event that the amount appropriated for block grants is insufficient to meet formula and hold harmless entitlements as specified in the law, the Secretary shall make proportional reductions in such entitlements. In adopting this amendment, the conferees intend to make clear that all entitled communities would absorb any shortage of funding in amounts proportional to their entitlements.

*Section 701. Comprehensive Planning*

The Senate bill contained a provision authorizing \$100 million for fiscal year 1977 for section 701 planning. The House amendment contained an authorization of \$75 million. The conference report contains the Senate provision.

The House amendment contained a provision not in the Senate bill prohibiting HUD from allocating section 701 assistance funds on the basis of an applicant's prior participation in the program. The conference report contains this House provision.

The conferees also expressed their intent that HUD administer the program in a manner consistent with the provisions of section 701 (a) which permit assisted governments to engage private planning consultants where they deem such services appropriate.

*Confirmation of the Federal Insurance Administrator*

The Senate bill contained a provision not in the House amendment requiring that the FIA Administrator be appointed by the President and confirmed by the Senate, effective January 1, 1977. The conference report does not contain this provision.

*Confirmation of Government National Mortgage Association President*

The Senate bill contained a provision not in the House amendment requiring that the President of GNMA be appointed by the President and confirmed by the Senate. The conference report contains this provision.

*Special Assistant for Cooperative Housing*

The Senate bill contained a provision not in the House amendment updating the duties of the HUD Special Assistant for Cooperative Housing. The conference report contains this provision.

*Planning assistance for new communities*

The Senate bill contained a provision not in the House amendment extending the new community planning assistance program until October 1, 1977. The conference report contains this provision.

*Urban homesteading*

The Senate bill contained a provision not in the House amendment increasing the authorization for the HUD urban homesteading program to \$6.25 million for fiscal year 1976 and the transition quarter, and by \$5 million in both fiscal year 1977 and fiscal year 1978. The conference report contains this provision.

*HUD day care center*

The Senate bill contained a provision not in the House amendment authorizing HUD to operate a day-care facility for children of employees. The conference report contains this provision. The conferees direct that HUD provide no funds for the operation or equipment of the facility but merely prepare and provide the space for the facility, and initial equipment on a reimbursable basis.

*Inter-American Savings and Loan Bank*

The Senate bill contained a provision not in the House amendment which would allow Federal savings and loan associations to invest up to 1 percent of assets in the Inter-American Savings and Loan Bank without requiring that such investments be guaranteed by AID. The conference report contains this provision.

HENRY S. REUSS,  
THOMAS L. ASHLEY,  
LEONOR K. SULLIVAN,  
WILLIAM S. MOORHEAD,  
ROBERT G. STEPHENS, Jr.,  
FERNAND J. ST GERMAIN,  
HENRY GONZALEZ,  
PARREN J. MITCHELL,  
JERRY M. PATTERSON,  
JOHN J. LAFALCE,  
LES AU COIN,

*Managers on the Part of the House.*

WILLIAM PROXMIRE,  
JOHN SPARKMAN,  
HARRISON A. WILLIAMS, Jr.,  
ALAN CRANSTON,  
ADLAI E. STEVENSON,  
JOHN TOWER,  
EDWARD W. BROOKE,  
JAKE GARN,

*Managers on the Part of the Senate.*

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Office of the White House Press Secretary

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NOTICE TO THE PRESS

The President has signed S. 3295 - Housing Authorization Act of 1976.

This bill extends HUD program authorities through fiscal year 1977; modifies and adds funding authorizations for HUD programs; and revises a variety of HUD authorities, responsibilities and operations.

The bill provides \$850 million of additional contract authority for fiscal year 1977 for rental subsidies in low-income housing projects. The bill changes the interest rate formula for section 202 direct loans which finance the development of rental housing for the elderly or handicapped. The rate of these HUD 40-year loans would be calculated using average interest rates on all interest-bearing U.S. obligations which are part of the public debt; existing law uses the average rate on long-term obligations. This change would lower the present interest rate paid from 9% to 7 1/2%.

S. 3295 also provides that the minimum interest rate for certain rural housing loans be determined by the Secretary of the Treasury on request of the Secretary of Agriculture, instead of annually, as presently required.

Other provisions include:

- the authority to insure mortgages under the section 236 rental housing assistance program, which provides interest reduction payments on behalf of lower income families.
- the section 312 rehabilitation loan program, which finances home improvements or repairs in slum areas. \$100 million would be authorized to be appropriated in 1977.
- the standby program of emergency relief for homeowners threatened with foreclosure, which would allow HUD to insure or make loans on behalf of homeowners who have been unable to make mortgage payments for at least 3 months.
- authorization for an additional \$2.5 billion of loans under the section 202 housing for the elderly or handicapped program in fiscal years 1977-1979.
- \$576 million for public housing operating subsidies in fiscal year 1977.
- \$100 million for fiscal year 1977 for the section 701 comprehensive planning grant program.

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Office of the White House Press Secretary

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THE WHITE HOUSE

## STATEMENT BY THE PRESIDENT

I have signed into law S. 3295, the Housing Authorization Act of 1976.

The need to increase the quantity and quality of housing in America and to assure adequate housing for all Americans has been one of my primary concerns. S. 3295 contains provisions which are important in helping us reach these housing goals, and also contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which indicate the strong reluctance on the part of this Congress to seek real solutions to the problems we face in assuring adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach to provide rental subsidies for lower-income families -- the Section 8 Housing Assistance Payments Program. This program was designed to avoid the serious, and well-documented, defects in the then-existing public housing program.

As a result of that new program, for the first time in our history we have been using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. This approach is approximately half as costly as constructing new public housing, and it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of institutionalized housing.

In S. 3295, however, the Congress has ignored both our unfortunate previous experience and the recent success resulting from the Section 8 program. Reversing this record of progress, it voted to re-initiate a public housing program. Fortunately, in the 1977 HUD appropriation bill, the Congress has voted overwhelmingly to cut back the size of that program.

S. 3295 would also extend a number of programs which should be discontinued and would authorize appropriations far in excess of my budget proposals. Although the Congress in acting on HUD's appropriation bill has demonstrated much greater restraint than was shown in S. 3295, the threat to future budgets remains because these high authorizations produce unrealistic expectations.

This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

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Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in S. 3295 become law as soon as possible. I have instructed Secretary Hills to use the resources of the Department of Housing and Urban Development to implement this measure in a manner which will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.

# # #