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APPROVED  
DEC 23 1975

ACTION

THE WHITE HOUSE  
WASHINGTON  
December 22, 1975

Last Day: December 30

*Posted in  
Colorado 12/23  
to Archive  
12/24*

MEMORANDUM FOR THE PRESIDENT  
FROM: JIM CANNON  
SUBJECT: S. 848 - Mobile Home Loan Ceilings  
and other Housing Amendments

Attached for your consideration is S. 848, sponsored by Senator Sparkman, which:

- Increases the maximum insurable loan amounts for mobile homes;
- Extends through December 31, 1976 the emergency flood insurance program;
- Increases the maximum amounts for insurable mortgages for multifamily projects in high cost areas;
- Authorizes the Federal share of the cost of the Kendall Square Urban Renewal Project, Cambridge, Massachusetts to exceed the statutory maximum.

A detailed discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.

OMB, Max Friedersdorf, Counsel's Office (Lazarus) Bill Seidman and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign S. 848 at Tab B.



A



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

DEC 22 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 848 - Mobile Home loan ceilings  
and other housing amendments  
Sponsor - Sen. Sparkman (D) Alabama

Last Day for Action

December 30, 1975 - Tuesday. HUD recommends early action because the emergency flood insurance program currently expires December 31, 1975.

Purpose

Increases the maximum insurable loan amounts for mobile homes; extends for one year, through December 31, 1976, the emergency flood insurance program; increases the maximum amounts for insurable mortgages for multifamily projects in high cost areas; authorizes the Federal share of the cost of the Kendall Square Urban Renewal Project in Cambridge, Massachusetts, to exceed the statutory maximum; and corrects a technical error in the Housing and Community Development Act of 1974.

Agency Recommendations

Office of Management and Budget	Approval
Department of Housing and Urban Development	Approval
Federal Deposit Insurance Corporation	No objection
Veterans Administration	Defers to HUD
Federal Home Loan Bank Board	Defers to HUD

## Discussion

S. 848 contains five amendments to present housing law, which were either endorsed by HUD or to which the Department did not object. HUD believes that no additional Federal expenditures will result from enactment of S. 848. The Department acknowledges, however, that increased risks from the new maximum insurable loan amounts for mobile homes could result in Federal outlays in the future.

### Mobile Home Loans

S. 848 would raise the ceiling for mobile home loans eligible for Federal insurance under the National Housing Act from the present maximum of \$10,000 for a single module mobile home and \$15,000 for a multiple-module mobile home to \$12,500 and \$20,000, respectively. The new maximum levels would be the same as those provided under the mobile home loan insurance program of the Veterans Administration.

This provision was strongly endorsed by HUD. Existing maximum insurable loan amounts have not been increased since they were established in 1969 for single units and in 1970 for multiple units. Since that time the purchase price of mobile homes has increased, making the program less useful to prospective mobile home buyers.

### Flood Insurance

S. 848 would extend the emergency implementation provisions of the flood insurance program for one year, from December 31, 1975 to December 31, 1976. This provision was also strongly supported by HUD. Due to the approaching expiration date of the present authority, HUD recommends early action on the enrolled bill to help "alleviate problems associated with renewing insurance policies on such short notice and to minimize uncertainty in the minds of policyholders and the private insurance industry."

Under the original or "regular" flood insurance program as enacted in 1968, flood insurance could not be made available in a community until detailed and time consuming studies had been made to establish actuarially sound rates for coverage and to determine the levels at which new construction would be reasonably safe from flooding. This requirement severely restricted the number of communities that were able to

qualify for coverage. Thus, in 1969, the emergency flood insurance program was enacted at HUD's recommendation, and it was extended in 1971 and 1973. Under the emergency program, flood insurance can be made available for existing structures as soon as a community agrees to take steps to reduce flood losses on new construction even though the studies required to establish actuarial rates and safe elevation levels may not be completed for some time.

Some 12,000 communities now participate in the flood insurance program, of which about 11,500 are in the emergency program. The program provides over \$14 billion worth of flood insurance coverage, which is otherwise unavailable from the private insurance industry, to some 550,000 policyholders.

#### Mortgages for Multifamily Projects

S. 848 would authorize the Secretary of HUD to increase the limits for insurable mortgages for multifamily projects in high cost areas. Present law contains specific per unit maximum dollar limits for several multifamily housing programs and authorizes the Secretary to increase these basic mortgage limits in any geographic area where cost levels so require, by up to 45%. S. 848 would increase this ceiling to 75%. HUD reported to the Senate Committee that this provision would be acceptable.

The Senate Committee report on H.R. 9852, a predecessor bill containing the same provision, states, "It is expected that the Secretary will use the new maximum limits only in a few areas where cost levels so require and that cost limits less than the maximum will be used in most areas."

#### Kendall Square Project

S. 848 would provide that Federal capital grants for the urban renewal project at Kendall Square, Cambridge, Massachusetts, could exceed the statutory two-thirds maximum Federal share of project cost, and would limit the required local contribution to the initially agreed-upon amount. This would have the effect of excepting this project from the law, which requires that the net project costs of an urban renewal project be shared on a two-thirds Federal, one-third local basis.

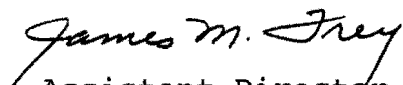
The Kendall Square Project was planned and undertaken in 1964 at the request of the Federal Government. At that time, the National Aeronautics and Space Administration (NASA) was in need of a site covering the major portion--29 acres--of the Kendall Square Project area for the construction of an Electronics Research Center. The Cambridge Redevelopment Authority acquired and cleared the entire 29 acres, displacing a number of businesses, and conveyed fourteen acres of the site to NASA. NASA commenced development of the transferred site, but abruptly terminated its activities in 1970 and transferred its interests to the Department of Transportation. Subsequently, the Department of Transportation agreed to relinquish any rights to the remainder of the intended NASA site to the Cambridge Redevelopment Authority.

The above circumstances have caused costly delays in development, and, because of the changes from the original renewal plan, the rest of the project area necessarily has had to be replanned and disposed of to other developers. This has resulted in requiring substantial additional costs to complete the project.

In reports to the Congress, HUD expressed its general opposition to private relief legislation, but deferred to the Congress to decide whether relief was warranted based on the facts of this particular case. HUD states that the circumstances of the Kendall Square Project are unique.

#### Technical Amendment

S. 848 would eliminate the present statutory 10% ceiling on the number of dwelling units in projects insured under sections 221(d)(3) and 236 of the National Housing Act that may be occupied by non-elderly single persons. This technical amendment simply corrects an inadvertent omission in the conference reported version of the Housing and Community Development Act of 1974.

  
Assistant Director for  
Legislative Reference

Enclosures



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

December 19, 1975

Mr. James M. Frey  
Assistant Director for  
Legislative Reference  
Office of Management and Budget  
Washington, D. C. 20503

Attention: Miss Martha Ramsey

Dear Mr. Frey:

Subject: S. 848, 94th Congress  
Enrolled Enactment

This is in reply to your request for the views of this Department on the enrolled enactment of S. 848, an Act "To amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes."

This enrolled enactment contains five provisions, all of which we have previously commented on to the Congress. In each of these previous reports, the Office of Management and Budget advised that there was no objection to the presentation of those views from the standpoint of the Administration's program.

Section 1 of S. 848 would increase maximum title I loan amounts for mobile homes to \$12,500, and to \$20,000 for mobile homes containing two or more modules. Current limits are \$10,000 and \$15,000, respectively. As noted in a report to the Senate Banking, Housing and Urban Affairs Committee dated July 24, 1975, the Department strongly endorses such an increase.

Section 2 would expedite the completion of the Kendall Square Urban Renewal Project in Cambridge, Massachusetts, by, among other things, modifying the matching local share requirements



for Federal funds under title I of the Housing Act of 1949. While we are generally opposed to special legislation designed to afford private relief to individuals or communities adversely affected by particular circumstances, we believe it appropriate in view of the circumstances of this case for the Congress to determine whether there is sufficient justification to warrant the relief which would be provided by this provision. We have stated this view to the House Committee on Banking, Currency and Housing in a report dated September 23, 1975 and to the Senate Committee on Banking, Housing and Urban Affairs in a report dated November 28, 1975.

Section 3 would increase the 45 percent high cost area exception limits under FHA's multifamily mortgage insurance programs to 75 percent, but would retain the present basic statutory per unit ceilings. This provision is the Senate equivalent to section 3 of H. R. 9852, 94th Congress, which would provide a 20 percent increase in the statutory basic per unit mortgage ceilings and an increase (to 50 percent from the present 45 percent) in the high cost area exception limits. Both House and Senate versions would set roughly comparable new maximums: 170 percent of present basic limits under the House version and 175 percent under the Senate version. Although we have expressed a preference for the House version because it would increase basic limits and thus result in fewer and smaller high cost area exceptions, a report to the Senate Banking, Housing and Urban Affairs Committee dated November 28, 1975, indicated that either provision would be acceptable.

Section 4 would eliminate the present statutory 10 percent limitation on non-elderly single person occupancy in section 221 and section 236 projects. As we explained in a report to the Senate Banking, Housing and Urban Affairs Committee dated November 28, 1975, we support this technical amendment to the Housing and Community Development Act of 1974 in order to correct an inadvertent omission in the conference reported bill.

Section 5 would extend the emergency flood insurance program for one year, from December 31, 1975 to December 31, 1976. We have consistently and strongly supported this extension of the emergency flood insurance program, as we stated in a report to the Senate Banking, Housing and Urban Affairs Committee dated November 28, 1975.

We would emphasize that this enrolled enactment must be signed into law no later than Wednesday, December 31, 1975 in order for the section 5 flood extender provision to be effective. An earlier signing of the bill, though, would help to alleviate problems associated with renewing insurance policies on such short notice and to minimize uncertainty in the minds of policyholders and the private insurance industry.

In addition, the Senate is presently considering H. R. 9852, 94th Congress, a bill "To amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes, and for other purposes." The House passed H. R. 9852 on October 20, 1975. The Senate Banking, Housing and Urban Affairs Committee reported the bill on December 9, 1975 with several changes. Although four of the bill's provisions are identical to provisions contained in this enrolled enactment, H. R. 9852 contains certain additional provisions that we wish to see enacted. Should H. R. 9852 pass the Senate and go to conference, we could not predict its final form. Consequently, we would recommend the enactment of S. 848 at this time, while reserving for the future the appropriate course of action with respect to H. R. 9852.

The Department of Housing and Urban Development supports the approval of this enrolled enactment.

Sincerely,



Robert R. Elliott



FEDERAL DEPOSIT INSURANCE CORPORATION, Washington, D.C. 20429

December 19, 1975

Honorable James T. Lynn  
Director  
Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Dear Mr. Lynn:

By enrolled bill request dated December 17, 1975, your Office requested the Corporation's views and recommendations on S. 848, 94th Congress, an enrolled bill "To amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes."

The bill would make several amendments to the National Housing Act, including increases in the maximum dollar limits for FHA-insured mobile home loans and in the percentage limits for insurable mortgages on multi-family projects in high-cost areas as well as a repeal of the 10 percent limitation on the number of dwelling units in projects insured and subsidized under sections 221(d)(3) and 236 that may be occupied by non-elderly single persons. In addition, section 5 of the bill contains a one-year extension (to December 31, 1976) of the authority of the Secretary of Housing and Urban Development to provide flood insurance coverage under existing emergency provisions for structures in flood-prone areas where the community is participating in the flood insurance program.

The Corporation has no objection to approval by the President of enrolled bill S. 848.

Sincerely,

Frank Wille  
Chairman

VIA DIRECT MAIL  
OFFICE OF MANAGEMENT

DEC 19 1975

RECEIVED



OFFICE OF  
GENERAL COUNSEL

FEDERAL HOME LOAN BANK BOARD

WASHINGTON, D. C. 20552

320 FIRST STREET N.W.

FEDERAL HOME LOAN BANK  
SYSTEM  
FEDERAL HOME LOAN  
MORTGAGE CORPORATION  
FEDERAL SAVINGS & LOAN  
INSURANCE CORPORATION

December 19, 1975

Mr. James M. Frey  
Assistant Director for Legislative  
Reference  
Office of Management and Budget  
Washington, D.C. 20503

Attention: Ms. Martha Ramsey

Dear Mr. Frey:

This is in response to your Enrolled Bill Request of December 17, 1975 concerning S. 848, an Act to amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes. In addition the Act would allow additional funds for the Kendall Square Urban Renewal project, increase the Secretary of HUD's discretion to insure high income area housing, make certain technical amendments to sections 221(f) and 236(j)(5) of the National Housing Act and amend the National Flood Insurance Act of 1968.

The Board is not directly affected by any of these legislative amendments and, accordingly, defers to HUD regarding the necessity and desirability of enacting S. 848.

Sincerely,

Stephen M. Ege  
Assistant General Counsel  
Legislation Division



VETERANS ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D.C. 20420



December 19, 1975

The Honorable  
James T. Lynn  
Director  
Office of Management  
and Budget  
Washington, D. C. 20503

Dear Mr. Lynn:

This will reply to the request of the Assistant Director for Legislative Reference for the Veterans Administration's comments on the enrolled enactment of S. 848, 94th Congress.

The first section of the enactment would increase the maximum size of loans for the purchase of mobile homes which may be insured by the Secretary of Housing and Urban Development under section 2 of the National Housing Act. The new limit would be \$12,500, or \$20,000 in the case of mobile homes composed of two or more modules. We note these amounts are identical with the current maxima for VA guaranteed mobile home loans, as stated in section 1819(d)(2) of title 38, United States Code.

Section 2 of S. 848 would authorize special capital grant assistance for the Kendall Square Urban Renewal Project, Cambridge, Massachusetts, in excess of limitations imposed by the Housing Act of 1949.

Section 3 of the enrolled enactment would increase the discretionary authority of the Secretary of Housing and Urban Development to raise certain dollar amount limitations contained in various sections of the National Housing Act.

Section 4 of S. 848 would repeal the requirement that not more than 10 per centum of the dwelling units in

certain projects assisted under sections 221 and 236 of the National Housing Act may be available for occupancy by low and moderate income persons who are less than 62 years of age.

All of the above provisions pertain to programs administered by the Secretary of Housing and Urban Development, and would not have a direct effect upon the Veterans Administration's Loan Guaranty Program.

Section 5 of enrolled enactment S. 848 would extend the emergency implementation provisions of the National Flood Insurance Program for one year, to December 31, 1976. Without this extension, persons residing in a number of communities now covered by this program would lose flood insurance protection at the end of this year. The continuation of this program reduces the risk of financial loss from flooding to veterans living in affected areas, and to the Veterans Administration with respect to properties securing VA guaranteed or direct loans in such localities. The Veterans Administration, therefore, favors this section, but will defer to the views of the Secretary of Housing and Urban Development.

In view of the fact that the enrolled enactment, S. 848, has no direct effect on the Veterans Administration Loan Guaranty Program, we have no objection to its approval by the President. However, since the bill is of primary interest to the Department of Housing and Urban Development, we defer to the recommendation of the Secretary regarding Presidential action.

Sincerely,



Deputy Administrator - in the absence of

RICHARD L. ROUDEBUSH  
Administrator

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

DEC 22 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 848 - Mobile Home loan ceilings  
and other housing amendments  
Sponsor - Sen. Sparkman (D) Alabama

Last Day for Action

December 30, 1975 - Tuesday. HUD recommends early action because the emergency flood insurance program currently expires December 31, 1975.

Purpose

Increases the maximum insurable loan amounts for mobile homes; extends for one year, through December 31, 1976, the emergency flood insurance program; increases the maximum amounts for insurable mortgages for multifamily projects in high cost areas; authorizes the Federal share of the cost of the Kendall Square Urban Renewal Project in Cambridge, Massachusetts, to exceed the statutory maximum; and corrects a technical error in the Housing and Community Development Act of 1974.

Agency Recommendations

Office of Management and Budget

Approval

Department of Housing and  
Urban Development

Approval

Federal Deposit Insurance Corporation

No objection

Veterans Administration

Defers to HUD

Federal Home Loan Bank Board

Defers to HUD

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: December 22

Time: 300pm

FOR ACTION: Tod Hullin  
Max Friedersdorf  
Ken Lazarus  
Bill Seidman

cc (for information): Jack Marsh  
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: ~~December 22~~

Time: ~~3:00pm~~

SUBJECT:

S.848-Mobile Home Loan Ceilings

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

*Approved  
JWS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

FOR THE STAFF SECRETARY



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: December 22

Time: 300pm

FOR ACTION: Tod Hullin  
Max Friedersdorf  
Ken Lazarus  
Bill Seidman

cc (for information): Jack Marsh  
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: December 22

Time: 530pm

SUBJECT:

S.848-Mobile Home Loan Ceilings

ACTION REQUESTED:

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action         | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply              |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks            |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

*OK approval*  
*J*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

\_\_\_\_\_  
Staff Secretary

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: December 22

Time: 300pm

FOR ACTION: Tod Hullin *u*  
Max Friedersdorf *u*  
Ken Lazarus *u*  
Bill Seidman *u*

cc (for information): Jack Marsh  
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: December 22

Time: 530pm

SUBJECT:  
S.8480 Mobile Home Loan Ceilings

ACTION REQUESTED:

- |   |   |
|---|---|
| <input type="checkbox"/> For Necessary Action         | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief     | <input type="checkbox"/> Draft Reply              |
| <input checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks            |

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: December 22

Time: 300pm

FOR ACTION: Tod Hullin  
Max Friedersdorf  
Ken Lazarus  
Bill Seidman

cc (for information): Jack Marsh  
Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: December 22

Time: 530pm

SUBJECT:

S.848-Mobile Home Loan Ceilings

ACTION REQUESTED:

\_\_\_ For Necessary Action

\_\_\_ For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

<sup>x</sup>  
\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

No objection. -- Ken Lazarus 12/22/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

2025 RELEASE UNDER E.O. 14176

THE WHITE HOUSE

WASHINGTON

December 22, 1975

MEMORANDUM FOR: JIM CAVANAUGH  
FROM: MAX L. FRIEDERSDORF *M. L.*  
SUBJECT: S. 848 - Mobile Home Loan Ceilings

The Office of Legislative Affairs concurs with the agencies  
that the subject bill be signed.

Attachments

AMENDING SECTION 2 OF THE NATIONAL HOUSING ACT  
AND FOR OTHER PURPOSES

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OCTOBER 8, 1975.—Committed to the Committee of the Whole House on the state  
of the Union and ordered to be printed

---

Mr. REUSS, from the Committee on Banking, Currency and Housing,  
submitted the following

REPORT

together with

DISSENTING VIEWS

[To accompany H.R. 9852]

The Committee on Banking, Currency and Housing, to whom was referred the bill (H.R. 9852) to amend section 2 of the National Housing Act to license the maximum loan amounts for the purchase of mobile homes, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Amend the title so as to read:

A bill to amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes, and for other purposes.

INTRODUCTION AND BACKGROUND OF BILL

The Committee bill, H.R. 9852, consists of needed and relatively non-controversial improving amendments to the housing laws which your Committee deliberately refrained from adding to the several emergency housing bills passed by the House earlier this year. There are no provisions in the bill that increase the dollar authorization for programs administered by the Department of Housing and Urban Development or otherwise have a significant budgetary impact.

Section 1 of the bill provides for a modest increase in FHA mobile home loan limits. These limits have not been raised since 1969 when the program was first authorized.

Section 2 takes care of a long standing and unique inequity resulting from an agency of the Federal Government first inducing a community to undertake an urban renewal project and then, at a later date, arbitrarily refusing to continue participation in the project resulting in serious damage to the community. It should be emphasized that this amendment calls for no additional expenditures of Federal funds.

Section 3 would increase the maximum mortgage limits under FHA's multifamily project insurance programs.

Section 4 is a technical amendment which corrects an error in the conference report of the Housing and Community Development Act of 1974.

Section 5 is designed to ensure that sufficient community development funds will be available in fiscal year 1977 for non-entitlement localities in metropolitan areas. This section does not involve an increase in the existing community development block grant dollar authorization.

Finally, section 6 extends the Emergency Flood Insurance Program for one year. Without this extension the writing of additional flood insurance contracts will virtually cease after December 31 of this year.

The Subcommittee on Housing and Community Development held a mark-up session on H.R. 9705, a bill "To amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes and for other purposes" on September 24. The Subcommittee made a number of changes in H.R. 9705 and reported out a clean bill, H.R. 9852, which the full Committee on Banking, Currency and Housing ordered reported with one technical amendment on October 2.

#### WHAT THE BILL WOULD DO

Section 1 of the bill would increase maximum loan limits under FHA's mobile home insurance program from \$10,000 to \$12,500 for single module homes, and from \$15,000 to \$20,000 for double module homes.

Existing maximum loan amounts were established in 1969 for single-wide units, and in 1970 for multiple units. No increases in maximum loan amounts for mobile homes eligible under the program have occurred since that time despite subsequent increases in mobile home manufacturing costs—including the cost of raw materials, labor, shipping and carrying charges—and consequent increases in purchase prices. During the same period, maximum mortgage limits for FHA-insured homes have been increased substantially.

The proposed increases in statutory loan limits would assure the continued usefulness of the program to prospective mobile home buyers who can benefit substantially through these loans. Such loans generally have lower interest rates, longer maturities, and valuable consumer protections, such as a minimum one-year warranty by the manufacturer, that are not always available in connection with other mobile home financing. In addition, the current restrictive loan maximums have resulted in higher downpayments for mobile homebuyers which in turn have put ownership of mobile homes beyond the reach of many prospective buyers.

#### Report

The Veterans' Housing Act of 1974 (Public Law 93-569) has already provided identical increases for loans on single- and double-wide mobile homes guaranteed by the Veterans' Administration.

Section 2 of the bill provides that, notwithstanding the provisions of Title I of the Housing Act of 1949, which require the net project cost of an urban renewal project to be shared on a two-thirds (Federal) and one-third (local) basis, the capital grants for the Kendall Square Project (Cambridge, Massachusetts) may exceed two-thirds of the project costs; and that the total grants-in-aid to be provided shall be limited to the maximum initial amount required under the original Loan and Grant Contract (\$6,416,500), as executed on December 28, 1965.

Cambridge Redevelopment Authority, as the local public agency in the City of Cambridge, Massachusetts, in 1964 agreed to carry out the Kendall Square Urban Renewal Project (Project No. Mass. R-107). The Urban Renewal Plan for the Project provided for the purchase and development of approximately two-thirds of the Project Area by the United States of America as an Electronics Research Center for the National Aeronautics and Space Administration. In reliance upon the purchase and development commitments of the United States, The Authority and the City expended substantial time and money in the furtherance of the Project, displaced numerous businesses and residents and took other steps to accommodate an accelerated time schedule to enable speedy construction of the Center. After less than one-half of the Center had been constructed the United States abruptly and without prior notice in 1969 terminated its development, closed the Center and has not proceeded with any further development other than the transfer of the partially completed development to the Department of Transportation. As a result, the Authority and the City have been substantially delayed in the carrying out and completion of the entire Project, have been required to engage in new and further planning for the portion of the Project Area not developed by the United States, as well as the remaining portions of the Area, have suffered substantial damages, including significantly increased costs. In response to this, the then HUD Secretary, James T. Lynn, in 1974, agreed to "reserve" \$15 million in additional capital grant funds for the project.

In effect, this section would waive the one-third matching local share requirement with respect to these additional Federal grant funds and limit the City and Authorities' required local share to \$6,416,500, the amount agreed upon in the original loan and grant contract.

Your committee believes such a waiver justified since the delays and consequent increases in costs associated with this project were a direct result of actions of the Federal Government and should not have to be borne by the community—even on a one-third matching share basis.

Section 3 of the bill would increase the maximum mortgage limits under FHA's multifamily project insurance programs. Basic per unit dollar limits would be increased by 20 percent and the Secretary of HUD's discretionary authority to raise this basic limit in high-cost areas as much as 45 percent would be increased to 50 percent.

This change would affect the following FHA mortgage insurance programs directly: Section 207 Rental Housing, Section 213 Cooperative Housing, Section 220 Urban Renewal and Rehabilitation Housing, Section 221 Moderate Income Housing, Section 231 Housing for the Elderly, and Section 234 Condominium Housing.

The existing per unit dollar limits are not adequate to cover the cost of construction in many major metropolitan areas. This increase in allowable mortgages would again make FHA insurance programs possible in these areas.

Section 4 of the bill would repeal the 10 percent limitation on the number of dwelling units in projects insured and subsidized under section 221(d)(3) and 236 of the National Housing Act that may be occupied by non-elderly single persons.

The present language of sections 221(f) and 236(j) of the National Housing Act permits single persons to occupy units in projects insured under those sections, but limits occupancy by such persons to not more than 10 per centum of the dwelling units in any such project.

S. 3066, the omnibus Housing and Community Development Act of 1974 as passed by the Senate, eliminated this 10 percent limitation. The Explanatory Statement of the Managers of the Committee of Conference, in the conference report to accompany the Housing and Community Development Act of 1974 (Report No. 93-1279), indicates (at page 151) that:

The Senate bill contained a provision not in the House amendment eliminating the 10 percent limitation on the number of non-elderly single persons who may be assisted in any project. The conference report contains this Senate provision.

Through inadvertence, the appropriate statutory language was not included in the conference reported bill. This amendment corrects that oversight.

Section 5 of the bill would amend section 103(a)(2) of the Housing and Community Development Act of 1974 to allocate \$200,000,000 of the existing community development block grant authorization for fiscal year 1977 to non-entitlement localities within metropolitan areas and for hold harmless grants to localities in metropolitan areas, the latter use limited to no more than 50 percent of the \$200,000,000 allocation.

Under the present statutory framework, 80 percent of funds appropriated for community development block grants in fiscal year 1977 would be allocated to metropolitan areas. This amount would be used, first, to meet the formula entitlement of metropolitan cities and urban counties and then to meet hold-harmless needs. The remainder would then be available for discretionary funding of localities not qualifying for either formula or hold-harmless treatment.

Even assuming that the full amount of authorized funds are appropriated for fiscal year 1977, the Department of Housing and Urban Development projects that allocation through the present statutory framework will likely result in a moderate negative balance for metro-

politan areas—i.e., after meeting formula requirements, there will be insufficient funds to meet hold-harmless needs and no funds available for discretionary use in metropolitan areas.

This amendment is designed to provide a sufficiently large set aside to assure that hold-harmless requirements would be met in full and that a reasonable sum (at least \$100 million) would be available for discretionary funding of smaller communities in metropolitan areas.

This set aside would result in somewhat smaller allocations to non-metropolitan areas, metropolitan cities and urban counties. According to Department of Housing and Urban Development estimate, however, these recipients would nevertheless be eligible to receive amounts significantly in excess of amounts for which they are estimated to be eligible in fiscal year 1976.

Section 6 of the bill would extend the emergency implementation provisions of the National Flood Insurance Program for one year, from December 31, 1975, to December 31, 1976. It would permit the continued availability of federally subsidized flood insurance in communities where detailed and time-consuming actuarial rate and flood hazard evaluation studies have not been completed.

The National Flood Insurance Program, as originally authorized by the Congress in the Housing and Urban Development Act of 1968, Public Law 90-448, required the completion of detailed flood insurance studies to establish actuarial rates and prudent elevation levels for new construction in a community before flood insurance could be made available in that community. It quickly became apparent after initial implementation of the Program that the mandated studies would be time-consuming, thus delaying substantially the entry of communities into the Program. Accordingly, in 1969, Congress amended the Program to authorize its implementation, on an emergency basis, in any community where the detailed studies had not been completed provided the community agreed to take certain minimal steps to reduce losses on new construction.

At present, about 12,000 communities are participating in the National Flood Insurance Program. Approximately 11,500 of those communities are participating under the emergency implementation authority; these communities are awaiting the undertaking or completion of the detailed studies referred to above. In the case of many of these communities, the requisite flood insurance studies will not be completed, for a variety of reasons, for some time. In this regard, it should also be noted that, of approximately 550,000 flood insurance policyholders at present, about 300,000 have policies with insurance coverage in force of about \$7 billion as a direct result of their community's participation in the emergency program. Therefore, the reasons underlying the creation of the emergency program still affirm the need for its continuance today.

Under existing law, the authority for the emergency program will expire on December 31, 1975. The extension of the authority is imperative to assure the continued availability of flood insurance to the 300,000 policyholders presently covered under the emergency program. If the authority were not extended, these policyholders would not be able to renew their policies upon expiration and no new policies could be written after December 31, 1975.

STATEMENTS REQUIRED IN ACCORDANCE WITH HOUSE RULES

In accordance with clause 2(1)(3) and 2(1)(4) of rule XI of the Rules of the House of Representatives, the following statements are made:

With regard to subdivision (A) of clause 3, relating to oversight findings, the committee finds, in keeping with clause 2(b)(1) of rule X, that this legislation is in full compliance with the provision of this rule of the House, which states:

In addition, each such committee shall review and study any conditions or circumstances, which may indicate the necessity or desirability of enacting new or additional legislation within the jurisdiction of the committee \* \* \*.

The objectives of this legislation are to make miscellaneous improvements in several housing and community development programs administered by the Department of Housing and Urban Development, and to extend the expiration date for the Emergency Flood Insurance program.

With respect to subdivisions (C) and (D) of clause 3, the committee advises that no estimate or comparison has been prepared by the Director of the Congressional Budget Office relative to any of the provisions of H.R. 9852, nor have any oversight findings or recommendations been made by the Committee on Government Operations with respect to the specific subject matter contained in H.R. 9852.

In compliance with clause 2(1)(4) of rule XI of the House of Representatives, the committee makes the following statement:

INFLATION IMPACT STATEMENT

H.R. 9852 contains six sections, two of which have potential implications for price increases in the general economy and the construction industry. These are sections 1 and 3. Section 1 would raise maximum loan limits for mobile homes financed with FHA insurance from \$10,000 to \$12,500 for single modules and from \$15,000 to \$20,000 for double module homes. Section 3 would increase maximum mortgage limits for multifamily projects insured by FHA by 20 percent, with increases above these levels up to 50 percent in high-cost areas, rather than the present 45 percent, as determined by the Secretary of the Department of Housing and Urban Development.

*State of the economy*

At the start of the fourth quarter of 1975 there was still much slack in the nation's productive capacity. The overall unemployment rate in September was 8.3 percent, or 7.8 million persons unable to find work. Of these, 1.6 million had been idle for more than 26 weeks. In the construction industry, the September unemployment rate was 19.2 percent, for a total of 873,000 persons out of work. In the second quarter of 1975 only 66.5 percent of manufacturing capacity of American industry was being utilized compared with 83 percent in 1973. Private construction in the three months ending July 1975 in real terms (1967 dollars) was valued at \$44.9 billion on a seasonally adjusted annual basis, down 36 percent from the annual levels of 1972 and 1973. The residential sector for the same period was down 47 percent

from 1972 in dollars of constant value. Housing starts in August 1975 were at an annual rate of 1.26 million, little more than half the rate in 1972.

*Inflationary pressures*

Despite the excess capacity in our industrial plant and labor force, inflationary pressures continue to plague the economy and some of the most depressed sectors such as housing. The Consumer Price Index in August 1975 showed a rise of 8.6 percent over the previous year. This was less than the 11 percent increase in 1974 over 1973 but well above a rate that most economists would consider acceptable. Fuel and utility prices in housing were up 10.6 percent in August 1975 over the previous year. The Boeckh index of construction costs for apartments, hotels, and office buildings showed a rise of 11.3 percent in June 1975 over the preceding year.

Reflecting these price increases and expectations that they will persist, suppliers of long-term loan funds continued to demand a premium for inflation. Bond yields on domestic corporate issues (Moody's) averaged 9.55 percent at the end of September 1975, only 20 basis points below the yields 12 months earlier. The average yield on FNMA's 4-month commitments to buy FHA/VA mortgages was 9.86 percent in late September, approaching the peak rates of November 1974.

*Impact of the proposed legislation*

One purpose of the proposed increase in maximum mortgage limits for FHA insured multifamily units by 20 percent with adjustments of another 50 percent permitted in high-cost areas as determined by the Secretary of HUD is to permit FHA multifamily programs to remain viable alternatives to developers. In 1973 and 1974, relatively few projects were approved under the Sec. 207 program. To the extent that this lack of activity may have been due to unrealistically low mortgage amounts permitted under the FHA multifamily program, the instant proposal will help remedy the situation. Since FHA is not currently a major factor in the financing of multifamily housing, the raising of mortgage limits will not necessarily contribute to rising costs. Rather, such action would have the effect of accepting cost realities. The same applies to mobile homes insured by FHA.

It should be noted that the proposed new mortgage amounts are maximums. Each application under Sec. 207 must still be examined by FHA personnel to meet a requirement that a mortgage on any property or project shall involve a principal obligation not to exceed 90 percent of its estimated value (with the exception of Alaska and Guam where it may not exceed 90 percent of replacement cost). Thus, FHA personnel will still be obliged to exercise professional discretion in approving mortgage amounts for each property or project.

The increases beyond these limits up to 50 percent higher in high-cost areas are also discretionary. The Secretary is expected to exercise this authority with due consideration of potential effects on costs and rents of rental housing in each area.

Overall, the proposed amendments are not expected to have significant impact on the economy as a whole or the residential construction industry. The Committee is aware, however, that costs of resi-



dential construction have been rising steadily in recent years and that efforts must be made both in the private and public sectors to moderate these increases.

In compliance with clause 7(a) of rule XIII of the House of Representatives, the following statement is made: H.R. 9852 does not provide for the authorization of funds nor does it involve the outlay of additional funds.

In compliance with clause 2(1)(2) of rule XI of the House of Representatives, the following statement is made relative to the record vote on the motion to report H.R. 9852: 25 votes were cast for reporting and 2 votes against reporting.

#### SECTION-BY-SECTION SUMMARY

Section 1 would amend section 2(b)(1) of the National Housing Act to increase maximum loan limits under FHA's mobile home insurance program from \$10,000 to \$12,500 for single module homes, and from \$15,000 to \$20,000 for double module homes.

Section 2 authorizes, notwithstanding the provisions of title I of the Housing Act of 1949 that capital grants for the Kendall Square Urban Renewal Project may exceed two-thirds of the project costs; and that the total local grants-in-aid to be provided shall be limited to the maximum initial amount required under the original Loan and Grant Contract, as executed on December 28, 1965. Since the provisions of sections 103(a)(2) and 104 of Title I of the Housing Act of 1949 would require net project costs to be shared on a two-thirds, aggregate basis with respect to all projects in the same municipality, section 2 contains provisions whereby the excess capital grant authorized for the Kendall Square Project will not reduce capital grants in other projects. In addition, since section 103(a)(2) limits capital grants to the difference between net project cost and local grants-in-aid actually made, section 2 contains provisions that any local grants-in-aid provided for the Kendall Square Project in excess of the limited amount required under section 2 shall not decrease the capital grant authorized for the Kendall Square Project. While section 2 authorizes a local grant-in-aid for this project in an amount which is less than the required statutory share, and provides further that any local grants-in-aid actually furnished in excess of such amount shall not serve to reduce the capital grant for the project, it is not intended that such excess should thereby be available for use as a pooling credit to other projects. A proviso at the end of the section precludes such a result.

Section 3 would amend appropriate provisions of the National Housing Act to increase the maximum mortgage limits under FHA's multifamily project insurance programs. Basic per unit dollar limits would be increased by 20 percent, and the high-cost area adjustment would be increased from 45 percent to 50 percent.

Section 4 would amend section 221(f) and 236(j)(5) of the National Housing Act to repeal the 10 percent limitation on the number of dwelling units in projects insured and subsidized under sections 221(d)(3) and 236 of the National Housing Act that may be occupied by non-elderly single persons.

Section 5 would amend section 103(a)(2) of the Housing and Community Development Act of 1974 to allocate \$200,000,000 of the existing community development block grant authorization for fiscal year 1977 to non-entitlement localities in metropolitan areas and for hold harmless grants to localities in metropolitan areas, the latter use limited to no more than 50 percent of the \$200,000,000 allocation.

Section 6 would amend section 1336(a) of the National Flood Insurance Act of 1968 to extend the emergency flood insurance program for one year, from December 31, 1975, to December 31, 1976.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman):

#### NATIONAL HOUSING ACT

AN ACT To encourage improvement in housing standards and conditions, to provide a system of mutual mortgage insurance, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Housing Act."*

#### TITLE I—HOUSING RENOVATION AND MODERNIZATION

\* \* \* \* \*

#### INSURANCE OF FINANCIAL INSTITUTIONS

SEC. 2. (a) \* \* \*

\* \* \* \* \*

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds \$10,000, except that an obligation financing the purchase of a mobile home may be in an amount not exceeding **[\$10,000 (\$15,000)] \$12,500 (\$20,000** in the case of a mobile home composed of two or more modules); (2) if such obligation has a maturity in excess of twelve years and thirty-two days, except that such maturity limitation shall not apply if such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for agricultural purposes: *Provided*, That an obligation financing the purchase of a mobile home may have a maturity not in excess of fifteen years and thirty-two days; or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Secretary shall prescribe, in order to make credit available for the purposes of this title: *Provided*, That any such obligation with respect to which insurance is granted under this section on or after sixty days from the date of the enactment of this proviso shall bear

interest, and insurance premium charges, not exceeding (A) an amount with respect to so much of the net proceeds thereof as does not exceed \$2,500, equivalent to \$5.50 discount per \$100 of original face amount of a one-year note payable in equal monthly installments, plus (B) an amount, with respect to any portion of the net proceeds thereof in excess of \$2,500, equivalent to \$4.50 discount per \$100 of original face amount of such a note: *Provided further*, That the amounts referred to in clauses (A) and (B) of the preceding proviso, when correctly based on tables of calculations issued by the Secretary or adjusted to eliminate minor errors in computation in accordance with requirements of the Secretary, shall be deemed to comply with such proviso: *Provided further*, That insurance may be granted to any such financial institution with respect to any obligation not in excess of \$25,000 nor an average amount of \$5,000 per family unit and having a maturity not in excess of twelve years and thirty-two days representing any such loan, advance of credit, or purchase made by it if such loan, advance of credit, or purchase is made for the purpose of financing the alteration, repair, improvement, or conversion of an existing structure used or to be used as an apartment house or dwelling for two or more families: *Provided further*, That any obligation with respect to which insurance is granted under this section on or after July 1, 1939, may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term in excess of the maximum provided for in this subsection. Notwithstanding the foregoing limitations, any loan to finance fire safety equipment for a nursing home, extended health care facility, intermediate health care facility, or other comparable health care facility may involve such principal amount and have such maturity as the Secretary may prescribe.

TITLE II—MORTGAGE INSURANCE

\* \* \* \* \*

RENTAL HOUSING INSURANCE

SEC. 207. (a) \* \* \*

\* \* \* \* \*

(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount—

\* \* \* \* \*

(3) not to exceed, for such part of the property or projects as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), ~~[\$13,000]~~ \$15,600 per family unit without bedroom, ~~[\$18,000]~~ \$21,600 per family unit with one bedroom, ~~[\$21,500]~~ \$25,800 per family unit with two bedrooms, ~~[\$26,500]~~ \$31,800 per family unit with three bedrooms, and ~~[\$30,000]~~ \$36,000 per family unit with four or more bedrooms, or not to exceed ~~[\$3,250]~~ \$3,900 per space except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed ~~[\$15,000]~~ \$18,000 per family unit without a bedroom,

~~[\$21,000]~~ \$25,200 per family unit with one bedroom, ~~[\$25,750]~~ \$30,900 per family unit with two bedrooms, ~~[\$32,250]~~ \$38,700 per family unit with three bedrooms, and ~~[\$36,465]~~ \$43,758 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed ~~[45]~~ 50 per centum in any geographical area where he finds that cost levels so require.

The mortgage shall provide for complete amortization by periodic payments within such term as the Secretary shall prescribe and shall bear interest (exclusive of premium charges for insurance) at not to exceed 5¼ per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. No mortgage shall be accepted for insurance under this section or section 210 unless the Secretary finds that the property or project, with respect to which the mortgage is executed, is economically sound. Such property or project may include eight or more family units and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants.

\* \* \* \* \*

COOPERATIVE HOUSING INSURANCE

SEC. 213. (a) \* \* \*

\* \* \* \* \*

(b) To be eligible for insurance under this section a mortgage on any property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) of this section shall involve a principal obligation in an amount—

(1) (repealed)

(2) not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), ~~[\$13,000]~~ \$15,600 per family unit without a bedroom, ~~[\$18,000]~~ \$21,600 per family unit with one bedroom ~~[\$21,500]~~ \$25,800 per family unit with two bedrooms, ~~[\$26,500]~~ \$31,800 per family unit with four or more bedrooms, and not to exceed 98 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed: *Provided*, That as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not exceed ~~[\$15,000]~~ \$18,000 per family unit without a bedroom, ~~[\$21,000]~~ \$25,200 per

family unit with one bedroom, ~~[\$25,750]~~ \$30,900 per family unit with two bedrooms, ~~[\$32,250]~~ \$38,700 per family unit with three bedrooms, and ~~[\$36,465]~~ \$43,758 per family unit with four or more bedrooms, as the case may be, to compensate for the higher cost incident to the construction of elevator-type structures of sound standards of construction and design: *Provided further*, That the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed ~~[45]~~ 50 per centum in any geographical area where he finds that cost level so require: *Provided further*, That in the case of a mortgagor of the character described in paragraph (3) of subsection (a) the mortgage shall involve a principal obligation in an amount not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed: *And provided further*, That upon the sale of a property or project by a mortgagor of the character described in paragraph (3) of subsection (a) to a nonprofit cooperative ownership housing corporation or trust within two years after the completion of such property or project the mortgage given to finance such sale shall involve a principal obligation in an amount not to exceed the maximum amount computed in accordance with this subsection without regard to the preceding proviso.

\* \* \* \* \*

#### REHABILITATION AND NEIGHBORHOOD CONSERVATION HOUSING INSURANCE

##### SEC. 220. (a) \* \* \*

\* \* \* \* \*

(d) To be eligible for insurance under this section a mortgage shall meet the following conditions:

(1) The mortgaged property shall—

(A) be located in (i) the area of a slum clearance and urban redevelopment project covered by a Federal-aid contract executed or a prior approval granted, pursuant to title I of the Housing Act of 1949 before the effective date of the Housing Act of 1954, or (ii) an urban renewal area (as defined in title I of the Housing Act of 1949, as amended) in a community respecting which the Secretary of Housing and Urban Development has made the determination provided for by section 101(c) of the Housing Act of 1949, as amended, or (iii) the area of an urban renewal project assisted under section 111 of the Housing Act of 1949, as amended, or (iv) an area in which a program of concentrated code enforcement activities is being carried out pursuant to section 117 of the Housing Act of 1949: *Provided*, That, in the case of an area within the purview of clause (i) or (ii) of this subparagraph, a redevelopment plan or an urban renewal plan (as defined in title I of the Housing Act of 1949, as amended), as the case may be, has been approved for such area by the governing body of the locality involved and by the Secretary of Housing and Urban Development and the Secretary has determined that such plan conforms to a general plan for the locality as a whole and that there exist

the necessary authority and financial capacity to assure the completion of such redevelopment or urban renewal plan: *And provided further*, That, in the case of an area within the purview of clause (iii) of this subparagraph, an urban renewal plan (as required for projects assisted under such section 111) has been approved for such area by such governing body and by the Secretary, and the Secretary has determined that such plan conforms to definite local objectives respecting appropriate land uses, improved traffic, public transportation, public utilities, recreational and community facilities, and other public improvements, and that there exist the necessary authority and financial capacity to assure the completion of such urban renewal plan, and

(B) meet such standards and conditions as the Secretary shall prescribe to establish the acceptability of such property for mortgage insurance under this section.

(2) The mortgaged property shall be held by—

(A) a mortgagor approved by the Secretary, and the Secretary may in his discretion require such mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return and methods of operation, and for such purpose the Secretary may make such contracts with and acquire for not to exceed \$100 stock or interest in any such mortgagor as the Secretary may deem necessary to render effective such restriction or regulations. Such stock or interest shall be paid for out of the General Insurance Fund and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance; or

(B) by Federal or State instrumentalities, municipal corporate instrumentalities of one or more States, or limited dividend or re-development or housing corporations or other legal entities restricted by or under Federal or State laws or regulations of State banking or insurance departments as to rents, charges, capital structure, rate of return, or methods of operation.

(3) The mortgage shall—

(A) (i) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount not to exceed \$45,000 in the case of property upon which there is located a dwelling designed principally for a one-family residence; or \$48,750 in the case of a two-family residence; or \$48,750 in the case of a three-family residence; or \$56,000 in the case of a four-family residence; or in the case of a dwelling designed principally for residential use for more than four families (but not exceeding such additional number of family units as the Secretary may prescribe) \$56,000 plus not to exceed \$7,700 for each additional family unit in excess of four located on such property; and not to exceed an amount equal to the sum of (1) 97 per centum (but, in any case where the dwelling is not approved for mortgage insurance prior to the beginning of construction, unless the construction of the dwelling was completed more than one year prior to the application for mortgage insurance, 90 per centum) of \$25,000 of the Secretary's estimate of replacement cost of the

property, as of the date the mortgage is accepted for insurance, (2) 90 per centum of such replacement cost in excess of \$25,000 but not in excess of \$35,000 (3) 80 per centum of such replacement cost in excess of \$35,000: *Provided*, That in the case of properties other than new construction, the foregoing limitations upon the amount of the mortgage shall be based upon the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation rather than upon the Secretary's estimate of the replacement cost: *Provided further*, That if the mortgagor is a veteran and the mortgage to be insured under this section covers property upon which there is located a dwelling designed principally for a one-family residence, the principal obligation may be in an amount equal to the sum of (1) 100 per centum of \$25,000 of the Secretary's estimate of replacement cost of the property, as of the date the mortgage is accepted for insurance, (2) 90 per centum of such replacement cost in excess of \$25,000 but not in excess of \$35,000, and (3) 85 per centum of such replacement cost in excess of \$35,000. As used herein, the term "veteran" means any person who served on active duty in the Armed Forces of the United States for a period of not less than ninety days (or is certified by the Secretary of Defense as having performed extrahazardous service), and who was discharged or released therefrom under conditions other than dishonorable;

(ii) in a case where the mortgagor is not the occupant of the property and intends to hold the property for rental purposes, have a principal obligation in an amount not to exceed 93 per centum of the amount computed under the provisions of clause (i);

(iii) in a case where the mortgagor is not the occupant of the property and intends to hold the property for the purpose of sale, have a principal obligation in an amount not to exceed 85 per centum of the amount computed under the provisions of clause (i), or in the alternative, in an amount equal to the amount computed under the provisions of clause (i) if the mortgagor and mortgagee assume responsibility in a manner satisfactory to the Secretary for the reduction of the mortgage by an amount not less than 15 per centum of the outstanding principal amount thereof, or by such greater amount as may be required to meet the limitations of clause (i), in the event the mortgaged property is not, prior to the due date of the eighteenth amortization payment of the mortgage, sold to a purchaser acceptable to the Secretary who is the occupant of the property and who assumes and agrees to pay the mortgage indebtedness; and

(iv) in no case involving refinancing (except as provided in clause (iii)) have a principal obligation in an amount exceeding the sum of the estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project, plus any existing indebtedness incurred in connection with improving, repairing, or rehabilitating the property; or

(B) (i) (Repealed)

(ii) not exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost of the property or project may include the land, the proposed physical improvements, utilities within the boundaries of the property or project, architect's fees, taxes, and interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary, and shall include an allowance for builder's and sponsor's profit and risk of 10 per centum of all of the foregoing items except the land unless the Secretary, after certification that such allowance is unreasonable, shall be regulation prescribe a lesser percentage): *Provided*, That in the case of properties other than new construction, the foregoing limitations upon the amount of the mortgage shall be based upon the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation rather than upon the Secretary's estimate of the replacement cost: *Provided further*, That in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project: *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance:

(iii) not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), ~~[\$13,000]~~ \$15,600 per family unit without a bedroom, ~~[\$18,000]~~ \$21,600 per family unit with one bedroom, ~~[\$21,500]~~ \$25,800 per family unit with two bedrooms, ~~[\$26,500]~~ \$31,800 per family unit with three bedrooms, and ~~[\$30,000]~~ \$36,000 per family unit, with four or more bedrooms, except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not exceed ~~[\$15,000]~~ \$18,000 per family unit without a bedroom, ~~[\$21,000]~~ \$25,200 per family unit with one bedroom, ~~[\$25,000]~~ \$30,900 per family unit with two bedrooms, ~~[\$32,250]~~ \$38,700 per family unit with three bedrooms and ~~[\$36,465]~~ \$43,758 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that with respect to rehabilitation projects involving not more than five family units, the Secretary may by regulation increase by 25 per centum any of the foregoing dollar amount limitations contained in this clause which are applicable to units with two, three, or four or more bedrooms: *Provided*, That the Secretary may, by regulation, increase any of the foregoing dollar amount limita-

tions contained in this clause (as determined after the application of the preceding proviso) by not to exceed [45] 50 per centum in any geographical area where he finds that cost levels so require: *Provided further*, That nothing contained in this subparagraph shall preclude the insurance of mortgages covering existing multifamily dwellings to be rehabilitated or reconstructed for the purposes set forth in subsection (a) of this section; and

(iv) include such nondwelling facilities as the Secretary deems desirable and consistent with the urban renewal plan: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community.

(4) The mortgage shall provide for complete amortization by periodic payments within such terms as the Secretary may prescribe, but as to mortgages coming within the provisions of paragraph (3)(A) of this subsection (d) not to exceed the maximum maturity prescribed by the provisions of section 203(b)(3). The mortgage shall bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed 5 per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market; contain such terms and provisions with respect to the application of the mortgagor's periodic payment to amortization of the principal of the mortgage, insurance, repairs, alterations, payment of taxes, default reserves, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may in his discretion prescribe.

\* \* \* \* \*

HOUSING FOR MODERATE INCOME AND DISPLACED FAMILIES

SEC. 221. (a) \* \* \*

\* \* \* \* \*

(d) To be eligible for insurance under this section, a mortgage shall—

(1) have been made to and be held by a mortgagee approved by the Secretary as responsible and able to service the mortgage properly;

(2) be secured by property upon which there is located a dwelling conforming to applicable standards prescribed by the Secretary under subsection (f) of this section, and meeting the requirements of all State laws, or local ordinances or regulations relating to the public health or safety, zoning, or otherwise, which may be applicable thereto, and shall involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount (A) not to exceed (i) \$21,600 (or \$25,200, if the mortgagor's family includes five or more persons) in the case of a property upon

which there is located a dwelling designed principally for a single-family residence, (ii) \$28,000 in the case of a property upon which there is located a dwelling designed principally for a two-family residence, (iii) \$38,880 in the case of a property upon which there is located a dwelling designed principally for a three-family residence, or (iv) \$47,520 in the case of a property upon which there is located a dwelling designed principally for a four-family residence: *Provided*, That a mortgage secured by property upon which there is located a dwelling designed principally for a two-, three-, or four-family residence shall not be insured under this section except in the case of a dwelling for occupancy by the mortgagor *Provided further*, That the Secretary may increase the foregoing amounts to not to exceed \$25,200 (or \$28,800 if the mortgagor's family includes five or more persons), \$36,000, \$46,080, and \$54,720, respectively, in any geographical area where he finds that cost levels so require; and (B) not to exceed the appraised value of the property (as of the date the mortgage is accepted for insurance): *Provided*, That (i) if the mortgagor is the owner and an occupant of the property at the time of insurance, (1) in the case of a displaced family, he shall have paid on account of the property at least \$200 in the case of a single-family dwelling, \$400 in the case of a two-family dwelling, \$600 in the case of a three-family dwelling, and \$800 in the case of a four-family dwelling, or (2) in the case of any other family, he shall have paid on account of the property at least 3 per centum of the Secretary's estimate of its acquisition cost, in cash or its equivalent; which amount in either instance may include amounts to cover settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premium, and other prepaid expenses; or, (ii) in the case of repair and rehabilitation, the amount of the mortgage shall not exceed the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property: *Provided further*, That nothing continued herein shall preclude the Secretary from issuing a commitment to insure, and insuring a mortgage pursuant thereto, where the mortgagor is not the owner and an occupant of the property, if the property is to be built or acquired and repaired or rehabilitated for sale, and the insured mortgage financing is required to facilitate the construction, or the repair or rehabilitation, of the dwelling and to provide financing pending the subsequent sale thereof to a qualified owner who is also an occupant thereof, but in such instances the mortgage shall not exceed 85 per centum of the appraised value: *Provided further*, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling; or

(3) if executed by a mortgagor which is a public body or agency (and, except with respect to a project assisted or to be assisted

pursuant to section 8 of the United States Housing Act of 1937, which certifies that it is not receiving financial assistance from the United States exclusively pursuant to such Act), a cooperative (including an investor-sponsor who meets such requirements as the Secretary may impose to assure that the consumer interest is protected), or a limited dividend corporation (as defined by the Secretary), or a private nonprofit corporation or association, or other mortgagor approved by the Secretary, and regulated or supervised under Federal or State laws or by political subdivisions of States, or agencies thereof, or by the Secretary under a regulatory agreement or otherwise, as to rents, charges, and methods of operation, in such form and in such manner as in the opinion of the Secretary will effectuate the purposes of this section—

(i) (Repealed)

(ii) not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), ~~[\$11,240]~~ \$13,488 per family unit without a bedroom, ~~[\$15,540]~~ \$18,648 per family unit with one bedroom, ~~[\$18,630]~~ \$22,356 per family unit with two bedrooms, ~~[\$23,460]~~ \$28,152 per family unit with three bedrooms, and ~~[\$26,570]~~ \$31,884 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed ~~[\$13,120]~~ \$15,744 per family unit without a bedroom, ~~[\$18,630]~~ \$22,356 per family unit with one bedroom, ~~[\$22,080]~~ \$26,496 per family unit with two bedrooms, ~~[\$27,600]~~ \$33,120 per family unit with three bedrooms, and ~~[\$32,000]~~ \$38,400 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause by not to exceed ~~[45]~~ 50 per centum in any geographical area where he finds that cost levels so require; and

(iii) not exceed (1) in the case of new construction, the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed improvements are completed (the replacement cost may include the land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction, and other miscellaneous charges incident to construction and approved by the Secretary), or (2) in the case of repair and rehabilitation, the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation: *Provided*, That in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project: *Provided further*, That the

mortgage may involve the financing of the purchase of Property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage may involve the financing of the purchase of property as of the date the mortgage is accepted for insurance: *Provided further*, That in the case of any mortgagor other than a nonprofit corporation or association, cooperative (including an investor-sponsor), or public body, or a mortgagor meeting the special requirements of subsection (e)(1), the amount of the mortgage shall not exceed 90 per centum of the amount otherwise authorized under this section: *Provided further*, That such property or project, when constructed, or repaired and rehabilitated, shall be for use as a rental or cooperative project, and low and moderate income families or displaced families shall be eligible for occupancy in accordance with such regulations and procedures as may be prescribed by the Secretary and the Secretary may adopt such requirements as he determines to be desirable regarding consultation with local public officials where such consultation is appropriate by reason of the relationship of such project to projects under other local programs; or

(4) if executed by a mortgagor other than a mortgagor referred to in subsection (d)(3), and which is approved by the Secretary—

(i) (repealed)

(ii) not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), ~~[\$12,300]~~ \$14,760 per family unit without a bedroom, ~~[\$17,188]~~ \$20,625 per family unit with one bedroom, ~~[\$20,525]~~ \$24,630 per family unit with two bedrooms, ~~[\$24,700]~~ \$29,640 per family unit with three bedrooms, and ~~[\$29,038]~~ \$34,846 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed ~~[\$13,975]~~ \$16,770 per family unit without a bedroom, ~~[\$20,025]~~ \$24,030 per family unit with one bedroom, ~~[\$24,350]~~ \$29,220 per family unit with two bedrooms, ~~[\$31,500]~~ \$37,800 per family unit with three bedrooms, and ~~[\$34,578]~~ \$41,494 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause by not to exceed ~~[45]~~ 50 per centum in any geographical area where he finds that cost levels so require;

\* \* \* \* \*

(f) The property or project shall comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of such property for mortgage insurance and may include such commercial and community facilities as the Secretary deems ade-

quate to serve the occupants: *Provided*, That in the case of any such property or project located in an urban renewal area, the provisions of section 220(d)(3)(B)(iv) shall apply with respect to the nondwelling facilities which may be included in the mortgage: *Provided further*, That in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities.

A property or project covered by a mortgage insured under the provisions of subsection (d)(3) or (d)(4) shall include five or more family units: *Provided*, That such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicapped families, need not, with the approval of the Secretary, contain kitchen facilities, and such projects may include central dining and other shared facilities. The Secretary is authorized to adopt such procedures and requirements as he determines are desirable to assure that the dwelling accommodations provided under this section are available to displaced families. Notwithstanding any provision of this Act, the Secretary, in order to assist further the provision of housing for low and moderate income families, in his discretion and under such conditions as he may prescribe, may insure a mortgage which meets the requirements of subsection (d)(3) of this section as in effect after the date of enactment of the Housing Act of 1961, or which meets the requirements of subsection (h), (i), or (j) with no premium charge, with a reduced premium charge, or with a premium charge for such period or periods during the time the insurance is in effect as the Secretary may determine, and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to reimburse the General Insurance Fund for any net losses in connection with such insurance. No mortgage shall be insured under this section after June 30, 1977, except pursuant to a commitment to insure before that date, or except a mortgage covering property which the Secretary finds will assist in the provision of housing for displaced families. Any person who is sixty-two years of age or over, or who is a handicapped person within the meaning of section 202 of the Housing Act of 1959, or who is a displaced person, shall be deemed to be a family within the meaning of the terms "family" and "families" as those terms are used in this section. Low- and moderate-income persons who are less than 62 years of age shall be eligible for occupancy of dwelling units in a project financed with a mortgage insured under subsection (d)(3) [ , but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons ].

In any case in which it is determined in accordance with regulations of the Secretary that facilitates in existence or under construction on the date of enactment of the Housing and Urban Development Act of 1970 which could appropriately be used for classroom purposes are available in any such property or project and that public schools in the community are overcrowded due in part to the attendance at such schools of residents of the property or project, such facilities may be used for such purposes to the extent permitted in such regulations (without being subject to any of the requirements of the proviso in section 220(d)(3)(B)(iv) except the requirement that the project be predominantly residential).

As used in this section the terms "displaced family", "displaced families", and "displaced person" shall mean a family or families, or a person, displaced from an urban renewal area, or as a result of governmental action, or as a result of a major disaster as determined by the President pursuant to the Disaster Relief Act of 1970.

\* \* \* \* \*

#### HOUSING FOR ELDERLY PERSONS

SEC. 231. (a) The purpose of this section is to assist in relieving the shortage of housing for elderly persons and to increase the supply of rental housing for elderly persons.

For the purposes of this section—

- (1) the term "housing" means eight or more new or rehabilitated living units, not less than 50 per centum of which are specially designed for the use and occupancy of elderly persons;
- (2) the term "elderly person" means any person, married or single, who is sixty-two years of age or over; and
- (3) the terms "mortgage," "mortgagee," "mortgagor," and "maturity date" shall have the meanings respectively set forth in section 207 of this Act.

(b) The Secretary is authorized to insure any mortgage (including advances on mortgages during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgages prior to the date of their execution or disbursement thereon.

(c) To be eligible for insurance under this section, a mortgage to provide housing for elderly persons shall—

- (1)
- (2) not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvement as defined by the Secretary), [ \$12,300 ] \$14,760 per family unit without a bedroom, [ \$17,188 ] \$20,625 per family unit with one bedroom, [ \$20,525 ] \$24,630 per family unit with two bedrooms, [ \$24,700 ] \$29,640 per family unit with three bedrooms, and [ \$29,038 ] \$34,846 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed [ \$13,975 ] \$16,770 per family unit without a bedroom, [ \$20,025 ] \$24,030 per family unit with one bedroom, [ \$24,350 ] \$29,220 per family unit with two bedrooms, [ \$31,500 ] \$37,800 per family unit with three bedrooms, and [ \$34,578 ] \$41,494 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed [ 45 ] 50 per centum in any geographical area where he finds that cost levels so require;

\* \* \* \* \*

MORTGAGE INSURANCE FOR CONDOMINIUMS

SEC. 234. (a) \* \* \*

\* \* \* \* \*

(e) To be eligible for insurance, a blanket mortgage on any multi-family project of a mortgagor of the character described in subsection (d) shall involve a principal obligation in an amount—

(1)

(2) not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the project when the proposed physical improvements are completed;

(3) not to exceed, for such part of the project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), ~~[\$13,000]~~ \$15,600 per family unit without a bedroom, ~~[\$18,000]~~ \$21,600 per family unit with one bedroom, ~~[\$21,500]~~ \$25,800 per family unit with two bedrooms, ~~[\$26,500]~~ \$31,800 per family unit with three bedrooms, and ~~[\$30,000]~~ \$36,000 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed ~~[\$15,000]~~ \$18,000 per family unit without a bedroom, ~~[\$21,000]~~ \$25,200 per family unit with one bedroom, ~~[\$25,750]~~ \$30,900 per family unit with two bedrooms, ~~[\$32,250]~~ \$38,700 per family unit with three bedrooms, and ~~[\$36,465]~~ \$43,758 per family unit with four or more bedrooms, as the case may be, to compensate for higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amounts limitations contained in this paragraph by not to exceed ~~[45]~~ 50 per centum in any geographical area where he finds that cost levels so require; and

(4) not to exceed an amount equal to the sum of the unit mortgage amounts determined under the provisions of subsection (c) assuming the mortgagor to be the owner and occupant of each family unit.

\* \* \* \* \*

RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

SEC. 236. (a) \* \* \*

\* \* \* \* \*

(j) (1) \* \* \*

\* \* \* \* \*

(5) The property or project shall—

(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary

to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further*, That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries, or other inpatient or outpatient health facilities, and other essential service facilities;

(B) include five or more dwelling units, but such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicapped families, need not, with the approval of the Secretary, contain kitchen facilities; and

(C) be designed primarily for use as a rental project to be occupied by lower income families or by elderly or handicapped families: *Provided*, That lower income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons. In any case in which it is determined in accordance with regulations of the Secretary that facilities in existence or under construction on the date of enactment of the Housing and Urban Development Act of 1970 which could appropriately be used for classroom purposes are available in any such property or project and that public schools in the community are overcrowded due in part to the attendance at such schools of residents of the property or project, such facilities may be used for such purposes to the extent permitted in such regulations (without being subject to any of the requirements of the first proviso in subparagraph (A) except the requirement that the project be predominantly residential).

\* \* \* \* \*

SECTION 103 OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1975

AUTHORIZATION TO MAKE GRANTS

SEC. 103. (a) (1) The Secretary is authorized to make grants to States and units of general local government to help finance Community Development Programs approved in accordance with the provisions of this title. The Secretary is authorized to incur obligations on behalf of the United States in the form of grant agreements or otherwise in amounts aggregating such sum, not to exceed \$8,400,000,000, as may be approved in an appropriation Act. The amount so approved shall become available for obligation on January 1, 1975, and shall remain available until obligated. There are authorized to be appropriated for liquidation of the obligations incurred under this subsection not to exceed \$2,500,000,000 prior to the close of the fiscal year 1975, which amount may be increased to not to exceed an aggregate of \$5,450,000,000 prior to the close of the fiscal year 1976, and to not to exceed an aggregate of \$8,400,000,000 prior to



the close of the fiscal year 1977. Subject to the limitations contained in the preceding sentence, appropriations for—

- (A) grants under title VII of the Housing Act of 1961;
- (B) grants under sections 702 and 703 of Housing and Urban Development Act of 1965; and
- (C) supplemental grants under title I of the Demonstration Cities and Metropolitan Development Act of 1966,

may be used, to the extent not otherwise obligated prior to January 1, 1975, for the liquidation of contracts entered into pursuant to this section.

(2) Of the amounts approved in appropriation Acts pursuant to paragraph (1), \$50,000,000 for each of the fiscal years 1975 and 1976 and \$200,000,000 for fiscal year 1977, not more than 50 per centum of which amount may be used under section 106(d)(1), shall be added to the amount available for allocation under section 106(d) and shall not be subject to the provisions of section 107.

(b) In addition to the amounts made available under subsection (a), and for the purpose of facilitating an orderly transition to the program authorized under this title, there are authorized to be appropriated not to exceed \$50,000,000 for each of the fiscal years 1975 and 1976, and not to exceed \$100,000,000 for the fiscal year 1977, for grants under this title to units of general local government having urgent community development needs which cannot be met through the operation of the allocation provisions of section 106.

(c) Sums appropriated pursuant to this section shall remain available until expended.

(d) To assure program continuity and orderly planning, the Secretary shall submit to the Congress timely requests for additional authorizations for the fiscal years 1978 through 1980.

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#### SECTION 1336 OF THE NATIONAL FLOOD INSURANCE ACT OF 1968

##### EMERGENCY IMPLEMENTATION OF PROGRAM

SEC. 1336. (a) Notwithstanding any other provisions of this title, for the purpose of providing flood insurance coverage at the earliest possible time, the Secretary shall carry out the flood insurance program authorized under chapter I during the period ending December 31, [1975] 1976, in accordance with the provisions of this part and the other provisions of this title insofar as they relate to this part but subject to the modifications made by or under subsection (b).

(b) In carrying out the flood insurance program pursuant to subsection (a), the Secretary—

(1) shall provide insurance coverage without regard to any estimated risk premium rates which would otherwise be determined under section 1307; and

(2) shall utilize the provisions and procedures contained in or prescribed by this part (other than section 1334) and sections 1345 and 1346 to such extent and in such manner as he may consider necessary or appropriate to carry out the purpose of this section.

#### DISSENTING VIEWS TO H.R. 9852

The principle represented by the inclusion of section 2 in this bill is a disturbing one. Section 2 singles out a particular urban renewal project, the Kendall Square project in Cambridge, Mass., and waives the local matching share requirement for this project.

Our opposition to this title centers not on the Kendall Square project itself, but on the fact that one particular project has been singled out for special treatment.

The proper procedure would be for the Housing Subcommittee to examine projects in other parts of the country with a view toward amending the local share requirement on these other projects. Such an examination would undoubtedly turn up other instances where a major developer, although perhaps not the Federal Government, failed to perform as expected, leaving the local community to find other uses for the land. These other communities have also been faced with costly delays and we should accord them the same treatment we are according to Cambridge.

We should not deal with urban renewal matching shares through the piecemeal approach represented by title II. Therefore, we intend to vote against H.R. 9852 on the suspension calendar and hope that title II can be stricken.

WILLIS D. GRADISON, Jr.  
JOHN H. ROUSSELOT.

(25)

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## MOBILE-HOME LOAN CEILINGS

JULY 30 (legislative day, JULY 29), 1975.—Ordered to be printed

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

### REPORT

[To accompany S. 848]

The Committee on Banking, Housing and Urban Affairs, to which was referred the bill (S. 848) to increase the ceilings for mobile-home loans available for insurance under Title I of the National Housing Act, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

#### EXPLANATION OF THE LEGISLATION

S. 848 would establish new ceilings for mobile-home loans which the Secretary of Housing and Urban Development is authorized to insure under Title I of the National Housing Act. Existing law limits HUD-insured loans to finance the purchase of a mobile home to \$10,000 (or \$15,000 for a mobile home composed of two or more modules). The bill, S. 848, would raise these ceilings to \$12,500 and \$20,000 respectively.

The higher ceilings are necessary to take into account rising costs in the construction of a mobile home. The existing ceiling of \$10,000 for a single-module mobile home was established in 1969 and for a double-module mobile home in 1970. No increase in maximum loan amount for mobile homes eligible under the program has occurred since that time, despite subsequent increases in mobile home manufacturing costs (including the cost of raw materials, labor, shipping, and carrying charges) and consequent increases in purchase prices. During the same period, maximum mortgage limits for FHA-insured homes have been increased substantially.

The proposed increases in Title I statutory loan limits would assure the continued usefulness of the Title I program to prospective mobile

home buyers who can benefit substantially through these loans. Such loans generally have lower interest rates, longer maturities, and valuable consumer protections, such as a minimum one year warranty by the manufacturer, that are not always available in connection with other mobile home financing. In addition, the current restrictive loan maxima have resulted in higher down payments for mobile home buyers which in turn have put ownership of mobile homes beyond the reach of many prospective buyers.

The Committee would also point out that the Veterans Housing Act of 1974 (P.L. 93-569) has already provided identical increases for loans on single- and double-wide mobile homes guaranteed by the Veterans Administration.

#### ESTIMATED COST OF LEGISLATION

In accordance with Section 252 of the Legislative Reorganization Act, the Committee reports that the cost of the legislation is minimal. Title I of the National Housing Act authorizes the Secretary of HUD to insure financial institutions against losses which may occur as a result of losses sustained by defaults on loans made by the financial institution to finance the purchase of a mobile home (*inter alia*). There have been very few defaults under this program, and raising the ceiling for eligible loans would not significantly change this experience.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in *italic*, existing law in which no change is proposed is shown in roman) :

### NATIONAL HOUSING ACT

\* \* \* \* \*

#### TITLE I—HOUSING RENOVATION AND MODERNIZATION

\* \* \* \* \*

#### INSURANCE OF FINANCIAL INSTITUTIONS

SEC. 2(a) \* \* \*

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds \$5,000, except that an obligation financing the purchase of a mobile home may be in an amount not exceeding **[\$10,000 (\$15,000)]** *\$12,500 (\$20,000* in the case of a mobile home composed of two or more modules) ;

\* \* \* \* \*



AMENDING SECTION 2 OF THE NATIONAL  
HOUSING ACT AND FOR OTHER PURPOSES

REPORT

OF THE

COMMITTEE ON BANKING, HOUSING  
AND URBAN AFFAIRS

UNITED STATES SENATE

TO ACCOMPANY

H.R. 9852

together with

ADDITIONAL VIEWS



DECEMBER 9, 1975.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE

WASHINGTON : 1975

AMENDING SECTION 2 OF THE NATIONAL HOUSING  
ACT AND FOR OTHER PURPOSES

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DECEMBER 9, 1975.—Ordered to be printed

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

## REPORT

together with

## ADDITIONAL VIEWS

[To accompany H.R. 9852]

The Committee on Banking, Housing and Urban Affairs, to which was referred the bill (H.R. 9852) a bill to amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes, and for other purposes having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

## HISTORY OF LEGISLATION

The Committee on Banking, Housing and Urban Affairs reported to the Senate, on July 30, 1975, a bill, S. 848, which would authorize higher ceilings for mobile home loans eligible for insurance under Title I of the National Housing Act. This bill, as amended, was passed in the Senate on September 10, 1975, and sent to the House of Representatives. The House of Representatives set aside S. 848 and, on October 20, 1975, passed a corresponding bill, H.R. 9852, which was sent to the Senate and referred to the Committee on Banking, Housing and Urban Affairs. The Committee amended the bill further and reported it to the Senate on December 9, 1975.

The amendments, added by the Committee, were limited to corrective measures involving existing housing and community development programs which require immediate attention and could not be postponed until next year without serious adverse effects on the progress of the programs.

## EXPLANATION OF THE LEGISLATION

## CEILINGS ON FHA-INSURED MOBILE HOME LOANS

Section 1 of the bill would increase the ceilings on loans eligible for FHA insurance to finance the purchase of a mobile home under Title I of the National Housing Act. Existing law limits such loans to \$10,000 (or \$15,000 for a mobile home composed of two or more modules). The bill would raise these ceilings to \$12,500 and \$20,000 respectively.

The higher ceilings are necessary to take into account rising costs in the construction of a mobile home. The existing ceiling of \$10,000 for a single-module mobile home was established in 1969 and for a double-module mobile home in 1970. No increase in the maximum loan amount for mobile homes eligible under the program has occurred since that time, despite subsequent increases in mobile home manufacturing costs (including the cost of raw materials, labor, shipping and carrying charges) and consequent increases in purchase prices. During the same period, maximum mortgage limits for FHA-insured homes have been increased substantially.

## REDUCTION OF LOCAL SHARE FOR AN URBAN RENEWAL PROJECT IN CAMBRIDGE, MASS.

Section 2 of the bill provides that, notwithstanding the provisions of Title I of the Housing Act of 1949, which require the net project cost of an urban renewal project to be shared on a two-thirds (Federal) and one-third (local) basis, the capital grants for the Kendall Square Project (Cambridge, Massachusetts) may exceed two-thirds of the project costs; and that the total grants-in-aid to be provided shall be limited to the maximum initial amount required under the original Loan and Grant Contract (\$6,416,500), as executed on December 28, 1965.

Cambridge Redevelopment Authority, as the local public agency in the City of Cambridge, Massachusetts, in 1964 agreed to carry out the Kendall Square Urban Renewal Project (Project No. Mass. R-70). The Urban Renewal Plan for the Project provided for the purchase and development of approximately two-thirds of the Project Area by the United States of America as an Electronics Research Center for the National Aeronautics and Space Administration. In reliance upon the purchase and development commitments of the United States, the Authority and the City expended substantial time and money in the furtherance of the Project, displaced numerous businesses and residents and took other steps to accommodate an accelerated time schedule to enable speedy construction of the Center. After less than one-half of the Center had been constructed the United States abruptly and without prior notice in 1969 terminated its development, closed the Center and has not proceeded with any further development other than the transfer of the partially completed development to the Department of Transportation. As a result, the Authority and the City have been substantially delayed in the carrying out and completion of the entire Project, have been required to engage in new and further planning for the portion of the Project Area not developed by the United States, as well as the remaining portions of the Area, have suffered substantial

damages, including significantly increased costs. In response to this, the then HUD Secretary, James T. Lynn, in 1974, agreed to "reserve" \$15 million in additional capital grant funds for the project.

In effect, this section would waive the one-third matching local share requirement with respect to these additional Federal grant funds and limit the City and Authorities' required local share to \$6,416,500, the amount agreed upon in the original loan and grant contract.

The committee believes such a waiver is justified since the delays and consequent increases in costs associated with this project were a direct result of actions of the Federal Government and should not have to be borne by the community—even on a one-third matching share basis.

## CEILINGS ON FHA INSURED MULTI-FAMILY HOUSING

Section 3 of the bill would authorize the Secretary of HUD to establish higher limits for insurable mortgages for multifamily projects in high-cost areas. The new limits would be 75 percent higher than the basic ceilings.

Existing law contains specific per unit maximum dollar limits for the following multifamily housing programs: Section 207(c)(3); Section 213(b)(2); Section 220(d)(3)(B)(iii); Section 221(d)(3)(ii); Section 221(d)(4)(ii); Section 231(c)(2); and Section 234(e)(3). The law authorizes the Secretary to increase these mortgage limits in any geographical area where cost levels so require, by up to 45 percent over the basic limits.

The Committee believes that in some high cost areas, the per unit dollar limits need to be increased in order to encourage construction of multifamily units. Accordingly, the Committee is recommending that the Secretary be authorized to increase the dollar limits in high cost areas by up to 75 percent instead of 45 percent. This is the identical measure which was adopted on the Senate Floor as an amendment to S. 848. It is expected that the Secretary will use the new maximum limits only in a few areas where cost levels so require and that cost limits less than the maximum will be used in most areas.

## REPEAL OF OCCUPANCY BY NON-ELDERLY SINGLE PERSONS IN CERTAIN FHA RENTAL PROJECTS

Section 4 of the bill would repeal the 10 percent limitation on the number of dwelling units in projects insured and subsidized under section 221(d)(3) and 236 of the National Housing Act that may be occupied by non-elderly single persons.

The present language of sections 221(f) and 236(j) of the National Housing Act permits single persons to occupy units in projects insured under those sections, but limits occupancy by such persons to not more than 10 per centum of the dwelling units in any such project.

S. 3066, the omnibus Housing and Community Development Act of 1974 as passed by the Senate, eliminated this 10 percent limitation. The Explanatory Statement of the Managers of the Committee of Conference, in the conference report to accompany the Housing and Community Development Act of 1974 (Report No. 93-1279), indicates (at page 151) that:

The Senate bill contained a provision not in the House amendment eliminating the 10 percent limitation on the num-

ber of non-elderly single persons who may be assisted in any project. The conference report contains this Senate provision.

Through inadvertence, the appropriate statutory language was not included in the conference reported bill. This amendment corrects that oversight.

#### COMMUNITY DEVELOPMENT AMENDMENT

Section 5 would amend the Housing and Community Development Act of 1974 in order to clarify the priority of funding under Title I of the Act, in the event that amount appropriated for block grants is insufficient to meet total entitlements specified in the Act. The amendment would make clear that, in the event of such a shortage of funds, the Secretary would satisfy all formula entitlements to metropolitan cities and all hold harmless entitlements before funding formula entitlements to urban counties. The Committee approved the amendment in order to make clear that this priority was intended in implementing the Community Development Program.

In adopting this amendment, the Committee calls attention to the fact that urban counties were made eligible for formula entitlements late in the development of the 1974 Act, after formula entitlements were adopted. In approving formula entitlements for urban counties, it was understood by the Conferees on the 1974 Act that eligibility would be limited to not more than 10 counties in the first year and probably not more than fifty in the first 6 program years. HUD, however, contrary to the understanding of the Senate conferees established criteria that made some 75 counties eligible in the first year of the program, instead of the ten anticipated. As a result, the SMSA dollar balances which were intended to be used in funding smaller cities and towns, were used up in funding counties that were not expected to be eligible for formula entitlement. Moreover, new HUD projections indicate that funds intended for hold harmless cities may also be reduced in order to satisfy the unanticipated formula entitlements granted to urban counties.

#### FLOOD INSURANCE AMENDMENTS

Section 6 of the bill would extend HUD's authority to provide flood insurance coverage under existing emergency provisions, and would amend the National Flood Insurance Act in order to correct certain inequities that were brought to the attention of the Committee.

These amendments were adopted by the Committee after extensive hearings and deliberations. The Committee believes that a strong flood insurance program is needed in order to reduce future losses of life and property and Federal flood disaster expenditures. The Committee did not adopt other proposed changes to the existing program because it concluded that these would both alter the objectives of the present program and reduce its effectiveness.

Subparagraph (a) would authorize the Secretary to continue to provide emergency coverage for structures in flood-prone areas where the community is participating in the flood insurance program. At the present time, some 300,000 policy holders in some 13,000 communities are insured under the emergency provisions. The Committee believes that continuation of this coverage is essential to the continued success of the National Flood Insurance Program, and recommends that the

emergency authority be extended to December 31, 1976, one year beyond the present termination date.

Subparagraph (b) would expand certain exceptions to the general statutory prohibition against federally supervised conventional mortgage lending in identified flood hazard areas of non-participating communities. The Committee believes that a limited relaxation of the prohibition against conventional lending in non-participating communities is warranted, where prudent, to correct inequities that have been brought to the attention of the Committee during extended hearings. Accordingly, the Committee recommends:

(1) Extending in non-participating communities the existing exception which permits conventional mortgage loans to be made for the purchase of existing, previously occupied residential dwellings, and broadening this exception to include the authority to make conventional loans for the acquisition of existing properties occupied by small businesses.

(2) Authorizing in non-participating communities the making of conventional loans to finance improvements to existing residential structures, not exceeding \$10,000 in the aggregate for any single structure.

(3) Authorizing in non-participating communities, the making of conventional loans to finance improvements or additions to an existing farm for non-residential agricultural purposes. The Secretary would be authorized to established limits for loans made under this provision. The Committee, in approving this authority, expects the Secretary to establish a maximum loan amount of no less than \$25,000 in the aggregate, and to review the amount appropriate for such loans within a reasonable time period. If after reviewing the potential impact on farming enterprises, additional flood hazards, and program costs, the Secretary finds that the suggested maximum loan amount is not appropriate, the Secretary should confer with the authorizing Committees of the Congress with respect to an appropriate change.

Subparagraph (c) would eliminate the existing prohibition of Federal disaster assistance to non-participating communities which suffer disasters not involving flooding. The Committee believes that Federal disaster relief should be provided to non-participating communities for disaster losses which are not flood related, but that such assistance should be provided in a manner that takes into account future potential flood losses.

#### REGULATIONS GOVERNING SUBSTANTIAL IMPROVEMENTS

The Committee received testimony concerning problems with the existing administrative regulations governing improvements that may be made to existing properties in communities participating in the flood insurance program.

The Administrator of the program informed the Committee that he is presently modifying the present regulation in order to permit greater latitude for appropriate property improvements. The Committee agrees that the contemplated liberalization of the regulations governing "substantial improvements" is needed at this time and accepts the Administrator's provisional recommendation that, except for reconstruction resulting from flood damage, improvements for the same

purpose not exceeding 80 percent of the value of the structure or \$25,000, cumulative in total, whichever is the greater, will not be considered a "substantial improvement." However, the Committee believes it would be inappropriate to apply these new criteria in a regulatory flooding or coastal high hazard area due to the extremely high hazard in such areas.

Particular concern was expressed that the improvement of property owned by persons of low and moderate income be facilitated, where possible. In approving the liberalization of substantial improvements, the Committee, however, does not want the Administrator to disregard the need for insuring that sound flood-plain management practices are observed.

The Committee also heard testimony that present flood loss indemnification policies under the program may be too restrictive. Accordingly the Committee suggests that the Administrator explore the feasibility of providing additional coverages under the Standard Flood Insurance Policy, in order to provide flood victims with alternatives beyond those presently made available.

The Committee, therefore, has recommended that the amendment be adopted in order to assure that the funding priorities originally intended by the Congress are carried out, in the event that funding for the Community Development Block Grant Program is not sufficient to satisfy all hold harmless and formula entitlement claims.

The Committee did not adopt the provision in the House bill authorizing a new set-aside of Community Development funds. However, the Committee anticipates that it will recommend corrective legislation before the next budget cycle, if such legislation is needed to assure an equitable allocation of community development funds for smaller metropolitan cities and towns.

#### AMENDMENTS TO SECTION 235 OF THE NATIONAL HOUSING ACT

Section 7 of the bill would increase the mortgage limits eligible for insurance under section 235 of the National Housing Act, the basic authority for the Homeownership Assistance Program recently reactivated by the Secretary of HUD. It would also extend the insurance authority for section 235 for one year up to June 30, 1977.

The proposed mortgage ceilings would be \$25,000 (\$29,200 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require) except that the foregoing limits may be increased to \$29,200 and \$33,400 respectively for a dwelling for a family with five or more persons. Under existing law the corresponding limits are \$21,600 and \$25,200 for a basic dwelling and \$25,200 and \$28,800 for a dwelling for a family with five or more persons.

Increased housing costs in the past several years have put the pressure on higher mortgage ceilings eligible for FHA insurance. The Committee agreed after some debate to authorize an increase of approximately 16 percent over existing ceilings. This is the percentage increase reported by the Bureau of Labor Statistics for residential costs from 1973 to 1975.

In discussing the proposed higher ceilings, some members were concerned whether builders could, in fact, build homes for sale with

mortgages at the existing levels and, if not, what would be the appropriate increase recognizing higher costs and, at the same time, keeping the monthly payments within reach of the lower income families eligible under the law for the section 235 benefits. The law limits eligibility to families whose income is not greater than 80 percent of median income for the area. However, such an income limit may be modified in an area by the Secretary if she makes a finding that a variation is necessary because of local conditions. The Committee recognized that in many areas lower cost ceilings would meet the needs of lower income families in those areas. On the other hand, it was clear from the evidence submitted on higher building costs that without higher ceilings, the program would not work in many high cost areas.

The Committee expects that the Secretary will authorize higher mortgage ceilings and, in some cases, higher income limits only in those areas where it is necessary to make the program work. The Committee would be opposed to a sharp change in the program towards benefiting middle-income families rather than lower income families, thus, frustrating the original intention of the program.

Section 7 would also extend the expiration date of the section 235 program from June 30, 1976, to June 30, 1977. This would make the expiration date for this program consistent with other FHA programs. The last action by the Congress to extend the insuring authority for FHA programs was taken as part of the Housing and Community Development Act of 1974. A general termination date of June 30, 1977, was established with the understanding that a comprehensive study of FHA programs would be made prior to that date and a general consolidation of all such programs would be considered and agreed upon before the programs would be extended beyond that date. The exceptions to this were the two interest subsidy programs under section 235 and section 236 which were given expiration dates of June 30, 1976, with the understanding that all unused contract authority would be committed prior to that date. In that same legislation, authority to enter into new contracts utilizing unused appropriated authority under section 235 was limited to one year from the date of the 1974 Act, or August 22, 1975. The amount of such unused contract authority is about \$264 million. Subsequent to the passage of the 1974 Act, the Congress refused to give the President the authority to rescind or to defer the existing contract authority under the section 235 program. Following procedures called for until title X of the Congressional Budget and Impoundment Control Act of 1974, the U.S. District Court for the District of Columbia ruled that the contract authority for the section 235 program, which had been impounded, must be recorded by HUD as an obligation of the United States, thereby avoiding its lapse on August 22, 1975. Pending a final Court ruling on the case, the Honorable Carla A. Hills, Secretary of HUD, announced on October 17, 1975, a reactivation of a revised homeownership assistance program under authority of section 235. Following this, the Justice Department withdrew its pending appeal of the case, and the U.S. District Court dismissed the suit.

The Secretary laid out a plan for utilizing the unused contract authority over the next 2 years. It is necessary therefore to extend the authority beyond the existing statutory termination date of June 30, 1976. The Committee recommends a one-year extension until June 30,



1977. By that time, a complete reappraisal will be made of all HUD housing programs and a subsequent decision will be made about the continuation of subsidy programs.

#### ELIGIBILITY OF COOPERATIVE MEMBERS FOR SEC. 235 ASSISTANCE

Cooperatives have not been included as eligible under the proposed regulations published by HUD in the Federal Register on November 7, 1975, for the revised program under section 235, despite the clear authority of the statute which specifically authorizes participation by cooperatives. The Committee restates its support for the statutory authority under section 235(b), providing that members of a cooperative, otherwise eligible, should have the benefits of home ownership assistance in purchasing a cooperative unit the same as purchasers of a single-family home or a condominium. The Committee expects, therefore, that the Secretary will amend the regulations to make cooperatives eligible on projects involving new construction or rehabilitation. At the time the Secretary announced the revised program under section 235, she stated that it would include cooperatives, but when the proposed regulations were later published, cooperatives were excluded. There should be equal and non-discriminatory treatment for cooperatives in eligibility along with single-family dwellings or dwelling units in condominium projects.

Cooperatives should be encouraged to participate in the revised section 235 program because they will provide a necessary stimulus to multifamily construction which has dropped precipitously. Moreover, cooperatives will provide housing at lower development costs and lower monthly charges due to economies from a more intensive use of the land and other savings from well planned multifamily housing construction. This includes the elimination of individual utility lines and separate lots for each unit and the operating economies of group purchases and maintenance on a non-profit basis.

The Committee would have no objection to limiting the home ownership assistance to no more than 30 percent of the dwelling units or 40 dwelling units, in a cooperative project, whichever is the lesser.

#### TRANSFER OF FHA SEC. 221 PROGRAMS TO THE SPECIAL RISK INSURANCE FUND

Section 8 would authorize the Secretary of HUD to transfer all insurance obligations under section 221 of the National Housing Act from the General Insurance Fund to the Special Risk Insurance Fund.

The proposed transfer was felt to be appropriate because mortgages assisted under section 221 are in many ways similar to those assisted under HUD programs already chargeable to the SRI Fund. For example, the section 235 and 236 programs, which are chargeable to the SRI Fund, are similar to the section 221 programs in that they are aimed primarily at providing housing for low and moderate income families. Also, like mortgages insured under sections 235 or 236 (or under one of the other programs covered by the SRI Fund), many section 221 mortgages involve more risk than is involved in other HUD programs.

By explicit statutory authorization, no mortgage insurance premiums have been charged in the section 221(d)(3) Below-Market-Interest-Rate (BMIR) program. Thus, that program has made no cash contribution to the GI Fund. Yet losses on the sale of BMIR projects (which are chargeable to the GI Fund) are generally higher than on other projects which are the security for mortgages insured under the GI Fund.

Because of losses in the 221 programs GI Fund receipts from operations have not been adequate for the last several years to cover both operating costs and mortgage insurance benefit claims. Indeed, the cash position of the Fund in recent months is such that receipts from premiums and other sources may be inadequate to cover even operation costs in the near future.

The National Housing Act authorizes Treasury borrowing to pay mortgage insurance claims in cash, but does not authorize borrowing to pay operating expenses or interest expense on borrowings.

Present borrowings authorizations contemplate that a Fund will generate future income adequate to repay borrowings. In the case of the General Insurance Fund borrowing, this cannot be forecast based on past or present experience or future projections, primarily because of section 221 deficits. However, the SRI Fund, with its provision for appropriations to make up deficits, meets the anticipated deficit problem head-on by recognizing that appropriations will be needed to cover programs chargeable to that Fund.

While agreeing with the Department's request for a transfer of the section 221 program to the Special Risk Insurance Fund, the Committee is concerned that HUD has not properly administered some of the programs authorized under section 221, particularly the section 221(d)(2) program. Field hearings held by the Committee have revealed that defective underwriting practices were the principle cause of the high default rate in the section 221(d)(2) program. The Committee expects the Department to reform its underwriting operations, and it is the Committee's intention to review the Department's underwriting performance before any further extension of section 221 mortgage insurance authority.

The proposed transfer of section 221 to the Special Risk Insurance fund is necessary because of the profound negative impact which section 221 has had on the General Insurance Fund.

If section 221 were to remain in the GI Fund, it is quite possible that the GI Fund will be unable to meet its operating expenses and other obligations in 1976. The proposed transfer would convert the Fund from a deficit position of several hundred million dollars into a reserve position.

While the negative position of the SRI Fund would become more pronounced if section 221 were transferred to it, the increased losses which would be attributable to the SRI Fund could be dealt with effectively because Congress has authorized appropriations to be made to cover losses sustained by the SRI Fund.

#### FHA SECTION 244 CO-INSURANCE

Section 9 amends section 244 of the National Housing Act in four respects. The first amendment would clarify the authority of the

Secretary of HUD to co-insure mortgages under section 244 on a basis which might require the mortgage to assume the "up front" or "top" portion of any loss, with subsequent loss shared on a percentage or other basis with the Federal Government. The second amendment would make the 20 percent limitation on co-insurance of mortgages or loans contained in section 244(d) inapplicable where the lender is a "public housing agency".

The third amendment would authorize the Secretary to co-insure mortgages on projects which are under construction in those cases where public housing agencies are lenders. Many State agencies have a large amount of bond anticipation notes outstanding to finance present construction. Upon completion of construction, bonds generally are issued to finance this borrowing on a permanent basis. The amendment would make clear that HUD could co-insure the mortgages which underlie these bonds pursuant to regulations issued by the Secretary under section 244, even though construction on a project had stated before the Secretary accepted an application or made any commitment to insure a mortgage on such a project. The Committee wishes to emphasize that this language is not intended to avoid or relax sound underwriting standards.

The fourth amendment would provide that the term "public housing agency", for the purposes of section 244, has the same meaning as it does in section 3(6) of the United States Housing Act of 1937.

The Committee finds that in the current atmosphere of anxiety and uncertainty in the municipal bond market, State and other housing agencies are able to market their obligations only at extremely high rates of interest and in limited volume. For the most part, this difficulty does not arise from any inherent weakness in housing agency financing, but rather from a general lack of investor confidence.

State housing agencies in particular have played an increasingly important role in the production of low-income housing in recent years. Indeed, the success of the section 8 Lower-income Housing Assistance program over the next several years will depend in large measure on the ability of State housing agencies to raise funds to finance loans under that program. If the State housing agencies are able to market their obligations at reasonable interest rates and in adequate volume, the result will be a greater production of low income housing. Moreover, in the section 8 program lower financing costs will be reflected in lower Contract Rents. Lower Contract Rents will in turn reduce the amount of Federal subsidy.

While the Committee does not intend to supplant existing FHA programs, it finds that it is desirable to afford public housing agencies an additional security mechanism for their bonds and notes. Federal co-insurance of the mortgages which underlie these bonds and notes should help to restore investor confidence in public housing agency issues. In addition, it can do so at relatively small risk to the Federal government, and without markedly increasing the administrative burden to FHA.

The Department of Housing and Urban Development favors the proposed amendments according to a letter from Mr. Robert Elliott, General Counsel of HUD to Senator Harrison A. Williams Jr. A copy of the letter follows:

THE GENERAL COUNSEL OF HOUSING  
AND URBAN DEVELOPMENT,  
Washington, D.C., December 1, 1975.

Subject: Proposed Amendments to Section 244 of the National Housing Act

Hon. HARRISON A. WILLIAMS, Jr.,  
U.S. Senate,  
Washington, D.C.

DEAR SENATOR WILLIAMS: This is in response to a request by Mr. Brian Frosh for a report to you on this Department's views with respect to three proposed amendments to section 244 of the National Housing Act.

The first amendment would clarify the authority of the Secretary of HUD to co-insure mortgages under section 244 of the National Housing Act on a basis which requires the "up front" or "top" assumption of loss by the mortgagee, with subsequent loss shared on a percentage or other basis with the Federal Government. The second amendment would make the 20 percent limitation on co-insurance of multi-family (or one- to four-family) mortgages or loans contained in section 244(d) inapplicable where the lender is a "public housing agency." The third amendment would define the term "public housing agency," for purposes of section 244, as that term is defined in section 3(6) of the United States Housing Act of 1937.

As to the first amendment, we believe the viability of a co-insurance program for multifamily projects will depend very heavily on the co-insuring mortgagee having to bear a substantial element of risk. This is essential to assure an adequate incentive to the co-insuring mortgagee to underwrite and process multifamily projects carefully, and the extent to which HUD could properly rely upon the underwriting and processing of a co-insuring mortgagee is a direct function of the risk borne by the mortgagee. Accordingly, we favor the clarification of the Secretary's authority contained in the amendment.

The second and third amendments are, as noted above, designed to exempt State and other housing finance agencies and other public housing agencies from the twenty percent limitation contained in section 244(d). That provision, as presently worded, limits the aggregate principal amount of multifamily mortgages and loans which may be co-insured under section 244 in any fiscal year during the period July 1, 1974 to October 1, 1977 to 20 percent of the aggregate principal amount of all multifamily mortgages and loans insured under title II of the National Housing Act during such fiscal year. A similar limitation is imposed with respect to co-insurance of one- to four-family mortgages. In our view, the proposed exemption of public housing agencies from this limitation would enhance the prospects for the development of a meaningful multifamily co-insurance demonstration program.

For the above reasons, the Department of Housing and Urban Development favors the proposed amendments. The Office of Management and Budget has advised that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

ROBERT R. ELLIOTT.

## STATE AND LOCAL STOCK TRANSFER TAX AUTHORITY

Section 10 would amend the Securities Exchange Act of 1934 to clarify the authority of state or political subdivisions to tax stock transfers. It would make technical and clarifying changes in section 28(d) of the Securities Exchange Act, which is concerned with state and local tax authority on the transfer of securities. Section 28(d) was contained in the Securities Acts Amendments of 1975 (Public Law 94-29).

The development of a modern, nationwide system for the clearance and settlement of securities transactions was a principal purpose of Public Law 94-29. As clear evidence of that purpose, Public Law 94-29 expressly included within it stated purposes the removal of impediments to and the perfection of a national system for the clearance and settlement of securities transactions. Moreover, the Securities and Exchange Commission was directed and empowered to facilitate the establishment of such a system.

Due to the fact that the imposition of state and local transfer taxes could well impede the development of a national securities processing system, section 28(d) was originally intended to remove impediments which might arise from state and local taxes imposed on changes in ownership of securities merely because the facilities of a clearing agency was physically located in the taxing jurisdiction. This provision was drafted to preserve state taxing powers on transactions over which the taxing state had a traditional jurisdictional basis.

As Public Law 94-29 emerged from the Committee of Conference, and was enacted into law, the phrase "or registered transfer agent" was inadvertently added to section 28(d). A practical consequence of this phrase was to impact seriously on the ability of certain state and local governments to raise revenues through the levy of stock transfer taxes in a manner not necessary to achieve the Congressional intent of creating a national securities processing system. Thus Section 28(d) of Public Law 94-29 provided that no state or political subdivision thereof may impose a tax on a change in beneficial or record ownership of securities effected through the facilities not only of a "registered clearing agency" but also a "registered transfer agent" where the change in ownership would not otherwise be taxable by such jurisdiction if the facilities of the clearing agency or transfer agent were not physically located in the taxing jurisdiction.

The effect of the additional phrase would preclude a state from imposing a stock transfer tax where the only basis for the tax is the transfer and issuance of a new certificate by a transfer agent located within the state. As a result, the present taxing powers of state and local governments are circumscribed, with serious effects on stock transfer tax revenues.

Public Law 94-29 was never intended to have this effect. Nevertheless, this is the legal and economic result, albeit inadvertent, of Public Law 94-29 dealing with so-called transfer-agent depositories ("TAD's")—entities transferring record ownership by bookkeeping entry without physical issuance of securities certificates.

While the Congress fully intended to place the operations of such entities beyond state taxing powers, it is now aware that the exemption contained in present section 28(d) is much broader than necessary to

achieve this goal. Thus, the Committee feels it is necessary, to undertake prompt consideration of the necessary technical amendments to avoid an unintended loss of taxing power by state and local governments.

This section is curative legislation. Section 28(d) of the Act would be amended to restore the ability to a State of political subdivision to impose a transfer tax where the basis of the tax is the transfer and issuance of a new certificate by a transfer agent. It would make it equally clear that such taxes could not be imposed on registered transfer agents that transfer record ownership of securities by bookkeeping entry without physical issuance of securities certificates ("TAD's") and which perform certain described additional functions incidental to such bookkeeping transfers. Consequently, the section would make clear that the transfer agent which is the subject of section 28(d), and so to which a stock transfer tax may not be imposed, is one which performs in the manner described in section 3(a)(25)(E) of the Act—e.g., transfer agent depositories.

While the Committee is cognizant that this section will result in additional stock transfer tax revenues, it is also mindful of its longstanding commitment to the development of a national securities processing system. To restate the purposes of section 28(d), the Committee believes it is essential to the development of that system to remove such taxes to the extent they are now, or in the future may become, impediments.

## COST OF LEGISLATION

In accordance with section 252 of the Legislative Reorganization Act, the Committee reports that the bill will require no additional outlays to carry out the provisions.

## SECTION-BY-SECTION SUMMARY

Section 1 would amend section 2(b)(1) of the National Housing Act to increase maximum loan limits under FHA's mobile home insurance program from \$10,000 to \$12,500 for single module homes, and from \$15,000 to \$20,000 for double module homes.

Section 2 authorizes notwithstanding the provisions of Title I of the Housing Act of 1949 that capital grants for the Kendall Square Urban Renewal Project may exceed two-thirds of the project costs; and that the total local grants-in-aid to be provided shall be limited to the maximum initial amount required under the original Loan and Grant Contract, as executed on December 28, 1965. Since the provisions of sections 13(a)(2) and 104 of Title I of the Housing Act of 1949 would require net project costs to be shared on a two-thirds, aggregate basis with respect to all projects in the same municipality, section 2 contains provisions whereby the excess capital grant authorized for the Kendall Square Project will not reduce capital grants in other projects. In addition, since section 103(a)(2) limits capital grants to the difference between net project cost and local grants-in-aid actually made, section 2 contains provisions that any local grants-in-aid provided for the Kendall Square Project in excess of the limited amount required under section 2 shall not decrease the capital grant authorized for the Kendall Square Project. While section 2 author-

izes a local grant-in-aid for this project in an amount which is less than the required statutory share, and provides further that any local grants-in-aid actually furnished in excess of such amounts shall not serve to reduce the capital grant for the project, it is not intended that such excess should thereby be available for use as a pooling credit to other projects. A proviso at the end of the section precludes such a result.

Section 3 would amend appropriate provisions of the National Housing Act to increase the maximum mortgage limits in high-cost areas under FHA's multifamily project insurance programs, and the high-cost area adjustment would be increased from 45 to 75 percent.

Section 4 would amend section 221(f) and 236(j)(5) of the National Housing Act to repeal the 10 percent limitation on the number of dwelling units in projects insured and subsidized under sections 221(d)(3) and 236 of the National Housing Act that may be occupied by non-elderly single persons.

Section 5 would amend the Housing and Community Development Act of 1974 to establish that in the event of a shortage of funds, the Secretary would satisfy all formula entitlements to metropolitan cities and all hold harmless entitlements before funding formula entitlements to urban counties.

Section 6(a) would amend Section 1336 of the National Flood Insurance Act of 1968 to extend existing authority to provide flood insurance coverage to participating communities under the Emergency Program for a period of one year from December 31, 1975, to December 31, 1976.

Section 6(b) would amend Section 202(b) of the Flood Disaster Protection Act of 1973 in order to permit, in communities not participating in the flood insurance program, conventional mortgage loans (1) for the purchase of existing previously occupied residential dwellings and small business properties; (2) for the financing of improvements to existing residential properties in an amount not to exceed \$10,000 in the aggregate for any single structure; and (3) for the financing of improvements or additions to an existing farm for non-residential agricultural purposes.

Section 6(c) would amend Section 3 of the Flood Disaster Protection Act of 1968 to authorize provision of Federal disaster assistance to non-participating communities which suffer disasters not involving flooding.

Section 7(1) would amend section 235(b)(2) of the National Housing Act to increase the mortgage limits to \$25,000 (\$29,200 in high-cost areas), except that with respect to housing for families of five or more persons, the limits would be \$29,200 (\$33,400 in high-cost areas). Under existing law, the corresponding limits are \$21,600; \$25,200 and \$28,800.

Section 7(2) would amend section 235(h)(1) to extend from July 1, 1976, to July 1, 1977, the limitation on the use of contract authority approved in appropriations acts.

Section 7(3) would amend section 235(i)(3)(B) to increase the mortgage limits to \$25,000 (\$29,200 in high-cost areas) except that with respect to units for families having five or more persons, the amount would be \$29,200 (\$33,400 in high-cost areas). Existing law has corresponding limits of \$21,600; \$25,200 and \$28,800.

Section 7(4) would amend section 235(m) to extend from June 30, 1976, to June 30, 1977, the Secretary's authority to insure mortgages under this section.

Section 8 would amend applicable sections of the National Housing Act to transfer the insurance obligations under Sec. 221 from the General Insurance Fund to the Special Risk Insurance Fund.

Section 9 would amend section 244 of the National Housing Act as follows: (1) would clarify the authority of the Secretary to co-insure mortgages by requiring the mortgagee to assume the "up-front" loss, with a subsequent loss being shared on a percentage basis with the Federal Government; (2) would make the 20 percent limitation on co-insurance of mortgages not applicable when the lender is a "public housing agency;" (3) would authorize the Secretary to co-insure mortgages on projects which are under construction when a public housing agency is the lender; (4) would provide that the term "public housing agency" for the purposes of section 244 has the same meaning as it does in section 3(6) of the U.S. Housing Act of 1937.

Section 10 would amend the Securities Exchange Act of 1934 to clarify changes in section 28(d) of such Act, which is concerned with State and local tax authority on the transfer of securities.

#### CHANGES IN EXISTING LAW

In compliance with subsection (4) of the rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill as reported are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman).

#### NATIONAL HOUSING ACT

AN ACT To encourage improvement in housing standards and conditions, to provide a system of mutual mortgage insurance, and for other purposes

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "National Housing Act."*

#### TITLE I—HOUSING RENOVATION AND MODERNIZATION

\* \* \* \* \*

#### INSURANCE OF FINANCIAL INSTITUTIONS

SEC. 2. (a) \* \* \*

\* \* \* \* \*

(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds \$10,000, except that an obligation financing the purchase of a mobile home may be in an amount not exceeding ~~[\$10,000 (\$15,000)]~~ *\$12,500 (\$20,000* in the case of a mobile home composed of two or more modules); (2) if such obligation has a maturity in excess of twelve years and thirty-two days,

except that such maturity limitation shall not apply if such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for agricultural purposes: *Provided*, That an obligation financing the purchase of a mobile home may have a maturity not in excess of fifteen years and thirty-two days; or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Secretary shall prescribe, in order to make credit available for the purposes of this title: *Provided*, That any such obligation with respect to which insurance is granted under this section on or after sixty days from the date of the enactment of this proviso shall bear interest, and insurance premium charges, not exceeding (A) an amount with respect to so much of the net proceeds thereof as does not exceed \$2,500, equivalent to \$5.50 discount per \$100 of original face amount of a one-year note payable in equal monthly installments, plus (B) an amount, with respect to any portion of the net proceeds thereof in excess of \$2,500, equivalent to \$4.50 discount per \$100 of original face amount of such a note: *Provided further*, That the amounts referred to in clauses (A) and (B) of the preceding proviso, when correctly based on tables of calculations issued by the Secretary or adjusted to eliminate minor errors in computation in accordance with requirements of the Secretary, shall be deemed to comply with such proviso: *Provided further*, That insurance may be granted to any such financial institution with respect to any obligation not in excess of \$25,000 nor an average amount of \$5,000 per family unit and having a maturity not in excess of twelve years and thirty-two days representing any such loan, advance of credit, or purchase made by it if such loan, advance of credit, or purchase is made for the purpose of financing the alteration, repair, improvement, or conversion of an existing structure used or to be used as an apartment house or dwelling for two or more families: *Provided further*, That any obligation with respect to which insurance is granted under this section on or after July 1, 1939, may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional amount or term in excess of the maximum provided for in this subsection. Notwithstanding the foregoing limitations, any loan to finance fire safety equipment for a nursing home, extended health care facility, intermediate health care facility, or other comparable health care facility may involve such principal amount and have such maturity as the Secretary may prescribe.

TITLE II—MORTGAGE INSURANCE

\* \* \* \* \*

RENTAL HOUSING INSURANCE

SEC. 207. (a) \* \* \*

\* \* \* \* \*

(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount—

\* \* \* \* \*

(3) not to exceed, for such part of the property or projects as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$13,000 per family unit without bedroom, \$18,000 per family unit with one bedroom, \$21,500 per family unit with two bedrooms, \$26,500 per family unit with three bedrooms, and \$30,000 per family unit with four or more bedrooms, or not to exceed \$3,250 per space except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$15,000 per family unit without a bedroom, \$21,000 per family unit with one bedroom, \$25,750 per family unit with two bedrooms, \$32,250 per family unit with three bedrooms, and \$36,465 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed [45] 75 per centum in any geographical area where he finds that cost levels so require.

The mortgage shall provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 5¼ per centum per annum on the amount of the principal obligation outstanding at any time, or not to exceed such per centum per annum not in excess of 6 per centum as the Secretary finds necessary to meet the mortgage market. The Secretary may consent to the release of a part or parts of the mortgaged property from the lien of the mortgage upon such terms and conditions as he may prescribe and the mortgage may provide for such release. No mortgage shall be accepted for insurance under this section or section 210 unless the Secretary finds that the property or project, with respect to which the mortgage is executed, is economically sound. Such property or project may include eight or more family units and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants.

\* \* \* \* \*

COOPERATIVE HOUSING INSURANCE

SEC. 213. (a) \* \* \*

\* \* \* \* \*

(b) To be eligible for insurance under this section a mortgage on any property or project of a corporation or trust of the character described in paragraph numbered (1) of subsection (a) of this section shall involve a principal obligation in an amount—

\* \* \* \* \*

(2) not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$13,000 per family unit without a bedroom, \$18,000 per family unit with one bedroom, \$21,500 per family unit with two bedrooms, \$26,500 per family unit with three bedrooms, and \$30,000 per family unit with four or more bedrooms, and not to exceed 98 per centum of

the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed: *Provided*, That as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$15,000 per family unit without a bedroom, \$21,000 per family unit with one bedroom, \$25,750 per family unit with two bedrooms, \$32,250 per family unit with three bedrooms, and \$36,465 per family unit with four or more bedrooms, as the case may be, to compensate for the higher cost incident to the construction of elevator-type structures of sound standards of construction and design: *Provided further*, That the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed [45] 75 per centum in any geographical area where he finds that cost level so require: *Provided further*, That in the case of a mortgagor of the character described in paragraph (3) of subsection (a) the mortgage shall involve a principal obligation in an amount not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the property or project when the proposed physical improvements are completed: *And provided further*, That upon the sale of a property or project by a mortgagor of the character described in paragraph (3) of subsection (a) to a nonprofit cooperative ownership housing corporation or trust within two years after the completion of such property or project the mortgage given to finance such sale shall involve a principal obligation in an amount not to exceed the maximum amount computed in accordance with this subsection without regard to the preceding proviso.

\* \* \* \* \*

REHABILITATION AND NEIGHBORHOOD CONSERVATION HOUSING INSURANCE

SEC. 220. (a) \*\*\*

\* \* \* \* \*

(d) (3) (B) \*\*\*

(iii) not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$13,000 per family unit without a bedroom, \$18,000 per family unit with one bedroom, \$21,500 per family unit with two bedrooms, \$26,500 per family unit with three bedrooms, and \$30,000 per family unit, with four or more bedrooms, except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not exceed \$15,000 per family unit without a bedroom, \$21,000 per family unit with one bedroom, \$25,750 per family unit with two bedrooms, \$32,250 per family unit with three bedrooms and \$36,465 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that with respect to rehabilitation projects involving not more than five family units, the Secretary may by regulation increase by 25 per centum any of the foregoing dollar amount

limitations contained in this clause which are applicable to units with two, three, or four or more bedrooms: *Provided*, That the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause (as determined after the application of the preceding proviso) by not to exceed [45] 75 per centum in any geographical area where he finds that cost levels so require: *Provided further*, That nothing contained in this subparagraph shall preclude the insurance of mortgages covering existing multifamily dwellings to be rehabilitated or reconstructed for the purposes set forth in subsection (a) of this section; and

(iv) include such nondwelling facilities as the Secretary deems desirable and consistent with the urban renewal plan: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community.

\* \* \* \* \*

HOUSING FOR MODERATE INCOME AND DISPLACED FAMILIES

SEC. 221 (a) \* \* \*

\* \* \* \* \*

(d) To be eligible for insurance under this section, a mortgage shall— \* \* \*

(3) if executed by a mortgagor which is a public body or agency (and, except with respect to a project assisted or to be assisted pursuant to section 8 of the United States Housing Act of 1937, which certifies that it is not receiving financial assistance from the United States exclusively pursuant to such Act), a cooperative (including an investor-sponsor who meets such requirements as the Secretary may impose to assure that the consumer interest is protected), or a limited dividend corporation (as defined by the Secretary), or a private nonprofit corporation or association, or other mortgagor approved by the Secretary, and regulated or supervised under Federal or State laws or by political subdivisions of States, or agencies thereof, or by the Secretary under a regulatory agreement or otherwise, as to rents, charges, and methods of operation, in such form and in such manner as in the opinion of the Secretary will effectuate the purposes of this section—

(i)

(ii) not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$11,240 per family unit without a bedroom, \$15,540 per family unit with one bedroom, \$18,630 per family unit with two bedrooms, \$23,460 per family unit with three bedrooms, and \$26,570 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$13,120 per family unit without a bedroom, \$18,630 per family unit with one bedroom, \$22,080 per family unit with two bedrooms, \$27,600 per family unit with three bedrooms, and

\$32,000 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause by not to exceed [45] per centum in any geographical area where he finds that cost levels so require; and

\* \* \* \* \*

(4) if executed by a mortgagor other than a mortgagor referred to in subsection (d) (3), and which is approved by the Secretary—

(i)

(ii) not exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$12,3000 per family unit without a bedroom, \$17,188 per family unit with one bedroom, \$20,525 per family unit with two bedrooms, \$24,700 per family unit with three bedrooms, and \$29,038 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$13,975 per family unit without a bedroom, \$20,025 per family unit with one bedroom, \$24,350 per family unit, with two bedrooms, \$31,500 per family unit with three bedrooms, and \$34,578 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this clause by not to exceed [45] 75 per centum in any geographical area where he finds that cost levels so require;

\* \* \* \* \*

(iv) not exceed 90 per centum of the sum of the estimated cost of repair and rehabilitation and the Secretary's estimate of the value of the property before repair and rehabilitation of the proceeds of the mortgage are to be used for the repair and rehabilitation of a property or project: *Provided*, That in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property or project: *Provided further*, That the Secretary may, in his discretion, require the mortgagor to be regulated or restricted as to rents or sales, charges, capital structure, rate of return, and methods of operation, and for such purpose the Secretary may make such contracts with and acquire for not to exceed \$100 such stock or interest in any such mortgagor as the Secretary may deem necessary to render effective such restrictions or regulations, with such stock or interest being paid for out of the [General Insurance Fund] *Special Risk Insurance Fund* and being required to be redeemed by the mortgage at par

upon the termination of all obligations of the Secretary under the insurance;

\* \* \* \* \*

(f) The property or project shall comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of such property for mortgage insurance and may include such commercial and community facilities as the Secretary deems adequate to serve the occupants: *Provided*, That in the case of any such property or project located in an urban renewal area, the provisions of section 220 (d) (3) (B) (iv) shall apply with respect to the nondwelling facilities which may be included in the mortgage: *Provided further*, That in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), the provisions of section 220 (d) (3) (B) (iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities.

A property or project covered by a mortgage insured under the provisions of subsection (d) (3) or (d) (4) shall include five or more family units: *Provided*, That such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicapped families, need not, with the approval of the Secretary, contain kitchen facilities, and such projects may include central dining and other shared facilities. The Secretary is authorized to adopt such procedures and requirements as he determines are desirable to assure that the dwelling accommodations provided under this section are available to displaced families. Notwithstanding any provision of this Act, the Secretary, in order to assist further the provision of housing for low and moderate income families, in his discretion and under such conditions as he may prescribe, may insure a mortgage which meets the requirements of subsection (d) (3) of this section as in effect after the date of enactment of the Housing Act of 1961, or which meets the requirements of subsection (h), (i), or (j) with no premium charge, with a reduced premium charge, or with a premium charge for such period or periods during the time the insurance is in effect as the Secretary may determine, and there is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to reimburse the General Insurance Fund for any net losses in connection with such insurance. No mortgage shall be insured under this section after June 30, 1977, except pursuant to a commitment to insure before that date, or except a mortgage covering property which the Secretary finds will assist in the provision of housing for displaced families. Any person who is sixty-two years of age or over, or who is a handicapped person within the meaning of section 202 of the Housing Act of 1959, or who is a displaced person, shall be deemed to be a family within the meaning of the terms "family" and "families" as those terms are used in this section. Low- and moderate-income persons who are less than 62 years of age shall be eligible for occupancy of dwelling units in a project financed with a mortgage insured under subsection (d) (3) [ , but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons ].

\* \* \* \* \*

(g) The mortgagee shall be entitled to receive the benefits of the insurance as hereinafter provided—

(1) as to mortgages meeting the requirements of paragraph (2) of subsection (d) of this section, paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section as provided in section 204(a) of this Act with respect to mortgages insured under section 203, and the provisions of subsections (b), (c), (d), (e), (f), (g), (h), (j), and (k) of section 204 of this Act shall be applicable to such mortgages insured under this section, except that all references therein to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the [General Insurance Fund] *Special Risk Insurance Fund* and all references therein to section 203 shall be construed to refer to this section; or

(2) as to mortgages meeting the requirements of paragraph (3) or (4) of subsection (d) of this section, paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j) of this section, as provided in section 207(g) of this Act with respect to mortgages insured under said section 207, and the provisions of subsection (h), (i), (j), (k), and (l) of section 207 of this Act shall be applicable to such mortgages insured under this section; or

(3) as to mortgages meeting the requirements of this section which are insured or initially endorsed for instance on or after the date of enactment of the Housing Act of 1961, notwithstanding the provisions of paragraphs (1) and (2) of this subsection, the Secretary in his discretion, in accordance with such regulations as he may prescribe, may make payments pursuant to such paragraphs in cash or in debentures (as provided in the mortgage insurance contract), or may acquire a mortgage loan that is in default and the security therefor upon payment to the mortgagee in cash or in debentures (as provided in the mortgage insurance contract) of a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage, and after the acquisition of any such mortgage by the Secretary the mortgagee shall have no further rights, liabilities, or obligations with respect to the loan or the security for the loan. The appropriate provisions of sections 204 and 207 relating to the issuance of debentures shall apply with respect to debentures issued under this paragraph, and the appropriate provisions of sections 204 and 207 relating to the rights, liabilities, and obligations of a mortgagee shall apply with respect to the Secretary when he has acquired an insured mortgage under this paragraph, in accordance with and subject to regulations (modifying such provisions to the extent necessary to render their application for such purposes appropriate and effective) which shall be prescribed by the Secretary, except that as applied to mortgages so acquired (A) all references in section 204 to the Mutual Mortgage Insurance Fund or the fund shall be construed to refer to the [General Insurance Fund] *Special Risk Insurance Fund*, and (B) all references in section 204 to

section 203 shall be construed to refer to this section. If the insurance is paid in cash, there shall be added to such payment an amount equivalent to the interest which the debentures would have earned, computed to a date to be established pursuant to regulations issued by the Secretary.

\* \* \* \* \*

#### HOUSING FOR ELDERLY PERSONS

SEC. 231. (a) \* \* \*

\* \* \* \* \*

(c) To be eligible for insurance under this section, a mortgage to provide housing for elderly persons shall—

(1)

(2) not to exceed, for such part of the property or project as may be attributable to dwelling use (excluding exterior land improvement as defined by the Secretary), \$12,300 per family unit without a bedroom, \$17,188 per family unit with one bedroom, \$20,525 per family unit with two bedrooms, \$24,700 per family unit with three bedrooms, and \$29,038 per family unit with four or more bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not to exceed \$13,975 per family unit without a bedroom, \$20,025 per family unit with one bedroom, \$24,350 per family unit with two bedrooms, \$31,500 per family unit with three bedrooms, and \$34,578 per family unit with four or more bedrooms, as the case may be, to compensate for the higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed [45] 75 per centum in any geographical area where he finds that cost levels so require;

\* \* \* \* \*

#### MORTGAGE INSURANCE FOR CONDOMINIUMS

SEC. 234. (a) \* \* \*

\* \* \* \* \*

(e) To be eligible for insurance, a blanket mortgage on any multi-family project of a mortgagor of the character described in subsection (d) shall involve a principal obligation in an amount—

(1)

(2) not to exceed 90 per centum of the amount which the Secretary estimates will be the replacement cost of the project when the proposed physical improvements are completed;

(3) not to exceed, for such part of the project as may be attributable to dwelling use (excluding exterior land improvements as defined by the Secretary), \$13,000 per family unit without a bedroom, \$18,000 per family unit with one bedroom, \$21,500 per family unit with two bedrooms, \$26,500 per family unit with three bedrooms, and \$30,000 per family unit with four or more



bedrooms; except that as to projects to consist of elevator-type structures the Secretary may, in his discretion, increase the dollar amount limitations per family unit to not exceed \$15,000 per family unit without a bedroom, \$21,000 per family unit with one bedroom, \$25,750 per family unit with two bedrooms, \$32,250 per family unit with three bedrooms, and \$36,465 per family unit with four or more bedrooms, as the case may be, to compensate for higher costs incident to the construction of elevator-type structures of sound standards of construction and design; and except that the Secretary may, by regulation, increase any of the foregoing dollar amount limitations contained in this paragraph by not to exceed [45] 75 per centum in any geographical area where he finds that cost levels so require; and

\* \* \* \* \*

HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

SEC. 235. (a) \* \* \*

\* \* \* \* \*

(b) \* \* \*

(2) the cooperative association of which the family is a member shall operate (A) a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided*, That if any cooperative member who has received assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary and undertakes the obligation to pay occupancy charges, the new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: *Provided further*, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of [ \$21,600 ] \$25,000 ( [ \$25,200 ] \$29,200 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be [ \$25,200 ] \$29,200 and [ \$28,800 ] \$33,400 respectively, or (B) a housing project which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.

\* \* \* \* \*

(h) (1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of outstanding contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$125,000,000 on July 1, 1969, by \$150,000,000 on July 1, 1970, by \$200,000,000 on July 1, 1971, and by such sums as may be approved in appropriation Acts after June 30, 1974, and prior to [ July 1, 1976. ] July 1, 1977. Upon the expiration of one year following the date of enactment of the Housing and Community Development Act of 1974, the Secretary shall not enter into new contracts for assistance payments under this section utilizing authority approved in appropriation Acts prior to July 1, 1974.

\* \* \* \* \*

(i) (3) (A) \* \* \*

\* \* \* \* \*

(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding [ \$21,600 ( \$25,200 ) ] \$25,000 ( \$29,200 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be [ \$25,200 ] \$29,200 and [ \$28,800 ] \$33,400 respectively; and

\* \* \* \* \*

(m) No mortgage shall be insured under this section after June 30, [ 1976 ] 1977, except pursuant to a commitment to insure before that date.

\* \* \* \* \*

RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

SEC. 236. (a) \* \* \*

\* \* \* \* \*

(j) (1) \* \* \*

\* \* \* \* \*

(5) The property or project shall—

(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further*, That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops,

infirmaries, or other inpatient or outpatient health facilities, and other essential service facilities;

(B) include five or more dwelling units, but such units, in the case of a project designed primarily for occupancy by displaced, elderly, or handicapped families, need not, with the approval of the Secretary, contain kitchen facilities; and

(C) be designed primarily for use as a rental project to be occupied by lower income families or by elderly or handicapped families: *Provided*, That lower income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons. In any case in which it is determined in accordance with regulations of the Secretary that facilities in existence or under construction on the date of enactment of the Housing and Urban Development Act of 1970 which could appropriately be used for classroom purposes are available in any such property or project and that public schools in the community are overcrowded due in part to the attendance at such schools of residents of the property or project, such facilities may be used for such purposes to the extent permitted in such regulations (without being subject to any of the requirements of the first proviso in subparagraph (A) except the requirement that the project be predominantly residential).

\* \* \* \* \*

#### SEC. 238 PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

(a) \* \* \*

\* \* \* \* \*

(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the "fund") which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 221, 223(e), 233(a)(2), 235, 236, 237, and 243, and the Secretary is hereby authorized to advance to the fund, at such times and in such amounts as he may determine to be necessary, a total sum of \$20,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 221, 223(e), 233(a)(2), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgages with

respect to mortgages insured under sections 221, 233(a)(2), 235, 236, 237, and 243 or pursuant to section 223(e), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 221, 233(e), 233(a), 235, 236, 237, or 243. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or obligations of, or in bonds or other obligations guaranteed by, the United States or any agency of the United States: *Provided*, That such moneys shall to the maximum extent feasible be invested in such bonds or other obligations the proceeds of which will be used to directly support the residential mortgage market. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued.

(c) The Special Risk Insurance Fund may be used by the Secretary for carrying out the mortgage insurance obligations of sections 203 and 207 to provide housing for military personnel, Federal civilian employees, and Federal contractor employees assigned to duty or employed at or in connection with any installation of the Armed Forces of the United States in federally impacted areas where, in the judgment of the Secretary (1) the residual housing requirements for persons not associated with such installations are insufficient to sustain the housing market in the event of substantial curtailment of employment of personnel assigned to such installations and (2) the benefits to be derived from such use outweigh the risk of possible cost to the Government.

(d) *Notwithstanding any other provision of law, there are hereby transferred to the fund created under this section all receipts, funds and other assets, all actual or contingent liabilities, all commitments for insurance, and all insurance on mortgages, of or chargeable to the General Insurance Fund created by section 519 of this Act which have arisen from or in connection with the insurance of mortgages under section 221 of this Act. All such assets, liabilities, commitments for insurance, and insurance of mortgages shall be and are hereby made assets, liabilities, commitments, and insurance of the fund established under this section as if they had originally been subject or chargeable to such fund.*

(e) *Notwithstanding the limitations contained elsewhere in this Act, debentures of the General Insurance Fund may be used to pay mortgage insurance premiums for mortgages insured under section 221 of this Act.*

\* \* \* \* \*

SEC. 244. CO-INSURANCE

(a) In addition to providing insurance, as otherwise authorized under this Act \* \* \* the Secretary \* \* \* may insure \* \* \* pursuant to a co-insurance control providing that the mortgage will—

(1) assume (A) a percentage of any loss on the insured mortgage, advance, or loan in direct proportion to the amount of the co-insurance, which co-insurance shall not be less than or (B) under conditions prescribed by the Secretary, the full amount of any loss on the insured mortgage, advance, or loan up to a fixed initial percentage of the original or declining mortgage amount, plus a share or shares, which may be on a proportionate, fixed percentage or other basis, of any loss in excess of such fixed initial percentage, except that the percentage of loss assumed by the mortgagee shall not in any case be less than 10 per centum of the total amount of loss, except that the liability of a mortgagee under a co-insurance contract entered into pursuant to clause (A) or (B) may be 10 per centum, subject to any reasonable limit or limits on the liability of the mortgage that may be specified in the event of unusual or catastrophic losses that may be incurred by any one mortgagee; and

(2) carry out (under a delegation or otherwise and with or without compensation but subject to audit, exception, or review requirements) such credit approval, appraisal, inspection, commitment, property disposition, or other functions as the Secretary, pursuant to regulations, shall approve as consistent with the purposes of this Act.

Any contract of co-insurance under this section shall contain such provisions relating to the sharing of premiums on a sound actuarial basis, establishment of mortgage reserves, manner of calculating insurance benefits, conditions with respect to foreclosure, handling and disposition of property prior to claim or settlement, rights of assignees (which may elect not to be subject to the loss sharing provisions), and other similar matters as the Secretary may prescribe pursuant to regulations.

*Notwithstanding any other provision of this Act, when a public housing agency is a mortgagee, the Secretary may insure and make a commitment to insure any mortgage, advance, or loan eligible for insurance in accordance with regulations issued by the Secretary under this section, pursuant to a co-insurance contract, on a unit or project on which construction has commenced prior to issuance of the Secretary's commitment to insure.*

\* \* \* \* \*

(d) No mortgage, advance, or loan shall be insured pursuant to this section after June 30, 1977, except pursuant to a commitment to insure made before that date. The aggregate principal amount of mortgages and loans made by lenders other than public housing agencies insured pursuant to this section in any fiscal year beginning on or after July 1, 1974, and ending prior to October 1, 1977, shall not exceed 20 per centum of the aggregate principal amount of all mortgages and loans made by lenders other than public housing agen-

cies insured under this title during such fiscal year. The overall percentage limitation specified in the preceding sentence shall also apply separately within each of the following categories—

\* \* \* \* \*

(f) The Secretary shall submit to the Congress a report, not later than March 1, 1975, and annually thereafter, describing operations under this section, including the extent of mortgagee participation and any special problems encountered, particularly with respect to the flow of mortgage credit to older and declining neighborhoods and to purchasers of older and lower cost housing, and setting forth any recommendations he may deem appropriate with respect to the continuation or modification of the authority contained in this section. If the Secretary shall fail to submit any such report by the date due, his authority under this section shall terminate.

(g) As used in this section, the term "public housing agency" has the same meaning as in section 3(6) of the United States Housing Act of 1937.

ESTABLISHMENT OF GENERAL INSURANCE FUND

SEC. 519. (a) \* \* \*

\* \* \* \* \*

(e) The General Insurance Fund shall not be used for carrying out the provisions of sections 203(b), 203(h), and 203(i), or the provisions of section 213 to the extent that they involve mortgages the insurance for which is the obligation of the Cooperative Management Housing Insurance Fund created by section 213(k), or the provisions of sections 221, 223(e), 233(a)(2), 235, 236 and 237; and nothing in this section shall apply to or affect mortgages, loans, commitments, or insurance under such provisions.

\* \* \* \* \*

HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

SEC. 106. (a) \* \* \*

\* \* \* \* \*

(b) \* \* \*  
(3) The Secretary shall determine the basic grant amount of each urban county by—

(A) calculating the total amount that would have been allocated to metropolitan cities and urban counties together under paragraph (1) of this subsection if data pertaining to the population, extent of poverty, and extent of housing overcrowding in all urban counties were included in the numerator of each of the fractions described in such paragraph; and

(B) determining for each county the amount which bears the same ratio to the total amount calculated under subparagraph (A) of this paragraph as the average of the ratios between—

(i) the population of that urban county and the population of all metropolitan cities and urban counties;

(ii) the extent of poverty in that urban county and the extent of poverty in all metropolitan cities and urban counties; and

(iii) the extent of housing overcrowding in that urban county and the extent of housing overcrowding in all metropolitan cities and urban counties.

If the total amount available for allocation under subsection (a) is not sufficient to meet the hold-harmless needs of all metropolitan cities, urban counties, and other units of general local government and the aggregate of the basic grant amounts determined under this subsection, the Secretary shall to the extent necessary reduce the amount available for allocation under this paragraph.

\* \* \* \* \*

NATIONAL FLOOD INSURANCE ACT OF 1968

\* \* \* \* \*

EMERGENCY IMPLEMENTATION OF PROGRAM

SEC. 1336. (a) Notwithstanding any other provisions of this title, for the purpose of providing flood insurance coverage at the earliest possible time, the Secretary shall carry out the flood insurance program authorized under chapter I during the period ending December 31, [1975] 1976, in accordance with the provisions of this part and the other provisions of this title insofar as they relate to this part but subject to the modifications made by or under subsection (b).

\* \* \* \* \*

FLOOD DISASTER PROTECTION ACT OF 1973

\* \* \* \* \*

DEFINITIONS

SEC. 3. (a) (1) \* \* \*

\* \* \* \* \*

(4) "financial assistance for acquisition or construction purposes" means any form of financial assistance which is intended in whole or in part for the acquisition, construction, reconstruction, repair, or improvement of any publicly or privately owned building or mobile home, and for any machinery, equipment, fixtures, and furnishings contained or to be contained therein, and shall include the purchase or subsidization of mortgages or mortgage loans but shall exclude assistance for emergency work essential for the protection and preservation of life and property performed pursuant to the Disaster Relief Act of 1970 or any subsequent Act of Congress which supersedes or modifies the Disaster Relief Act of 1970, and assistance provided under any such Act for natural disasters other than floods.

\* \* \* \* \*

EFFECT OF NONPARTICIPATION IN FLOOD INSURANCE PROGRAM

SEC. 202. (a) \* \* \*

\* \* \* \* \*

(b) Each Federal instrumentality responsible for the supervision, approval, regulation, or insuring of banks, savings and loan associations, or similar institutions shall by regulation prohibit such institutions on and after July 1, 1975, from making, increasing, extending, or renewing any loan secured by improved real estate or a mobile home located or to be located in an area that has been identified by the Secretary as an area having special flood hazards, unless the community in which such area is situated is then participating in the national flood insurance program, except that the prohibition contained in this sentence shall not apply to [any loan made prior to January 1, 1976, to finance the acquisition of a previously occupied residential dwelling.] (1) any loan to finance the acquisition of a building or structure completed and occupied as a residence or by a small business concern prior to January 1, 1976, (2) any loan or loans, which in the aggregate do not exceed \$10,000, to finance improvements to or rehabilitation of a building or structure occupied as a residence prior to January 1, 1976, or (3) any loan or loans, which in the aggregate do not exceed an amount prescribed by the Secretary, to finance non-residential additions or improvements for agricultural purposes to a farm.

\* \* \* \* \*

SECURITIES EXCHANGE ACT OF 1934

\* \* \* \* \*

SEC. 28. EXTENT TO WHICH TAX ON TRANSFER PROHIBITED

(a) \* \* \*

\* \* \* \* \*

(d) No State or political subdivision thereof shall impose any tax on any change in beneficial or record ownership of securities effected through the facilities of—

(1) a registered clearing agency; or

(2) a registered transfer agent when performing the function described in Section 3(a)(25)(E) of the title or, in connection with such function, any functions described in section 3(a)(25)

(B) through (D) of this title.

or any nominee thereof or custodian therefor or upon the delivery or transfer of securities to or through or receipt from such agency or agent or any nominee thereof or custodian therefor, unless such change in beneficial or record ownership or such transfer or delivery or receipt would otherwise be taxable by such State or political subdivision if the facilities of such registered clearing agency, registered transfer agent, or any nominee thereof or custodian therefor were not physically located in the taxing State or political subdivision.

\* \* \* \* \*

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ADDITIONAL VIEWS OF SENATOR ALAN CRANSTON ON  
H.R. 9852 SENATE BANKING COMMITTEE REPORT

I am deeply concerned about the impact that Senator Brooke's amendment to change the status of urban counties would have, not only on counties, but also on discretionary balance small cities and multi-jurisdictional ventures in the community development block grant program.

The central hallmark of the Housing and Community Development Act should be, I believe, equitable treatment—not merely for units of local government, but foremost for the people residing in all localities. There is no question that equity is difficult to achieve with limited funds. But, in my opinion, regardless of the level of funds available, the community development block grant program would be lopsided if it set a threshold level of city entitlement at 50,000, and at the same time did not allow an entitlement amount to larger units of general purpose local government—the counties.

In California, as in most if not all states, there is a significant amount of poverty in unincorporated urban areas which are the responsibility of the county government. Poor people living in slums and deteriorated urban areas of the county need rehabilitated or new housing, job opportunities, and improved services and public facilities just as much as the poor of the central city.

We must be mindful, too, that the county is the union of the unincorporated areas and cooperating small cities which do not have hold-harmless status. These small cities had an initial choice either to compete for discretionary balance funds as a single unit or to join in the cooperative effort with other cities and their county to undertake community development and housing activities.

In restructuring the allocation priority for community development funds, Senator Brooke's amendment not only puts big cities first in line for funding, but relegates the small cities and unincorporated areas within urban counties to near the end of the line, just before the discretionary balance, which is also composed of small cities.

The Act encourages joint community effort by urban communities and consortiums of cities in housing and community development activities to address problems which so often face contiguous jurisdictions. Multi-jurisdictional coordination increases the efficiency of local government and helps avoid duplication of effort in the community development area.

Assigning an urban county second class status would remove the key incentive to this cooperative approach.

If Senator Brooke's amendment is accepted in the final version of H.R. 9852, the burden of the estimated \$100 million shortfall in hold-harmless funds would fall squarely on the shoulders of the urban counties, the unincorporated areas and the participating small cities. With the accompanying reduction in funds to urban counties, the cooperating small cities may find it more attractive not to renew their

cooperation agreements with the county and instead to compete for discretionary balances. In addition to increasing the program demand for discretionary balances, this would splinter the cooperative ventures of urban counties.

I do not feel that it is consistent with the spirit of the law to weaken our commitment to the multi-jurisdictional approach to community development problems, which has been successfully demonstrated by urban counties.

ALAN CRANSTON.



# Ninety-fourth Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Tuesday, the fourteenth day of January,  
one thousand nine hundred and seventy-five*

## An Act

To amend section 2 of the National Housing Act to increase the maximum loan amounts for the purchase of mobile homes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That section 2(b) (1) of the National Housing Act is amended by striking out "\$10,000 (\$15,000" and inserting in lieu thereof "\$12,500 (\$20,000".

SEC. 2. Notwithstanding the provisions of section 103(a) (2) and (3) and section 104 of the Housing Act of 1949 or of any other law (1) the maximum project capital grant for Project No. Mass. R-107 may exceed two-thirds of the net project costs of said project, and any such excess shall not be considered in determining the project capital grant for any other project in the same municipality and (2) the maximum amount of local grants-in-aid required in connection with Project No. Mass. R-107, under the Contract No. Mass. R-107 (LG) or amendatory contracts for capital grant for said project, shall be one-half of the maximum project capital grant for said project authorized under section 7(d) of said contract, dated December 28, 1965, prior to any amendatory contract, and any local grants-in-aid provided in connection with said project in excess of such maximum amount or any local grants-in-aid provided in connection with any other project in the same municipality shall not decrease the amount of the project capital grant for said project under said contract and amendatory contracts: *Provided*, That any local grants-in-aid provided in connection with said project in excess of such maximum amount shall not be considered in determining the local grants-in-aid required for any other project in the same municipality.

SEC. 3. The National Housing Act is amended by striking out the words "by not to exceed 45 per centum in any geographical area" where they appear 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 the words "by not to exceed 75 per centum in any geographical area".

SEC. 4. (a) The seventh sentence of section 221(f) of the National Housing Act is amended by striking out ", but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons".

(b) The proviso to subparagraph (C) of section 236(j) (5) of such Act is amended by striking out ", but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons".

S. 848—2

SEC. 5. Section 1336(a) of the National Flood Insurance Act of 1968, as amended, is amended by striking out "December 31, 1975" and inserting in lieu thereof "December 31, 1976".

*Speaker of the House of Representatives.*

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



December 18, 1975

Dear Mr. Director:

The following bills were received at the White House on December 18th:

✓ S. 622 ✓  
✓ S. 848  
S. 1922

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder  
Chief Executive Clerk

The Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D. C.