PRINTER NP71

- >HCD Act of '74 comparison of CD Block Grants and 701 Grants
- >Supplementary materials to HCD Block Grant Application
- >House Congressional Record concerning HCD Act of 1974 (Aug 12,74)
- >Copy of legislation – HCD Act of '74
- >HUD Summary of HCD Act of '74
- >HCD provisions relating to Housing/Mortgage Credit (8/22/74)

TIME: 15:

- >House Congressional Record concerning Housing + Urban Development Act of 1973 (9/5/13)
- >Summary of Community Development Assistance Act of HCD Act of '74 (and correspondence regarding)

- >3rd yr HCD Block Grant App
- >4th yr HCD Block Grant App (PRELIM)
- >Portland Planning Commission Hearing re: HCD Plans
- >Materials regarding Com yr app.

the meaning of written words. Optometric vision training reduced the problems caused because of poor ocular coordination and sensorimotor hand-eye and general coordination.

In praising the Washington optometrist who aided her, Dr. Robert Kraskin, Mrs. Nugent credited him for pointing to an avenue in which I could reach out to others and say "I care" in a way that I would have never known without him.

Mrs. Nugent has often mentioned the great pleasure she finds in her work—and seeing thousands of children find out that their problem really was not that they were slow or lazy, but their problem was simply a visual problem that had not been diagnosed and treated.

In presenting the award to Mrs. Nugent, Dr. J. C. Tumblin, currently president of the 17,300-member AOA, said:

It would be difficult to find anyone who could equal the dedication, determination and unselfish service to the visual welfare of others that has been demonstrated by Mrs. Nugent.

Luci Johnson Nugent has contributed well beyond her years to the visual welfare of this Nation. She continues to share her time, her energies to insure that children will not be forced to come in second-best due to undetected vision handicaps, that all children will be able to truly see.

Mr. Speaker and distinguished colleagues, I know that Mrs. Johnson takes great pride and satisfaction in the work of her daughter. I also know President Johnson was deeply gratified to see his daughter continuing the great family tradition of public service.

I am sure my distinguished colleagues join me in recognizing a truly great American, Mrs. Luci Johnson Nugent.

(Mr. KASTENMEIER asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

[Mr. KASTENMEIER addressed the House. His remarks will appear hereafter in the Extensions of Remarks.]

THE 175TH ANNIVERSARY OF CHENANGO COUNTY

(Mr. HANLEY asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. HANLEY. Mr. Speaker, this Saturday September 8, the citizens of Chenango County will celebrate the 175th anniversary of the founding of their county.

I would like to spend a few moments in tribute to this county and its people, for there is much to be learned from them about the heritage of the United States and the development of the spirit of this land.

Since the first settlers arrived to clear the land in 1785 until today, Chenango County has retained and respects its agrarian heritage and its quiet, peaceful rural life. Besides its agrarian thrusts, Chenango County is marked by a variety of commercial and industrial pursuits, and the citizens have devoted themselves to a wide variety of civic and charitable activities and to vigorous local governments.

Ever since Tuscarora Chief Thick Neck defended the area's enviable deer herds from invading Oneida hunters, this has been a happy hunting ground for thousands of nimrods each fall and thousands of sightseers in early spring when the deer gather along Chenango highways, feeding on the first patches of green under melting snow.

Named for the river which bisects it, Chenango means pleasant river flowing through the land of the bull thistle, a plant which has become the county symbol. It's not inappropriate. It suggests our ties with the early settlers and the clearing of lands which have made it one of the top dairying counties in the State.

At the same time, spectacular shades of red and yellow in the fall offer a clue to newcomer that in springtime, this is also one of the top maple producing counties in the State.

Besides the Chenango River down its middle, Chenango boasts the trout-filled Otselic on its extreme west, and on the east, the Unadilla which feeds into the historic Susquehanna at the county's southeast corner.

These assets undoubtedly were among the reasons people of sturdy stock, moving from the east, settled permanently here on their post-revolutionary trek westward. Chenango was formed from Herkimer and Tioga counties on March 15, 1798 and included 11 of the "Twenty Towns" in the "Governor's Purchase" which were deeded to the State of New York in a treaty achieved through Governor George Clinton on September 22, 1788.

A little more than a decade later, Chenango County was organized and now consists of 21 towns, 7 villages and 1 city. Incorporated in 1914, the city of Norwich is the county seat, with its historic courthouse, remarkably preserved, with an architectural stature drawing national interest and reputation.

It is not inconceivable that the famed Indian leader Joseph Brant may have touched on Chenango soil in prerevolutionary days when General Herkimer was called to Sidney in bordering Delaware County in a military action.

But Chenango had famous names of its own. The Mormon leaders, Joseph Smith and Brigham Young, once lived in the county before moving west and to greatness. Thurlow Weed, the fighting newspaper man who, after the turn of the 19th Century, got his start as an editor in Norwich and went on to put William Henry Harrison and Zackary Taylor in the White House. Anson Burlingame, Lincoln's ambassador to China, was a native of New Berlin and opened up the Orient. From Afton came Congressman Bert Lord who ably served in this body until his death in 1939. Gail Borden, developer of the process for condensed milk, boon to both health and nutrition as well as dairying, was born and raised in Chenango County.

Even before the turn of the century, the county was thriving. It was here the world-renown Maydole hammers were made. Norwich was at one time the division home of the booming New York, Ontario Western Railway Company when the steam locomotive was adding growth and color to our national picture. In 1885, an itinerant minister made a $3 loan with Oscar G. Bell and started what became the Norwich Pharmacal Co. which later prospered with Doctor Jeffrey's spectacular ointment still marketed the world over as Unguentine.

Today, the county also produces a wide variety of goods including knit shirts and underwear, parts for space craft which carried men to the moon, fireplace equipment and accessories, shoes, dog food, bandages, forklift trucks and other material handling equipment, plastic products, pre-cut homes and log cabins ready to assemble—just to give an idea of the industrial diversity that flourishes there.

This is also the land of the square dance, both barn and modern, of country auctions, antique sales, church suppers and bazaars, of band pageants and concerts, art shows and musicals and crafts and country fairs.

With vast State forestlands and the expansion of our parks, the development of Rogers Conservation Education Center at Sherburne, swimming facilities, sportsmen's clubs, snowmobile and biking and bicycle paths and campgrounds, the area is attracting an increasing number of tourists as well as urban people who find "life in the country" the realization of their impossible dream.

In the years ahead Chenango's people can be expected to keep on living, working and building, continuing to add their share for the glory of God and Country. In celebrating their anniversary we are in a very real sense celebrating and reaffirming the goals and ideals that have made this country great. I am sure you will agree that Chenango County is one of those special places in both its heritage and its hopes for the future, and I am sure all of you will join me in congratulating the people of Chenango County on their 175th anniversary.

HOUSING AND URBAN DEVELOPMENT ACT OF 1973

(Mr. BARRETT asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. BARRETT. Mr. Speaker, I introduce today, along with our colleague from Ohio (Mr. ASHLEY) the Housing and Urban Development Act of 1973.

This bill represents an effort on our part to develop an improved system of Federal assistance for housing and community development activities. Its enactment would enable communities of all sizes more effectively to carry out housing and community development activities within a framework of national goals and objectives.

The Housing Subcommittee began the task of reforming existing HUD programs during the 92d Congress. As Members know, the omnibus housing bill that failed to clear the Rules Committee late last year contained three far-reaching chapters which completely revised the

laws governing the FHA mortgage insurance programs, the low-rent public housing program, and the urban renewal program.

These revisions would have provided a streamlined statutory framework for these important activities which would have enabled the Congress to evaluate the basic objectives and results of Federal assistance without being diverted by the often special purpose, conflicting and duplicatory, and obsolete provisions of existing laws. At the same time, these three chapters would have made possible more flexible and responsive administration by HUD to the benefit of both the users of the programs—homebuilders and developers, lending institutions, and local governmental units—and the individuals and families and communities that are their ultimate beneficiaries.

Despite the controversy over many of the provisions in the 1972 bill, the basic reforming thrust of these chapters was widely praised. The bill we introduce today continues that thrust and extends it to the Federal housing assistance programs.

Part I of the bill would establish a program of 3-year block grants to general purpose local governments to help finance community development and housing assistance programs. These new block grant programs, which would take effect on July 1, 1975, would replace the major HUD community development programs—the urban renewal, model cities, open space, neighborhood facilities, and water and sewer facilities programs—and the several housing assistance programs, the sections 235 homeownership and 236 rental assistance programs, the rent supplement and low-income public housing programs, and the rehabilitation loan and grant programs.

We regard the housing block grant program as the most important innovation contained in the bill. It is a necessary and indispensable supplement to the bill's community development provisions, which in 1972 were not only noncontroversial, but were strongly supported on both sides of the aisle in both the House and Senate.

As Members know, under the community development block grant program nearly approved by the Congress in 1972—

First. Existing categorical grant programs for community development—each with its own limited focus, grant formula, and unique program requirements—would have been consolidated into a single flexible tool for community development;

Second. Funds would have been allocated to communities on a uniform and equitable basis, taking into account both objective need factors and established program levels;

Third. Application and planning requirements would have been greatly simplified in order to avoid delay and uncertainties in the execution of community development activities; and

Fourth. Local elected officials, rather than special purpose agencies, would have been given principal responsibility for determining community development needs, setting priorities, and allocating resources.

We regard these basic elements of the community development program as equally applicable to federally assisted housing. Federal assistance for housing as well as community development, should be distributed on the basis of objective need factors; it should be provided, promptly and with a minimum of redtape, in a manner that permits localities to use that assistance in a way that meets their unique needs; and it should be administered so as to permit local elected officials, acting within a framework of Federal priorities, to make the critical decisions concerning the type of housing to be built or rehabilitated, the income groups to be served, and the cost and general location of that housing.

Part II of the bill would substantially revise the low-rent public housing program and, most importantly, authorize a major new program of modernization and renovation of existing public housing units. The modernization program would be designed to make substantial improvements in the thousands of public housing units built in the early years of the program—those built to the unduly austere standards of the 1940's and 1950's; and those that no longer meet local health and safety standards. In addition, modernization funds would be used to make physical alterations to projects to provide greater security to thousands of low-income tenants.

We believe the need for this major modernization and renovation program is overwhelming. Thousands of public housing units have, for a variety of reasons, fallen below present-day standards for decent housing accommodations. Yet with a reasonable expenditure of funds, these units can be brought up to present standards and made capable of serving thousands of individuals and families for years to come. Their continued deterioration will cost many times more in public funds, as the planned demolition of the Pruitt-Igo housing project in St. Louis demonstrates.

Part III of the bill would revise the law governing the Federal Housing Administration's programs of mortgage insurance, generally along the lines of the 1972 housing bill but with some major new features.

Most importantly, this part would structure the FHA mortgage insurance program to serve primarily the needs of middle-income families; that is, families with incomes above eligibility for direct subsidies, but who are being increasingly priced out of the conventional housing market. The bill would provide that interest rates on FHA-insured mortgages would be set by the Secretary of Housing and Urban Development at such levels as are necessary to avoid discounts of more than four points. In addition, when the interest rate is set by the Secretary at more than 7 percent, the interest rate on mortgages covering lower cost housing would remain generally at 7 percent, but in no event more than 1 percent lower than the regular interest rate. HUD would be required—through the Government National Mortgage Association—to use the "tandem plan" to support the lower interest rate mortgages at the price of not less than 96—that is, at a discount to the seller or builder of not more than four points.

These provisions are extremely important. They would help to serve the housing needs of millions of middle-income families in two ways: First, by keeping the cost of mortgage credit at reasonable levels; and second, by supporting the construction of lower cost housing during periods of rising interest rates and tight money.

Of course, the FHA would continue to provide mortgage credit for assisted housing, to be built or rehabilitated under the housing block grant program, and would be encouraged to continue and expand its activities in the inner-city areas of our large urban centers. These critical functions of the FHA must be strengthened if we are to meet our housing needs and help rebuild the deteriorated and deteriorating areas of our cities.

Part III also includes authority for the FHA to continue the sections 235 homeownership and 236 rental assistance programs, in revised form, for use during the transition to the new housing block grant program and afterward as residual programs for areas not being adequately served by the new program.

My colleague, Mr. ASHLEY, will present a full explanation of these proposals to the House in his statement on the bill. At this point, I wish to thank him for his outstanding role in developing this major reform of our Federal housing and urban development programs. I believe that this effort, coming closely after his development of the Urban Growth and New Communities Development Act of 1970, and the metropolitan housing block grant proposal, places him in the top rank of experts in the housing urban development field.

In closing, I would add two additional points. First, our advocacy of new housing and community development block grant programs does not imply, in any way, an endorsement of the views of the administration on existing HUD programs.

We believe the administration's public stance on housing programs as voiced over the past 4 years amounts to demagoguery of the worst kind—claiming credit for the hundreds of thousands of units produced under these programs, on the one hand, and, when confronted with program abuses resulting from lax and often dishonest administration, condemning them as ill-conceived and inherently defective, on the other. The effrontery of the claim by Kenneth Cole of the Domestic Council that the housing subsidy programs cannot be administered "even with the most advanced management techniques" defies belief. Members are well aware of the numerous examples of singularly inept administration of these programs by the FHA over the past 4 years, a disgraceful record that needs no repetition.

The fact is that the administration was and is intent on ending programs for which it could claim no real credit; programs which required substantial outlays

of funds needed for its own foreign and domestic initiatives; and, most importantly, a program which is judged politically unpopular among the middle-income groups it seeks to convert to the Republican Party. If it were truly desirous of working with the Congress to develop new program approaches to serve our housing needs more effectively, it would not have taken the unnecessary step of suspending the housing subsidy programs—an "unlawful act" in the view of a recent Federal district court decision—before viable program alternatives were available.

The new programs offered by this bill seek to employ the approaches contained in existing programs—developed by many Congresses and implemented by administrations of both parties—in a more efficient and flexible manner, under which communities may deal effectively with their particular housing and community development problems. They do so, primarily, by placing responsibility squarely on local elected officials to make the basic decisions concerning the determination of needs, the setting of priorities among those needs, and the selection of program tools needed to meet those needs. We believe the advantages offered by these new approaches can make significant contributions to the ability of our communities to solve their housing and community development problems.

Second, I would emphasize as strongly as possible the crucial difference between the block grant approaches contained in the bill and the administration's special revenue sharing approach as contained in the Better Communities Act.

The Better Communities Act is a thinly veiled effort by the administration to move toward a general revenue sharing approach for important categorical grant programs. Under its bill, a community is free to use Federal funds in any manner it deems fit so long as the funds are spent on an eligible activity specified in the bill. The activities specified are, of course, very broad, ranging from land acquisition and clearance of slum and blighted areas—carried on now under the basic urban renewal program—to the construction of any kind of public works and facilities—carried on now under certain grant programs and the public facilities loan program).

Consequently, a community could use the Better Communities Act funds solely for the construction of a major public work—such as an airport or sports coliseum—or a series of park and recreational areas throughout the city. There would be no HUD review or approval required of the community's proposed use of funds, apart from assurances that the equal opportunity requirements of recent Civil Rights Acts were adhered to and that the funds were, in fact, being used for the purposes outlined in the community's statement of proposed activities. The administration takes the position that the eligible activities permitted under the Better Communities Act are all consistent with national objectives and that HUD should not "second-guess" the community's evaluation of its community development needs.

The block grant approach is significantly different. Communities of 50,000 or over would be required to use their community development funds to undertake balanced programs which, first, eliminate or prevent slums and blight; second, provide housing for low- and moderate-income families; and third, provide improved community facilities and services. The housing block grants are made available to these communities to carry out the housing component of their community development programs.

Furthermore, HUD would be required to review carefully, prior to the approval of block grant funds, the community's overall community development and housing program—determining whether the community's proposed use of funds addresses the problems identified in the community's application; and whether the community has the capacity efficiently to carry out the program. Significantly, the bill makes clear that the amount of funds a city may receive pursuant to the formula represents a "maximum" entitlement only, and that HUD is expected to reduce the entitlement for any community that is not reasonably addressing its needs, in the context of the bill's national priorities, or not making sufficient progress in carrying out its program each year.

We view the block grant approaches as evolutionary in nature, moving gradually from a dominant Federal role in the carrying out of community development and housing activities to one in which the community is the principal actor, and HUD exercises a more qualitative review and evaluation function. We believe that the cities, particularly those of over 50,000 population which have had substantial experience in the housing and community development field, are capable of assuming these increased responsibilities and that HUD would be far more effective in its new role if it were not so heavily involved in the constant monitoring of projects.

I urge all Members to give careful consideration to this comprehensive legislation. We believe the new tools it would provide to communities throughout the country would significantly assist in the provision of housing and the revitalization of our communities.

Mr. ASHLEY. Mr. Speaker, the legislation which Mr. BARRETT, the chairman of the Housing Subcommittee, and I are introducing today addresses some of the most critical problems the 93d Congress faces: The moratorium on Federal housing and community development programs; the problems that in large part brought on the moratorium; and, most importantly, the nature and extent of future Federal efforts in housing and community development.

We believe that enactment of this legislation would help resolve many of the difficulties involved in our existing programs; that it would provide a significantly improved system of Federal assistance for housing and community development; and that it would enable us to resume the task of providing decent housing in revitalized communities throughout the country.

HIGHLIGHTS OF THE BILL

PART 1—COMMUNITY DEVELOPMENT AND HOUSING ASSISTANCE BLOCK GRANTS

Authorizes 3-year programs of block grants to communities to help finance community development and housing assistance programs. For the first 3-year period, $8.25 billion would be allocated for community development and $2.55 billion for housing assistance. The housing and community development programs would be required to be mutually supportive.

First, programs replaced. The community development block grant would replace the following HUD categorical programs: Urban renewal—including neighborhood development and code enforcement programs—model cities, water and sewer facilities, neighborhood facilities, advance acquisition of land, and open space-urban beautification-historic preservation programs.

The housing assistance block grant would replace the following housing programs: section 235 homeownership assistance, section 236 rental and cooperative housing assistance, rent supplements, public housing, section 312 rehabilitation loans, and section 115 rehabilitation grants. Rural housing programs administered by the Farmers' Home Administration would not be affected.

Second, distribution of block grants—community development. Metropolitan areas would receive 80 percent of the funds and 20 percent would be allocated to nonmetropolitan areas. Funds would be allocated among metropolitan areas on the basis of a four-factor formula—population, housing overcrowding, poverty counted twice, and past program experience. Out of each metropolitan area allocation the same formula would be used to allocate funds to metropolitan cities—generally over 50,000 population—in the metropolitan area. The remainder of each metropolitan area's allocation and the nonmetropolitan area allocation would be distributed to States and other local governments. A priority in the distribution of these latter funds would be given to urban counties, localities whose programs were in accord with any State development policies or priorities, and localities which combined to conduct a unified community development program where coordination of activities among two or more localities was needed for effective implementation of a program. Metropolitan cities would be eligible to receive grants in excess of the amount allocated to them by the formula if their average annual grant under the replaced categorical programs over a previous 5-year period was higher than their annual formula share.

Housing assistance. Seventy-five percent of the funds would be allocated to metropolitan areas and 25 percent to nonmetropolitan areas. A three-factor formula—population, poverty counted twice, and housing overcrowding—would be used to allocate funds to metropolitan areas and to metropolitan cities in the metropolitan area. A priority in the distribution of the funds would be given to urban counties, smaller localities that

combined with each other to conduct a single housing assistance program, and localities whose programs were in accord with any State development policies or priorities.

Eligibility to receive grants. Applicants for formula and discretionary grants would be required to demonstrate compliance with a number of requirements designed to assure furtherance of national policies, standards of performance, and balanced programs serving a variety of needs. Recipients of grants would also have to demonstrate a continuing capacity to conduct their programs effectively. An application for grants would be required for each 3-year period, but the Secretary of HUD would monitor the conduct of community development and housing assistance programs and require reports and audits.

Third, application requirements—community development. The application would have to show that the applicant:

Has specified short- and long-term community development objectives which are consistent with comprehensive local and areawide development planning and with national urban growth policies;

Has described the proposed activities, their estimated costs and general location;

Has formulated a program to meet the housing needs of low- and moderate-income persons who are residing or employed in the community or may reasonably be expected to reside in the community;

Has provided satisfactory assurances that the Civil Rights Acts of 1964 and 1968 will be complied with;

Has provided for adequate citizen participation and public hearings prior to submission of the application; and

In the case of a city eligible to receive a formula grant has developed a comprehensive program to eliminate or prevent slums and to develop adequate community facilities, public improvements, and supporting health, social and similar services.

House assistance. The application would have to show that the applicant:

Has surveyed the condition of the existing housing stock in the community and has assessed the housing needs of low- and moderate-income persons who are residing or employed in the community or may reasonably be expected to reside in the community;

Has formulated a program which takes into account the needs of a range of income levels and which provides for a balanced use of the existing housing stock and the construction of new units within the community depending on local conditions;

Has described the types of assistance to be provided, the estimated annual and long-range costs, the general location of projects, and the financing methods to be used;

Has indicated how the housing program relates to and furthers the objectives of any community development program carried out by the applicant;

Has provided satisfactory assurances that the Civil Rights Act of 1964 and 1968 will be complied with and has provided for citizen participation and public hearings in connection with the development of the program;

Has formulated activities designed to avoid undue concentrations of assisted persons in areas containing a high proportion of low-income persons;

Has coordinated the location of housing projects with the availability of adequate public facilities and services; and

Has described the commitment of State and local resources to be available in carrying out the program.

Fourth, activities—community development. The following activities could be financed out of community development funds:

The acquisition of land which is blighted, undeveloped or inappropriately developed; or which is necessary for historic preservation, beautification, conservation, or the guidance of urban development; or which is to be used for the provisions of public facilities and improvements eligible for assistance; or which is to be used for other public purposes;

The construction, acquisition or installation of specified public facilities and improvements which generally are eligible for assistance under the replaced categorical programs;

Code enforcement;

Demolition of rehabilitation of buildings and improvements;

Payments to housing owners for rental losses incurred in holding units vacant for displacees—by both community development and housing assistance programs;

Provision of health, social, counseling, training, and similar services necessary to support both the community development and housing assistance program;

Financing the local share of other federally assisted projects approved as part of a community development program;

Relocation payments for both housing and community development programs; and

Management, evaluation, and planning activities for both housing and community development programs.

Housing assistance. The following activities could be financed out of housing assistance funds:

Grants to bring owner-occupied single-family housing up to code standards and loans to finance repair or rehabilitation of privately owned residential property, where repairs or rehabilitation are conducted on a neighborhood basis or an an integral part of a community development program;

Loans to finance the purchase, rehabilitation, the resale of one- to three-family dwellings as part of a neighborhood rehabilitation program;

Periodic grants to reduce mortgage payments—principal, interest, taxes, hazard insurance, and mortgage insurance premiums—by up to 50 percent on one- to three-family houses purchased and occupied by the owner;

Periodic grants to reduce rentals to tenants and occupancy charges to members of a cooperative in both privately owned and publicly owned projects;

Loans to finance the construction or purchase with or without rehabilitation or repair of rental or cooperative projects;

Reduction of rentals in dwelling units leased by a public body or agency; and

Seed money loans to nonprofit organizations.

The following general requirements would apply:

Assisted homeowners would be required to pay a minimum of 20 percent of their incomes toward mortgage payments;

Assisted renters or cooperative members would have to pay a minimum of 20 percent of their incomes toward rents or occupancy charges;

Assisted housing units would be subject to prototype cost estimates developed in connection with FHA insured housing under part III of the bill, unless waived by the Secretary because of high land or site improvement expenses;

Persons receiving the benefits of assistance would be required to have incomes not in excess of 80 percent of the median income for the area, but at least 50 percent of the persons assisted during the 3-year program would have to be have incomes within the lower half of those persons eligible for assistance;

The Secretary of HUD would define income uniformly for all areas; and

The consumer protections applicable to FHA insured housing would be applicable to State or local financed housing.

Fifth, debt financing—community development. Federally guaranteed obligations could be issued by States or localities to finance land acquisition.

Housing assistance. Rehabilitation loans and the construction, rehabilitation or acquisition of rental and cooperative projects which are likely to house assisted persons over a long period of time could be financed from funds obtained through the issuance of federally guaranteed State or local bonds. Tax-exempt financing could be used in connection with projects to be owned by a public body or agency and taxable bonds with 30 percent interest reduction grants would be required in connection with privately owned projects. FHA insured financing would also be permitted for housing assisted under the block grant program.

Sixth, effective date. Both the community development and housing assistance programs would become effective July 1, 1975.

Seventh, residual Federal programs. Considerably revised federally administered homeownership and rental assistance programs would remain available for use in areas in which the Secretary determined that housing assistance funds were not being utilized to meet the housing needs in those areas.

PART II—PUBLIC HOUSING

No new projects would be developed or units leased under the 1937 act after the effective date of the housing block grant program—July 1, 1975. However, a major new program of modernization and renovation of existing public housing units would be authorized. The modernization program would include bringing housing units up to local code standards, correcting obsolescence, and making physical

alterations to provide greater security to residents. An additional sub million in contract authority would be provided for this purpose with appropriation act approval required. Existing projects would continue to be eligible for operating subsidies up to $300 million annually.

In addition, substantial improvements in the operation of existing public housing projects would be made, carrying over many of the provisions of the 1972 House bill, including opportunities for homeownership through conversions of existing projects, the conditioning of the availability of Federal operating subsidies on adoption of more effective management policies, the adoption of tenant selection policies likely to achieve a greater income mix, and the imposition of average minimum rentals of 20 percent of aggregate tenant incomes. A minimum per unit rental would also be imposed equal to 20 percent of the operating expenses attributable to the unit. Tenants receiving welfare assistance, like all other tenants, would be charged rentals not in excess of the greater of one-quarter of income or 30 percent of the operating costs attributable to their units. No requirement would be imposed on public welfare agencies as to the amount of assistance given to public housing tenants.

PART III—FHA MORTGAGE INSURANCE

This part would include a substantial revision of the FHA mortgage insurance program along the lines of the consolidation proposal contained in the 1972 House bill, but with several changes designed to improve the operation of the mortgage insurance programs.

SIGNIFICANT CHANGES

First, mortgage limits. Limits would be established on the basis of prototype cost estimates developed periodically by the Secretary for each housing market area in place of current statutory dollar limits. Subsidized mortgages would not exceed 110 percent of prototype cost and unsubsidized mortgages 130 percent.

Second, interest rates. Rates would be established by the Secretary at levels to avoid discounts in excess of four points. When the interest rate is established in excess of 7 percent, the interest rate on mortgages up to 130 percent of the prototype cost would remain at 7 percent. However, this lower rate would be increased as necessary to keep the differential with the regular rate at 1 percent. GNMA would be required to use the "tandem" plan to support the lower rate mortgages at a price not less than 96.

Third, downpayments. Higher loan-to-value ratios would permit insured mortgages to be made at more than 95 percent of value up to $35,000.

Fourth, FHA inner city activities. Various conditions would be imposed on FHA insurance in inner city areas, including a tie-in with community development activities designed to revitalize the area. A variety of new uses of mortgage insurance would be allowed involving refinancing, repairs, and the transfer of ownership of existing projects.

Fifth, subsidized programs. Sections 235 and 236 would be substantially revised for use during the transition to housing block grants and afterward as residual programs. Section 235 would be restructured along the lines of the homeownership component of the housing block grant program. Section 236 and rent supplements would be integrated into one program with features designed to encourage an economic mix in each project.

The maximum subsidy in the homeownership program would be the lesser of the difference between 20 percent of the homeowner's income and the payments due under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium or an amount equal to 50 percent of the mortgage payments. In the rental program, a minimum rental of 20 percent of income would be required. The maximum subsidy would be an amount sufficient to reduce rentals charged on the basis of 1 percent mortgage by 20 percent—35 percent in the case of a project designed primarily for the elderly. An economic mix would be required in the project and at least one-half of the tenants in a project—other than a project designed for the elderly—would at the initial renting be required to have incomes sufficient to meet rentals charged on the basis of a 1-percent mortgage with no more than 20 percent of their incomes.

Persons eligible for assistance under either program would be required to have incomes not exceeding 80 percent of the median income for the area. In addition, a family qualifying for homeownership assistance must be financially unable to afford new or existing homes available in adequate supply in the area with the assistance of unsubsidized mortgage insurance.

In order to provide Members of Congress a full understanding of this comprehensive bill, I intend to review the course of recent events and the problems, particularly in housing, that make new program approaches necessary; and then set forth how these new approaches can assist in achieving our national housing and community development goals.

BACKGROUND

In my opinion, the most convenient starting point is August 1, 1968, the date of enactment of the Housing and Urban Development Act of 1968. As Members know, that act, called by the late President Lyndon B. Johnson the Magna Carta of housing, committed the Nation to the production and rehabilitation of 26 million housing units over a 10-year period, of which 6 million were to be subsidized by the Federal Government in order to serve low- and moderate-income families. To achieve this goal of 6 million subsidized units, the Congress created two major new programs: the section 235 homeownership assistance program and the section 236 rental assistance program.

These programs—under which market interest rates were to be subsidized to a level as low as 1 percent—were intended to serve families of moderate income; that is, those with incomes ranging from $4,000 to $8,000. These new programs supplemented two older housing programs which served generally lower income groups—the low-income public housing program enacted in 1937, and the rent supplement program enacted in 1965. Together these four programs represented the basic Federal tools needed to meet the 1968 act's subsidized housing goal.

The Johnson administration was not alone in its enthusiasm for the new tools provided by the 1968 act. Both the incoming Nixon administration and the Congress demonstrated a full commitment to the new programs by providing full funding for 3 consecutive fiscal years—fiscal years 1970–72. Substantial funding was provided for the older programs as well. As a result, between August 1, 1968, and the end of fiscal year 1972, more subsidized housing was produced for low- and moderate-income families—largely through the new programs—than during the preceding three decades of federally assisted housing programs.

Yet as significant progress was being made in achieving the "production goal" of the 1968 act, the problems which accompanied rapid production came sharply into focus. These problems—inappropriate and often controversial locational decisions, the mounting annual cost of subsidies, the often poor quality of construction, and the inability of the Federal Housing Administration to maintain effective administrative controls during the high production period—were seldom discussed during the deliberations leading to enactment of the 1968 act.

This was scarcely surprising, for in 1968 the homebuilding industry was just emerging from one of its worst recessions in history. During the extraordinary tight money period of late 1966 and early 1967, homebuilding starts had declined to an annual rate of just over 1,000,000 units, the lowest rate in many years. The need for increased production to serve a growing population—and particularly families of low- and moderate-income—simply overshadowed these and other critical questions.

This is not to say that none of these concerns were raised in 1968 by Members of Congress or the general public. I believe it fair to say, however, as one of the ranking members of the Housing Subcommittee, that the Congress paid insufficient attention to all of these matters in the climate of crisis then affecting the homebuilding industry.

Just 4 years later, in late 1972, a major housing and urban development bill which would have, in part, extended the housing subsidy programs with only minor modifications failed to obtain clearance by the Rules Committee. There were, of course, numerous reasons for the Rules Committee's actions; however, it is undeniable that the general controversy surrounding the housing subsidy programs, which made many House Members reluctant to vote to continue them in an election year, were among the basic reasons for the Rules Committee's action. Thus, despite the progress being made in achieving the record production levels intended by the 1968 act, by

late 1972 congressional and public discussion centered almost exclusively on a series of minor problems associated with the programs and, deemed by many, to be inherent in the basic design of the programs themselves.

PROBLEMS WITH THE EXISTING PROGRAMS

Although much of this discussion involved issues of a minor nature or was based upon inaccurate information and inadequate understanding of the facts and issues, several overriding problems appear to be the basic causes for the unpopularity of the programs. In my opinion, these problems—taken as a whole—set the stage for the suspension of the programs by the administration on January 5, 1973.

The first, and probably most critical, problem was the issue of site location of federally assisted housing. Like the low-rent public housing and rent supplement programs before them, the new sections 235 and 236 programs were quickly priced out of the market for land in the central cities where hundreds of thousands of lower cost units were needed. In other areas of the city and in the broader metropolitan area, vacant land was available at prices which were not prohibitive; but these areas were often withheld from lower cost housing use because of the fear that large enclaves of lower cost housing would depress property values. Local resistance was, of course, much greater where occupants of the proposed housing might be of a race different from the inhabitants of the area. Thus, the critical problem of finding suitable sites for lower cost housing became increasingly difficult and politically controversial.

Responses to the site selection problem have taken various forms—significantly, all involve greater degrees of participation in housing by locally elected officials: First, legislation sponsored by many Members of Congress providing for local governing body approval of the location of federally assisted housing projects; second, legislation sponsored by a number of members of the Housing Subcommittee providing for the approval by locally elected officials, acting through metropolitan housing agencies, of the general location of assisted housing projects in accordance with a regional 3-year housing plan; and third, administrative action by the Department of Housing and Urban Development giving priority for the very popular water and sewer facilities grants to communities that were willing to provide low- and moderate-income housing in their communities. This latter policy was short-lived due to its politically controversial reception.

A second major set of problems involved the cost to the Federal Government of subsidizing such large numbers of housing units and the overall quality of that housing.

The interest-subsidy technique authorized for the new sections 235 and 236 programs was eagerly embraced by the Congress in 1968 as a method of limiting to acceptable amounts the large annual outlays for assisted housing to be reflected in the Federal budget. However, by 1971 both the administration and Members of Congress were raising serious alarms concerning the total costs involved in providing subsidies for the 6 million units called for by the 1968 act. Annual outlays were estimated at 20 to 25 billion by fiscal years 1976 and 1977, and total outlays over a 30 to 40 year period—covering the terms of subsidized mortgages and annual contributions contracts—were estimated at $60 to $100 billion. Although these estimates were based on widely differing assumptions as to the expected rise in incomes of subsidy recipients and the corresponding reduction in their need for subsidy, all estimates were sufficiently huge as to concern supporters, as well as opponents, of the programs.

Furthermore, the site location and cost issues were raised against a background of widespread publicity concerning the often poor quality of housing constructed under the sections 235 and 236 programs and the virtually substandard housing provided thousands of inner-city poor families under the limited authority contained in the 1968 act to subsidize existing units under the section 235 homeownership program. Investigations by various congressional committees and by the Office of the Inspector General of the Department of Housing and Urban Development provided ample evidence of inept and often dishonest administration by FHA officials and of irresponsible and corrupt practices by private developers and realtors.

Significantly, the HUD investigative reports placed principal responsibility for this wide range of abuses on a "production at all costs" psychology of senior Department officials. As Members know, Congress is still grappling with the extent of the Federal Government's responsibility to reimburse the thousands of lower-income families victimized as a result of such shortsighted administration.

Thus, to many observers the Federal Government was incurring obligations of billions of dollars in subsidy costs for poor quality housing of which it would be required, in all too many cases, to become the owner as well. Combined with the political controversies involved in hundreds of locational decisions being made throughout the country, it is not surprising that many Members of Congress were relieved not to have had to vote to extend the programs in late 1972.

A third set of problems involved the very nature of the programs themselves. Nationally established requirements as to income eligibility, maximum mortgage limits governing the cost of housing, maximum subsidy per unit, and the mix between new and existing housing to be assisted, served to reassure the Congress as to the use of Federal funds, but served in too many instances to straitjacket communities in their attempt to deal with unique local housing needs.

Examples in this area are numerous and familiar, yet their importance would not be underestimated. For example:

Income limits for the new sections 235 and 236 programs are set at a certain percentage of public housing income limits which are often out-dated and which vary widely among often contiguous communities in the same metropolitan area. As a result, families with generally similar incomes may be eligible for housing subsidies in one community, but ineligible in nearby communities.

Maximum mortgage limits for the section 235 program—set at $18,000 per unit, or up to $21,000 and $24,000 in certain cases—make the program virtually inoperative in some major metropolitan areas and central cities, while providing for relatively high-cost housing on the outskirts of metropolitan areas and in rural areas.

Maximum subsidy costs per unit, which are set under the new programs at the difference between monthly payments at market interest rates and payments at a 1 percent rate, provide, relatively, too much subsidy for certain moderate-income families and too little for those of the lowest income. This latter point—that of too little subsidy for those of very low incomes—is involved not only in the new programs authorized by the 1968 act, but in the older public housing and rent supplement programs as well. The nearly annual congressional deliberations over the Brooke amendment contained originally in the 1969 Housing Act, basically revolve around the question of how much subsidy per unit is to be made available on behalf of the very lowest income groups in our society.

The mix between new and existing units to be subsidized—set by the Congress in both the section 235 homeownership program and the low-rent public housing program to favor strongly the production of new or substantially rehabilitated housing—coupled with the applicability of mortgage limits which are too low to permit construction in high-cost areas, aggravates efforts to provide urgently needed housing in many areas of the country where a substantial stock of lower cost existing housing can be utilized for thousands of lower income families. The result is that housing subsidies flow, in all too many cases, to areas of the country which need lower income housing relatively less than others.

The fourth set of problems affecting the subsidy programs involves the near complete divorce of responsibility for overall community development from responsibility for providing housing.

Local elected officials at community and county levels are responsible for controlling the pace and timing of physical development in their areas, building schools, water and sewer lines, and other public facilities in a manner consistent with the physical and financial needs of their communities. Yet—apart from the largely negative tool of zoning—they have little or no responsibility for or control of the development of housing, which is a critical ingredient in the growth of their communities.

The Federal urban renewal program, for example, has been a key factor in the development of hundreds of communities over the past two decades. The urban renewal law requires communities to provide sites for the development of housing, particularly for low- and moderate-income families. Yet, apart from the lim-

ited help available to them through the public housing program, communities are virtually powerless to assure that their renewal plans with respect to such housing will be carried out. In many cases, adequate housing subsidy funds are not available, or not available in a timely fashion; in others, there is a lack of competent sponsors to carry out the complex and time-consuming projects; and in yet others, the rigid national requirements contained in the subsidy programs themselves—maximum mortgage limits, for example—serve to frustrate and delay the best of efforts. At the present time, both the New York City and the District of Columbia redevelopment agencies hold large amounts of land available for urgently needed housing which cannot be built because of the lack of housing subsidy funds.

On the other hand, private builders, private nonprofit groups, and, in many cases, virtually autonomous local housing authorities control not only the kind of housing to be provided—large or small units, single or rental, and so on—the location of that housing, and, by virtue of the above decisions, its cost to the Federal Government, but whether housing will be provided at all. If a city lacks nonprofit groups capable of sponsoring projects, a local building industry willing to tackle difficult inner-city projects, or an aggressive and politically accepted local housing authority, subsidized housing simply will not be provided when and where it is needed.

In short, with respect to housing, the most critical decision of a public nature are entrusted primarily to private individuals and organizations, while the public officials most responsible for the orderly development of their communities are virtually by-passed, left to exercise largely negative powers, such as impeding housing development altogether, or compelling minor and often harmful modifications in projects being carried on by others. The current "no growth" and "phased growth" movements are in no small part of the reaction of local elected officials to development that does not properly accommodate their public management responsibilities.

ADDITIONAL PROBLEMS

Two other problems are an integral part of the crisis affecting Federal housing programs.

The first involves the less critical but worsening housing needs of middle-income families; that is, families with incomes ranging from $8,000 to $15,000.

The tremendous increases in the cost of land, labor, materials, and mortgage credit over the past decade have priced substantial numbers of these families out of the new, and increasingly the used, housing markets. In early 1970, then HUD Secretary George Romney told the House Banking and Currency Committee that approximately 80 percent of all families in the country could not afford with 20 percent of their monthly income the median-priced new home then being produced. Three years of the worst inflation in the country's history, culminating in the record high interest rates of recent weeks, have, of course, made homeownership and reasonably priced apartments a dream for all but the highest-income groups in the country.

As a result, the housing needs of millions of middle-income families have placed great pressure on the Congress to expand the range of incomes eligible for Federal housing subsidies. During the 92d Congress, the administration proposed a substantial increase in the income limits applicable to the housing subsidy programs to accommodate these pressures, despite its own argument that, in view of expected funding levels, only a tiny portion of the families eligible for subsidy could reasonably hope to receive them. Members of the Housing Subcommittee rejected the proposal on the ground that increasing the number of families eligible for subsidy would reduce even further the amount of subsidy funds available for the country's lowest income groups, whose housing needs were the most serious of all.

These middle-income families were being ignored not only by the subsidized programs and conventionally built housing, but by the FHA unsubsidized programs as well. As increases in housing costs continued annually, the FHA single-family mortgage limit of $33,000 became an anachronism in the country's large metropolitan centers, where land and construction costs were very high. The FHA's share of the unsubsidized housing market declined sharply, and its basic single-family program is now regional in nature, all but inoperative in the high-cost Northeast, Middle West, and Far Western States.

This development raised basic questions about the future of the FHA, long the Federal Government's principal tool for expanding homeownership opportunities through a national system of mortgage credit. If the traditional FHA homeownership program was not serving its intended purpose, what should the FHA be doing, if anything at all? Could not the expanding private mortgage insurance system serve the country's middle-income families, leaving the subsidy programs as FHA's sole concern?

Second, and at the other extreme, there emerged into public focus—partly through the subsidy programs themselves and partly through the general plight of the Nation's central cities—the extraordinarily difficult problems of financing housing development in the declining inner-city neighborhoods of our great metropolitan areas. These neighborhoods—victims of years of social and economic decline, the flight of the affluent, often federally aided, to suburban areas, the changing location of employment opportunities, and land speculation of the most vicious and irresponsible kind—were the targets of both administrative and legislative mandates to the FHA to provide the mortgage credit considered so desperately needed to arrest further decay and begin the task of rebuilding.

Unfortunately, the FHA was neither prepared by experience nor motivation to deal sensitively with such an array of problems. The evidence—in terms of outrageous mortgage credit abuses and high foreclosure rates on the one hand, and further bitterness and alienation on the other—is all around us and rebukes our Nation's will and determination in this area.

THE PRESENT

The abrupt suspension of federally assisted housing programs by the President on January 5, 1973, ratified these increasingly negative views of the programs. They were, for the first time, officially condemned as "wasteful, inefficient, and inequitable" by then Secretary Romney, by Kenneth Cole of the Domestic Council, and by the President himself.

For the administration, it was extraordinarily convenient to take this arbitrary step of suspending the programs. It was faced with a serious short-term budget situation which would be worsened by further commitments under the programs. Overall housing production would continue at high levels because of the then ample supply of mortgage credit and the assisted units already committed and in the pipeline. And finally, and most important, the administration had begun to question—in the face of record housing production levels on the one hand, and increasing political problems affecting the subsidy programs on the other—the basic need for Federal housing subsidies at all.

Today, 8 months later, it would be difficult to maintain that the administration misread the mood and temper of the American people and the Congress.

The outcry against the moratorium has been, on the whole, a mild one; and even those who rightly condemn the moratorium for its disastrous effect on planned projects and the hopes of thousands of families appear to agree that a basic rethinking of Federal housing efforts is long overdue.

We agree with this latter position. The moratorium will have a disastrous impact on the amount of housing available to low- and moderate-income families in the immediate years ahead. The loss in units will run to hundreds of thousands before the Congress enacts and the administration is able to implement a new set of Federal housing tools. Even if the existing programs were reactivated, the increased cost of land, labor, materials and financing will render many projects economically infeasible. It is ironic that an administration which prides itself on introducing the most efficient management practices to government can have produced such a monumental management blunder.

Thus we seem to have returned to certain critical years in the history of housing legislation—1937, 1949, 1965, and 1968—about to debate once again the extent of our Nation's housing needs, the proper role of Government and private enterprise in fulfilling those needs, and the precise techniques to be used to produce and conserve housing at reasonable cost, efficiently, and equitably.

HOUSING NEEDS AND HOUSING PROBLEMS

We do not intend to participate in such a debate. We believe there is widespread agreement within the Congress and in the country as a whole that:

The need is substantial for additional actions to produce housing and to pre-

serve and upgrade the existing housing stock, whether or not that need can be quantified at precisely 26 million units; millions of middle-income families are being priced out of the housing market and the housing needs of low- and moderate-income families remain at critical levels; we need policies and programs that promote both greater production of new units and preservation of existing ones and more effective demand for housing among low- and moderate-income families.

Government at all levels and the private homebuilding industry have critical roles to play in meeting our housing needs; the Federal Government has recognized its housing responsibilities for nearly four decades; the thousands of local public housing authorities established since 1937 testify to the commitment of our cities; and, more recently, the rapid expansion of State housing finance agencies demonstrates the commitment of State government in this area; private enterprise simply cannot meet our housing needs without substantial assistance from Federal, State, and local governments; and

The precise techniques needed to build and preserve housing must be constantly reviewed and modified in order to meet changing needs and to meet established needs more effectively; there are numerous ways of providing assistance for housing at reasonable cost; and we should not hesitate to move to new approaches, so long as we do so in an orderly manner.

However, we must recognize certain realities concerning housing if we are to frame more effective approaches to meeting our needs.

First, our housing needs are of such a magnitude that they are not likely to be met in a short period of time without a massive commitment of the Nation's resources. Yet in view of other equally pressing social needs—in providing improved health services, quality education, and a cleaner environment—housing simply will not receive a priority claim on the Nation's resources. Consequently, we must face the necessity of striving for, and accepting, only incremental improvements in housing conditions. To promise more is to raise false hopes among those we most wish to help.

Second, there is no inexpensive way of providing housing assistance to low-income families. If we wish to serve individuals and families with the greatest housing needs, we must be prepared to provide substantial subsidies to them or on their behalf. To limit arbitrarily the amount of subsidy to any family often means to exclude automatically the neediest families. In view of the substantial Federal tax benefits that are realized annually by millions of homeowners on their home mortgages, excluding admittedly needy families from housing assistance cannot be justified.

And third, any program that applies limited resources to problems of great magnitude must in some respects appear to be inequitable to some and preferential to others. The equity problem raised by the administration with respect to the new housing programs created by the 1968 act—that millions of families are technically eligible for Federal subsidies, yet only a select few are likely ever to receive them—is a case in point. Yet few Federal—or State or local—programs are able, because of limited resources, to serve all of those technically eligible for assistance; choices must be made, and in creating programs Congress usually directs the administering agencies to establish priorities of one kind or other. In all but a few cases, the resulting inequity is inevitable.

Mr. Speaker, for the information of the Members I have compiled a summary of this legislation which I think will be of a great deal of help.

PART I—COMMUNITY DEVELOPMENT AND HOUSING ASSISTANCE BLOCK GRANTS

The details of the community development and housing assistance block grant part of the bill were previously described. I would like here to discuss some of our thinking on these programs.

Community development.—The proposed program of grants to localities for community development programs is almost identical to the proposal reported by the Banking Committee last year. There was general agreement then as to the desirability of consolidating various HUD categorical grant programs into block grants to give communities more flexibility in the use of funds to meet local needs and priorities.

The administration proposed a version of this consolidation of programs in 1971 and again this year which it called "special revenue sharing." The special feature of the administration's proposal is that the money flows out automatically to communities on the basis of a formula. There would be no Federal review of the effectiveness of the community's programs in meeting national goals of eliminating slums and blight and providing decent housing. We strongly object to the administration's approach. The reduction of redtape is not a goal which should override our concern that Federal funds be used effectively to meet national objectives.

Our proposal does not provide money automatically to local governments. It allocates funds to communities by a formula, but this allocation merely tells communities how much money they are eligible to receive if they meet certain requirements and national priorities and if they demonstrate a capacity on a continuing basis to carry out programs effectively. Under our proposal a community may receive in any year all of its formula allocation, a portion of it, or none of it depending on the quality of its development program and the community's performance in carrying out that program.

The administration's proposal falls far short of acceptability in another area. It continues the old approach of treating community development and housing separately. If there is anything we have learned in the last few years, it is that we cannot have sound community development without a close tie-in with housing assistance and that we cannot have effective housing programs without local governments providing adequate facilities and services and a healthy community environment for housing.

We believe that a coordinated program of community development and housing block grants is a sound approach toward meeting the needs in both areas.

Of course, until the effective date of the new community development program—July 1, 1975—existing programs should be funded by the Congress and carried out by HUD. The Congress is currently acting on funding authorizations for HUD's community development programs for fiscal year 1974. We expect similar congressional action on authorizations needed for fiscal year 1975.

Housing assistance.—The specific purposes of the housing block grant program are as follows: First, to provide housing funds to communities on the basis of objective need factors; second, to enable communities to plan and carry out unified community development and housing programs; and third, to provide communities the flexibility needed to use program tools in ways that enable them to meet local housing conditions. All of the provisions of the bill relating to housing block grants are intended to accomplish these purposes.

Allocation of funds.—Funds would be distributed to communities in substantially the same manner as under the community development block grant program: 75 percent of the funds would be allocated among the country's metropolitan areas and within them to metropolitan cities—generally cities over 50,000—pursuant to a three-part formula based on population, amount of poverty, and housing condition; 25 percent of the funds would be allocated to rural, nonmetropolitan areas—these funds would be in addition to the assistance provided rural areas under the Farmers Home Administration housing programs—State agencies, counties, and smaller communities could apply for discretionary funds available in each metropolitan area and in rural areas.

The Secretary would, of course, b given flexible authority to reallocat funds from metropolitan cities to othe communities in metropolitan areas, an vice versa, after periodic determination by him that funds allocated to certai communities are not likely to be utilized Such flexible authority is essential t permit communities capable of using ac ditional funds to do so expeditiously.

Authorization for grants.—Up to $3.2 billion would be authorized for grant during the first 3-year period of th housing block grant program. An amoun to cover the full 3 years could be approve in an appropriation act prior to the fir program year. Annual grants would b made up to $400 million the first yea $750 million the second year, and $1. billion the third year.

The Secretary of Housing and Urba Development would reserve a commu nity's share of the 3-year amount in ac cordance with the community's maxi mum entitlement under the formula al location provisions. The actual amour of funds approved for distribution to th community would depend on the com munity's meeting application require

ments and demonstrating its capacity to utilize the funds.

It is contemplated that a portion of a community's housing grant would be used for assistance instruments, such as rehabilitation grants, loans or rents, or subsidizing tenants in existing projects. A substantial portion of the funds would be used in connection with long-term subsidy commitments, such as those involved in constructing or acquiring projects to be occupied primarily by assisted persons. Thus, a portion of the second year's grant would provide second-year funding for projects begun in the first year, and a portion of the third year's grant would continue to subsidize projects begun in the first 2 years.

The amount of the authorization would continue to increase in this manner, reflecting the actual annual cost of the program. Long-term subsidy commitments would be supported by Federal guarantees of local bonds, FHA mortgage insurance and the commitment of State and local funds.

UNIFIED COMMUNITY DEVELOPMENT PROGRAMS

Metropolitan cities would be entitled to receive an allocation of housing block grant funds in conjunction with their community development grant distributions. This would enable a community's application for community development and housing funds to be formulated, submitted, and acted upon by HUD simultaneously, so that the housing activities to be undertaken and the amount of housing funds to be available—over the 3-year period of the program—would be known by the community at an early stage. With this kind of coordination, the community would know immediately how many housing units would be assisted and families and individuals served and in what areas housing could be made available for persons to be displaced by community development activities.

It would also be able to coordinate the location of new housing units with existing or planned public facilities and services, such as schools, transportation, police and fire protection, and also with employment opportunities. Under existing programs, housing projects often have been located conveniently for the developer but for no one else.

States, counties, and small communities would apply for housing block grants—out of the discretionary funds available to the Secretary—in connection with their applications for community development funds or, where community development funds are not available to them, separately. These applicants would also be required to submit 3-year housing plans.

It should be noted that housing assistance would also be available directly through HUD in communities which do not apply for community development or housing funds, do not receive them because of the shortage of discretionary funds available to the Secretary, or are not fully utilizing funds available to them. In these localities, the residual homeownership and rental assistance programs—described in part III—would be available to serve housing needs.

Flexible use of funds.—Housing block grants could be used by localities to finance the kinds of assistance currently available under the HUD housing subsidy programs; that is, to reduce interest rates on home and multifamily mortgages, to supplement rents paid by lower income families and individuals to make rehabilitation loans and grants, and to make "seed money" loans to nonprofit sponsors.

Use of these funds would be subject to important Federal requirements relating to maximum income and mortgage limits, minimum income contribution requirements, and, most importantly, the mix of income groups to be assisted. With respect to this latter requirement, the bill provides that persons receiving the benefits of housing assistance would be required to have incomes below 80 percent of the median income for the area, but at least 50 percent of those assisted during a community's 3-year program would have to have incomes within the lower half of those eligible for assistance in the community. This requirement would assure that a greater portion of our Federal housing assistance would be available to the lowest income families and individuals.

There would be no Federal requirement, however, as to the mix between new construction, rehabilitation, and use of the existing housing, other than the bill's requirement that a locality's 3-year program provide for a balanced use of the existing stock and the construction of new units. Communities with an ample supply of housing but with many older run-down units may wish to concentrate a substantial portion of their funds on rehabilitating and repairing the older units. Other communities, with expanding populations and vacant lands, may well allocate most of their funds toward the construction of new units. This is the kind of program flexibility needed for sound housing programs and what is largely missing in the existing array of Federal programs.

Two additional points should be made in conjunction with this new program.

First, the new program provides significant encouragement to States to expand their roles in providing housing to their residents. States have in recent years vigorously expanded their roles in meeting the housing needs of their residents, generally providing lower-cost tax-exempt financing which is further subsidized through the availability of sections 235 and 236 subsidies. The bill, by making housing block grants available for use in connection with publicly financed housing, furthers State efforts in this area. In addition, the bill provides a priority for applications from localities—other than metropolitan cities—where housing—and community development—activities are consistent with State development priorities. States would also be permitted to apply for housing development—block grants to carry on programs on behalf of smaller communities. We believe these provisions of the bill will serve to expand significantly State efforts in housing and community development.

And second, the bill provides communities with the opportunity to obtain long-term financing of housing activities at significantly lower interest rates, by encouraging the use of taxable municipal bonds with 30 percent interest subsidies. Such lower-cost, long-term financing of housing development will enable communities to maximize their use of subsidy funds and enable them to serve lower income families, at a substantial gain to the Federal Treasury, through the use of taxable, rather than tax-exempt, borrowing.

We believe the country's cities have the capacity to develop and carry out the housing assistance programs called for in the bill. Four-fifths of the nearly 500 metropolitan cities are involved in either the low-rent public housing program, the urban renewal program, or both. More than half of these cities are currently involved in both programs.

These figures demonstrate that our metropolitan cities have substantial experience in carrying out housing activities to their community development programs. We believe that with sensitive and understanding policy guidance from HUD and with the full support of the Congress, our cities will be able to translate that experience into more effective housing activities.

PART II—PUBLIC HOUSING ASSISTANCE PROGRAM

After July 1, 1975, the effective date of the housing block grant program, resources devoted to the existing low-rent public housing program would be concentrated on improving and modernizing the existing public housing stock and enhancing homeownership opportunities for public housing tenants.

At the end of 1972, more than 1¼ million public housing units were under long-term annual contributions contracts, of which slightly more than 1 million were under management. More than 3 million Americans—approximately 1½ percent of our total population—live in public housing. By fiscal year 1973, aggregate annual Federal outlays for public housing subsidies exceeded $1 billion for the first time. By any standard the low-rent public housing program represents an enormous public commitment, both moral and financial, toward the goal of achieving decent housing for our lowest income families.

In order to protect the substantial investment of Federal and local resources in the public housing stock, the bill would initiate a major new 3-year program designed to improve and modernize older public housing units. Current authority would be authorized providing $15 million annually for a 15-year period. This amount is the absolute minimum needed to preserve a major national asset worth in dollars many times that figure and, in fact, irreplaceable today in many communities at any cost.

The portion of the public housing stock that most requires upgrading ranges in age from 15 to 35 years. Units built prior to 1950 were financed, for the most part, with debentures to be paid out over a 60-year amortization period ending from 1998 to about 2010. Units built from 1950 to 1960 were financed on 40-year debt amortization schedules end-

ing during the 1960's. This older housing stock must be upgraded to serve a need for the period required to amortize the debt incurred for it.

Most of the public housing built prior to 1969 was designed to meet the then minimum standards for space and facilities and densities. It was generally sturdy, but austere; architecturally nondescript and institutional in appearance. It was characterized by small rooms, small dining areas and open shelving in the kitchens, no doors on the closets, bare concrete floors, painted concrete block interior walls, exposed concrete ceilings, small refrigerators—often without freezer units—kitchen sinks without base cabinets, lack of adequate storage space, minimum heating equipment and so on. Such austerity was justified in the name of economy and it was expected that, with routine maintenance, these units would hold up under constant and hard usage for 40 to 60 years.

Needless to say, these expectations are not being realized. Beginning in the 1960's, the Federal Government began to understand the consequences of these shortsighted policies and started the process of adjusting its policies and standards to the normal requirements for decent and comfortable family living and to the hard fact that low-cost construction often means high-cost maintenance and early obsolescence.

The adjustment process has been slow and painful. Yet the public housing built in recent years is a vast improvement, in terms of amenities and livability, over that built during the first 20 years of the program. The fact remains, though, that we have on hand a large stock of housing from 15 to 35 years old that needs upgrading if it is to be made decent and livable and remain so for its remaining economic life.

The modernization funds proposed in this legislation would be restricted to three categories of use:

First. To correct obsolescence by bringing the older units up to present HUD standards for public housing;

Second. To bring units up to local building code standards; and

Third. To finance physical alterations necessary to provide better security for residents and the projects themselves.

These funds are not intended to be used for ordinary maintenance of units, nor to provide services associated with the everyday management and operation of public housing.

The nearly $100 million made available by the Congress since 1959 for the existing public housing modernization has been inadequate to carry out a meaningful program of improving the units most in need of modernization. The annual program level of $20 million is spread much too thinly over the many authorities which could use the funds effectively; and much of the funds have been used for ordinary maintenance and for tenant services activities that ought to be financed from maintenance and operating expense budgets.

There is a clear and urgent need for a substantially larger and more effective program of physical improvements to these older units. We believe that the funds proposed in the bill are the very minimum needed to preserve and upgrade these units, which, if lost to the public housing stock, would be prohibitively expensive to replace at today's land and financing costs. We estimate that this authorization would serve approximately 225,000 units at an average cost of $2,000 per unit.

Not only must funds be provided to upgrade existing public housing units, but substantial improvements must be made in the operation of these projects.

The bill would carry over many of the provisions relating to public housing contained in the 1972 housing bill. The subsidy structure for the public housing program would be revised so as to provide a more effective statutory framework for the new operating subsidy authorizations enacted by Congress in 1969 and 1970. However, no additional operating subsidies would be provided. The sum of $360 million for such subsidies would be available under the bill, approximately the level currently being utilized.

In order to promote more efficient management of projects by local housing authority officials, the bill directs the Secretary of Housing and Urban Development to insure, as a condition to the granting of annual operating subsidies, that: First, sound management practices will be followed in the operation of projects; second, effective tenant-management relationships will be established, and third, satisfactory tenant safety and maintenance standards are established. We believe these provisions are necessary to strengthen the legal authority of the Secretary to promote more efficient management practices which are responsive to the needs of tenants as well as the financial interests of Federal and local governments.

The bill also contains provisions designed to expand homeownership opportunities for tenants of public housing. There is adequate authority in the public housing law providing for the purchase of units by tenants; however, the bill would direct the Secretary to encourage the development by local housing authority managements of viable homeownership opportunity programs for their upper-income tenants.

The development of such programs is a difficult but essential aspect of effective and responsive public housing management. It is difficult because the responsibilities of ownership should not be thrust upon tenants without careful preparation. Yet, making such opportunities available is essential if the tenants are to have a credible commitment toward the efficient operation and success of their projects. Such a commitment can only be engendered by providing these tenants with a meaningful prospect of homeownership, that permanent stake in something of their own, which the vast majority of their fellow Americans enjoy.

PART III—MORTGAGE CREDIT ASSISTANCE

This part would completely rewrite the National Housing Act, the law governing the FHA mortgage insurance programs, along the lines approved by the Banking Committee during the 92d Congress. However, it would make several important changes in the committee's 1972 bill in order to enable the FHA home mortgage insurance system more effectively to serve middle-income families and to provide for an orderly transition to the new housing block grant program.

The principal features of the revised FHA system would be as follows:

Insurance authorities. All mortgages and loans would be insured under the following authorities—title II—loans for home improvements, mobile homes, and historic preservation; title IV—unsubsidized—section 401—and subsidized—section 501—and subsidized—section 502—multifamily mortgages; health facilities—section 505; supplemental loans—section 504; and land development—section 505.

Flexible mortgage amounts. In place of various statutory dollar limitations on mortgage amounts, the Secretary of Housing and Urban Development would determine the development cost of prototype units in each housing market area; the maximum insurable mortgage amount for a subsidized dwelling unit could not exceed 110 percent of development cost; for unsubsidized housing, the maximum insurable mortgage could not exceed 180 percent of development cost.

Flexible interest rates. The Secretary would be directed to establish interest rates for FHA-insured mortgages at levels at which discounts in excess of four points could be avoided; when the FHA interest rate was established at a rate in excess of 7 percent, the interest rate on mortgages in amounts up to 150 percent of development cost would be set at 7 percent, or a higher rate but not more than 1 percent below the regular FHA interest rate; HUD would be required—through the Government National Mortgage Association—to use the "tandem plan" to support the lower interest rate mortgages at a price of not less than 90.

Insurance risks. There would be a single standard of insurability for all mortgages insured by the Secretary: Insurable risk; furthermore, the assets and liabilities of the existing insurance funds used under the National Housing Act would be transferred to a single general insurance fund under which all future FHA operations would be carried out.

Home mortgages—unsubsidized. Maximum loan-to-value ratios could not exceed 97 percent of the first $25,000 of appraised value, 90 percent of value between $25,000 and $35,000, and 80 percent of value over $35,000; the minimum downpayment required would be 3 percent of acquisition costs plus closing costs.

Multifamily mortgages—unsubsidized. Unsubsidized multifamily mortgages would be insured under one authority with uniform statutory terms, and could cover residential rental projects, cooperative and condominium housing, and mobile home courts; no statutory dollar limit on the amount of the project mortgage would be imposed; minimum equity requirements would be generally similar to those prescribed in existing law: for new construction, 10 percent of replacement cost; for rehabilitation, 10 percent

of the cost of rehabilitation plus the value of the property before rehabilitation.

Subsidized programs. The section 235 homeownership and 236 rental assistance program would be continued—under sections 402 and 502, respectively, of the Revised National Housing Act—in modified form for use during the transition to the new housing block grant program, and afterward as residual programs for areas not being adequately served by the new block grant program.

The FHA mortgage insurance programs, unsubsidized as well as subsidized, have encountered serious problems in recent years, calling into question the basic justification for a once widely accepted system of providing mortgage credit for residential construction.

As FHA's resources were increasingly devoted to meeting the problems of inner-city declining areas and the assisted housing goals of the 1968 act, dissatisfaction mounted with FHA's performance in its basic unsubsidized programs. Processing of applications for the basic single and multifamily programs was alleged to be too slow and burdensome for two principal reasons: First, the diversion of FHA manpower and resources into the socially oriented housing programs; and second, the imposition on FHA of the equal opportunity requirements of the Fair Housing Act of 1968 and the environmental protections resulting from the Environmental Quality Act of 1970.

Other important factors contributed to the declining position of the FHA in the residential finance market. Chief among these was the Congress' unwillingness to maintain FHA's availability in the country's high-cost areas—through increases in the maximum amount of mortgages that could be insured—and to reduce downpayment requirements in the face of the rising costs of housing that could be built. As a result, the private mortgage insurance system expanded rapidly, offering rapid processing of low-downpayment mortgages—5 percent on mortgages up to $36,000 and 10 percent on mortgages up to $45,000.

By 1971, HUD Under Secretary Richard Van Dusen proposed consideration of a privately owned FHA, similar to the Federal National Mortgage Association as approved by the 1968 act. The Mortgage Bankers Association called for the restructuring of the FHA within the executive branch by providing it an independent status and a return to its previous role of serving primarily middle-income unsubsidized families.

We disagree strongly with these proposals. We believe that despite the recent sharp decline in FHA's share of the resident market, the FHA has an essential role to play in providing mortgage credit for residential construction.

FHA-insured mortgages remain widely accepted credit instruments, traded freely on the secondary mortgage market, which help to provide an adequate supply of mortgage funds, particularly in periods of credit stringency. The FHA system is financially sound, capable of withstanding all but the most disastrous economic declines. In contrast to the young and largely untested private mortgage insurance industry, FHA remains an excellent source of mortgage funds for assisted housing to be built and rehabilitated under the housing block grant program and for the urgent residential needs of inner-city declining areas. And finally, FHA's promotion of minimum property standards applied to location, design, materials, and construction methods continues to benefit consumers of FHA-financed housing directly, and by virtue of its impact on the market conventionally financed housing as well.

We believe that FHA's most crucial role in the years ahead is to assist in the construction of moderately-priced housing for families of middle income. As stated earlier, these families, particularly those with incomes from $8,000 to $12,000, simply cannot afford, without additional assistance, the medium-priced new homes being built throughout the country; and are finding it increasingly difficult, due to the recent rampant inflation, to purchase existing homes as well.

The bill contains several provisions to enable FHA to assist middle-income families.

First, it provides for an increase in maximum insurable mortgage amounts which will result in more realistic limits for both unsubsidized and subsidized mortgages so that all FHA programs can be fully operational throughout the country;

Second, it provides for the setting of the interest rate applicable to lower-cost housing—that is, housing covered by mortgages not exceeding 110 percent of development cost—at a rate which generally does not exceed 7 percent, and in no event higher than 1 percent lower than the regular FHA interest rate. For example, if the FHA rate is set at 7½ percent, the rate on these lower-cost home mortgages would be set at 7 percent; if the rate is set at 8½ percent, the rate on lower-cost mortgages would be set at 7½ percent. HUD—through the Government National Mortgage Association—would be required to support the lower interest on these mortgages at a price of not less than 96—that is, at a discount to the builder or mortgage seller of not more than four points.

And third, it provides for a substantial reduction in down payments required of purchasers. Under the bill, the principal obligation of any home mortgage may not exceed 97 percent of the first $25,000 of the appraised value of the house, 90 percent of the value between $25,000 and $35,000, and 80 percent of the value over $35,000. The required downpayment on a $35,000 home would be reduced to about 5 percent—$1,750—from the nearly 10 percent—$3,450—that would be required under existing law.

We believe these provisions would contribute significantly to the production of housing urgently needed to serve middle-income families. They would help keep the cost of mortgage credit at reasonable levels; and, support the construction of lower-cost housing during periods of rising interest rates and tight money.

FHA also has an important role to play in encouraging more efficient and orderly land development, particularly in the suburban and exurban portions of our metropolitan areas. This part expands the authority of the FHA to finance the cost of large-scale land development by liberalizing the loan-to-value ratios contained in the existing title X land development program and permitting insured loans to cover the full range of public facilities and improvements authorized for new community development. We believe that activity under this program should be strongly encouraged by HUD.

Insurance funds and risks. Four separate mortgage insurance funds are used under the National Housing Act—the mutual mortgage insurance funds, the cooperative management housing insurance funds, the general insurance fund, and the special risk insurance fund. The bill would transfer the assets and liabilities of these funds to a single general insurance fund under which all future FHA operations would be carried out.

This transfer will provide the new general insurance fund the assets necessary to carry out future insurance activities on a financially sound basis and will permit the establishment of a single standard of insurability for future FHA mortgage transactions: that is, a standard of insurable risk. This new standard was approved by the Banking Committee in the 1972 housing bill for the bulk of FHA mortgage operations.

The need for a uniform standard to be applied to all mortgage insurance transactions has been amply demonstrated in recent years. It is both unwise and confusing to categorize mortgage insurance on assisted housing, for example, as "special risk" transactions. When financial assistance is being provided by the Federal Government, such housing should be able to meet the same standards of insurability that FHA unsubsidized housing must meet. The same requirement should apply to mortgages covering housing in our older urban areas. The community development and housing block grant programs provide important new tools to communities to deal with the multiple problems of these areas. We expect the Secretary, in considering applications for mortgage insurance in such areas, to determine whether the community's community development and housing activities give promise of stabilizing values and generally upgrading the area involved. We believe that the combination of community improvements and FHA mortgage credit can provide significant help in arresting deterioration in such areas, and that the "insurable risk" standard will not serve to deprive these areas of FHA's mortgage credit resources.

The new "General Insurance Fund" would be self-supporting. The bill contains no provision—such as that in existing law with respect to the special risk insurance fund—authorizing appropriations to make up deficits in the fund.

Transition and residual housing assistance programs. As stated earlier, the new

housing block grant program would go into effect on July 1, 1975. Assuming enactment of housing legislation by midsummer of 1974, there remains a need for continuing the sections 235 homeownership and 236 rental assistance programs during the transition period. In addition, there is a need to continue these assistance programs on a residual basis after the housing block grant program goes into effect, in order to serve housing needs in communities which either do not apply for community development funds or do not receive community development funds because of the shortage of discretionary funds available to the Secretary. It would be unfair to deprive residents of such communities access to Federal housing assistance.

Thus, in order to provide housing assistance for both transitional and residual purposes, this part continues the sections 235 and 236 programs under sections 402 and 502, respectively, of the Revised National Housing Act. However, in order to improve the operation of the programs and to facilitate their use under the new block grant program, the bill makes the following changes in existing law governing the programs:

Homeownership assistance—first, income limits would be set in each housing market area by the Secretary at 80 percent of median income in the area with adjustments by the Secretary for family size and for areas of unusually high construction costs or low median incomes; second, mortgage limits would be set for each area under the new prototype cost procedure; third, the downpayment required for assistance would be at least 3 percent of the acquisition cost of the property; fourth, the maximum subsidy would be set at one-half of the monthly payment due under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium, which approximates the maximum assistance provided under existing law; and fifth, there would be no provision concerning the amount of assistance available with respect to new construction or rehabilitation and existing housing; existing law provides that up to 40 percent of the funds available for homeownership assistance may be used with respect to existing housing.

Rental assistance—first, income and mortgage limits would be changed in the same manner as in the homeownership program; second, the income contribution required of a tenant would be set at not less than 20 percent of his income—in place of the 25-percent requirement in existing law—this change would provide a modest increase in benefits to tenants who are not obtaining equity in their units with Federal assistance, as is the case with families assisted under the homeownership program; third, the maximum assistance with respect to any project could not exceed the amount needed to reduce the basic rental charge for units—established on the basis of a mortgage bearing interest at the rate of 1 percent—by 20 percent—35 percent where the project is designed for elderly or handicapped tenants; [illegible] at the time of initial renting of projects—other than for the elderly or handicapped—at least half of the units in each project must be rented to tenants whose incomes are such that the basic rentals do not exceed 20 percent of their incomes. The changes in the rental assistance program described under third and fourth above are intended to provide the legislative authority for a complete consolidation of the section 236 rental program and the rent supplement program. These programs have been carried on administratively as one program in recent years, with 25 to 40 percent of the units in section 236 projects being further assisted under the rent supplement program. The consolidation proposed in the bill provides the statutory framework for promoting a broader range of incomes within rental projects and for providing the deeper subsidies required to serve low-income families and individuals.

The bill provides additional contract authority of $150 million for homeownership assistance and $250 million for rental assistance for fiscal year 1975, which we hope will be a year of transition to the new housing block grant program.

FUNDS FOR CUSTOMS FOR ADDITIONAL FACILITIES ALONG MEXICAN AND CANADIAN BORDERS

(Mr. HARSHA asked and was given permission to address the House for 1 minute, to revise and extend his remarks and include extraneous matter.)

Mr. HARSHA. Mr. Speaker, today I have introduced at the request of the Department of Treasury, a bill to increase the amount authorized to be expended to provide facilities along the border for enforcement of the customs and immigration laws. The bill would increase from $100,000 to $200,000 the existing limitation on the amount of funds which may be expended for the construction of inspectional facilities for the enforcement of the Customs and Immigration laws along the Mexican and Canadian borders.

The following is an analysis of the legislation:

ANALYSIS

Under existing law (19 U.S.C. 68) the Secretary of the Treasury and the Attorney General are authorized to expend from the General appropriations of the Bureau of Customs and the Immigration and Naturalization Service such amounts as may be necessary to acquire land and erect buildings, sheds, office quarters, and living facilities which are otherwise unavailable, at points along the Canadian and Mexican borders and in the Virgin Islands, as an aid to the enforcement of the customs and immigration laws, provided that the amount expended on any one project, including the site, does not exceed $100,000. The Attorney General is authorized to expend not more than $100,000 for similar purposes in Guam. If a project is intended for the joint use of the Bureau of Customs and the Immigration and Naturalization Service, its combined cost including the site is charged to the two appropriations concerned. The proposed bill would increase the maximum costs that may be incurred under existing law to $200,000.

[illegible]

The proposed new ceiling of $200,000 is needed to meet the increased costs of acquisition and construction since [illegible] when [illegible] to provide better facilities for the enforcement of the customs and immigration laws", approved June 26, 1930, as amended (19 U.S.C. 68), and to provide for future projected increases in these costs. Border inspection facilities are usually erected in remote areas immediately adjacent to the Mexican and Canadian international boundaries. Costs are [illegible] by the [illegible] great distances that both men and materials must be transported to the job site. Often the contractor is forced to provide either [illegible] or room and board to his employees. Subcontractors for plumbing, heating, electrical, brickwork, and carpentry [illegible] are reluctant to bid on the projects because of the indeterminate factors caused by the great distances the projects are removed from towns and cities. As a result, most projects are removed from towns and cities. As a result, [illegible] projects are "overbid" for protective purposes. Building materials, in many instances, are required to be hauled over distances in excess of [illegible] miles. In [illegible] instances, water for construction purposes has to be trucked to the construction site. Often, potable water must be transported and stored in costly facilities. Extreme weather conditions, particularly along the Canadian border where temperatures reach as low as 40° below zero combined with the long winter season, increase construction [illegible].

In addition to these factors which increase construction costs, a substantial increase in the cost of labor and materials has taken place since the [illegible] of [illegible] [illegible]. These rising costs have resulted in a diminution of the purchasing power of the dollar so that the $100,000 [illegible] in 1962 is equivalent to $58,000 today. [illegible] key materials and skilled labor has [illegible] since 1962 while costs for key materials and common labor have increased [illegible] over 1962 levels. These increased costs coupled with new requirements for secondary inspection areas, search rooms and public facilities have operated to make the $100,000 limitation unrealistic.

Also to be considered is the fact that since fiscal year 1972, trade crossing in the United States at the Mexican and Canadian borders has increased by 43 percent. These increases have in many cases exceeded the capacity of existing facilities, and have in other cases created a need for new facilities.

A further factor contributing to the need for increasing the $100,000 limitation is the alarming and unprecedented flow of narcotics and dangerous drugs into the United States from abroad during recent years. The administration's top priority antinarcotic program has resulted in intensified customs enforcement efforts which is in some cases placing a severe strain upon customs facilities. Customs officers are making more thorough and an increased number of primary and secondary searches of persons, baggage and vehicles. Facilities to meet the demands of this intensified effort are imperative. When facilities are inadequate to meet the needs the efficient and effective enforcement of the customs and revenue laws may be severely prejudiced.

The present customs program for building new facilities and expanding existing facilities must be continued and accelerated if the Customs Service is to continue to efficiently and effectively fulfill its mission of revenue collection and the prevention of smuggling, while at the same time expediting the flow of border traffic.

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1) Doug
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February 14, 1974

TO: Don Barney

FROM: Bob Gordon

SUBJECT: Senate Housing & Community Development Act of 1974

As you by now have heard, last week the Senate Banking, Housing and Urban Affairs Committee completed work on the omnibus Housing and Community Development Act of 1974 and the bill was ordered reported. The Committee report and the bill itself will be available in a couple of weeks. A vote on the floor is estimated sometime in the first part of March.

Enclosed is a summary of the community development provisions of the bill. A rundown on the housing provisions of the Senate bill will be sent shortly.

Meanwhile, over on the House side, the Housing Subcommittee continues markup.

Enclosure

cc: Gary Stout

"COMMUNITY DEVELOPMENT ASSISTANCE ACT"
Chapter 3 of "Housing and Community Development Act of 1974"; ordered reported by Senate Banking, Housing & Urban Affairs Committee, 2/7/74

Major Provisions

1. Programs Consolidated--Six of the seven categorical programs proposed for consolidation are included. The Committee decided to keep the Rehabilitation Loan provision separate although funding under this program would be piggy-backed on the C.D. program.

2. Eligible Recipients--The eligible recipient is a "community development agency" which is defined as a unit of general purpose local government. The "urban county" issue was resolved in the bill by the introduction of the following:

> "The Secretary shall encourage and promote the submission of applications by combinations of two or more units of local government (one of which is an urban county), which in the aggregate contain a significant portion of the population of the metropolitan area in which they are located. As used in this subsection, the term "urban county" means a county which is within a metropolitan area and which has (1) at least 75 percent of the population of the metropolitan area, or (2) a population of 200,000 or more."

There would be no priority or set-aside for such applications.

3. Eligible Activities--The bill authorizes a wide range of eligible activities, generally designed to duplicate the activities previously eligible under each of the consolidated categoricals, except model cities. With the latter, the bill would support the

> "...provision of necessary or appropriate additional public services when not otherwise available which are directed toward (A) improving the community's public services and facilities, including those concerned with the employment, crime prevention, child care, health, drug abuse, education, welfare, or recreation needs of persons" residing in areas where C.D. activities are being carried out.

As will be noted below, this "software" provision is meant to be supportive of the basic C.D. (i.e. physical development) focus of the program.

4. National Objectives--The bill states that the "primary objective" of the program is

> "...the development of viable urban communities through the improvement of the living conditions and economic opportunities of persons, principally those of low and moderate income."

5. Application Requirement--The bill breaks the application requirement down into four sections. First, there must be a "summary plan" in which the community would summarize its "4-year C.D. plan demonstrating a comprehensive strategy for meeting the community's needs." This plan would set forth proposed programs

> (A) to meet the housing needs, including replacement and relocation needs, of families who may reasonably be expected to seek housing in the community, particularly those families with low or moderate income;
>
> (B) to prevent and eliminate slums and blight, and upgrade deteriorating or deteriorated neighborhoods through renewal, code enforcement, and other community improvement programs; and
>
> (C) to improve and upgrade community services and facilities to meet the economic and social needs of residents in areas affected by C.D. activities, particularly those residents with low or moderate incomes.

These three items are understood to be the three basic national priority purposes of the entire C.D. program. The actual ways in which communities would respond to these priority thrusts would vary, depending on local creativity.

Second, each application would describe the actions to be taken during the first two-year contract period, including these estimated costs and general locations. Each community would also set forth any requirements that its proposed program presents for federally-assisted housing units and rehabilitation loans.

Third, each application would include a list of certifications that:

> (A) the plan is consistent with the primary objective (see above) of the national program and with local and areawide comprehensive development plans and national growth policies;
>
> (B) the community has afforded adequate opportunity for public hearings prior to the purchase of private land;

(C) the percentage and area restrictions (see below) have been met;

(D) the community has afforded adequate opportunity for citizen participation in the development of the plan;

(E) the community has adopted and is enforcing such housing, building and other codes as are necessary to assure that housing in the community will meet reasonable standards with respect to safety, sanitation and habitability; and

(F) the community has made provision for the relocation of all families who are displaced as a result of the C.D. program, and has provided in the area in which the C.D. agency has jurisdiction, by construction or rehabilitation, standard housing units for occupancy for low and moderate income families at least equal in number to the number of units occupied by such families prior to the demolition or removal of any residential structure or structures.

Fourth, at the end of each contract period (whether applying for a subsequent funding or not), the community would provide a performance report which sets forth the activities and costs undertaken and an assessment of the relationship between these activities and the community's own goals and the national objectives.

Program Restrictions: The bill specifies the following restrictions on the use of C.D. funds:

(A) A community may not spend more than 20 percent of its C.D. funds for activities not intended to be of direct and significant benefit to families of low and moderate incomes or to neighborhoods which are presently blighted or deteriorating, except that HUD may alter or modify this requirement if it certifies that such alteration or modification is necessary to meet urgent community needs;

(B) A community may not expend in the aggregate during any contract period more than 20 percent of its C.D. funds to provide public services (see above definition);

(C) C.D. funds may not be expended for the construction of community facilities which do not provide service principally intended for specified community development areas, or for the construction of schools, libraries, city halls, civic auditoriums, police stations, hospitals, sports arenas and parking garages.

6. Federal Review--HUD would act on each application within 90 days after its submission. An application would be considered approved if HUD failed to act on it within 90 days. HUD would disapprove applications if he determines:

(A) that the community has failed to carry out activities which it proposed in earlier applications;

(B) that the community has expended or plans to expend funds for ineligible activities;

(C) that the community has failed to address itself to the three national priority purposes (see above);

(D) that the certifications made are without basis; or

(E) that the community has not carried out its contractual commitments pursuant to any previous applications.

7. Allocations--The total national appropriation each year would be split into two pots: 75 percent for metropolitan areas and 25 percent primarily for non-metropolitan areas. Access to funds under either pot would be possible at the beginning of each year through one of two methods. Communities with experience in either urban renewal (since 1968) or model cities would be eligible for a "basic grant entitlement" computed through the hold harmless approach. All other communities would be eligible to apply for funds on a discretionary basis. All communities securing approved and funded applications under either of the two methods just mentioned would be able to sign two-year contracts with HUD. At the end of the contract period, the community could apply for a subsequent two-year contract for an amount which HUD could vary between 80 percent and 120 percent of the previous annualized grant amount.

There would be no separate "formula" computation for cities. All counties, including "urban" counties, would be on the same footing as all cities. There would be no population cut-offs.

8. Authorizations--The bill authorizes $2.8 billion for the first year of the program and $3.3 billion for the second. In addition, during the first year, the bill also includes a separate authorization of $300 million for urban renewal amendatories. The Committee intends this amount to be the final figure Congress would provide for the remaining costs still outstanding around the country associated with needs to close out existing projects.

9. Loans--The bill contains a fairly extensive loan provision which our technical consultants tell us is sufficiently broad and flexible to meet our local financing needs under the new C.D. program.

10. Effective Date--The bill proposes to start the C.D. program on July 1, 1974 (FY 75). If this starting date appears to be unworkable to the Committee during the next month or so, it is apparently ready to re-authorize the existing programs for the additional period necessary until the block grant program were to become operational.

HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

TITLE I

COMMUNITY DEVELOPMENT

BLOCK GRANTS

TITLE IV

COMPREHENSIVE PLANNING

ASSISTANCE GRANT PROGRAM,

AS REVISED,

701

9

PROGRAM REQUIREMENTS COMMON TO BLOCK GRANTS AND 701 GRANTS

3 - YEAR PLAN

- IDENTIFIES NEEDS, ESTABLISHES GOALS AND OBJECTIVES
- MUST BE IN ACCORDANCE WITH AREA-WIDE PLANS AND POLICIES
- IDENTIFIES PROGRAMS AND ACTIVITIES TO MEET NEEDS, GOALS AND OBJECTIVES

ANNUAL APPLICATION AND WORK PROGRAM

HOUSING PLANNING

- HOUSING ELEMENT (701)
- HOUSING ASSISTANCE PLAN (BLOCK GRANT)

DEVELOPMENT PLAN

- LAND USE PLAN (701)
- COMMUNITY FACILITIES AND PUBLIC IMPROVEMENTS PLAN, INCLUDING HEALTH AND SOCIAL SERVICES (BLOCK GRANT)

CONSIDERATION OF ENVIRONMENTAL FACTORS

EVALUATION PROCESS

CITIZEN PARTICIPATION

EQUAL OPPORTUNITY REQUIREMENTS

DIFFERENT PROGRAM REQUIREMENTS

BLOCK GRANTS	701 GRANTS
NO MATCH	1/3 LOCAL MATCH
FOCUS ON IMPLEMENTATION OF PLANS THROUGH:	FOCUS ON IDENTIFICATION OF NEEDS AND FORMULATION OF PROGRAMS THROUGH:
1. ACQUISITION OF LAND AND RELOCATION ACTIVITIES	1. SETTING OF GOALS & OBJECTIVES
2. DEVELOPMENT OF PHYSICAL FACILITIES	2. FORMULATION OF PROGRAMS AND PLANS NECESSARY TO MEET IDENTIFIED NEEDS
3. PROVISION OF SOCIAL SERVICES	3. EVALUATION OF PROGRESS TOWARD ACHIEVING GOALS AND OBJECTIVES
APPLICATIONS SUBMITTED DIRECTLY TO HUD, SUBJECT TO A-95 CLEARANCE	APPLICATIONS (EXCEPT FOR METROPOLITAN AREA PLANNING AGENCIES, CITIES OF MORE THAN 50,000 POPULATION AND CERTAIN COUNTIES) SUBMITTED TO THE STATE
REVIEW PERIOD NOT TO EXCEED 75 DAYS	REVIEW PERIOD VARIES WITH COMPLEXITY OF APPLICATION
SUPPORTS WIDE RANGE OF COMMUNITY PLANNING AND DEVELOPMENT ACTIVITIES AND SERVICES	LIMITED TO DEVELOPMENT OF PLANS AND PROGRAMS

RELATIONSHIP OF
701 PLANNING ASSISTANCE
TO BLOCK GRANTS

701 CAN AID -

- IN DEVELOPMENT OF DATA, IDENTIFICATION OF NEEDS, ESTABLISHMENT OF GOALS, OBJECTIVES AND CRITERIA NECESSARY TO FORMULATE A COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.
- IN THE PREPARATION OF THE HOUSING ASSISTANCE PLAN.
- IN THE PREPARATION OF COMMUNITY FACILITIES AND PUBLIC IMPROVEMENTS PLANS, INCLUDING HEALTH AND SOCIAL SERVICES.
- IN IDENTIFYING ACQUISITION AND RELOCATION NEEDS.
- IN ASSESSING ENVIRONMENTAL FACTORS.
- IN DEVELOPING AND ADMINISTERING EVALUATION PROCESSES.
- IN PROMOTING EFFECTIVE CITIZEN PARTICIPATION.

INELIGIBLE ACTIVITIES

ILLUSTRATIVE LIST OF ACTIVITIES FOR WHICH FEDERAL COMMUNITY DEVELOPMENT FUNDS CANNOT BE USED

PUBLIC FACILITIES:

- BUILDINGS AND FACILITIES FOR THE GENERAL CONDUCT OF GOVERNMENT.
- FACILITIES FOR USE OF GENERAL PUBLIC AS SPECTATORS OR OBSERVERS.
- SCHOOLS, EXCEPT NEIGHBORHOOD FACILITIES OR SENIOR CENTERS IN WHICH PRACTICAL OR VOCATIONAL ACTIVITIES ARE TAUGHT.
- AIRPORTS, SUBWAY, TROLLEY LINES, BUS AND OTHER TRANSIT TERMINALS OR STATIONS, OTHER TRANSPORTATION FACILITIES.
- HOSPITALS AND OTHER MEDICAL FACILITIES OPEN TO PUBLIC GENERALLY

OPERATING AND MAINTENANCE EXPENSES

- IN CONNECTION WITH COMMUNITY SERVICES AND FACILITIES
- EXCEPT FOR PUBLIC SERVICES NOT OTHERWISE AVAILABLE IN AREAS, OR SERVICING RESIDENTS OF AREAS, WHERE OTHER ELIGIBLE ACTIVITIES ARE UNDERTAKEN AND SERVICES ARE NECESSARY AND SUPPORT IS NOT AVAILABLE FROM OTHER FEDERAL SOUCRES
- GENERAL GOVERNMENT EXPENSES FOR CARRYING OUT THE REGULAR RESPONSIBILITIES OF GENERAL LOCAL GOVERNMENT
- POLITICAL ACTIVITIES:
  - EQUIPMENT OR PREMISES FOR POLITICAL PURPOSES
  - SPONSORING OR CONSTRUCTING CANDIDATE'S MEETING
  - VOTER REGISTRATION/VOTER TRANSPORTATION
  - OTHER PARTISAN ACTIVITIES
- NEW HOUSING CONSTRUCTION (NEW PERMANENT RESIDENTIAL STRUCTURES). EXCEPT RELOCATION HOUSING OTHERWISE NOT AVAILABLE.
- INCOME PAYMENTS (E.G., PAYMENTS FOR INCOME MAINTENANCE OR HOUSING ALLOWANCES)

ELIGIBLE ACTIVITIES

1. ACQUISITIONS

   BLIGHTED AND OTHERWISE ELIGIBLE PROPERTIES
   PROPERTIES FOR REHABILITATION OR CONSERVATION
   PRESERVATION (AS HISTORIC SITES)
   PUBLIC WORKS AND FACILITIES OF AN ELIGIBLE TYPE (SEE 2)
   CONVERSION OF LAND TO OTHER USES

2. CONSTRUCTION, RECONSTRUCTION AND INSTALLATION OF PUBLIC WORKS, NEIGHBORHOOD FACILITIES AND SITE OR OTHER IMPROVEMENTS. (GENERALLY ANYTHING THAT COULD BE INSTALLED UNDER CATEGORICAL PROGRAMS, PLUS PARKING, SOLID WASTE DISPOSAL AND FIRE PROTECTION FACILITIES. IF SOMETHING ELSE IS GOING ON IN THE SAME DESIGNATED AREA SPECIFIC EXCLUSIONS INCLUDE CITY HALLS, POLICE STATIONS, SCHOOLS, TRANSPORTATION BUILDINGS AND HOSPITALS).

3. CODE ENFORCEMENT IN DESIGNATED AREAS.

4. CLEARANCE, DEMOLITION, REMOVAL AND REHABILITATION OF BUILDINGS NEEDED TO SUPPORT OTHER ACTIVITIES.

5. SPECIAL IMPROVEMENTS FOR THE ELDERLY AND HANDICAPPED.

6. DISPOSITION OF ACQUIRED LAND (PROCEEDS TO BE FOLDED BACK INTO THE PROGRAM).

7. PUBLIC SERVICES AND FACILITIES FOR EMPLOYMENT, ECONOMIC DEVELOPMENT, CHILD CARE, HEALTH, ETC. (SOFTWARE; LIMITED TO 20 PERCENT OF TOTAL PROGRAM)

8. RELOCATION PAYMENTS UNDER UNIFORM RELOCATION ACT.

9. PREPARATION OF A COMMUNITY DEVELOPMENT PLAN.

10. ADMINISTRATION OF PLANNING AND EXECUTION OF CD AND HOUSING ACTIVITIES.

11. OTHER

    A. LOSS OF RENTAL INCOME
    B. LOCAL SHARE OF CATEGORICAL GRANT-IN-AID PROGRAMS
    C. COMPLETION OF OLD URBAN RENEWAL PROJECTS

OBJECTIVES

Primary Objectives

THE DEVELOPMENT OF VIABLE URBAN COMMUNITIES

FURTHERING THE DEVELOPMENT OF A NATIONAL URBAN GROWTH POLICY

Specific Objectives

ELIMINATION OF SLUMS AND BLIGHT FOR THE WELFARE PRINCIPALLY OF PERSONS OF LOW AND MODERATE INCOME

ELIMINATION OF CONDITIONS HARMFUL TO HEALTH, SAFETY AND PUBLIC WELFARE THROUGH CODE ENFORCEMENT, DEMOLITION AND INTERIM REHABILITATION.

CONSERVATION AND EXPANSION OF THE HOUSING STOCK, PRINCIPALLY FOR PERSONS OF LOW AND MODERATE INCOME

EXPANSION AND IMPROVEMENT OF COMMUNITY SERVICES PRINCIPALLY FOR PERSONS OF LOW AND MODERATE INCOME.

MORE RATIONAL USE OF LAND AND OTHER NATURAL RESOURCES.

THE DEVELOPMENT OF NEIGHBORHOODS AVAILABLE AND ATTRACTIVE TO DIVERSE INCOME GROUPS.

RESTORATION AND PRESERVATION OF PROPERTIES WITH HISTORICAL, ARCHITECTURAL, OR OTHER SPECIAL VALUE.

Congressional Intent

PRIOR LEVELS OF LOCAL FINANCIAL SUPPORT FOR COMMUNITY DEVELOPMENT MUST BE SUBSTANTIAL, MAINTAINED.

ALL APPLICATIONS MUST PROPOSE ACTIVITIES TO

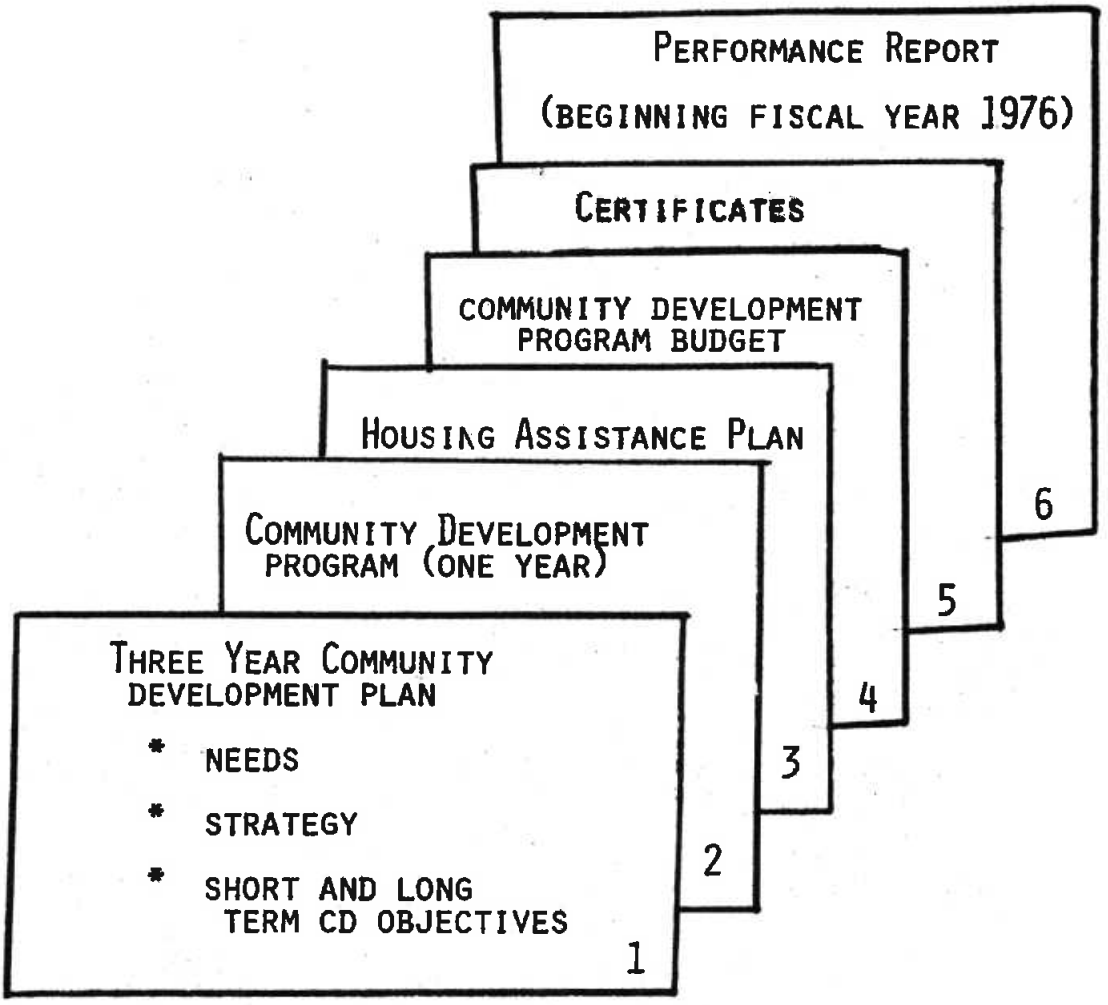
1. ELIMINATE OR PREVENT SLUMS AND BLIGHT * WHERE SUCH CONDITIONS OR NEEDS EXIST.

2. PROVIDE HOUSING FOR LOW AND MODERATE INCOME PERSONS.

3. IMPROVE AND UPGRADE COMMUNITY FACILITIES* AND SERVICES WHERE NECESSARY.

* HUD SECRETARY MAY WAIVE THIS REQUIREMENT FOR COMMUNITIES UNDER 25,000 POPULATION WHICH INITIALLY APPLY FOR COMMUNITY DEVELOPMENT ASSISTANCE FOR CERTAIN SINGLE-PURPOSE ACTIVITIES.

COMMUNITY DEVELOPMENT
APPLICATION CONTENTS



PROGRAM ADMINISTRATION REQUIREMENTS

A. FINANCIAL

- MANAGEMENT SYSTEM
- AUDITS
- GRANT PAYMENTS
- LOANS

B. ADMINISTRATION

- PROGRAM EDUCATION
- MONITORING
- RECORDS
- PROCUREMENT

CERTIFICATIONS REQUIRED WITH APPLICATIONS

: CIVIL RIGHTS, EMPLOYMENT OPPORTUNITIES

: CITIZEN PARTICIPATION

: CONFORMANCE TO UNIFORM RELOCATION ACT

: ASSUMPTION OF NEPA RESPONSIBILITY AND JURISDICTION

: OMB FINANCIAL MANAGEMENT REQUIREMENTS

: MEETING CONGRESSIONAL INTENT

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. STAGGERS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the bill just passed.

The SPEAKER. Is there objection to the request of the gentleman from West Virginia?

There was no objection.

PERMISSION TO FILE CONFERENCE REPORT ON S. 3066, HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the managers have until midnight tonight to file a conference report on the Senate bill S. 3066, to consolidate, simplify, and improve laws relative to housing and housing assistance, to provide Federal assistance in support of community development activities, and for other purposes.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

CONFERENCE REPORT (H. REPT. No. 93-1279)

The committee of conference on the disagreeing votes of the two Houses on the amendments of the House to the bill (S. 3066) to consolidate, simplify, and improve laws relative to housing and housing assistance, to provide Federal assistance in support of community development activities, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House to the text of the bill and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the House amendment to the text of the bill insert the following:

That this Act may be cited as the "Housing and Community Development Act of 1974."

TITLE I—COMMUNITY DEVELOPMENT

FINDINGS AND PURPOSE

SEC. 101. (a) The Congress finds and declares that the Nation's cities, towns, and smaller urban communities face critical social, economic, and environmental problems arising in significant measure from—

(1) the growth of population in metropolitan and other urban areas, and the concentration of persons of lower income in central cities; and

(2) inadequate public and private investment and reinvestment in housing and other physical facilities, and related public and social services, resulting in the growth and persistence of urban slums and blight and the marked deterioration of the quality of the urban environment.

(b) The Congress further finds and declares that the future welfare of the Nation and the well-being of its citizens depend on the establishment and maintainence of viable urban communities as social, economic, and political entities, and require—

(1) systematic and sustained action by Federal, State, and local governments to eliminate blight, to conserve and renew older urban areas, to improve the living environment of low- and moderate-income families, and to develop new centers of population growth and economic activity;

(2) substantial expansion of and greater continuity in the scope and level of Federal assistance, together with increased private investment in support of community development activities; and

(3) continuing effort at all levels of government to streamline programs and improve the functioning of agencies responsible for planning, implementing, and evaluating community development efforts.

(c) The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for persons of low and moderate income. Consistent with this primary objective, the Federal assistance provided in this title is for the support of community development activities which are directed toward the following specific objectives—

(1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;

(2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;

(3) the conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;

(4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;

(5) a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;

(6) the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

(7) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

It is the intent of Congress that the Federal assistance made available under this title not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to the availability of such assistance.

(d) It is also the purpose of this title to further the development of a national urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of Federal aid which—

(1) provides assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;

(2) encourages community development activities which are consistent with comprehensive local and areawide development planning;

(3) furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and

(4) fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

DEFINITIONS

SEC. 102. (a) As used in this title—

(1) The term "unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State; Guam, the Virgin Islands, and American Samoa, or a general purpose political subdivision thereof; a combination of such political subdivisions recognized by the Secretary; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations, including Alaska Indians, Aleuts, and Eskimos, of the United States. Such term also includes a State or a local public body or agency (as defined in section 711 of the Housing and Urban Development Act of 1970), community association, or other entity, which is approved by the Secretary for the purpose of providing public facilities or services to a new community as part of a program meeting the eligibility standards of section 712 of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968.

(2) The term "State" means any State of the United States, or any instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.

(3) The term "metropolitan area" means a standard metropolitan statistical area as established by the Office of Management and Budget.

(4) The term "metropolitan city" means (A) a city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or (B) any other city, within a metropolitan area, which has a population of fifty thousand or more.

(5) The term "city" means (A) any unit of general local government which is classified as a municipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary, (i) possess powers and performs functions comparable to those associated with municipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

(6) The term "urban county" means any county within a metropolitan area which (A) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general local government, and (B) has a combined population of two hundred thousand or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (i) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have their population excluded or (ii) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities.

(7) The term "population" means total resident population based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(8) The term "extent of poverty" means the number of persons whose incomes are below the poverty level. Poverty levels shall be determined by the Secretary pursuant to criteria provided by the Office of Management and Budget, taking into account and making adjustments, if feasible and appropriate and in the sole discretion of the Secretary, for regional or area variations in income and cost of living, and shall be based on data referable to the same point or period in time.

(9) The term "extent of housing overcrowding" means the number of housing units with 1.01 or more persons per room based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(10) The term "Federal grant-in-aid program" means a program of Federal financial assistance other than loans and other than the assistance provided by this title.

(11) The term "program period" means the period beginning January 1, 1975, and ending June 30, 1975, and the period covering each fiscal year thereafter.

(12) The term "Community Development Program" means a program described in section 104(a)(2).

(13) The term "Secretary" means the Secretary of Housing and Urban Development.

(b) Where appropriate, the definitions in subsection (a) shall be based, with respect to any fiscal year, on the most recent data compiled by the United States Bureau of the Census and the latest published reports of the Office of Management and Budget available ninety days prior to the beginning of such fiscal year. The Secretary may by regulation change or otherwise modify the meaning of the terms defined in subsection (a) in order to reflect any technical change or modification thereof made subsequent to such date by the United States Bureau of the Census or the Office of Management and Budget.

(c) One or more public agencies, including existing local public agencies, may be designated by the chief executive officer of a State or a unit of general local government to undertake a Community Development Program in whole or in part.

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 incure 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 the 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 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.

APPLICATION AND REVIEW REQUIREMENTS

SEC. 104. (a) No grant may be made pursuant to section 106 unless an application shall have been submitted to the Secretary in which the applicant—

(1) sets forth a summary of a three-year community development plan which identifies community development needs, demonstrates a comprehensive strategy for meeting those needs and specifies both short- and long-term community development objectives which have been developed in accordance with areawide development planning and national urban growth policies;

(2) formulates a program which (A) includes the activities to be undertaken to meet its community development needs and objectives, together with the estimated costs and general location of such activities, (B) indicates resources other than those provided under this title which are expected to be made available toward meeting its identified needs and objectives, and (C) takes into account appropriate environmental factors;

(3) describes a program designed to—

(A) eliminate or prevent slums, blight, and deterioration where such conditions or needs exist; and

(B) provide improved community facilities and public improvements, including the provision of supporting health, social, and similar services where necessary and appropriate.

(4) submits a housing assistance plan which—

(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons (including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community,

(B) specifies a realistic annual goal for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, and (ii) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community, and

(C) indicates the general locations of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;

(5) provides satisfactory assurances that the program will be conducted and administered in conformity with Public Law 88-352 and Public Law 90-284; and

(6) provides satisfactory assurances that, prior to submission of its application, it has (A) provided citizens with adequate information concerning the amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken, and other important program requirements, (B) held public hearings to obtain the views of citizens on community development and housing needs, and (C) provided citizens an adequate opportunity to participate in the development of the application; but no part of this paragraph shall be construed to restrict the responsibility and authority of the applicant for the development of the application and the execution of its Community Development Program.

(b)(1) Not more than 10 per centum of the estimated costs referred to in subsection (a)(2) which are to be incurred during any contract period may be designated for unspecified local option activities which are eligible for assistance under section 105(a) or for a contingency account for activities designated by the applicant pursuant to subsection (a)(2).

(2) Any grant under this title shall be made only on condition that the applicant certify to the satisfaction of the Secretary that its Community Development Program has been developed so as to give maximum feasible priority to activities which will benefit low- or moderate-income families or aid in the prevention or elimination of slums or blight. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines are designed to meet other community development needs having a particular urgency as specifically described in the application.

(3) The Secretary may waive all or part of the requirements contained in paragraphs (1), (2), and (3) of subsection (a) if (A) the application for assistance is in behalf of a locality having a population of less than 25,000 according to the most recent data compiled by the Bureau of the Census which is located either (i) outside a standard metropolitan statistical area, or (ii) inside such an area but outside an "urbanized area" as defined by the Bureau of the Census (or as such definition is modified by the Secretary for purposes of this title), (B) the application relates to the first community development activity to be carried out by such locality with assistance under this title, (C) the assistance requested is for a single development activity under this title of a type eligible for assistance under title VII of the Housing Act of 1961 or title VII of the Housing and Urban Development Act of 1965, and (D) the Secretary determines that, having regard to the nature of the activity to be carried out, such waiver is not inconsistent with the purposes of this title.

(4) The Secretary may accept a certification from the applicant that it has complied with the requirements of paragraphs (5) and (6) of subsection (a).

(c) The Secretary shall approve an application for an amount which does not exceed the amount determined in accordance with section 106(a) unless—

(1) on the basis of significant facts and data, generally available and pertaining to community and housing needs and objectives, the Secretary determines that the applicant's description of such needs and objectives is plainly inconsistent with such facts or data; or

(2) on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant pursuant to subsection (a); or

(3) the Secretary determines that the application does not comply with the requirements of this title or other applicable law or proposes activities which are ineligible under this title.

(d) Prior to the beginning of fiscal year 1977 and each fiscal year thereafter, each grantee shall submit to the Secretary a performance report concerning the activities carried out pursuant to this title, together with an assessment by the grantee of the relationship of those activities to the objectives of this title and the needs and objectives

identified in the grantee's statement submitted pursuant to subsection (a). The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program. The Secretary may make appropriate adjustments in the amount of the annual grants in accordance with his findings pursuant to this subsection.

(e) No grant may be made under this title unless the application therefor has been submitted for review and comment to an areawide agency under procedures established by the President pursuant to title II of the Demonstration Cities and Metropolitan Development Act of 1966 and title IV of the Intergovernmental Cooperation Act of 1968.

(f) An application subject to subsection (e), if submitted after any date established by the Secretary for consideration of applications, shall be deemed approved within 75 days after receipt unless the Secretary informs the applicant of specific reasons for disapproval. Subsequent to approval of the application, the amount of the grant may be adjusted in accordance with the provisions of this title.

(g) Insofar as they relate to funds provided under this title, the financial transactions of recipients of such funds may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, things, or property belonging to or in use by such recipients pertaining to such financial transactions and necessary to facilitate the audit.

(h)(1) In order to assure that the policies of the National Environmental Policy Act of 1969 are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary, in lieu of the environmental protection procedures otherwise applicable, may under regulations provide for the release of funds for particular projects to applicants who assume all of the responsibilities for environmental review, decisionmaking, and action pursuant to such Act that would apply to the Secretary were he to undertake such projects as Federal projects. The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality.

(2) The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, at least fifteen days prior to such approval and prior to any commitment of funds to such projects other than for purposes authorized by section 105(a)(12) or for environmental studies, the applicant has submitted to the Secretary a request for such release accompanied by a certification which meets the requirements of paragraph (3). The Secretary's approval of any such certification shall be deemed to satisfy his responsibilities under the National Environmental Policy Act insofar as those responsibilities relate to the applications and releases of funds for projects to be carried out pursuant thereto which are covered by such certification.

(3) A certification under the procedures authorized by this subsection shall—

(A) be in a form acceptable to the Secretary.

(B) be executed by the chief executive office or other officer of the applicant qualified under regulations of the Secretary.

(C) specify that the applicant has fully carried out its responsibilities as described under paragraph (1) of this subsection, and

(D) specify that the certifying officer (i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 insofar as the provisions of such Act apply pursuant to paragraph (1) of this subsection, and (ii) is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES ELIGIBLE FOR ASSISTANCE

SEC. 105. (a) A Community Development Program assisted under this title may include only—

(1) the acquisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restortaion of historic sites, the beautification or urban land, the conservation of open spaces, natural resources, and scenic areas, the provision of recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (E) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements—including neighborhood facilities, senior centers, historic properties, utilities, streets, street lights, water and sewer facilities, foundations and platforms for air rights sites, pedestrian malls and walkways, and parks, playgrounds, and recreation facilities, flood and drainage facilities in cases were assistance for such facilities under other Federal laws or programs is determined to be unavailable and parking facilities, solid waste disposal facilities, and fire-protection services and facilities which are located in or which serve designated community development areas;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation of buildings and improvements (including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities);

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of elderly and handicapped persons;

(6) payments to housing owners for losses of rental income incurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by program activities under this title;

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;

(8) provision of public services not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner, if such services are determined to be necessary or appropriate to support such other activities and if assistance in providing or securing such services under other applicable Federal laws or programs has been applied for and denied or not made available within a reasonable period of time, and if such services are directed toward (A) improving the community's public services and facilities, including those concerned with the employment, economic development, crime prevention, child care, health, drug abuse, education, welfare, or recreation needs of persons residing in such areas, and (B) coordinating public and private development programs;

(9) payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of the Community Development Program;

(10) payment of the cost of completing a project funded under title I of the Housing Act of 1949;

(11) relocation payments and assistance for individuals, families, businesses, organizations, and farm operations displaced by activities assisted under this title;

(12) activities necessary (A) to develop a comprehensive community development plan, and (B) to develop a policy-planning-management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carry out management, coordination, and monitoring of activities necessary for effective planning implementation; and

(13) payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including the provision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities.

(b) Upon the request of the recipient of a grant under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with loans or grants for the rehabilitation of properties as authorized under subsection (a)(4).

ALLOCATION AND DISTRIBUTION OF FUNDS

SEC. 106. (a) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a)(2) and 107), 80 per centum shall be allocated by the Secretary to metropolitan areas. Except as provided in subsections (c) and (e), such metropolitan city and urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to annual grants from such allocation in an aggregate amount not exceeding the greater of its basic amount computed pursuant to paragraph (2) or (3) of subsection (b) or its hold-harmless amount computed pursuant to subsection (g).

(b)(1) The Secretary shall determine the amount to be allocated to all metropolitan cities which shall be an amount that bears the same ratio to the allocation for all metropolitan areas as the average of the ratios between—

(A) the population of all metropolitan cities and the population of all metropolitan areas;

(B) the extent of poverty in all metropolitan cities and the extent of poverty in all metropolitan areas; and

(C) the extent of housing overcrowding in all metropolitan cities and the extent of housing overcrowding in all metropolitan areas.

(2) From the amount allocated to all metropolitan cities the Secretary shall determine for each metropolitan city a basic grant amount which shall equal an amount that bears the same ratio to the allocation for all metropolitan cities as the average of the ratios between—

(A) the population of that city and the population of all metropolitan cities;

(B) the extent of poverty in that city and

the extent of poverty in all metropolitan cities; and

(C) the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan cities.

(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.

(4) In determining the average of ratios under paragraphs (1), (2), and (3), the ratio involving the extent of poverty shall be counted twice.

(5) In computing amounts or exclusions under this section with respect to any urban county there shall be excluded units of general local government located in the county (A) which receive hold-harmless grants pursuant to subsection (h), or (B) the populations of which are not counted in determining the eligibility of the urban county to receive a grant under this subsection.

(c) During the first three years for which funds are approved for distribution to a metropolitan city or urban county under this section, the basic grant amount of such city or county as computed under subsection (b) shall be adjusted as provided in this subsection if the amount so computed for the first such year exceeds the city's or county's hold-harmless amount as determined under subsection (g). Such adjustment shall be made so that—

(1) the amount for the first year does not exceed one-third of the full basic grant amount computed under subsection (b), or the hold-harmless amount, whichever is the greater,

(2) the amount for the second year does not exceed two-thirds of the full basic grant amount computed under subsection (b), or the hold-harmless amount, or the amount allowed under paragraph (1) of this subsection, whichever is the greatest, and

(3) the amount for the third year does not exceed the full basic grant amount computed under subsection (b).

(d) Any portion of the amount allocated to metropolitan areas under the first sentence of subsection (a) which remains after the allocation of grants to metropolitan cities and urban counties in accordance with subsections (b) and (c) and any amounts added in accordance with the provisions of section 103(a)(2) shall be allocated by the Secretary—

(1) first, for grants to metropolitan cities, urban counties, and other units of general local government within metropolitan areas to meet their hold-harmless needs as determined under subsections (g) and (h); and

(2) second, for grants to units of general local government (other than metropolitan cities and urban counties) and States for use in metropolitan areas, allocating for each such metropolitan area an amount which bears the same ratio to the allocation for all metropolitan areas available under this paragraph as the average of the ratios between—

(A) the population of that metropolitan area and the population of all metropolitan areas,

(B) the extent of poverty in that metropolitan area and the extent of poverty in all metropolitan areas, and

(C) the extent of housing overcrowding in that metropolitan area and the extent of housing overcrowding in all metropolitan areas.

In determining the average of ratios under paragraph (2), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such paragraph there shall be excluded any metropolitan cities, urban counties, and units of general local government which receive hold-harmless grants pursuant to subsection (h).

(e) Any amounts allocated to a metropolitan city or urban county pursuant to the preceding provisions of this section which are not applied for during a program period or which are not approved by the Secretary, and any other amounts allocated to a metropolitan area which the Secretary determines, on the basis of the applications and other evidence available, are not likely to be fully obligated during such program period, shall be reallocated during the same period for use by States, metropolitan cities, urban counties, or units of general local government, first, in any metropolitan area in the same State, and second, in any other metropolitan area. The Secretary shall review determinations under this subsection from time to time as appropriate with a view of assuring maximum use of all available funds in the period for which such funds were appropriated.

(f)(1) Of the amount approved in an appropriation Act under section 106(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a)(2) and 107), 20 per centum shall be allocated by the Secretary—

(A) first, for grants to units of general local government outside of metropolitan areas to meet their hold-harmless needs as determined under subsection (h); and

(B) second, for grants to units of general local government outside of metropolitan areas and States for use outside of metropolitan areas, allocating for the nonmetropolitan areas of each State an amount which bears the same ratio to all allocations available under this subparagraph for the nonmetropolitan areas of all States as the average of the ratios between—

(i) the population of the nonmetropolitan areas of that State and the population of the nonmetropolitan areas of all the States,

(ii) the extent of poverty in the nonmetropolitan areas of that State and the extent of poverty in the nonmetropolitan areas of all the States, and

(iii) the extent of housing overcrowding in the nonmetropolitan areas of that State and the extent of housing overcrowding in the nonmetropolitan areas of all the States.

In determining the average of ratios under subparagraph (B), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such subparagraph there shall be excluded units of general local government which receive hold-harmless grants pursuant to subsection (h).

(2) Any amounts allocated to a unit of general local government under paragraph (1) which are not applied for during a program period or which are not approved by the Secretary, and any amounts allocated to the metropolitan areas of a State under paragraph (1)(B) which the Secretary determines, on the basis of applications and other evidence available, are not likely to be fully obligated during such period, shall be reallocated as soon as practicable during the same period to the metropolitan areas of other States. The Secretary shall review determinations under this paragraph from time to time with a view to assuring maximum use of all available funds in the program period for which such funds were appropriated.

(g)(1) The full hold-harmless amount of each metropolitan city or urban county shall be the sum of (1) the average during the five fiscal years ending prior to July 1, 1972, of (1) commitments for grants (as determined by the Secretary) pursuant to part A of title I of the Housing Act of 1949; (2) loans pursuant to section 312 of the Housing Act of 1964; (3) grants pursuant to sections 702 and 703 of the Housing and Urban Development Act of 1965; (4) loans pursuant to title II of the Housing Amendments of 1955; and (5) grants pursuant to title VII of the Housing Act of 1961; and (ii) the average annual grant, as determined by the Secretary, made in accordance with part B of title I of the Housing Act of 1949 during the fiscal years ending prior to July 1, 1972, or during the fiscal year 1973 in the case of a metropolitan city or urban county which first received a grant under part B of such title in such fiscal year. In the case of a metropolitan city or urban couny which has participated in the program authorized under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 and which has been funded or extended in the fiscal year 1973 for a period ending after Jun 30, 1973, determinations of the hold-harmless amount of such metropolitan city or urban county for the following specified years shall be made so as to include, in addition to the amounts specified in clauses (i) and (ii) of the preceding sentence, the following percentages of the average annual grant, as determined by the Secretary made in accordance with such section during fiscal years ending prior to July 1, 1972—

(A) 100 per centum for each of a number of years which, when added to the number of funding years for which the city or county received grants under section 105, equals five;

(B) 80 per centum for the year immediately following year five as determined pursuant to clause (A),

(C) 60 per centum for the year immediately following the year provided for in clause (B); and

(D) 40 per centum for the year immediately following the year provided for in clause (C).

For the purposes of this paragraph the average annual grant under part B of title I of the Housing Act of 1949 or under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 shall be established by dividing the total amount of grants made to a participant under the program by the number of months of program activity for which funds were authorized and multiplying the result by twelve.

(2) During the fiscal years 1975, 1976, and 1977, the hold-harmless amount of any metropolitan city or urban county shall be the full amount computed for the city or county in accordance with paragraph (1). In the fiscal years 1978, 1979, and 1980, if such amount is greater than the basic grant amount of the metropolitan city or urban county for that year, as computed under subsection (b)(2) or (3), it shall be reduced so that—

(i) in the fiscal year 1978, the excess of the hold-harmless amount over the basic grant amount shall equal two-thirds of the difference between the amount computed under paragraph (1) and the basic grant amount for such year,

(ii) in the fiscal year 1979, the excess of the hold-harmless amount over the basic grant amount shall equal one-third of the difference between the amount computed under paragraph (1) and the basic grant amount for such year, and

(iii) in the fiscal year 1980, there shall be no excess of the hold-harmless amount over the basic grant amount.

(h)(1) Any unit of general local govern-

ment which is not a metropolitan city or urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to grants under this title for any year in an aggregate amount at least equal to a hold-harmless amount as computed under the provisions of subsection (g)(1) if, during the five fiscal-year period specified in the first sentence of subsection (g)(1) (or during the fiscal year 1978 in the case of a locality which first received a grant for a neighborhood development program in that year), one or more urban renewal projects, code enforcement programs, neighborhood development programs, or model cities programs were being carried out by such unit of general local government pursuant to commitments for assistance entered into during such period under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966.

(2) In the fiscal years 1978, 1979, and 1980, in determining the hold-harmless amount of units of general local government qualifying under this subsection, the second sentence of subsection (g)(2) shall be applied as though such units were metropolitan cities or urban counties with basic grant amounts of zero.

(i) In excluding the population, poverty, and housing overcrowding data of units of general local governments which receive a hold-harmless grant pursuant to subsection (h) from the computations described in subsections (b)(5), (d), and (f) of this section, the Secretary shall exclude only two-thirds of such data for the fiscal year 1978 and one-third of such data for the fiscal year 1979.

(j) Any unit of general local government eligible for a hold-harmless grant pursuant to subsection (h) may, not later than thirty days prior to the beginning of any program period, irrevocably waive its eligibility under such subsection. In the case of such a waiver the unit of general local government shall not be excluded from the computations described in subsections (b)(5), (d), and (f) of this section.

(k) The Secretary may fix such qualification or submission dates as he determines are necessary to permit the computations and determinations required by this section to be made in a timely manner, and all such computations and determinations shall be final and conclusive.

(l) Not later than March 31, 1977, the Secretary shall make a report to the Congress setting forth such recommendations as he deems advisable, in furtherance of the purposes and policy of this title, for modifying or expanding the provisions of this section relating to the method of funding and the allocation of funds and the determination of the basic grant entitlement, and for the application of such provisions in the further distribution of funds under this title. In making this report, the Secretary shall conduct a study to determine how funds authorized under this title can be distributed in accordance with community development needs, objectives, and capacities, measured to the maximum extent feasible by objective standards.

DISCRETIONARY FUND

SEC. 107. (a) Of the total amount of authority to enter into contracts approved in appropriation Acts under section 103(a)(1) for each of the fiscal years 1975, 1976, and 1977, an amount equal to 2 per centum thereof shall be reserved and set aside in a special discretionary fund for use by the Secretary in making grants (in addition to any other grants which may be made under this title to the same entities or for the same purposes)—

(1) in behalf of new communities assisted under title VII of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968;

(2) to States and units of general local government which join in carrying out housing and community development programs that are areawide in scope;

(3) in Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(4) To States and units of general local government for the purpose of demonstrating innovative community development projects;

(5) to States and units of general local government for the purpose of meeting emergency community development needs caused by federally recognized disasters; and

(6) to States and units of general local government where the Secretary deems it necessary to correct inequities resulting from the allocation provisions of section 106.

(b) Not more than one-fourth of the total amount reserved and set aside in the special discretionary fund under subsection (a) for each year may be used for grants to meet emergency disaster needs under subsection (a)(5).

(c) Amounts reserved and set aside in the special discretionary fund under subsection (a) in any fiscal year but not used in such year shall remain available for use in accordance with subsections (a) and (b) in subsequent fiscal years.

GUARANTEE OF LOANS FOR ACQUISITION OF PROPERTY

SEC. 108. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to guarantee and make commitments to guarantee the notes or other obligations issued by units of general local government, or by public agencies designated by such units of general local government, for the purpose of financing the acquisition or assembly of real property (including such expenses related thereto as the Secretary may permit by regulation) to serve or be used in carrying out activities which are eligible for assistance under section 105 and are identified in the application under section 104, and with respect to which grants have been or are to be made under section 103, but no such guarantee shall be issued in behalf of any agency designed to benefit, in or by the flotation of any issue, a private individual or corporation.

(b) No guarantee or commitment to guarantee shall be made with respect to any unit of general local government or public agency designated by any such unit of general local government unless—

(1) the Secretary, from sums approved in appropriation Acts and allocated for obligation to the unit of general local government pursuant to sections 106 and 107, shall have reserved and withheld, for the purpose of paying the guaranteed obligations (including interest), an amount which is at least equal to 110 per centum of the difference between the cost of acquiring the land and related expenses and the estimated proceeds to be derived from the sale or other disposition of the land, as determined or approved by the Secretary, which amount may subsequently be increased by the Secretary to the extent he determines such increase is necessary or appropriate because of any unanticipated, major reduction in such estimated disposition proceeds;

(2) the unit of general local government shall have given to the Secretary, in a form acceptable to him, a pledge of its full faith and credit, or a pledge of revenues approved by the Secretary, for the repayment of so much of any amount required to be paid by the United States pursuant to any guarantee under this section as is equal to the difference between the principal amount of the guaranteed obligations and interest thereon and the amount which is to be reserved and withheld under paragraph (1); and

(3) the unit of general local government has pledged to the repayment of any amounts which are required to be paid by the United States pursuant to its guarantee under this section, and which are not otherwise fully repaid when due pursuant to paragraph (1) and (2), the proceeds of any grants for which such unit of general local government may become eligible under this title.

(c) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligations for such guarantee with respect to principal and interest, and the validity of any such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

(d) The Secretary may issue obligations to the Secretary of the Treasury in an amount outstanding at any one time sufficient to enable the Secretary to carry out his obligations under guarantees authorized by this section. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Secretary issued under this section, and for such purposes is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which such securities may be issued under such Act are extended to include the purchases of the Secretary's obligations hereunder.

(e) Obligations guaranteed under this section may, at the option of the issuing unit of general local government or designated agency, be subject to Federal taxation as provided in subsection (g). In the event that taxable obligations are issued and guaranteed, the Secretary is authorized to make, and to contract to make, grants to or on behalf of the issuing unit of general local government or public agency to cover not to exceed 30 per centum of the net interest cost (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) to the borrowing unit or agency of such obligations.

(f) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding at the end thereof a new paragraph as follows:

"(23) For payments required from time to time under contracts entered into pursuant to section 108 of the Housing and Community Development Act of 1974 for payment of interest costs on obligations guaranteed by the Secretary of Housing and Urban Development under that section."

(g) With respect to any obligation issued by a unit of general local government or designated agency which such unit or agency has elected to issue as a taxable obligation pursuant to subsection (e) of this section, the interest paid on such obligation shall be included in gross income for the purpose of chapter 1 of the Internal Revenue Code of 1954.

NONDISCRIMINATION

SEC. 109. (a) No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

(b) Whenever the Secretary determines that a State or unit of general local government which is a recipient of assistance under this title has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of such State or the chief executive officer of such unit of local government of the noncompliance and shall request the Governor or the chief

executive officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the Governor or the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); (3) exercise the powers and functions provided for in section 111(a) of this Act; or (4) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of general local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

LABOR STANDARDS

SEC. 110. All laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed in whole or in part with grants received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5): *Provided*, That this section shall apply to the rehabilitation of residential property only if such property is designed for residential use for eight or more families. The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948; 40 U.S.C. 276(c)).

REMEDIES FOR NONCOMPLIANCE

SEC. 111. (a) If the Secretary finds after reasonable notice and opportunity for hearing that a recipient of assistance under this title has failed to comply substantially with any provision of this title, the Secretary, until he is satisfied that there is no longer any such failure to comply, shall—

(1) terminate payments to the recipient under this title, or

(2) reduce payments to the recipient under this title by an amount equal to the amount of such payments which were not expended in accordance with this title, or

(3) limit the availability of payments under this title to programs, projects, or activities not affected by such failure to comply.

(b)(1) In lieu of, or in addition to, any action authorized by subsection (a), the Secretary may, if he has reason to believe that a recipient has failed to comply substantially with any provision of this title, refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted.

(2) Upon such a referral the Attorney General may bring a civil action in any United States district court having venue thereof for such relief as may be appropriate, including an action to recover the amount of the assistance furnished under this title which was not expended in accordance with it, or for mandatory or injunctive relief.

(c)(1) Any recipient which receives notice under subsection (a) of the termination, reduction, or limitation of payments under this title may, within sixty days after receiving such notice, file with the United States Court of Appeals for the circuit in which such State is located, or in the United States Court of Appeals for the District of Columbia, a petition for review of the Secretary's action. The petitioner shall forthwith transmit copies of the petition to the Secretary and the Attorney General of the United States, who shall represent the Secretary in the litigation.

(2) The Secretary shall file in the court the record of the proceeding on which he based his action, as provided in section 2112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

(3) The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence on the record considered as a whole, shall be conclusive. The court may order additional evidence to be taken by the Secretary, and to be made part of the record. The Secretary may modify his findings of fact, or make new findings, by reason of the new evidence so taken and filed with the court, and he shall also file such modified or new findings, which findings with respect to questions of fact shall be conclusive if supported by substantial evidence on the record considered as a whole, and shall also file his recommendation, if any, for the modification of setting aside of his original action.

(4) Upon the filing of the record with the court, the jurisdiction of the court shall be exclusive and its judgment shall be final, except that such judgment shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in section 1254 of title 28, United States Code.

USE OF GRANTS TO SETTLE OUTSTANDING URBAN RENEWAL LOANS

SEC. 112. (a) The Secretary is authorized, notwithstanding any other provision of this title, to apply a portion of the grants, not to exceed 20 per centum thereof without the request of the recipient, made or to be made under section 103(a) in any fiscal year pursuant to an allocation under section 106 to any unit of general local government toward payment of the principal of, and accrued interest on, any temporary loan made in connection with urban renewal projects under title I of the Housing Act of 1949 being carried out within the jurisdiction of such unit of general local government if—

(1) the Secretary determines, after consultation with the local public agency carrying out the project and the chief executive of such unit of general local government, that the project cannot be completed without additional capital grants, or

(2) the local public agency carrying out the project submits to the Secretary an appropriate request which is concurred in by the governing body of such unit of general local government.

In determining the amounts to be applied to the payment of temporary loans, the Secretary shall make an accounting for each project taking into consideration the costs incurred or to be incurred, the estimated proceeds upon any sale or disposition of property, and the capital grants approved for the project.

(b) Upon application by any local public agency carrying out an urban renewal project under title I of the Housing Act of 1949, which application is approved by the governing body of the unit of general local government in which the project is located, the Secretary may approve a financial settlement of such project if he finds that a surplus of capital grant funds after full repayment of temporary loan indebtedness will result and may authorize the unit of general local government to use such surplus funds, without deduction or offset, in accordance with the provisions of this title.

REPORTING REQUIREMENTS

SEC. 113. (a) Not later than 180 days after the close of each fiscal year in which assistance under this title is furnished, the Secretary shall submit to the Congress a report which shall contain—

(1) a description of the progress made in accomplishing the objectives of this title; and

(2) a summary of the use of such funds as approved by the Secretary during the preceding fiscal year.

(b) The Secretary is authorized to require recipients of assistance under this title to submit to him such reports and other information as may be necessary in order for the Secretary to make the report required by subsection (a).

CONSULTATION

SEC. 114. In carrying out the provisions of this title including the issuance of regulations, the Secretary shall consult with other Federal departments and agencies administering Federal grant-in-aid programs.

INTERSTATE AGREEMENTS

SEC. 115. The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative effort and mutual assistance in support of community development planning and programs carried out under this title as they pertain to interstate areas and to localities within such states, and to establish such agencies, joint or otherwise, as they may deem desirable for making such agreements and compacts effective.

TRANSITION PROVISIONS

SEC. 116. (a) Except with respect to projects and programs for which funds have been previously committed, no new grants or loans shall be made after January 1, 1975, under (1) title I of the Demonstration Cities and Metropolitan Development Act of 1966, (2) title I of the Housing Act of 1949, (3) section 702 or section 703 of the Housing and Urban Development Act of 1965, (4) title II of the Housing Amendments of 1955, or (5) title VII of the Housing Act of 1961.

(b) To the extent that grants under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 are payable from appropriations made for the fiscal year 1975, and are made with respect to a project or program being carried on in any unit of general local government which is eligible to receive a grant for such fiscal year under section 106 (a) or (b) of this Act, the amount of such grants made under title I of the Housing Act of 1949 of title I of the Demonstration Cities and Metropolitan Development Act of 1966 shall be deducted from the amounts of grants which such unit of general local government is eligible to receive for the fiscal year 1975 under such section 106 (a) or (b). The deduction required by the preceding sentence shall be disregarded in determining the amount of grants made to any unit of general local government that may be applied, pursuant to section 112 of this Act, to payment of temporary loans in connection with urban renewal projects under title I of the Housing Act of 1949. The amount of any appropriations made for the fiscal year 1975 which is used for grants so as to be subject to the provisions of this subsection relating to deductions shall be deemed to have been appropriated for grants pursuant to section 103(a) of this Act for such fiscal year for purposes of calculations under sections 106 and 107 of this Act.

(c) The first sentence of section 103(b) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: ", and by such sums as may be necessary thereafter".

(d)(1) Section 111(b) of the Demonstration Cities and Metropolitan Development

Act of 1968 is amended by inserting immediately after the first sentence the following new sentence: "In addition, there are authorized to be appropriated for such purpose such sums as may be necessary for the fiscal year ending June 30, 1975."

(2) Section 111(c) of such Act is amended by striking out "July 1, 1974" and inserting in lieu thereof "July 1, 1975".

(e)(1) Section 312(h) of the Housing Act of 1964 is amended (A) by striking out "after October 1, 1974" and inserting in lieu thereof "after the close of the one-year period beginning on the date of the enactment of the Housing and Community Development Act of 1974", and (B) by striking out "that date" and inserting in lieu thereof "the close of that period".

(2) Section 312(a)(1) of such Act is amended by inserting "or" at the end of subparagraph (C), and by adding after subparagraph (C) the following new subparagraph:

"(D) the rehabilitation is a part of, or is necessary or appropriate to the execution of, an approved community development program under title I of the Housing and Community Development Act of 1974 or an approved urban homestead program under section 809 of such Act;".

(f) With respect to the program period beginning January 1, 1975, the Secretary may, without regard to the requirements of section 104, advance to any metropolitan city, urban county or other unit of general local government, out of the amount allocated to such entity pursuant to section 106 (a) or (h), an amount not to exceed 10 per centum of the amount so allocated which shall be available only for use (1) to continue projects of activities to be assisted under this title, (2) of subsection (a) of this section, or (2) to plan and prepare for the implementation of activities to be assisted under this title.

(g) In the case of funds available for any fiscal year, the Secretary shall not consider any application from a metropolitan city or urban county for a grant pursuant to section 106(a) of from a unit of general local government for a grant pursuant to section 106 (h) unless such application is submitted on or prior to such date (in that fiscal year) as the Secretary shall establish as the final date for submission of applications for such grants in that year.

LIQUIDATION OF SUPERSEDED PROGRAMS

SEC. 117. (a) Section 3679 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding after paragraph (22) (as added by section 108(f) of this Act) the following new paragraph:

"(23) For payments required from time to time under contracts entered into pursuant to section 103(b) of the Housing Act of 1949 with respect to projects or programs for which funds have been committed on or before December 31, 1974, and for which funds have not previously been appropriated."

(b) The Secretary is authorized to transfer the assets and liabilities of any program which is superseded or inactive by reason of this title to the revolving fund for liquidating programs established pursuant to title II of the Independent Offices Appropriation Act of 1965 (Public Law 81-428; 68 Stat. 272, 295).

EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS

SEC. 118. Section 3 of the Housing and Urban Development Act of 1968 is amended by inserting ", including community development block grants under title I of the Housing and Community Development Act of 1974," immediately after "direct financial assistance".

TITLE II—ASSISTED HOUSING

AMENDMENT TO THE UNITED STATES HOUSING ACT OF 1937

SEC. 201. (a) The United States Housing Act of 1937 is amended to read as follows:

"SHORT TITLE

"SECTION 1. This Act may be cited as the 'United States Housing Act of 1937'.

"DECLARATION OF POLICY

"SEC. 2. It is the policy of the United States to promote the general welfare of the Nation by employing its funds and credit, as provided in this Act, to assist the several States and their political subdivisions to remedy the unsafe and unsanitary housing conditions and the acute shortage of decent, safe, and sanitary dwellings for families of low income and, consistent with the objectives of this Act, to vest in local public housing agencies the maximum amount of responsibility in the administration of their housing programs. No person should be barred from serving on the board of directors or similar governing body of a local public housing agency because of his tenancy in a low-income housing project.

"DEFINITIONS

"SEC. 3. When used in this Act—

"(1) The term 'low-income housing' means decent, safe, and sanitary dwellings within the financial reach of families of low income, and embraces all necessary appurtenances thereto. Except as otherwise provided in this section, income limits for occupancy and rents shall be fixed by the public housing agency and approved by the Secretary. The rental for any dwelling unit shall not exceed one-fourth of the family's income as defined by the Secretary. Notwithstanding the preceding sentence, the rental for any dwelling unit shall not be less than the higher of (A) 5 per centum of the gross income of the family occupying the dwelling unit, and (B) if the family is receiving payments for welfare assistance from a public agency and a part of such payments, adjusted in accordance with the family's actual housing costs, is specifically designated by such agency to meet the family's housing costs, the portion of such payments which is so designated. At least 20 per centum of the dwelling units in any project placed under annual contributions contracts in any fiscal year beginning after the effective date of this section shall be occupied by very low-income families. In defining the income of any family for the purpose of this Act, the Secretary shall consider income from all sources of each member of the family residing in the household, except that there shall be excluded—

"(A) the income of any family member (other than the head of the household or his spouse) who is under eighteen years of age or is a full-time student;

"(B) the first $300 of the income of a secondary wage earner who is the spouse of the head of the household;

"(C) an amount equal to $300 for each member of the family residing in the household (other than the head of the household or his spouse) who is under eighteen years of age or who is eighteen years of age or older and is disabled or handicapped or a full-time student;

"(D) nonrecurring income, as determined by the Secretary;

"(E) 5 per centum of the family's gross income (10 per centum in the case of elderly families);

"(F) such extraordinary medical or other expenses as the Secretary approves for exclusion; and

"(G) an amount equal to the sums received by the head of the household or his spouse from, or under the direction of, any public or private nonprofit child placing agency for the care and maintenance of one or more persons who are under eighteen years of age and were placed in the household by such agency.

"(2) The term 'low-income families' means families of low income who cannot afford to pay enough to cause private enterprise in their locality or metropolitan area to build an adequate supply of decent, safe, and sanitary dwellings for their use. The term 'very low-income families' means families whose incomes do not exceed 50 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families. The term 'families' includes families consisting of a single person in the case of (A) a person who is at least sixty-two years of age or is under a disability as defined in section 223 of the Social Security Act or in section 102(5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1970, or is handicapped, (B) a displaced person, and (C) the remaining member of a tenant family; and the term 'elderly families' means families whose heads (or their spouses), or whose sole members, are persons described in clause (A). A person shall be considered handicapped if such person is determined, pursuant to regulations issued by the Secretary, to have an impairment which (i) is expected to be of long-continued and indefinite duration, (ii) substantially impedes his ability to live independently, and (iii) is of such a nature that such ability could be improved by more suitable housing conditions. The term 'displaced person' means a person displaced by governmental action, or a person whose dwelling has been extensively damaged or destroyed as a result of a disaster declared or otherwise formally recognized pursuant to Federal disaster relief laws. Notwithstanding the preceding provisions of this paragraph, the term 'elderly families' includes two or more elderly, disabled, or handicapped individuals living together, or one or more such individuals living with another person who is determined under regulations of the Secretary to be a person essential to their care or well being.

"(3) The term 'development' means any or all undertakings necessary for planning, land acquisition, demolition, construction, or equipment, in connection with a low-income housing project. The term 'development cost' comprises the cost incurred by a public housing agency in such undertakings and their necessary financing (including the payment of carrying charges), and in otherwise carrying out the development of such project. Construction activity in connection with a low-income housing project may be confined to the reconstruction, remodeling, or repair of existing buildings.

"(4) The term 'operation' means any or all undertakings appropriate for management, operation, services, maintenance, security (including the cost of security personnel), or financing in connection with a low-income housing project. The term also means the financing of tenant programs and services for families residing in low-income housing projects, particularly where there is maximum feasible participation of the tenants in the development and operation of such tenant programs and services. As used in this paragraph, the term 'tenant programs and services' includes the development and maintenance of tenant organizations which participate in the management of low-income housing projects; the training of tenants to manage and operate such projects and the utilization of their services in project management and operation; counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services.

"(5) The term 'acquisition cost' means the amount prudently required to be expended

by a public housing agency in acquiring a low-income housing project.

"(6) The term 'public housing agency' means any State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of low-income housing.

"(7) The term 'State' includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions of the United States, the Trust Territory of the Pacific Islands, and Indian tribes, bands, groups, and Nations, including Alaska Indians, Aleuts, and Eskimos, of the United States.

"(8) The term 'Secretary' means the Secretary of Housing and Urban Development.

"(9) The term 'low-income housing project' or 'project' means (A) any low-income housing developed, acquired, or assisted by a public housing agency under this Act, and (B) the improvement of any such housing.

"LOANS FOR LOW-INCOME HOUSING PROJECTS

"SEC. 4. (a) The Secretary may make loans or commitments to make loans to public housing agencies to help finance or refinance the development, acquisition, or operation of low-income housing projects by such agencies. Any contract for such loans and any amendment to a contract for such loans shall provide that such loans shall bear interest at a rate specified by the Secretary which shall not be less than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, plus one-eighth of 1 per centum. Such loans shall be secured in such manner and shall be repaid within such period not exceeding forty years, or not exceeding forty years from the date of the bonds evidencing the loan, as the Secretary may determine. The Secretary may require loans or commitments to make loans under this section to be pledged as security for obligations issued by a public housing agency in connection with a low-income housing project.

"(b) The Secretary may issue and have outstanding at any one time notes and other obligations for purchase by the Secretary of the Treasury in an amount which will not, unless authorized by the President, exceed $1,500,000,000. For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies. Such notes or other obligations shall be in such forms and denominations and shall be subject to such terms and conditions as may be prescribed by the Secretary with the approval of the Secretary of the Treasury. The notes or other obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any notes or other obligations of the Secretay issued thereunder and for such purpose is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under such Act, as amended, are extended to include any purchases of such obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

"ANNUAL CONTRIBUTIONS FOR LOW-INCOME HOUSING PROJECTS

"SEC. 5. (a) The Secretary may make annual contributions to public housing agencies to assist in achieving and maintaining the low-income character of their projects. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment. The contribution payable annually, under this section shall in no case exceed a sum equal to the annual amount of principal and interest payable on obligations issued by the public housing agency to finance the development or acquisition cost of the low-income project involved. The amount of annual contributions which would be established for a newly constructed project by a public housing agency designed to accommodate a number of families of a given size and kind may be established under this section for a project by such public housing agency which would provide housing for the comparable number, sizes, and kinds of families through the acquisition and rehabilitation, or use under lease, of structures which are suitable for low-income housing use and obtained in the local market. Annual contributions payable under this section shall be pledged, if the Secretary so requires, as security for obligations issued by a public housing agency to assist the development or acquisition of the project to which annual contributions relate and shall be paid over a period not to exceed forty years.

"(b) The Secretary may prescribe regulations fixing the maximum contributions available under different circumstances, giving consideration to cost, location, size, rent-paying ability of prospective tenants, or other factors bearing upon the amounts and periods of assistance needed to achieve and maintain low rentals. Such regulations may provide for rates of contribution based upon development, acquisition, or operation costs, number of dwelling units, number of persons housed, interest charges, or other appropriate factors.

"(c) The Secretary is authorized to enter into contracts for annual contributions aggregating not more than $1,199,250,000 per annum, which limit shall be increased by $225,000,000 on July 1, 1971, by $150,000,000 on July 1, 1972, by $400,000,00 on July 1, 1973, and by $925,000,000 on July 1, 1974. Of the aggregate amount of contracts for annual contributions authorized to be entered into on or after July 1, 1974, the Secretary shall enter into contracts for annual contributions aggregating at least $150,000,000 per annum to assist in financing the development or acquisition cost of low-income housing projects to be owned by public housing agencies. Not more than 50 per centum of the dwelling units placed under contract pursuant to the preceding sentence may be constructed or substantially rehabilitated for ownership by public housing agencies under section 8 of this Act. In addition to the amount of contracts for annual contributions required to be entered into by the Secretary under the second sentence of this subsection, the Secretary shall enter into contracts for annual contributions, out of the aggregate amount of contracts for annual contributions authorized under this section to be entered into on or after July 1, 1974, aggregating at least $15,000,000 per annum, which amount shall be increased by not less than $15,000,000 per annum, on July 1, 1975, to assist in financing the development or acquisition cost of low-income housing for families who are members of any Indian tribe, band, pueblo, group, or community of Indians or Alaska Natives which is recognized by the Federal Government as eligible for service from the Bureau of Indian Affairs, or who are wards of any State government, except that none of the funds made available under this sentence shall be available for use under section 8. For the purpose of the preceding sentence, the annual contributions for a project shall, notwithstanding any other provisions of this Act, be equal to the difference between the sum of the total debt service payment plus approved operating costs, and the rental payments that tenants are required to make under section 3(1) of this Act. The Secretary shall enter into only such new contracts for preliminary loans as are consistent with the number of dwelling units for which contracts for annual contributions may be entered into. The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there are hereby authorized to be appropriated in each fiscal year, out of any money in the Treasury not otherwise appropriated, the amounts necessary to provide for such payments. All payments of annual contributions pursuant to this section shall be made out of any funds available for purposes of this Act when such payments are due, except that funds obtained through the issuance of obligations pursuant to section 4(b) (including repayments or other realizations of the principal of loans made out of such funds) shall not be available for the payment of such annual contributions.

"(d) Any contract for loans or annual contributions, or both, entered into by the Secretary with a public housing agency, may cover one or more than one low-income housing project owned by such public housing agency; in the event the contract covers two or more projects, such projects may, for any of the purposes of this Act and of such contract (including, but not limited to, the determination of the amount of the loan, annual contributions, or payments in lieu of taxes, specified in such contract), be treated collectively as one project.

"(e) In recognition that there should be local determination of the need for low-income housing to meet needs not being adequately met by private enterprise—

"(1) the Secretary shall not make any contract with a public housing agency for preliminary loans (all of which shall be repaid out of any moneys which become available to such agency for the development of the projects involved) for surveys and planning in respect to any low-income housing projects (i) unless the governing body of the locality involved has by resolution approved the application of the public housing agency for such preliminary loan; and (ii) unless the public housing agency has demonstrated to the satisfaction of the Secretary that there is need for such low-income housing which is not being met by private enterprise; and

"(2) the Secretary shall not make any contract for loans (other than preliminary loans) or for annual contributions pursuant to this Act unless the governing body of the locality involved has entered into an agreement with the public housing agency providing for the local cooperation required by the Secretary pursuant to this Act.

"(f) Subject to the specific limitations or standards in this Act governing the terms of sales, rentals, leases, loans, contracts for annual contributions, or other agreements, the Secretary may, whenever he deems it necessary or desirable in the fulfillment of the purposes of this Act, consent to the modification, with respect to rate of interest, time of payment of any installment of principal or interest, security, amount of annual contribution, or any other term, of any contract or agreement of any kind to which the Secretary is a party. When the Secretary finds that it would promote economy or be in the financial interest of the Federal Government or is necessary to assure or maintain the low-income character of the project or projects involved, any contract heretofore or hereafter made for annual contributions, loans, or both, may be amended or superseded by a contract entered into by mutual agreement between the public housing agency and the Secretary. Contracts may not

be amended or superseded in a manner which would impair the rights of the holders of any outstanding obligations of the public housing agency involved for which annual contributions have been pledged. Any rule of law contrary to this provision shall be deemed inapplicable.

"(g) In addition to the authority of the Secretary under subsection (a) to pledge annual contributions as security for obligations issued by a public housing agency, the Secretary is authorized to pledge annual contributions as a guarantee of payment by a public housing agency of all principal and interest on obligations issued by it to assist the development or acquisition of the project to which the annual contributions relate, except that no obligation shall be guaranteed under this subsection if the income thereon is exempt from Federal taxation.

"(h) Notwithstanding any other provision of law, a public housing agency may sell a low-income housing project to its low-income tenants, on such terms and conditions as the agency may determine, without affecting the Secretary's commitment to pay annual contributions with respect to that project, but such contributions shall not exceed the maximum contributions authorized under subsection (a) of this section.

"CONTRACT PROVISIONS AND REQUIREMENTS

"SEC. 6. (a) Secretary may include in any contract for loans, annual contributions, sale, lease, mortgage, or any other agreement or instrument made pursuant to this Act, such covenants conditions, or provisions as he may deem necessary in order to insure the low-income character of the project involved. Any such contract may contain a condition requiring the maintenance of an open space or playground in connection with the housing project involved if deemed necessary by the Secretary for the safety or health of children. Any such contract shall require that, except in the case of housing predominantly for the elderly, high-rise elevator projects shall not be provided for families with children unless the Secretary makes a determination that there is no practical alternative.

"(b) Every contract made pursuant to this Act for loans (other than preliminary loans) or annual contributions shall provide that the cost of construction and equipment of the project (excluding land, demolition, and nondwelling facilities) on which the computation of any annual contributions under this Act may be based shall not exceed by more than 10 per centum the appropriate prototype cost for the area. The prototype costs shall be determined at least annually by the Secretary on the basis of his estimate of the construction costs of new dwelling units of various types and sizes in the area suitable for occupancy by persons assisted under this Act. In making his determination the Secretary shall take into account (1) the extra durability required for safety and security and economical maintenance of such housing, (2) the provision of amenities designed to guarantee a safe and healthy family life and neighborhood environment, (3) the application of good design as an essential component of such housing for safety and security as well as other purposes, (4) the maintenance of quality in architecture to reflect the standards of the neighborhood and community, (5) the need for maximizing the conservation of energy for heating, lighting, and other purposes, (6) the effectiveness of existing cost limits in the area, and (7) the advice and recommendations of local housing producers. The prototype costs for any area shall become effective upon the date of publication in the Federal Register.

"(c) Every contract for annual contributions shall provide that—

"(1) the Secretary may require the public housing agency to review and revise its maximum income limits if the Secretary determines that changed conditions in the locality make such revision necessary in achieving the purposes of this Act;

"(2) the public housing agency shall determine, and so certify to the Secretary, that each family in the project was admitted in accordance with duly adopted regulations and approved income limits; and the public housing agency shall review the incomes of families living in the project at intervals of two years (or at shorter intervals where the Secretary deems it desirable);

"(3) the public housing agency shall promptly notify (i) any applicant determined to be ineligible for admission to the project of the basis for such determination and provide the applicant upon request, within a reasonable time after the determination is made, with an opportunity for an informal hearing on such determination, and (ii) any applicant determined to be eligible for admission to the project of the approximate date of occupancy insofar as such date can be reasonably determined; and

"(4) the public housing agency shall comply with such procedures and requirements as the Secretary may prescribe to assure that sound management practices will be followed in the operation of the project, including requirements pertaining to—

"(A) the establishment of tenant selection criteria designed to assure that, within a reasonable period of time, the project will include families with a broad range of incomes and will avoid concentrations of low-income and deprived families with serious social problems, but this shall not permit maintenance of vacancies to await higher income tenants where lower income tenants are available;

"(B) the establishment of satisfactory procedures designed to assure the prompt payment and collection of rents and the prompt processing of evictions in the case of nonpayment of rent;

"(C) the establishment of effective tenant-management relationships designed to assure that satisfactory standards of tenant security and project maintenance are formulated and that the public housing agency (together with tenant councils where they exist) enforces those standards fully and effectively; and

"(D) the development by local housing authority managements of viable homeownership opportunity programs for low-income families capable of assuming the responsibilities of homeownership.

"(d) Every contract for annual contributions with respect to a low-income housing project shall provide that no annual contributions by the Secretary shall be made available for such project unless such project (exclusive of any portion thereof which is not assisted by annual contributions under this Act) is exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision; and such contract shall require the public housing agency to make payments in lieu of taxes equal to 10 per centum of the sum of the annual shelter rents charged in such project, or such lesser amounts as (i) is prescribed by State law, or (ii) is agreed to by the local governing body in its agreement for local cooperation with the public housing agency required under section 5(e)(2) of this Act, or (iii) is due to failure of a local public body or bodies other than the public housing agency to perform any obligation under such agreement. If any such project is not exempt from all real and personal property taxes levied or imposed by the State, city, county, or other political subdivision, such contract shall provide, in lieu of the requirement for tax exemption and payments in lieu of taxes, that no annual contributions by the Secretary shall be made available for such project unless and until the State, city, county, or other political subdivision in which such project is situated shall contribute, in the form of cash or tax remission, the amount by which the taxes paid with respect to the project exceed 10 per centum of the annual shelter rents charged in such project.

"(e) Every contract for annual contributions shall provide that whenever in any year the receipts of a public housing agency in connection with a low-income housing project exceed its expenditures (including debt service, operation, maintenance, establishment of reserves, and other costs and charges), an amount equal to such excess shall be applied, or set aside for application, to purposes which, in the determination of the Secretary, will effect a reduction in the amount of subsequent annual contributions.

"(f) Every contract for annual contributions shall provide that when the public housing agency and the Secretary mutually agree that a housing project is obsolete as to physical condition, or location, or other factors, making it unusuable for housing purposes, a program of modifications or closeout shall be prepared. If it is mutually determined that such project can be returned to useful life, then the Secretary is authorized to utilize such annual contributions as are necessary to enable the local public housing agency to undertake an agreed-upon program of modifications. If it is mutually determined that no program of modifications is feasible or that such a program would not return the housing to a useful life, then the Secretary is authorized to prepare a closeout program, utilizing such annual contributions as are necessary to accommodate the outstanding indebtedness on the project, the cost of demolition (if the physical improvements are not to be sold), and the cost of relocating displaced families into satisfactory replacement housing. The net closeout cost to the Federal Government shall take into consideration any receipts from the sale of physical improvements, land, or other assets, pursuant to the provisions of the annual contributions contract.

"(g) Every contract for annual contributions (including contracts which amend or supersede contracts previously made) may provide that—

"(1) upon the occurrence of a substantial default in respect to the covenants or conditions to which the public housing agency is subject (as such substantial default shall be defined in such contract), the public housing agency shall be obligated at the option of the Secretary either to convey title in any case where, in the determination of the Secretary (which determination shall be final and conclusive), such conveyance of title is necessary to achieve the purposes of this Act, or to deliver to the Secretary possession of the project, as then constituted, to which such contract relates; and

"(2) the Secretary shall be obligated to reconvey or redeliver possession of the project, as constituted at the time of reconveyance or redelivery, to such public housing agency or to its successor (if such public housing agency or a successor exists) upon such terms as shall be prescribed in such contract, and as soon as practicable (i) after the Secretary is satisfied that all defaults with respect to the project have been cured, and that the project will, in order to fulfill the purposes of this Act, thereafter be operated in accordance with the terms of such contract; or (ii) after the termination of the obligation to make annual contributions available unless there are any obligations or covenants of the public housing agency to the Secretary which are then in default. Any prior conveyances and reconveyances or deliveries and redeliveries of possession shall not exhaust the right to require a conveyance or delivery of possession of the project to the Secretary pursuant to subparagraph (1)

upon the subsequent occurrence of a substantial default.

Whenever such a contract for annual contributions includes provisions which the Secretary in such contract determines are in accordance with this subsection, and the portion of the annual contribution payable for debt service requirements pursuant to such contract has been pledged by the public housing agency as security for the payment of the principal and interest on any of its obligations, the Secretary (notwithstanding any other provisions of this Act) shall continue to make such annual contributions available for the project so long as any of such obligations remain outstanding, and may covenant in such contract that in any event such annual contributions shall in each year be at least equal to an amount which, together with such income or other funds as are actually available from the project for the purpose at the time such annual contribution is made, will suffice for the payment of all installments, falling due within the next succeeding twelve months, of principal and interest on the obligations for which the annual contributions provided for in the contract shall have been pledged as security. In no case shall such annual contributions be in excess of the maximum sum specified in the contract involved, nor for longer than the remainder of the maximum period fixed by the contract.

"CONGREGATE HOUSING

"SEC. 7. The Secretary shall encourage public housing agencies, in providing housing predominantly for displaced or elderly families, to design, develop, or otherwise acquire such housing to meet the special needs of the occupants and, wherever practicable, for use in whole or in part as congregate housing: *Provided*, That not more than 10 per centum of the total amount of contracts for annual contributions entered into any fiscal year pursuant to the new authority granted under section 202 of the Housing and Urban Development Act of 1970 or under any law subsequently enacted shall be entered into with respect to units in congregate housing. As used in this section the term 'congregate housing' means low-income housing (A) in which some or all of the dwelling units do not have kitchen facilities, and (B) connected with which there is a central dining facility to provide wholesome and economical meals for elderly and displaced families under terms and conditions prescribed by the public housing agency to permit a generally self-supporting operation. Expenditures incurred by a public agency in the operation of a central dining facility in connection with congregate housing (other than the cost of providing food and service) shall be considered one of the costs of operation of the project.

"LOWER-INCOME HOUSING ASSISTANCE

"SEC. 8. (a) For the purpose of aiding lower-income families in obtaining a decent place to live and of promoting economically mixed housing, assistance payments may be made with respect to existing, newly constructed, and substantially rehabilitated housing in accordance with the provisions of this section.

"(b)(1) The Secretary is authorized to enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to make assistance payments to owners of existing dwelling units in accordance with this section. In areas where no public housing agency has been organized or where the Secretary determines that a public housing agency is unable to implement the provisions of this section, the Secretary is authorized to enter into such contracts and to perform the other functions assigned to a public housing agency by this section.

"(2) To the extent of annual contributions make assistance payments to such owners or authorizations under section 5(c) of this Act, the Secretary is authorized to make assistance payments pursuant to contracts with owners or prospective owners who agree to construct or substantially rehabilitate housing in which some or all of the units shall be available for occupancy by lower-income families in accordance with the provisions of this section. The Secretary may also enter into annual contributions contracts with public housing agencies pursuant to which such agencies may enter into contracts to prospective owners.

"(c)(1) An assistance contract entered into pursuant to this section shall establish the maximum monthly rent (including utilities and all maintenance and management charges) which the owner is entitled to receive for each dwelling unit with respect to which such assistance payments are to be made. The maximum monthly rent shall not exceed by more than 10 per centum the fair market rental established by the Secretary periodically but not less than annually for existing or newly constructed rental dwelling units of various sizes and types in the market area suitable for occupancy by persons assisted under this section, except that the maximum monthly rent may exceed the fair market rental by more than 10 but not more than 20 per centum where the Secretary determines that special circumstances warrant such higher maximum rent or that such higher rent is necessary to the implementation of a local housing assistance plan as defined in section 213(a)(5) of the Housing and Community Development Act of 1974. Proposed fair market rentals for an area shall be published in the Federal Register with reasonable time for public comment, and shall become effective upon the date of publication in final form in the Federal Register.

"(2)(A) The assistance contract shall provide for adjustment annually or more frequently in the maximum monthly rents for units covered by the contract to reflect changes in the fair market rentals established in the housing area for similar types and sizes of dwelling units or, if the Secretary determines, on the basis of a reasonable formula.

"(B) The contract shall further provide for the Secretary to make additional adjustments in the maximum monthly rent for units under contract to the extent he determines such adjustments are necessary to reflect increases in the actual and necessary expenses of owning and maintaining the units which have resulted from substantial general increases in real property taxes, utility rates, or similar costs which are not adequately compensated for by the adjustment in the maximum monthly rent authorized by subparagraph (A).

"(C) Adjustments in the maximum rents as hereinbefore provided shall not result in material differences between the rents charged for assisted and comparable unassisted units, as determined by the Secretary.

"(3) The amount of the monthly assistance payment with respect to any dwelling unit, in the case of a large very low-income family, a very large lower income family, or a family with exceptional medical or other expenses, as determined by the Secretary, shall be the difference between 15 percentum of one-twelfth of the annual income of the family occupying the dwelling unit and the maximum monthly rent which the contract provides that the owner is to receive for the unit. In the case of other families, the Secretary shall establish the amount of the assistance payment as the difference between not less than 15 per centum nor more than 25 per centum of the family's income and the maximum rent, taking into consideration the income of the family, the number of minor children in the household, and the extent of medical or other unusual expenses incurred by the family. Reviews of family income shall be made no less frequently than annually (except that such reviews may be made at intervals no longer than two years in the case of families who are elderly families).

"(4) The assistance contract shall provide that assistance payments may be made only with respect to a dwelling unit under lease for occupancy by a family determined to be a lower income family at the time it initially occupied such dwelling unit, except that such payments may be made with respect to unoccupied units for a period not exceeding sixty days (A) in the event that a family vacates a dwelling unit before the expiration date of the lease for occupancy or (B) where a good faith effort is being made to fill an unoccupied unit.

"(5) Assistance payments may be made with respect to up to 100 per centum of the dwelling units in any structure upon the application of the owner or prospective owner. Within the category of projects containing more than fifty units and designed for use primarily by nonelderly and nonhandicapped persons, the Secretary may give preference to applications for assistance involving not more than 20 per centum of the dwelling units in a project. In according any such preference, the Secretary shall compare applications received during distinct time periods not exceeding sixty days in duration.

"(6) The Secretary shall take such steps as may be necessary, including the making of contracts for assistance payments in amounts in excess of the amounts required at the time of the initial renting of dwelling units, the reservation of annual contributions authority for the purpose of amending housing assistance contracts, or the allocation of a portion of new authorizations for the purpose of amending housing assistance contracts, to assure that assistance payments are increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes.

"(7) At least 80 per centum of the families assisted under this section with annual allocations of contract authority shall be very low-income families at the time of the initial renting of dwelling units.

"(8) To the extent authorized in contracts entered into by the Secretary with a public housing agency, such agency may purchase any structure containing one or more dwelling units assisted under this section for the purpose of reselling the structure to the tenant or tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale may be made on the terms and conditions prescribed under section 5(h) and subject to the limitation contained in such section.

"(d)(1) Contracts to make assistance payments entered into by a public housing agency with an owner of existing housing units shall provide (with respect to any unit) that—

"(A) the selection of tenants for such unit shall be the function of the owner, subject to the provisions of the annual contributions contract between the Secretary and the agency;

"(B) the agency shall have the sole right to give notice to vacate, with the owner having the right to make representation to the agency for termination of tenancy;

"(C) maintenance and replacement (including redecoration) shall be in accordance with the standard practice for the building concerned as established by the owner and agreed to by the agency; and

"(D) the agency and the owner shall carry out such other appropriate terms and conditions as may be mutually agreed to by them.

"(2) Each contract for an existing structure entered into under this section shall be for a term of not less than one month nor more than one hundred and eighy months.

"(e)(1) The Secretary shall not contract to make assistance payments with respect to a newly constructed or substantially rehabilitated dwelling unit for a term of less than one month or more than two hundred and forty months. In the case of a project owned by, or financed by a loan or loan guarantee from, a State or local agency, the term may not exceed four hundred and eighty months.

"(2) The contract between the Secretary and the owner with respect to newly constructed or substantially rehabilitated dwelling units shall provide that all ownership, management, and maintenance responsibilities, including the selection of tenants and the termination of tenancy, shall be assumed by the owner (or any entity, including a public housing agency, approved by the Secretary, with which the owner may contract for the performance of such responsibilities).

"(3) The construction or substantial rehabilitation of dwelling units to be assisted under this section shall be eligible for financing with mortgages insured under the National Housing Act. Assistance with respect to such dwelling units shall not be withheld or made subject to preferences by reason of the availability of mortgage insurance pursuant to section 244 of such Act or by reason of the tax-exempt status of the bonds or other obligations to be used to finance such construction or rehabilitation.

"(4) Nothing in this Act shall be deemed to prohibit an owner from pledging, or offering as security for any loan or obligation, a contract for assistance payments entered into pursuant to this section: *Provided*, That such security is in connection with a project constructed or rehabilitated pursuant to authority granted in this section, and the terms of the financing or any refinancing have been approved by the Secretary.

"(f) As used in this section—

"(1) the term 'lower income families' means those families who incomes do not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors;

"(2) the term 'very low-income families' means those families whose incomes do not exceed 50 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families;

"(3) the term 'income' means income from all sources of each member of the household, as determined in accordance with criteria prescribed by the Secretary;

"(4) the term 'owner' means any private person or entity, including a cooperative, or a public housing agency, having the legal right to lease or sublease newly constructed or substantially rehabilitated dwelling units as described in this section; and

"(5) the terms 'rent' or 'rental' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"(g) Notwithstanding any other provision of this Act, assistance payments under this section may be provided, in accordance with regulations prescribed by the Secretary, with respect to some or all of the units in any project approved pursuant to section 202 of the Housing Act of 1959.

"(h) The provisions of section 3(1), 5(e), and 6, and any other provisions of this Act, which are inconsistent with the provisions of this section shall not apply to contracts for assistance entered into under this section.

"ANNUAL CONTRIBUTIONS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

"SEC. 9. (a) In addition to the contributions authorized to be made for the purposes specified in section 5 of this Act, the Secretary may make annual contributions to public housing agencies for the operation of low-income housing projects. The contributions payable annually under this section shall not exceed the amounts which the Secretary determines are required (1) to assure the low-income character of the projects involved, and (2) to achieve and maintain adequate operating services and reserve funds. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment subject to the availability of funds. For purposes of making payments under this section, the Secretary shall establish standards for costs of operation and reasonable projections of income, taking into account the character and location of the project and characteristics of the families served, or the costs of providing comparable services as determined in accordance with criteria or a formula representing the operations of a prototype well-managed project.

"(b) The aggregate rentals required to be paid in any year by families residing in the dwelling units administered by a public housing agency receiving annual contributions under this section shall not be less than an amount equal to one-fifth of the sum of the incomes of all such families.

"(c) Of the aggregate amount of contracts for annual contributions authorized in section 5(c) of this Act to be entered into on or after July 1, 1974, the Secretary is authorized to enter into contracts for annual contributions under this section aggregating not more than $500,000,000 per annum, which amount shall be increased by $60,000,000 on July 1, 1975.

"GENERAL PROVISIONS

"SEC. 10. (a) In the performance of, and with respect to, the functions, powers, and duties vested in him by this Act, the Secretary, notwithstanding the provisions of any other law, shall—

"(1) prepare annually and submit a budget program as provided for wholly owned Government corporations by the Government Corporation Control Act, as amended; and

"(2) maintain an intgeral set of accounts which shal be audited annually by the General Accounting Office in accordance with the principles and procedures applicable to commercial transactions as provided by the Government Corporation Control Act, as amended, and no other audit shall be required.

"(b) All receipts and assets of the Secretary under this Act shall be available for the purposes of this Act until expended.

"(c) The Federal Reserve banks are authorized and directed to act as depositories, custodians, and fiscal agents for the Secretary in the general exercise of his powers under this Act, and the Secretary may reimburse any such bank for its services in such manner as may be agreed upon.

"FINANCING LOW-INCOME HOUSING PROJECTS

"SEC. 11. (a) Obligations issued by public housing agency in connection with low-income housing projects which (1) are secured (A) by a pledge of a loan under any agreement between such public housing agency and the Secretary, or (B) by a pledge of annual contributions under an annual contributions contract between such public housing agency and the Secretary, or (C) by a pledge of both annual contributions under an annual contributions contract and a loan under an agreement between such public housing agency and the Secretary, and (2) bear, or are accompanied by, a certificate of the Secretary that such obligations are so secured, shall be incontestable in the hands of a bearer and the full faith and credit of the United States is pledged to the payment of all amounts agreed to be paid by the Secretary as security for such obligations.

"(b) Except as provided in section 3(g), obligations, including interest thereon, issued by public housing agencies in connection with low-income housing projects shall be exempt from all taxation now or hereafter imposed by the United States whether paid by such agencies or by the Secretary. The income derived by such agencies from such projects shall be exempt from all taxation now or hereafter imposed by the United States.

"LABOR STANDARD

"SEC. 12. Any contract for loans, annual contributions, sale, or lease pursuant to this Act shall contain a provision requiring that not less than the wages prevailing in the locality, as determined or adopted (subsequent to a determination under applicable State or local law) by the Secretary shall be paid to all architects, technical engineers, draftsmen, and technicians employed in the development, and all maintenance laborers and mechanics employed in the operation, of the low-income housing project involved; and shall also contain a provision that not less than the wages prevailing in the locality, as predetermined by the Secretary of Labor pursuant to the Davis-Bacon Act (49 Stat. 1011), shall be paid to all laborers and mechanics employed in the development of the project involved (including a project with nine or more units assisted under section 8 of this Act, where the public housing agency or the Secretary and the builder or sponsor enter into an agreement for such use before construction or rehabilitation is commenced), and the Secretary shall require certification as to compliance with the provisions of this section prior to making any payment under such contract."

(b) The provisions of subsection (a) of this section shall be effective on such date or dates as the Secretary of Housing and Urban Development shall prescribe, but not later than eighteen months after the date of the enactment of this Act; except that (1) all of the provisions of section 3(1) of the United States Housing Act of 1937, as amended by subsection (a) of this section, shall become effective on the same date, (2) all of the provisions of sections 5 and 9(c) of such Act as so amended shall become effective on the same date, and (3) section 8 of such Act as so amended shall be effective not later than January 1, 1975.

APPLICABILITY OF RENTAL REQUIREMENTS

SEC. 202. To the extent that section 3(1) of the United States Housing Act of 1937, as amended by section 201(a) of this Act, would require the establishment of an increased monthly rental charge for any family which occupies a low-income housing unit as of the effective date of such section 3(1) (other than by reason of the provisions relating to welfare assistance payments), the required adjustment shall be made, in accordance with regulations of the Secretary, as follows: (A) the first adjustment shall not exceed $5 and shall become effective as of the month following the month of the first review of the family's income pursuant to section 6(c)(2) of such Act which occurs at least six months after the effective date of such section 3(1), and (B) subsequent adjustments, each of which shall not exceed $5, shall be made at six-month intervals over whatever period is necessary to effect the full

required increase in the family's rental charge.

EXEMPTIONS OF CERTAIN PROJECTS FROM RENTAL FORMULA

SEC. 203. The rental or income contribution provisions of the United States Housing Act of 1937, as amended by section 201 of this Act, shall not preclude the use of special schedules of required payments as approved by the Secretary for participants in mutual help housing projects who contribute labor, land, or materials to the development of such projects.

REPEAL OF SPECIFICATION REQUIREMENTS IN CONSTRUCTION CONTRACTS

SEC. 204. Section 815 of the Housing Act of 1954 is repealed.

Retroactive Effect of Repeal of Section 10(j)

SEC. 205. Section 206(c) of the Housing Act of 1961 (Public Law 87-70, approved June 30, 1961, 75 Stat. 155) is amended by adding at the end thereof the following sentence: "The Secretary of Housing and Urban Development is authorized to agree with a public housing agency to the amendment of any annual contributions contract containing the provision prescribed in section 10 (j) of the United States Housing Act of 1937 (as in effect prior to the enactment of the Housing and Community Development Act of 1974), so as to delete such provision and waive any rights of the United States that are accrued or may accrue under such provision."

AMENDMENT TO NATIONAL BANK ACT

SEC. 206. The sixth sentence of paragraph "Seventh" of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended—

(1) by striking out "1421a(b) of title 42" wherever it appears and inserting in lieu thereof "6(g) of the United States Housing Act of 1937";

(2) by striking out "either" before clause (1);

(3) by striking out "(which obligations shall have a maturity of not more than eighteen months)" in clause (1);

(4) by striking out "or" before clause (2); and

(5) by inserting before the colon before the first proviso the following: ", or (3) by a pledge of both annual contributions under an annual contributions contract containing the covenant by the Secretary which is authorized by section 6(g) of the United States Housing Act of 1937, and a loan under an agreement between the local public housing agency and the Secretary in which the public housing agency agrees to borrow from the Secretary, and the Secretary agrees to lend to the public housing agency, prior to the maturity of the obligations involved, moneys in an amount which (together with any other moneys irrevocably committed under the annual contributions contract to the payment of principal and interest on such obligations) will suffice to provide for the payment when due of all installments of principal and interest on such obligations, which moneys under the terms of the agreement are required to be used for the purpose of paying the principal and interest on such obligations at their maturity".

AMENDMENTS TO LANHAM ACT

SEC. 207. (a) Section 606 of the Act of October 14, 1940, as amended (42 U.S.C. 1586), is amended by striking out that part of the first sentence in subsection (b) which follows the parenthetical phrase and inserting in lieu thereof a period, and by striking out all of the second sentence.

(b) Section 606(c)(1) of such Act is amended by inserting before the semicolon at the end thereof the following: ", or, with the Secretary's approval, used to finance the repair or rehabilitation of a project or part thereof conveyed to the public housing agency under this section".

LEASED HOUSING

SEC. 208. Nothing in this title or any other provision of law authorizes the Secretary of Housing and Urban Development to apply any policy or procedure established by him with respect to the rights of an owner under a lease entered into under section 23 of the United States Housing Act of 1937 if such lease was entered into prior to the effective date of such policy or procedure.

LOW-INCOME HOUSING FOR THE ELDERLY OR HANDICAPPED

SEC. 209. The Secretary shall consult with the Secretary of Health, Education, and Welfare to insure that special projects for the elderly or the handicapped authorized pursuant to United States Housing Act of 1937 shall meet acceptable standards of design and shall provide quality services and management consistent with the needs of the occupants. Such projects shall be specifically designed and equipped with such "related facilities" (as defined in section 202(d)(8) of the Housing Act of 1959) as may be necessary to accommodate the special environmental needs of the intended occupants and shall be in support of and supported by the applicable State plans for comprehensive services pursuant to section 134 of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or State and area plans pursuant to title III of the Older Americans Act of 1965.

REVISION OF SECTION 202 PROGRAM FOR ELDERLY AND HANDICAPPED

SEC. 210. (a) Section 202(a)(3) of the Housing Act of 1959 is amended by striking out all that follows "and shall bear interest at a rate" and inserting in lieu thereof "which is not more than a rate determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans, adjusted to the nearest one-eighth of 1 per centum, plus an allowance adequate in the judgment of the Secretary to cover administrative costs and probable losses under the program."

(b) Section 202(d)(4) of such Act is amended—

(1) by striking out "a physical" in the second sentence and inserting in lieu thereof "an"; and

(2) by inserting after the second sentence the following new sentence: "A person shall also be considered handicapped if such person is a developmentally disabled individual as defined in section 102(5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1950."

(c) Section 202 of such Act is further amended by adding at the end thereof the following new subsection:

"(f) In carrying out the provisions of this section, the Secretary shall seek to assure, pursuant to applicable regulations, that housing and related facilities assisted under this section will be in appropriate support of, and supported by, applicable State and local plans which respond to Federal program requirements by providing an assured range of necessary services for individuals occupying such housing (which services may include, among others, health, continuing education, welfare, informational, recreational, homemaker, counseling, and referral services, transportation where necessary to facilitate access to social services, and services designed to encourage and assist recipients to use the services and facilities available to them), including plans approved by the Secretary of Health, Education, and Welfare pursuant to section 134 of the Mental Retardation Facilities and Community Mental Health Center Construction Act of 1963 or pursuant to title III of the Older Americans Act of 1965."

(d) Section 202(a)(4) of such Act is amended—

(1) by inserting "(A)" immediately after "(4)";

(2) by inserting ", and the proceeds from notes or other obligations issued under subparagraph (B)," after "Amounts so appropriated"; and

(3) by adding at the end thereof the following new subparagraphs:

"(B)(i) To carry out the purposes of this section, the Secretary is authorized to issue to the Secretary of the Treasury notes or other obligations in an aggregate amount not to exceed $800,000,000, in such forms and denominations, bearing such maturities, and subject to such terms and conditions as may be prescribed by the Secretary of the Treasury. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury is authorized and directed to purchase any notes and other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act; and the purposes for which securities may be issued under that Act are extended to include any purchase of such notes and obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States.

"(ii) The receipts and disbursements of the fund shall not be included in the total of the Budget of the United States Government and shall be exempt from any limitation on annual expenditure or net lending.

"(C) Amounts in the fund shall be available to the Secretary for the purpose of making loans under this section and for paying interest on obligations issued under subpargraph (B). The aggregate loans made under this section in any fiscal year shall not exceed the limits on such lending authority established for such year in appropriation Acts."

(e) Section 202(a) of such Act is amended by adding at the end thereof the following new paragraph:

"(5) To the maximum extent practicable, the Secretary shall use the services and facilities of the private mortgage industry in servicing mortgage loans made under this section."

(f) Section 202(d)(8) of such Act is amended by inserting immediately after "families" the following: "residing in the project or in the area".

(g)(1) In determining the feasibility and marketability of a project under section 202 of the Housing Act of 1959, the Secretary shall consider the availability of monthly assistance payments pursuant to section 8 of the United States Housing Act of 1937 with respect to such a project.

(2) The Secretary shall insure that with the original approval of a project authorized pursuant to section 202 of the Housing Act of 1959, and thereafter at each annual revision of the assistance contract under section 8 of the United States Housing Act of 1937 with respect to units in such project, the project will serve both low- and moderate-income families in a mix which he determines to be appropriate for the area and for viable operation of the project; except that the Secretary shall not permit maintenance of vacancies to await tenants of one income level where tenants of another income level are available.

SINGLE-FAMILY MORTGAGE ASSISTANCE

SEC. 211. (a) Section 235 of the National Housing Act is amended—

(1) by striking out "and by $200,000,000 on July 1, 1971" in subsection (h)(1) and inserting in lieu thereof "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";

(2) by adding at the end of subsection (h)(1) the following: "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.";

(3) by striking out paragraph (2) of subsection (h) and inserting in lieu thereof the following:

"(2) Assistance payments under this section may be made only with respect to a family whose income at the time of initial occupancy does not exceed 80 per centum of the median income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low median family incomes, or other factors.";

(4) by striking out "prior to July 1, 1972" in subsection (h)(3)(B) and inserting in lieu thereof "on or after July 1, 1969";

(5) by inserting after "mortgage" in the first sentence of subsection (l)(1) the following: "(including advances with respect to property construction or rehabilitation pursuant to a self-help program)";

(6) by striking out paragraph (3)(C) of subsection (l) and inserting in lieu thereof the following:

"(C) be executed by a mortgagor who shall have paid in cash or its equivalent, on account of the property, at least an amount equal to 3 per centum of the Secretary's estimate of the cost of acquisition."; and

(7) by striking out "October 1, 1974" in subsection (m) and inserting in lieu thereof "June 30, 1976".

(b) Section 235(a) of such Act is amended by inserting after "this section" at the end of the second sentence the following: "or which mortgages are assisted under a State or local program providing assistance through loans, loan insurance or tax abatement".

(c)(1) The last proviso in section 235(b)(2) of such Act is amended by striking out "$18,000", "$21,000", "$21,000", and "$24,000", and inserting in lieu thereof "$21,600", "$25,200", "$25,200", and "$28,800", respectively.

(2) Section 235(i)(3)(B) of such Act is amended by striking out "$18,000", "$21,000", "$21,000", and "$24,000" and inserting in lieu thereof "$21,600", "$25,200", "$25,200", and "$28,800", respectively.

MULTI-FAMILY MORTGAGE ASSISTANCE

SEC. 212. Section 236 of the National Housing Act is amended—

"(1) by inserting "(1)" after "(f)" at the beginning of subsection (f), and by redesignating clauses (1) and (2) of such subsection as clauses (A) and (B), respectively;

(2) by adding at the end of subsection (f)(1) the following: "With respect to those projects which the Secretary determines have separate utility metering for some or all dwelling units, the Secretary is authorized—

"(i) to permit the basic rental charge and the fair market rental charge to be determined on the basis of operating the project without the payment of the cost of utility services used by such dwelling units; and

"(ii) to permit the charging of a rental for such dwelling units at such an amount less than 25 per centum of a tenant's income as the Secretary determines represents a proportionate decrease for the utility charges to be paid by such tenant, but in no case shall such rental be lower than 20 per centum of a tenant's income.

"(2) With respect to 20 per centum of the dwelling units in any project made subject to a contract under this section after the date of enactment of the Housing and Community Development Act of 1974, the Secretary shall make, and contract to make additional assistance payments to the project owner on behalf of tenants whose incomes are too low for them to afford the basic rentals with 25 per centum of their income or such lower per centum as may be established pursuant to the provisions of clause (ii) of the last sentence of paragraph (1). The additional assistance payments authorized by this paragraph with respect to any dwelling unit shall be the amount required to reduce the rental payment by the tenant to 25 per centum of the tenant's income or such lower per centum as may be established pursuant to the provisions of clause (ii) of the last sentence of paragraph (1). In no case shall such rental payment be reduced below an amount equal to utility costs attributable to the unit occupied by the tenant, unless the Secretary determines that the application of this requirement in any area would result in undue hardship because of unusually high utility costs prevailing seasonally or otherwise in such area. Notwithstanding the foregoing provisions of this paragraph, the Secretary may—

"(A) reduce such 20 per centum requirement in the case of any project if he determines that such action is necessary to assure the economic viability of the project; or

"(B) increase such 20 per centum requirement in the case of any project if he determines that such action is necessary and feasible in order to assure, insofar as is practicable, that there is in the project a reasonable range in the income levels of tenants, or that such action is to be taken to meet the housing needs of elderly or handicapped families.

"(3) For each project there shall be established an initial operating expense level, which shall be the sum of the cost of utilities and local property taxes payable by the project owner at the time the Secretary determines the property to be fully occupied, taking into account anticipated and customary vacancy rates. At any time subsequent to the establishment of an initial operating expense level, the Secretary is authorized to make, and contract to make, additional assistance payments to the project owner in an amount up to the amount by which the sum of the cost of utilities and local property taxes exceeds the initial operating expense level, but not to exceed the amount required to maintain the basic rentals of any units at levels not in excess of 30 per centum, or such lower per centum not less than 25 per centum as shall reflect the reduction permitted in clause (ii) of the last sentence of paragraph (1), of the income of tenants occupying such units. Any contract to make additional assistance payments may be amended periodically to provide for appropriate adjustments in the amount of the assistance payments. Additional assistance payments shall be made pursuant to this paragraph only if the Secretary finds that the increase in the cost of utilities or local property taxes, is reasonable and is comparable to cost increases affecting other rental projects in the community.";

(3) by striking out subsection (g) and inserting in lieu thereof the following:

"(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be credited to a reserve fund to be used by the Secretary to make additional assistance payments as provided in paragraph (3) of subsection (f). During any period that the Secretary determines that the balance in the reserve fund is adequate to meet the estimated additional assistance payments, such excess charges shall be credited to the appropriation authorized by subsection (1) and shall be available until the end of the next fiscal year for the purpose of making assistance payments with respect to rental housing projects receiving assistance under this section. For the purpose of this subsection and paragraph (3) of subsection (f), the initial operating expense level for any project assisted under a contract entered into prior to the date of enactment of the Housing and Community Development Act of 1974 shall be established by the Secretary not later than 180 days after the date of enactment of such Act.";

(4) by striking out "and by $200,000,000 on July 1, 1971" in subsection (l)(1) and inserting in lieu thereof "by $200,000,000 on July 1, 1971, and by $75,000,000 on July 1, 1974";

(5) by striking out paragraphs (2) and (3) of subsection (l) and inserting in lieu thereof the following:

"(2) Contracts for assistance payments under this section may be entered into only with respect to tenants whose incomes do not exceed 80 per centum of the median family income for the area, as determined by the Secretary with adjustments for smaller and larger families, except that the Secretary may establish income ceilings higher or lower than 80 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors.

"(3) Not less than 10 per centum of the total amounts of contracts for assistance payments authorized by appropriation Acts to be made after June 30, 1974, shall be available for use only with respect to dwellings, or dwelling units in projects, which are approved by the Secretary prior to rehabilitation.

"(4) At least 20 per centum of the total amount of contracts for assistance payments authorized in appropriation Acts to be made after June 30, 1974, shall be available for use only with respect to projects which are planned in whole or in part for occupancy by elderly or handicapped families. As used in this paragraph, the term 'elderly families' means families which consist of two or more persons the head of which (or his spouse) is sixty-two years of age or over or is handicapped. Such term also means a single person who is sixty-two years of age or over or is handicapped. A person shall be considered handicapped if such person is determined, pursuant to regulations issued by the Secretary, to have an impairment which (A) is expected to be of long-continued and indefinite duration, (B) substantially impedes his ability to live independently, and (C) is of such a nature that such ability could be improved by more suitable housing conditions.";

(6) by striking out "October 1, 1974" in subsection (n) and inserting in lieu thereof "June 30, 1976"; and

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

"(p) The Secretary is authorized to enter into contracts with State or local agencies approved by him to provide for the monitoring and supervision by such agencies of the management by private sponsors of projects assisted under this section. Such contracts shall require that such agencies promptly report to the Secretary any deficiencies in the management of such projects in order to enable the Secretary to take corrective action at the earliest practicable time."

LOCAL HOUSING ASSISTANCE PLANS; ALLOCATION OF HOUSING FUNDS

SEC. 213. (a)(1) The Secretary of Housing and Urban Development, upon receiving an

application for housing assistance under the United States Housing Act of 1937, section 235 or 236 of the National Housing Act, section 101 of the Housing and Urban Development Act of 1965, or section 202 of the Housing Act of 1959, if the unit of general local government in which the proposed assistance is to be provided has an approved housing assistance plan, shall—

(A) not later than ten days after receipt of the application, notify the chief executive officer of such unit of general local government that such application is under consideration; and

(B) afford such unit of general local government the opportunity, during the thirty-day period beginning on the date of such notification, to object to the approval of the application on the grounds that the application is inconsistent with its housing assistance plan.

(2) If the unit of general local government objects to the application on the grounds that it is inconsistent with its housing assistance plan, the Secretary may not approve the application unless he determines that the application is consistent with such housing assistance plan. If the Secretary determines, that such application is consistent with the housing assistance plan, he shall notify the chief executive officer of the unit of general local government of his determination and the reasons therefor in writing. If the Secretary concurs with the objection of the unit of local government, he shall notify the applicant stating the reasons therefor in writing.

(3) If the Secretary does not receive an objection by the close of the period referred to in paragraph (1)(B), he may approve the application unless he finds it inconsistent with the housing assistance plan. If the Secretary determines that an application is inconsistent with a housing assistance plan, he shall notify the applicant stating the reasons therefor in writing.

(4) The Secretary shall make the determinations referred to in paragraphs (2) and (3) within thirty days after he receives an objection pursuant to paragraph (1)(B) or within thirty days after the close of the period referred to in paragraph (1)(B), whichever is earlier.

(5) As used in this section, the term "housing assistance plan" means a housing assistance plan submitted and approved under section 104 of this Act or, in the case of a unit of general local government not participating under title I of this Act, a housing plan approved by the Secretary as meeting the requirements of this section.

(b) The provisions of subsection (a) shall not apply to—

(1) applications for assistance involving 12 or fewer units in a single project or development;

(2) applications for assistance with respect to housing in new community developments approved under title IV of the Housing and Urban Development Act of 1968 or title VII of the Housing and Urban Development Act of 1970 which the Secretary determines are necessary to meet the housing requirements under such title; or

(3) applications for assistance with respect to housing financed by loans or loan guarantees from a State or agency thereof, except that the provisions of subsection (a) shall apply where the unit of general local government in which the assistance is to be provided objects in its housing assistance plan to the exemption provided by this paragraph.

(c) For areas in which an approved local housing assistance plan is not applicable, the Secretary shall not approve an application for housing assistance unless he determines that there is a need for such assistance, taking into consideration any applicable State housing plans, and that there is or will be available in the area public facilities and services adequate to serve the housing proposed to be assisted. The Secretary shall afford the unit of general local government in which the assistance is to be provided an opportunity, during a 30-day period following receipt of an application by him, to provide comments or information relevant to the determination required to be made by the Secretary under this subsection.

(d)(1) In allocating financial assistance under the provisions of law specified in subsection (a) of this section, the Secretary, so far as practicable, shall consider the relative needs of different areas and communities as reflected in data as to population, poverty, housing overcrowding, housing vacancies, amount of substandard housing, or other objectively measurable conditions, subject to such adjustments as may be necessary to assist in carrying out activities designed to meet lower income housing needs as described in approved housing assistance plans submitted by units of general local government or combinations of such units assisted under section 107(a)(2) of this Act. The amount of assistance allocated to nonmetropolitan areas pursuant to this section in any fiscal year shall not be less than 20 nor more than 25 per centum of the total amount of such assistance.

(2) In order to facilitate the provision of, and long-range planning for housing for persons of low- and moderate-income in new community developments approved under title IV of the Housing and Urban Development Act of 1968 and title VII of the Housing and Urban Development Act of 1970, the Secretary shall reserve such housing assistance funds as he deems necessary for use in connection wtih such new community developments.

(3) The Secretary may reserve such housing assistance funds as he deems appropriate for use by a State or agency thereof.

TITLE III—MORTGAGE CREDIT ASSISTANCE

INSURED ADVANCES

SEC. 301. Title V of the National Housing Act is amended by adding at the end thereof the following new section:

"ADVANCES

"SEC. 525. The Secretary is authorized to insure mortgage proceeds advanced during construction or rehabilitation or otherwise prior to final endorsement of a project mortgage for the purpose of (1) financing improvements to the property and the purchase of materials and building components delivered to the property, and (2) providing funds to cover the cost of building components where such components have been assembled and specifically identified for incorporation into the property but are located at a site other than the mortgaged property, with such security as the Secretary may require."

INCREASE IN MAXIMUM MORTGAGE AMOUNTS UNDER FHA ONE- TO FOUR-FAMILY MORTGAGE INSURANCE PROGRAMS

SEC. 302. (a) Section 203(b)(2) of the National Housing Act is amended by striking out "$33,000", "$35,750", and "$41,250" wherever they appear and inserting in lieu thereof "$45,000", $48,750", and "$56,000", respectively.

(b) Section 220(d)(3)(A) of such Act is amended by striking out "$33,000", "$35,750", and "$41,250" wherever they appear and inserting in lieu thereof "$45,000", "$48,750", and "$56,000", respectively.

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

(1) by striking out "$18,000", "$21,000", "$24,000", "$32,400", and "$39,600" in the matter preceding the first proviso and inserting in lieu thereof "$21,600", "$25,200", "$28,000", "38,880", and "$47,520", respectively; and

(2) by striking out "$21,000", "$24,000", "$30,000", "$38,400", and "$45,600" in the second proviso and inserting in lieu thereof "$25,200", "$28,800", "$36,000", "$46,080", and "$54,720", respectively.

(d) Section 222(b)(2) of such Act is amended by striking out "$33,000" and inserting in lieu thereof "$45,000".

(e) Section 234(c) of such Act is amended by striking out "$33,000" and inserting in lieu thereof "$45,000".

INCREASE IN MAXIMUM MORTGAGE AMOUNTS UNDER FHA MULTIFAMILY MORTGAGE INSURANCE PROGRAMS

SEC. 303. (a)(1) Section 207(c)(3) of the National Housing Act is amended by striking out "$9,900", "$13,750", "$16,500", "$20,350", "23,100", and "$2,500" in the matter preceding the first semicolon and inserting in lieu thereof "$13,000", "$18,000", "$21,500", "$26,500", "$30,000" and "$3,250", respectively.

(2) Section 207(c)(3) of such Act is further amended by striking out "$11,550", "$16,500", "$19,800", "$24,750", and "$28,050" in the matter following the first semicolon and inserting in lieu thereof "$15,000", "$21,000", "$25,570", "$32,250", and "$36,465", respectively.

(b)(1) Section 213(b)(2) of such Act is amended by striking out "$9,900", "$13,750", "$16,500", "$20,350", and "$23,100" in the matter preceding the first proviso and inserting in lieu thereof "$13,000", "$18,000", "$21,500", "$26,500", and "$30,000", respectively.

(2) Section 213(b)(2) of such Act is further amended by striking out "$11,550", "$16,500", "$19,800", "$24,750", and "$28,050" in the first proviso and inserting in lieu thereof "$15,000", "$21,000", "$25,750", "$32,250", and "$36,465", respectively.

(c)(1) Section 220(d)(3)(B)(iii) of such Act is amended by striking out "$9,900", "$13,750", "$16,500", "$20,350", and "$23,100" in the matter preceding "except" where it first appears and inserting in lieu thereof "$13,000", "$18,000", "$21,500", "$26,500", and "$30,000", respectively.

(2) Section 220(d)(3)(B)(iii) of such Act is further amended by striking out "$11,550", "$16,500", "$19,800", "$24,750", and "$28,050" in the matter following "except" where it first appears and inserting in lieu thereof "$15,000", "$21,000", "$25,750", "$32,250", and "$36,465", respectively.

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

(A) by striking out "$9,200", "$12,937.50", "$15,525", "$19,550", and "$22,137.50" and inserting in lieu thereof "$11,240", "$15,540", "$18,630", "$23,460", and "$26,570", respectively; and

(B) by striking out "$10,925", "$13,500", "$18,400", "$23,000", and "$26,162.50" and inserting in lieu thereof "$13,120", "$16,200", "$22,080", "$27,600", and "$32,000", respectively.

(e)(1) Section 221(d)(4)(ii) of such Act is amended by striking out "$9,200", "$12,937.50", "$15,525", "$19,550", and "$22,137.50" in the matter preceding the first semicolon and inserting in lieu thereof "$12,300", "$17,188", "$20,525", "$24,700", and "$29,038", respectively.

(2) Section 221(d)(4)(ii) of such Act is further amended by striking out "$10,525", "$15,525", "$18,400", "$23,000", and "$26,162.50" in the matter following the first semicolon and inserting in lieu thereof "$13,975", "$20,025", "$24,350", "$31,500", and "$34,578", respectively.

(f)(1) Section 231(c)(2) of such Act is amended by striking out "$8,800", "$12,375", "$14,850", "$18,700", and "$21,175" in the matter preceding the first semicolon and inserting in lieu thereof "$12,300", "$17,188", "$20,525", "$24,700", and "$29,038", respectively.

(2) Section 231(c)(2) of such Act is further amended by striking out "$10,450", "$14,850", $17,600", "$22,000", and $25,025" in the matter following the first semicolon and

inserting in lieu thereof "$13,975", "$20,025", "$24,350", "$31,500", and "$34,578", respectively.

(g)(1) Section 234(c)(3) of such Act is amended by striking out "$9,900", "$13,750", "$16,500", "$20,350", and "$23,100" in the matter preceding the first proviso and inserting in lieu thereof "$13,000", "$18,000", "$21,500", "$26,500", and "$30,000", respectively.

(2) Section 234(e)(3) of such Act is further amended by striking out "$11,550", "$16,500", "$19,800", "$24,750", and "$28,050" in the first proviso and inserting in lieu thereof "$15,000", "$21,000", "$25,750", "$32,250", and "$36,465", respectively.

ELIMINATION OF PROJECT MORTGAGE DOLLAR LIMITS

SEC. 304. (a)(1) Section 207(c) of the National Housing Act is amended by striking out paragraph (1).

(2) Section 207(c)(3) of such Act is amended by striking out "or $1,000,000 per mortgage for trailer courts or parks".

(b) Section 213(b) of such Act is amended by striking out paragraph (1).

(c) Section 213(c) of such Act is amended by striking out "not to exceed $12,500,000 and".

(d) Section 220(d)(3)(B) of such Act is amended by striking out clause (1).

(e) Section 221(d) of such Act is amended—

(1) by striking out clause (i) in paragraph (3); and

(2) by striking out clause (i) in paragraph (4).

(f) Section 231(c) of such Act is amended by striking out paragraph (1).

(g) Section 232(d)(2) of such Act is amended by striking out "not to exceed $12,500,000, and".

(h) Section 234(e) of such Act is amended by striking out paragraph (1).

(i) Section 242(d)(2) of such Act is amended by striking out "not to exceed $50,000,000, and".

(j)(1) Section 810(f) of such Act is amended by striking out "(1) not to exceed $5,000,000 or (2)".

(2) Section 810(g) of such Act is amended by striking out "not to exceed $5,000,000 and".

(k) Section 1002(c) of such Act is amended by striking out the second sentance.

(l) Section 1101(c) of such Act is amended by striking out paragraph (1).

ENERGY CONSERVATION

SEC. 305. Title V of the National Housing Act (as amended by section 301 of this Act) is amended by adding at the end thereof the following new section:

"ENERGY CONSERVATION

"SEC. 526. To the maximum extent feasible, the Secretary of Housing and Urban Development shall promote the use of energy saving techniques through minimum property standards established by him for newly constructed residential housing subject to mortgages insured under this Act."

COMPENSATION FOR DEFECTS

SEC. 306. Section 518(b) of the National Housing Act is amended to read as follows:

"(b) The Secretary is authorized to make expenditures to correct, or to reimburse the owner for the correction of, structural or other major defects which so seriously effect use and livability as to create a serious danger to the life or safety of inhabitants of any one or two family dwelling which is covered by a mortgage insured under section 235 of this Act or which is located in an older, declining urban area and is covered by a mortgage insured under section 203 or 221 on or after August 1, 1968, but prior to January 1, 1973, and which is more than one year old on the date of the issuance of the insurance commitment, if (1) the owner requests assistance from the Secretary not later than one year after the insurance of the mortgage, or, in the case of a dwelling covered by a mortgage insured under section 203 or 221 the insurance commitment for which was issued on or after August 1, 1968, but prior to January 1, 1973, not more than one year after the date of enactment of the Housing and Community Development Act of 1974, and (2) the defect is one that existed on the date of the issuance of the insurance commitment and is one that a proper inspection could reasonably be expected to disclose. The Secretary may require from the seller of any such dwelling an agreement to reimburse him for any payments made pursuant to this subsection with respect to such dwelling. Expenditures pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund."

CO-INSURANCE

SEC. 307. Title II of the National Housing Act is amended by adding at the end thereof the following new section:

"CO-INSURANCE

"SEC. 244. (a) In addition to providing insurance as otherwise authorized under this Act, and notwithstanding any other provision of this Act inconsistent with this section, the Secretary, upon request of any mortgagee and for such mortgage insurance premium as he may prescribe (which premium, or other charges to be paid by the mortgagor, shall not exceed the premium, or other charges, that would otherwise be applicable), may insure and make a commitment to insure under any provision of this title any mortgage, advance, or loan otherwise eligible under such provision, pursuant to a co-insurance contract providing that the mortgagee will—

"(1) assume 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 10 per centum, subject to any reasonable limit or limits on the liability of the mortgagee 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.

"(b) No insurance shall be granted pursuant to this section with respect to dwellings or projects approved for insurance prior to the beginning of construction unless the inspection of such construction is conducted in accordance with at least the minimum standards and criteria used with respect to dwellings or projects approved for mortgage insurance pursuant to other provisions of this title.

"(c) No insurance shall be granted pursuant to this section unless the Secretary has, after due consultation with the mortgage lending industry, determined that the demonstration program of co-insurance authorized by this section will not disrupt the mortgage market or reduce the availability of mortgage credit to borrowers who depend upon mortgage insurance provided under this Act.

"(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 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 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:

"(1) mortgages and loans covering one- to four-family dwellings; and

"(2) mortgages and loans covering projects with five or more dwelling units.

"(e) The Secretary shall not withdraw, deny, or delay insurance otherwise authorized under any other provision of this Act by reason of the availability of insurance pursuant to this section. The Secretary shall exercise his authority under this section only to the extent that he finds that the continued exercise of such authority will not adversely affect the flow of mortgage credit to older and declining neighborhoods and to the purchasers of older and lower cost housing.

"(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."

EXPERIMENTAL FINANCING

SEC. 308. Title II of the National Housing Act (as amended by section 307 of this Act) is amended by adding at the end thereof the following new section:

"EXPERIMENTAL FINANCING

"SEC. 245. The Secretary may insure on an experimental basis under any provision of this title mortgages and loans with provisions of varying rates of amortization corresponding to anticipated variations in family income to the extent he determines such mortgages or loans (1) have promise for expanding housing opportunities or meet special needs, (2) can be developed to include any safeguards for mortgagors or purchasers that may be necessary to offset special risks of such mortgages, and (3) have a potential for acceptance in the private market. The outstanding aggregate principle amount of mortgages which are insured pursuant to this section may not exceed 1 per centum of the outstanding aggregate principle amount of mortgages and loans estimated to be insured during any fiscal year under this title. A mortgage or loan may not be insured pursuant to this section after June 30, 1976, except pursuant to a commitment entered into prior to such date."

PROPERTY IMPROVEMENT AND MOBILE HOME LOANS

SEC. 309. (a) Section 2(b) of the National Housing Act is amended—

(1) by striking out "$5,000" in clause (1) and inserting in lieu thereof "$10,000";

(2) by striking out "if such obligation" in clause (2) and all that follows down through "the general economy, and" and inserting in lieu thereof the following: "if such obligation has a maturity in excess of twelve years and thirty-two days, except that";

(3) by striking out "twelve years and thirty-two days (fifteen years and thirty-two

days in the case of a mobile home composed of two or more modules)" in the proviso in clause (2) and inserting in lieu thereof "fifteen years and thirty-two days"; and

(4) by striking out "$15,000", "$2,500", and "seven years" in the third proviso in clause (3) and inserting in lieu thereof $25,000", "$5,000", and "twelve years", respectively.

(b) (1) Section 2(a) of such Act is amended by adding at the eend thereof the following new paragraph:

"Alterations, repairs, and improvements upon or in connection with existing structures may include the provision of fire safety equipment, energy conserving improvements, or the installation of solar energy systems. As used in this section—

"(1) the term 'fire safety equipment' means any device or facility which is designed to reduce the risk of personal injury or property damage resulting from fire and is in conformity with such criteria and standards as shall be prescribed by the Secretary;

"(2) the term 'energy conserving improvements' means any addition, alteration, or improvement to an existing or new structure which is designed to reduce the total energy requirements of that structure, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary in consultation with the National Bureau of Standards; and

"(3) the term 'solar energy system' means any addition, alteration, or improvement to an existing or new structure which is designed to utilize solar energy to reduce the energy requirements of that structure from other energy sources, and which is in conformity with such criteria and standards as shall be prescribed by the Secretary in consultation with the National Bureau of Standards."

(2) The first sentence of section 2(a) of such Act is amended by inserting before the period at the end thereof the following: "or financing the purchase of a lot on which to place such home and paying expenses reasonably necessary for the appropriate preparation of such lot, including the installation of utility connections, sanitary facilities, and paving, and the construction of a suitable pad, or financing only the acquisition of such a lot either with or without such preparation by an owner of a mobile home.".

(3) Section 2(b) of such Act is amended by adding at the end thereof the following new sentence: "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.".

(c) Clause (1) in the first paragraph of section 2(a) of such Act is amended by inserting "or mobile homes" immediately after "in connection with existing structures".

(d) Section 2(b) of such Act (as amended by subsection (b)(3) of this section) is amended by adding at the end thereof the following new paragraphs:

"Notwithstanding the limitations contained in the first proviso to clause (2) of the preceding sentence, a loan financing the purchase of a mobile home and an undeveloped lot on which to place the home shall—

"(A) involve an amount not exceeding (i) the maximum amount under clause (1) of the first paragraph of this subsection, and (ii) such amount not to exceed $5,000 as may be necessary to cover the cost of purchasing the lot; and

"(B) have a maturity not exceeding fifteen years and thirty-two days (twenty years and thirty-two days in the case of a mobile home composed of two or more modules).

"A loan financing the purchase of a mobile home and a suitably developed lot on which to place the home shall—

"(A) involve an amount not exceeding (i) the maximum amount under clause (1) of the first paragraph of this subsection, and (ii) such amount not to exceed $7,500 as may be necessary to cover the cost of purchasing the lot; and

"(B) have a maturity not exceeding fifteen years and thirty-two days (twenty years and thirty-two days in the case of a mobile home composed of two or more modules).

"A loan financing the purchase, by an owner of a mobile home which is the principal residence of that owner, of only a lot on which to place that mobile home shall—

"(A) involve such an amount as may be necessary to cover the cost of purchasing the lot but not exceeding (i) $5,000 in the case of an undeveloped lot, or (ii) $7,500 in the case of a developed lot; and

"(B) have a maturity not exceeding ten years and thirty-two days.

A mobile home lot loan may be made only if the owner certifies that he will place his mobile home on the lot acquired with such loan within six months after the date of such loan."

(e) The last sentence of section 2(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes," approved May 7, 1968, as amended (12 U.S.C. 1709–1), is amended by striking out ", and which represent loans and advances of credit made for the purpose of financing purchases of mobile homes,".

DOWNPAYMENT REQUIREMENTS FOR REGULAR FHA ONE- TO FOUR-FAMILY MORTGAGES

SEC. 310. (a) The first and second sentences of section 203(b)(2) of the National Housing Act are each amended—

(1) by striking out "$15,000" in clause (i) and inserting in lieu thereof "$25,000".

(2) by striking out "$15,000" and "$25,000" in clause (ii) and inserting in lieu thereof "$25,000" and "$35,000", respectively; and

(3) by striking out "$25,000" in clause (iii) and inserting in lieu thereof "$35,000".

(b) Section 220(d)(3)(A)(i) of such Act is amended by—

(1) by striking out "$15,000" in each clause numbered (1) and inserting in lieu thereof "$25,000";

(2) by striking out "$15,000" and "$25,000" in each clause numbered (2) and inserting in lieu thereof "$25,000" and "$35,000", respectively; and

(3) by striking out "$25,000" in each clause numbered (3) and inserting in lieu thereof "$35,000".

(c) Section 222(b)(3) of such Act is amended to read as follows:

"(3) have a principal obligation not in excess of the sum of (i) 97 per centum of $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of $25,000 but not in excess of $35,000, and (iii) 80 per centum of such value in excess of $35,000; and".

(d) That part of clause (A) of the third sentence of section 234(c) of such Act which begins "and not to exceed" is amended to read as follows "and not to exceed the sum of (i) 97 per centum of $25,000 of the appraised value of the property as of the date the mortgage is accepted for insurance, (ii) 90 per centum of such value in excess of $25,000 but not in excess of $35,000, (iii) 80 per centum of such value in excess of $35,000".

MULTIFAMILY MORTGAGES

SEC. 311. (a) Section 223 of the National Housing Act is amended by adding at the end thereof the following new subsections:

"(f) Notwithstanding any of the provisions of this Act, the Secretary is authorized, in his discretion, to insure under any section of this title a mortgage executed in connection with the purchase or refinancing of an existing multifamily housing project. In the case of refinancing under this subsection of property located in an older, declining urban area, the Secretary shall prescribe such terms and conditions as he deems necessary to assure that—

"(1) the refinancing is used to lower the monthly debt service only to the extent necessary to assure the continued economic viability of the project, taking into account any rent reductions to be implemented by the mortgagor; and

"(2) during the mortgage term no rental increases shall be made except those which are necessary to offset actual and reasonable operating expense increases or other necessary expense increases approved by the Secretary.

"(g) Notwithstanding any other provisions of this Act, the Secretary may, in his discretion, insure a mortgage covering a multifamily housing project including units which are not self-contained."

(b) Section 213(b)(2) of such Act is amended by striking out "97 per centum" and inserting in lieu thereof "98 per centum".

GROUP PRACTICE FACILITIES

SEC. 312. (a) Title XI of the National Housing Act is amended—

(1) by inserting after "unit or organization" in section 1101(b)(1) the following: "or other mortgagor";

(2) by inserting after "group practice facility" in section 1101(b)(3) the following: "or medical practice facility";

(3) by inserting after "group practice facility" in section 1101(e) the following: "or medical practice facility";

(4) by inserting after "group practice facility" in section 1101(f) the following: "or medical practice facility";

(5) by striking out in "(as defined in section 1106(1))" section 1105(a) and inserting in lieu thereof "or medical practice facility (as defined in section 1106)"; and

(6) by redesignating paragraphs (2) through (8) of section 1106 as paragraphs (3) through (9), respectively, and by inserting after paragraph (1) of such section the following:

"(2) The term 'medical practice facility' means an adequately equipped facility in which not more than four persons licensed to practice medicine in the State where the facility is located can provide, as may be appropriate, preventive, diagnostic, and treatment services, and which is situated in a rural area or small town, or in a low-income section of an urban area, in which there exists, as determined by the Secretary, a critical shortage of physicians. As used in this paragraph—

"(A) the term 'small town' means any town, village, or city having a population of not more than 10,000 inhabitants according to the most recent available data compiled by the Bureau of the Census; and

"(B) the term 'low-income section of an urban area' means a section of a larger urban area in which the median family income is substantially lower, as determined by the Secretary, than the median family income for the area as a whole."

(b) Section 1106 of such Act is amended as follows:

(1) Paragraph (1) is amended by inserting "or osteopathy" after "practice medicine" and by inserting after "State" where it last appears the following: ", or, in the case of podiatric care or treatment, is under the professional supervision of persons licensed to practice podiatry in the State".

(2) Paragraph (2) (as redesignated by subsection (a)(6) of this section) is amended by inserting ", osteopathy," after

practice medicine", and by inserting after "dentistry in the State," the following: "or of persons licensed to practice podiatry in the State,".

(3) Paragraph (3)(A) (as so redesignated) is amended by inserting "osteopathic care," after "comprehensive medical care,", by striking out "or" after "optometric care,", and by inserting after "dental care," the following: "or podiatrice care,".

(4) Paragraph (3)(B) (as so redesignated) is amended by inserting "ostcopathic,", after "medical,", by striking out "or" after "optometric,, and by inserting after "dental' the following:" or podiatric".

SUPPLEMENTAL LOANS

SEC. 313. Section 241 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(d) Notwithstanding the foregoing, the Secretary may insure a loan for improvements or additions to a multifamily housing project, or a group practice or medical practice facility or hospital or other health facility approved by the Secretary, which is not covered by a mortgage insured under this Act, if he finds that such a loan would assist in preserving, expanding, or improving housing opportunities, or in providing protection against fire or other hazards. Such loans shall have a maturity satisfactory to the Secretary and shall meet such other conditions as the Secretary may prescribe. In no event shall such a loan be insured if it is for an amount in excess of the maximum amount which could be approved if the outstanding indebtedness, if any, covering the property were a mortgage insured under this Act."

MORTGAGE INSURANCE FOR LAND DEVELOPMENT

SEC. 314. The first sentence of section 1002 (c) of the National Housing Act is amended to read as follows: "The principal obligation of the mortgage shall not exceed the sum of 80 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the cost of such development.".

SALES TO COOPERATIVES

SEC. 315. Title II of the National Housing Act (as amended by sections 307 and 308 of this Act) is amended by adding at the end thereof the following:

"SALE OF ACQUIRED PROPERTY TO COOPERATIVES

"SEC. 246. In any case in which the Secretary sells a multifamily housing project acquired as the result of a default on a mortgage which was insured under this Act to a cooperative which will operate it on a nonprofit basis and restrict permanent occupancy of its dwellings to members, the Secretary may accept a purchase money mortgage in a principal amount equal to the sum of (1) the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis after payment of all operating expenses, taxes, and required reserves, and (2) the amount of prepaid expenses and costs involved in achieving cooperative ownership. Prior to such disposition of a project, funds may be expended by the Secretary for necessary repairs and improvements."

EXTENSION OF REGULAR FHA INSURANCE PROGRAMS

SEC. 316. (a) Section 2(a) of the National Housing Act is amended by striking out "October 1, 1974" in the first sentence and inserting in lieu thereof "June 30, 1977".

(b) Section 217 of such Act is amended by striking out "October 1, 1974" and inserting in lieu thereof "June 30, 1977".

(c) Section 221(f) of such Act is amended by striking out "October 1, 1974" in the fifth sentence and inserting in lieu thereof "June 30, 1977".

(d) Section 809(f) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

(e) Section 810(k) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

(f) Section 1002(a) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

(g) Section 1101(a) of such Act is amended by striking out "October 1, 1974" in the second sentence and inserting in lieu thereof "June 30, 1977".

EXTENSION OF FLEXIBLE INTEREST RATE AUTHORITY

SEC. 317. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, as amended (12 U.S.C. 1709–1), is amended by striking out "October 1, 1974" and inserting in lieu thereof "June 30, 1977".

MORTGAGE INSURANCE IN MILITARY IMPACTED AREAS

SEC. 318. Section 238 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(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."

AMENDMENT TO MAKE PUBLIC HOUSING AGENCIES ELIGIBLE AS MORTGAGORS UNDER SECTION 221(d)(3) OF THE NATIONAL HOUSING ACT

SEC. 319. (a) Section 221(d)(3) of the National Housing Act is amended by striking out "(and which certifies that it is not receiving financial assistance from the United States exclusively pursuant to the United States Housing Act of 1937)" and inserting in lieu thereof "(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)".

(b) With respect to any obligation secured by a mortgage which is insured under section 221(d)(3) of the National Housing Act and issued by a public agency as mortgagor in connection with the financing of a project assisted under section 8 of the United States Housing Act of 1937, the interest paid on such obligation shall be included in gross income for purposes of chapter 1 of the Internal Revenue Code of 1954.

TITLE IV—COMPREHENSIVE PLANNING

COMPREHENSIVE PLANNING

SEC. 401. (a) Section 701(a) of the Housing Act of 1954 is amended—

(1) by striking out "State planning agencies" in paragraph (1) and inserting in lieu thereof "States";

(2) by striking out the numbered paragraphs following paragraph (1) and inserting in lieu thereof the following:

"(2) States for State, interstate, metropolitan, district, or regional activities which may be assisted under this section;

"(3) cities (including the District of Columbia) having populations of at least 50,000 according to the latest decennial census for local activities which may be assisted under this section;

"(4) urban counties as defined under title I of the Housing and Community Development Act of 1974;

"(5) the areawide organization in any metropolitan area which is formally charged with carrying out the provisions of section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 and section 401 of the Intergovernmental Cooperation Act of 1968: *Provided*, That any such areawide organization, to the extent practicable, shall be composed of or responsible to the elected officials of the unit or units of general local government for the jurisdictions of which they are empowered to carry out the provisions of such Acts;

"(6) Indian tribal groups or bodies; and

"(7) other governmental units or agencies having special planning needs related to the purposes of this section, including but not limited to interstate regional planning commissions, and units or agencies for disaster areas, federally impacted areas, and local development districts, to the extent these needs cannot otherwise be adequatley met."; and

(3) by striking out the part which follows the numbered paragraphs and inserting in lieu thereof the following:

"Activities assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense."

(b) Section 701 of such Act is further amended by striking out all that follows subsection (a) and inserting in lieu thereof the following:

"(b) Activities which may be assisted under this section include those necessary (1) to develop and carry out a comprehensive plan as part of an ongoing planning process, (2) to develop and improve the management capability to implement such plan or part thereof or related plans or planning, and (3) to develop a policy-planning-evaluation capacity so that the recipient may more rationally (A) determine its needs, (B) set long-term goals and short-term objectives, (C) devise programs and activities to meet these goals and objectives, and (D) evaluate the progress of such programs in accomplishing those goals and objectives. Activities assisted under this section shall be carried out by professionally competent persons.

"(c) Each recipient of assistance under this section shall carry out an ongoing comprehensive planning process which shall make provision for citizen participation pursuant to regulations of the Secretary where major plans, policies, priorities, or objectives are being determined. The process shall involve development and subsequent modifications of a comprehensive plan which shall be reviewed at least biennially for necessary or desirable amnedments. Any such plan

shall include, as a minimum, each of the following elements:

"(1) A housing element which shall take into account all available evidence of the assumptions and statistical bases upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective population growth. The development and formulation of State and local goals pursuant to title XVI of the Housing and Urban Development Act of 1968 shall be a part of such a housing element.

"(2) A land-use element which shall include (A) studies, criteria, standards, and implementing procedures necessary for effectively guiding and controlling major decisions as to where growth shall take place within the recipient's boundaries, and (B) as a guide for governmental policies and activities, general plans with respect to the pattern and intensity of land use for residential, commercial, industrial, and other activities.

Each of the elements set forth above shall specify (i) broad goals and annual objectives (in measurable terms wherever possible), (ii) programs designed to accomplish these objectives, and (iii) procedures, including criteria set forth in advance, for evaluating programs and activities to determine whether they are meeting objectives. Such elements shall be consistent with each other and consistent with stated national growth policy.

"(d) After an initial application for assistance under this section has been approved, the Secretary may make grants on an annual basis, if—

"(1) the applicant submits to the Secretary annually a description of its work program designed to meet objectives for the next succeeding one-year period and setting forth any changes the applicant intends to undertake to achieve better progress; and

"(2) the applicant submits to the Secretary biennially (A) an evaluation of the progress made by it during the previous two years in meeting objectives set forth in its plan, and (B) a description of any changes in the plan's goals or objectives.

The Secretary shall make no grant after three years from the date of enactment of the Housing and Community Development Act of 1974, to any applicant (other than an applicant described in paragraph (6) or (7) of subsection (a)), unless the Secretary is satisfied that the comprehensive planning being carried out by the applicant includes the elements specified in paragraphs (1) and (2) of subsection (c).

"(e) A grant made under this section shall not exceed two-thirds of the estimated cost of the work for which the grant is made. There are authorized to be appropriated for the purposes of this section not to exceed $130,000,000 the fiscal year 1975, and not to exceed $150,000,000 for the fiscal year 1976. Of the funds appropriated under this section, not to exceed an aggregate of $10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

"(f) It is the further intent of this section to encourage comprehensive planning on a unified basis for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized by contract, grant, or otherwise to provide technical assistance to State and local governments and interstate and regional combinations thereof, to Indian tribal bodies, and to governmental units or agencies described in subsection (a)(7), undertaking such planning and, by contract or otherwise, to make studies and publish information on comprehensive planning and related management problems.

"(g) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, cooperative effort and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

"(h) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district involved for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional nad district plans and programs, and engage in such other activities, including implementation of such plans, as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities and the general improvement of living environments.

"(i) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in the locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced an effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall be made to the appropriate agency or entity specified in paragraphs (1) through (6) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

"(j) Grants made under this section may be used, subject to regulations and conditions prescribed by the Secretary, for any activities made eligible by the provisions of this section; but such regulations shall provide that grant assistance shall not be used to defray the cost of the acquisition, construction, repair, or rehabilitation of, or the preparation of engineering drawings or similar detailed specifications for, specific housing, capital facilities, or public works projects.

"(k) The Secretary shall consult with the heads of other Federal departments and agencies having responsibilities related to the purposes of this section, including responsibilities connected with the economic development of rural and depressed areas and the protection and enhancement of the Nation's natural environment, with respect to (1) general standards, policies, and procedures to be followed in the administration of this section, and (2) particular grant actions or approvals which the Secretary believes to be of special interest or concern to one or more of such departments and agencies.

"(l) Funds made available under any Federal assistance program for projects or activities, approved as part of or in furtherance of a planning program or related management activities assisted under this section, may be used jointly with funds made available for such projects or activities under any other Federal assistance program, subject to regulations prescribed by the President. Such regulations may include provisions for common technical or administrative requirements where varying or conflicting provisions of law or regulations would otherwise apply, for establishing joint management funds and common non-Federal shares, and for special agreements or delegations of authority, among different Federal agencies in connection with the supervision or administration of assistance. Such regulations shall in any case include appropriate criteria and procedures to assure that any special authorities conferred, which are not otherwise provided for by law, shall be employed only as necessary to promote effective and efficient administration and in a manner consistent with the protection of the Federal interest and program purposes or statutory requirements of a substantive nature. For purposes of this subsection, the term 'Federal assistance program' has the same meaning as in the Intergovernmental Cooperation Act of 1968.

"(m) As used in this section—

"(1) The term 'metropolitan area' means a standard metropolitan statistical area, as established by the Office of Management and Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

"(2) The term 'region' includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.

"(3) The term 'district' includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

"(4) The term 'comprehensive planning' includes the following:

"(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other governmental services, and (iii) the effective development and utilization of human and natural resources;

"(B) identification and evaluation of area needs (including housing, employment, education, and health) and formulation of specific programs for meeting the needs so identified;

"(C) surveys of structures and sites which are determined by the appropriate authorities to be of historic or architectural value;

"(D) long-range physical and fiscal plans for such action;

"(E) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definite financing plans for such expenditures in the earlier years of the program;

"(F) coordination of all related plans and activities of the State and local governments and agencies concerned; and

"(G) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist contractors or subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them. The limitation set forth in the preceding sentence shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

"(n) In carrying out the provisions of this section relating to planning for States, regions, or other multijurisdictional areas whose development has significance for purposes of national growth and urban development objectives, the Secretary shall encourage the formulation of plans and programs which will include the studies, criteria, standards, and implementing procedures necessary for effectively guiding and controlling major decisions as to where growth should take place within such States, regions, or areas. Such plans and programs shall take account of the availability of and need for conserving land and other irreplaceable natural resources; of projected changes in size, movement, and composition of population; of the necessity for expanding housing and employment opportunities; of the opportunities, requirements, and possible locations for new communities and large-scale projects for expanding or revitalizing existing communities; and of the need for methods of achieving modernization, simplification, and improvements in governmental structures, systems, and procedures related to growth objectives. If the Secretary determines that activities otherwise eligible for assistance under this section are necessary to the development or implementation of such plans and programs, he may make grants in support of such activities to any governmental agency or organization of public officials which he determines is capable of carrying out the planning work involved in an effective and efficient manner and may make such grants in an amount equal to not more than 80 per centum of the cost of such activities."

(c) Section 703 of such Act is amended by striking out "and" in clause (1), and by inserting ", and the Trust Territory of the Pacific Islands" immediately before the semicolon at the end of such clause.

TRAINING AND FELLOWSHIP PROGRAMS

SEC. 402. (a) Section 801(b) of the Housing and Urban Development Act of 1964 is amended to read as follows:

"(b) It is the purpose of this title to provide fellowships for the graduate training of professional city and regional planning, management, and housing specialists, and professionally trained personnel with a general capacity in urban affairs and problems; to make grants to and contracts with institutions of higher education (or combinations of such institutions) to assist them in planning, developing, strengthening, improving, or carrying out programs or projects for the preparation of graduate or professional students to enter the public service; and to assist and encourage the States and localities, in cooperation with public and private universities and colleges and urban centers and with business firms and associations, labor unions, and other interested associations and organizations, to (1) organize, initiate, develop, and expand programs which will provide special training in skills needed for economic and efficient community development to those technical, professional, and other persons with the capacity to master and employ such skills who are, or are training to be, employed by a governmental or public body which has responsibility for community development, or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs, and (2) support State and local research that is needed in connection with housing programs and needs, public improvement programing, code problems, efficient land use, urban transportation, and similar community development problems."

(b) Section 802(a) of such Act is amended to read as follows:

"(a) The Secretary is authorized to provide fellowships for the graduate training of professional city planning, management, and housing specialists, and other persons who wish to develop a general capacity in urban affairs and problems as herein provided. Persons shall be selected for such fellowships solely on the basis of ability and upon the recommendation of the Urban Studies Fellowship Advisory Board established pursuant to subsection (b). Fellowships shall be solely for training in public and private nonprofit institutions of higher education having programs of graduate study in the field of city planning or in related fields (including architecture, civil engineering, economics, municipal finance, public administration, urban affairs, and sociology) which programs are oriented to training for careers in city and regional planning, housing, urban renewal, and community development."

(c) Title VIII of such Act is further amended (1) by redesignating sections 804 through 807 as sections 805 through 808, respectively, and (2) by inserting after section 803 a new section as follows:

"PROJECT GRANTS AND CONTRACTS

"SEC. 804. (a) The Secretary is authorized to make grants to or contracts with institutions of higher education, or combinations of such institutions, to assist them in planning, developing, strengthening, improving, or carrying out programs or projects (1) for the preparation of graduate or professional students in the fields of city and regional planning and management, housing, and urban affairs, or (2) for research into, or development or demonstration of, improved methods of education for these professions. Such grants or contracts may include payment of all or part of the cost of programs or projects.

"(b) (1) A grant or contract authorized by this section shall be made only upon application to the Secretary at such time or times and containing such information as he may prescribe, except that no such application shall be approved unless it—

"(A) sets forth programs, activities, research, or development for which a grant is authorized under this section;

"(B) provides for such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for Federal funds paid to the applicant under this subsection; and

"(C) provides for making such reports, in such form and containing such information, as the Secretary may require to carry out his functions under this subsection, and for keeping such records and for affording such access thereto as the Secretary may find necessary to assure the correctness and verification of such reports.

"(2) Payments under this section may be used, in accordance with regulations of the Secretary, and subject to the terms and conditions set forth in an application approved under paragraph (1), to pay part of the compensation of students employed in professions referred to in subsection (a)(1), except students employed in any branch of the Government of the United States, as part of a program for which a grant has been approved pursuant to this subsection."

(d) Section 807 of such Act (as redesignated by subsection (c) of this section) is amended by inserting before the period at the end of the first sentence a comma and the following: "which amount shall be increased by $3,500,000 on July 1, 1974, and by $3,500,000 on July 1, 1975".

TITLE V—RURAL HOUSING

INCLUSION OF UNITED STATES TERRITORIES AND TRUST TERRITORY OF THE PACIFIC ISLANDS

SEC. 501. Section 501(a)(1) of the Housing Act of 1949 is amended by striking out "Puerto Rico and the Virgin Islands" and inserting in lieu thereof the following: "the Commonwealth of Puerto Rico, the Virgin Islands, the territories and possessions of the United States, and the Trust Territory of the Pacific Islands".

REFINANCING OF INDEBTEDNESS FOR CERTAIN ELIGIBLE APPLICANTS

SEC. 502. Section 501(a)(4) of the Housing Act of 1949 is amended—

(1) by adding after the comma at the end of clause (B) the following: "or, if combined with a loan for improvement, rehabilitation, or repairs and not refinanced, is likely to cause a hardship for the applicant, and"; and

(2) by striking out clauses (C) and (D) and inserting in lieu thereof the following:

"(C) was incurred by the applicant at least five years prior to his applying for assistance under this title."

LOANS TO LEASEHOLD OWNERS UNDER ALL RURAL HOUSING PROGRAMS

SEC. 503. Section 501(b)(2) of the Housing Act of 1949 is amended by striking out "sections 502 and 504" and inserting in lieu thereof "this title".

REHABILITATION LOANS AND GRANTS

SEC. 504. Section 504(a) of the Housing Act of 1949 is amended to read as follows:

"(a) In the event the Secretary determines that an eligible applicant cannot qualify for a loan under the provisions of sections 502 and 503 and that repairs or improvements should be made to a rural dwelling occupied by him in order to make such dwelling safe and sanitary and remove hazards to the health of the occupant, his family, or the community, and that repairs should be made to farm buildings in order to remove hazards and make such buildings safe, the Secretary may make a grant or a combined loan and grant to the applicant to cover the cost of improvements or additions, such as repairing roofs, providing toilet facilities, providing a convenient and sanitary water supply, supplying screens, repairing or providing structural supports, or making similar repairs, additions, or improvements, including all preliminary and installation costs in obtaining central water and sewer service. No assistance shall be extended to any one individual under this subsection in the form of a loan, grant, or combined loan and grant in excess of $5,000. Any portion of the sums advanced to the borrower treated as a loan shall be secured and be repayable within twenty years in accordance with the princi-

ples and conditions set forth in this title, except that a loan for less than $2,500 need be evidenced only by a promissory note. Sums made available by grant may be made subject to the conditions set forth in this title for the protection of the Government with respect to contributions made on loans made by the Secretary.".

ESCROW ACCOUNTS FOR TAXES, INSURANCE, AND OTHER EXPENSES

SEC. 505. (a) Section 501 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

"(e) The Secretary may establish procedures whereby borrowers under this title may make periodic payments for the purpose of taxes, insurance, and such other necessary expenses as the Secretary may deem appropriate. Such payments shall be held in escrow by the Secretary and paid out by him at the appropriate time or times for the purposes for which such payments are made. The Secretary shall notify a borrower in writing when his loan payments are delinquent.".

(b) The second sentence of section 502(a) of such Act is amended by inserting before the period at the end thereof the following: "and on the borrower prepaying to the Secretary as escrow agent, on terms and conditions prescribed by him, such taxes, insurance, and other expenses as the Secretary may require in accordance with section 501 (e)".

(c) Section 517 of such Act is amended—

(1) by striking out "as it becomes due" in the first sentence of subsection (d);

(2) by striking out "prepayment" and "prepayments" each place they appear in subsection (j)(1) and inserting in lieu thereof "payment" and "payments", respectively; and

(3) by inserting before the semicolon at the end of subsection (j)(1) the following: "or until the next agreed annual or semiannual remittance date".

RESEARCH AND STUDY PROGRAMS

SEC. 506. (a) Section 506(d) of the Housing Act of 1949 is amended to read as follows:

"(d) The Secretary may carry out the research and study programs authorized by subsections (b) and (c) through grants made by him, on such terms, conditions, and standards as he may prescribe, to land-grant colleges established pursuant to the Act of July 2, 1862 (7 U.S.C. 301–308), or (upon a finding by the Secretary that the research and study involved cannot feasibly be performed through the personnel and facilities of the Department of Agriculture or by land-grant colleges) to such other private or public organizations as he may select.".

(b) Section 506(e) of such Act is amended by striking out "farm housing" each place it appears and inserting in lieu thereof "rural housing".

VETERANS PREFERENCE

SEC. 507. Section 507 of the Housing Act of 1949 is amended—

(1) by inserting after "concurrent resolution of Congress" each place it appears a comma and the following: "or during the period beginning after January 31, 1955, and ending on August 4, 1964, or during the Vietnam era (as defined in section 101(29) of title 38, United States Code),"; and

(2) by inserting "or era" before the period at the end of the third sentence.

UTILIZATION OF COUNTY COMMITTEES

SEC. 508. Section 508(b) of the Housing Act of 1949 is amended to read as follows:

"(b) The committees utilized or appointed pursuant to this section may examine applications of persons desiring to obtain the benefits of section 501(a) (1) and (2) as they related to the successful operation of a farm, and may submit recommendations to the Secretary with respect to each applicant as to whether the applicant is eligible to receive such benefits, whether by reason of his character, ability, and experience he is likely successfully to carry out undertakings required of him under a loan under such section, and whether the farm with respect to which the application is made is of such character that there is a reasonable likelihood that the making of the loan requested will carry out the purposes of this title. The committees may also certify to the Secretary with respect to the amount of any loan."

ASSISTANCE AUTHORIZATION

SEC. 509. (a) Clauses (b), (c), and (d) of section 513 of the Housing Act of 1949 are amended to read as follows: "(b) not to exceed $80,000,000 for loans and grants pursuant to section 504 during the period beginning July 1, 1956, and ending June 30, 1977; (c) not to exceed $80,000,000 for financial assistance pursuant to section 516 for the period ending June 30, 1977; (d) not to exceed $250,000 per year for research and study programs pursuant to subsections (b), (c), and (d) of section 506 during the period beginning July 1, 1961, and ending June 30, 1974, and not to exceed $1,000,000 per year for such programs during the period beginning October 1, 1974, and ending June 30, 1977;".

(b) Sections 515(b) (5) and 517(a) (1) of such Act are amended by striking out "October 1, 1974" and inserting in lieu thereof "June 30, 1977".

DIRECT AND INSURED LOANS TO PROVIDE HOUSING AND RELATED FACILITIES FOR ELDERLY PERSONS AND LOWER INCOME FAMILIES IN RURAL AREAS

SEC. 510. (a) Section 515(b)(1) of the Housing Act of 1949 is amended—

(1) by striking out "$750,000 or"; and

(2) by striking out "least" and inserting in lieu thereof "less".

(b) Section 515(d)(4) of such Act is amended to read as follows:

"(4) the term 'development cost' means the costs of constructing, purchasing, improving, altering, or repairing new or existing housing and related facilities and purchasing and improving the necessary land, including necessary and appropriate fees and charges, and initial operating expenses up to 2 per centum of the aforementioned costs, approved by the Secretary. Such fees and charges may include payments of qualified consulting organizations or foundations which operate on a nonprofit basis and which render services or assistance to nonprofit corporations or consumer cooperatives who provide housing and related facilities for low or moderate income families."

DEFINITION OF RURAL AREA

SEC. 511. Section 520 of the Housing Act of 1949 is amended by inserting before the period at the end thereof a comma and the following "or (3) has a population in excess of 10,000 but not in excess of 20,000, and (A) is not contained within a standard metropolitan statistical area, and (B) has a serious lack of mortgage credit, as determined by the Secretary and the Secretary of Housing and Urban Development".

MUTUAL AND SELF-HELP HOUSING

SEC. 512. (a) Section 523(b)(1) of the Housing Act of 1949 is amended by inserting immediately before "; and" at the end thereof the following: ": Provided, That the Secretary may advance funds under this paragraph to organizations receiving assistance under clause (A) to enable them to establish revolving accounts for the purchase of land options and any such advances may bear interest at a rate determined by the Secretary and shall be repaid to the Secretary at the expiration of the period for which the grant to the organization involved was made".

(b) Section 523(f) of such Act is amended—

(1) by striking out "1974" each place it appears and inserting in lieu thereof "1977"; and

(2) by striking out "$5,000,000" and inserting in lieu thereof "$10,000,000".

(c) Section 523 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary shall issue rules and regulations for the orderly processing and review of applications under this section and rules and regulations protecting the rights of grantees under this section in the event he determines to end grant assistance prior to the termination date of any grant agreement.".

SITE LOANS

SEC. 513. The first sentence of section 542 (a) of the Housing Act of 1949 is amended to read as follows: "The Secretary may make loans, on such terms and conditions and in such amounts he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, public agencies, and cooperatives eligible for assistance under any section of this title or under any other law which provides financial assistance for housing low- and moderate-income families.".

RENTAL ASSISTANCE

SEC. 514. (a) Section 521(a) of the Housing Act of 1949 is amended by inserting "(1)" after "(a)", and by adding at the end thereof the following new paragraph:

"(2)(A) The Secretary may make and insure loans under this section and sections 514, 515, and 517 to provide rental or cooperative housing and related facilities for persons and families of low income in multifamily housing projects, and may make, and contract to make, assistance payments to the owners of such rental housing in order to make available to low-income occupants of such housing rentals at rates commensurate to income and not exceeding 25 per centum of income. Such assistance payments shall be made on a unit basis and shall not be made for more than 20 per centum of the units in any one project, except that (i) when the project is financed by a loan under section 515 for elderly housing or by a loan under section 514 and a grant under section 516, such assistance may be made for up to 100 per centum of the units, and (ii) when the Secretary determines such action is necessary or feasible, he may make such payments with respect to more than 20 per centum of the units.

"(B) The owner of any project assisted under this paragraph shall be required to provide at least annually a budget of operating expenses and record of tenants' income which shall be used to determine the amount of assistance for each project.

"(C) The project owner shall accumulate, safeguard, and periodically pay to the Secretary any rental charges collected in excess of basic rental charges as established by the Secretary in conformity with subparagraph (A). These funds may be credited to the appropriation and used by the Secretary for making such assistance payments through the end of the next fiscal year."

(b) Section 521(c) of such Act is amended to read as follows:

"(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations (1) the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a)(1) exceed interest due from the borrowers during each year, and (2) the amount of assistance payments described in subsection (a)(2). The Secretary may from time to time issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed payments, pending the annual reimbursement by appropriation."

(c) Section 517(j) of such Act is amended—

(1) by striking out "and" at the end of paragraph (2);

(2) by striking out the period at the end of paragraph (3) and inserting in lieu thereof "; and"; and

(3) by adding at the end thereof the following new paragraph:

"(4) to make assistance payments authorized by section 521(a)(2)."

TECHNICAL AND SUPERVISORY ASSISTANCE

SEC. 515. Title V of the Housing Act of 1949 is amended by adding at the end thereof of the following new section:

"PROGRAMS OF TECHNICAL AND SUPERVISORY ASSISTANCE FOR LOW-INCOME FAMILIES

"SEC. 525. (a) The Secretary may make grants to or enter into contracts with public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the cost of developing, conducting, administering or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and families in benefiting from Federal, State, and local housing programs in rural areas. In processing applications for such grants or contracts made by private nonprofit corporations, agencies, institutions, organizations, and other associations, the Secretary shall give preference to those which are sponsored (including assistance to the applicant in processing the application, implementing the technical assistance program, and carrying out the obligations of the grant or contract) by a State, county, municipality, or other governmental entity or public body.

"(b) The Secretary is authorized to make loans to public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him for the necessary expenses, prior to construction, of planning, and obtaining financing for, the rehabilitation or construction of housing for low-income individuals or families under any Federal, State, or local housing program which is or could be used in rural areas. Such loans shall be made without interest and shall be for the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including but not limited to preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under such terms and conditions as he may require, upon completion of the housing or sooner, and may cancel any part or all of such loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

"(c) There are authorized to be appropriated for the fiscal years ending June 30, 1975, and June 30, 1976, not to exceed $5,000,000 for the purposes of subsection (a) and not to exceed $5,000,000 for the purposes of subsection (b). Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year.

"(d) All funds appropriated for the purpose of subsection (b) shall be deposited in a fund which shall be known as the low-income sponsor fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of that subsection. Sums received in repayment of loans made under subsection (b) shall be deposited in such fund.".

CONDOMINIUM HOUSING

SEC. 516. (a) Title V of the Housing Act of 1949 (as amended by section 515 of this Act) is amended by adding at the end thereof the following new section:

"CONDOMINIUM HOUSING

"SEC. 526. (a) The Secretary is authorized, in his discretion and upon such terms and conditions (substantially identical insofar as may be feasible with those specified in section 502) as he may prescribe, to make loans to persons and families of low or moderate income, and to insure and make commitments to insure loans made to persons and families of low or moderate income, to assist them in purchasing dwelling units in condominiums located in rural areas.

"(b) Any loan made or insured under subsection (a) shall cover a one-family dwelling unit in a condominium, and shall be subject to such provisions as the Secretary determines to be necessary for the maintenance of the common areas and facilities of the condominium project and to such additional requirements as the Secretary deems appropriate for the protection of the consumer.

"(c) In addition to individual loans made or insured under subsection (a) the Secretary is authorized, in his discretion and upon such terms and conditions (substantially identical insofar as may be feasible with those specified in section 515) as he may prescribe, to make or insure blanket loans to a borrower who shall certify to the Secretary, as a condition of obtaining such loan or insurance, that upon completion of the multifamily project the ownership of the project will be committed to a plan of family unit ownership under which (1) each family unit will be eligible for a loan or insurance under subsection (a), and (2) the individual dwelling units in the project will be sold only on a condominium basis and only to purchasers eligible for a loan or insurance under subsection (a). The principal obligation of any blanket loan made or insured under this subsection shall in no case exceed the sum of the individual amounts of the loans which could be made or insured with respect to the individual dwelling units in the project under subsection (a).

"(d) As used in this section, the term 'condominium' means a multiunit housing project which is subject to a plan of family unit ownership acceptable to the Secretary under which each dwelling unit is individually owned and each such owner holds an undivided interest in the common areas and facilities which serve the project."

(b) Section 517(b) of such Act is amended by striking out "and 524" and inserting in lieu thereof "524, and 526".

(c)(1) Section 521(a)(1) of such Act (as amended by section 514(a) of this Act) is amended—

(A) by striking out "and loans under section 515" and inserting in lieu thereof "loans under section 515"; and

(B) by inserting after "elderly families," the following: "and loans under section 526 to provide condominium housing for persons and families of low or moderate income,".

(2) Section 521(b) of such Act is amended—

(A) by striking out "or 517(a)(1)" and inserting in lieu thereof ", 517(a)(1), or 526(a)"; and

(B) by inserting "or 526(c)" after "under section 515".

(3) Section 521(c) of such Act (as amended by section 514(b) of this Act) is amended by inserting "and section 526" after "section 517(h)".

TRANSFER OF PRE-1965 INSURED HOUSING LOANS TO THE RURAL HOUSING INSURANCE FUND

SEC. 517. Section 517(b) of the Housing Act of 1949 is amended by adding at the end thereof the following new sentences: "The notes held in the Agricultural Credit Insurance Fund (7 U.S.C. 1929) which evidence loans made or insured by the Secretary under section 514 or 515(b), the rights and liabilities of that Fund under insurance contracts relating to such loans held by insured investors, the mortgages securing the obligations of the borrowers under such loans held in that Fund or by insured investors, and all rights to subsequent collections on and proceeds of such notes, contracts and mortgages, are hereby transferred to the Rural Housing Insurance Fund and for the purposes of this title and any other Act shall be subject to the provisions of this section as if created pursuant thereto. The Rural Housing Insurance Fund shall compensate the Agricultural Credit Insurance for the aggregate unpaid principal balance plus accrued interest of the notes so transferred.".

MOBILE HOMES

SEC. 518. Title V of the Housing Act of 1949 (as amended by sections 515 and 516(a) of this Act) is amended by adding at the end thereof the following new section:

"MOBILE HOMES

"SEC. 527. (a) As used in this title, the term 'housing' shall, notwithstanding any other provision of this title and to the extent deemed practicable by the Secretary, include mobile homes and mobile home sites.

"(b) With respect to mobile homes and mobile home sites financed under this title, the Secretary shall—

"(1) prescribe minimum property standards to assure the livability and durability of the mobile home and the suitability of the site on which it is to be located, and

"(2) obtain assurances from the borrower that the mobile home will be placed on a site which complies with standards prescribed by the Secretary and with applicable local requirements.

Loans under this title for the purchase of mobile homes and sites shall be made on the same terms and conditions as are applicable under section 2 of the National Housing Act to obligations financing the purchase of mobile homes and lots on which to place such homes."

CONTRACT SERVICES AND FEES

SEC. 519. (a) Section 506(a) of the Housing Act of 1949 is amended by striking out ", as may be required by the Secretary, by competent employees of the Secretary" and inserting in lieu thereof "as required by the Secretary".

(b) Section 517(j)(3) of such Act is amended by inserting after "borrowers," the following: "and other services customary in the industry, construction inspections, commercial appraisals, servicing of loans, and other related program services and expenses,".

STATE AND LOCAL AGENCIES

SEC. 520. Section 501(c) of the Housing Act of 1949 is amended by adding at the end thereof the following: "If an applicant is a State or local public agency—

"(A) the provisions of clause (3) shall not apply to its application; and

"(B) the applicant shall be eligible to participate in any program under this title if the persons or families to be served by the applicant with the assistance being sought would be eligible to participate in such program."

TITLE VI—MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

SHORT TITLE

SEC. 601. This title may be cited as the "National Mobile Home Construction and Safety Standards Act of 1974".

STATEMENT OF PURPOSE

SEC. 602. The Congress declares that the purposes of this title are to reduce the num-

ber of personal injuries and deaths and the amount of insurance costs and property damage resulting from mobile home accidents and to improve the quality and durability of mobile homes. Therefore, the Congress determines that it is necessary to establish Federal construction and safety standards for mobile homes and to authorize mobile home safety research and development.

DEFINITIONS

SEC. 603. As used in this title, the term—

(1) "mobile home construction" means all activities relating to the assembly and manufacture of a mobile home including but not limited to those relating to durability, quality, and safety;

(2) "dealer" means any person engaged in the sale, leasing, or distribution of new mobile homes primarily to persons who in good faith purchase or lease a mobile home for purposes other than resale;

(3) "defect" includes any defect in the performance, construction, components, or material of a mobile home that renders the home or any part thereof not fit for the ordinary use for which it was intended;

(4) "distributor" means any person engaged in the sale and distribution of mobile homes for resale;

(5) "manufacturer" means any person engaged in manufacturing or assembling mobile homes, including any person engaged in importing mobile homes for resale;

(6) "mobile home" means a structure, transportable in one or more sections, which is eight body feet or more in width and is thirty-two body feet or more in length, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein;

(7) "Federal mobile home construction and safety standard" means a reasonable standard for the construction, design, and performance of a mobile home which meets the needs of the public including the need for quality, durability, and safety;

(8) "mobile home safety" means the performance of a mobile home in such a manner that the public is protected against any unreasonable risk of the occurrence of accidents due to the design or construction of such mobile home, or any unreasonable risk of death or injury to the user or to the public if such accidents do occur;

(9) "imminent safety hazard" means an imminent and unreasonable risk of death or severe personal injury;

(10) "purchaser" means the first person purchasing a mobile home in good faith for purposes other than resale;

(11) "Secretary" means the Secretary of Housing and Urban Development;

(12) "State" includes each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Canal Zone, and American Samoa; and

(13) "United States district courts" means the Federal district courts of the United States and the United States courts of the Commonwealth of Puerto Rico, Guam, the Virgin Islands, the Canal Zone, and American Samoa.

FEDERAL MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

SEC. 604. (a) The Secretary, after consultation with the Consumer Product Safety Commission, shall establish by order appropriate Federal mobile home construction and safety standards. Each such Federal mobile home standard shall be reasonable and shall meet the highest standards of protection, taking into account existing State and local laws relating to mobile home safety and construction.

(b) All orders issued under this section shall be issued after notice and an opportunity for interested persons to participate are provided in accordance with the provisions of section 553 of title 5, United States Code.

(c) Each order establishing a Federal mobile home construction and safety standard shall specify the date such standard is to take effect, which shall not be sooner than one hundred and eighty days or later than one year after the date such order is issued, unless the Secretary finds, for good cause shown, that an earlier or later effective date is in the public interest, and publishes his reasons for such finding.

(d) Wherever a Federal mobile home construction and safety standard established under this title is in effect, no State or political subdivision of a State shall have any authority either to establish, or to continue in effect, with respect to any mobile home covered, any standard regarding construction or safety applicable to the same aspect of performance of such mobile home which is not identical to the Federal mobile home construction and safety standard.

(e) The Secretary may by order amend or revoke any Federal mobile home construction or safety standard established under this section. Such order shall specify the date on which such amendment or revocation is to take effect, which shall not be sooner than one hundred and eighty days or later than one year from the date the order is issued, unless the Secretary finds, for good cause shown, that an earlier or later date is in the public interest, and publishes his reasons for such finding.

(f) In establishing standards under this section, the Secretary shall—

(1) consider relevant available mobile home construction and safety data, including the results of the research, development, testing, and evaluation activities conducted pursuant to this title, and those activities conducted by private organizations and other governmental agencies to determine how to best protect the public;

(2) consult with such State or interstate agencies (including legislative committees) as he deems appropriate;

(3) consider whether any such proposed standard is reasonable for the particular type of mobile home or for the geographic region for which it is prescribed;

(4) consider the probable effect of such standard on the cost of the mobile home to the public; and

(5) consider the extent to which any such standard will contribute to carrying out the purposes of this title.

(g) The Secretary shall issue an order establishing initial Federal mobile home construction and safety standards not later than one year after the date of enactment of this Act.

NATIONAL MOBILE HOME ADVISORY COUNCIL

SEC. 605. (a) The Secretary shall appoint a National Mobile Home Advisory Council with the following composition: eight members selected from among consumer organizations, community organizations, and recognized consumer leaders; eight members from the mobile home industry and related groups including at least one representative of small business; and eight members selected from government agencies including Federal, State, and local governments. Appointments under this subsection shall be made without regard to the provisions of title 5, United States Code, relating to appointments in the competitive service, classification, and General Schedule pay rates. The Secretary shall publish the names of the members of the Council annually and shall designate which members represent the general public.

(b) The Secretary shall, to the extent a National Mobile Home Advisory Council prior to establishing, amending, or revoking any mobile home construction or safety standard pursuant to the provisions of this title.

(c) Any member of the National Mobile Home Advisory Council who is appointed from outside the Federal Government may be compensated at a rate not to exceed $100 per diem (including traveltime) when engaged in the actual duties of the Advisory Council. Such members, while away from their homes or regular places of business, may be allowed travel expenses, including per diem in lieu of subsistence as authorized by section 5703(b) of title 5, United States Code, for persons in the Government service employed intermittently.

JUDICIAL REVIEW OF ORDERS

SEC. 606. (a)(1) In a case of actual controversy as to the validity of any order under section 604, any person who may be adversely affected by such order when it is effective may at any time prior to the sixtieth day after such order is issued file a petition with the United States court of appeals for the circuit wherein such person resides or has his principal place of business, for judicial review of such order. A copy of the petition shall be forthwith transmitted by the clerk of the court to the Secretary or other officer designated by him for that purpose. The Secretary thereupon shall file in the court the record of the proceedings on which the Secretary based his order, as provided in section 2112 of title 28, United States Code.

(2) If the petitioner applies to the court for leave to adduce additional evidence, and shows to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for the failure to adduce such evidence in the proceeding before the Secretary, the court may order such additional evidence (and evidence in rebuttal thereof) to be taken before the Secretary, and to be adduced upon the hearing, in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts, or make new findings, by reason of the additional evidence so taken, and he shall file such modified or new findings, and his recommendation, if any, for the modification or setting aside of his original order, with the return of such additional evidence.

(3) Upon the filing of the petition referred to in paragraph (1) of this subsection, the court shall have jurisdiction to review the order in accordance with the provisions of sections 701 through 706 of title 5, United States Code, and to grant appropriate relief.

(4) The judgment of the court affirming or setting aside, in whole or in part, any such order of the Secretary shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(5) Any action instituted under this subsection shall survive, notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.

(6) The remedies provided for in this subsection shall be in addition to and not in substitution for any other remedies provided by law.

(b) A certified copy of the transcript of the record and proceedings under this section shall be furnished by the Secretary to any interested party at his request and payment of the costs thereof, and shall be admissible in any criminal, exclusion of imports, or other proceeding arising under or in respect of this title, irrespective of whether proceedings with respect to the order have previously been initiated or become final under subsection (a).

PUBLIC INFORMATION

SEC. 607. (a) Whenever any manufacturer is opposed to any action of the Secretary under setcion 604 or under any other provision of this title on the grounds of increased cost or for other reasons, the manufacturer shall

submit such cost and other information (in such detail as the Secretary may by rule or order prescribe) as may be necessary in order to properly evaluate the manufacturer's statement.

(b) Such information shall be available to the public unless the manufacturer establishes that it contains a trade secret or that disclosure of any portion of such information would put the manufacturer at a substantial competitive disadvantage. Notice of the availability of such information shall be published promptly in the Federal Register. If the Secretary determines that any portion of such information contains a trade secret or that the disclosure of any portion of such information would put the manufacturer at a substantial competitive disadvantage, such portion may be disclosed to the public only in such manner as to preserve the confidentiality of such trade secret or in such combined or summary form so as not to disclose the identity of any individual manufacturer, except that any such information may be disclosed to other officers or employees concerned with carrying out this title or when relevant in any proceeding under this title. Nothing in this subsection shall authorize the withholding of information by the Secretary or any officer or employee under his control from the duly authorized committees of the Congress.

(c) If the Secretary proposes to establish, amend, or revoke a Federal mobile home construction and safety standard under section 604 on the basis of information submitted pursuant to subsection (a), he shall publish a notice of such proposed action, together with the reasons therefor, in the Federal Register at least thirty days in advance of making a final determination, in order to allow interested parties an opportunity to comment.

(d) For purposes of this section, "cost information" means information with respect to alleged cost increases resulting from action but the Secretary, in such a form as to permit the public and the Secretary to make an informed judgment on the validity of the manufacturer's statements. Such term includes both the manufacturer's cost and the cost to retail purchasers.

(e) Nothing in this section shall be construed to restrict the authority of the Secretary to obtain or require submission of information under any other provision of this title.

RESEARCH, TESTING, DEVELOPMENT, AND TRAINING

SEC. 608. (a) The Secretary shall conduct research, testing, development, and training necessary to carry out the purposes of this title, including, but not limited to—

(1) collecting data from any source for the purpose of determining the relationship between mobile home performance characteristics and (A) accidents involving mobile homes, and (B) the occurrence of death, personal injury, or damage resulting from such accidents;

(2) procuring (by negotiation or otherwise) experimental and other mobile homes for research and testing purposes; and

(3) selling or otherwise disposing of test mobile homes and reimbursing the proceeds of such sale or disposal into the current appropriation available for the purpose of carrying out this title.

(b) The Secretary is authorized to conduct research, testing, development, and training as authorized to be carried out by subsection (a) of this section by contracting for or making grants for the conduct of such research, testing, development, and training to States, interstate agencies, and independent institutions.

COOPERATION WITH PUBLIC AND PRIVATE AGENCIES

SEC. 609. The Secretary is authorized to advise, assist, and cooperate with other Federal agencies and with State and other interested public and private agencies, in the planning and development of—

(1) mobile homes construction and safety standards; and

(2) methods for inspecting and testing to determine compliance with mobile home standards.

PROHIBITED ACTS

SEC. 610. (a) No person shall—

(1) make use of any means of transportation or communication affecting interstate or foreign commerce or the mails to manufacture for sale, lease, sell, offer for sale or lease, or introduce or deliver, or import into the United States, any mobile home which is manufactured on or after the effective date of any applicable Federal mobile home construction and safety standard under this title and which does not comply with such standard, except as provided in subsection (b), where such manufacture, lease, sale, offer for sale or lease, introduction, delivery, or importation affects commerce;

(2) fail or refuse to permit access to or copying of records, or fail to make reports or provide information, or fail or refuse to permit entry or inspection, as required under section 614;

(3) fail to furnish notification of any defect as required by section 615;

(4) fail to issue a certification required by section 616, or issue a certification to the effect that a mobile home conforms to all applicable Federal mobile home construction and safety standards, if such person in the exercise of due care has reason to know that such certification is false or misleading in a material respect; or

(5) fail to comply with a final order issued by the Secretary under this title.

(b)(1) Paragraph (1) of subsection (a) shall not apply to the sale, the offer for sale, or the introduction or delivery for introduction in interstate commerce of any mobile home after the first purchase of it in good faith for purposes other than resale.

(2) For purposes of section 611, paragraph (1) of subsection (a) shall not apply to any person who establishes that he did not have reason to know in the exercise of due care that such mobile home is not in conformity with applicable Federal mobile home construction and safety standards, or to any person who, prior to such first purchase, holds a certificate issued by the manufacturer or importer of such mobile home to the effect that such mobile home conforms to all applicable Federal mobile home contruction and safety standards, unless such person knows that such mobile home does not so conform.

(3) A mobile home offered for importation in violation of paragraph (1) of subsection (a) shall be refused admission into the United States under joint regulations issued by the Secretary of the Treasury and the Secretary, except that the Secretary of the Treasury and the Secretary may, by such regulations, provide for authorizing the importation of such mobile home into the United States upon such terms and conditions (including the furnishing of a bond) as may appear to them appropriate to insure that any such mobile home will be brought into conformity with any applicable Federal mobile home construction or safety standard prescribed under this title, or will be exported from, or forfeited to, the United States.

(4) The Secretary of the Treasury and the Secretary may, by joint regulations, permit the importation of any mobile home after the first purchase of it in good faith for purposes other than resale.

(5) Paragraph (1) of subsection (a) shall not apply in the case of a mobile home intended solely for export, and so labeled or tagged on the mobile home itself and on the outside of the container, if any, which if to be exported.

(c) Compliance with any Federal mobile home construction or safety standard issued under this title does not exempt any person from any liability under common law.

CIVIL AND CRIMINAL PENALTY

SEC. 611. (a) Whoever violates any provision of section 610, or any regulation or final order issued thereunder, shall be liable to the United States for a civil penalty of not to exceed $1,000 for each such violation. Each violation of a provision of section 610, or any regulation or order issued thereunder shall constitute, a separate violation with respect to each mobile home or with respect to each failure or refusal to allow or perform an act required thereby, except that the maximum civil penalty may not exceed $1,000,000 for any related series of violations occurring within one year from the date of the first violation.

(b) An individual or a director, officer, or agent of a corporation who knowingly and willfully violates section 610 in a manner which threatens the health or safety of any purchaser shall be fined not more than $1,000 or imprisoned not more than one year, or both.

JURISDICTION AND VENUE

SEC. 612. (a) The United States district courts shall have jurisdiction, for cause shown and subject to the provisions of rule 65 (a) and (b) of the Federal Rules of Civil Procedure, to restrain violations of this title, or to restrain the sale, offer for sale, or the importation into the United States, of any mobile home which is determined, prior to the first purchase of such mobile home in good faith for purposes other than resale, not to conform to applicable Federal mobile home construction and safety standards prescribed pursuant to this title or to contain a defect which constitutes an imminent safety hazard, upon petition by the appropriate United States attorney or the Attorney General on behalf of the United States. Whenever practicable, the Secretary shall give notice to any person against whom an action for injunctive relief is contemplated and afford him an opportunity to present his views and the failure to give such notice and afford such opportunity shall not preclude the granting of appropriate relief.

(b) In any proceeding for criminal contempt for violation of an injunction or restraining order issued under this section, which violation also constitutes a violation of this title, trial shall be by the court or, upon demand of the accused, by a jury. Such trial shall be conducted in accordance with the practice and procedure applicable in the case of proceedings subject to the provisions of rule 42(b) of the Federal Rules of Criminal Procedure.

(c) Actions under subsection (a) of this section and section 611 may be brought in the district wherein any act or transaction constituting the violation occurred, or in the district wherein the defendant is found or is an inhabitant or transacts business, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found.

(d) In any action brought by the United States for (a) of this section or section 611, subpenas by the United States for witnesses who are required to attend at United States district court may run into any other district.

(e) It shall be the duty of every manufacturer offering a mobile home for importation into the United States to designate in writing an agent upon whom service of all administrative and judicial processes, notices, orders, decisions, and requirements may be made for and on behalf of such manufacturer, and to file such designation with the Secretary, which designation may from time to time be changed by like writing, similarly filed. Service of all administrative and judicial processes, notices, orders, decision, and requirements may be

made upon such manufacturer by service upon such designated agent at his office or usual place of residence with like effect as if made personally upon such manufacturer, and in default of such designation of such agent, service of process or any notice, order, requirement, or decision in any proceeding before the Secretary or in any judicial proceeding pursuant to this title may be made by mailing such process, notice, order, requirement, or decision to the Secretary by registered or certified mail.

NONCOMPLIANCE WITH STANDARDS

SEC. 613. (a) If the Secretary or a court of appropriate jurisdiction determines that any mobile home does not conform to applicable Federal mobile home construction and safety standards, or that it contains a defect which constitutes an imminent safety hazard, after the sale of such mobile home by a manufacturer to a distributor or a dealer and prior to the sale of such mobile home by such distribtuor or dealer to a purchaser—

(1) the manufacturer shall immediately repurchase such mobile home from such distributor or dealer at the price paid by such distribtuor or dealer, plus all transportation charges involved and a reasonable reimbursement of not less than 1 per centum per month of such price paid prorated from the date of receipt by certified mail of notice of such nonconformance of the date of repurchase by the manufacturer; or

(2) the manufacturer, at his own expense, shall immediately furnish the purchasing distributor or dealer the required conforming part or parts or equipment for installation by the distributor or dealer on or in such mobile home, and for the installation involved the manufacturer shall reimburse such distributor or dealer for the reasonable value of such installation plus a reasonable reimbursement of not less than 1 per centum per month of the manufacturer's or distributor's selling price prorated from the date of receipt by certified mail of notice of such nonconformance to the date such vehicle is brought into conformance with applicable Federal standards, so long as the distributor or dealer proceeds with reasonable diligence with the installation after the required part or equipment is received.

The value of such reasonable reimbursements as specified in paragraphs (1) and (2) of this subsection shall be fixed by mutual agreement of the parties, or, failing such agreement, by the court pursuant to the provisions of subsection (b).

(b) If any manufacturer fails to comply with the requirements of subsection (a), then the distributor or dealer, as the case may be, to whom such mobile home has been sold may bring an action seeking a court injunction compelling compliance with such requirements on the part of such manufacturer. Such action may be brought in any district court in the United States in the district in which such manufacturer resides, or is found, or has an agent, without regard to the amount in controversy, and the person bringing the action shall also be entitled to recover any damage sustained by him, as well as all court costs plus reasonable attorneys' fees. Any action brought pursuant to this section shall be forever barred unless commenced within three years after the cause of action shall have accrued.

INSPECTION OF MOBILE HOMES AND RECORDS

SEC. 614. (a) The Secretary is authorized to conduct inspections and investigations as may be necessary to promulgate or enforce Federal mobile home construction and safety standards established under this title or otherwise to carry out his duties under this title. He shall furnish the Attorney General and, when appropriate, the Secretary of the Treasury any information obtained indicating noncompliance with such standards for appropriate action.

(b)(1) For purposes of enforcement of this title, persons duly designated by the Secretary, upon presenting appropriate credentials to the owner, operator, or agent in charge, are authorized—

(A) to enter, at reasonable times and without advance notice, any factory, warehouse, or establishment in which mobile homes are manufactured, stored, or held for sale; and

(B) to inspect, at reasonable times and within reasonable limits and in a reasonable manner, any such factory, warehouse, or establishment, and to inspect such books, papers, records, and documents as are set forth in subsection (c). Each such inspection shall be commenced and completed with reasonable promptness.

(2) The Secretary is authorized to contract with State and local governments and private inspection organizations to carry out his functions under this subsection.

(c) For the purpose of carrying out the provisions of this title, the Secretary is authorized—

(1) to hold such hearings, take such testimony, sit and act at such times and places, administer such oaths, and require, by subpena or otherwise, the attendance and testimony of such witnesses and the production of such books, papers, correspondence, memorandums, contracts, agreements, or other records, as the Secretary or such officer or employee deems advisable. Witnesses summoned pursuant to this subsection shall be paid the same fees and mileage that are paid witnesses in the courts of the United States;

(2) to examine and copy any documentary evidence of any person having materials or information relevant to any function of the Secretary under this title;

(3) to require, by general or special orders, any person to file, in such form as the Secretary may prescribe, reports or answers in writing to specific questions relating to any function of the Secretary under this title. Such reports and answers shall be made under oath or otherwise, and shall be filed with the Secretary within such reasonable period as the Secretary may prescribe;

(4) to request from any Federal agency any information he deems necessary to carry out his functions under this title, and each such agency is authorized and directed to cooperate with the Secretary and to furnish such information upon request made by the Secretary, and the head of any Federal agency is authorized to detail, on a reimbursable basis, any personnel of such agency to assist in carrying out the duties of the Secretary under this title; and

(5) to make available to the public any information which may indicate the existence of a defect which relates to mobile home construction or safety or of the failure of a mobile home to comply with applicable mobile home construction and safety standards. The Secretary shall disclose so much of other information obtained under this subsection to the public as he determines will assist in carrying out this title; but he shall not (under the authority of this sentence) make available or disclose to the public any information which contains or relates to a trade secret or any information the disclosure of which would put the person furnishing such information at a substantial competitive disadvantage, unless he determines that it is necessary to carry out the purpose of this title.

(d) Any of the district courts of the United States within the jurisdiction of which an inquiry is carried on may, in the case of contumacy or refusal to obey a subpena or order of the Secretary issued under paragraph (1) or paragraph (3) of subsection (c) of this section, issue an order requiring compliance therewith; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(e) Each manufacturer of mobile homes shall submit the building plans for every model of such mobile homes to the Secretary or his designee for the purpose of inspection under this section. The manufacturer must certify that each such building plan meets the Federal construction and safety standards in force at that time before the model involved is produced.

(f) Each manufacturer, distributor, and dealer of mobile homes shall establish and maintain such records, make such reports, and provide such information as the Secretary may reasonably require to enable him to determine whether such manufacturer, distributor, or dealer has acted or is acting in compliance with this title and Federal mobile home construction and safety standards prescribed pursuant to this title and shall, upon request of a person duly designated by the Secretary, permit such person to inspect appropriate books, papers, records, and documents relevant to determining whether such manufacturer, distributor, or dealer has acted or is acting in compliance with this title and mobile home construction and safety standards prescribed pursuant to this title.

(g) Each manufacturer of mobile homes shall provide to the Secretary such performance data and other technical data related to performance and safety as may be required to carry out the purposes of this title. These shall include records of tests and test results which the Secretary may require to be performed. The Secretary is authorized to require the manufacturer to give notification of such performance and technical data to—

(1) each prospective purchaser of a mobile home before its first sale for purposes other than resale, at each location where any such manufacturer's mobile homes are offered for sale by a person with whom such manufacturer has a contractual, proprietary, or other legal relationship and in a manner determined by the Secretary to be appropriate, which may include but is not limited to, printed matter (A) available for retention by such prospective purchaser, and (B) sent by mail to such prospective purchaser upon his request; and

(2) the first person who purchases a mobile home for purposes other than resale, at the time of such purchase or in printed matter placed in the mobile home.

(h) All information reported to or otherwise obtained by the Secretary or his representative pursuant to subsection (b), (c), (f), or (g) which contains or relates to a trade secret, or which, if disclosed, would put the person furnishing such information at a substantial competitive disadvantage, shall be considered confidential, except that such information may be disclosed to other officers or employees concerned with carrying out this title or when relevant in any proceeding under this title. Nothing in this section shall authorize the withholding of information by the Secretary or any officer or employee under his control from the duly authorized committees of the Congress.

NOTIFICATION AND CORRECTION OF DEFECTS

SEC. 615. (a) Every manufacturer of mobile homes shall furnish notification of any defect in any mobile home produced by such manufacturer which he determines, in good faith, relates to a Federal mobile home construction or safety standard or contains a defect which constitutes an imminent safety hazard to the purchaser of such mobile home, within a reasonable time after such manufacturer has discovered such defect.

(b) The notification required by subsection (a) shall be accomplished—

(1) by mail to the first purchaser (not including any dealer or distributor of such manufacturer) of the mobile home containing the defect, and to any subsequent pur-

chaser to whom any warranty on such mobile home has been transferred;

(2) by mail to any other person who is a registered owner of such mobile home and whose name and address has been ascertained pursuant to procedures established under subsection (f); and

(3) by mail or other more expeditious means to the dealer or dealers of such manufacturer to whom such mobile home was delivered.

(c) The notification required by subsection (a) shall contain a clear description of such defect or failure to comply, an evaluation of the risk to mobile home occupants' safety reasonably related to such defect, and a statement of the measures needed to repair the defect. The notification shall also inform the owner whether the defect is a construction or safety defect which the manufacturer will have corrected at no cost to the owner of the mobile home under subsection (g) or otherwise, or is a defect which must be corrected at the expense of the owner.

(d) Every manufacturer of mobile homes shall furnish to the Secretary a true or representative copy of all notices, bulletins, and other communications to the dealers of such manufacturer or purchasers of mobile homes of such manufacturer regarding any defect in any such mobile home produced by such manufacturer. The Secretary shall disclose to the public so much of the information contained in such notices or other information obtained under section 614 as he deems will assist in carrying out the purposes of this title, but he shall not disclose any information which contains or relates to a trade secret, or which, if disclosed, would put such manufacturer at a substantial competitive disadvantage, unless he determines that it is necessaryto carry out the purposes of this title.

(e) If the Secretary determines that any mobile home—

(1) does not comply with an applicable Federal mobile home construction and safety standard prescribed pursuant to section 604; or

(2) contains a defect which constitutes an imminent safety hazard.

then he shall immediately notify the manufacturer of such mobile home of such defect or failure to comply. The notice shall contain the findings of the Secretary and shall include all information upon which the findings are based. The Secretary shall afford such manufacturer an opportunity to present his views and evidence in support thereof, to establish that there is no failure of compliance. If after such presentation by the manufacturer the Secretary determines that such mobile home does not comply with applicable Federal mobile home construction or safety standards, or contains a defect which constitutes an imminent safety hazard, the Secretary shall direct the manufacturer to furnish the notification specified in subsections (a) and (b) of this section.

(f) Every manufacturer of mobile homes shall maintain a record of the name and address of the first purchaser of each mobile home (for purposes other than resale), and to the maximum extent feasible, shall maintain procedures for ascertaining the name and address of any subsequent purchaser thereof and shall maintain a record of names and addresses so ascertained. Such records shall be kept for each home produced by a manufacturer. The Secretary may establish by order procedures to be followed by manufacturers in establishing and maintaining such records, including procedures to be followed by distributors and dealers to assist manufacturers to secure the information required by this subsection. Such procedures shall be reasonable for the particular type of mobile home for which they are prescribed.

(g) A manufacturer required to furnish notification of a defect under subsection (a) or (e) shall also bring the mobile home into compliance with applicable standards and correct the defect or have the defect corrected within a reasonable period of time at no expense to the owner, but only if—

(1) the defect presents an unreasonable risk of injury or death to occupants of the affected mobile home or homes;

(2) the defect can be related to an error in design or assembly of the mobile home by the manufacturer.

The Secretary may direct the manufacturer to make such corrections after providing an opportunity for oral and written presentation of views by interested persons. Nothing in this section shall limit the rights of the purchaser or any other person under any contract or applicable law.

(h) The manufacturer shall submit his plan for notifying owners of the defect and for repairing such defect (if required under subsection (g)) to the Secretary for his approval before implementing such plan. Whenever a manufacturer is required under subsection (g) to correct a defect, the Secretary shall approve with or without modification, after consultation with the manufacturer of the mobile home involved, such manufacturer's remedy plan including the date when, and the method by which, the notification and remedy required pursuant to this section shall be effectuated. Such date shall be the earliest practicable one but shall not be more than sixty days after the date of discovery or determination of the defect or failure to comply, unless the Secretary grants an extension of such period for good cause shown and publishes a notice of such extension in the Federal Register. Such manufacturer is bound to implement such remedy plan as approved by the Secretary.

(i) Where a defect or failure to comply in a mobile home cannot be adequately repaired within sixty days from the date of discovery or determination of the defect, the Secretary may require that the mobile home be replaced with a new or equivalent home without charge, or that the purchase price be refunded in full, less a reasonable allowance for depreciation based on actual use if the home has been in the possession of the owner for more than one year.

CERTIFICATION OF CONFORMITY WITH CONSTRUCTION AND SAFETY STANDARDS

SEC. 616. Every manufacturer of mobile homes shall furnish to the distributor or dealer at the time of delivery of each such mobile home produced by such manufacturer certification that such mobile home conforms to all applicable Federal construction and safety standards. Such certification shall be in the form of a label or tag permanently affixed to each such mobile home.

CONSUMER INFORMATION

SEC. 617. The Secretary shall develop guidelines for a consumer's manual to be provided to mobile home purchasers by the manufacturer. These manuals should identify and explain the purchasers' responsibilities for operation, maintenance, and repair of their mobile homes.

EFFECT UPON ANTITRUST LAWS

SEC. 618. Nothing contained in this title shall be deemed to exempt from the antitrust laws of the United States any conduct that would otherwise be unlawful under such laws, or to prohibit under the antitrust laws of the United States any conduct that would be lawful under such laws. As used in this section, the term "antitrust laws" includes, but is not limited to the Act of July 2, 1890, as amended; the Act of October 14, 1914, as amended; the Federal Trade Commission Act (15 U.S.C. 41 et seq.); and sections 73 and 74 of the Act of August 27, 1894, as amended.

USE OF RESEARCH AND TESTING FACILITIES OF PUBLIC AGENCIES

SEC. 619. The Secretary, in exercising the authority under this title, shall utilize the services, research and testing facilities of public agencies and independent testing laboratories to the maximum extent practicable in order to avoid duplication.

INSPECTION FEES

SEC. 620. In carrying out the inspections required under this title, the Secretary may establish and impose on mobile home manufacturers, distributors, and dealers such reasonable fees as may be necessary to offset the expenses incurred by him in conducting such inspections, except that this section shall not apply in any State which has in effect a State plan under section 623.

PENALTIES OF INSPECTIONS

SEC. 621. Any person, other than an officer or employee of the United States, or a person exercising inspection functions under a State plan pursuant to section 623, who knowingly and willfully fails to report a violation of any construction or safety standard established under section 604 may be fined up to $1,000 or imprisoned for up to one year or both.

PROHIBITION ON WAIVER OF RIGHTS

SEC. 622. The rights afforded mobile home purchasers under this title may be waived, and any provision of a contract or agreement entered into after the enactment of this title to the contrary shall be void.

STATE JURISDICTION; STATE PLANS

SEC. 623. (a) Nothing in this title shall prevent any State agency or court from asserting jurisdiction under State law over any mobile home construction or safety issue with respect to which no Federal mobile home construction and safety standard has been established pursuant to the provisions of section 604.

(b) Any State which, at any time, desires to assume responsibility for enforcement of mobile home safety and construction standards relating to any issue with respect to which a Federal standard has been established under section 604, shall submit to the Secretary a State plan for enforcement of such standards.

(c) The Secretary shall approve the plan submitted by a State under subsection (b), or any modification thereof, if such plan in his judgment—

(1) designates a State agency or agencies as the agency or agencies responsible for administering the plan throughout the State;

(2) provides for the enforcement of mobile home safety and construction standards promulgated under section 604;

(3) provides for a right of entry and inspection of all factories, warehouses, or establishments in such State in which mobile homes are manufactured and for the review of plans, in a manner which is identical to that provided in section 614;

(4) provides for the imposition of the civil and criminal penalties under section 611;

(5) provides for the notification and correction procedures under section 615;

(6) provides for the payment of inspection fees by manufacturers in amounts adequate to cover the costs of inspections;

(7) contains satisfactory assurances that the State agency or agencies have or will have the legal authority and qualified personnel necessary for the enforcement of such standards;

(8) give satisfactory assurances that such State will devote adequate funds to the administration and enforcement of such standards;

(9) requires manufactures, distributors, and dealers in such State to make reports to the Secretary in the same manner and to the same extent as if the State plan were not in effect;

(10) provides that the State agency or agencies will make such reports to the Secretary in such form and containing such information as the Secretary shall from time to time require; and

(11) complies with such other require-

ments as the Secretary may by regulation prescribe for the enforcement of this title.

(d) If the Secretary rejects a plan submitted under subsection (b), he shall afford the State submitting the plan due notice and opportunity for a hearing before so doing.

(e) After the Secretary approves a State plan submitted under subsection (b), he may, but shall not be required to, exercise his authority under this title with respect to enforcement of mobile home construction and safety standards in the State involved.

(f) The Secretary shall, on the basis of reports submitted by the designated State agency and his own inspections, make a continuing evaluation of the manner in which each State having a plan approved under this section is carrying out such plan. Such evaluation shall be made by the Secretary at least annually for each State, and the results of such evaluation and the inspection reports on which it is based shall be promptly submitted to the appropriate committees of the Congress. Whenever the Secretary finds, after affording due notice and opportunity for a hearing, that in the administration of the State plan there is a failure to comply substantially with any provision of the State plan or that the State plan has become inadequate, he shall notify the State agency or agencies of his withdrawal of approval of such plan. Upon receipt of such notice by such State agency or agencies such plan shall cease to be in effect, but the State may retain jurisdiction in any case commenced before the withdrawal of the plan in order to enforce mobile home standards under the plan whenever the issues involved do not relate to the reasons for the withdrawal of the plan.

GRANTS TO STATES

SEC. 624. (a) The Secretary is authorized to make grants to the States which have designated a State agency under section 623 to assist them—

(1) in identifying their needs and responsibilities in the area of mobile home construction and safety standards; or

(2) in developing State plans under section 623.

(b) The Governor of each State shall designate the appropriate State agency for receipt of any grant made by the Secretary under this section.

(c) And State agency designed by the Governor of a State desiring a grant under this section shall submit an application therefor to the Secretary. The Secretary shall review and either accept or reject such application.

(d) The Federal share for each State grant under subsection (a) of this section may not exceed 90 per centum of the total cost to the State in identifying its needs and developing its plan. In the event the Federal share for all States under such subsection is not the same, the differences among the States shall be established on the basis of objective criteria.

RULES AND REGULATIONS

SEC. 625. The Secretary is authorized to issue, amend, and revoke such rules and regulations as he deems necessary to carry out this title.

ANNUAL REPORT TO CONGRESS

SEC. 626. (a) The Secretary shall prepare and submit to the President for transmittal to the Congress on March 1 of each year a comprehensive report on the administration of this title for the preceding calendar year. Such report shall include but not be restricted to (1) a thorough statistical compilation of the accidents, injuries, deaths and property losses occurring in or involving mobile homes in such year; (2) a list of Federal mobile home construction and safety standards prescribed or in effect in such year; (3) the level of compliance with all applicable Federal mobile home standards; (4) a summary of all current research grants and contracts together with a description of the problems to be studied in such research; (5) an analysis and evaluation, including relevant policy recommendations, of research activities completed and technological progress achieved during such year; (6) a statement of enforcement actions including judicial decisions, settlements, defect notifications, and pending litigation commenced during the year; and (7) the extent to which technical information was disseminated to the scientific community and consumer-oriented information was made available to mobile home owners and prospective buyers.

(b) The report required by subsection (a) of this section shall contain such recommendations for additional or revised legislation as the Secretary deems necessary to promote the improvement of mobile home construction and safety and to strengthen the national mobile home program.

(c) In order to assure a continuing and effective national mobile home construction and safety program, it is the policy of Congress to encourage the adoption of State inspection of used mobile homes. Therefore, to that end the Secretary shall conduct a thorough study and investigation to determine the adequacy of mobile home construction and safety standards and mobile home inspection requirements and procedures applicable to used mobile homes in each State, and the effect of programs authorized by this title upon such standards, requirements, and procedures for used mobile homes, and report to Congress as soon as practicable, but nto later than one year after the date of enactment of this Act, the results of such study, and recommendations for such additional legislation as he deems necessary to carry out the purposes of this title. Such report shall also include recommendations by the Secretary relating to the problems of disposal of used mobile homes.

AUTHORIZATION OF APPROPRIATIONS

SEC. 627. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title.

EFFECTIVE DATE

SEC. 628. The provisions of this title shall take effect upon the expiration of 180 days following the date of enactment of this title.

TITLE VII—CONSUMER HOME MORTGAGE ASSISTANCE

SHORT TITLE

SEC. 701. This title may be cited as the "Consumer Home Mortgage Assistance Act of 1974".

PART A—LENDING AND INVESTMENT POWERS, FEDERAL SAVINGS AND LOAN ASSOCIATIONS

CONSTRUCTION LOANS

SEC. 702. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding at the end thereof the following new paragraph:

"Without regard to any other provision of this subsection, any such association is authorized to invest an amount, not exceeding the greater of (A) the sum of its surplus, undivided profits, and reserves or (B) 3 per centum of its assets, in loans or in interests therein the principal purpose of which is to provide financing with respect to what is or is expected to become primarily residential real estate within one hundred miles of its home office or within the State in which such office is located, where (i) the association relies substantially for repayment on the borrower's general credit standing and forecast of income, with or without other security, or (ii) the association relies on other assurances for repayment, including but not limited to a guaranty or similar obligation of a third party, and, in either case described in clause (i) or (ii), regardless of whether or not the association takes security; and investments under this sentence shall not be included in any percentage of assets or other percentage referred to in this subsection."

SINGLE FAMILY DWELLING LIMITATIONS

SEC. 703. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by striking out "$45,000" immediately before "for each single family dwelling" and inserting in lieu thereof "$55,000 (except that with respect to dwellings in Alaska, Guam, and Hawaii the foregoing limitation may, by regulation of the Board, be increased by not to exceed 50 per centum)".

LENDING AUTHORITY UNDER THE HOME OWNERS' LOAN ACT

SEC. 704. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)), as amended by section 702 of this Act, is amended by adding at the end thereof the following new paragraph:

"Subject to such prohibitions, limitations, and conditions as the Board may prescribe, any such association may invest in loans and advances of credit and interests therein upon the security of or respecting real property or interests therein used for primarily residential purposes (all of which may be defined by the Board) that do not comply with the limitations and restrictions in this subsection, but no investment shall be made by an association under this sentence if its aggregate outstanding investment under this sentence determined as prescribed by the Board, exclusive of any investment which is or at the time of its making was otherwise authorized, would thereupon exceed 5 per centum of its assets.".

AMENDMENT TO THE HOME OWNERS' LOAN ACT OF 1933 CONCERNING PROPERTY IMPROVEMENT LOANS

SEC. 705. The second and third undesignated paragraphs of section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) are amended by striking out "$5,000" and inserting in lieu thereof "$10,000".

ADVANCES FROM A STATE CHARTERED CENTRAL RESERVE INSTITUTION INCLUDING MORTGAGE FINANCE AGENCIES

SEC. 706. Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)), as amended by sections 702 and 704 of this Act, is amended by adding at the end thereof the following new paragraph:

"Subject to regulation by the Board but without regard to any other provision of this subsection, any such association whose general reserves, surplus, and undivided profits aggregate a sum in excess of 5 per centum of its withdrawable accounts is authorized to borrow funds from a State mortgage finance agency, of the State in which the head office of such association is situated to the same extent as State law authorizes a savings and loan association organized under the laws of such State to borrow from the State mortgage finance agency, except that such an association may not make any loans of such funds at an interest rate which exceeds by more than 1¾ per centum per annum the interest rate paid to the State mortgage finance agency on the obligations issued to obtain the funds so borrowed.".

PART B—NATIONAL BANKS

REAL ESTATE LOANS BY NATIONAL BANKS

SEC. 711. Section 24 of the Federal Reserve Act (12 U.S.C. 371) is amended to read as follows:

"REAL ESTATE LOANS BY NATIONAL BANKS

"SEC. 24 (a)(1) Any national banking association may make real estate loans, secured by liens upon unimproved real estate, upon improved real estate, including improved farmland and improved business and residential properties, and upon real estate

to be improved by a building or buildings to be constructed or in the process of construction, in an amount which when added to the amount unpaid upon prior mortgages, liens, encumbrances, if any, upon such real estate does not exceed the respective proportions of appraised value as provided in this section. A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by a mortgage, trust deed, or other instrument, which shall constitute a lien on real estate in fee or, under such rules and regulations as may be prescribed by the Comptroller of the Currency, on a leasehold under a lease which does not expire for at least ten years beyond the maturity date of the loan, and any national banking association may purchase or sell any obligations so secured in whole or in part. The amount of any such loan hereafter made shall not exceed 66⅔ per centum of the appraised value if such real estate is unimproved, 75 per centum of the appraised value if such real estate is improved by offsite improvements such as streets, water, sewers, or other utilities, 75 per centum of the appraised value if such real estate is in the process of being improved by a building or buildings to be constructed or in the process of construction, or 90 per centum of the appraised value if such real estate is improved by a building or buildings. If any such loan exceeds 75 per centum of the appraised value of the real estate or if the real estate is improved with a one- to four-family dwelling, installment payments shall be required which are sufficient to amortize the entire principal of the loan within a period of not more than thirty years.

"(2) The limitations and restrictions set forth in paragraph (1) shall not prevent the renewal or extension of loans heretofore made and shall not apply to real estate loans (A) which are insured under the provisions of the National Housing Act, (B) which are insured by the Secretary of Agriculture pursuant to title I of the Bankhead-Jones Farm Tenant Act, or the Act of August 28, 1937, as amended, or title V of the Housing Act of 1949, as amended, or (C) which are guaranteed by the Secretary of Housing and Urban Development, for the payment of the obligations of which the full faith and credit of the United States is pledged, and such limitations and restrictions shall not apply to real estate loans which are fully guaranteed or insured by a State, or any agency or instrumentality thereof, or by a State authority for the payment of the obligations of which the faith and credit of the State is pledged, if under the terms of the guaranty or insurance agreement the association will be assured of repayment in accordance with the terms of the loan, or to any loan at least 20 per centum of which is guaranteed under chapter 37 of title 38, United States Code.

"(3) Loans which are guaranteed or insured as described in paragraph (2) shall not be taken into account in determining the amount of real estate loans which a national banking association may make in relation to its capital and surplus or its time and savings deposits or in determining the amount of real estate loans secured by other than first liens. Where the collateral for any loan consists partly of real estate security and partly of other security, including a guaranty or endorsement by or an obligation or commitment of a person other than the borrower, only the amount by which the loan exceeds the value as collateral of such other security shall be considered a loan upon the security of real estate, and in no event shall a loan be considered as a real estate loan where there is a valid and binding agreement which is entered into by a financially responsible lender or other party either directly with the association or which is for the benefit of or has been assigned to the association and pursuant to which agreement the lender or other party is required to advance to the association within sixty months from the date of the making of such loan the full amount of the loan to be made by the association upon the security of real estate. Except as otherwise provided, no such association shall make real estate loans in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of the amount of its time and savings deposits, whichever is greater: *Provided*, That the amount unpaid upon real estate loans secured by other than first liens, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, shall not exceed in an aggregate sum 20 per centum of the amount of the capital stock of such association paid in and unimpaired plus 20 per centum of the amount of its unimpaired surplus fund.

"(b) Any national banking association may make real estate loans secured by liens upon forest tracts which are properly managed in all respects. Such loans shall be in the form of an obligation or obligations secured by mortgage, trust deed, or other such instrument; and any national banking association may purchase or sell any obligations so secured in whole or in part. The amount of any such loan, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, if any, shall not exceed 66⅔ per centum of the appraised fair market value of the growing timber, lands, and improvements thereon offered as security and the loan shall be made upon such terms and conditions as to assure that at no time shall the loan balance, when added to the amount unpaid upon prior mortgages, liens, and encumbrances, if any, exceed 66⅔ per centum of the original appraised total value of the property then remaining. No such loan shall be made for a longer term than three years; except that any such loan may be made for a term not longer than fifteen years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize the principal of the loan within a period of not more than fifteen years and at a rate at least 6⅔ per centum per annum. All such loans secured by liens upon forest tracts shall be included in the permissible aggregate of all real estate loans and, when secured by other than first liens, in the permissible aggregate of all real estate loans secured by other than first liens, prescribed in subsection (a), but no national banking association shall make forest tract loans in an aggregate sum in excess of 50 per centum of its capital stock paid in and unimpaired plus 50 per centum of its unimpaired surplus fund.

"(c) Loans made to finance the construction of a building or buildings and having maturities of not to exceed sixty months where there is a valid and binding agreement entered into by a financially responsible lender or other party to advance the full amount of the bank's loan upon completion of the building or buildings, and loans made to finance the construction of residential or farm buildings and having maturities of not to exceed sixty months, may be considered as real estate loans if the loans qualify under this section, or such loans may be classed as commercial loans whether or not secured by a mortgage or similar lien on the real estate upon which the building or buildings are being constructed, at the option of each national banking association that may have an interest in such loan: *Provided*, That no national banking association shall invest in, or be liable on, any such loans classed as commercial loans under this subsection in an aggregate amount in excess of 100 per centum of its actually paid-in and unimpaired capital plus 100 per centum of its unimpaired surplus fund.

"(d) Notes representing loans made under this section to finance the construction of residential or farm buildings and having maturities of not to exceed nine months shall be eligible for discount as commercial paper within the terms of the second paragraph of section 13 of this Act if accompanied by a valid and binding agreement to advance the full amount of the loan upon the completion of the building entered into by an individual, partnership, association, or corporation acceptable to the discounting bank.

"(e) Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) secured by an assignment of rents under a lease, and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instrument upon real estate (whether or not constituting a first lien) as a precaution against contingencies, and loans in which the Small Business Administration cooperates through agreements to participate on an immediate or deferred or guaranteed basis under the Small Business Act, shall not be considered as real estate loans within the meaning of this section but shall be classed as commercial loans.

"(f) Any national banking association may make loans upon the security of real estate that do not comply with the limitations and restrictions in this section, if the total unpaid amount loaned, exclusive of loans which subsequently comply with such limitations and restrictions, does not exceed 10 per centum of the amount that a national banking association may invest in real estate loans. The total unpaid amount so loaned shall be included in the aggregate sum that such association may invest in real estate loans.

"(g) Loans made pursuant to this section shall be subject to such conditions and limitations as the Comptroller of the Currency may prescribe by rule or regulation.".

PART C.—FEDERAL CREDIT UNIONS

LENDING AUTHORITY AND DEPOSITORY AUTHORITY

SEC. 721. (a) Paragraph (6) of section 107 of the Federal Credit Union Act (12 U.S.C. 1757(6)) is amended to read as follows:

"(6) to make loans to its own directors and to members of its own supervisory credit committee provided that any such loan or aggregate of loans to one director or committee member which exceeds $2,500 plans pledged shares must be approved by the board of directors, and to permit directors and members of its own supervisory or credit commitee to act as guarantor or endorser of loans to other members, except that when such a loan standing alone or when added to any outstanding loan or loans of the guarantor exceeds $2,500, approved by the board of directors is required;".

(b) Paragraph (9) of such section is amended by inserting immediately before the semicolon at the end thereof the following: ", and for Federal credit unions or credit unions authorized by the Department of Defense operating suboffices on American military installations in foreign countries or trust territories of the United States to maintain demand deposit accounts in banks located in those countries or trust territories, subject to such regulations as may be issued by the Administrator and provided such banks are correspondents of banks described in this paragraph".

FEES

SEC. 722. The first sentence of section 109 of the Federal Credit Union Act (12 U.S.C. 1759) is amended by striking out "the entrance fee' and inserting in lieu thereof "a

uniform entrance fee if required by the board of directors".

DIRECTORS

SEC. 723. (a) The third sentence of section 113 of the Federal Credit Union Act (12 U.S.C. 1761b) is amended by inserting ", except that the board may designate a committee of not less than two to act as an investment committee, such investment committee to have charge of making investments under rules and procedures established by the board of directors" immediately after "have charge of investments other than loans to members".

(b) The fourth sentence of such section is amended by striking out "act for it in the purchase and sale of securities, the borrowing of funds, and making of loans to other credit unions" and inserting in lieu thereof "exercise such authority as may be delegated to it subject to such conditions and limitations as may be prescribed by the board".

(c) The fifth sentence of such section is amended by striking out "a membership officer" and inserting in lieu thereof "one or more membership officers".

(d) Such section is amended by adding at the end thereof the following new sentence: "If a membership application is denied, the reasons therefor shall be furnished in writing to the person whose application is denied, upon written request.".

SUPERVISORY COMMITTEES

SEC. 725. Section 115 of the Federal Credit Union Act (12 U.S.C. 1761d) is amended by striking out "a semiannual" and inserting in lieu thereof "an annual".

DIVIDENDS

SEC. 725. (a) The first sentence of section 117 of the Federal Credit Union Act (12 U.S.C. 1763) is amended by striking out "Annually, semiannually, or quarterly, as the bylaws may provide" and inserting in lieu thereof "At such intervals as the board of directors may authorize".

(b) The last sentence of such section is amended by striking out "for a month", and by striking out "which are or become fully paid up during the first ten days of that month" and inserting in lieu thereof "as authorized by the board of directors".

APPLICABILITY

SEC. 726. Section 126 of the Federal Credit Union Act (12 U.S.C. 1772) is amended by inserting immediately after "the several territories" the following: ", including the trust territories,".

DEFINITION OF MEMBERS ACCOUNTS

SEC. 727. Section 202(h) of the Federal Credit Union Act (12 U.S.C. 1782(h)) is amended—

(1) by striking out "and" at the end of paragraph (1);

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof ", and"; and

(3) by adding after paragraph (2) the following new paragraph:

"(3) the term 'members accounts' when applied to the premium charge for insurance of the accounts of federally insured credit unions shall not include amounts in excess of the insured account limit set forth in section 207(c).".

TERMINATION

SEC. 728. (a) Section 206(a) of the Federal Credit Union Act (12 U.S.C. 1786(a)) is amended to read as follows:

"(a)(1) Any insured credit union other than a Federal credit union may, upon not less than ninety days' written notice to the Administrator and upon the affirmative vote of a majority of its members within one year prior to the giving of such notice, terminate its status as an insured credit union.

"(2) Any insured credit union, other than a Federal credit union, which has obtained a new certificate of insurance from a corporation authorized and duly licensed to insure member accounts may upon not less than ninety days' written notice to the Administrator convert from status as an insured credit union under this Act: *Provided*, That at the time of giving notice to the Administrator the provisions of paragraph (b)(1) of the section are not being invoked against the credit union.".

(b) The first sentence of section 206(c) of such Act is amended by inserting "(1)" immediately after "(a)".

(c) Section 206(d) of such Act is amended by inserting "(1)" immediately after "(d)", and by adding at the end thereof the following new paragraphs:

"(2)" No credit union shall convert from status as an insured credit union under this Act as provided under subsection (a)(2) of this section until the proposition for such conversion has been approved by a majority of all the directors of the credit union, and by affirmative vote of a majority of the members of the credit union who vote on the proposition in a vote in which at least 20 per centum of the total membership of the credit union participates. Following approval by the directors, written notice of the proposition and the date set for the membership vote shall be delivered in person to each member, or mailed to each member at the address for such member appearing on the records of the credit union, not more than thirty nor less than seven days prior to such date. The membership shall be given the opportunity to vote by mail ballot. If the proposition is approved by the membership, prompt and reasonable notice of insurance conversion shall be given to all members.

"(3) In the event of a conversion of a credit union from status as an insured credit union under this Act as provided under subsection (a)(2) of this section, premium charges payable under section 202(c) of this Act shall be reduced by an amount proportionate to the number of calendar months for which the converting credit union will no longer be insured under this Act. As long as converting credit union remains insured under this Act, it shall remain subject to all of the provisions of chapter II of this Act.".

LIQUIDATION

SEC. 729. Section 208(a)(1) of the Federal Credit Union Act (12 U.S.C. 1788(a)(1)) is amended to read as follows:

"(1) In order to reopen a closed insured credit union or in order to prevent the closing of an insured credit union which the Administrator has determined is in danger of closing or in order to assist in the voluntary liquidation of a solvent credit union, the Administrator, in his discretion, is authorized to make loans to, or purchase the assets of, or establish accounts in such insured credit union upon such terms and conditions as he may prescribe. Except with respect to the voluntary liquidation of a solvent credit union, such loans shall be made and such accounts shall be established only when in the opinion of the Administrator, such action is necessary to protect the fund or the interests of the members of the credit union."

TITLE VIII—MISCELLANEOUS

NATIONAL HOUSING GOAL

SEC. 801. Title XVI of the Housing and Urban Development Act of 1968 is amended—

(1) by inserting "(a)" before "The Congress" in the first sentence of section 1601:

(2) by adding at the end of section 1601 the following new subsections:

"(b) The Congress further finds that policies designed to contribute to the achievement of the national housing goal have not directed sufficient attention and resources to the preservation of existing housing and neighborhoods, that the deterioration and abandonment of housing for the Nation's lower income families has accelerated over the last decade, and that this acceleration has contributed to neighborhood disintegration and has partially negated the progress toward achieving the national housing goal which has been made primarily through new housing construction.

"(c) The Congress declares that if the national housing goal is to be achieved, a greater effort must be made to encourage the preservation of existing housing and neighborhoods through such measures as housing preservation, moderate rehabilitation, and improvements in housing management and maintenance, in conjunction with the provision of adequate municipal services. Such an effort should concentrate, to a greater extent than it has in the past, on housing and neighborhoods where deterioration is evident but has not yet become acute."; and

(3) by redesignating clauses (3) through (6) of section 1602 as clauses (4) through (7), respectively, and by inserting after clause (2) the following new clause:

"(3) provide an assessment of developments and progress during the preceding fiscal year with respect to the preservation of deteriorating housing and neighborhoods and indicate the efforts to be undertaken in future years to encourage such action;".

STATE HOUSING FINANCE AND DEVELOPMENT AGENCIES

SEC. 802. (a) It is the purpose of this section to encourage the formation and effective operation of State housing finance agencies and State development agencies which have authority to finance, to assist in carrying out, or to carry out activities designed to (1) provide housing and related facilities through land acquisition, construction, or rehabilitation, for persons and families of low, moderate, and middle income, (2) promote the sound growth and development of neighborhoods through the revitalization of slum and blighted areas, (3) increase and improve employment opportunities for the unemployed and underemployed through the development and redevelopment of industrial, manufacturing, and commercial facilities, or (4) implement the development aspects of State land use and preservation policies, including the advance acquisition of land where it is consistent with such policies. The Secretary of Housing and Urban Development shall encourage maximum participation by private and nonprofit developers in activities assisted under this section.

(b)(1) A State housing finance or State development agency is eligible for assistance under this section only if the Secretary determines that it is fully empowered and has adequate authority to at least carry out or assist in carrying out the purposes specified in clause (1) of subsection (a).

(2) For the purpose of this section—

(A) the term "State housing finance or State development agency" means any public body or agency, publicly sponsored corporation, or instrumentality of one or more States which is designated by the Governor (or Governors in the case of an interstate development agency) for purposes of this section;

(B) the term "State" means any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, or any territory or possession of the United States; and

(C) the term "Secretary" means the Secretary of Housing and Urban Development.

(c)(1) The Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by State housing finance or State development agencies to finance development activities as determined by him to be in furtherance of the purpose of clause (1) or (2) of subsection (a), except that

obligations issued to finance activities solely in furtherance of the purpose of clause (1) of subsection (a) may be guaranteed only if the activities are in connection with the revitalization of slum or blighted areas under title I of this Act or under any other program determined to be acceptable by the Secretary for this purpose.

(2) The Secretary is authorized to make, and to contract to make, grants to or on behalf of a State housing finance or State development agency to cover not to exceed 33½ per centum of the interest payable on bonds, debentures, notes, and other obligations issued by such agency to finance development activities in furtherance of the purposes of this section.

(3) No obligation shall be guaranteed or otherwise assisted under this section unless the interest income thereon is subject to Federal taxation as provided in subsection (h)(2), except that use of guarantees provided for in this subsection shall not be made a condition to nor preclude receipt of any other Federal assistance.

(4) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section with respect to principal, interest, and any redemption premiums. Any such guarantee made by the Secretary shall be conclusive evidence of the eligibility of the obligation involved for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligation.

(5) The Secretary is authorized to establish and collect such fees and charges for and in connection with guarantees made under this section as he considers reasonable.

(6) There are authorized to be appropriated such sums as may be necessary to make payments as provided for, in contracts entered into by the Secretary under paragraph (2) of this subsection, and payments pursuant to such contracts shall not exceed $50,000,000 per annum prior to July 1, 1975, which maximum dollar amount shall be increased by $60,000,000 on July 1, 1975. The aggregate principal amount of the obligations which may be guaranteed under this section and outstanding at any one time shall not exceed $500,000,000.

(d) The Secretary shall take such steps as he considers reasonable to assure that bonds, debentures, notes, and other obligations which are guaranteed under subsection (c) will—

(1) be issued only to investors approved by, or meeting requirements prescribed by, the Secretary, or, if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(2) bear interest at a rate satisfactory to the Secretary;

(3) contain or be subject to repayment, maturity, and other provisions satisfactory to the Secretary; and

(4) contain or be subject to provisions with respect to the protection of the security interests of the United States, including any provisions deemed appropriate by the Secretary relating to subrogation, liens, and releases of liens, payment of taxes, cost certification procedures, escrow or trusteeship requirements, or other matters.

(e)(1) The Secretary is authorized to establish a revolving fund to provide for the timely payment of any liabilities incurred as a result of guarantees under subsection (c) and for the payment of obligations issued to the Secretary of the Treasury under paragraph (2) of this subsection. Such revolving fund shall be comprised of (A) receipts from fees and charges; (B) recoveries under security, subrogation, and other rights; (C) repayments, interest income, and any other receipts obtained in connection with guarantees made under subsection (c); (D) proceeds of the obligations issued to the Secretary of the Treasury pursuant to paragraph (2) of this subsection; and (E) such sums, which are hereby authorized to be appropriated, as may be required for such purposes. Money in the revolving fund not currently needed for the purpose of this section shall be kept on hand or on deposit, or invested in obligations of the United States or guaranteed thereby, or in obligations, participations, or other instruments which are lawful investments for fiduciary, trust, or public funds.

(2) The Secretary may issue obligations to the Secretary of the Treasury in an amount sufficient to enable the Secretary to carry out his functions with respect to the guarantees authorized by subsection (c). The obligations issued under this paragraph shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations so issued, and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, and the purposes for which securities may be issued under that Act are extended to include purchases of the obligations hereunder.

(3) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the fund authorized under this subsection, to pay out of such fund all expenses or charges in connection with the acquisition, handling, improvement, or disposal any property, real or personal, acquired by him as a result of recoveries under security, subrogation, or other rights.

(f) The Secretary is authorized to provide, either directly or by contract or other arrangements, technical assistance to State housing finance or State development agencies to assist them in connection with planning and carrying out development activities in furtherance of the purpose of this section.

(g) All laborers and mechanics employed by contractors or subcontractors in housing or development activities assisted under this section shall be paid wages at rates not less than those prevailing on similar work in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a–276a–5): *Provided*, That this section shall apply to the construction of residential property only if such property is designed for residential use of eight or more families. No assistance shall be extended under this section with respect to any development activities without first obtaining adequate assurance that these labor standards will be maintained upon the work involved in such activities. The Secretary of Labor shall have, with respect to the labor standards specified in this subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

(h)(1) In the performance of and with respect to, the functions, powers, and duties vested in him by this section, the Secretary, in addition to any authority otherwise vested to him, shall—

(A) have the power, notwithstanding any other provision of law, in connection with any guarantee under this section, whether before or after default, to provide by contract for the extinguishment upon default any redemption, equitable, legal, or other right, title, or interest of a State housing finance or State development agency in any mortgage, deed, trust, or other instrument held by or on behalf of the Secretary for the protection of the security interests of the United States; and

(B) have the power to foreclose on any property or commence any action to protect or enforce any right conferred upon him by law, contract, or other agreement, and bid for and purchase at any foreclosure or other sale any property in connection with which he has provided a guarantee pursuant to this section. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, administer, remodel and convert, dispose of, lease, and otherwise deal with, such property. Notwithstanding any other provision of law, the Secretary shall also have power to pursure to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in administering this section.

(2) With respect to any obligation issued by a State housing finance or State development agency for which the issuer has elected to receive the benefits of the assistance provided under this section, the interest paid on such obligation and received by the purchaser thereof (or his successor in interest) shall be included in gross income for the purposes of chapter 1 of the Internal Revenue Code of 54.

(i)(1) Section 24(a)(2) of the Federal Reserve Act (as amended by section 711 of this Act) is amended by inserting the following before the period at the end thereof: ", or to obligations guaranteed under section 802 of the Housing and Community Development Act of 1974".

(2) The twelfth paragraph of section 5(c) of the Homeowners' Loan Act of 1933 is amended by adding in the last sentence immediately after the words "or under part B of the Urban Growth and New Community Development Act of 1970" the following: "or under section 802 of the Housing and Community Development Act of 1974".

NEW COMMUNITY PROGRAM AMENDMENTS

SEC. 803. (a) (1) Part B of title VII of the Housing and Urban Development Act of 1970 is amended by striking out "Community Development Corporation" wherever it appears and inserting in lieu thereof "New Community Development Corporation".

(2) The heading of section 729 of such Act is amended by inserting "new" before "community".

(b) Section 729(b) of such Act is amended—

(1) by striking out "five members" in the matter preceding paragraph (1) and inserting in lieu thereof 'seven members"; and

(2) by striking out "three persons" in paragraph (3) and inserting in lieu thereof "five persons".

(c) The last sentence of section 713(a) of such Act is amended by striking out "in amounts" and all that follows and inserting in lieu thereof "in amounts equal to 90 per centum of the interest paid on such obligations."

(d) Section 718(c) of such Act is amended by inserting before the period at the end thereof the following: ", or a project or portion of a project consisting of the purchase, renovation, or construction of facilities, the purchase of land, or the acquisition of equipment or works of art assisted by contracts or grants under section 5 of the National Foundation on the Arts and the Humanities Act of 1965".

(e) Section 711(f) of such Act is amended—

(1) by striking out "sewage disposal" in the first and second sentences and inserting in lieu thereof "sewage or waste disposal";

(2) by inserting "community or neighborhood central heating or air-conditioning systems," after "storm drainage facilities," in the first sentence; and

(3) by inserting ", a community or neighborhood central heating or air-conditioning system," after "disposal installation" in the second sentence.

EXPANSION OF EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

SEC. 804. Section 504 of the Housing and Urban Development Act of 1970 is amended to read as follows:

"HOUSING ALLOWANCES

"SEC. 504. (a) The Secretary is authorized to undertake on an experimental basis programs to demonstrate the feasibility of providing housing allowance payments to assist families in meeting rental or homeownership expenses.

"(b) For the purpose of carrying out this section, the Secretary is authorized to make, and to contract to make, housing allowance payments to or on behalf of participating families. No housing allowance payments shall be made after July 1, 1975. 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 payments as provided for in contracts entered into under this section and such sums as may be necessary to cover administrative costs. The aggregate amount of contracts to make housing allowance payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed $40,000,000 per annum. After January 1, 1975, the Secretary shall not enter into contracts under the United States Housing Act of 1937 to carry out the purposes of this section. The Secretary may contract with public or private agencies for the performance of administrative functions in connection with the programs authorized by this section.

"(c) The Secretary shall report to the Congress on his findings pursuant to this section not later than eighteen months after the enactment of the Housing and Community Development Act of 1974."

FEDERAL HOME LOAN MORTGAGE CORPORATION AMENDMENTS

SEC. 805. (a) Section 305(a)(1) of the Federal Home Loan Mortgage Corporation Act is amended—

(1) by striking out ", and to hold" and inserting in lieu thereof the following: ". The Corporation may hold"; and

(2) by striking out the period after "therein" and inserting in lieu thereof the following: ", and the servicing on any such mortgage may be performed by the seller or by a financial institution qualified as a seller under the provisions of the preceding sentence, or by a mortgagee approved by the Secretary of Housing and Urban Development for participation in any mortgage insurance program under the National Housing Act, with which institution or mortgagee the seller may contract."

(b) Section 305(a)(2) of such Act is amended—

(1) by striking out "75 per centum" each place it appears in the first sentence and inserting in lieu thereof "80 per centum";

(2) by striking out "private" in clause (C) of the first sentence;

(3) by striking out "10 per centum" in the third sentence and inserting in lieu thereof "20 per centum"; and

(4) by striking out "which are comparable to the limitations which would be applicable if the mortgage were insured by the Secretary of Housing and Urban Development under section 203(b) or 207 of the National Housing Act" in the fourth sentence and inserting in lieu thereof the following: ", but such limitations shall not exceed the limitations contained in the first proviso to the first sentence of section 5(c) of the Home Owners' Loan Act of 1933".

(c)(1) Section 5136 of the Revised Statutes is amended by inserting immediately after "Government National Mortgage Association" in paragraph Seventh thereof the following: ", or mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 305 or section 306 of the Federal Home Loan Mortgage Corporation Act".

(2) Section 11(h) of the Federal Home Loan Bank Act is amended by inserting immediately after "Government National Mortgage Association" the following: ", in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 305 or section 306 of the Federal Home Loan Mortgage Corporation Act".

(3) Section 16 of the Federal Home Loan Bank Act is amended by inserting immediately after "Government National Mortgage Association" the following: ", in mortgages, obligations or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 305 or section 306 of the Federal Home Loan Mortgage Corporation Act".

(4) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by inserting immediately after "Federal Home Loan Bank" in the first paragraph the following: ", or in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 305 or 306 of the Federal Home Loan Mortgage Corporation Act".

(5) Section 107(8)(E) of the Federal Credit Union Act is amended by inserting immediately after "Government National Mortgage Association" the following: "; or in mortgages, obligations, or other securities which are or ever have been sold by the Federal Home Loan Mortgage Corporation pursuant to section 305 or section 306 of the Federal Home Loan Mortgage Corporation Act;".

FEDERAL NATIONAL MORTGAGE ASSOCIATION AMENDMENTS

SEC. 806. (a) Section 302(a)(2) of the National Housing Act is amended—

(1) by striking out "the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968" in the matter preceding subparagraph (A) and inserting in lieu thereof "September 1, 1968"; and

(2) by striking out "effective" in subparagraphs (A) and (B).

(b) The third sentence of section 302(a)(2)(B) of such Act is amended—

(1) by inserting "or the metropolitan area thereof" immediately after "District of Columbia";

(2) by inserting "jurisdiction and" immediately before "venue"; and

(3) by striking out "resident thereof" and inserting in lieu thereof "District of Columbia corporation".

(c) Section 302(b)(2) of such Act is amended by striking out "75 per centum" each place it appears and inserting in lieu thereof "80 per centum."

(d) Clause (C) of the second sentence of section 302(b)(2) of such Act is amended by striking out "private".

(e) The fourth sentence of section 302(b)(2) of such Act is amended by striking out "10 per centum" and inserting in lieu thereof "20 per centum".

(f) The last sentence of section 302(b)(2) of such Act is amended by striking out "which are comparable to the limitations which would be applicable if the mortgage were insured by the Secretary of Housing and Urban Development under section 203(b) or 207 of the National Housing Act" and inserting in lieu thereof the following: ", but such limitations shall not exceed the limitations contained in the first proviso of the first sentence of section 5(c) of the Home Owners' Loan Act of 1933".

(g) Section 306(a) of such Act is amended—

(1) by striking out all of the first sentence which follows "directors" and inserting in lieu thereof a period; and

(2) by striking out everything after the second sentence.

(h) Section 306(c) of such Act is amended—

(1) by striking out "the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968" in the fourth sentence and inserting in lieu thereof "September 1, 1968,"; and

(2) by striking out the proviso in the last sentence.

(i) Subsections (d) and (e) of section 303 of such Act are repealed.

(j) The last sentence of section 304(a)(1) of such Act is amended by striking out "section 502 of the Emergency Home Finance Act of 1970" and inserting in lieu thereof "section 248 of the National Housing Act".

(k) Except with respect to any person receiving an annuity on the date of the enactment of this Act, section 309(d)(2) of such Act is amended—

(1) by striking out "the termination of the transitional period referred to in section 810(b) of the Housing and Urban Development Act of 1968" and inserting in lieu thereof "January 31, 1972,";

(2) by inserting "positions listed" immediately before "in section 5312"; and

(3) by inserting before the period at the end of the next to last sentence the following: ": Provided, That with respect to any person whose employment is made subject to the civil service retirement law by section 806 of the Housing and Community Development Act of 1974, there shall not be considered for the purposes of such law that portion of his basic pay in any one year which exceeds the basic pay provided for positions listed in section 5316 of such title 5 on the last day of such year".

(l) Subsections (b) and (c) of section 810 of the Housing and Urban Development Act of 1968 are repealed.

LIMITATION ON DOLLAR AMOUNT OF GNMA-PURCHASED MORTGAGES

SEC. 807. Clause (2) of the proviso in the first sentence of section 302(b)(1) of the National Housing Act is amended by striking out "$22,000" and inserting in lieu thereof the following: "$33,000 (or such higher amount not in excess of $66,000 as the Secretary may by regulation specify in any geographical area where he finds that cost levels so require)".

PROHIBITION AGAINST DISCRIMINATION ON ACCOUNT OF SEX IN EXTENSION OF MORTGAGE ASSISTANCE; FARM HOUSING

SEC. 808. (a) Title V of the National Housing Act is (as amended by sections 301 and 305 of this Act) is amended by adding at the end thereof the following new section:

"PROHIBITION AGAINST DISCRIMINATION ON ACCOUNT OF SEX IN EXTENSION OF MORTGAGE ASSISTANCE

"SEC. 527. No federally related mortgage loan, or Federal insurance, guaranty, or other assistance in connection therewith (under this or any other Act), shall be denied to any person on account of sex; and every person engaged in making mortgage loans secured by residential real property shall consider without prejudice the combined income of both husband and wife for the purpose of extending mortgage credit in the form of a federally related mortgage loan to a married couple or either member thereof.

"(b) For purposes of subsection (a), the term 'federally related mortgage loan' means any loan which—

"(1) is secured by residential real property designed principally for the occupancy of from one to four families; and

"(2)(A) is made in whole or in part by any lender the deposits or accounts of which are insured by any agency of the Federal Govern-

ment, or is made in whole or in part by any lender which is itself regulated by any agency of the Federal Government; or

"(B) is made in whole or in part, or insured, guaranteed, supplemented, or assisted in any way, by the Secretary of Housing and Urban Development or any other officer or agency of the Federal Government or under or in connection with a housing or urban development program administered by the Secretary of Housing and Urban Development or a housing or related program administered by any other such officer or agency; or

"(C) is eligible for purchase by the Federal National Mortgage Association, the Government National Mortgage Association, or the Federal Home Loan Mortgage Corporation, or from any financial institution from which it could be purchased by the Federal Home Loan Mortgage Corporation; or

"(D) is made in whole or in part by any 'creditor', as defined in section 103(f) of the Consumer Credit Protection Act of 1968 (15 U.S.C. 1602(f)), who makes or invests in residential real estate loans aggregating more than $1,000,000 per year."

(b)(1) Subsections (a), (b), (c), (d), and (e) of section 804 of the Act entitled "An Act to prescribe penalties for certain acts of violence or intimidation, and for other purposes", approved April 11, 1968 (42 U.S.C. 3604), are amended by inserting a comma and the word "sex" immediately after the word "religion" each time it appears.

(2) Section 805 of such Act is amended by inserting a comma and the word "sex" immediately after the word "religion".

(3) Section 806 of such Act is amended by inserting a comma and the word "sex" immediately after the word "religion".

(4) Subsection (a), paragraph (1) of subsection (b), and subsection (c) of section 901 of such Act are amended by inserting a comma and the word "sex" immediately after the word "religion" each time it appears.

NATIONAL INSTITUTE OF BUILDING SCIENCES

SEC. 809. (a)(1) The Congress finds (A) that the lack of an authoritative national source to make findings and to advise both the public and private sectors of the economy with respect to the use of building science and technology in achieving nationally acceptable standards and other technical provision for use in Federal, State, and local housing and building regulations is an obstacle to efforts by and imposes severe burdens upon all those who procure, design, construct, use, operate, maintain, and retire physical facilities, and frequently results in the failure to take full advantage of new and useful developments in technology which could improve our living environment; (B) that the establishment of model building codes or of a single national building code will not completely resolve the problem because of the difficulty at all levels of government in updating their housing and building regulations to reflect new developments in technology, as well as the irregularities and inconsistencies which arise in applying such requirements to particular localities or special local conditions; (C) that the lack of uniform housing and building regulatory provisions increases the costs of construction and thereby reduces the amount of housing and other community facilities which can be provided; and (D) that the existence of a single authoritative nationally recognized institution to provide for the evaluation of new technology could facilitate introduction of such innovations and their acceptance at the Federal, State, and local levels.

(2) The Congress further finds, however, that while an authoritative source of technical findings is needed, various private organizations and institutions, private industry, labor, and Federal and other governmental agencies and entities are presently engaged in building research, technology development, testing, and evaluation, standards and model code development and promulgation, and information dissemination. These existing activities should be encouraged and these capabilities effectively utilized wherever possible and appropriate to the purposes of this section.

(3) The Congress declares that an authoritative nongovernmental instrument needs to be created to address the problems and issues described in paragraph (1), that the creation of such an instrument should be initiated by the Government, with the advice and assistance of the National Academy of Sciences-National Academy of Engineering-National Research Council (hereinafter referred to as the "Academies-Research Council") and of the various sectors of the building community, including labor and management, technical experts in building science and technology, and the various levels of government.

(b)(1) There is authorized to be established, for the purposes described in subsection (a)(3), an appropriate nonprofit, nongovernmental instrument to be known as the National Institute of Building Sciences (hereinafter referred to as the "Institute"), which shall not be an agency or establishment of the United States Government. The Institute shall be subject to the provisions of this section and, to the extent consistent with this section, to a charter of the Congress if such a charter is requested and issued or to the District of Columbia Nonprofit Corporation Act if that is deemed preferable.

(2) The Academies-Research Council, along with other agencies and organizations which are knowledgeable in the field of building technology, shall advise and assist in (A) the establishment of the Institute; (B) the development of an organizational framework to encourage and provide for the maximum feasible participation of public and private scientific, technical, and financial organizations, institutions, and agencies now engaged in activities pertinent to the development, promulgation, and maintenance of performance criteria, standards, and other technical provisions for building codes and other regulations; and (C) the promulgation of appropriate organizational rules and procedures including those for the selection and operation of a technical staff, such rules and procedures to be based upon the primary object of promoting the public interest and insuring that the widest possible variety of interests and experience essential to the functions of the Institute are represented in the Institute's operations. Recommendations of the Academies-Research Council shall be based upon consultations with and recommendations from various private organizations and institutions, labor, private industry, and governmental agencies entities operating in the field, and the Consultative Council as provided for under subsection (c)(8).

(3) Nothing in this section shall be construed as expressing the intent of the Congress that the Academies-Research Council itself be required to assume any function or operation vested in the Institute by or under this section.

(c)(1) The Institute shall have a Board of Directors (hereinafter referred to as the "Board") consisting of not less than fifteen nor more than twenty-one members, appointed by the President of the United States by and with the advice and consent of the Senate. The Board shall be representative of the various segments of the building community, of the various regions of the country, and of the consumers who are or would be affected by actions taken in the exercise of the functions and responsibilities of the Institute, and shall include (A) representatives of the construction industry, including representatives of construction labor organizations, product manufacturers, and builders, housing management experts, and experts in building standards, codes, and fire safety, and (B) members representative of the public interest in such numbers as may be necessary to assure that a majority of the members of the Board represent the public interest and that there is adequate consideration by the Institute of consumer interests in the exercise of its functions and responsibilities. Those representing the public interest on the Board shall include architects, professional engineers, officials of Federal, State, and local agencies, and representatives of consumer organizations. Such members of the Board shall hold no financial interest or membership in, nor be employed by, or receive other compensation from, any company, association, or other group associated with the manufacture, distribution, installation, or maintenance of specialized building products, equipment, systems, subsystems, or other construction materials and techniques for which there are available substitutes.

(2) The members of the initial Board shall serve as incorporators and shall take whatever actions are necessary to establish the Institute as provided for under subsection (b)(1).

(3) The term of office of each member of the initial and succeeding Boards shall be three years; except that (A) any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term; and (B) the terms of office of members first taking office shall begin on the date of incorporation and shall expire, as designated at the time of their appointment, one-third at the end of one year, one-third at the end of two years, and one-third at the end of three years. No member shall be eligible to serve in excess of three consecutive terms of three years each. Notwithstanding the preceding provisions of this subsection, a member whose term has expired may serve until his successor has qualified.

(4) Any vacancy in the initial and succeeding Boards shall not affect its power, but shall be filled in the manner in which the original appointments were made, or, after the first five years of operation, as provided for by the organizational rules and procedures of the Institute.

(5) The President shall designate one of the members appointed to the initial Board as Chairman; thereafter, the members of the initial and succeeding Boards shall annually elect one of their number as Chairman. The members of the Board shall also elect one or more of their Members as Vice Chairman. Terms of the Chairman and Vice Chairman shall be for one year and no individual shall serve as Chairman or Vice Chairman for more than two consecutive terms.

(6) The members of the initial or succeeding Boards shall not, by reason of such membership, be deemed to be employees of the United States Government. They shall, while attending meetings of the Board or while engaged in duties related to such meetings or in other activities of the Board pursuant to this section, be entitled to receive compensation at the rate of $100 per day including traveltime, and while away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, equal to that authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(7) The Institute shall have a president and such other executive officers and employees as may be appointed by the Board at rates of compensation fixed by the Board. No such executive officer or employee may receive any salary or other compensation from any source other than the Institute during the period of his employment by the Institute.

(8) The Institute shall establish, with the

advice and assistance of the Academies-Research Council and other agencies and organizations which are knowledgeable in the field of building technology, a Consultative Council, membership in which shall be available to representatives of all appropriate private trade, professional, and labor organizations, private and public standards, code, and testing bodies, public regulatory agencies, and consumer groups, so as to insure a direct line of communication between such groups and the Institute and a vehicle for representative hearings on matters before the Institute.

(d) (1) The Institute shall have no power to issue any shares of stock, or to declare or pay any dividends.

(2) No part of the income or assets of the Institute shall inure to the benefit of any director, officer, employee or other individual except as salary or reasonable compensation for services.

(3) The Institute shall not contribute to or otherwise support any political party or candidate for elective public office.

(e) (1) The Institute shall exercise its functions and responsibilities in four general areas, relating to building regulations, as follows:

(A) Development, promulgation, and maintenance of nationally recognized performance criteria, standards, and other technical provisions for maintenance of life, safety, health, and public welfare suitable for adoption by building regulating jurisdictions and agencies, including test methods and other evaluative techniques relating to building systems, subsystems, components, products, and materials with due regard for consumer problems.

(B) Evaluation and prequalification of existing and new building technology in accordance with subparagraph (A).

(C) Conduct of needed investigations in direct support of subparagraphs (A) and (B).

(D) Assembly, storage, and dissemination of technical data and other information directly related to subparagraphs (A), (B), and (C).

(2) The Institute in exercising its functions and responsibilities described in paragraph (1) shall assign and delegate, to the maximum extent possible, responsibility for conducting each of the needed activities described in paragraph (1) to one or more of the private organizations, institutions, agencies, and Federal and other governmental entities with a capacity to exercise or contribute to the exercise of such responsibility, monitor the performance achieved through assignment and delegation, and, when deemed necessary, reassign and delegate such responsibility.

(3) The Institute in exercising its functions and responsibilities under paragraphs (1) and (2) shall (A) give particular attention to the development of methods for encouraging all sectors of the economy to cooperate with the Institute and to accept and use its technical findings and to accept and use the nationally recognized performance criteria, standards, and other technical provisions developed for use in Federal, State, and local building codes and other regulations which result from the program of the Institute; (B) seek to assure that its actions are coordinated with related requirements which are imposed in connection with community and environmental development generally; and (C) consult with the Department of Justice and other agencies of government to the extent necessary to insure that the national interest is protected and promoted in the exercise of its functions and responsibilities.

(f) (1) The Institute is authorized to accept contracts and grants from Federal, State, and local governmental agencies and other entities, and grants and donations from private organizations, institutions, and individuals.

(2) The Institute may, in accordance with rates and schedules established with guidance as provided under subsection (b) (2), establish fees and other charges for services provided by the Institute or under its authorization.

(3) Amounts received by the Institute under this section shall be in addition to any amounts which may be appropriated to provide its initial operating capital under subsection (h).

(g) (1) Every department, agency, and establishment of the Federal Government, in carrying out any building or construction, or any building- or construction-related programs, which involves direct expenditures, and in developing technical requirements for any such building or construction, shall be encouraged to accept the technical findings of the Institute, or any nationally recognized performance criteria, standards, and other technical provisions for building regulations brought about by the Institute, which may be applicable.

(2) All projects and programs involving Federal assistance in the form of loans, grants, guarantees, insurance, or technical aid, or in any other form, shall be encouraged to accept, use, and comply with any of the technical findings of the Institute, or any nationally recognized performance criteria, standards, and other technical provisions for building codes and other regulations brought about by the Institute, which may be applicable to the purposes for which the assistance is to be used.

(3) Every department, agency, and establishment of the Federal Government having responsibility for building or construction, or for building or construction-related programs, is authorized and encouraged to request authorization and appropriations for grants to the Institute for its general support, and is authorized to contract with and accep contracts from the Institute for specific services where deemed appropriate by the responsible Federal official involved.

(4) The Institute shall establish and carry on a specific and continuing program of cooperation with the States and their political subdivisions designed to encourage their acceptance and its technical findings and of nationally recognized performance criteria, standards, and other technical provisions for building regulations brought about by the Institute. Such program shall include (A) efforts to encourage any changes in existing State and local law to utilize or embody such findings and regulatory provisions; and (B) assistance to States in the development of inservice training programs for building officials, and in the establishment of fully staffed and qualified State technical agencies to advise local official on questions of technical interpretation.

(h) There is authorized to be appropriated to the Institute not to exceed $5,000,000 for the fiscal year 1975, and $5,000,000 for the fiscal year 1976 (with each appropriation to be available until expended), to provide the Institute with initial capital adequate for the exercise of its functions and responsibilities during such years; and thereafter the means described in subsection (f).

(i) The Institute shall submit an annual report for the preceding fiscal year to the President for transmittal to the Congress within sixty days of its receipt. The report shall include a comprehensive and detailed report of the Institute's operations, activities, financial condition, and accomplishments under this section and may include such recommendations as the Institute deems appropriate.

URBAN HOMESTEADING

SEC. 810. (a) Notwithstanding any other provision of law, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to transfer without payment to a unit of general local government or a State, or a public agency designated by a unit of general local government or a State, any real property—

(1) which is improved by a one- to four-family residence;

(2) to which the Secretary holds title;

(3) which is not occupied;

(4) which is requested by such unit, State, or agency for use in an urban homestead program; and

(5) which the Secretary determines is suitable for use in an urban homestead program which meets the requirements of subsection (b). In determining the suitability of such property for use in an urban homestead program, the Secretary shall consider—

(A) the difficulties and delays which would be involved in the sale of the property;

(B) the value of any repairs and improvements required by the program;

(C) the benefits to the community and the reduced administrative costs to the Federal Government which would accrue from the expedited occupancy of the unoccupied property; and

(D) the possible financial loss to the Federal Government which may result from the transfer of the property without payment.

(b) For the purposes of subsections (a) and (c), the Secretary shall approve an urban homestead program carried out by a unit of general local government or a State or a public agency designated by a unit of general local government or a State, which provides for—

(1) the conditional conveyance of unoccupied residential property by the responsible administrative entity to an individual or a family without any substantial consideration;

(2) an equitable procedure for selecting the recipients of the unoccupied residential property, giving special consideration to the recipients' need for housing and capacity to make or cause to be made the repairs and improvements required under paragraph (3) (C) of this subsection;

(3) an agreement whereby the individual or family to whom such property is conveyed agrees to—

(A) occupy such property as a principal residence for a period of not less than three years;

(B) make repairs required to meet minimum health and safety standards for occupancy prior to occupying the property;

(C) make such repairs and improvements to the property as may be necessary to meet applicable local standards for decent, safe, and sanitary housing within eighteen months after occupying the property; and

(D) permit reasonable periodic inspections at reasonable times by employees of the unit of general local government or State or the public agency designated by the unit of general local government or State for the purpose of determining compliance with the agreement;

(4) the relocation of such conveyance upon any material breach of the agreement referred to in paragraph (3);

(5) the conveyance from the unit of general local government or State or the public agency designated by the unit of general local government or State of fee simple title to such property without consideration upon compliance with the agreement; and

(6) a coordinated approach toward neighborhood improvement through the homestead program and the upgrading of community services and facilities.

The Secretary may approve such other programs as he determines to reasonably fulfill these criteria.

(c) The Secretary is authorized to enter into agreements with units of general local government or States or public agencies designated by units of general local government or State to provide technical assistance for the administration of urban homestead programs which meet the requirements of

subsection (b) and to individuals and families who are participants in such programs.

(d) The Secretary is authorized to issue such rules and regulations as may be necessary to carry out his functions under this section.

(e) The Secretary shall conduct a continuing evaluation of programs carried out pursuant to this section and, beginning with the third year commencing after the date of enactment of this section, shall transmit to the Congress an annual report containing a summary of his evaluation of such programs and his recommendations for future conduct of such programs.

(f) In order to facilitate planning for purposes of this section, the Secretary shall, upon request of a unit of general local government or a State or a public agency designated by a unit of general local government or a State, provide a listing of all unoccupied one- to four-family residences to which the Secretary holds title and which are located within the geographic jurisdiction of such unit, State, or agency.

(g) To reimburse the housing loan funds for properties transferred pursuant to this section, and to carry out the provisions of subsection (c), there are authorized to be appropriated not to exceed $5,000,000 for the fiscal year 1975, and not to exceed $5,000,000 for the fiscal year 1973. Any amounts so appropriated shall remain available until expended.

COUNSELING AND TECHNICAL ASSISTANCE

SEC. 811. (a) Section 106 of the Housing and Urban Development Act of 1968 is amended by rewriting the heading to read as follows: "Technical Assistance, Counseling to Tenants and Homeowners, and Loans to Sponsors of Low- and Moderate-Income Housing".

(b)(1) Section 106(a)(1)(iii) of such Act is amended to read as follows:

"(iii) counseling and advice to tenants and homeowners with respect to property maintenance, financial management, and such other matters as may be appropriate to assist them in improving their housing conditions and in meeting the responsibilities of tenancy or homeownership; and".

(2) Section 106(a) of such Act is amended by redesignating paragraph (2) as paragraph (3) and inserting immediately after paragraph (1) the following new paragraph:

"(2) The Secretary shall provide the services described in clause (iii) of paragraph (1) for homeowners assisted under section 235 of the National Housing Act. For purposes of this paragraph and clause (iii) of paragraph (1), the Secretary may provide the services described in such clause directly or may enter into contracts with, make grants to, and provide other types of assistance to private or public organizations with special competence and knowledge in counseling low-income and moderate-income families to provide such services."

(c) Section 106(a)(1) of such Act is further amended by adding at the end of thereof the following new subparagraph:

"(iv) the provision of technical assistance to communities, particularly smaller communities, to assist such communities in planning, developing, and administering Community Development Programs pursuant to title I of the Housing and Community Development Act of 1974."

(d) Section 106(a)(3) of such Act (as redesignated by subsection (b)(2) of this section) is amended by striking out "not to exceed $5,000,000" and inserting in lieu thereof "such sums as may be necessary".

(e) Section 106(b)(1) of such Act is amended by inserting "or public housing agencies" immediately after "nonprofit organizations".

(f) Section 106(b)(2) of such Act is amended by inserting "or public housing agency" immediately after "nonprofit organization".

INTERSTATE LAND SALES

SEC. 812. (a) Section 1402 of the Housing and Urban Development Act of 1968 is amended—

(1) by inserting after "land" where it first appears in paragraph (3) the following: ", located in any State or in a foreign country,"; and

(2) by inserting before the semicolon at the end of paragraph (7) the following: "or between any foreign country and any State".

(b) Section 1408(a) of such Act is amended by striking out "or" at the end of paragraph (9), by striking out the period at the end of paragraph (10) and inserting in lieu thereof "; or", and by adding after paragraph (10) the following new paragraph:

"(11) the sale or lease of real estate which is zoned by the appropriate governmental authority for industrial or commercial development, when—

"(A) local authorities have approved access from such real estate to a public street or highway;

"(B) the purchaser or lessee of such real estate is a duly organized corporation, partnership, trust, or business entity engaged in commercial or industrial business;

"(C) the purchaser or lessee of such real estate is represented in the transaction of sale or lease by a representative of its own selection;

"(D) the purchaser or lessee of such real estate affirms in writing to the seller that it either (i) is purchasing or leasing such real estate substantially for its own use or (ii) has a binding commitment to sell, lease, or sublease such real estate to an entity which meets the requirements of subparagraph (B), is engaged in commercial or industrial business, and is not affiliated with the seller or agent; and

"(E) a policy of title insurance or title opinion is issued in connection with the transaction showing that title to the real estate purchased or leased is vested in the seller or lessor, subject only to such exceptions as may be approved in writting by such purchaser or the lessee prior to recordation of the instrument of conveyance or execution of the lease, but (i) nothing herein shall be construed as requiring the recordation of a lease, and (ii) any purchaser or lessee may waive, in writing in a separate document, the requirement of this subparagraph that a policy of title insurance or title opinion be issued in connection with the transaction."

(c)(1) The second sentence of section 1404(b) of such Act is amended—

(A) by striking out "within forty-eight hours" where it first appears and inserting in lieu thereof "until midnight of the third business day following the consummation of the transaction"; and

(B) by striking out all after "provide" and inserting in lieu thereof a period.

(2) The amendments made by paragraph (1) shall be effective sixty days after the date of the enactment of this Act.

MASS TRANSPORTATION

SEC. 813. (a) Section 3 of the Urban Mass Transportation Act of 1964 is amended by adding at the end thereof the following new subsection:

"(f) No Federal financial assistance under this Act may be provided for the purchase of buses unless the applicant or any public body receiving such assistance for the purchase of buses, or any publicly owned operator receiving such assistance, shall as a condition of such assistance enter into an agreement with the Secretary that such public body, or any operator of mass transportation for such public body, will not engage in charter bus operations outside the urban area within which it provides regularly scheduled mass transportation service, except as provided in the agreement authorized by this subsection. Such agreement shall provide for fair and equitable arrangements, appropriate in the judgment of the Secretary, to assure that the financial assistance granted under this Act will not enable public bodies and publicly and privately owned operators for public bodies to foreclose private operators from the intercity charter bus industry where such private operators are willing and able to provide such service. In addition to any other remedies specified in the agreement, the Secretary shall have the authority to bar a grantee or operator from the receipt of further financial assistance for mass transportation facilities and equipment where he determines that there has been a continuing pattern of violations of the terms of agreement. Upon receiving a complaint regarding an alleged violation, the Secretary shall investigate and shall determine whether a violation has occurred. Upon determination that a violation has occurred, he shall take appropriate action to correct the violation under the terms and conditions of the agreement.".

(b) Section 164(a) of the Federal-Aid Highway Act of 1973 is amended—

(1) by inserting "or" before "(2)" in the first sentence;

(2) by striking out "or (3) the Urban Mass Transportation Act of 1964," in the first sentence; and

(3) by striking out all after the word "operations" in the first sentence and all of the second sentence, and inserting in lieu thereof "outside of the urban area (or areas) within which it provides regularly scheduled mass transportation service, except as provided in an agreement authorized and required by section 3(f) of the Urban Mass Transportation Act of 1964, which section shall apply to Federal financial assistance for the purchase of buses under the provisions of title 23, United States Code, referred to in clauses (1) and (2) of this sentence."

(c) The Secretary shall amend any agreements entered into pursuant to section 164(a) of the Federal-Aid Highway Act of 1973, to conform to the requirements of the amendments made by this section. The effective date of such conformed agreements shall by the effective date of the original agreements entered into pursuant to such section 164(a).

SOLAR ENERGY

SEC. 814. Title V of the Housing and Urban Development Act of 1970 is amended by adding at the end thereof the following new section:

SOLAR ENERGY

"SEC. 506. (a) In carrying out activities under section 501, the Secretary may, after consultation with the National Science Foundation, undertake demonstrations to determine the economic and technical feasibility of utilizing solar energy for heating or cooling residential housing (including demonstrations of new housing design or structure involving the use of solar energy). Demonstrations carried out under this section should involve both single family and multifamily housing located in areas having distinguishable climatic characteristics in urban as well as rural environments. To carry out the purpose of this section the Secretary is authorized—

"(1) to enter into contracts with, to make grants to, and to provide other types of assistance to individuals and entities with special competence and knowledge to contribute to the planning, design, development, and operation of such housing;

"(2) to utilize the contract, loan, or mortgage insurance authority of any federally assisted housing program in the actual planning, development, and occupancy of such housing; and

"(3) to set aside any development, construction, design, or occupancy requirements for the purpose of any demonstration under this section if he determines that such requirements inhibit such demonstration.

"(b) The Secretary shall include in any

demonstration under this section an evaluation of the demonstration to cover the full experience involved in all stages of the demonstration.

"(c) The Secretary shall transmit to the Congress not later than 6 months following the close of any year in which he carries out a demonstration under this section a full report on such demonstration. Such report may include an evaluation of the economic and technological feasibility of the widespread application of solar energy to residential housing."

"ADDITIONAL RESEARCH AUTHORITY

SEC. 815. Title V of the Housing and Urban Development Act of 1970 (as amended by section 814 of this Act) is amended by adding at the end thereof the following new section:

"ADDITIONAL RESEARCH AUTHORITY

"SEC. 507. (a) In carrying out activities under section 501, the Secretary may undertake special demonstrations to determine the housing design, the housing structure, and the housing-related facilities, and amenities most effective or appropriate to meet the needs of groups with special housing needs including the elderly, the handicapped, the displaced, single individuals, broken families, and large households. For this purpose, the Secretary is authorized to enter into contracts with, to make grants to, and to provide other types of assistance to individuals and entities with special competence and knowledge to contribute to the planning, development, design, and management of such housing.

"(b) In carrying out his functions under this section, the Secretary shall give preferential attention to demonstrations which in his judgment involve areas of housing user needs most neglected in past and current research and demonstration efforts.

"(c) The Secretary is authorized to undertake demonstrations involving the actual planning, development, and occupancy of housing utilizing the contract and loan authority of any federally assisted housing program. He is also authorized to set aside any development, construction, design, and occupancy requirements, for the purposes of these demonstrations, if in his judgment they inhibit the testing of housing designed to meet the special housing needs.

"(d) In carrying out this section, the Secretary shall include, as part of any demonstration, an evaluation of the demonstration to cover the full experience involved in planning, development, and occupancy.

"(e) In addition to any other contract or loan authority which the Secretary may utilize under subsection (c), not more than $10,000,000 from amounts approved in appropriation Acts shall be available for research under this section."

FLOOD INSURANCE PROGRAM

SEC. 816. (a) Chapter III of title XIII of the Housing and Urban Development Act of 1968 is amended by adding at the end thereof the following new section:

"NOTICE OF FLOOD HAZARDS

"SEC. 1364. Each Federal instrumentality responsible for the supervision, approval, regulation, or insuring of banks, savings and loan associations, or similar institutions shall by regulation require such institutions, as a condition of making, increasing, extending, or renewing (after the expiration of thirty days following the date of the enactment of this section) 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 under this title or Public Law 93-234 as an area having special flood hazards, to notify the purchaser or lessee (or obtain satisfactory assurances that the seller or lessor has notified the purchaser or lessee) of such special flood hazards, in writing, a reasonable period in advance of the signing of the purchase agreement, lease, or other documents involved in the transaction."

(b) Section 1307 of such Act is amended by adding at the end thereof the following new subsection:

"(e) Notwithstanding any other provision of law, any community that has made adequate progress, acceptable to the Secretary, on the construction of a flood protection system which will afford flood protection for the one-hundred year frequency flood as determined by the Secretary, shall be eligible for flood insurance under this title (if and to the extent it is eligible for such insurance under the other provisions of this title) at premium rates not exceeding those which would be applicable under this section if such flood protection system had been completed. The Secretary shall find that adequate progress on the construction of a flood protection system as required herein has been only if (1) 100 percent of the project cost of the system has been authorized (2) at least 60 percent of the project cost of the system has been appropriated, (3) at least 50 percent of the project cost of the system has been expended, and (4) the system is at least 50 percent completed."

LIMITATION ON WITHHOLDING OR CONDITIONING OF ASSISTANCE

SEC. 817. Assistance provided for in this Act, the National Housing Act, the United States Housing Act of 1937, the Housing Act of 1949, the Demonstration Cities and Metropolitan Development Act of 1966, and the Housing and Urban Development Acts of 1965, 1968, 1969, and 1970 shall not be withheld or made subject to conditions or preference by reason of the tax-exempt status of bonds or other obligations issued or to be issued to provide financing for use in connection with such assistance, except where otherwise expressly provided or authorized by law.

ADDITIONAL ASSISTANT SECRETARIES OF HOUSING AND URBAN DEVELOPMENT

SEC. 818. (a) Section 4 of the Department of Housing and Urban Development Act (Public Law 89-174, 79 Stat. 667) is amended—

(1) by striking out "six" in the first sentence of subsection (a) and inserting in lieu thereof "eight";

(2) by striking out subsection (b); and

(3) by redesignating subsections (c) and (d) as subsections (b) and (c), respectively.

(b) Section 5316 of title 5, United States Code, is amended by striking out paragraph (122).

(c) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(6)" and inserting in lieu thereof "(8)".

MORTGAGE PROCEEDS FRAUDULENTLY MISAPPROPRIATED BY MORTGAGOR

SEC. 819. The Secretary of Housing and Urban Development shall take action to secure the payment of any deficiency after foreclosure on a mortgage insured or assisted under Federal law where the Secretary has reason to believe that mortgage proceeds have been fraudulently misappropriated by the mortgagor.

NEIGHBORHOOD DEVELOPMENT PROGRAM

SEC. 820. Notwithstanding the provisions of section 133(b) of the Housing Act of 1949 or of any other law, local expenditures made in connection with the Broad and Front Street Garage in Trenton, New Jersey, shall, to the extent otherwise eligible, be counted as a local grant-in-aid to the first two action years of the Trenton Neighborhood Development Program (N.J. A-1) in accordance with the provisions of title I of the Housing Act of 1949.

CONDOMINIUM AND COOPERATIVE STUDY

SEC. 821. The Secretary of Housing and Urban Development is authorized and directed to conduct a full and complete investigation and study, and report to Congress not later than one year after the date of enactment of this Act, with respect to condominiums and cooperatives, and the problems, difficulties, and abuses or potential abuses applicable to condominium and cooperative housing.

DIRECT FINANCING STUDY

SEC. 822. The Secretary of Housing and Urban Development and the Secretary of the Treasury shall study the feasibility of financing the programs authorized under section 236 of the National Housing Act and section 802 of this Act through various financing methods, including direct loans from the Federal Financing Bank, with a view to determining whether there is any such method that would result in net savings to the Federal Government (after taking into account the direct and indirect effects of such method). The Secretary of Housing and Urban Development and the Secretary of the Treasury shall transmit to the Congress a report on the study required by this section not later than one year after the date of enactment of this Act.

And the House agree to the same.

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

WRIGHT PATMAN,
WILLIAM A. BARRETT,
LEONOR K. SULLIVAN,
THOMAS L. ASHLEY,
WILLIAM S. MOORHEAD,
ROBERT G. STEPHENS, JR.,
FERNAND J. ST GERMAIN,
HENRY S. REUSS,
RICHARD T. HANNA,
WILLIAM B. WIDNALL,
GARRY BROWN,
J. WILLIAM STANTON,
BEN B. BLACKBURN,
MARGARET HECKLER,
Managers on the Part of the House.

JOHN SPARKMAN,
WILLIAM PROXMIRE,
HARRISON A. WILLIAMS,
ALAN CRANSTON,
THOMAS J. MCINTYRE,
JOHN TOWER,
EDWARD W. BROOKE,
BILL BROCK,
WALLACE F. BENNETT,
Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and Senate on the disagreeing votes of the two Houses on the amendment of the House to the Senate bill (S. 3066) to consolidate, simplify, and improve laws relative to housing and housing assistance, to provide Federal assistance in support of community development activities, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect the action agreed upon by the managers and recommended in the accompanying conference report:

I—COMMUNITY DEVELOPMENT

Findings and objectives

The Senate bill contained findings that (1) the Nation's communities face critical problems resulting from urban population growth, concentration of lower income persons in central cities, and inadequate public and private investment; and (2) the Nation's welfare depends on establishing and maintaining viable urban communities. It also established as the title's primary objective the development of viable urban communities, by providing housing suitable living environments, and expansion of economic opportunities, principally for persons of low and moderate income; and stated that the objective was to be achieved through the

elimination of slums and blight and conditions detrimental to health, safety, and welfare, conservation and expansion of housing and housing opportunities, increased public services, improved use of land, increased neighborhood diversity, and preservation of property with special values.

The House amendment set forth the purpose of the title as furthering the development of a national growth policy by consolidating certain programs into a system which (1) provides assistance annually—with maximum certainty and minimum delay, (2) encourages community development activities consistent with local and area-wide planning, (3) furthers achievement of national housing goals, and (4) provides for coordinated and mutually supportive housing and community development activities.

The conference report contains both the Senate and House provisions.

Effective date

The Senate bill provided that the new community development program would begin upon enactment of the bill. The House amendment provided that the new program would begin on January 1, 1975. The conference report contains the House provision.

Authorizations

Program Levels

The Senate bill authorized $6.1 billion in contract authority for two years, with annual disbursement limitations of $3.8 billion in FY 1975 and $3.3 billion in FY 1976. It also permitted unused funds previously appropriated for open space, water and sewer facilities, and model cities supplemental grants to be used during FY 1975 to liquidate contracts entered into pursuant to the $6.1 billion authorization. The House amendment authorized $8.05 billion in contract authority for three years, with annual disbursement limitations of $2.45 billion in FY 1975, $2.65 billion in FY 1976, and $2.95 billion in FY 1977.

The conference report contains the Senate provision with respect to the use of previously appropriated funds, and provides for the following authorizations: $2.5 billion in FY 1975, $2.95 billion in FY 1976, and $2.95 billion in FY 1977.

Future authorizations

The Senate bill required the Secretary of Housing and Urban Development to submit to Congress timely requests for increased authorizations for FY 1977 and succeeding fiscal years. The House amendment provided for such requests for Fiscal years 1978, 1979, and 1980 no later than February 1, 1976. The conference report contains the Senate provision with respect to timely authorizations requests, and also directs the HUD Secretary to report to Congress not later than March 31, 1977, setting forth recommendations for modifying or expanding the allocation and funding provisions of the new porgram, and to conduct a study to determine the measurement of community development needs, objectives, and capacities by objective standards. The conferees agreed that the formula and "holdharmless" provisions for distributing funds under this chapter should be subjected to systematic study and full review before additional funds are authorized.

It is expected that the required HUD study will give particular attention to identifying factors reflecting community needs and capacities, and methods for ensuring that the distribution of Federal assistance is made in accordance with the stated objectives of the program.

Special Transition Fund

The House amendment contained a provision not in the Senate bill authorizing up to $100 million for each of the fiscal years 1975, 1976, and 1977 for special transition grants to communities with urgent community development needs which cannot be met through the bill's funding provisions. The conference report contains this House provision amended to authorize $50 million in FY 1975, and $50 million in FY 1976, rather than $100 million in each of those years, for special transition grants.

DEFINITION

"Community Development Agency"

The Senate bill contained a definition of this term which was not used in the House amendment. The conference report does not contain this term.

"Metropolitan City", "City", and "Housing Overcrowding"

The House amendment contained definitions of these terms which were not used in the Senate bill. The conference report contains these terms and the House amendment's definitions.

"Urban County"

The Senate bill defined this term to mean any county within a metropolitan area which has at least 75 percent of the population of a multi-county metropolitan area, or a population of 200,000 or over. The House amendment defined this term to mean any county within a metropolitan area which (A) is authorized to undertake essential community development and housing assistance activities in its unincorporated areas which are not units of general local government, and (B) has combined population of 200,000 or more (excluding the population of metropolitan cities) in such unincorporated areas and in its included units of general local government (i) in which it has authority to undertake essential activities and which do not elect to have their population excluded, or (ii) with which it has entered into cooperation agreements to undertake essential community development and housing assistance activities.

The conference report contains the House definition.

"Extent of Poverty"

The House amendment defined this term, which was not used in the Senate bill, to mean the number of persons whose incomes are below the poverty level, as determined by HUD pursuant to criteria set by the Office of Management and Budget, and taking account if feasible in the sole discretion of the HUD Secretary, regional variations in income and cost of living. The conference report contains this term, with the House amendment's definition. The conferees direct HUD to develop or obtain data with respect to the "extent of poverty" by metropolitan areas (SMSA's) and submit such data to the Congress as part of the March 31, 1977 report referred to above.

"Unit of general local government"

The Senate bill's definition of this term contained a provision not in the House amendment permitting the designation of one or more public agencies to carry out part or all of the community's development program. The conference report contains this Senate provision.

Application and review requirements

Frequency and required period of application

The Senate bill provided for a summary plan covering a four-year period and a two-year application for funds specifying activities to be carried on with community development funds. The House amendment, in effect, provided for a three-year summary plan with a one-year application for funds specifying activities to be carried on. The conference report contains the House provisions.

Time of application submission

The House amendment contained a provision not in the Senate bill requiring metropolitan cities and urban counties to submit applications to HUD no later than April 1, 1975, and November 1 of 1976 and 1977. The conference report contains the House provision with an amendment eliminating specific dates and directing the HUD Secretary to establish application submission dates.

Time of HUD Action

The Senate bill required the HUD Secretary to act on applications for community development assistance within 90 days, and provided that applications for on-going programs would be deemed approved after 90 days unless HUD notified communities otherwise. The House amendment contained a similar provision, except that applications would be deemed approved after 60 days rather than 90 days. The conference report contains the House provision with an amendment specifying 75 days.

Contents of Application

The Senate bill required each application for community development assistance to include activities to provide housing, eliminate or prevent slums and blight, upgrade community facilities and services, and provide employment opportunities for community development area residents; except that the HUD Secretary would be permitted to waive any of these requirements for communities of under 25,000 population applying for an initial single-purpose grant. The House amendment provided that each metropolitan city or urban county application must set out activities designed to eliminate or prevent slums and blight where such conditions or needs exist, provide housing for lower income persons, and improve community facilities and supporting services where necessary (requirements with respect to the elimination of slum and blight and improving community facilities and services were not applicable to other applicants).

The conference report provides that all applicants must propose activities to eliminate or prevent slums and blight where such conditions or needs exist, provide housing for low and moderate income persons, and improve and upgrade community facilities and services where necessary; except that the HUD Secretary may waive requirements relating to slums and blight and upgrading of community facilities and services for communities of under 25,000 population which initially apply for community development assistance for certain single-purpose activities.

Program requirements

(1) The Senate bill contained a provision not in the House amendment requiring applicants to hold *public hearings* prior to land acquisition. The conference report does not contain this Senate provision.

(2) The Senate bill contained a provision not in the House amendment requiring applicants to involve residents of community development areas in the *execution of community development activities* and to provide *adequate resources* for their participation. The conference report contains the Senate provision with an amendment making it clear that involving residents in the execution of community development activities providing resources for their participation is discretionary with the applicant.

(3) The Senate bill contained a provision not in the House amendment requiring applicants to provide *relocation housing* units equal in number to the units to be demolished in the course of the community development program. The conference report does not contain this Senate provision.

(4) The Senate bill contained a provision not in the House amendment requiring applicants to adopt and enforce adequate *building and safety code* in the community. The conference report does not contain this Senate provision.

(5) The Senate bill contained a provision not in the House amendment requiring applicants to hold a *public hearing on or partial application* at least 30 days prior to their submission to HUD. The conference report does not contain this Senate provision.

(6) The House amendment contained a provision not in the Senate bill requiring applicants to comply with the *Civil Rights Acts of 1964 and 1968*. The conference report contains this House provision.

(7) The House amendment contained a provision not in the Senate bill requiring *OMB Circular A-95 review* of community development applications. The conference report contains this House provision.

(8) The House amendment contained a provision not in the Senate bill requiring metropolitan cities and urban counties to adopt procedures for *period re-examination of community development program objectives and methods*. The conference report contains this House program.

(9) The House amendment contained special provisions authorizing the Secretary to release funds for particular projects to applicants who assume all responsibilities which would apply to the Secretary under the *National Environmental Policy Act of 1969*. The conference report contains these House provisions.

Limitations on use of funds

(1) The Senate bill contained a provision not in the House amendment permitting a community's application to reserve up to 10 percent of grant funds for *unspecified local option activities and contingency accounts*. The conference report contains the Senate provision with an amendment making clear that funds reserved must be utilized for eligible activities specified in the application.

(2) The Senate bill contained a provision not contained in the House amendment prohibiting more than 20 percent of an applicant's community development funds to be used for *activities which do not directly and significantly benefit low- and moderate-income families or blighted areas*. The conference report contains, in place of the Senate provision, a requirement that the applicant certify to the HUD Secretary's satisfaction that its program has been developed so as to give maximum feasible priority to activities which will benefit low- and moderate-income families or aid in the prevention or elimination of slums or blight. HUD may, however, approve an application describing activities which the applicant certifies and HUD determines are designed to meet other community development needs having a particular urgency as set out in the application.

Standards of HUD review

The Senate bill authorized the HUD Secretary to approve or disapprove an application in whole or in part on the basis of the program proposed in the application. The House amendment required the HUD Secretary to approve an application for metropolitan cities and urban counties unless he determines that the applicant's statement of community development needs is plainly inconsistent with available information or that its proposed activities are plainly inappropriate to meet its stated needs. The conference report contains the House provisions.

Grant period and amount—local share—rehabilitation and relocation grants

The Senate bill contained provisions not in the House amendment providing that grant contracts be made for 2-year periods (except for small communities) in an amount up to 90 percent of net program cost, or up to 100 percent in the case of extreme hardship, as determined by HUD; that the local share may be provided in cash or through local contributions previously permitted under the neighborhood development program; and that where a community development program involved the making of rehabilitation grants or relocation payments, the HUD grant may include the full cost of such rehabilitation and relocation grants. The House amendment permitted grant contracts to be made for up to 3-year periods, but required no local contribution.

The conference report contains the House provisions only.

Eligible activities

(1) The Senate bill contained a provision not contained in the House amendment permitting the *acquisition of land for rehabilitation or conservation activities*. The conference report contains this Senate provision.

(2) The Senate bill contained a provision not in the House amendment requiring *disposition of land at "fair value"*. The conference report does not contain this Senate provision.

(3) The Senate bill contained provisions not in the House amendment permitting the construction of *fire-protection services and facilities* and *"similar and necessary" improvements* required in connection with a community development program; except that grants could not be used for the construction of certain facilities.

The conference report (1) permits the construction of senior centers and flood and drainage facilities (to the extent that other Federal assistance for such facilities is not available to the applicant); (2) permits the construction of fire-protection facilities, parking facilities, and solid waste disposal facilities if such facilities are undertaken in or serve areas where other community development activities are being carried on in a concentrated manner; and (3) eliminates the Senate bill's "similar and necessary" language and makes clear that construction of a particular facility is eligible only if previously eligible under any consolidated program, except the public facility loan program or the model cities program, or specifically mentioned in the conference report.

(4) The Senate bill contained a provision not in the House amendment permitting the use of grant fund for *designing and providing interim financing for public facilities*. The conference report does not contain this Senate provision.

(5) The Senate bill contained a provision not in the House amendment permitting the use of grant funds to *develop surplus real property*. The conference report does not contain this Senate provision.

(6) The Senate bill contained a provision permitting the use of grant funds to pay the cost of *completing existing urban renewal projects*. The House amendment authorized HUD to apply up to 20 percent of a community's grant funds toward the repayment of temporary loans entered into under the urban renewal program, if HUD determined (after consultation with the community) that the project required additional capital grants for completion; and authorized the use of surplus urban renewal capital grant funds under the provisions of the community development program. The conference report contains both the House and Senate provisions.

(7) The Senate bill contained a provision not in the House amendment providing *technical or financial assistance to other units of general local government* within the boundary of the applicant or to others providing services needed in planning and carrying out the community development program. The conference report does not contain this Senate provision.

(8) The Senate bill contained a provision permitting the use of community development funds to finance *public services not otherwise available* in areas of concentrated activities if such services were directed toward (a) improving certain public services, and (b) coordinating public and private development programs: except that not more than 20 percent of a community's grant funds could be spent on providing such public services. The House amendment permitted the use of grant funds to provide health, social, counseling, training, economic development, and similar services necessary to support other community development activities.

The conference report contains the Senate provision with amendments (1) eliminating the 20 percent limitation; (2) making clear that such services need not be available in areas of concentrated activities so long as they principally serve residents of such areas; and (3) permitting grant funds to be used for such services only to the extent that Federal assistance is not otherwise available to the applicant. While the 20 percent limitation is not contained in the conference report, the conferees expect that no more than 20 percent of any community's grant will be used to finance such services.

(9) The House amendment contained a provision not in the Senate bill permitting the use of grant funds for special projects directed toward *removal of architectural barriers* which restrict the mobility and accessibility of elderly and handicapped individuals. The conference report contains this House provision.

(10) The House amendment contained a provision not in the Senate bill permitting the use of grant funds to develop a *comprehensive plan and improved policy-planning-management capacity*. The conference report contains the House provision with a clarifying amendment that funds may be used to develop a comprehensive "community development" plan.

(11) The House amendment contained a provision not in the Senate bill providing for the *repayment of a rehabilitation grant* where property improved by the grant is sold within 4 years of receipt of the grant. The conference report does not contain this House provision. The conferees believe localities making such grants should take appropriate steps to prevent the kind of abuse at which the House provision was directed.

(12) The House amendment contained a provision not in the Senate bill authorizing HUD to perform *administrative services* for grant recipients *in connection with local rehabilitation loan or grant programs*. The conference report contains this House provision.

Guarantee of loan for acquisition of property

The Senate bill authorized HUD to make and guarantee tax-exempt loans to community development agencies to provide financing for community development activities (including interim financing of public facilities, land acquisition, and other eligible activities). The total amount of such guaranteed loans could not exceed $1.5 billion unless increased by the President.

The House amendment authorized HUD to guarantee obligations issued by grant recipients to finance the acquisition of real property (and related expenses) to be used in carrying out community development programs. HUD would (1) reserve out of grant funds 110 percent of the estimated difference between acquisition cost and disposition proceeds; (2) receive a local pledge of repayment of the excess of the obligation over the amount of grant funds reserved; and (3) receive a local pledge of future grant proceeds of any additional sums not otherwise repaid. Local obligations could be tax exempt or taxable, at the option of grant recipients, with a 30 percent interest subsidy payment by HUD if such obligations were taxable.

The conference report contains the provisions of the House amendment with amendments (1) clarifying the discretion of the HUD Secretary with respect to local credit requirements; and (2) permitting "property assembly" activities to be covered by guaranteed loans.

Allocation and Distribution of Funds

Urban-rural split

The Senate bill allocated 75 percent of community development funds to communities in metropolitan areas, 25 percent to communities in non-metropolitan areas. The House amendment provided an 80–20 allocation among metropolitan and non-metropolitan areas. The conference report contains the House provision.

"Entitlement" grants to communities

The Senate bill provided entitlement grants to communities based on their prior participation in existing major community development programs being consolidated into the new program. The entitlement for any qualifying community equals for the first two-year period an amount equal to past program experience, and for the second two-year period not less than 80 percent nor more than 120 percent of such amount. Communities which receive discretionary grants in the first contract period become entitlement communities in the following contract periods.

The House amendment provided for a dual system (until the sixth program year) for metropolitan cities and urban counties under which they would receive the higher of a percentage of their formula amounts or their "hold harmless" amounts. Beginning with the sixth year, all such communities would receive only a formula amount. Communities other than metropolitan cities and urban counties would receive "hold harmless" grants until the sixth year. The formula amount is determined on a 4-factor basis including population, extent of poverty counted twice, and housing overcrowding. The House amendment made all metropolitan cities and urban counties eligible for "hold harmless," but restricted such eligibility for other communities to those carrying on a major categorical grant program under a commitment received during the FY 1970–FY 1974 period.

The conference report contains the House provisions, with amendments (1) using the FY 1968–FY 1972 period to determine "hold harmless" eligibility for communities other than metropolitan cities and urban counties; and (2) extending eligibility to those communities carrying on code enforcement programs.

Discretionary Grants

The Senate bill provided for discretionary grants by HUD to communities which do not qualify for entitlements by virtue of past program experience and to communities whose past program entitlement grant is inadequate to meet urgent community development needs. The House amendment provided for discretionary grants to communities not eligible for formula or "hold harmless" entitlements, with such discretionary funds to be allocated by metropolitan area and by State for non-metropolitan areas pursuant to the same 4-factor formula. The conference report contains the House provisions.

Treatment of Model Cities Program Grants in Past Program Experience (or "Hold Harmless") Amount

The Senate bill included the average annual model cities grant in the computation of past program experience amount as a permanent component. The House amendment included the average annual model cities grant only so long as required to complete a community's fifth model cities action year.

The conference report includes in the computation of "hold harmless" amounts a declining percentage (80, 60, and 40 percent) of the average annual model cities grant for a three-year period following a community's fifth action year.

Treatment of one-time relocation payments in past program experience (or "hold harmless") amount

The Senate bill included in the computation of past program experience amount the total amount of one-time relocation payments made by HUD as a result of the Uniform Relocation Act of 1970. The House amendment permitted the HUD Secretary to exclude such amounts from the computation of "hold harmless" amounts. The conference report contains the House provisions.

Special discretionary fund

The House amendment authorized HUD to reserve 2 percent of the grant amounts available annually for (1) grants in new communities, (2) incentive grants to communities carrying on areawide programs, (3) grants in Guam, Virgin Islands, Samoa, and Trust Territory of Pacific, (4) demonstration of innovative development activities, (5) grants to meet emergency needs caused by Federally-recognized disasters, and (6) grants to communities where HUD deems necessary to correct inadequacies resulting from the bill's allocation and distribution provisions.

The Senate bill contained no such special discretionary fund but directed HUD to set aside community development funds for HUD approved new communities and to encourage applications from 2 or more communities one of which was an urban county).

The conference report contains the House provisions.

The conferees wish to direct the attention of the HUD Secretary to (5) above, which provides an additional source of grant funds (to that provided by the special transition fund) for communities which may not receive an adequate level of funding as a result of the bill's allocation and distribution provisions. Some communities, for example, will experience substantial cutbacks from their relatively high program levels in the latter years of the FY 1968–FY 1972 period; others, such as Cleveland, Ohio, and Cambridge, Massachusetts, will have reduced entitlements under the new program primarily as a result of unique local problems (decertification for HUD funding in one instance, and the failure of the Federal Government to complete its planned development in a renewal area in the other). The conferees expect the Secretary to give sympathetic consideration to funding requests from such communities in distributing both special transition grants and discretionary grants under (6) above.

Reallocation of funds

The Senate bill directed the HUD Secretary to reallocate unused funds in a timely manner. The House amendment contained a similar provision, except that funds unused by communities within a State would be reallocated first, to other communities in the same State, and second, to communities in other states. The conference report contains the House provision. The conferees wish to make clear that reallocated funds would be available to communities with urgent needs, including those with entitlements as well as others with special needs arising from urban renewal closeout activities.

Report requirements

The Senate bill contained a provision not in the House amendment requiring HUD to report to the Congress annually, concerning the progress made in accomplishing community development program objectives and specific uses of funds * * *. The conference report contains this Senate provision.

Consultation

The Senate bill contained a provision not in the House amendment requiring HUD to consult with other Federal agencies in carrying out the new community development program. The conference report contains this Senate provision.

Labor standards

The Senate bill applied the prevailing wage requirements of the Davis-Bacon Act to residential construction involving 12 or more units and to rehabilitation involving 8 or more units. The House amendment applied such requirements only to the construction of 8 or more units without reference to rehabilitation. The conference report contains the House provision with a technical amendment making it clear that the requirement applies only to rehabilitation, since construction of residential structures is not a permissible use of community development funds. It is intended that the area of consideration should be large enough to yield an adequate factual basis for each wage determination, yet be small enough to reflect only the wages and practices of the area surrounding the location of the proposed project.

Interstate agreements

The Senate bill contained a provision not in the House amendment giving Congressional consent to agreements by two or more States for cooperative efforts in planning and carrying out community development programs in interstate areas, and to localities in such States establishing agencies to carry out such agreements. The conference report contains this Senate provision.

Termination of existing programs

The Senate bill provided for the termination of the following HUD programs one year after enactment: public facility loans, open space grants, public works planning advances, water and sewer, neighborhood facilities, advance acquisition of land, urban renewal and NDP grants, and model cities supplemental grants. The House amendment provided for termination of the public facility loans, open space, water and sewer, neighborhood facilities, and advance acquisition of land programs on June 30, 1974; and urban renewal, NDP, and model cities programs on January 1, 1975.

The conference report provides for termination of all of the above programs on January 1, 1975.

Transitional provisions

Authorizations

The Senate bill authorized $300 million in Fiscal Year 1974 and $600 million upon enactment of the bill for grants under the urban renewal program, except that the $600 million would be available only for one year as needed for expenses incurred in completing urban renewal projects. The House amendment authorized "such sums as may be necessary" for urban renewal and model cities grants for Fiscal Year 1975, with the amounts received pursuant to these authorizations to be offset against first-year entitlements or "hold harmless" amounts received by communities out of Fiscal Year 1975 community development grants. The conference report contains the House provisions.

The House amendment contained a provision not in the Senate bill authorizing HUD to make advances to metropolitan cities and urban counties of up to 10 percent of their first-year entitlements for use in continuing urban renewal or model cities programs or preparing for the implementation of the new community development program. The conference report contains this House provision with an amendment permitting such advances to communities eligible for "hold harmless" grants, as well as metropolitan cities and urban counties.

Nondiscrimination and remedies for noncompliance

The House amendment contained provisions not in the Senate bill prohibiting discrimination on the basis of race, color, national origin, or sex in carrying out community development programs and provided for a procedure to terminate or reduce grant payments in the case of noncompliance. The conference report contains these House provisions.

Code standards

The House amendment contained a provision not in the Senate bill providing that no provision of Federal law shall prevent a community from having in effect building or safety codes with standards determined by the National Bureau of Standards to be at least as high as HUD minimum code standards previously required under the workable program provision of the urban renewal law. The conference report does not contain this House provision. The conferees wish to state that with the repeal of the workable program provisions of the urban renewal law, the HUD Secretary retains no authority to impose any particular model building or safety code, or any element of such a code, on any community, or to condition or withhold grant funds under any program by reason of the failure of any community to adopt such a code. The conferees believe that the development of more effective building standards should be encouraged primarily through the activities of a National Institute of Building Standards, which would be established for that purpose under other provisions of the conference report.

Employment opportunities for lower income persons

The Senate bill required applications for community development funds to provide for employment opportunities for community development area residents. The House amendment required that, to the greatest extent feasible, training, employment, and work opportunities available under the new community development program be given to lower income residents and business concerns located in areas of program activities. The conference report contains the House provision.

II. ASSISTED HOUSING

Revision of the United States Housing Act of 1937

The Senate bill revised the law governing the low-rent public housing program, and provided that provisions of the revised law would be effective at such date or dates as prescribed by the HUD Secretary but not later than 6 months after enactment of the bill. The House amendment contained no such revision of existing law, and instead amended that law.

The conference report contains the Senate revision of the 1937 Act, with an amendment providing that provisions contained in the Senate revision must be made effective at such dates as the HUD Secretary may prescribe but not later than 18 months after enactment; and makes the following amendments to existing law:

Income limits for admission to public housing projects

The Senate bill contained provisions not contained in the House amendment eliminating provisions of existing law providing for a 20 percent gap between incomes served under the public housing program and the income required to obtain private market housing; permitting public housing agencies to establish income limits; and providing that at least 20 percent of the units in new public housing projects must be rented to families whose incomes do not exceed 50 percent of median income in the area. The conference report contains these Senate provisions.

Income limits for continued occupancy

The Senate bill contained a provision not in the House amendment deleting requirements in existing law for income limits for continued occupancy in projects. The conference report contains this Senate provision.

Income mix

The House amendment contained a provision not in the Senate bill requiring the establishment of tenant selection criteria designed to assure that, within a reasonable period of time, public housing projects will include families with a broad range of incomes. The conference report contains this House provision.

Definition of income

The Senate bill revised the definition of income in the 1937 Act by eliminating certain double deductions; clarifying deductions for dependents; eliminating deductions for heads of households or their spouses; and adding a deduction for foster child care payments. The House amendment eliminated the general 5 percent deduction from gross income; and excluded from the definition of income increases in social security payments after June 1974. The conference report contains the Senate provisions.

Definition of family

The Senate bill contained a provision not in the House amendment amending the definition of "family" in the 1937 Act to include single persons at least 50 years of age. The conference report does not contain this Senate provision.

Rent requirements

The House amendment contained provisions not in the Senate bill (1) establishing a minimum rent for public housing occupants of the higher of 10 percent of gross income or that portion of a welfare payment specified to meet housing costs; and (2) providing that the aggregate rents charged in units under the jurisdiction of a local housing authority receiving operating subsidies must equal at least 20 percent of the aggregate income of tenants. The conference report contains the House provisions with an amendment changing 10 percent to 5 percent.

Authorizations

General

The Senate bill authorized an additional $172 million in annual contributions authority on July 1, 1973; $795 million on July 1, 1974; and $720 million on July 1, 1975. The House amendment authorized $260 million on July 1, 1973; and $960 million on July 1, 1974. The conference report contains the House provisions.

Low-Income Housing in Private Accommodations

The Senate bill contained a provision not in the House amendment limiting to $440 million on July 1, 1974, and to an additional $440 million on July 1, 1975, the amount of annual contributions authority that may be utilized for low-income housing in private accommodations. The conference report does not contain these Senate provisions. Instead, it requires HUD to enter into annual contributions contracts with public housing agencies in the amount of at least $150 million of the total amount authorized for housing exclusive of modernization of existing projects, to be owned by such agencies with at least 50 percent of such units for public housing other than leased housing.

The conferees believe it is desirable to continue the conventional low rent public housing program in tandem with the new section 23 program at least until this new 23 program has proven itself viable in all housing market areas. This allocation for low rent public housing assistance will give the Secretary of HUD the authority he will need to phase in the new program in a manner that will not be prejudicial to rural or urban areas where the concepts inherent in that program, such as "market rentals", may not be inadequately or easily applicable.

Housing for Indians

The Senate bill set aside at least $15 million of Fiscal Year 1975 and $15 million of Fiscal Year 1976 annual contributions authority for conventional public housing for Indians; and provided that the assistance to such housing would cover any *actual* operating cost deficit. The House amendment set aside $20 million for housing for Indians, with assistance to cover any approved operating cost deficits. The conference report contains the Senate provision with respect to the funding set-aside and the House provision with respect to the amount of operating assistance.

Modernization

The Senate bill contained a provision not in the House amendment limiting to $30 million in Fiscal Year 1975 and $30 million in Fiscal Year 1976 the amount of annual contributions authority that may be utilized for modernization of public housing projects. The conference report does not contain this Senate provision. The conferees expect approximately $40 million to be utilized for modernization during Fiscal Year 1975.

Operating subsidies

The Senate bill contained a provision not in the House amendment limiting to $500 million on or after July 1, 1974, and $560 million on or after July 1, 1975 the amount of annual contributions contracts that may be entered into for operating subsidies to public housing agencies. The conference report contains Senate provisions.

Large units and housing for the elderly

The Senate bill provided that at least 20 percent of all units assisted annually under the 1937 Act after enactment of the bill must have three or more bedrooms. The House amendment contained a similar provision with respect to units for the elderly.

The conference report contains neither the Senate nor House provision. In lieu thereof, provisions of the conference report in title I with respect to housing assistance plans contain language requiring communities submitting such plans to give special attention, in determining their housing assistance needs, to the needs of large families and elderly persons. The conferees wish to emphasize the urgent need to provide adequate housing for large families through the construction or substantial rehabilitation of units containing three or more bedrooms; and intend that the number of such units assisted each year be not less than 20 percent of the total number of additional units provided.

Management practices

The House amendment contained provisions not in the Senate bill requiring local housing authorities to establish (1) procedures for prompt rent payments and evictions for nonpayment; (2) effective tenant-management relationships to assume tenant safety and adequate project maintenance; and (3) viable homeownership opportunities. The conference report contains these House provisions.

Limitation on new construction and rehabilitation

The Senate bill contained a provision not in the House amendment limiting construction and substantial rehabilitation of units under the 1937 Act to areas with a need for new units, where such units are necessary to enable persons to live near their employment, where units are essential to carry out a community development program, or under other circumstances determined by HUD. The conference report does not contain this Senate provision.

Homeownership

The Senate bill contains a provision not in the House amendment authorizing the sale of projects by local housing authorities to tenants and the computation of annual contributions up to the amount of debt service on bonds attributable to the units. The conference report contains this Senate provision.

Operating subsidies

The Senate bill contained a provision not in the House amendment establishing the amount of operating subsidies to a local housing authority as the difference between the authority's revenues and its "base level of operating services," as approved by HUD and updated with HUD's approval. The conference report contains this Senate provision in modified form; the HUD Secretary is directed to embody the provisions for annual contributions in a contract guaranteeing their payment, subject to the availability of funds. For purposes of making such payments, HUD would establish standards for the costs of operation and reasonable projections in income, taking into account the character and location of the project and characteristics of the families served, or the cost of providing comparable services as determined in accordance with criteria or a formula representing the operations of a prototype well-managed project.

New housing assistance program

Existing Section 23 Leasing Program

The Senate bill did not retain a separate identity for the existing section 23 leasing program, and instead merged the existing program into a new housing assistance program. The House amendment retained the existing program without changes, and provided for a new housing assistance program applicable to new, rehabilitated, and existing housing. The conference report contains generally the Senate provisions, with an amendment permitting the retention of the existing section 23 program through December 31, 1974.

Administration of Program

The Senate bill placed maximum responsibility for administration of the new program in local housing authorities, but permitted HUD to assume local responsibilities where it determined that a local housing authority was unable to implement the program or where no authority existed. The House amendment placed primary responsibility for program administration in the Secretary of HUD. The conference report contains the House provisions.

Definition of Public Housing Agencies

The Senate bill contained a provision not in the House amendment permitting a State or local public body or agency authorized to assist in the development or operation of housing to enter into housing assistance contracts with HUD. The conference report contains this Senate provision.

Selection of Developer and Contracting To Make Assistance Payments

The Senate bill placed responsibility for selecting developers and contracting to make assistance payments in public housing agencies. The House amendment placed such responsibility in public housing agencies with respect to *existing units* and with respect to such *new or rehabilitated units* for which HUD authorized the agency to assume management responsibilities. The conference report contains the House provisions with amendments (1) permitting HUD to contract directly with respect to existing units where it finds that a public housing agency is unable to perform required functions; and (2) permitting a public housing agency to contract for new units without regard to the specific management of a project.

Local Governor Body Approval

The Senate bill required local governing body approval for each application for housing assistance unless State law empowers its public housing agency to carry out a housing assistance program without such approval. The House amendment provided for local review of housing assistance applications in connection with housing assistance plans described below. The conference report contains the House provisions.

Establishment of fair market rentals

The Senate bill required HUD to determine fair market rentals in each housing market area required to obtain adequately maintained and managed private existing and new rental housing; and on the basis of such determinations, public housing agencies or HUD would establish fair market rentals for assisted units. The House amendment required HUD to establish fair market rentals in each housing market area for new and existing units of various sizes and types suitable for occupancy for low-income families.

The conference report contains the House provisions. The conferees believe that the establishment of realistic fair market rentals will be a prime factor in the success or failure of the new housing assistance program. In establishing such rentals, the HUD Secretary is expected to take into account factual data, analyses, and recommendations from community sources familiar with prevailing rents and costs in various market areas; and he should take into account the need to provide housing with suitable amenities and sound architectural design.

Maximum rent charged for any unit

The Senate bill provided that the maximum rent for existing units may exceed fair market rentals for such units by up to 10 percent, and for new or rehabilitated units by up to 20 percent, where determined necessary by a public housing agency or HUD. The House amendment provided that maximum rents may exceed fair market rentals by up to 10 percent generally and by up to 20 percent where HUD determined that special circumstances warrant such increases or that such increases are necessary for the implementation of local housing assistance plans. The conference report contains the House provisions. The conferees wish to express their intent that in establishing fair market rentals for existing units HUD should use its authority to set rentals only in exceptional cases.

Amount of subsidy

The Senate bill provided that the amount of subsidy with respect to any tenant could not exceed the difference between the rent charged and 25 percent of a tenant's *adjusted income*, with tenant incomes to be recertified every 2 years. The House amendment provided that the amount of subsidy would be equal to the difference between the rent charged and 15 to 25 percent of a tenant's *gross income* as defined by HUD, with tenant incomes to be recertified annually. The conference report contains the House provisions with an amendment requiring large families and other families with exceptional expenses to pay only 15 percent of their incomes toward rent.

Income Limits

The Senate bill provided that income limits for assistance under the program would be set at gross income less than 4 times fair market rental for a dwelling unit of suitable size; and provided that at least 20 percent of the families assisted in any market area must have adjusted incomes not in excess of 50 percent of the median income for the area. The House amendment established income levels for the program at gross income less than 20 percent of median income for the area; and provided that at least 30 percent of the families assisted annually must have gross incomes not in excess of 50 percent of median income for the area at the time of the initial renting of units. The conference report contains the House provisions.

Adjustment of Rents

The Senate bill provided that rentals would be adjusted at least annually to reflect changes in fair market rentals in the area to the extent adjustments can be justified by actual changes in expenses; and permitted HUD to allow adjustments on the basis of a reasonable formula, taking into consideration the average expenses of owning units in the area. It also provided that rents could not be reduced below initial rent levels; and provided that rent adjustments would be applicable only to new or rehabilitated units. The House amendment provided that rents would be adjusted at least annually to reflect changes in fair market rentals in the area, and permitted HUD to adjust rents on the basis of a reasonable formula. It also provided that rents could be increased further to meet the increased costs of substantial general increases in property taxes, utility rates, or similar costs except that rents were not to be materially different from rents of comparable unassisted units. Such rental adjustments would be applicable to existing, new, and rehabilitated units. The conference report contains the House provisions.

Number of Units in Project Subsidized

The Senate bill provided that with respect to existing structures, 100 percent of the units could be subsidized in the case of the elderly, and the greater of 5 units or 25 percent of the units could be subsidized in other cases, with public housing agencies permitted to waive these limitations for any reason. With respect to new projects, up to 75 percent of the units could be subsidized generally, except that all units in the structure could be subsidized where the project was for the elderly, contained fewer than 50 units, or the agency or HUD determined necessary. The House amendment provided that up to 100 percent of the units in any project could be subsidized; and permitted HUD to give preference to applications involving assistance for not more than 20 percent of the units in projects in the case of projects containing more than 50 units and to projects not designed for the elderly and handicapped. The conference report contains the House provisions.

Term of assistance contract

The Senate bill provided that with respect to existing units, the term of the assistance contract could not exceed 60 months or longer, as provided by the public housing agency in accordance with HUD criteria; and for new or rehabilitated units, 240 months, and up to 480 months for units assisted by State housing finance agencies. The House amendment provided that with respect to existing units, the term of the assistance contract could not exceed 180 months; and for new or rehabilitated units, 240 months and up to 480 months for projects owned by or financed by a State or local public housing agency. The conference report contains the House provisions.

Unoccupied units

The Senate bill provided that with respect to new or rehabilitated units assistance payments could not be made with respect to vacant units except for up to 60 days after a lease is broken or where a public housing agency fails to certify an eligible family and the owner is making a good faith effort to fill the vacancy. The House amendment contained a similar provision, applicable to existing units as well, and providing that the 60-day period applies where the lease is broken *or* where the owner is making a good faith effort to fill vacancies. The conference report contains the House provisions.

Management of units

The Senate bill permitted the owner of a project assisted under the program to contract with a public housing agency to assume management and maintenance responsibility. The House amendment contained a similar provision with respect to existing units; and

provided that with respect to new or rehabilitated units, the project owner may contract with any entity, including a public housing agency, approved by HUD, to assume management and maintenance responsibility. The conference report contains the House provisions.

Financing

The Senate bill made eligible for assistance payments any project financed under an FHA unsubsidized multi-family program. The House amendment contained no specific provision with respect to the financing of projects (intending to make eligible any type of project financing); and provided that assistance could not be withheld or made subject to preferences because of the availability of FHA coinsurance or because of the tax-exempt status of public financing of projects. The conference report contains the House provisions, with an amendment making clear that projects financed with FHA mortgage insurance are permitted.

Property Standards

The House amendment contained a provision not in the Senate bill exempting new or substantially rehabilitated housing assisted under the program from compliance with HUD minimum property standards if such housing meets applicable State and local building codes. The conference report does not contain this House provision.

Assistance to Homeowners

The Senate bill specifically authorized assistance payments under the program to existing homeowners; and permitted purchase by a public housing agency of an assisted project with one or more units for resale to tenants with a continuation of subsidy up to the amount of debt service on the agency's bonds. The House amendment contained no provision with respect to assistance to homeowners; and permitted purchase of assisted projects as *existing* projects, except that assistance was limited to the amount of interest payments (and not the full amount of debt service) for a temporary period only.

The conference report does not contain the Senate provision with respect to assistance to homeowners. Such assistance is being made available to a limited extent pursuant to existing law under the housing allowance demonstration expanded elsewhere in this conference report. The conferees intend that assistance to homeowners shall not be made available under this new housing assistance program, and that such assistance should be financed out of research and demonstration authority utilized to carry out the housing allowance demonstration. The conference report contains the Senate provision with respect to purchase of assisted projects by public housing authorities.

Davis-Bacon

The Senate bill exempted housing constructed or rehabilitated under the new housing assistance program from the prevailing wage requirements of the Davis-Bacon Act. The House amendment applied such requirements to housing constructed or rehabilitated under the new program. The conference report contains the House provision, with an amendment exempting developments of fewer than nine units. The conferees urge the Secretary of Labor, in administering the Davis-Bacon Act, to apply the prevailing wage requirements in a manner that recognizes the substantial differences in wage rates between built-up metropolitan areas and small towns or rural areas. It is intended that the area of consideration should be large enough to yield an adequate factual basis for each wage determination, yet be small enough to reflect only the wages and practices of the area surrounding the location of the proposed project.

Elderly

The House amendment contained a provision not in the Senate bill requiring assistance payments to be made with respect to some or all of the units in projects for the elderly or handicapped financed under the section 202 direct loan program; and permitted occupants with incomes up to 5 times market rentals to qualify for such assistance. The conference report contains the House provisions, with amendments permitting assistance payments to section 202 projects, and deleting the special income limits for such assistance.

Miscellaneous

The Senate bill contained the following provisions not in the House amendment:

(1) permitting local housing authority bonds with flexible maturities and balloon payments to finance public housing projects;

(2) repealing requirements of existing law with respect to the submission of construction specifications prior to the award of construction contracts and submission of data with respect to land acquisition prior to an authorization to acquire land;

(3) making retroactive to 1961 repeal of the requirement that the Federal Government share in the net proceeds of the sale or operation of projects after bonds have been retired;

(4) permitting annual contributions to be made with respect to war housing projects owned by local public housing agencies and permitting funds received from the sale of such projects to be used by local agencies to repair projects held by them;

(5) prohibiting HUD from applying new administrative policies to projects in derogation of rights of an owner under a lease entered into prior to the establishment of such policies; and

(6) clarifying existing law to make explicit the Secretary's authority to approve use of special schedules of required payments for participants in mutual-help housing projects.

The conference report contains these Senate provisions.

TITLE III—MORTGAGE CREDIT ASSISTANCE

Revision of the National Housing Act

The Senate bill revised the law governing FHA mortgage insurance programs, and provided that the provisions of the revised law would be effective at such date or dates as prescribed by the HUD Secretary but not later than one year after enactment of the bill. The House amendment contained no such revision of existing law, and instead amended that law. The conference report does not contain the Senate revision of the National Housing Act, but makes the following amendments to existing law:

Insured advances

The Senate bill contained a provision not in the House amendment authorizing insured advances on mortgage proceeds during construction to cover the cost of building components prior to their delivery to the construction site. The conference report contains this Senate provision.

Prototype mortgage limits

The Senate bill deleted per unit limitations applicable to mortgages insured under various FHA programs, and authorized HUD to establish such limits administratively for each market area by estimating costs through a prototype procedure. The House amendment increased per unit mortgage limits for nearly all of the various mortgage insurance programs. The conference report contains the House provisions.

Project mortgage limits

The Senate bill contained provisions not in the House amendment deleting overall dollar limits on the amount of project mortgages. The conference report does not contain this Senate provision.

Mortgage maturities

The Senate bill contained provisions not in the House amendment deleting specific limits on the maximum maturities of mortgages insured under various FHA programs and authorized HUD to set such maturities. The conference report does not contain these Senate provisions.

Energy conservation

The Senate bill contained a provision not in the House amendment prohibiting HUD insurance of mortgages financing new construction unless the mortgaged property makes use of energy conservation techniques, to the maximum extent fasible. The conference report does not contain this Senate provision. Instead, it contains an amendment to existing law directing HUD to encourage the use of energy conservation techniques through its regulations involving minimum property standards.

Compensation for defects

The Senate bill contained provisions not in the House amendment extending the compensation for defects provisions of existing law (under section 235) to cover mortgages insured under sections 203(b) and 221 (in older, declining areas) and making compensation retroactive to mortgages insured under sections 203(b) and 221 of the Act on or after August 1, 1968.

The conference report contains these Senate provisions, with amendments—

(1) providing that determinations by the HUD Secretary are final and not judicially reviewable;

(2) providing that eligibility for compensation is limited to mortgages insured under sections 203(b) and 221 between August 1, 1968, and January 1, 1973, as well as to mortgages insured under section 235 as in existing law; and

(3) providing that compensation may not be paid unless HUD determines that the defect involved a serious danger to the life or safety of the occupant of the dwelling.

The conferees urge HUD to adopt regulations to assure that compensation or reimbursement is made only with respect to defects which are actually repaired.

Allocation of housing subsidies

Urban-Rural Split

The Senate bill provided that 75 percent of housing assistance funds available to HUD would be allocated to metropolitan areas, and 25 percent to nonmetropolitan areas. The House amendment provided that *at least* 20 percent was to be allocated to nonmetropolitan areas. The conference report contains a provision allocating "at least 20 percent but not more than 25 percent" to nonmetropolitan areas.

Basis Allocation Criteria

The Senate bill directed HUD to reserve housing assistance funds to meet the housing objectives contained in community development plans submitted under the community development program. The House amendment directed HUD to allocate housing assistance funds on the basis of objective criteria, with allocations modified as necessary to fulfill the requirements of approved local housing assistance plans submitted as part of community development program applications. The conference report contains the House provision.

Local Approval

The Senate bill required housing assistance funds to be used in general conformity with State and local housing assistance plans; and directed HUD to resolve conflicts between State and local plans. The House amendment required localities with ap-

proved housing assistance plans to review all applications for housing assistance to determine consistency with their plan. HUD could disregard a local objection to an application only where the objection was without merit and the application was plainly consistent with the plan. Localities without housing plans were given 60 days to submit objections to HUD. The conference report contains the House provisions in modified form.

Within 10 days of receipt of an application for housing assistance, HUD would notify the locality that an application is under consideration, and afford it 30 days to object on the grounds that the application is inconsistent with its housing assistance plan. If the locality makes such an objection, HUD may not approve the application unless it determines that the application is consistent with the plan. If HUD receives no objection during the 30-day period referred to above, it may approve the application unless it finds the application to be inconsistent with the plan. HUD determinations with respect to consistency or inconsistency with a particular plan must be made within 30 days after receipt of an objection or within 30 days after the close of the period afforded the locality to consider the application, whichever is earlier. These local approval provisions would not apply to—

(1) applications for housing assistance involving 12 or fewer units in a project or development;

(2) applications with respect to housing assistance in HUD-approved new community developments which HUD determines are necessary to meet the housing requirements of title IV of the 1968 Housing Act of title VII of the 1970 Housing Act; and

(3) applications with respect to housing to be financed by loans or loan guarantees from a State agency, except that the local approval provisions would apply where a locality in which housing assistance is to be provided objects in its housing assistance plan to the exemption of State-financed housing provided by this paragraph.

The conferees believe that a determination by the HUD Secretary overruling a locality's determination with respect to inconsistency with a housing assistance plan should be based upon substantial reasons.

Co-insurance demonstration

The Senate bill authorized HUD to conduct a demonstration of co-insurance through June 30, 1976, subject to the following conditions: not more than 20 percent of the *units* insured under the home mortgage provisions nor more than 20 percent of the *units* under the project mortgage provisions could be involved in the co-insurance demonstration; HUD could not delegate processing functions to lenders without assuring adequate consumer safeguards; and the demonstration was to be used only to the extent that the flow of mortgage credit was not unduly discouraged, and not to be used in older or declining areas where 100 percent insurance is needed.

The House amendment made clear that the use of co-insurance was optional with lenders, who are required to assume at least 10 percent of any loss, subject to a limitation on their overall liability for catastrophic losses; that co-insurance could be used only with respect to 20 percent of the *dollar amount* of home mortgages and 20 percent of the *dollar amount* of multifamily mortgages insured; that sharing the premiums between HUD and lenders must be on a sound actuarial basis; that inspection of new construction under the demonstration program must meet minimum standards applicable under the regular mortgage insurance programs; that HUD must consult with the mortgage lending industry to determine that the demonstration does not disrupt the morigage market or make 100 percent mortgage insurance unavailable to those who need it; and that HUD could not withdraw, deny, or delay mortgage insurance under other programs because of the availability of co-insurance. The House amendment contained a June 30, 1977, expiration date for the co-insurance demonstration.

The conference report contains the House provisions, with amendments (1) prohibiting HUD from delegating processing functions to lenders without assuring adequate safeguards to consumers; and (2) providing that co-insurance is not to be used in older or declining areas where 100 percent mortgage insurance is needed.

Demonstration of lender processing

The Senate bill contained a provision not in the House amendment authorizing HUD to experiment generally with delegations of various processing tasks to mortgage lenders. The conference report does not contain this Senate provision.

Experimental financing

The Senate bill contained a provision not in the House amendment authorizing a demonstration through July 1, 1977, of experimental financing techniques (such as variable interest rates and uneven amortization), limited to one percent of the dollar amount of mortgages insured by the FHA. The conference report contains the Senate provision with amendments limiting the demonstration to uneven amortization mortgage financing and excluding demonstrations with respect to variable interest mortgages; and limiting the demonstration to the period through June 30, 1976.

Counseling

The Senate bill mandated counseling of homeowners assisted under the section 235 program and authorized tenant counseling for occupants of assisted unsubsidized multifamily programs; and permitted the financing of counseling activities out of various mortgage insurance funds. The House amendment authorized homeownership and tenant counseling, but financed out of appropriations. The conference report contains the House provisions, with an amendment mandating homeownership counseling for purchasers deemed to be special credit risks.

Limitations on new construction and rehabilitation under sections 235 and 236 programs

The Senate bill contained a provision not in the House amendment limiting construction and rehabilitation under the sections 235 and 236 programs to areas with a need for such units, where such units are necessary to enable persons to live near their employment, where such units are essential to a community development program, or under other circumstances determined by HUD. The conference report does not contain this Senate provision.

Property improvement and mobile home loan program

Increase in loan amounts

The Senate bill increased from $15,000 to $30,000 the amount of a property improvement loan for a payment structure. The House amendment increased the amount only to $17,500. The conference report contains the Senate provision, with an amendment increasing the amount to $25,000.

Increase in maturities for mobile home loans

The House amendment contained a provision not in the Senate bill increasing the term of a single module mobile home loan from 12 to 15 years. The conference report contains this House provision.

Fire safety equipment in health facilities

The Senate bill authorized HUD to determine the maximum amount and term of a loan financing fire safety equipment in health facilities. The House amendment provided for a maximum of $50,000 and a maximum term of 25 years. The conference report contains the Senate provision. However, the conferees intend HUD to administratively establish the maximum loan amount and term at the figures contained in the House amendment, except in exceptional cases.

Energy conservation

The Senate bill contained a provision not in the House amendment permitting the use of property improvement loans to finance the provision of energy conserving improvements or the installation of solar energy systems. The conference report contains this Senate provision.

Mobile home lot loans

The Senate bill contained a provision not in the House amendment authorizing loans to finance the purchase of mobile home lots and the preparation of such lots. The conference report contains this Senate provision.

State and local rehabilitation funds

The Senate bill contained a provision not in the House amendment authorizing coinsurance of rehabilitation loans (not to exceed $10 million) made by States or localities to persons who cannot obtain or afford private financing. The conference report does not contain this Senate provision.

Unsubsidized home mortgages—downpayments

The Senate bill contained a provision not in the House amendment providing that an insured loan could include 70 percent of the estimated value of a home over $45,000. The conference does not contain this Senate provision.

Subsidized home mortgages—section 235

Authorizations

The Senate bill contained a provision not in the House amendment authorizing an additional $120 million in contract authority for the section 235 program on July 1, 1975. The conference report does not contain this Senate provision, but instead extends to one year after enactment of this bill the authority to use existing appropriated contract authority, and provides for such sums as may be approved in appropriations acts for the balance of Fiscal Year 1976.

Use of existing units

The Senate bill contained a provision not in the House amendment making permanent HUD's authority to use up to 30 percent of authorized contract authority for existing units. The conference report contains this Senate provision.

Rehabilitation Requirements

The Senate bill contained a provision not in the House amendment increasing from 10 to 20 percent of authorized contract authority which may be utilized for substantial rehabilitation. The conference report contains this Senate provision.

Owner-Occupant Rehabilitation

The Senate bill contained a provision not in the House amendment authorizing assistance payments on mortgages financing rehabilitation and refinancing for owner-occupant homes. The conference report does not contain this Senate provision.

Income Limits

The Senate bill contained a provision not in the House amendment establishing 90 percent of median income for the housing market area as the income limit for the program. The conference report contains the Senate provision with an amendment setting the income limit at 80 percent, rather than 90 percent, of median income for the market area.

Insured Advances

The Senate bill contained a provision not in the House amendment authorizing in-

surance of advances of mortgage proceeds with respect to property constructed or rehabilitated pursuant to a self-help program. The conference report contains this Senate provision.

Downpayment Requirements

The Senate bill contained a provision not in the House amendment establishing a minimum downpayment of $200 for families below 70 percent of median income and 30 percent of acquisition cost for all other families. The conference report contains the Senate provision, with an amendment setting the minimum downpayment for all families at 3 percent of acquisition cost. The conferees believe the Secretary should require recertification of incomes of assisted home owners under the program at least annually.

UNSUBSIDIZED MULTIFAMILY MORTGAGES

Management cooperatives

The Senate bill contained a provision not in the House amendment increasing from 97 to 98 percent the loan-to-value ratio applicable to insured mortgages financing management-type cooperatives. The conference report contains this Senate provision.

Existing properties

The Senate bill contained provisions not in the House amendment (1) authorizing insurance of mortgages to finance the purchase of existing multifamily projects or the refinancing of mortgages on existing projects; and (2) authorizing 100 percent insured mortgages where refinancing is involved in older, declining areas. The conference report contains (1) above, with an amendment providing that in the case of refinancing of an existing project, HUD must prescribe such terms and conditions as determined necessary to assure that (1) refinancing is used to lower monthly debt service only to the extent needed to assure the continued economic viable of the project; and (2) during the mortgage term, no rental increases may be made except those necessary to offset actual and reasonable operating expenses or other increases approved by HUD.

The conference report does not contain the Senate provision with respect to 100 percent refinancing in older, declining areas, although it retains existing authority with report to such refinancing.

Dormitory-type housing

The Senate bill contained a provision not in the House amendment authorizing the insurance of unsubsidized multifamily mortgages involving "dormitory-type" housing. The conference report contains this Senate provision, and the conferees expect HUD to give special attention to the urgent need to develop such housing in urban areas.

Public housing agencies

The Senate bill permitted public housing agencies to receive 90 percent unsubsidized insured mortgages, the House amendment permitted such agencies to receive 100 percent unsubsidized insured mortgages under section 221(d)(3) if they waived tax exemption. The conference report contains the House provision.

Multifamily Mortgages—Section 236

Consolidation of rent supplement, program authority

The Senate bill contained a provision not in the House amendment authorizing a deep subsidy (below the assistance provided through a one percent mortgage) down to utility cost for 20 percent of the units in a section 236 project. The conference report contains the Senate provision.

Operating cost subsidies

The Senate bill contained a provision not in the House amendment authorizing increased subsidies to existing and new section 236 projects to meet higher operating costs resulting from increased taxes, utility costs, and operating expenses. The conference report contains the Senate provision with an amendment authorizing the increased subsidies only with respect to higher operating costs resulting from increased taxes and utility costs. The conferees wish to point out that the specific amount of such increased subsidies should be determined by the Secretary taking into account the need to encourage reasonable economies in the operation of projects.

Housing for the elderly

The Senate bill contained a provision not in the House amendment requiring that 15 to 25 percent of authorized contract authority be allocated to projects for the elderly or handicapped, at least 5 percent of which is for "integrated" projects (10 to 50 percent elderly or handicapped). The conference report contains the Senate provision with an amendment eliminating the earmarking for "integrated" projects.

Rehabilitation

The Senate bill contained provisions not in the House amendment requiring that at least 10 percent of authorized contract authority be utilized for rehabilitation projects; and that tenants living in existing structures prior to rehabilitation be allowed to remain in occupancy after rehabilitation, with over-income tenants paying no more than 25 percent of their incomes toward rent. The conference report contains these Senate provisions.

Separate utility billing

The Senate bill contained a provision not in the House amendment providing for the reduction of tenant contributions toward rent from 25 percent of income to 20 percent of income where utilities are billed separately. The conference report contains this Senate provision.

Income limits

The Senate bill contained a provision not in the House amendment establishing the income limit for the program at 90 percent of median income in the housing market area. The conference report contains the Senate provision with an amendment setting the income limit at 80 percent, rather than 90 percent, of median income for the market area.

Single persons

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.

Management monitoring

The Senate bill contained a provision not in the House amendment authorizing HUD to contract with State or local agencies to monitor the management of section 236 projects. The conference report contains this Senate provision.

Authorizations

The Senate bill contained an amendment authorizing additional contract authority for the section 236 program in the amounts of $150 million in Fiscal Year 1975 and $200 million in Fiscal Year 1976. The House amendment contained an open-end authorization for the program for Fiscal Year 1975.

The conference report authorizes an additional $75 million in contract authority for the program for Fiscal Year 1975 and extends the program from October 1, 1974, to June 30, 1976. The Secretary is expected to approve commitment of available funds for new projects when the community has identified its special housing needs and demonstrated that these needs cannot be met through the new housing assistance program authorized under the 1973 Act.

Group practice facilities

The Senate bill contained a provision not in the House amendment authorizing mortgage insurance for group practice facilities with as few as one medical professional in rural areas, small towns, and lower income urban areas. The House amendment contained a provision not in the Senate bill extending the program of mortgage insurance for group practice facilities to cover the construction of facilities for the practice of osteopathy. The conference report contains both the House and Senate provisions.

Supplemental Project Loans

The Senate bill contained provisions not in the House amendment authorizing insured supplemental loans for repairs, improvements, or additions to multifamily projects or health facilities not covered by FHA-insured mortgages; and authorizing subsidized supplemental loans with respect to subsidized multifamily projects for the elderly in order to expand non-dwelling facilities needed to serve elderly individuals in the area of a project. The conference report contains the Senate provision with respect to unsubsidized supplemental loans for multifamily projects, but does not contain the Senate provision with respect to subsidized supplemental loans. The new housing assistance program authorized under the Housing Act of 1937 permits non-dwelling facilities serving elderly in the area of a project to be financed as part of a subsidized rental project serving the elderly.

Land development

The Senate bill contained a provision not in the House amendment increasing to 80 percent of the estimated value of land before development and 90 percent of the estimated cost of development the loan-to-value ratio on FHA land development mortgages. The conference report contains this Senate provision.

Guarantee of State Housing and Development Agency obligations

Purpose

The Senate bill contained a provision providing that the purpose of this new guarantee program was to assist in financing the acquisition of land and the construction or rehabilitation of housing and related facilities for low, moderate, and middle income persons, with development to be carried out by private profit or nonprofit entities unless HUD finds such entities are not available. The House amendment provided that the purpose of the program was to assist in (1) the provision of housing for low and moderate income persons; (2) the revitalization of slum and blighted areas; (3) the development of industrial and commercial facilities to improve employment opportunities; and (4) the advance acquisition of land and other development aspects of State land use plans; and that development could be carried out by State agencies or other entities.

The conference report contains the House provisions with amendments (1) making it clear that a purpose of the new program is to encourage the formation and effective operation of State housing finance agencies, as well as State development agencies; and (2) directing the HUD Secretary to encourage the maximum participation by private and nonprofit developers in activities assisted under the new program.

Eligibility of Agencies for Guarantee

The Senate bill provided that in order to be eligible for a guarantee, a State must have at least one market area with an inadequate housing supply and high costs of development; and the agency must be implementing a housing plan which meets the needs of low and moderate income and dis-

placed persons, gives priority to State, areawide, and local community development programs, and promotes housing opportunities. The House amendment provided that the agency must be empowered to provide housing; that its activities must involve the revitalization of slums; and that obligations financing only the provision of housing were not eligible for guarantee.

The conference report contains the House provisions with an amendment making clear that State housing obligations may be guaranteed only when they are incurred in connection with slum revitalization, when the revitalization is being carried on or assisted by the State agency or by a community using community development grants, or under any other program approved by HUD.

Taxable Bonds and Interest Subsidies

The Senate bill provided that guaranteed bonds must be taxable; that the interest subsidy with respect to such bonds could cover up to 33⅓ percent of interest costs; and that contract authority to make interest reduction payments was authorized in the amount of $50 million in fiscal year 1975, to be increased to $110 million in fiscal year 1976. The House amendment provided for 30 percent interest subsidy grants to be made with respect to any taxable bond issued to finance any of the purposes stated above, whether or not the bond was guaranteed.

The conference report contains the Senate provisions with an amendment making interest reduction grants available with respect to unguaranteed State bonds.

Limit on Amount Guaranteed

The House amendment contained a provision not in the Senate bill limiting to $500 million the amount of guaranted loans under the program. The conference report contains this House provision.

Davis-Bacon

The House amendment contained a provision not in the Senate bill applying the prevailing wage requirements of the Davis-Bacon Act to residential projects with fewer than 9 units. The conference report contains this House provision. The conferees urge the Secretary of Labor, in administering the Davis-Bacon Act, to establish wage rates in a manner that recognizes the substantial differences in such rates between built-up metropolitan areas and small towns or rural areas. It is intended that the area of consideration should be large enough to yield an adequate factual basis for each wage determination, yet be small enough to reflect only the wages and practices of the area surrounding the location of the proposed project.

Investment in bonds by financial institutions

The Senate bill contained a provision not in the House amendment permitting investment in bonds guaranteed under the new program by national banks and Federal savings and loan associations. The conference report contains this Senate provision.

Disposition of FHA-Acquired Properties to Cooperatives

The Senate bill contained provisions not in the House amendment authorizing 100 percent purchase money mortgages from HUD to finance the disposition of FHA-acquired properties to cooperatives; and authorizing HUD to make necessary repairs and improvements to make such housing suitable for cooperative ownership. The conference report contains these Senate provisions, with an amendment striking out language in the Senate provision requiring that necessary repairs and improvements make such housing suitable for *cooperative* ownership. The conferees wish to point out that disposition of such properties to cooperatives is discretionary with the HUD Secretary.

Dual Interest Rate System

The Senate bill contained a provision not in the House amendment authorizing the experimental use, until July 1, 1977, as an alternative to HUD established maximum interest rates, of free market interest rates on FHA-insured mortgages if discounts are not charged on such mortgages. The conference report does not contain this Senate provision.

Extension of FHA programs

The Senate bill provided a transitional extension to June 30, 1975, the proposed effective date of the Revised National Housing Act, of various FHA mortgage insurance authorities. The House amendment extended FHA authorities throughout June 30, 1977, except that insurance authority with respect to sections 235 and 236 were extended only to June 30, 1975.

The conference report amends FHA authorities through June 30, 1977, except that with respect to the sections 235 and 236 programs, insurance authority is extended through June 30, 1976.

Extension of flexible interest rate authority

The Senate bill provided a transitional extension of the HUD Secreary's authrity to establish interest rates under various FHA programs to July 1, 1975. The House amendment extended such authority to June 30, 1977. The conference report contains the House provision.

Social Security increases

The House amendment contained a provision not in the Senate bill excluding from the definition of income in the sections 235, 236, and rent supplement programs social security benefit increases after June 1974. The conference report does not contain this House provision.

Housing for military personnel

The House amendment contained a provision not in the Senate bill authorizing the insurance of home and multifamily mortgages executed by military or other personnel assigned to military bases as risks of the Special Risk Insurance Fund where residual housing requirements were inadequate to sustain housing in the event of a substantial curtailment of base employment. The conference report contains this House provision.

IV—COMPREHENSIVE PLANNING

Purpose

The Senate bill contained a provision not contained in the House amendment which stated that the purpose of the Section 701 Comprehensive Planning Program was to provide assistance to general purpose units of government and regional combinations thereof for comprehensive planning and for developing management capacity to implement plans to solve planning problems; and to encourage development of a more rational process for setting policy objectives, designing and overseeing programs to meet these objectives, and evaluating the progress of such programs. The conference report does not contain this Senate provision.

Eligible Grantees

The Senate bill contained a provision not contained in the House amendment which designates as grantees eligible for comprehensive planning assistance (1) States for planning assistance to local governments, (2) States for State and intertsate activities, (3) cities of 50,000 or more, (4) counties of 50,000 or more, (5) areawide organizations, (6) Indian tribal groups or bodies, and (7) other governmental units or agencies having special planning needs. The conference report contain the Senate provisions with amendments (1) making counties eligible for direct assistance only if they meet the definition of "urban counties" contained in the new community development program; and (2) making only areawide organizations carrying out planning for metropolitan areas eligible for direct assistance.

State Administration

The Senate bill contained a provision not contained in the House amendment authorizing HUD to make grants to States for assistance to any unit or combinations of local government if there is mutual State-local agreement for State administration; however, no units of local government may be denied funding because of failure to join in such an agreement. The conference report does not contain this Senate provision.

The conferees agree that the law should continue to authorize the direct funding of cities over 50,000 population and metropolitan areawide agencies. They also agree that, while they did not wish to preclude the Secretary from encouraging greater coordination of planning efforts by providing assistance through the States, they expect him to provide direct funding to cities and metropolitan agencies without prejudice, when desired and authorized under State law.

A–95 review

The Senate bill contained a provision not contained in the House amendment specifically making assisted comprehensive planning activities subject to the OMB A–95 review process. The conference report does not contain this Senate provision.

Eligible activities

The Senate bill contained provisions not contained in the House amendment (1) providing that activities undertaken with grant assistance may include development of plans and improvement of the management capability to implement these plans, and the development of a policy-making-evaluation capacity which would enable the recipient to determine its needs more rationally, set goals and objectives, devise appropriate programs, and evaluate its programs; and (2) requiring grant recipients to employ professionally competent persons to carry out program activities. The conference report contains these Senate provisions.

Required activities

The Senate bill contained provisions not contained in the House amendment requiring each grant recipient to carry out an ongoing planning process with biennial review, including a provision for public hearings and other citizen participation; and requiring a comprehensive plan to include, at a minimum, (1) a housing element which takes into account all available data so that housing needs of both the region and the community studied will be adequately covered in terms of existing and prospective population growth, (2) a five-year capital programming element, and (3) a land use element which includes (a) criteria and implementing procedures guiding major decisions as to where growth shall take place, and (b) general plans with respect to the pattern and intensity of land use for residential, commercial, and other activities. For each of the above elements, annual objectives, programs, and evaluation procedures are required to be stated.

The conference report contains these Senate provisions, except that (1) the requirement that a planning process include a provision for public hearings and active citizen participation is deleted and replaced by a requirement that the planning process shall make provision for citizen participation when major plans, policies, priorities, or objectivse are being determined; and (2) the requirement that all plans contain a five-year capital programming element is deleted.

The conference report does not expressly require a capital programming element be-

cause the conferees have been informed that effective implementation of this requirement would require substantial funding from presently limited comprehensive planning assistance funds. This lack of an express statutory requirement should not be construed to mean that capital programming should be ignored in the comprehensive planning process. HUD is expected to encourage the development of such capital programming elements wherever appropriate and feasible.

Annual grants and secretarial review

The Senate bill contained provisions not contained in the House amendment (1) authorizing HUD to make annual grants after approval of an initial application if the applicant submits an annual description of its work program for the succeeding year, including proposed changes, and submits biennially an evaluation of progress in meeting its plan objectives during the previous two years, including proposed changes; and (2) prohibiting grants to applicants that have not made a good faith effort to implement their plan objectives, or, after three years, to applicants that are not carrying out required comprehensive planning activities. The conference report contains the first Senate provision only with an amendment deleting the "good faith effort" in implementation requirement.

Grant amount and dollar authorizations

The Senate bill provided that comprehensive planning grants could not exceed 80 percent of estimated program costs and authorized additional appropriations of $110 million in Fiscal Year 1974 and $220 million in Fiscal Year 1975, with 30 percent of the first $125 million appropriated and 25 percent of any funds thereafter appropriated to be available solely for grants to areawide planning organizations. The House amendment authorized appropriation of an additional $130 million for Fiscal Year 1975 for comprehensive planning assistance. The conference report authorizes appropriation of $130 million for Fiscal Year 1975 and $150 million for Fiscal Year 1976.

Historic preservation

The Senate bill contained a provision not contained in the House amendment authorizing the use of planning grants for the acquisition of structures or sites of historic or architectural value. The conference report does not contain this Senate provision.

Consultation with Federal agencies

The Senate bill contained a provision not contained in the House amendment directing the Secretary to consult with other Federal agencies with respect to general comprehensive planning standards and procedures and specific planning activities of interest to a particular agency. The conference report contains this Senate provision.

Joint funding

The Senate bill contained a provision not contained in the House amendment authorizing use of funds made available in furtherance of a comprehensive planning program to be used jointly with other Federal assistance funds, subject to regulations prescribed by the President. The conference report contains this Senate provision.

Trust Territory of the Pacific Islands

The House amendment contained a provision not contained in the Senate bill authorizing extension of the comprehensive planning assistance program to the Trust Territory of the Pacific Islands. The conference report contains this House provision.

Delegation authority

The Senate bill contained a provision not contained in the House amendment authorizing the HUD Secretary to delegate his administrative powers under section 701 to other Federal agencies, with the approval of the President. The conference report does not contain this Senate provision.

Comprehensive planning definition

The Senate bill contained a provision not contained in the House amendment expanding the statutory definition of comprehensive planning to include (1) identification and evaluation of area needs and formulation of specific program to meet those needs, and (2) surveys of structures and sites of historic or architectural value. The conference report contains this Senate provision.

A-95 review

The Senate bill contained a provision not contained in the House amendment amending section 204(a) of the Demonstration Cities and Metropolitan Development Act of 1966 to include comprehensive planning as a covered activity and to redefine an A-95 review agency as an areawide agency which has prepared, or is in the process of preparing a metropolitan or regional plan for an area which (1) is predominantly composed of or responsible to elected officials of a unit or areawide government or the units of general local government in the area, or (2) is directly responsible to the citizens of the area, except where State laws provide otherwise. The conference report does not contain this Senate provision.

Report on A-95 review procedure

The Senate bill contained a provision not contained in the House bill requiring Federal agencies administering programs subject to the A-95 review procedure to report to the Congress by July 1, 1976, concerning administration of the areawide review and comment process. The report would include information on the number of applications governed by agency regulations, the number accompanied by appropriate comments, the action taken on each application, and the length of time after agency action before the applicant is notified. The report must also include an evaluation of the effectiveness of the review and comment process. The conference report does not contain this Senate provision.

Training and fellowship programs

The Senate bill contained provisions not contained in the House amendment adding "general urban studies" as an eligible activity for assistance under HUD's graduate fellowship programs; authorizing HUD to make grants for contracts directly with institutions of higher education, to assist them in planning, developing, or improving programs or projects for the preparation of graduate or professional students in city and regional planning and management, housing, and urban affairs, or research into improving methods or education for these professions; permitting the use of grant funds to pay part of the compensation of students employed in urban professions; and increasing the grant authorization for training and fellowship programs by $3,500,000 on July 1, 1974, and $3,500,000 on July 1, 1975. The conference report contains these Senate provisions.

V—RURAL HOUSING

Extension of FMHA programs

The Senate bill extended the FmHA rural housing programs to Guam. The House amendment extended these programs to territories and possessions of the United States (including Guam) and the Trust Territory of the Pacific Islands. The conference report contains the House provision.

Refinancing

The Senate bill eliminated a prohibition against FmHA refinancing debts that were held or insured by the United States or a Federal agency and removed a requirement that the refinanced debt must have been incurred prior to November 3, 1966. The House amendment was similar except that an applicant must have incurred the indebtedness at least five years prior to his application for refinancing. The conference report contains the House provision.

Escrow accounts

The Senate bill directed the Secretary of Agriculture to establish procedures under which he would administer escrow accounts at the option of FmHA borrowers. The House amendment is similar except that it authorizes rather than directs the Secretary to establish such procedures. The conference report contains the House provision.

section — leasing

The Senate bill contained a provision not contained in the House amendment authorizing families with FmHA loans to lease their homes under the public housing law where such action would prevent a borrower from losing his home or help meet other necessary expenses. The conference report does not contain this Senate provision.

Research

The Senate bill contained a provision not contained in the House amendment authorizing the Secretary of Agriculture to contract for rural housing research with private and public organizations if he determines that the research work cannot feasibly be performed by the Department of Agriculture or land grant colleges. The conference report contains this Senate provision.

Utilization of county committees

The Senate bill contained a provision not contained in the House amendment limiting the use of county committees in rural housing programs to applicants involved in the operation of a farm. The conference report contains this provision.

Assistance authorizations

The Senate bill increased authorizations for Section 504 rehabilitation loans and grants by $25 million on October 1, 1974, and by $25 million on June 1, 1975; for farm labor housing grants by $25 million on October 1, 1974, and by $25 million on June 1, 1975; and for annual research grants from $250,000 annually to $5 million for the period beginning October 1, 1974, and ending October 1, 1975. The House amendment increased the Section 504 authorization by $25 million for the period ending June 30, 1977; for farm labor housing grants by $25 million for period ending June 30, 1977; and for annual research grants from $250,000 to $1 million annually for period ending June 30, 1977. It also extended the authorization period for Section 515 rental housing loans and Section 517 insured rural housing loans to June 30, 1977. The conference report contains the House provisions, except that the authorizations for Section 504 rehabilitation loans and grants and for farm labor housing grants are each increased by $30 million rather than by $25 million.

Mutual and self-help housing

The Senate bill permitted non-interest bearing advances from the self-help land development fund to recipients of self-help housing grants to be used for "contingency land revolving accounts"; and extended the basic self-help program authority to June 30, 1976, authorizing annual appropriations for the program of up to $10 million for each of fiscal years 1975 and 1976. The House amendment was similar, except that advances could be used to establish "revolving accounts for the purchase of land options" and bear interest at a rate determined by the Agriculture Secretary. The House amendment also provided for an extension of basic program authority to June 30, 1977, and authorized annual appropriations of up to $10 million for fiscal years 1975, 1976, and 1977. The conference report contains the House provisions.

Site loans

The Senate bill broadened the section 524 site loan program to permit the use of developed sites under any Federal or other assisted housing program, with the loan to bear an interest rate not to exceed 5 percent per annum. The House amendment contained a similar provision, except that the loan interest rate was set at the Treasury borrowing rate, as in existing law. The conference report contains the House provisions.

Technical and supervisory assistance

The Senate bill authorized the Secretary of Agriculture to make grants to or contract with non-profit corporations, agencies, institutions, and other groups to provide technical and supervisory assistance for needy low-income families to help them benefit from Federal, State or local housing programs in rural areas. The House amendment authorized the Secretary to provide, or contract with public or private non-profit organizations to provide information, advice and technical assistance on a variety of activities and services related to low- and moderate-income housing and families; any private non-profit organization providing services would be required to be sponsored by a non-Federal governmental entity or public body; and such sponsorship would include assisting the applicant in processing of the application, implementing any technical assistance program, and carrying out all obligations of the grant. The conference report contains the Senate provisions with a requirement that, in processing applications under this program, the Secretary shall give preference to those applicants which are sponsored by a non-Federal governmental entity or public body.

Legal services

The Senate bill contained a provision not contained in the House amendment requiring the Secretary of Agriculture to accord to all qualified attorneys an equal opportunity to participate in closing and other legal services as may be required in connection with settlements on properties being purchased with assistance under title V of the Housing Act of 1949. The conference report does not contain this Senate provision.

Mobile homes

The Senate bill contained provisions not in the House amendment broadening the term "housing" as used in title V of the Housing Act of 1949 to include mobile homes and mobile home sites; directing the Secretary of Agriculture to prescribe minimum property standards with respect to such mobile homes and sites; and providing that loans for mobile homes and sites be made under the same terms and conditions as are applicable under the Federal Housing Administration's mobile home program. The conference report contains these Senate provisions.

Definition of rural areas

The Senate bill expanded the definition of "rural" areas to include places of up to 25,000 population outside standard metropolitan statistical areas if determined by the Secretaries of Agriculture and HUD that a serious lack of mortgage credit exists. The House amendment expanded the definition of "rural" and "rural areas" to include places not part of or associated with an urban area which have a population of 10,000 to 15,000 and have a serious lack of mortgage credit as determined by the Secretaries of Agriculture and HUD. The conference report contains the Senate provisions, except that only places of up to 20,000 population are included, rather than 25,000 population.

Social security benefit increases

The House amendment contained a provision not contained in the Senate bill providing that social security benefit increases occurring after June 30, 1974, shall not be considered as income or otherwise taken into account for purposes of determining eligibility for, or the amount of, subsidy assistance available under title V of the Housing Act of 1949. The conference report does not contain the House provision.

Contract services and fees

The House amendment contained a provision not contained in the Senate bill permitting the use of the rural housing insurance fund to pay for services customary in the construction industry, construction inspections, commercial appraisals, servicing loans and other related program services and expenses. The conference report contains this House provision. The conferees expect that this new authority of the Secretary will be used sparingly, primarily in cases where FmHA staff shortages require, and will not be used as a substitute for available FmHA staff services as a device to even further reduce FmHA staff. The conferees also expect that only well-qualified contract personnel shall be utilized.

Demonstration deep subsidy for home ownership

The Senate bill contained provisions not contained in the House amendment authorizing the Secretary of Agriculture, with respect to 10 percent of the home loans made in any fiscal year, to make loans on terms which defer payments on up to 50 percent of the principal until (1) expiration of the amortization period, (2) full payment of the balance of the loan, (3) transfer of the property without the Secretary's consent, or (4) default by the mortgagor. The income of the mortgagor would be reviewed annually for purposes of making adjustments in the amount of principal which is currently amortized. On becoming due, the deferred principal would be amortized for payment of principal and interest in installments over a period not exceeding 33 years. The Secretary is to report to the Congress six and eighteen months after enactment on his implementation of this provision. The conference report does not contain these Senate provisions.

VI—MOBILE CONSTRUCTION AND SAFETY STANDARDS

The Senate bill contained provisions not in the House amendment requiring HUD to promulgate national standards with respect to the quality, durability, and safety of mobile homes through a National Mobile Home Administration headed by an Assistant Secretary. HUD would be authorized to enforce the standards directly, through injunctive actions by the Attorney General, or through grant agreements with States having approved enforcement plans. Manufacturers would be required to furnish consumers warranties against defects, and to take other actions to protect purchasers of defective mobile homes. Such sums as are necessary to carry out these provisions would be authorized.

The conference report contains these Senate provisions with the following major amendments:

(1) deleting the establishment of a National Mobile Home Administration headed by an Assistant Secretary and merely authorizing HUD to carry out this new authority;

(2) requiring HUD to consult with the Consumer Product Safety Commission prior to the establishment of safety standards;

(3) deleting the provisions relating to manufacturers warranties; and

(4) deleting the provisions requiring adversary-type administrative proceedings in connection with the issuance of standards.

Housing cooperative finance association

The Senate bill contained provisions not in the House amendment establishing a Housing Cooperative Finance Association to encourage and assist consumer-oriented groups to improve housing conditions through the establishment of nonprofit cooperatives; authorizing the Association to issue Federally-guaranteed bonds not exceeding $1 billion; and authorizing 40-year HUD-insured loans to cooperatives for the development or acquisition of housing. The conference report does not contain these Senate provisions.

VII—CONSUMER HOME MORTGAGE ASSISTANCE

Federal savings and loan associations

Construction Loans

The House amendment contained a provision not in the Senate bill permitting savings and loan associations to make line of credit construction loans on residential real estate relying on the borrower's general credit rating or other assurance, with such loans not to exceed the greater of surplus, undivided profits, and reserves or 5 percent of assets. The conference report contains the House provision with an amendment that such loans may not exceed the greater of surplus, undivided profits, and reserves or 3, rather than 5, percent of assets.

Single-Family Dwelling Limitations

The House amendment contained provisions not in the Senate bill increasing the limit on the amount of single-family dwelling loans from $15,000 to $55,000; permitting savings and loan associations to allocate only the excess over the $55,000 limit (rather than the full amount of the loan) to the twenty percent of assets requirements; and permitting the Federal Home Loan Bank Board to increase the loan limits on dwellings in Alaska, Guam, and Hawaii by up to fifty percent. The conference report contains the House provisions with an amendment deleting the provision permitting savings and loan associations to allocate only the excess over the $55,000 limit to the twenty percent of assets requirements.

Increasing Lending Authority

The House amendment contained provisions not in the Senate bill permitting savings and loan associations to invest, subject to conditions prescribed by the Federal Home Loan Bank Board, in various types of loans for primarily residential purposes without regard to the limitations in existing law, with such loans not to exceed 10 percent of an association's assets. The conference report contains the House provisions with an amendment limiting such investments to not exceeding 5, rather than 10, percent of the association's assets.

Property Improvement Loans

The House amendment contained a provision not in the Senate bill increasing the limit on property improvement loans from $5,000 to $10,000. The conference report contains the House provision.

Asset Requirements

The House bill contained a provision not in the Senate bill increasing from twenty to thirty years the period during which a savings and loan association must build up reserves to five percent of its insured accounts. The conference report does not contain this House provision.

In the Emergency Home Finance Act of 1970, the Congress provided that the Federal Home Loan Bank Board may extend the period for compliance to thirty years "if it determined such action to be necessary to meet mortgage needs." Since the Board already possesses discretion to extend the reserves requirement to thirty years, it is the opinion of the conferees that further legislation is not necessary.

However, the conferees recognize that the very difficult conditions which prevail in the savings and mortgage markets today present a special dilemma for younger associations. Unlike older associations, they do not have the cushion of significant reserves built up

years ago when competition in the savings market was much less severe and when there was a considerably greater spread between what associations paid for savings and what they could earn as mortgage investments. The less favorable Federal income tax treatment afforded savings and loan associations since 1962 also has had an adverse effect on the ability of younger associations to build up reserves.

In light of this historical record and the current savings and loan earnings squeeze, the most intense on record, the conferees believe it is desirable that younger associations be given additional time to reach the five percent reserve requirement. While the conferees agree with the Board's request that an extension from twenty to thirty years not be mandatory, they urge the Board to grant this extension by general regulatory action, reserving the discretion to deny such an extension in specific cases where the lending practices of a particular institution may be subject to supervisory question. The conferees believe this regulatory action by the Board will strengthen the ability of younger institutions to help meet mortgage needs in their communities and to provide the support essential to a recovery in housing.

Loans from Mortgage Finance Agencies

The Senate bill contained a provision not in the House amendment permitting savings and loan associations to borrow from State mortgage finance agencies and reloan such borrowings at not more than 1¾ percent above the rate paid to mortgage finance agencies. Such authority would be subject to Board regulations and to the same extent as State law permits State-chartered savings and loan associations to borrow from mortgage finance agencies. The conference report contains this Senate provision.

National banks

The House amendment contained provisions not in the Senate bill revising the real estate lending authority of national banks as follows:

(1) premitting various loan to value ratio loans secured by other first liens where the lien, when added to prior loans, does not exceed the applicable loan-to-value ratio for a particular type of loan;

(2) permitting the classification, as non-real estate loans, various loans insured, guaranteed, or backed by the full faith and credit of the Federal Government or a State;

(3) providing that loans secured by real estate be considered real estate loans only in the amount of excess over non-real estate security, and that loans secured by a lien on real property where a financially responsible party agrees to advance the full amount of the loan within sixty months would not be considered real estate loans;

(4) prohibiting the making of real estate loans in an amount in excess of the greater of unimpaired capital and surplus or time and savings deposits, except that real estate loans secured by other than first liens, when added to unpaid prior liens, would be limited to 20 percent of a bank's unimpaired capital and 20 percent of its unimpaired surplus;

(5) permitting real estate loans secured by other than first liens upon forest tracts;

(6) premitting loans with maturities of less than sixty months to be classified as commercial loans when made for the construction of a building and secured by a commitment to advance the full amount of the loan upon completion;

(7) permitting loans for the construction of residential or farm buildings and maturities of not more than nine months to be eligible for discount as commercial paper if accompanied by an agreement for firm takeout upon completion of a building;

(8) requiring loans made upon a borrower's general credit standing or assignment of rent and SBA participation loans to be classified as commercial loans; and

(9) permitting real estate loans in excess of seventy percent of time and savings deposits if the total unpaid amount loaned does not exceed ten percent of the maximum amount that may be invested in real estate loans.

The conference report contains these House provisions.

Federal credit unions

Lending and Depository Authority

The House amendment contained provisions not in the Senate bill permitting credit unions to make loans to their own directors and members of supervisory credit committees, subject to the approval of the board of directors where a loan exceeds $2,500, plus pledged shares; and permitting credit unions operating foreign sub-offices to maintain demand deposit accounts in foreign banks which are correspondents of United States banks, subject to the National Credit Union Administration regulations. The conference report contains these House provisions.

Fees

The House amendment contained a provision not in the Senate bill eliminating mandatory entrance fee requirements and providing for a uniform fee at the discretion of the credit union board of directors. The conference report contains this House provision.

Directors

The House amendment contains provisions not in the Senate bill making various changes in the rules governing credit union boards of directors; permitting the appointment of two-member investment committees; and permitting executive committees to exercise authority delegated by boards of directors. The conference report contains these House provisions.

Credit Committees

The House amendment contained provisions not in the Senate bill permitting credit unions to offer loans which would be replenished as loans are repaid; and removing the $2,500 limit on the amount of reserved loans to members. The conference report does not contain these House provisions.

Supervisory Committees

The House amendment contained a provision not in the Senate bill changing the semiannual audit requirement to an annual requirement. The conference report contains this House provision.

Dividends

The House amendment contained a provision not in the Senate bill permitting the declaration of dividends at intervals authorized by a credit union's board of directors. The conference report contains this House provision.

Applicability to Trust Territories

The House amendment contained a provision not in the Senate bill making the Federal Credit Union Act applicable to the Trust Territories of the Pacific. The conference report contains this House provision.

Definition of Members' Accounts

The House amendment contained a provision not in the Senate bill exempting credit union funds invested in a Federally insured credit union from Federal share insurance premium charges. The conference report contains this House provision.

Termination of Insurance Coverage

The House amendment contained a provision not in the Senate bill providing for the termination of Federal insurance coverage after ninety days notice to the Federal Credit Union Administration if a credit union has obtined a certificate of insurance from a corporation authorized and licensed to insure its accounts. Such terminations must be approved by a majority of the credit union's directors and a majority of its voting members. The conference report contains this House provision with an amendment providing that at least twenty percent of the total membership of the credit union must participate in the role on termination.

Liquidation

The House amendment contained provisions not in the Senate bill permitting the Federal Credit Union Administration to assist in the voluntary liquidation of solvent credit unions by loans, purchase of assets, or the establishment of accounts in such credit unions and removing a provision of existing law permitting such loans and accounts to be subordinated to the rights of members and creditors. The conference report contains these House provisions.

VIII—MISCELLANEOUS

National housing goal

The Senate bill contained provisions not in the House amendment expressing the sense of the Congress that achievement of the national housing goals requires greater efforts to preserve existing housing in neighborhoods, with greater concentration on housing in neighborhoods where deterioration is evident though not acute; requiring the annual housing report to include an assessment of these preservation efforts and future plans in this area. The conference report contains this Senate provision.

Expansion of experimental housing allowance program

The Senate bill contained provisions not in the House amendment directing HUD to carry on programs of cash assistance for rental housing and homeownership and to determine the feasibility of a national direct cash assistance policy. A report with recommendations to the Congress would be required within eighteen months. Appropriations of $43 million annually would be authorized for cash assistance payments. This authorization is to be reduced by any section 23 low-rent public housing funds being utilized in the demonstration program. No cash payments pursuant to this demonstration program would be permitted after July 1, 1985.

The conference report contains the Senate provisions with amendments (1) authorizing an additional $40 million annually for cash assistance payments; and (2) prohibiting use of section 23 funds after December 31, 1974. The conferees expect that HUD's recommendations with respect to the feasibility of a national direct cash assistance policy should address the full range of concerns outlined in the Senate bill.

Direct financing study

The Senate bill contained a provision not in the House amendment directing the Departments of HUD and Treasury to study the feasibility of direct loans and other methods of financing assisted multifamily housing, including direct loans from the Federal Financing Bank, with a report to be filed not later than one year after enactment of the bill. The conference report contains this Senate provision with an amendment striking out that portion of the Senate provision stating that it is the sense of Congress that direct funding methods should be adopted if they are found to be less costly than other methods.

Housing for elderly and handicapped

The Senate bill contained a provision amending section 202 of the Housing Act of 1959 to establish a trust fund for elderly and handicapped housing loans. HUD would be authorized to borrow from the Treasury a maximum of $100 million for making housing loans pursuant to an annual ceiling on such loans which would be established in Appropriations Acts. Appropriations of $3 million annually would be authorized to make up the difference between interest paid on Treasury borrowing and the interest received on housing loans.

The House amendment contained provisions amending section 202 to authorize HUD to borrow up to $1.5 billion from the Treasury for making elderly and handicapped housing loans. Interest on HUD borrowings and on the housing loans would be set at the current average market yield on outstanding U.S. obligations of comparable maturities (plus an amount to cover administrative costs on the housing loans). Assistance payments under section 23 of the U.S. Housing Act of 1937 would be available to both new and existing section 202 projects and HUD would take into account the availability of such payments in determining the feasibility and marketability of a project.

The conference report contains the House provisions with amendments (1) establishing HUD's total borrowing authority at $800 million; and (2) providing that the aggregate amount of loans made in any fiscal year shall not exceed limits established in appropriation acts.

Low-rise construction

The Senate bill contained a provision not in the House amendment authorizing HUD to finance assisted high-rise elderly housing only after a determination that such construction is appropriate, talking into account land costs, safety, and security factors. The conference report does not contain this Senate provision. However, the conferees urge the HUD Secretary to provide assistance to such high-rise projects only after making the determination contemplated in the Senate provision.

Housing security

The Senate bill contained a provision not in the House amendment establishing an Office of Security for Housing Management in HUD, and utilizing from public housing management funds up to $10 million annually for Fiscal Years 1975 and 1976 for grants to housing sponsors assisted under HUD programs to finance planning and development of programs to improve housing security. The conference report does not contain this Senate provision. Instead, the conference report contains an amendment making clear that operating subsidies to public housing agencies may be used, as needed, to cover the cost of security personnel.

Housing location

The Senate bill contained a provision not in the House amendment authorizing grants (up to $20 million in Fiscal Year 1975) out of HUD research authorities to local governments and regional bodies to demonstrate the feasibility of increasing housing locational opportunities for lower-income families. The conference report does not contain this Senate provision.

Solar energy

The Senate bill contained a provision not in the House amendment authorizing grants (up to $25 million for Fiscal Year 1975) out of HUD research authorities for demonstrations of the economic or technical feasibility of utilizing solar energy for heating or cooling residential housing. The conference report contains this Senate provision with an amendment striking out the specific dollar authorization.

Housing design

The Senate bill contained a provision not in the House amendment authorizing HUD to expand its research activities to include consideration of the social and economic consequences of housing design in relation to other housing and neighborhood facilities. The conference report does not contain this Senate provision. However, the conferees urge the HUD Secretary to conduct such research, and note that report language comparable to the Senate provision was contained in the report of the House Banking and Currency Committee on H.R. 15361.

Fair housing with respect to sex

The Senate bill amended the Civil Rights Act of 1968 to prohibit discrimination on the basis of sex in the financing, sale, or rental of housing, or the provisions of brokerage services. The House amendment amended the National Housing Act to prohibit discrimination on the basis of sex in the making of Federally-related mortgage loans, providing insurance guarantee, or related assistance; and required lenders to consider the combined incomes of husband and wife in extending mortgage credit. The conference report contains both the Senate and House provisions.

National Institute of Building Sciences

The Senate bill contained provisions not in the House amendment authorizing the establishment of a nonprofit, nongovernment institute to develop, promulgate, and evaluate criteria for housing and building regulations; and authorizing appropriations of $5 million annually in Fiscal Years 1975 and 1976 for the establishment and operation of the Institute. The conference report contains these Senate provisions.

Federal Home Loan Mortgage Corporation

The Senate bill contained provisions (1) removing the 10 percent limitation on Federal Home Loan Mortgage Corporation purchases of older mortgages, provided an equivalent dollar amount of such mortgages invested by the seller in residential mortgages within 180 days; (2) increasing the FHLMC mortgage ceilings for Alaska, Guam, and Hawaii to a level 25 percent above the regular Federal Home Loan Bank Board mortgage ceiling for savings and loan associations; and (3) clarifying the authority of national banks, Federal home loan banks, savings and loan associations, and credit unions to invest in FHLMC securities.

The House amendment contained provisions (1) increasing the FHLMC mortgage ceilings for Alaska, Guam, and Hawaii to a level 50 percent above the FHLBB's savings and loan ceiling; and (2) permitting the servicing of FHLMC mortgages by any HUD-approved mortgagee.

The conference report contains the Senate provisions, with amendments (1) providing for a 20 percent limitation on FHLMC purchases of older mortgages; (2) increasing the FHLMC mortgage ceilings for Alaska, Guam, and Hawaii to 50 percent above the FHLBB's savings and loan ceiling, and (3) providing for the servicing of FHLMC mortgages by any HUD-approved mortgagee.

The provision permitting the servicing of FHLMC mortgages by HUD-approved mortgagees clarifies Congressional intent concerning the servicing of mortgages by mortgagees which, by reason of their status as non-insured institutions, are not eligible to sell mortgages to the corporation. This provision does not expand in any way the existing categories of institutions eligible to sell mortgages the FHLMC. The conferees, however, are concerned that non-insured institutions might utilize eligible mortgage sellers as conduits to effect indirect sales to FHLMC. Since FHLMC now has the power to regulate the amount of mortgages purchased from any one eligible seller, the Corporation may, for example, limit to a reasonable percentage of an eligible seller's total annual volume of mortgage loans the amount of such loans for which the eligible seller has contracted servicing of mortgages to non-insured institutions.

Federal National Mortgage Association

The Senate bill contained provisions (1) removing the 10 percent limitation on FNMA purchases or purchases of older mortgages provided an equivalent dollar amount of such mortgages is invested in residential mortgages within 180 days; and (2) increasing FNMA mortgage ceilings for Alaska, Guam, and Hawaii to a level 25 percent above regular FHLBB savings and loan ceilings. The House amendment contained provisions increasing the mortgage ceilings for Alaska, Guam, and Hawaii to a level 50 percent above the FHLBB ceiling. The conference report contains the House provisions with an amendment providing for a 20 percent limitation on FNMA purchases of older mortgages.

Urban homesteading

The Senate bill contained a provision authorizing HUD to transfer, without payment, Secretary-held real property (deemed suitable by HUD) for use in an approved urban homestead program. The property could be transferred to a unit of general local government or its public agency designee and would be required to be improved by a one-to-four family dwelling, unoccupied, and requested by that governmental unit or agency for use in its urban homestead program. Appropriations of not to exceed $5 million annually for Fiscal Years 1975 and 1976 would be authorized to reimburse the housing insurance funds for the aggregate fair market value of the properties transferred and to provide technical assistance. The House amendment contained a provision directing HUD to compile a catalogue of all unoccupied single-family dwellings owned by him) (or owned by a State or local government which requests that they be placed in the catalogue) suitable for occupancy and rehabilitation by qualified low- and moderate-income families. HUD would transfer such dwellings for $1 to qualified families under certain specific conditions. Section 312 rehabilitation loans would be available to occupants of homestead dwellings and appropriation of such sums, as may be necessary to carry out this program, would be authorized.

The conference report contains the Senate provisions with an amendment directing HUD, upon request of a unit of general local government or a State, to provide a listing of all unoccupied one-to-four family residences to which the Secretary holds title and which are located within the geographic jurisdiction of such unit of government or State.

Rehabilitation loans

The Senate bill contained provisions not in the House amendment (1) broadening the geographical area of eligibility for section 312 rehabilitation loans to areas served by the community development and urban homesteading programs; (2) raising the eligibility requirements for owner applicants, who must be unable to secure other funds without paying more than 25 percent (previously 20 percent if refinancing was involved) of monthly income; (3) requiring multifamily rehabilitation loans to benefit lower-income tenants; and (4) limiting loans to $8,000 per family unit, except in high-cost areas. The conference report contains the Senate provisions with respect only to (1) above.

The Senate bill provided for extension of the section 312 rehabilitation loan program to July 1, 1976. The House amendment terminated this program on January 1, 1975. The conference report contains the Senate provision, with an amendment extending the program for one year after enactment of the bill.

Waiver of GNMA mortgage limitations

The Senate bill extended the current $33,000 temporary ceiling on mortgages GNMA may purchase to July 1, 1975. The House amendment increased the basic $22,000 GNMA mortgage limit in existing law to $38,000. The conference report contains the Senate provision, with amendments (1) making the $33,000 limit permanent/and (2) au-

thorizing the HUD Secretary to increase that limit to $38,000 where he finds that cost levels so require.

Interstate land sales

The Senate bill contained a provision not in the House amendment (1) exempting from the requirements of the Interstate Land Sales Act the sale or lease of lots in bona fide industrial or commercial developments (stringent requirements must be met for such an exemption); (2) providing for a cooling off period of three business days (instead of the 48-hour period now in the law) and deleting the provision permitting a purchaser to waive his revocation right if he signs a statement that he has inspected his lot and read and understood the property report; and (3) making clear that the Interstate Land Sales Act applies to transactions involving communications by the parties in the United States and a foreign country. The conference report contains these Senate provisions.

Program levels

The Senate bill contained provisions not in the House amendment requiring the President to make available for obligation, in a timely manner, all funds appropriated under this act; barring delays in processing applications and requiring HUD to make available for commitment funds appropriated or otherwise made available by Congress for housing programs in proportion to appropriated dollar amounts. The conference report does not contain these Senate provisions.

Transitional authorizations

The Senate bill contained provisions not in the House amendment extending through Fiscal Year 1975 and providing interim authorizations for (1) basic water and sewer and neighborhood facilities (no additional dollar authorization) and (2) the rent supplements program ($50 million). The conference report does not contain these Senate provisions.

Energy

The Senate bill contained a provision not in the House amendment requiring the Secretary of HUD to include, in any environmental impact statements he is required to prepare, a statement concerning the impact upon energy resources of the proposed project. The conference report does not contain this Senate provision.

The conferees understand that the Council of Environmental Quality by regulation already encourages such energy impact statements and expects the Secretary to comply with these regulations both in cases where he himself is filing a statement and in cases where such statements are filed by States or local units of government.

Tax incentives review

The Senate bill contained a provision not in the House amendment requiring HUD and the Treasury to study and report, with recommendations for change, on the effects of tax incentives for investment in low- and moderate-income multifamily housing. The conference report does not contain this Senate provision.

Mortgage proceeds

The Senate bill contained a provision not in the House amendment requiring HUD to initiate action to secure the payment of any deficiency after foreclosure of a mortgage where the Secretary believes that proceeds have been fraudulently misappropriated. The conference report contains this Senate provision.

Statistics

The Senate bill contained a provision not in the House amendment requiring HUD to develop, maintain, and report annually detailed housing mortgage insurance and housing assistance program information. The conference report does not contain this Senate provision.

New communities

The House amendment contained a number of provisions relating to HUD's new communities program not contained in the Senate bill. These provisions (1) changed the name of HUD's Community Development Corporation to "New Community Development Corporation;" (2) increased the size of the Corporation's board of directors from five to seven members; (3) changed the amount of interest differential grants which HUD is authorized to make to State and local public agencies to an amount equal to 30 percent of the interest paid on agency obligations; (4) authorized HUD to make new community supplemental grants for projects assisted by the National Foundation on Arts and Humanities; and (5) permitted waste disposal installations and community or neighborhood central heating or air conditioning systems to be financed with the proceeds of guaranteed loans. The conference report contains these House provisions.

Counseling and technical assistance program

The House amendment contains provisions not in the Senate bill (1) authorizing "open end" dollar authorizations for HUD's section 106 counseling and technical assistance program; and (2) including local public housing agencies as sponsors eligible for section 106(b) loans for pre-construction expenses. The conference report contains these House provisions.

Limitation on withholding or conditioning HUD assistance

The House amendment contained a provision not in the Senate bill prohibiting administrative withholding or conditioning of Federal housing or community development assistance by reason of the fact that State or local governments use the proceeds of tax exempt borrowings to provide financing for use in connection with such Federal assistance. The conference report contains this House provision.

Flood insurance

The House amendment contained provisions not in the Senate bill (1) directing Federal agencies supervising lending institutions to require such institutions to notify the purchaser or the lessee of the party obtaining a loan secured by real property located in a designated flood prone area of such flood hazards in writing, within a reasonable period of time in advance of the signing of the purchase agreement, lease, or other documents; and (2) providing that any community that has made adequate progress on the construction of a flood protection system meeting the 100-year protection standard, as determined by HUD, shall be eligible for flood insurance under the Federal flood insurance program at subsidy premium rates if certain specific conditions were met. The conference report contains these House provisions.

Additional HUD Assistant Secretaries

The House amendment contained a provision not in the Senate bill increasing from six to eight the number of level IV Assistant Secretaries authorized for HUD. The conference report contains this House provision.

Urban renewal—Trenton, N.J.

The House amendment contained a provision not in the Senate bill making eligible as a grant-in-aid local expenditures for the Broad and Front Street Garage in Trenton, N.J., in accordance with provisions of title I of the Housing Act of 1949. The conference report contains this House provision.

Condominium and cooperative study

The House amendment contained a provision not in the Senate bill directing the Secretary of HUD to conduct a full and complete investigation and study with respect to problems, difficulties, and abuses or potential abuses which may be involved in condominium or cooperative housing, and to report to the Congress not later than one year after date of enactment. The conference report contains this House provision.

Participation of local governments in regional planning organizations or COG's

The House amendment contained a provision not in the Senate bill providing that participation of a unit of local government in any program authorized by this Act shall not be affected by such units, membership or non-membership in a regional planning organization or a council of governments. The conference report does not contain this House provision.

House, of last report

The House amendment contained a provision not in the Senate bill authorizing HUD to pick sponsors or act as a sponsor of housing in any community where no sponsors are available, with such designated sponsors to be approved by the Governor or State housing agency. The conference report does not contain this House provision.

Materials, design and construction requirements for assisted housing

The House amendment contained a provision not in the Senate bill directing the Secretary of HUD to take such steps as may be necessary to make certain all housing for low- and moderate-income families constructed with HUD assistance utilizes materials of high quality and durability regardless of any savings in cost which might otherwise be realized through the use of inferior design, construction or materials. The conference report does not contain this provision.

Mass transportation

The Senate bill contained a provision not in the House amendment prohibiting Federal aid for the purchase of buses to any public transit system which engages in charter bus operations outside the urban area it regularly serves. The conference report contains this Senate provision.

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Managers on the Part of the Senate.

CONFERENCE REPORT ON S. 1769, FIRE PREVENTION AND CONTROL ACT OF 1974

Mr. TEAGUE submitted the following conference report and statement on the Senate bill (S. 1769) to reduce the burden on interstate commerce caused by avoidable fires and fire losses, and for other purposes:

CONFERENCE REPORT (H. REPT. No. 93-1277)

The committee of conference on the disagreeing votes of the two Houses on the

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give to CLS with memo 19

THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

TITLE I -- COMMUNITY DEVELOPMENT

Findings and Purpose

Sec. 101. (a) The Congress finds and declares that the Nation's cities, towns, and smaller urban communities face critical social, economic, and environmental problems arising in significant measure from:

(1) the growth of population in metropolitan and other urban areas, and the concentration of persons of lower income in central cities; and

(2) inadequate public and private investment and reinvestment in housing and other physical facilities, and related public and social services, resulting in the growth and persistence of urban slums and blight and the marked deterioration of the quality of the urban environment; and

(b) The Congress further finds and declares that the future welfare of the Nation and the wellbeing of its citizens depend on the establishment and maintenance of viable urban communities as social, economic and political entities, and require:

(1) systematic and sustained action by Federal, State and local governments to eliminate blight, to conserve and renew older urban areas, to improve the living environment of low- and moderate-income families, and to develop new centers of population growth and economic activity;

(2) substantial expansion of and greater continuity in the scope and level of Federal assistance, together with increased private investment in support of community development activities; and

(3) continuing effort at all levels of government to streamline programs and improve the functioning of agencies responsible for planning, implementing and evaluating community development efforts.

(c) The primary objective of this title is the development of viable urban communities, by providing decent housing and a suitable living environment and expanding economic opportunities, principally for for persons of low and moderate income. Consistent with this primary objective, the Federal assistance provided inthis title is for the support of community development activities which are directed toward the following specific objectives:

(1) the elimination of slums and blight and the prevention of blighting influences and the deterioration of property and neighborhood and community facilities of importance to the welfare of the community, principally persons of low and moderate income;

(2) the elimination of conditions which are detrimental to health, safety, and public welfare, through code enforcement, demolition, interim rehabilitation assistance, and related activities;

(3) the conservation and expansion of the Nation's housing stock in order to provide a decent home and a suitable living environment for all persons, but principally those of low and moderate income;

(4) the expansion and improvement of the quantity and quality of community services, principally for persons of low and moderate income, which are essential for sound community development and for the development of viable urban communities;

(5) a more rational utilization of land and other natural resources and the better arrangement of residential, commercial, industrial, recreational, and other needed activity centers;

(6) the reduction of the isolation of income groups within communities and geographical areas and the promotion of an increase in the diversity and vitality of neighborhoods through the spatial deconcentration of housing opportunities for persons of lower income and the revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and

(7) the restoration and preservation of properties of special value for historic, architectural, or esthetic reasons.

It is the intent of Congress that the Federal assistance made available under this title not be utilized to reduce substantially the amount of local financial support for community development activities below the level of such support prior to the availability of such assistance.

(d) It is also the purpose of this title to further the development of a nationa urban growth policy by consolidating a number of complex and overlapping programs of financial assistance to communities of varying sizes and needs into a consistent system of Federal aid which:

(1) provides assistance on an annual basis, with maximum certainty and minimum delay, upon which communities can rely in their planning;

(2) encourages community development activities which are consistent with comprehensive local and areawide development planning;

(3) furthers achievement of the national housing goal of a decent home and a suitable living environment for every American family; and

(4) fosters the undertaking of housing and community development activities in a coordinated and mutually supportive manner.

DEFINITIONS

Sec. 102. (a) As used in this title:

(1) The term "unit of general local government" means any city, county, town, township, parish, village, or other general purpose political subdivision of a State; Guam, the Virgin Islands, and American Samoa, or a general purpose political subdivision thereof; a combination of such political subdivisions recognized by the Secretary; the District of Columbia; the Trust Territory of the Pacific Islands; and Indian tribes, bands, groups, and nations, including Alaska Indians, Aleuts, and Eskimos, of the United States. Such term also includ a State or a local public body or agency (as defined in Section 711 of the Housin and Urban Development Act of 1970), community association, or other entity; which is approved by the Secretary for the purpose of providing public facilities

or services to a new community as part of a program meeting the eligibility standards of Section 712 of the Housing and Urban Development Act of 1970 or Title IV of the Housing and Urban Development Act If 1968.

(2) The term"State" means any State of the United States, or any instrumentality thereof approved by the Governor; and the Commonwealth of Puerto Rico.

(3) The term "metropolitan area" means a standard metropolitan statistical area as established by the Office of Management and Budget.

(4) The term "metropolitan city" means (A) a city within a metropolitan area which is the central city of such area, as defined and used by the Office of Management and Budget, or (B) any other city, within a metropolitan area, which has a population of fifty thousand or more.

(5) The term "city" means (A) any unit of general local givernment which is classified as a m nicipality by the United States Bureau of the Census or (B) any other unit of general local government which is a town or township and which, in the determination of the Secretary, (i) possesses powers and performs functions comparable to those associated with m nicipalities, (ii) is closely settled, and (iii) contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

(6) The term "urban county" means any county within a metropolitan area which (A) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated area, if any, which are not units of general local government, and (B) has a combined populatio of two hundred thousand or more (excluding the population of metropolitan cities therein) in such unincorporated areas in in its included units of general local government (i) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have thei population excluded or (ii) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities.

(7) The term "population" means total resident population based on data com iled by the United States Bureau of the Census and referable to the same point or period in time.

(8) The term "extent of poverty" means the number of persons whose incomes are below the poverty level. Poverty levels shall be determined by the Secretary pursuant to criteria provided by the Office of Management and Budget, taking into account and making adjustments, if feasible and appropriate and in the sole descretion of the Secretary, for regional or area variations in income and cost of living, and shall be based on data referable to the same point or period in time.

(9) The term "extent of housing overcrowding" means the number of housing units with 1.01 or more persons per room based on data compiled by the United States Bureau of the Census and referable to the same point or period in time.

(10) The term "Federal grant-in-aid program" means a program of Federal financial assistance other than loans and other than the assistance provided by this title.

(11) The term "program period" means the period beginning January 1, 1975 and ending June 30, 1975, and the period covering each fiscal year thereafter.

(12) The term "Community Development Program" means a program described in section 104(a)(2).

(13) The term "Secretary" means the Secretary of Housing and Urban Development.

(b) Where appropriate, the definitions in subsection (a) shall be based, with respect to any fiscal year, on the most recent data compiled by the United States Bureau of the Census and the latest published reports of the Office of Management and Budget available ninety days prior to the beginning of such fiscal year. The Secretary may by regulation change or otherwise modify the meaning of the terms defined in subsection (a) in order to reflect any technical change or modification thereof made subsequent to such date by the United States Bureau of the Census or the Offuce of Management and Budget.

(c) One or more public agencies, including existing local public agencies, may b designated by the chief executive officer of a State or a unit of general local government to undertake a Community Development Program in whole or in part.

AUTHORZATION 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 autho ized to incure 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 approv 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 thsi 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 aggregare of $8,400,000,000 prior to the close of 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 the 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 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.

APPLICATION AND REVIEW REQUIREMENTS

Sec. 104. (a) No grant may be made pursuant to section 106 unless an applicatic shall have been submitted to the Secretary in which the applicant:

(1) sets forth a summary of a three-year community development plan which identifies community development needs, demonstrates a comprehensive strategy for meeting those needs and specifies both short- and long-term community development objectives which have been developed in accordance with areawide development planning and national urban growth policies;

(2) formulates a program which (A) includes the activities to be undertaker to meet its community development needs and objectives, together with the estimated costs and general location of such activities, (B) indicates resources other than those provided under this title which are expected to be made availabl toward meeting its identified needs and objectives, and (C) takes into account appropriate environmental factors;

(3) describes a program designed to:

(A) eliminate or prevent slums, blight, and deterioration where such conditions or needs exist; and

(B) provide improved community facilities and public improvements, including the provision of supporting health, social, and similar services where necessary and appropriate.

(4) submits a housing assistance plan which:

(A) accurately surveys the condition of the housing stock in the community and assesses the housing assistance needs of lower-income persons

(including elderly and handicapped persons, large families, and persons displaced or to be displaced) residing in or expected to reside in the community,

(B) specifies a realistic annual goal for the number of dwelling units or persons to be assisted, including (i) the relative proportion of new, rehabilitated, and existing dwelling units, and (ii) the sizes and types of housing projects and assistance best suited to the needs of lower-income persons in the community, and

(C) indicates the general locat ons of proposed housing for lower-income persons, with the objective of (i) furthering the revitalization of the community, including the restoration and rehabilitation of stable neighborhoods to the maximum extent possible, (ii) promoting greater choice of housing opportunities and avoiding undue concentrations of assisted persons in areas containing a high proportion of low-income persons, and (iii) assuring the availability of public facilities and services adequate to serve proposed housing projects;

(5) provides satisfactory assurances that the program will be conducted and admin istered in conformity with Public Law 88-352 and Public Law 90-234; and

(6) provides satisfactory assurances that, prior to submission of its application, it has (A) provided citizens with adequate information concerning the amount of funds available for proposed community development and housing activities, the range of activities that may be undertaken, and other important program requirements, (B) held public hearings to obtain the views of citizens on community development and housing needs, and (C) provided citizens an adequate opportunity to participate in the development of the application; but no part of this paragraph shall be construed to restrict the responsibility and authority of the applicant for the development of the application and the execution of its community development program.

(b) (1) Not more than 10 per centum of the estimated costs referred to in subsection (a)(2) which are to be incurred during any contract period may be designated for unspecified local option activities which are eligible for assistance under section 105(a) or for a contingency account for activities designated by the applicant pursuant to subsection (a)(2).

(2) Any grant under this title shall be made only on condition that the applicant certify to the satisfaction of the Secretary that its Community Develop ment Program has been developed so as to give maximum feasible priority to activities which will benefit low-or moderate-income families or aid in the preventio or elimination of slums or blight. The Secretary may also approve an application describing activities which the applicant certifies and the Secretary determines are designed to meet other community development needs having a particular urgenc as specifically described in the application.

(3) The Secretary may waive all or part of the requirements contained in paragraphs (1), (2), and (3) of subsection (a) if (A) the application for assistence is in behalf of a locality having a population of less than 25,000 according to the most recent data compiled by the Bureau of the Census which is located either (i) outside a standard metropolitan statistical area, or (ii)

inside such an area gut outside an "urbanized area" as defined by the Bureau of the Census (or as usch definition is modified by the Secretary for purposes of this title), (B) the application relates to the first community development activity to be carried out by such locality with assistance under this title, (C) the assistance requested is for a single development activity under this title of a type eligible for assistance under title VII of the Housing and Urban Development Act of 1965, and (D) the Secretary determines that, having regard to the nature of the activity to be carried out, such waiver is not inconsistent with the purposes of this title.

(4) The Secretary may accept a certification from the applicant that it has complied with the requirements of paragraphs (5) and (6) of subsection (a).

(c) The Sectetary shall approve an application for an amount which does not exceed the amount determined in accordance with section 106(a) unless:

(1) on the basis of significant facta and data, generally available and pertaining to community and housing needs and objectives, the Secretary determine that the applid ant's description of such needs and objectives is plainly inconsistent with such facts or data; or

(2) on the basis of the application, the Secretary determines that the activities to be undertaken are plainly inappropriate to meeting the needs and objectives identified by the applicant pursuant to subsection (a); or

(3) the Secretary determines that the application does not comply with the requirements of this title or other applicable law or proposes activities which are ineligible under this title.

(d) Prior to the beginning of fiscal year 1977 and each fiscal year thereafter, each grantee shall submit to the Secretary a performance report concerning the activities carried out pursuant to this title, together with an assessment by the grantee of the relationship of those activities to the objectives of this title and the needs and objectives identified in the grantee's statement submitte pursuant to subsection (a). The Secretary shall, at least on an annual basis, make such reviews and audits as may be necessary or appropriate to determine whether the grantee has carried out a program substantially as described in its application, whether that program conformed to the requirements of this title and other applicable laws, and whether the applicant has a continuing capacity to carry out in a timely manner the approved Community Development Program. The Se cretary may make appropriate adjustments in the amount of the annual grants in accordance with his findings pursuant to this subsection.

(e) No grant may be made under this title unless the application therefor has be submitted for review and comment to an areawide agency under procedured establish by the President pursuant to title II of the Demonstration Cities and Metropolita Development Act of 1966 and title IV of the Intergovernmental Cooperation Act of 1968.

(f) An application subject to subsection (c), if submitted after any date

established by the Secretary for consideration of applications, shall be deemed approved within 75 days after receipt unless the Secretary informs the applicant of specific reasons for disapproval. Subsequent to approval of the application, the amount of the grant may be adjusted in accordance with the provisions of this title.

(g) Insofar as they relate to funds provided under this title, the financial transactions of the recipients of such funds may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, records, reports, files, and other papers, things, or property belonging to or in use by such recipients pertaining to such financial transactions and necessary to facilitate the audit.

(h) (1) In order to assure that the policies of the National Environmental Policy Act of 1969 are most effectively implemented in connection with the expenditure of funds under this title, and to assure to the public undiminished protection of the environment, the Secretary, in lieu of the environmental protection procedures otherwise applicable, may under regulations provide for the release of funds for partidular projects to applicants who assume all of the responsibilities for environemental review, decisionmaking, and action pursuant to such Act that would apply to the Secretary were he to undertake such projects as Federal projects. The Secretary shall issue regulations to carry out this subsection only after consultation with the Council on Environmental Quality.

(2) The Secretary shall approve the release of funds for projects subject to the procedures authorized by this subsection only if, at least fifteen days prior to such approval and prior to any commitment of funds to such projects other than for purposes authorized by section 105(a) (12) or for environmental studies, the applicant has submitted to the Secretary a request for such release accompanied by a certification which meets the requirements of paragraph (3). The Secretary's approval of any such certification shall be deemed to satisfy his responsibilities under the National Environmental Policy Act insofar as thos responsibilities relate to the applications and releases of funds for projects to be carried out pursuant thereto whoch are covered by such certification.

(3) A certification under the procedures authorized by this subsection shall --

(A) be in a form acceptable to the Secretary.

(B) be executed by the chief executive office or other officer of the applicant qualified under regulations of the Secretary.

(C) specify that the applicant has fully carried out its responsibilities as described under paragraph (1) of this subsection, and

(D) specify that the certifying officer (i) consents to assume the status of a responsible Federal official under the National Environmental Policy Act of 1969 insofar as the provisions of such Act apply pursuant to paragraph (1) of this subsection, and (ii) is authorized and consents on behalf of the applicant and himself to accept the jurisdiction of the Federal courts for the purpose of enforcement of his responsibilities as such an official.

COMMUNITY DEVELOPMENT PROGRAM ACTIVITIES ELIGIBLE FOR ASSISTANCE

Sec. 105. (a) A Community Development Program assisted under this title may include only --

(1) the acquisition of real property (including air rights, water rights, and other interests therein) which is (A) blighted, deteriorated, deteriorating, undeveloped, or inappropriately developed from the standpoint of sound community development and growth; (B) appropriate for rehabilitation or conservation activities; (C) appropriate for the preservation or restoration of historic sites, the beautification of urban land, the conservation of open spaces, natural resources, and scenic areas, the provision on recreational opportunities, or the guidance of urban development; (D) to be used for the provision of public works, facilities, and improvements eligible for assistance under this title; or (E) to be used for other public purposes;

(2) the acquisition, construction, reconstruction, or installation of public works, facilities, and site or other improvements -- including neighborhood facilities, senior centers, historic properties, utilities, streets, street lights, water and sewer facilities, foundations and platforms for air rights sites, pedestrian malls and walkways, and parks, playgrounds, and recreation facilities, flood and drainage facilities in cases were assistance for such facilities under other Federal laws or programs is determined to be unavailable and parking facilities, solid waste disposal facilities, and fire-protection services and facilities which are located in or which serve designated community development areas;

(3) code enforcement in deteriorated or deteriorating areas in which such enforcement, together with public improvements and services to be provided, may be expected to arrest the decline of the area;

(4) clearance, demolition, removal, and rehabilitation of buildings and improvements (including interim assistance and financing rehabilitation of privately owned properties when incidental to other activities;

(5) special projects directed to the removal of material and architectural barriers which restrict the mobility and accessibility of ederly and handicapped persons;

(6) payments to housing owners for losses of rental income insurred in holding for temporary periods housing units to be utilized for the relocation of individuals and families displaced by program activities under this title;

(7) disposition (through sale, lease, donation, or otherwise) of any real property acquired pursuant to this title or its retention for public purposes;

(8) provision of public services not otherwise available in areas where other activities assisted under this title are being carried out in a concentrated manner, if such services are determined to be necessary or appropriate to support such other activities and if assistance in providing or securing such services under other applicable Federal laws or programs has been applied for and denied or not made available within a reasonable period of time, and if such services are directed toward (A) improving the community's public services and facilities, including those concerned with the employment, economic development, crime prevention, child care, health, drug abuse, education, welfare, or recreation needs of persons residing in such areas, and (B) coordinating public and private development programs;

(9) payment of the non-Federal share required in connection with a Federal grant-in-aid program undertaken as part of the Community Development Program;

(10) payment of the cost of completing a project funded under title I of the Housing Act of 1949;

(11) relocation payments and assistance for individuals, families, businesses, organizations, and farm operations displaced by activities assisted under this title;

(12) activities necessary (A) to develop a comprehensive community development plan, and (B) to develop a policy-planning management capacity so that the recipient of assistance under this title may more rationally and effectively (i) determine its needs, (ii) set long-term goals and short-term objectives, (iii) devise programs and activities to meet these goals and objectives, (iv) evaluate the progress of such programs in accomplishing these goals and objectives, and (v) carryout management, coordination, and monitoring of activities necessary for effective planning implementation; and

(13) payment of reasonable administrative costs and carrying charges related to the planning and execution of community development and housing activities, including theprovision of information and resources to residents of areas in which community development and housing activities are to be concentrated with respect to the planning and execution of such activities.

(b) Upon the request of the recipient of a grant under this title, the Secretary may agree to perform administrative services on a reimbursable basis on behalf of such recipient in connection with loans or grants for the rehabilitation of properties as authorized under subsection (a) (4).

ALLOCATION AND DISTRIBUTION OF FUNDS

Sec. 106. (a) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a) (2) and 107), 80 per centun shall be allocated by the Secretary to metropolitan areas. Except as provided in subsections (c) and (e), such metropolitan city and urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to annual grants from such allocation in an aggregate amount not exceeding the greater of its basic amount computed pursuant to paragraph (2) or (3) of subsection (b) or its hold-harmless amount computed pursuant to section (g).

(b) (1) The Secretary shall determine the amount to be allocated to all metropolitan cities which shall be an amount that bears the same ratio to the allocation for all metropolitan areas as the average of the ratios between --

(A) the population of all metropolitan cities and the population of all metropolitan areas;

(B) the extent of poverty in all metropolitan cities and the extent of poverty in all metropolitan areas; and

(C) the extent of housing overcrowding in all metropolitan cities and the extent of housing overcrowding in all metropolitan areas.

(2) From the amount allocated to all metropolitan cities the Secretary shall determine for each metropolitan city a basic grant amount which shall equal an amount that bears the same ratio to the allocation for all metropolitan cities as the average of the ratios between --

(A) the population of that city and the population of all metropolitan cities;

(B) the extent of poverty in that city and the extent of poverty in all metropolitan cities; and

(C) the extent of housing overcrowding in that city and the extent of housing overcrowding in all metropolitan cities.

(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 numberator 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.

(4) In determining the average of ratios under paragraphs (1), (2), and (3), the ration involving the extent of poverty shall be counted twice.

(5) In computing amounts or exclusions under this section with respect to any urban county there shall be excluded units of general local government located in the county (A) which receive hold-harmless grants pursuant to subsection (h), or (B) the populations of which are not counted in determining the eligibility of the urban county to receive a grant under this subsection.

(c) During the first three years for which funds are approved for distribution to a metropolitan city or urban county under this section, the basic grant amount of such city or county as computed under subsection (b) shall be adjusted as provided in this subsection if the amount so computed for the first such year exceeds the city's or county's hold-harmless amount as determined under subsection (g). Such adjustment shall be made so that --

(1) the amount for the first year does not exceed one-third of the full basic grant amount computed under subsection (b), or the hold-harmless amount, whichever is the greater.

(2) the amount for the second year does not exceed two thirds of the full basic grant amount computed under subsection (b) or the hold-harmless amount, or the amount allowed under paragraph (1) of this subsection, whichever is the greatest, and

(3) the amount for the third year does not exceed the full basic grant amount computed under subsection (b).

(d) Any portion of the amount allocated to metropolitan areas under the first sentence of subsection (a) which remains after the allocation of grants to metropolitan cities and urban counties in accordance with subsections (b) and (c) and any amounts added in accordance with the provisions of section 103(a)(2) shall be allocated by the Secretary --

(1) first, for grants to metropolitan cities, urban counties, and other units of general local government within metropolitan areas to meet their hold-harmless needs as determined under subsections (g) and (h); and

(2) second, for grants to units of general local government (other than metropolitan cities and urban counties) and States for use in metropolitan areas, allocating for each such metropolitan area an amount which bears the same ratio to the allocation for all metropolitan areas available under this paragraph as the average of the ratios between --

(A) the popultation of the metropolitan area and the population of all metropolitan areas.

(B) the extent of poverty in that metropolitan area and the extent of poverty in all metropolitan areas, and

(C) the extent of housing overcrowding in that metropolitan area and the extent of housing overcrowding in all metropolitan areas.

In determining the average of ratios under paragraph (2), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such paragraph there shall be excluded any metropolitan cities, urban counties, and units of general local government which recieve hold-harmless grants pursuant to subsection (h).

(e) Any amounts allocated to metropolitan city or urban county pursuant to the preceeding provisions of this section which are not applied for during the program period or which are not approved by the Secretary and any other amounts allocated to a metropolitan area which the Secretary determines, on the basis of the applications and other evidence available, are not likely to be fully obligated during such program period, shall be reallocated during the same period for use by States, metropolitan cities, urban counties, or units of general local government, first, in any metropolitan area in the same State, and second, in any other metropolitan area. The Secretary shall review determinations under this subsection from time to time as appropriate with a view of assuring maximum use of all available funds in the period for which such funds were appropriate.

(f) (1) Of the amount approved in an appropriation Act under section 103(a) for grants in any year (excluding the amount provided for use in accordance with sections 103(a)(2) and 107), 20 per centum shall be allocated by the Secretary --

(A) first, for grants to units of general local government outside of metropolitan areas to meet their hold-harmless needs as determined under subsection (h); and

(B) second, for grants to units of general local government outside of metropolitan areas and States for use outside of metropolitan areas, allocating for the nonmetropolitan areas of each State an amount which bears the same ratio to all allocations available under this subparagraph for the nonmetropolitan areas of all States as the average of the ratios between --

(i) the population of the nonmetropolitan areas of that State and the population of the nonmetropolitan areas of all the States,

(ii) the extent of poverty in the nonmetropolitan areas of that State and the extent of poverty in the nonmetropolitan areas of all the States, and

(iii) the extent of housing overcrowding in the nonmetropolitan areas of that State and the extent of housing overcrowding in the nonmetropolitan areas of all the States.

In determining the average of ratios under subparagraph (B), the ratio involving the extent of poverty shall be counted twice; and in computing amounts under such subparagraph there shall be excluded units of general local government which receive hold-harmless grants pursuant to subsection (h).

(2) Any amounts allocated to a unit of general local government under paragraph (1) which are not applied for during a program period or which are not approved by the Secretary, and any amounts allocated to the metropolitan areas of a State under paragraph (1)(B) which the Secretary determines, on the basis of applications and other evidence available, are not likely to be fully obligated during such periods, shall be reallocated as soon as practicable during the same period to the metropolitan areas of other States. The Secretary shall review determinations under this paragraph from time to time with a view to assuring maximum use of all available funds in the program period for which such funds were appropriated.

(g) (1) The full hold-harmless amount of each metropolitan city or urban county shall be the sum of (i) the sum of the average during the five fiscal years ending prior to July 1, 1972, of (1) commitments for grants (as determined by the Secretary) pursuant to

part A of title I of the Housing Act of 1949; (2) loans pursuant to section 312 of the Housing Act of 1964; (3) grants pursuant to sections 702 and 703 of the Housing and Urban Development Act of 1965; (4) loans pursuant to title II of the Housing Amendments of 1955; and (5) grants pursuant to title VII of the Housing Act of 1961; and (ii) the average annual grant, as determined by the Secretary, made in accordance with part B of title I of the Housing Act of 1949 during the fiscal years ending prior to July 1, 1972, or during the fiscal year 1973 in the case of a metropolitan city or urban county which first received a grant under part B of such title in such fiscal year. In the case of a metropolitan city or urban county which has participated in the program authorized under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 and which has been funded or extended in the fiscal year 1973 for a period ending after June 30, 1973, determinations of the hold-harmless amount of such metropolitan city or urban county for the following specified years shall be made so as to include, in addition to the amounts specified in clauses (i) and (ii) of the preceeding sentence, the following percentages of the average annual grant, as determined by the Secretary made in accordance with such section during fiscal years ending prior to July 1, 1972 --

(A) 100 per centum for each of a number of years which, when added to the number of funding years for which the city or county received grants under section 105, equals five;

(B) 80 per centum for the year immediately following year five as determined pursuant to clause (A),

(C) 60 per centum for the year immediately following the year provided in clause (B).

(D) 40 per centum for the year immediately following the year provided for in clause (C).

For the purposes of this paragraph the average annual grant under part B of title I of the Housing Act of 1949 or under section 105 of the Demonstration Cities and Metropolitan Development Act of 1966 shall be established by dividing the total amount of grants made to a participant under the program by the number of months of program activity for which funds were authorized and multiplying the results by twelve.

(2) During the fiscal years 1975, 1976 and 1977, the hold-harmless amount of any metropolitan city or urban county shall be the full amount computed for the city or county in accordance with paragraph (1). In the fiscal years 1978, 1979, and 1980, if such amount is greater than the basic grant amount of the metropolitan city or urban county for that year, as computed under subsection (b)(2) or (3), it shall be reduced so that --

(i) in the fiscal year 1978, the excess of the hold-harmless amount over the basic grant amount shall equal two-thirds of the difference between the amount computed under paragraph (1) and the basic grant amount for such year,

(ii) in the fiscal year 1979, the excess of the hold-harmless amount over the basic grant amount shall equal one-third of the difference between the amount computed under paragraph (1) and the basic grant amount for such year, and

(iii) in the fiscal year 1980, there shall be no excess of the hold-harmless amount over the basic grant amount.

(h) (1) Any unit of general local government which is not a metropolitan city of urban county shall, subject to the provisions of section 104 and except as otherwise specifically authorized, be entitled to grants under this title for any year in an aggregate amount at least equal to a hold-harmless amount as computed under the provisions of subsection (g)(1) if, during the five fiscal year period specified in the first sentence of subsection (g)(1) (or during the fiscal year 1973 in the case of a locality which first received a grant for a neighborhood development program in that year), one or more urban renewal projects, code enforcement programs, neighborhood development programs, or model cities programs were being carried out by such unit of general local government pursuant to commitments for assistance entered into during such period under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966.

(2) In the fiscal years 1978, 1979, and 1980, in determining the hold-harmless amount of units of general local government qualifying under this subsection, the second sentence of subsection (g)(2) shall be applied as though such units were metropolitan cities or urban counties with basic grant amounts of zero.

→|←(i) In excluding the population, poverty, and housing overcrowding data of units of general local governments which receive a hold-harmless grant pursuant to subsection (h) from the computations described in subsections (b)(5), (d), and (f) of this section, the Secretary shall exclude only two thirds of such data for the fiscal year 1979.

(j) Any unit of general local government eligible for a hold-harmless grant pursuant to subsection (h) may, not later than thirty days prior to the beginning of any program period, irrevocably waive its eligibility under such subsection. In the case of such waiver the unit of general local government shall not be excluded from the computations described in subsection (b)(5), (d), and (f) of this section.

(k) The Secretary may fix such qualification or submission dates as he determines are necessary to permit the computations and determinations required by this section to be made in a timely manner, and all such computations and determinations shall be final and conclusive.

(1) Not later than March 31, 1977, the Secretary shall make a report to the Congress setting forth such recommendations as he deems advisable, in furtherance of the purposes of polity of this title, for modifying or expanding the provisions of this section relating to the method of funding and the allocation of funds and the determination of the basic grant entitlement, and for the application of such provisions in the further distribution of funds under this title. In making this report the Secretary shall conduct a study to determine how funds authorized under this title can be distributed in accordance with community development needs, objectives, and capacities, measured to the maximum extent feasibly by objective standards.

DISCRETIONARY FUND

Sec. 107. (a) Of the total amount of authority to enter into contracts approved in appropriations Act under section 103 (a)(1) for each of the fiscal years 1975, 1976, and 1977, an amount equal to 2 per centum thereof shall be reserved and set aside in a special discretionary fund for use by the Secretary in making grants (in addition to any other grants which may be made under this title to the same entities or for the same purposes)--

(1) in behalf of new communities assisted under title VII of the Housing and Urban Development Act of 1970 or title IV of the Housing and Urban Development Act of 1968;

(2) to States and units of general local government which join in carrying out housing and community development programs that are area-wide in scope;

(3) in Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands;

(4) To States and units of general local government for the purposes of demonstrating innovative community development projects;

(5) to States and units of general local government for the purpose of meeting emergency community development needs caused by federally recognized disasters; and

(6) to States and units of general local government where the Secretary deems it necessary to correct inequities resulting from the allocation provisions of section 106.

(b) Not more than one-fourth of the total amount reserved and set aside in the special discretionary fund under subsection (a) for each year may be used for grants to meet emergency disaster needs under subsection (a)(5).

(c) Amounts reserved and set aside in the special discretionary fund under subsection (a) in any fiscal year but not used in such year shall remain available for use in accordance with subsections (a) and (b) in subsequent fiscal years.

GUARANTEE OF LOANS FOR ACQUISITION OF PROPERTY

Sec. 108. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to guarantee and make commitments to guarantee the notes or other obligations issued by units of general local goverment, or by public agencies designated by such units of general local government for the purpose of financing the acquisition or assembly or real property (including such expenses related thereto as the Secretary may permit by regulation) to serve or be used in carrying out activities which are eligible for assistance under section 105 and are identified in the application under section 104, and with respect to which grants have been or are to be made under section 103, but no such guarantee shall be issued in behalf of any agency designed to benefit, in or by the flotation of any issue, a private individual or corporation.

(b) No guarantee or commitment to guarantee shall be made with respect to any unit of general local government or public agency designated by any such unit of general local government unless --

(1) the Secretary, from sums approved in appropriation Acts and allocated for obligation to the unit of general local government pursuant to section 106 and 107, shall have reserved and withheld, for the purpose of paying the guaranteed obligations (including interest), an amount which is at least equal to 110 per centum of the difference between the cost of acquiring the land and related expenses and the estimated proceeds to be derived from the sale or other disposition of the land, as determined or approved by the Secretary, which amount may subsequently be increased by the Secretary to the extent he determines such increase is necessary or appropriate because of any unanticipated, major reduction in such estimated disposition proceeds;

(2) the unit of general local government shall have given to the Secretary, in a form acceptable to him, a pledge of its full faith and credit, or a pledge of revenues approved by the Secretary, for the repayment of so much of any amount required to be paid by the United States pursuant to any guarantee under this section as is equal to the difference between the principal amount of the guaranteed obligations and interest thereon and the amount which is to be reserved and withheld under paragraph (1); and

(3) the unit of general local government has pledged to the repayment of any amounts which are required to be paid by the United States

pursuant to its guarantee under this section, and which are not otherwise fully repaid when due pursuant to paragraph (1) and (2), the proceeds of any grants for which such unit of general local government may become eligible under this title.

(c) The full faith and credit of the United States is pledged to the payment of all guarantees made under this section. Any such guarantee made by the Secretary shall be conclusive evidence of the elibibility of the obligations for such guarantee with respect to principal and interest, and the validity of any such guarantee so made shall be incontestable in the hands of a holder of the guaranteed obligations.

(d) The Secretary may issue obligations to the Secretary of the Treasury in an amount outstanding at any one time sufficient to enable the Secretary to carry out his obligations under guarantees authorized by this section. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as shall be determined by the Secretary of the Treasury. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Secretary issued under this section, and for such purposes is authorized to use as a public debt transaction the proceeds from the sale of any securitites issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which such securities may be issued under such Act are extended to include the purchases of the Secretary's obligations hereunder.

(e) Obligations guaranteed under this section may, at the option of the issuing unit of general local government or designated agency, be subject to Federal taxation as provided in subsection (g). In the event that taxable obligations are issued and guaranteed, the Secretary is authorized to make, and to contract to make, grants to or on behalf of the issuing unit of general local government or public agency to cover not to exceed 30 per centum of the net interest cost (including such servicing, underwriting, or other costs as may be specified in regulations of the Secretary) to the borrowing unit or agency of such obligations.

(f) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding at the end thereof a new paragraph as follows:

"(22) For payments required from time to time under contracts entered into pursuant to section 108 of the Housing and Community Development Act of 1974 for payment of interest costs on obligations guaranteed by the Secretary of Housing and Urban Development under that section."

(g) With respect to any obligation issued by a unit of general local government or designated agency which such unit or agency has elected to issue as a taxable obligation pursuant to subsection (e) of this section, the interest paid on such obligation shall be included in gross income for the purpose of chapter 1 of the Internal Revenue Code of 1954

NONDISCRIMINATION

Sec. 109. (a) No person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits or, or be subjected to discrimination under any program or activity funded in whole or in part with funds made available under this title.

(b) Whenever the Secretary determines that a State or unit of general local government which is a recipient of assistance under this title has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of such State or the chief executive officer of such unit of local government of the noncompliance and shall request the Governor of the chief executive officer to secure compliance. If within a reasonable period of time, not to exceed sixty days, the Governor or the chief executive officer fails or refuses to secure compliance, the Secretary is authorized to (1) refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) exercise the powers and functions probided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); (3) exercise the powers and functions provided for in section 111(a) of this Act; or (4) take such other action as may be provided by law.

(c) When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of general local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

LABOR STANDARDS

Sec. 110. All laborers and mechanics employed by contractors or sub-contractors in the performance of construction work financed in whole or in part with grants received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 275a - 275a-5): Provided, That this section shall apply to the rehabilitation of residential property only if such property is designated for residential use for eight or more families. The Secretary of Labor shall have, with respect to such labor standards, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948; 40 U.S.C. 276 (c).

REMEDIES FOR NONCOMPLIANCE

Sec 111, (a) If the Secretary finds after reasonable notice and opportunity for heraring that a recipient of assistance under this title has failed to comply substantially with any provision of this title, the Secretary, until he is satisfied that there is no longer any such failure to comply, shall --

(1) terminate payments to the recipient under this title, or

(2) reduce payments to the recipient under this title by an amount equal to the amount of such payments which were not expended in accordance with this title, or

(3) limit the availability of payments under this title to programs, projects, or activities not effected by such failure to comply.

(b) (1) In lieu of, or in addition to, any action authorized by subsection (a), the Secretary may, if he has reason to believe that a recipient has failed to comply substantially with any provision of this title, refer the matter to the Attorney General of the United States with a recommendation that an appropriate civil action be instituted.

(2) Upon such a referral the Attorney General may bring a civil action in any United States district court having venue thereof for such relief as may be appropriate including an action to recover the amount of the assistance furnished under this title which was not expended in accordance with it, or for mandatory or injunctive relief.

(c) (1) Any recipient which receives notice under subsection (a) of the termination, reduction, or limitation of payments under this title may, within sixty days after receiving such notice, file with the United States Court of Appeals for the circuit in which such State is located, or in the United States Court of Appeals for the District of Columbia, a petition for review of the Secretary's action. The petitioner shall forthwith transmit copies of the petition to the Secretary and the Attorney General of the Unites States, who shall represent the Secretary in the litigation.

(2) The Secretary shall file in the court the record of the proceeding on which he based his action, as provided in section 2112 of title 28, United States Code. No objection to the action of the Secretary shall be considered by the court unless such objection has been urged before the Secretary.

(3) The court shall have jurisdiction to affirm or modify the action of the Secretary or to set it aside in whole or in part. The findings of fact by the Secretary, if supported by substantial evidence on the record considered as a whole, shall be conclusive. The court may order

additional evidence to be taken by the Secretary, and to be made part of the record. The Secretary may modify his findings of fact, or make new findings, by reason of the new evidence so taken and filed with the court, and he shall also file such modified or new findings, which findings with respect to questions of fact shall be conclusive if supported by substantial evidence on the record considered as a whole, and shall also file his recommendations, if any, for the modification of setting aside of his original action.

(4) Upon the filing of the record with the court, the jurisdiction of the court shall be exclusive and its judgment shall be final, except that such judgment shall be subject to review by the Supreme Court of the United States upon writ of certiorari or certification as provided in section 1254 of title 28, Unites States Code.

USE OF GRANTS TO SETTLE OUTSTANDING URBAN RENEWAL LOANS

Sec. 112. (a) The Secretary is authorized notwithstanding any other provision of this title, ti apply a portion of the grants, not to exceed 20 per centum thereof without the request of the recipient, made or to be made under section 103(a) in any fiscal year pursuant to an allocation under section 106 to any unit of general local government toward payment of the principal of, and accrued interest on, any temporary loan made in connection with urban renewal projects under title I of the Housing Act of 1949 being carried out within the jurisdiction of such unit of general local government if --

(1) the Secretary determines, after consultation with the local public agency carrying out the project and the chief executive of such unit of general local government, that the project cannot be completed without additional capital grants, or

(2) the local public agency carrying out the project submits to the Secretary in an appropriate request which is concurred in by the governing body of such unit of general local government.

In determining the amounts to be applied to the payment of temporary loans, the Secretary shall make an accounting for each project taking into consideration the costs incurred or to be incurred, the estimated proceeds upon any sale or disposition of property, and the capital grants approved for the project.

(b) Upon application by any local public agency carrying out an urban renewal project under title I of the Housing Act of 1949, which application is approved by the governing body of the unit of general local government in which the project is located, the Secretary may

approve a financial settlement of such project if he finds that a surplus of capital grant funds after full repayment of temporary loan indebtedness will result and may authorize the unit of general local government to use such surplus funds, without deduction or offset, in accordance with the provisions of this title.

REPORTING REQUIREMENTS

Sec. 113. (a) Not later than 180 days after the close of each fiscal year in which assistance under this title is furnished, the Secretary shall submit to the Congress a report which shall contain --

(1) a description of the progress made in accomplishing the objectives of this title; and

(2) a summary of the use of such funds as approved by the Secretary during the preceding fiscal year.

(b) The Secretary is authorized to require recipients of assistance under this title to submit to him such reports and other information as may be necessary in order for the Secretary to make the report required by subsection (a).

CONSULTATION

Sec. 114. In carrying out the provisions of this title including the issuance of regulations, the Secretary shall consult with other Federal departments and agencies administering Federal grant-in-aid programs.

INTERSTATE AGREEMENTS

Sec. 115. The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the Unites States, for cooperative effort and mutual assistance in support of community development planning and programs carried out under this title as they pertain to interstate areas and to localities within such states, and to establish such agencies, joint or otherwise, as they may deem desirable for making such agreements and compacts effective.

TRANSITION PROVISIONS

Sec. 116. (a) Except with respect to projects and programs for which funds have been previously committed, no new grants or loans shall be made after January 1, 1975 under (1) title I of the Demonstration Cities and Metropolitan Development Act of 1966, (2) title I of the Housing Act

of 1949, (3) section 702 or section 703 of the Housing and Urban Development Act of 1965, (4) title II of the Housing Amendments of 1955, or (5) title VII of the Housing Act of 1961.

(b) To the extent that grants under title I of the Housing Act of 1949 or title I of the Demonstration Cities and Metropolitan Development Act of 1966 and payable from appropriations made for the fiscal year 1975, and are made with respect to a project or program being carried on in any unit of general local government which is eligible to receive a grant for such fiscal year under section 106(a) or (h) of this Act, the amount of such grants made under title I of the Housing Act of 1949 of title I of the Demonstration Cities and Metropolitan Development Act of 1966 shall be deducted from the amounts of grants which such unit of general local government is eligible to receive for the fiscal year 1975 under such section 106(a) or (h). The deduction required by the preceding sentence shall be disregarded in determining the amount of grants made to any unit of general local government that may be applied, pursuant to section 112 of this Act, to payment of temporary loans in connection with urban renewal projects under title I of the Housing Act of 1949. The amount of any appropriations made for the fiscal year 1975 which is used for grants so as to be subject to the provisions of this subsection relating to deductions shall be deemed to have been appropriated for grants pursuant to section 103(a) of this Act for such fiscal year for purposes of calculations under sections 106 and 107 of this Act.

(c) The first sentence of section 103(b) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following:, ", and by such sums as may be necessary thereafter".

(d) (1) Section 111(b) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting immediately after the first sentence the following new sentence: "In addition, there are authorized to be appropriated for such purposes such sums as may be necessary for the fiscal year ending June 30, 1975."

(2) Section 111(c) of such Act is amended by striking out "July 1, 1974" and inserting in lieu thereof "July 1, 1975".

(e) (1) Section 312(b) of the Housing Act of 1964 is amended (A) by striking out "after October 1, 1974" and inserting in lieu thereof "after the close of the one-year period beginning on the date of the enactment of the Housing and Community Development Act of 1974", and (B) by striking out "that date" and inserting in lieu thereof "the close of that period".

(2) Section 312(a)(1) of such Act is amended by inserting "or" at the end of subparagraph (C), and by adding after subparagraph (C) the following new subparagraph:

"(D) the rehabilitation is part of, or is necessary or appropriate to the execution of, and approved community development program under title I of the Housing and Community Development Act of 1974 or an approved urban homestead program under section 809 of such Act;"

(f) With respect to the program period beginning, January 1, 1975, the Secretary may, without regard to the requirements of section 104, advance to any metropolitan city, urban county or other unit of general local government, out of the amount allocated to such entity pursuant to section 106(a) or (h), an amount not to exceed 10 per centum of the amount so allocated which shall be available only for use (1) to continue projects of activities to be assisted under this title. (2) of subsection (a) of this section, or (2) to plan and prepare for the implementation of activities to be assisted under this title.

(g) In the case of funds available for any fiscal year, the Secretary shall not consider any application from a metropolitan city or urban county for a grant pursuant to section 106(a) of from a unit of general local government for a grant pursuant to section 106(h) unless such application is submitted on or prior to such date (in that fiscal year) as the Secretary shall establish as the final date for submission of applications for such grants in that year.

LIQUIDATION OF SUPERSEDED PROGRAMS

Sec. 117. (a) Section 3689 of the Revised Statutes, as amended (31 U.S.C. 711), is amended by adding after paragraph (22) (as added by section 108(f) of this Act) the following new paragraph:

"(23) For payments required from time to time under contracts entered into pursuant to section 103(b) of the Housing Act of 1949 with respect to project or programs for which funds have been committed on or before December 31, 1974, and for which funds have not previously been appropriated."

(b) The Secretary is authorized to transfer the assets and liabilities of any program which is superseded or inactive by reason of this title to the revolving fund for liquidating programs established pursuant to title II of the Independent Offices Appropriation Act of 1965 (Public Law 81-428; 68 Stat. 272, 295).

EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS

Sec. 118. Section 3 of the Housing and Urban Development Act of 1968 is amended by inserting ", including community development block grants under title I of the Housing and Community Development Act of 1974," immediately after "direct financial assistance".

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C. Safranski

SUMMARY OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

U.S. DEPARTMENT
OF HOUSING AND URBAN
DEVELOPMENT

August 22, 1974

SUMMARY OF THE
HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

The Housing and Community Development Act of 1974 is omnibus legislation the provisions of which alter significantly Federal involvement in a wide range of housing and community development activities. The new law contains eight titles as follows:

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

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

COMMUNITY DEVELOPMENT

The new law consolidates several existing categorical programs for community development into a new single program of community development block grants. Major features include:

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

Programs To Be Terminated.

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

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

Amount of Federal Funds To Be Committed Each Year. $8.4 billion in contract authority for three years with annual disbursement limitations of $2.5 billion in fiscal year 1975, $2.95 billion in fiscal year 1976 and $2.95 billion in fiscal year 1977. To the extent not otherwise obligated, sums appropriated for open space, water and sewer, neighborhood facilities, and model cities supplemental grants can be used during the first program year to liquidate contracts entered into pursuant to the $8.4 billion authorization.

In addition, up to $50 million for each of fiscal years 1975 and 1976 and $100 million for fiscal year 1977 is authorized for transition grants to communities with urgent community development needs which

cannot be met through the title's allocation provisions.

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

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

What a Community Must Do To Secure Funding.

. **Need for an application.** Applicants are required to submit an annual application for Federal approval.
. **Contents of application.** All applications must contain:

(1) a summary of a three-year plan which identifies community development needs and objectives developed in accordance with areawide development planning and national urban growth policies and which demonstrates a comprehensive strategy for meeting those needs.
(2) formulation of a program which:
. includes activities to meet community development needs and objectives.
. indicates resources other than assistance under the title expected to be available to meet such needs and objectives.
. takes account of environmental factors.
(3) a description of a program to:
. eliminate or prevent slums, blight, and deterioration where such conditions or needs exist.
. provide improved community facilities and public improvements, including supporting health and social services where necessary and appropriate.
(4) a housing assistance plan which:
. accurately surveys the condition of the community's housing stock and assesses the housing assistance needs of lower income persons residing or expected to reside in the community.
. specifies a realistic annual goal for the number of units or persons to be assisted, including the mix of new, existing and rehabilitated units and the size and types of projects and assistance best suited to the needs of area lower income persons.
. indicates the general locations of proposed lower income housing with a view to furthering revitalization, promoting greater housing choice and avoiding undue concentration of low-income persons, and assuring availability of adequate public facilities and services for such housing.

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

Requirements applicants must meet.

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

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

Scope of Federal Review—Application. Applications from "metropolitan cities" and "urban counties"

must be approved unless:

. the description of community development and housing needs and objectives is plainly inconsistent with generally available information,
. the activities proposed are plainly inappropriate to meeting stated needs and objectives, or
. the application does not comply with the requirements of the title or other applicable law or proposes ineligible activities.

Federal Authority to Review Performance of Approved Applicants and Adjust Assistance Levels Accordingly. HUD will review programs at least annually and can make adjustments in assistance amounts where:

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

Environmental Impact Statements. Under regulations of the Secretary, impact statements will not be required at the time applications are reviewed. Instead, recipients will prepare NEPA-type statements on specific projects having major impacts on the environment before they commit funds to those projects and will have to certify compliance to HUD before funds are released.

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

—acquistion of real property which is

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

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

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

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

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

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

—disposition or retention of acquired real property.

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

public and private programs.

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

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

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

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

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

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

Distribution of Funds

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

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

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

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

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

Distribution of funds to communities not entitled to funds on a formula or hold-harmless basis. Communities which have no formula entitlement, and which have not been participating in urban renewal,

model cities, or code enforcement can apply for assistance out of funds not used for entitlement payments. These funds will be divided among SMSAs, and non-SMSA areas of the various States, based on relative needs as determined by formula. For each of fiscal years 1975 and 1976, $50 million from appropriations will be added to the funds available for use in SMSAs.

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

- in behalf of assisted "new communities"
- to carry out areawide housing and community development programs
- In Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands
- to meet emergency community development needs caused by federally-recognized disasters (not more than one-fourth of total amount reserved for each year available for this purpose)
- to correct inequities resulting from the title's allocation provisions.

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

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

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

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

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

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

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

In addition, upon application of the local renewal agency and approval of the locality, the Secretary may

approve a financial settlement of an urban renewal project where he finds that there will be surplus of capital grants after payment of temporary loan indebtedness. He may authorize the locality to transfer any such surplus for use under the title.

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

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

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

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

PUBLIC HOUSING AMENDMENTS

The new measure revises the law governing the low-rent public housing program (eliminating some provisions and altering others), provides additional annual contributions contract authority, and authorizes a new lower-income housing assistance program under the revised law. Among the many changes from prior law are the following:

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

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

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

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

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

Definition of income. Family income is redefined. For families in units assisted under the new lower-income housing assistance program, details of which are outlined below, income is defined as total

family income. For families in regular public housing, income, for purposes of the Brooke I limitation, continues to be adjusted in accordance with a statutorily prescribed formula which has been revised by eliminating double deductions for secondary wage earner spouses, clarifying deductions for dependents, eliminating deductions for heads of households or their spouses, and adding a deduction for foster child care payments made to a family.

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

Minimum rents. A requirement is added under which every family in regular public housing is required, regardless of the size of its income, to contribute at least 5 percent of its gross income to rent; if the family receives a welfare payment a part of which is specifically designated for housing, the family's minimum rent is to be the higher of 5 percent of gross income or the amount so designated. However, increased rents for public housing tenants required as a result of amendments effected by the statutory revisions—other than the welfare payment provision—are to be phased in at a rate of not more than $5 every 6 months.

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

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

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

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

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

Lower-income housing assistance program. The law authorizes a new lower-income housing assistance program to be implemented not later than January 1, 1975. The new program authority replaces existing authority for assistance with respect to low-income housing in private accommodations (section 23). Major features of the new program (contained in section 8 of the proposed revised U.S. Housing Act of 1937) are as follows:

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

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

. Major responsibility for program administration is vested in the Secretary of Housing and Urban Development, who can contract directly with owners or prospective owners (which may be public housing

agencies) who agree to construct or substantially rehabilitate housing. In the case of existing units, public housing agencies will contract with owners, except that the Secretary may do so directly where no public housing agency has been organized or where he determines a public housing agency is unable to implement the program.

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

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

. Aided families will be required to contribute not less than 15 nor more than 25 percent of their total family income to rent, with the Secretary authorized to establish required contribution levels, taking into consideration the family's income, the number of minor children in the household, and the extent of medical or other unusual expenses incurred by the family; however, the required contribution level will be statutorily fixed at 15 percent of total income for (1) very large families with total incomes of between 50 and 80 percent of area median income, (2) large families with total incomes not over 50 percent of area median income, and (3) families with exceptional medical or other expenses.

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

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

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

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

. Owners of new or substantially rehabilitated assisted units will assume all ownership, management, and maintenance responsibilities, including the selection of tenants and the termination of tenancy, but the owner may contract for such services with any entity, including a public housing agency, approved by the Secretary for the performance of such responsibilities. Owners of existing units also will select tenants, but selections are to be subject to annual contributions contract requirements, and public housing agencies will have the sole right to give notice to vacate, although owners will have the right to make representations to the agency. Also, maintenance and replacement with respect to existing units will be in accordance with standard practice for the building concerned and the owner and the public housing agency may carry out other terms and conditions upon mutual agreement.

. Assistance may be continued with respect to unoccupied units, but only for up to 60 days if a family vacates before its lease is up or where a good faith effort is being made to fill an unoccupied unit.

. The Secretary is directed to take such steps as may be necessary to assure that assistance payments are

increased on a timely basis to cover increases in maximum monthly rents or decreases in family incomes. Such steps are to include the making of assistance payments contracts in excess of the amounts required at the time of the initial renting of units, the reservation of annual contributions authority to amend housing assistance contracts, or the allocation of part of new authorizations to amend such contracts.

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

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

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

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

The measure authorizes the Secretary to make the new provisions effective up to 18 months following enactment. However, as previously noted, the new lower-income housing assistance program must be put into effect no later than January 1, 1975. Also, provisions relating to adjusted family income, minimum rents, and a requirement that at least 20 percent of the families in any project other than under the new program be very low-income families must be implemented on a single date (not necessarily January 1, 1975), and provisions relating to debt service and operating subsidy authorizations also must be implemented on a single date.

HOUSING FOR THE ELDERLY

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

Section 202 program. The measure revises the section 202 direct loan program for housing for the elderly and handicapped. Major changes include:

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

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

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

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

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

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

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

MORTGAGE CREDIT (FHA) AMENDMENTS

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

Increases in mortgage limits. FHA mortgage insurance limits are increased as follows:

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

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

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

Co-insurance demonstration program. A new FHA co-insurance authority is established and contains the following major features:

(1) Usage and liability—Use is optional with lenders, who must assume at least 10 percent of any loss, subject to a limitation on overall liability for catastrophic losses.
(2) Expiration of authority—June 30, 1977.
(3) Limits on use—The aggregate principal amount of coinsured mortgages and loans may not exceed 20 percent of the aggregate dollar amount of all home mortgages insured and 20 percent of the aggregate dollar amount of all multifamily mortgages insured.
(4) Sharing of premiums—The sharing of premiums between HUD and lenders is required to be on an actuarially sound basis.
(5) Consumer protections—Construction under the demonstration program must be inspected to ascertain whether minimum standards applicable under the regular program are met. HUD must consult with the mortgage lending industry to determine that the demonstration does not disrupt the mortgage market or make 100 percent mortgage insurance unavailable to those who need it. HUD may not withdraw, deny, or delay insurance under other programs because of the availability of co-insurance.
(6) Reports—HUD is required to report by March 1, 1975, and annually thereafter, describing the results of co-insurance experiments and presenting recommendations.

Section 235 program. Insurance authority for this subsidized homeownership program is extended for 2 years only. The amount of unused contract authority previously approved in appropriation Acts is available for 1 year from enactment and then will lapse. Any additional contract authority is subject to approval in appropriation Acts. Other amendments include:

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

Section 236 program. Insurance authority on this program is extended for 2 years only. $75 million is authorized in fiscal 1975. HUD is expected to approve commitement of these additional funds where a community has identified its special housing needs and demonstrated that such needs cannot be met through the lower-income housing assistance program. Further amendments include:

. additional assistance for tenants who cannot pay the basic subsidized rental charge with 25 percent of their income (i.e., rents for 20 percent of the units may be reduced to as little as the cost of utilities of the units);

. authority for increased subsidies to meet higher operating costs resulting from increased taxes or utility costs;

. a requirement that at least 20 percent of funds be allocated to projects for elderly or handicapped;

. a requirement that at least 10 percent of funds be used for rehabilitation projects;

. provision for reducing tenant contributions toward rent from 25 percent of income to as low as 20 percent where utilities are billed separately;

. income limits set at 80 percent of median income for area;

. removal of 10 percent project limitation on number of nonelderly single persons who may be subsidized;

. authority for HUD to contract with State or local agencies to monitor the management of assisted projects.

Insured advances. The measure authorizes insured advances of mortgage proceeds for projects during construction to cover cost of building components prior to delivery to construction site.

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

Allocation of housing subsidies. The measure provides a mechanism for disbursement of housing assistance funds:

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

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

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

(1) 12 or fewer units in a single project or development;

(2) housing in approved new communities where HUD determines such housing is necessary to meet new community housing requirements; or

(3) housing financed by State loans or guarantees except if local housing assistance plan contains an objection to their exemption.

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

Experimental financing. The measure authorizes, until June 30, 1976, demonstration of experimental financing techniques involving rates of amortization corresponding to anticipated variations in family income. Insurance under this provision is limited to one percent of the total dollar amount of all mortgages insured under Title II of the National Housing Act.

Counseling. Homeownership and tenant counseling are authorized, subject to appropriations.

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

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

Unsubsidized home mortgages—downpayments. Loan-to-value ratios are increased to:

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

Unsubsidized multifamily mortgages. The measure makes the following amendments to unsubsidized multifamily insuring authorities:

. Management cooperatives. The loan-to-value ratio for management cooperatives is increased from 97 percent to 98 percent.
. Existing properties. The insurance of mortgages to finance purchase of existing multifamily projects or refinancing of mortgages on existing projects is authorized.
. Dormitory-style housing. The insurance of mortgages on "dormitory-type" projects is authorized.
. Public housing agencies. Public housing agencies are made eligible mortgagors of projects for which mortgages are insured under section 221(d)(3), if the project receives assistance under the new lower-income housing assistance program. Interest on such mortgages is to be taxable.

Group practice facilities. The following amendments are made in prior authority to insure mortgages for group practice facilities:

. The program is enlarged to cover facilities for the practice of osteopathy.
. Also authorized is assistance with respect to medical facilities with as few as one medical professional in certain rural areas, small towns, and low-income urban areas.

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

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

Dispositions of FHA-acquired properties to cooperatives. Prior authority is clarified by describing the authority of the Secretary to finance sales of acquired properties to cooperatives with 100 percent purchase money mortgages computed on the basis of use of the property as a cooperative. The Secretary may repair such projects prior to sale.

Extension of regular (unsubsidized) FHA authorities. Unsubsidized FHA programs are extended through June 30, 1977.

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

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

COMPREHENSIVE PLANNING GRANTS

The new law revises section 701 of the Housing Act of 1954 and amends title VIII of the Housing and Urban Development Act of 1964. Major features of the revised section 701 include the following:

Eligible grantees. Grantees may be:

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

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

Program requirements.

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

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

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

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

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

. To the maximum extent feasible, assisted activities must cover entire areas with related development

problems; use of existing plans and studies is required.

. Recipients must make reasonable progress in the development of comprehensive planning elements.

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

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

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

Authorizations. $130 million for fiscal year 1975 and $150 million for fiscal 1976 are authorized.

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

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

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

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

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

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

Comprehensive planning definition. The definition in prior law is expanded to include—

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

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

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

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

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

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

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

RURAL HOUSING

The new law makes a number of changes in existing law. Specific amendments include the following:

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

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

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

Escrow accounts. The Secretary of Agriculture is authorized to establish procedures whereby he administer escrow accounts for the periodic payment of taxes, insurance, and other necessary expenses which the Secretary may deem appropriate, at the option of FmHA borrowers.

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

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

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

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

Assistance Authorizations. Authorizations are increased as follows:

(a) Section 504 rehabilitation loans and grants are increased by $30 million (providing cumulative authorization of $80 million) for the period ending June 30, 1977.

(b) Section 516 farm labor housing is increased by $30 million (providing cumulative authorization of $80 million) for the period ending June 30, 1977.

(c) Section 506 research grants are increased to $1 million per year for the period ending June 30, 1977.

(d) Section 523 mutual and self-help housing loans and grants authorizes annual appropriations of up to $10 million for FY 1975, FY 1976 and FY 1977.

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

Maximum Loan Amount for Rental Housing for the Elderly. The maximum loan amount is the development cost or the value of the security, whichever is less. The term "development costs" is redefined to include initial operating expenses of up to 2 percent of certain stated costs.

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

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

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

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

Technical and supervisory assistance. The Secretary of Agriculture is authorized to make grants to or contract with private or public nonprofit entities to pay the cost of the development and administration of comprehensive technical and supervisory assistance programs designed to aid low-income persons in benefitting from Federal, State, and local rural housing programs. Preference in application is to be given to those programs sponsored by a non-Federal entity or public body.

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

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

Condominium housing. The Secretary of Agriculture is authorized, in his discretion and upon terms and conditions (substantially identical insofar as feasible with those specified in section 502) as he may prescribe, to make and insure loans to low and moderate income persons and families to cover a one-family dwelling unit in a condominium located in rural areas. The Secretary also is authorized, in his discretion and upon terms and conditions (substantially identical insofar as feasible with those specified in section 515) as he may

prescribe, to make or insure blanket loans to a borrower who certifies that upon completion of a multifamily housing project, (1) each family unit will be eligible for a loan or insurance and (2) each dwelling unit will be sold only on a condominium basis and sold only to purchasers eligible for a loan or insurance.

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

Mobile homes. The term "housing" as used in Title V of the 1949 Housing Act is broadened to include mobile homes and mobile home sites. The Secretary is directed to prescribe minimum property standards for mobile homes and the sites upon which they are to be located. Loans for the purchase of mobile homes and sites are be be made under the same terms and conditions as applicable under section 2 of the National Housing Act to obligations financing the purchase of mobile homes and sites.

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

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

MOBILE HOME CONSTRUCTION AND SAFETY STANDARDS

The new law includes a new "National Mobile Home Construction and Safety Standards Act of 1974". Under that Act, the Secretary, after consultation with the Consumer Product Safety Commission, is required to issue Federal mobile home construction and safety standards to improve the quality and durability of mobile homes, taking into consideration existing State and local laws.

Other provisions include the following:

(1) National Mobile Home Advisory Council. The Secretary is required to establish a 24-member National Mobile Home Advisory Council which is to be consulted, to the extent feasible, before the establishment, amendment, or revocation of any mobile home construction or safety standard.

(2) Enforcement of standards. Promulgated standards may be enforced by HUD directly, through injunctive action by the Attorney General, or through state enforcement. HUD is authorized to conduct factory inspections and obtain records and documents for the purpose of enforcing such standards.

(3) Correction of Defects. If a mobile home does not conform to a Federal safety standard, the manufacturer will have to repurchase the home or bring it up to standard.

(4) State Role. The Secretary is authorized to make 90 percent grants to States to assist in identifying needs and responsibilities in the subject area and in developing State enforcement plans. The Secretary must approve a State plan before its provisions may be used to enforce construction and safety standards. After approving a State plan, the Secretary has the discretion to continue to carry out his functions under the title in that State.

(5) Prohibited Acts. The Act prohibits the use of the mails and of interstate commerce to sell or lease or offer for sale or lease mobile homes which do not meet safety standards promulgated under the Act. Failure to yield records, to provide required notifications of defects, to issue required certifications or to comply with final Secretarial orders are also prohibited acts. Civil and criminal penalties also are provided where violation of such prohibitions occur.

(6) **Notice of Defects.** Manufacturers are required to furnish notice of defects which might constitute a safety hazard to consumers, dealers and the Secretary. The manufacturer must correct the defect if it presented an unreasonable risk of injury or death.

(7) **Research.** HUD is authorized to conduct research, testing, and development and is required to report on mobile home safety and disposal problems of used mobile homes.

(8) **Appropriations.** Appropriations are authorized in sums necessary to carry out the provisions of the Act.

CONSUMER HOME MORTGAGE ASSISTANCE

The new law includes a new "Consumer Home Mortgage Assistance Act of 1974." Its provisions are as follows:

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

(1) Construction loans

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

(2) Single-family dwelling limitations

The maximum loan amount for single-family dwellings is increased from $45,000 to $55,000. The Federal Home Loan Bank Board (FHLBB) is authorized to increase loan limits on dwellings in Alaska, Guam, and Hawaii by up to 50 percent above the present $45,000 limit.

(3) Increased lending authority

S&Ls are authorized to invest, subject to FHLBB conditions, in loans, advances of credit, and interests therein for primarily residential purposes without regard to limitations in existing law. Such investments may not exceed 5 percent of an association's assets.

(4) Property improvement loans

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

(5) Loans from State mortgage finance agencies

S&Ls are authorized to borrow funds from State mortgage finance agencies and to reloan such borrowings at an interest rate which exceeds by not more than 1¾ percent the rate paid to mortgage finance agencies. The authority is subject to FHLBB regulations and is limited to the same extent as State law permits State-chartered S&Ls to borrow from mortgage finance agencies.

Part B. National Banks

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

(1) National banks are authorized to make various loan-to-value ratio loans secured by other first liens where the lien, when added to prior liens, does not exceed applicable loan-to-value ratio for a particular type of loan.

(2) National banks are not required to classify as real estate loans various loans insured, guaranteed, or backed by the full faith and credit of the Federal government or a State.

(3) Loans secured by real estate are to be considered real estate loans only in the amount of excess over non-real estate security. Loans secured by a lien on real property where a financially responsible party agrees to advance full amount of loan within 60 months are not to be considered real estate loans.

(4) National banks are prohibited from making real estate loans in an amount in excess of the greater of unimpaired capital and surplus or time and savings deposits, except that real estate loans secured by other than first liens, when added to unpaid prior liens, are to be limited to 20 percent of unimpaired capital and 20 percent of unimpaired surplus.

(5) National banks are authorized to make real estate loans secured by other than first liens upon forest tracts.

(6) Loans with maturities of less than 60 months are to be classified as commercial loans when made for construction of buildings and secured by a commitment to advance the full amount of the loan upon completion.

(7) Loans for the construction of residential or farm buildings with maturities of not more than 9 months are eligible for discount as commercial paper if accompanied by an agreement for firm takeout upon completion of building.

(8) Loans made upon a borrower's general credit standing or assignment of rent, and SBA participation loans, are required to be classified as commercial loans.

(9) National banks are authorized to make real estate loans in excess of 70 percent of time and savings deposits if the total unpaid amount loaned does not exceed 10 percent of the maximum amount that may be invested in real estate loans.

Part C. Federal Credit Unions

(1) Lending and depositary authority

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

(2) Fees

The mandatory entrance fee requirement is removed and a uniform entrance fee at discretion of the credit union board of directors is established.

(3) Directors

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

(4) Supervisory committees

The law changes the semi-annual audit requirement to an annual requirement.

(5) Dividends

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

(6) Applicability to Trust Territories

The Federal Credit Union Act is made applicable to the Trust Territories of the Pacific.

(7) Definition of members accounts

Federally-insured credit union funds invested in a Federally-insured credit union are exempted from Federal share insurance premium charges.

(8) Termination of insurance coverage

Federal insurance coverage is to be terminated after 90 days notice to the Federal Credit Union Administration (FCUA) if the credit union has obtained a certificate of insurance from the corporation authorized and licensed to insured its accounts. Terminations are to be approved by a majority of the board of directors and a majority of voting members provided that a minimum 20 percent of the total membership votes.

(9) Liquidation

The FCUA is authorized to assist in voluntary liquidation of solvent credit unions by loans, purchase of assets, or establishment of accounts in such credit unions. The provision which permitted such loans and accounts to be subordinated to the rights of members and creditors has been deleted.

Miscellaneous

The new law makes a number of other changes in prior law as well as introducing new authorities. These changes and additions include the following:

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

An acceptable urban homesteading program will provide for:

(1) the conditional conveyance of unoccupied residential property to an individual or family without substantial consideration;

(2) an equitable procedure for selecting recipients of property;

(3) an agreement under which the recipient agrees to occupy the property for a minimum of three years, make necessary repairs, and permit periodic inspections;

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

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

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

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

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

Housing allowances. The Secretary is authorized to undertake an experimental program to demonstrate the feasibility of providing housing allowance payments to families for rental or homeownership expenses. No payments may be made after July 1, 1985. Appropriations are authorized in an amount necessary to carry out provisions of the program including payments made to recipients and administrative costs. The aggregate amount of contracts to make housing allowance payments may not exceed amounts approved in appropriation Acts and payments pursuant to such contracts may not exceed $40 million per annum. The Secretary is prohibited from entering into contracts under the U.S. Housing Act of 1937 to carry out the provisions of this program after January 1, 1975. The Secretary is required to make a report to Congress on his findings no later than eighteen months after enactment of The Housing and Community Development Act of 1974.

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

Solar Energy. The Secretary is authorized, after consultation with the National Science Foundation, to undertake a demonstration program to determine the economic and technical feasibility of utilizing solar energy for heating or cooling residential housing (including demonstration of new housing design or structure that makes use of solar energy). A report to Congress is to be made no later than 6 months after the close of the year in which a demonstration program is carried out.

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

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

The language of the measure makes clear that the Interstate Land Sales Full Disclosure Act applies to transactions involving communications between parties in the United States and a foreign country.

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

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

GNMA mortgage limitations. The basic mortgage limit is increased from the $22,000 limit in prior law to $33,000, with statutory language enabling $38,000 to be set as the limit in high cost areas.

Federal Home Loan Mortgage Corporation.

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

FHLMC mortgage ceilings for Alaska, Guam, and Hawaii. The ceiling is increased to 50 percent above the FHLBB-established S&L ceiling.

FHLMC securities. The measure clarifies the authority of national banks, FHL banks, S&L associations, and credit unions to invest in FHLMC securities.

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

Federal National Mortgage Association.

Purchase of mortgages more than one year old. FNMA purchases of older mortgages are made subject to a 20 percent limitation provided an equivalent dollar amount of such mortgages is invested in residential mortgages within 180 days.

FNMA mortgage ceilings for Alaska, Guam and Hawaii. The ceiling is increased to 50 percent above the FHLBB-established ceiling for Alaska, Guam, and Hawaii.

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

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

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

(a) Name change

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

(b) Board of directors

The size of the Corporation's board of directors is increased from 5 to 7 members.

(c) Interest differential grants

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

(d) Supplementary grants

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

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

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

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

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

(a) 100 percent of project cost of flood protection system (from Federal and local sources) has been authorized,

(b) at least 60 percent of project cost of system has been appropriated,

(c) at least 50 percent of project cost of system has been expended, and

(d) the system is at least 50 percent completed.

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

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

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

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

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

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

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

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

HPMC-FHA INSTRUCTIONS TO FIELD OFFICES ON HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974

NOTICE HPMC-FHA 74-27

August 22, 1974

TO: REGIONAL ADMINISTRATORS, ASSISTANT REGIONAL ADMINISTRATORS FOR HPMC AND HM, AREA AND INSURING OFFICE DIRECTORS

SUBJECT: HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974; PROVISIONS RELATING TO HOUSING AND MORTGAGE CREDIT

This Notice provides a summary of the principal changes to basic laws on housing and mortgage credit contained in the Housing and Community Development Act of 1974 which was signed into law today by President Ford. It lists specific program changes that are effective immediately; and describes in general terms other provisions of the legislation relating to housing and mortgage credit. HUD Regulations have been amended to reflect the changes that are effective immediately. More detailed instructions, where necessary, as well as appropriate handbook changes to implement those changes that are not effective immediately will be supplied as soon as possible. Field offices should notify mortgagees operating within their geographic areas of the provisions that are effective immediately. All mortgagees will be further notified of these changes in a mortgagee letter from the central office.

PART A: PROVISIONS THAT ARE EFFECTIVE IMMEDIATELY

1. Authority to Insure under all FHA programs, except Sections 235 and 236, has been extended to June 30, 1977. Separate provisions relating to Sections 235 and 236 are described in Part B, below.

2. Authority to Set Maximum Interest Rates on FHA-insured mortgages at levels which the Secretary finds necessary to meet the mortgage market has been extended to June 30, 1977. Also, the Secretary has been given the authority to set maximum ceilings for property improvement and mobile home loans under Title I of the National Housing Act.

CHANGES AFFECTING HOME MORTGAGE PROGRAMS

1. Maximum Mortgage Amounts. Maximum statutory mortgage amounts for owner-occupant mortgagors for one- to four- family housing are increased to the amounts shown below. The increased limits apply to all applications in process or received on or after the date of this Notice. Upon request for reconsideration from the lender, outstanding commitments in which mortgage amounts were limited by the previous ceilings may be increased where value will support a higher mortgage amount. No additional fee will be required.

Section		Basic	High Cost Areas
203(b), 220(d)(3)(A)	1 family	$45,000	same
	2 family	48,750	"
	3 family	48,750	"
	4 family	56,000	"
222 and 234(c)	1 family	$45,000	"
221(d)(2)	1 family	$21,600	$25,200
	1 family (5 or more persons)*	25,200	28,800
	2 family	28,000	36,000
	3 family	38,880	46,080
	4 family	47,520	54,720
235	1 family	$21,600	$25,200
	1 family (5 or more persons)*	25,200	28,800

*Four or more bedrooms

For Guam, Hawaii, and Alaska, the maximum amounts are 50 percent above the high cost figures shown.

Outstanding instructions for computing maximum mortgage amounts for non-occupant mortgagors will continue to be applicable.

Limits for Section 213 sales-type housing and Section 809 will continue to be those established for Section 203(b).

2. Downpayment Requirements for Unsubsidized FHA One- to Four-Family Mortgages. The loan-to-value ratios and minimum downpayment requirements for Sections 203(b), 213(c), 220, 222, 234(c) and 809 are changed. The new statutory loan-to-value ratio for Section 203(b), when the property is approved prior to the beginning of construction or completed more than one year, is:

-- 97 percent of the first $25,000 of value and closing costs;

-- 90 percent of value and closing costs in excess of $25,000, but less than $35,000; and

-- 80 percent of value and closing costs in excess of $35,000.

For specific implementation of the new requirements, the following instructions should be followed:

In all HUD issuances where the loan-to-value ratios and minimum cash investment ratios for the 203(b), 220, 222 and 234(c)

mortgage insurance programs are set forth, the following instructions are applicable:

Delete $15,000 wherever it appears and insert $25,000.

Delete $25,000 wherever it appears and insert $35,000.

The following instructions are applicable only to the program indicated:

222 In all loan-to-value ratios, delete 85% wherever it appears and insert 80%.

In all minimum cash investment ratios, delete 15% wherever it appears and insert 20%.

221(d)(2)
In all loan-to-value ratios and minimum cash investment ratios dealing with two, three and four-unit dwellings being purchased by other than displaced families:

Delete $15,000 wherever it appears and insert $25,000.

Delete $25,000 wherever it appears and insert $35,000.

Upon request to HUD for reconsideration, outstanding commitments in which mortgage amounts were limited by the previous loan-to-value ratios will be increased to take advantage of the changes in instances where underwriting supports a higher amount.

3. Downpayment Requirements for Subsidized FHA Home Mortgages. Section 235 minimum downpayments are increased to 3 percent of the estimated acquisition cost in all cases. The downpayment must be in cash or its equivalent. This new provision is applicable to all firm commitments issued on or after the date of this Notice.

CHANGES AFFECTING PROJECT MORTGAGE PROGRAMS

1. Maximum Mortgage Amounts. Basic statutory mortgage limits per family unit are increased to the amounts shown below:

Section		Non-elevator	Elevator
207, 220(d)(3)(B) and 213	Efficiency	$13,000	$15,000
	1 bedroom	18,000	21,000
	2 bedrooms	21,500	25,750
	3 bedrooms	26,500	32,250
	4 bedrooms (or more)	30,000	36,465
207	Mobile home park space	$ 3,250	

221(d)(3)	Efficiency	$11,240	$13,120
	1 bedroom	15,540	16,200
	2 bedrooms	18,630	22,080
	3 bedrooms	23,460	27,600
	4 bedrooms (or more)	26,570	32,000
221(d)(4) and 231	Efficiency	$12,300	$13,975
	1 bedroom	17,188	20,025
	2 bedrooms	20,525	24,350
	3 bedrooms	24,700	31,500
	4 bedrooms (or more)	29,038	34,578
234(e)	Efficiency	13,000	$15,000
	1 bedroom	18,000	21,000
	2 bedrooms	21,500	25,750
	3 bedrooms	26,500	32,250
	4 bedrooms (or more)	30,000	36,465

Applicable percentages for determining mortgage limits for high cost areas will be issued (as an amendment to Handbook 4445.1) as soon as revised figures are developed.

Prior to initial endorsement, outstanding commitments to insure in which the mortgage amounts were limited by the previous ceilings may be reprocessed and increased to reflect these higher limits if an increase is supportable by other mortgage criteria. Cases under firm commitment to insure upon completion which were limited by the previous ceilings may, at the option of the mortgagee, be returned for reprocessing under the new limitations, except where construction has started.

2. Project Mortgage Limits. The dollar limit on the overall amount for each individual project mortgage has been removed for all programs. These include housing projects, nursing home and care facilities under Section 232, Title X, Title XI group practice facilities, Section 242 hospitals, and mobile homes courts.

3. Loan-to-Value Ratios for Management Type Cooperatives - Section 213. The loan-to-value limitation on the mortgage amount for management type cooperative projects insured under Section 213(b)(2) is increased to 98 percent of the replacement cost.

CHANGES AFFECTING TITLE I PROPERTY IMPROVEMENT LOANS

1. Maximum Interest Rate. The Secretary has been given authority to set the maximum interest rate for Property Improvement loans. Under this authority, the rate for such loans is set at 12 percent per annum. This rate is applicable immediately to all new loans made.

2. Maximum Term. The maximum term on home improvement loans is increased to 12 years.

3. The maximum amount of a Title I property improvement loan for a multifamily structure is increased to $5,000 per dwelling unit, not to exceed $25,000. For a one-family dwelling or a non-residential structure, the maximum amount is increased to $10,000.

CHANGES AFFECTING TITLE I MOBILE HOME LOANS

1. The maximum term of a loan for a single module unit is increased to 15 years.

2. The Secretary continues to have authority to set the maximum interest rate on mobile home loans. That rate is currently 11.25 percent per annum.

MISCELLANEOUS PROVISIONS

1. GNMA Mortgage Limitations. The statutory ceiling of $22,000 on the mortgage amount eligible for purchase by GNMA is increased to $33,000, with adjustment to $38,000 permitted in high cost areas as determined by the Secretary. Instructions relating to use of the $38,000 limit will be forthcoming.

2. Group Practice Facilities - Title XI. By amendment of Section 1106 of the National Housing Act, eligibility as a "group practice facility" is extended to cover facilities in a State in which patient care is: (1) under the professional supervision of persons licensed to practice osteopathy in the State; or (2) in the case of podiatric care or treatment, under the professional supervision of persons licensed to practice podiatry in the State.

3. Title X Land Development Loans. The maximum loan-to-value ratio for land acquisition and development loans is increased to the sum of 80 percent of the estimated value of the land before development and 90 percent of the estimated cost of such development. The statutory dollar limitation on the overall mortgage is removed. The statutory limitation on mortgage amount of 75 percent of the estimated value upon completion of the land development has also been removed, but by Regulation HUD will continue to limit the mortgage amount to 85 percent of the estimated value upon completion.

4. Prohibition of Discrimination Based on Sex. The Civil Rights Act of 1968 is amended to prohibit discrimination based on sex in the financing, sale or rental of housing, and in the provision of real estate brokerage services. A new Section 527, added to Title V of the National Housing Act, prohibits such discrimination in the making of Federally related mortgage loans, in the insurance or guaranty of mortgage loans by Federal agencies, or in connection with any Federal housing or urban development program. Mortgage lenders are required to consider "without prejudice" the combined incomes of both husband and wife for the purpose of extending mortgage credit.

PART B: PROVISIONS OF THE LEGISLATION THAT WILL BE IMPLEMENTED AT A LATER DATE.

A number of provisions in the new legislation require changes in regulations or development of policy and program procedures before they can be implemented. These provisions are listed below, but are not to be implemented until appropriate instructions are issued. Such instructions will be issued at as early a date as possible for each individual provision.

CHANGES TO EXISTING PROGRAMS

1. Title I Property Improvement Loans.

   a. Under Title I the Secretary is now authorized to insure loans for fire safety equipment in health facilities, including nursing homes and intermediate care facilities, and to determine the maximum loan and term for such loans.

   b. Property Improvement loans may be used to finance provision of energy conserving improvements or solar energy systems.

2. Title I Mobile Home Loans.

   a. Loans to finance the purchase of mobile home lots and the preparation of such lots are authorized.

   b. Improvements for mobile homes may be financed.

3. Public Agency Mortgagors Under Section 221(d)(3). For the purpose of financing construction or rehabilitation of leased housing assisted under the new Section 8 of the U. S. Housing Act of 1937, local housing authorities may qualify for 100 percent mortgages as public agency mortgagors under Section 221(d)(3) of the National Housing Act. Section 221 (d)(3) unsubsidized insured mortgages are to be available to local housing authorities only in connection with Section 8 assisted housing. Interest paid on local housing authority obligations secured by a Section 221(d)(3) mortgage financing Section 8 housing is subject to Federal income taxation.

4. FHA Supplement Project Loans The authority of the Secretary to insure supplemental loans under Section 241 of the National Housing Act is extended to multifamily projects or group practice or medical practice facilities or other health facilities approved by the Secretary, but which are not covered by FHA-insured mortgages. The use of loan funds is restricted to repairs, improvements, or additions to existing structures. Formerly, the provisions of Section 241 were limited to such projects currently covered by a mortgage insured under the National Housing Act.

5. Group Practice Facilities. New authority is provided to insure financing for a "medical practice facility" in which one or more (not exceeding four) persons licensed to practice medicine

in a State can provide appropriate medical services. The facility must be located in a rural area or small town, or in a low-income section of an urban area, in which the Secretary finds a critical shortage of physicians.

6. Insured Advances. The Secretary is authorized to insure mortgage proceeds during construction of multifamily housing to cover the cost of building components which have been assembled and specifically identified for incorporation into the property but are located at a site other than the mortgaged property.

7. Compensation for Structural or Other Major Defects in Mortgaged Homes. Authority under Section 518(b) of the National Housing Act to correct structural or other major defects in existing Section 235 dwellings is extended to existing one or two-family dwellings located in older, declining urban areas and which are covered by mortgages insured under Sections 203 and 221 on or after August 1, 1968, but prior to January 1, 1973. Section 518(b) has been revised to cover only "structural or other major defects" which "so seriously" affect the use and livability of the property as to create a serious danger to the life or safety of occupants. The owner must request assistance from the Secretary not later than one year after the effective date of the new Act in the case of Section 203 or 221 mortgages.

8. Dormitory Style Housing. The Secretary is authorized to insure mortgages on multifamily projects including units which are not self contained.

9. Mortgage Insurance for Military Impacted Areas. An amendment to Section 238 of the National Housing Act provides for use of the Special Risk Insurance Fund for Sections 203 and 207 housing for military personnel, or civilian employees associated with government installations in Federally-impacted areas.

10. Elderly and Handicapped Housing. By amendment of Section 202 of the Housing Act of 1959, an appropriation of up to $800 million is authorized for making direct loans at an interest rate equal to the Treasury's borrowing cost to finance construction of housing for the elderly and handicapped. Assistance payments under the Section 8 leasing program would be eligible for use in connection with both new and existing Section 202 projects. However, authorization to make loans under the program is subject to the normal Federal Budget process in which HUD would have to request the necessary appropriations from Congress before any loans could be made.

11. Authority to Insure and Make Assistance Payments Under Sections 235 and 236. This authority is extended in the legislation to June 30, 1976. However, outstanding rules governing the suspension of these programs will continue to apply. No new applications may be accepted, except for sale of certain acquired properties using recaptured contract authority under Section 235.

Under Section 236, the Secretary intends to approve commitments of available funds for new projects only when a community has identified its special housing needs and demonstrated that these needs cannot be met through the lower-income leased housing program. Procedures need to be developed for making such determinations, and instructions relating to this aspect of Section 236 will be forthcoming at such time as those procedures are established.

12. Section 106 Seed Money Loans. Outstanding rules governing the suspension of this program continue to apply. No new applications may be accepted.

13. Purchase or Refinancing of Existing Projects. A new subsection 223(b) is added to the National Housing Act which will permit insurance of a mortgage to purchase or refinance existing multifamily projects, without a requirement for substantial rehabilitation.

NEW PROGRAMS

1. Coinsurance. Title II of the National Housing Act is amended by adding a new Section 244 providing for a Coinsurance Program, in which the lenders who choose to participate will assume at least ten percent of any loss on a defaulted mortgage, subject to limitation on overall liability for catastrophic losses. Coinsured mortgages are limited in any year to 20 percent of the dollar amount of home mortgages insured and 20 percent of the multifamily mortgages insured. This program is authorized through June 30, 1977.

2. Experimental Financing. A new Section 245 of the National Housing Act authorizes, until June 30, 1976, insurance of mortgage loans providing varying rates of amortization corresponding to anticipated variations in family income. The program is limited to one percent of the dollar amount of mortgages insured in a fiscal year.

3. Mobile Home Construction and Safety Standards. A new program is established entitled "National Mobile Home Construction and Safety Standards Act of 1974." HUD is required to establish national standards with respect to quality, durability, and safety of mobile homes, to conduct factory inspections and obtain records and documents for purposes of enforcing standards, and to conduct research, testing and development relative to mobile home production and performance.

MISCELLANEOUS PROVISIONS

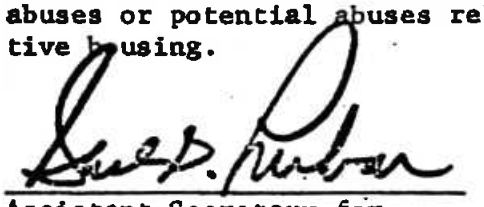
The following provisions, while not in all cases HPMC program responsibilities will be of interest to HPMC staff and will to some extent involve HPMC participation when implementation takes place.

1. National Housing Goals. The statement of the National Housing Goals adopted in Title XVI of the HUD Act of 1968 is retained,

with the addition of new language emphasizing the increased need for preservation of existing housing and neighborhoods, particularly where deterioration is evident but not acute. The President is required under the Statute to include in his annual report on national housing goals, an assessment of preservation efforts to date and plans for the future.

2. Energy Conservation. The Secretary is directed to promote the use of energy saving techniques through minimum property standards for FHA-insured new residential construction.

3. Condominium and Cooperative Study. HUD is required to report to Congress within one year findings and recommendations produced by a full investigation of problems, difficulties, and abuses or potential abuses relating to condominium or cooperative housing.



Assistant Secretary for
Housing Production and
Mortgage Credit - FHA
Commissioner