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Senate

THE FINAL TRAGEDY OF THE VIETNAM WAR

Mr. MONDALE. Mr. President, almost a year ago I read to the Senate a letter from a mother in Minnesota. Her son was killed in Vietnam in December 1970. This is a part of what she wrote me:

We have just buried my son, who never had a chance to hold his baby daughter in his arms. . . . Mike went not believing in the cause but only because he felt he was no better than anyone else who was forced to go.

From the outpouring of sympathy from our relatives, friends and total strangers, I realize the people want an immediate withdrawal so no more will die in vain.

Please lead the people of this truly great country in a cry for immediate withdrawal so no more sons, brothers, and fathers will die in vain.

I said then, a year ago, that all of us—the Congress as well as the President—had to answer this mother.

But we have not answered her plea. And our failure will earn for all of us a cruel indictment in history.

As I said in that speech a year ago, this issue is far beyond partisan differences. It can never be simply Johnson's war or Nixon's war. This tragedy is the responsibility of every public official—including myself—who watched it begin and go on and on.

Some of us may have had doubts in the early years, but we found reasons to hesitate, reasons to go along.

Just as I suspect so many of us are going along now, mercifully returning to other business because we somehow believe that this horrible war is no longer an issue. And our escape now is no less blind or irresponsible than the rationalizations so many of us made in supporting the war earlier.

That mother in Minnesota, and too many others like her around the country, know what we have preferred to forget—that behind all the talk about winding down the war, behind all the claims of progress in declining casualty rates, behind all the seeming public apathy is the inexcusable fact that their sons, brothers, and fathers are still dying and suffering in this war.

For 1971, through November 20, the Pentagon informs me that only 1,355 Americans have died from hostile action in Indochina. It is even hard nowadays to find the casualty figures tucked away in the back pages of the newspaper or spoken as an incidental item on television news programs.

But how can we pretend that those

1,355 lives are incidental items for the men who died, for their loved ones, or indeed for a country whose historic greatness is supposed to be the value it places on the individual human being.

Since 1969, only 207 young men from my State of Minnesota have been killed in action in Vietnam. Yet how is any one of these deaths less painful, how can any one be less an issue for this Government, simply because it is a part of a dropping line on casualty charts in the Pentagon?

What does it say about us as a people that we turn our backs, that we go along to other business, that we let this nightmare continue one more day, because 1,355 Americans are somehow a better, more acceptable number than 9,000 or 15,000? Have we become so numb by the carnage of the last several years that American boys can go on dying so long as their numbers are below some gruesome threshold of public outrage?

It is not only our own loss we have tried to put out of our minds. The dehumanized illusions of "progress" in ending the war also hide the terrible toll of what we are doing to others.

A recent Cornell University study on the air war in Indochina tells us that civilian casualties in Laos have totalled 10,000 more in the period 1969 to 1971 than in the earlier period 1965 through 1968. That study estimated that throughout Indochina an average of 130,000 civilians have been killed, wounded, or refugee each month since 1969. That compares to an estimated 98,000 each month during the period 1965-68.

According to Senator KENNEDY's Subcommittee on Refugees, the number of refugees in Laos since 1969 has grown to twice the total number during the period from 1965 through 1968. Homeless victims of the war in Laos now number more than 10 percent of the population of that country. Senator KENNEDY told us last April that our bombing in Laos is responsible for at least 75 percent of these refugees.

If one is a villager in Laos, Cambodia, or South Vietnam, the terror of this supposedly disappearing war is greater than ever before. According to our own official Department of Defense figures, the United States dropped 400,000 tons of bombs more in the period 1969 to the present than in the period 1965 to 1968. The tonnage totals for the period since 1969 are greater than those of all the bombs we dropped in World War II and

the Korean war combined.

Or to put it another way, every month our bombs are falling on Indochina at the equivalent tonnage of twice the nuclear bomb we dropped on Hiroshima.

Of course there is no end to these numbers games. This administration and its supporters—like the last administration and those of us who supported it—can always summon reassuring statistics. The sorties are substantially down, they tell us; the casualties are low; the troops are withdrawing; the other side is exhausted; and the end is in sight.

And so it may be.

Perhaps this President will find a way to make the war disappear before the American people by the time he faces them for his reelection. Perhaps this Congress will find a way to explain to its constituents why it has not been able to cut through all the words and claims to end this war thousands of lives and billions of dollars earlier than the President would end it.

But I do not think those answers are ever going to be enough for the mother in Minneapolis. Her son's death was one of those lonely single tragedies lost in statistics that just need not have happened. For her and others like her, there will be no explanation slick enough to conceal the truth that when they cried out, no one really listened.

I do not know—nor, I suspect, does President Nixon know—exactly what will happen in Indochina when we have finally gone. But the odds are that we will leave behind there largely the same corruption and turmoil and unhappiness that we came upon more than a decade ago.

I am afraid that when that depressing fact sinks in on the American people—when they know at last the awful truth that we really had no business there and that we made so little difference in the long run—there will be no comfort in comparative casualty rates or the dropping lines on Pentagon graphs.

Then the American people are going to see clearly that their Government too long lacked the courage to face the facts, and that it too long asked American sons, brothers, and fathers to die for that lack of courage.

One of the final casualties of this war will surely be the belief of the American people in all of us in public life. And one of its ultimate tragedies will be that this casualty, like the others, could have been avoided.



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Senate

Mr. MONDALE. Mr. President, I am pleased to join with my distinguished colleague from Massachusetts (Mr. BROOKE) in introducing the Housing Reform Amendments Act of 1971 and wish to associate myself with his previous remarks. This legislation, which we jointly developed, will provide a long overdue revamping of our housing assistance programs to make them more responsive to the needs of the 1970's. Of particular importance to me is that the passage of these amendments would give added flexibility to the public housing and FHA low- and moderate-income housing programs.

Presently, these two programs are directed at two different income groups and this unintentionally has fostered the isolation of the lowest income families within public housing, further "ghettoizing" many of our center cities. Because of these programmatic restraints, public housing has become a villain in the minds of many people—its tenants, its neighbors, and even some of its supporters. This is a tragic occurrence because the public housing program is now the only major program to assist our low-income elderly, handicapped, and poverty families obtain safe and decent shelter.

The Housing Reform Amendments Act of 1971 fully recognizes this problem and offers the mechanisms to achieve social and economic intergration within all assisted projects whether sponsored by a public agency, a nonprofit corporation, a limited dividend, a cooperative, or a private developer. Under this bill, both FHA programs—now restricted to moderate-income families—and public housing—now limited to those of the lowest income—would be able to serve a larger range of families—from those of lowest income to those of median income in an area.

This flexibility in renting and selling units, plus the requirement that at least 20 percent of the units have to be reserved for families of very low income, will mean totally new policy directions resulting in socially and economically viable housing. Such changes must be implemented as soon as possible, to reverse recent trends which have transformed, or will transform, some public housing projects into concentrations of large fatherless families, welfare families, and problem families.

Mr. President, much has been written and said on this topic by public housing officials, psychologists, sociologists, urban planners, and city officials. For example, the Honorable Wes Uhlman, mayor of Seattle, Wash., in a recent speech discussed the effects of over-concentration of low-income families.

To quote his discussion of the situation in Seattle—

Over 1,300 low-income families are concentrated in one project. This has obvious adverse effects, both on the neighboring community and the residents of the project. In an effort to alleviate this condition, we are exploring the possibility of redeveloping this project using the new town, in-town concept—one that will mix income levels as well as housing types. Never again will we in Seattle, at least while I am mayor, accept projects which merely concentrate low-income families.

The Housing Reform Amendments Act of 1971 would provide the mechanism to accomplish such a proposal as Mayor Uhlman suggests.

Some efforts to bring about such integrated living arrangements already exist, but use State or local programs to supplement Federal subsidies or require the "piggy backing" of Federal subsidies such as allocating a percentage of units within an FHA moderate-income project

to low-income families through the leased public housing program or rent supplements. This is a complicated process which involves added paperwork on the part of the sponsor and the HUD administrators. Also, its implementation requires sufficient funds in all the programs to be used. Finally, the question of basic reform to the public housing program is ignored in these approaches.

However, one of the most ambitious programs announced to date is that of the New York State Urban Development Corp., headed by Edward J. Logue, one of the most outstanding urban practitioners in our country. By using a State housing finance program, Federal subsidies and other State and Federal programs, Mr. Logue hopes to achieve an economic balance in every residential project this State corporation develops.

Mr. Logue described this program in an article which appeared in the May 15, 1971, issue of *Saturday Review*.

I firmly believe that housing developments that cater exclusively to low income families are inherently undesirable since they are likely to produce large institutionalized apartheid pockets. UDC's housing policy has led in most cases to a 70-20-10 formula—70 percent of all housing units on a site for middle- and moderate-income families, 20 percent for low-income families and 10 percent for the elderly. This housing mix seeks to provide a cross section of age groups and income levels in a diversified community, where, incidentally, the elderly are not isolated from the young.

Again, I repeat that the Housing Reform Amendments Act of 1971 is trying to institute similar policy—projects where needy families regardless of income would be housed.

At the same time, Mr. President, this legislation also addresses itself to the broader question of how to provide housing for low- and moderate-income families in areas where little or no units are now being built. This is probably one of the most controversial issues of the day. Communities and neighborhoods across the country have become engulfed in dissection and acrimony as the result of an announcement that some form of assisted housing project is about to be built. Blackjack, Mo., Warren, Mich., San Jose, Calif., and Forest Hills, N.Y., are just a few examples of areas where housing has become a political issue.

It would be too simplistic to charge that the opposition to such housing was the result of bigotry and callousness. No, some of this opposition is based on real concerns of these communities and its citizens—will my taxes go up to care for these families, will there be sufficient public facilities to care for them, will my property go down in value because it is located near this project? Again, Mr. President, the housing reform amendments seek to reassure such citizens.

First of all, these projects would not be limited to the poorest of the poor and problem families but serve a wide range of incomes. Second, all assisted housing must be of high architectural quality and offer a formula for developing maximum development costs to guarantee that this commitment can be fulfilled. These two changes, coupled with the increasing development of low density assisted projects in most communities will mean that the physical impact of such housing in a locality or neighborhood will be minimal or could actually improve the quality of the neighborhood.

Third, the bill provides that all new public projects would pay full local real estate taxes. Under current law, most public housing pays only a portion of these taxes and the community suffers a loss of potential revenue every time it agrees to provide a site for such housing.

This, of course, has led to many opposing the development of public housing on economic grounds.

Fourth, the bill also recognizes that assisted housing might mean an influx of some families who require additional public services—additional or special educational, health manpower, or welfare programs, the cost of which must be borne at least in part by the locality. Under the housing reform amendments, communities in which assisted housing is built will be eligible to receive public service grants to help offset any increases in public services attributable to these families. These two provisions go to the heart of the economic arguments used against locating housing in certain communities or neighborhoods.

Last, the program contains a provision which would permit the Federal development of housing in areas where housing emergencies existed. These "housing emergency areas" would be defined as areas where, 2 years after the enactment of this bill, a large number of low- and moderate-income families reside or work who are in need of safe and decent housing, and there is no sponsor, private or public willing to provide this housing.

Mr. President, as the distinguished Senator from Massachusetts (Mr. BROOKE) mentioned in his statement, this legislation is actually a series of amendments to S. 2049, the administration's Housing Simplification and Consolidation Act of 1971. These amendments would, however, make major changes in the administration bill.

First. The housing reform amendments program is more consolidated than the administration bill in that it would establish major common elements covering the FHA-assisted housing programs and the public agency housing program. Such consolidation would cut Federal redtape and help the housing developer. A single subsidy program has common prototypes, income limits, definition of income, rent payments applying to all assisted programs, whereas the administration bill has substantial differences in all of these items between programs, except for prototypes. Moreover, the single subsidy program has a common policy for disbursing the Federal contribution; that is, an assistance payment covering the difference between total costs of the project, and total revenue based on the ability of eligible families to pay a percentage of their income for rent.

Second. The housing reform amendments provide a basis for developing housing which will provide shelter for a range of income groups, whereas the administration's bill perpetuates the segmentation of housing by income; that is, lowest income in public housing; moderate to middle income families in FHA-assisted projects. The provision for developing housing with a range of income groups has important economic and social advantages: It provides for higher rent paying—families which can help offset the low rents paid by the lowest income families—cross-section of income occupancy—reducing the Federal subsidy required; and it provides for a sound social environment by not segregating all of the lowest income and problem families in separate housing.

Third. The housing reform amendments provide for payment of full local real estate taxes by all federally assisted housing. Full tax payments are essential to enable local governments to meet at least part of the municipal service costs related to assist housing.

Fourth. The reform amendments recognize the importance of tenant services, by making these services an integral part of the management operation of every

assisted housing program, making them an eligible operating cost, against which the Federal contribution may be used if project income cannot cover essential tenant service costs. The administration bill retains "tenant services" as a grant program for all but public agency housing and as such is a "hit and miss" method of providing tenant services, based on special application for funds, separate from the regular management operation; and subject to separate appropriations funding by the Congress.

Fifth. The housing reform amendments retains the section 237 homeownership counseling program, while the administration bill eliminates it.

Sixth. The reform amendments would also expand the FHA homeownership program to low-income families by providing a total Federal contribution which could cover full debt service, if required.

Seventh. The reform amendments program provides for special "incentive grants" to general purpose governments to cover additional service costs related to assisted housing, such as school costs, thus encouraging localities to accept assisted housing. The administration bill does not include this provision.

Eighth. The reform program provides for realistic and flexible maximum development costs for assisted housing. These would be based on levels up to 120 percent of local construction cost prototypes and actual or appraised costs of land. Thus, special cost and other local conditions can be accommodated without sacrificing housing quality. The administration bill provides for housing development up to only 110 percent over prototype costs, leaving little room for accommodation to local needs and includes all costs of development—beyond construction—as part of the prototype computation.

Mr. President, this is the type of positive program we must develop to respond to the housing needs of this Nation. Yet it is not one which involves using new institutions or new mechanisms. It builds on those programs and devices which have worked and revamps, removes, or rewrites those which have not. It has the support of a wide range of groups and individuals including the U.S. Conference of Mayors, the National League of Cities, and the National Association of Housing and Redevelopment Officials.

Mr. President, I would also like to point out that the Housing Reform Amendments Act of 1971, which I am cosponsoring with the distinguished Senator from Massachusetts (Mr. BROOKE) is very similar to S. 2536, the Housing Opportunities Act of 1971 that I introduced on September 17, 1971. When I introduced S. 2536, I indicated that I was working with Senator BROOKE on the reform amendments and that I would be cosponsoring them. I think it is very important that each of these bills be submitted for full discussion and that is why I am cosponsoring the Housing Reform Amendments Act while at the same time, continuing to support the Housing Opportunities Act. I would hope that Congress will be able to give serious consideration to each of these bills and to act quickly on this needed legislation.

HOUSING REFORM AMENDMENTS ACT OF 1971—AMENDMENTS

AMENDMENTS NOS. 788 AND 789

(Ordered to be printed and referred to the Committee on Banking, Housing and Urban Affairs.)

Mr. BROOKE. Mr. President, earlier this fall, the distinguished Senator from Minnesota (Mr. MONDALE) and I announced our intention to introduce legislation designed to expand and simplify existing housing assistance programs. At that time I placed in the RECORD a summary of the intent of this proposed legislation so that it could be reviewed and discussed during the hearings then being conducted by the Housing Subcommittee of the Committee on Banking, Housing and Urban Affairs. Today, along with Senator MONDALE, I am introducing the actual legislation in the form of two measures to be known collectively as the Housing Reform Amendments Act of 1971. By so doing we hope to build on the much-needed consolidation and simplification efforts already undertaken by the administration in S. 2049. Our over-

riding interest as we seek to effectively merge the present array of housing assistance programs must continue to center around the alternatives that make these programs more responsive to the needs of families who cannot afford housing within the private market. Moreover and equally important, we must realistically come to grips with the problems facing developers and sponsors of such housing.

During the past 35 years, we have seen an emerging recognition of nationwide need for safe and decent housing designed to serve those who have been priced out of the private market. In response, Congress has adopted a number of important and far-reaching programs over these years in an effort to address this need. However, these programs were enacted on an ad hoc basis with the predictable development of a fragmented, complicated and too-often confused national housing assistance policy.

Many of these impediments can be traced to the formulation of special programs to meet specific needs and to the adoption of a variety of approaches, each with its own eligibility requirements, definitions, restrictions, and regulations. The resulting situation of near chaos remains chiefly characterized by a lack of uniformity of requirements and gaps in coverage while confusing and often conflicting guidelines continue to unnecessarily hamper developers and sponsors who are attempting to produce sufficient housing to adequately accommodate the needs of low- and moderate-income families.

More important, we cannot ignore the impact that this patchwork of programs has had on the families that have attempted to find adequate and safe housing. Who can explain to a family in need of shelter why, under the current law, they may be eligible to rent an apartment in one building built under one Federal program but ineligible to rent a nearly identical unit in another building constructed under a different Federal program. An even greater explanation is needed for those needy families who must be told that they will be denied the benefits of all federally assisted housing because they do not fall within the specific eligibility criteria of any program. We cannot continue to allow varying rent requirements, definitions of income, income limits, and family eligibility to frustrate our efforts to provide effective Federal housing assistance for all people of clearly demonstrated need.

Another set of problems, generated in part by this fragmentation of programs, centers around the isolation and segregation of families on the basis of their incomes. Public housing has become poor peoples' housing while other programs have excluded the lowest income families and served only a narrow range of moderate income families. An even more unfortunate ramification of this approach is found in those areas where one race or another makes up the lowest income group. In these areas, a federally assisted housing program can become an unwitting, albeit de jure, accomplice to the perpetuation of de facto racial segregation. Only recently has this issue been raised in our Federal courts. The judicial response to date has amplified the need for us to deal with the impact of federally sponsored income segregation on existing housing patterns.

Another undesirable ramification of income segregation lies in the endangered economic and social viability of the project. How much longer can we ignore the compilation of evidence coming from projects that continue to isolate the lowest income and problem families needing the heaviest support services. How many more Pruitt-Igoes will it take before we decide to strike at the heart of the problem? Even in moderate income projects, narrow ranges of eligibility, coupled with increasing construction costs, are bound to jeopardize their economic feasibility.

The administration's proposal, S. 2049, the Housing Consolidation and Simplification Act of 1971 is, in my estimate, a step in the right direction. It proposes to rewrite the National Housing Act and thereby reduce the number of programs administered by the Federal Housing Administration. However, its focus is on nonassisted programs. If passed as introduced, S. 2049 would maintain the differences now existing between pub-

lic housing and FHA-assisted low- and moderate-income programs.

Mr. President, Senator MONDALE and I believe that the Housing Reform Amendments Act, building on the initiatives of S. 2049, will do much to alleviate the problems that I cited above. We believe that by establishing a unified housing policy, standardizing program requirements, eliminating segregation of projects by income and by offering incentives to encourage the production of assisted housing, we will effectively broaden the scope of existing programs to cover families and areas where real housing needs exist.

The key elements of this program are standardization of requirements and a flexible subsidy formula based on need. As to the first element, two separate programs, public agency housing and FHA insured assisted housing, would continue but would serve the same range of families. Both programs would have maximum development costs geared to a flexible formula using prototype construction cost figures. Thus they would be producing nearly identical products—safe, decent housing at a reasonable cost but containing amenities consistent with community standards and of a high architectural quality. The same income groups would be served by each program from those of lowest income to those of median income in the area, thus eliminating the gaps in coverage in existing programs.

At the same time, however, each project would be required to reserve at least 20 percent of its units for those of very low income requiring a subsidy of 60 percent of the market rent or more. With this approach, I believe we can enrich the economic mix of our housing assistance programs, increase their economic viability, yet insure that those families with the greatest need will not be harmed in the process.

There would be one standard national definition of income applicable to all families. Further, rent requirements—the same for each program—would be tied to income with a national requirement that no family be obligated to pay more than 25 percent of its income for rent. Locally, lower ratios could be established, with the Secretary's approval, to reflect differences in family size, income and local rent income patterns. However, each project or program would be required to maintain an average rent income ratio of at least 20 percent.

There would be no continuing occupancy income limits. As family income increased, the rent would also increase to the point where the family would be able to pay the full market rent for the unit.

Mr. President, the other major component in the program is the subsidy formula. In essence the single subsidy formula that we propose would cover the difference between total costs—debt service, management, maintenance, and operational costs, real estate taxes, tenant services—and total revenues—rents and other income.

This flexible formula is, in essence, the same as that which is now used in the public housing program as a result of amendments which the distinguished chairman of the Housing Subcommittee (Mr. SPARKMAN) and I introduced in 1968 and 1969. What is proposed in the housing reform amendments is an extension of the principle of the variable subsidy to the FHA programs. These programs now contain a minimum rent requirement that restricts FHA program sponsors from instituting adequate management and tenant services programs.

Mr. President, there are a number of other features of the housing reform amendments that I would like to summarize briefly. First, the existing FHA homeownership assistance program would be similarly standardized and expanded to permit assistance to cover total debt service; it is now limited to the difference between a market rate mortgage and a 1 percent mortgage on the same property. Also the homeownership counseling program—section 237—would be maintained.

Second, the act would create a new program to assist in the refinancing of existing properties in conjunction with local programs aimed at neighborhood preservation. One major cause of abandonment of many structurally sound buildings has been the unavailability of

private mortgage money to refinance these properties. For too long we have ignored the economic and social desirability of neighborhood preservation. Abandoned housing is rapidly reaching epidemic proportions in many of our urban areas. These provisions would strive to reverse this eroding influence. Likewise the bill increases the authorization for the section 312 rehabilitation loan program to \$150 million annually in an attempt to provide additional direct Federal assistance in rehabilitating existing structures.

Third, the act provides for special incentives to encourage communities to assist in providing low- and moderate-income housing. A program of public service grants would be established to help offset any increases in public services resulting from the addition of new federally-assisted housing. Thus grants could run for 10 years and not exceed \$250 per unit annually except for units designed for large families where the grant could go up to \$400 annually.

In a selected area the measure would provide that new public agency housing pay full local real estate taxes. Under existing law, public housing projects usually make a payment in lieu of taxes, not adequate to finance the range of public services required. This requirement has proven to be a handicap to the location of public housing in many communities.

Fourth, the act would put in motion a program to identify "housing emergency areas" and provide direct Federal provision of housing in these areas. These "housing emergency areas" would thereafter be defined as areas where a substantial number of low- and moderate-income families reside or work, who need housing, and where there is no sponsor willing to provide such housing.

Fifth, the housing reform amendments would revise and update the national housing goals. The Secretary of HUD would be authorized to encourage the establishment of State and local housing goals to provide a base for determining material housing requirements. Such State and local goals would also include actions necessary to maintain the existing housing stock. Specific annual needs for subsidized housing on a 5-year basis would be included.

This section would also provide for the periodic updating of the national housing goals and provide that these goals be based on national data, State, and local housing goals, and community development needs—relocation and replacement housing. Likewise, this section would require the Secretary to justify all authorization and appropriation requests for assisted housing programs in terms of the established assisted housing goals. Seventy-five million dollars would be authorized to fund the annual goals report and to assist in preparing local and State goals.

Sixth, the demonstration housing allowance program which was adopted as part of last year's Housing and Urban Development Act would be expanded to permit a greater variety of experiments. The authorization for the program would be increased to \$25 million annually in contract authority.

While my initial suggestions of a housing allowance program met with considerable resistance, I have seen mounting evidence that the tide is changing. As we move closer to meaningful welfare reform, I am confident that we will see an increasing focus of attention on this concept. The time to prepare for this attention is now, in order that we may move forward with the best possible program at the appropriate time.

In summary, Mr. President, the housing reform amendments bill which I am introducing today addresses itself to strengthening federal housing assistance at five key points where experience demonstrates it now requires improvement.

In the first instance, uniformity of occupancy requirements among all programs will go a long way toward stimulating housing production by eliminating administrative burden and confusion or consternation for the Federal Government, the housing developer, the public agency, the non-profit sponsor and the family to be assisted.

In the second instance, unfair discrimination against those families requiring housing assistance but ineligible under the present fragmentation of assist-

ance programs by reason of different income requirements would be ended.

Third, the provision for a cross-section of income occupancy, tied to a flexible and dependable subsidy mechanism would insure that social and economic problems would be minimized, and that changing local conditions could be accommodated without disastrous defaults and financial crises.

Fourth, the establishment of the requirement for local and State housing goals would provide a needed input into the development of national housing goals and into the levels of Federal funding for housing assistance. At the same time, local goals would become the basis for housing allocations to local areas.

Finally, Mr. President, I believe that the Housing Reform Amendments Act will move us toward the position of encouraging areawide housing development. It is clear by now that meaningful housing development, with its interconnecting relationship to other areas of expanding community growth, must transcend the limits of local planning.

Mr. President, the measures that I am introducing will require a fundamental reexamination of past practices and procedures. But the problems that I have outlined are stark and unrelenting as they continue to restrict the most effective and efficient use of our Federal resources. Commitment is no longer enough to see us through. We must move forward with confidence based on a realistic assessment of the past.

I ask unanimous consent that the full text of these amendments along with a summary thereof be printed in full at this point in the RECORD.

There being no objection, the amendments and summaries were ordered to be printed in the RECORD, as follows:

AMENDMENT No. 788

On page 5, beginning with line 16, strike out through line 22 on page 6, and insert in lieu thereof the following:

SEC. 3. (a) The Secretary shall not insure a mortgage under section 402 or 502 covering property in an area which exceeds, for that part of the property attributable to dwelling use, the sum of (A) 120 per centum of the prototype construction cost for the area and (B) the appraised value of land and the actual cost of site improvements, except that the Secretary may insure a mortgage for a greater amount on an individual case basis if he determines that the particular project or dwelling is subject to unavoidable or unforeseeable cost increases.

(b) The Secretary shall determine prototype construction costs for each type and size of dwelling unit and project in each area at least annually on the basis of (1) his estimate of the construction costs of comparable new dwelling units of various types and sizes, (2) the extra durability required for economical maintenance of such housing, (3) the provision of amenities designed to guarantee safe and healthy family life and neighborhood environment, (4) the application of good design as an essential component of such housing and maintenance of quality in architecture to reflect the standards of the neighborhood and community, (5) the effectiveness of existing mortgage limits in the area, and (6) 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) As used in this section the term "construction costs" means those cost items which are normally reflected in the amount of a home mortgage or multifamily mortgage insured under section 402 or section 502, except the costs of land and site improvements.

On page 9, line 26, before the semicolon insert the following: "and home mortgages insured under section 401(g)".

On page 25, after line 25, insert the following:

(g) (1) In order to assist in preserving and improving the quality of existing neighborhoods and properties, and to prevent abandonment of properties in viable neighborhoods, the Secretary is authorized to insure any mortgage executed by the occupant of a single family dwelling to refinance an existing mortgage on that dwelling.

(2) To be eligible for insurance under this subsection, a mortgage shall—

(A) be secured by the property which is to be refinanced with the proceeds thereof;

(B) be in a principal amount not exceeding the sum of 90 per centum of the appraised value of the property at the time of its refinancing under the mortgage plus the estimated cost of any repairs; and

(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

(3) No mortgage shall be insured under paragraph (1) unless the Secretary determines that (A) the property to be refinanced is located in a neighborhood which is suffi-

ciently stable and contains sufficient public facilities and amenities to support long-term values or in which the community is planning to carry out a program for neighborhood preservation, conservation, or rehabilitation, and (B) the property is basically sound or capable of repair without substantial rehabilitation.

On page 10, line 4, before the semicolon insert the following: "and project mortgages insured under section 601(j)".

On page 33, between lines 4 and 5, insert the following:

(j) (4) In order to assist in preserving and improving the quality of existing neighborhoods and properties, and to prevent abandonment of properties in viable neighborhoods, the Secretary is authorized to insure any mortgage covering a multifamily housing project to refinance an existing mortgage on that project.

(2) To be eligible for insurance under this subsection, a mortgage shall—

(A) be secured by the property which is to be refinanced with the proceeds thereof;

(B) be in a principal amount not exceeding the sum of 90 per centum (97 per centum in the case of a cooperative) of the appraised value of the property at the time of its refinancing under the mortgage plus the estimated cost of any repairs; and

(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

(3) No mortgage shall be insured under paragraph (1) unless the Secretary determines—

(A) that the property to be refinanced is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values or in which the community is planning to carry out a program for neighborhood preservation, conservation, or rehabilitation; and

(B) that the property is basically sound or capable of repair without substantial rehabilitation; and

(C) in the case of a refinancing which involves an existing owner, that the management and maintenance services provided by that owner have been adequate.

(4) If the Secretary determines that an extension of the amortization term of any mortgage insured under this subsection would avoid or reduce the amount of any rent increase (or any increase in charges in the case of a cooperative project), he may extend such term.

(5) Nothing in this section shall be construed to preclude the insurance of mortgages which involve projects containing units to be made available to low or moderate income families, or which involve a change in the form of ownership or manner of operation of a project.

On page 26, beginning with line 1, strike out through line 3 on page 30 and insert in lieu thereof the following:

HOMEOWNERSHIP ASSISTANCE

Sec. 402. (a) For the purpose of assisting lower income families in acquiring homeownership or in acquiring ownership of a dwelling unit in a cooperative project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative unit owners. The assistance shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

(b) To qualify for assistance payments, the homeowner or the cooperative unit owner shall be of lower income and satisfy eligibility requirements prescribed by the Secretary, and—

(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under this section; or

(2) The owner of a dwelling in a cooperative project shall be a mortgagor under a mortgage which meets the requirements of and is insured under this Section; such dwelling unit shall be in a cooperative housing project the construction, substantial rehabilitation or acquisition of which has been financed with a mortgage insured under section 501 of the Revised National Housing Act and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the mortgagor or which is an existing project insured under section 213, section 221(d)(3), or section 236 of the National Housing Act, or receiving the benefits of section 101(a) of the Housing and Urban Development Act of 1965, or which is a rental project financed under the United States Housing Act of 1937, and such units in the cooperative project are to be sold to purchasers eligible for mortgage insurance and assistance payments under this section: *Provided*, that the cooperative project involved has consumer-oriented sponsorship and will continue to provide community facilities for the owners of such units, except that assistance payments may be made on behalf of otherwise eligible families with respect to a mortgage or part thereof on a home or a cooperative housing project which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilita-

tion is approved for receiving the benefits of this section.

(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage. Such payments may also be made on behalf of a homeowner or owner of a dwelling unit in a cooperative project who assumes a mortgage insured under this section and who occupies the property secured by the mortgage with respect to which assistance payments have been made on behalf of the previous owner, if the new homeowner or owner of a cooperative unit is approved by the Secretary as eligible for receiving such assistance. The Secretary is also authorized to continue making assistance payments where the mortgage has been assigned to the Secretary.

(d) The assistance payments shall be in an amount not exceeding the lesser of—

(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income; or

(2) the difference between the amount of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for taxes, insurance, and mortgage insurance premiums,

except that the mortgagor shall be required to make payments in an amount which shall not be less than the sum of the monthly payments for taxes and insurance.

(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (d) or (j) (6), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

(f) (1) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

(2) No assistance payments shall be made under this section unless the Secretary is satisfied that the mortgagor's residual income is sufficient to pay normal utility and maintenance costs.

(g) The Secretary shall prescribe such regulations as he deems necessary (1) to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner or cooperative unit owner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed, and (2) to provide where necessary to prevent excessive profits for the repayment out of the net proceeds accruing to a homeowner or cooperative unit owner as a result of any sale or other disposition of property with respect to which assistance payments under this section were made, of an amount equal to the amount of principal attributable to such assistance payments, or such lesser amount as the Secretary determines to be equitable taking into account the circumstances surrounding such sale or disposition.

(h) (1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of outstanding contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$125,000,000 on July 1, 1969, by \$150,000,000 on July 1, 1970, by \$200,000,000 on July 1, 1971, by \$250,000,000 on July 1, 1972, by \$300,000,000 on July 1, 1973, and by \$350,000,000 on July 1, 1974.

(2) Notwithstanding the provisions of subsection (b) (2) or (1), not more than 30 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made after July 1, 1972, may be made with respect to existing dwelling or dwelling units in existing projects, except that such payments may be made with respect to dwelling units in existing projects occupied by displaced families as defined in section 221(f) of the National Housing Act or by families which include five or more minor persons without regard to the limitations of this paragraph.

(3) Not less than 10 per centum of the total amount of contracts for assistance payments authorized by appropriation Acts to be made after July 1, 1972, shall be available for use only with respect to dwellings or dwelling units in projects which are approved by the Secretary prior to substantial rehabilitation.

(1) The Secretary is authorized to insure a home mortgage (including open-end advances) meeting the requirements of section 401, except that such mortgage shall—

(i) involve a single-family dwelling or a one-family unit in a cooperative or con-

dominium, and

(2) have a principal obligation not to exceed an amount equal to the sum of (A) the appraised value of the property on the date the mortgage is accepted for insurance (or, in the case of rehabilitation, the sum of the estimated cost of rehabilitation plus the estimated value of the property prior to rehabilitation as determined by the Secretary), and (B) an amount not to exceed the total of all closing costs and prepaid expenses less \$200, to be determined by the Secretary, to cover such costs and expenses.

(j) (1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a non-profit organization or public body or agency to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to lower income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

(A) be executed by a private nonprofit organization or public body or agency, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semi-detached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established, except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

(4) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to lower income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to lower income purchasers as provided in subparagraph (A). Any such mortgage shall—

(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

(ii) bear interest at the same rate as the blanket mortgage; and

(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than \$200 (which may be applied in whole or in part toward closing costs and may be paid in cash or its equivalent), as the Secretary may determine to

be reasonable.

(D) Upon the sale under this paragraph of any individual dwelling such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

(5) Where the Secretary has approved a plan of family unit ownership the terms "single-family dwelling", "single-family dwellings", "individual dwelling", and "individual dwellings" shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

(6) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization or public body or agency which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for interest, taxes, and mortgage insurance premium.

(k) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a down payment to help them to save an amount necessary for that purpose.

(1) For the purpose of this section "lower income families" means those families whose incomes do not exceed 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 the median for the area on the basis of his findings that such variances are necessary because of the prevailing levels of construction costs, unusually high or low median family incomes, or other factors.

(m) In determining the income of any family for the purpose of this section, the Secretary shall consider income from all sources of each member of the family residing in the household, except that there shall be excluded—

(1) the income of family members under 18, the income of full-time students (unless such members or students are heads of households), and any non-recurring income;

(2) an amount equal to \$300 for each dependent and for each secondary wage earner;

(3) an amount equal to 5 per centum of gross income (or, in the case of an elderly family, 10 per centum of gross income); and

(4) such unusual or extraordinary medical or other expenses as the Secretary approves for exclusion.

(n) In addition to the assistance payments authorized under the other provisions of this section, the Secretary may make assistance payments, subject to subsection (d), to a mortgagee on behalf of a homeowner who meets the income requirements of this section if (1) the mortgage with respect to which such payments are to be made was executed for the purpose of rehabilitating or renovating the property involved, (2) that mortgage is insured under or meets the requirements of subsection (1) of this section, and (3) that homeowner continues to occupy such property.

On page 32, between lines 23 and 24, insert the following: "and, in the case of properties or projects intended for the use of elderly or handicapped persons, the units, spaces, and facilities may incorporate design features to serve the special needs of such persons."

On page 33, beginning with line 5, strike out through line 8 on page 39, and insert in lieu thereof the following:

MULTIFAMILY HOUSING ASSISTANCE

Sec. 502. (a) For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of the owner of a rental housing project, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

(b) Assistance payments with respect to a project shall only be made during such time as the project is operated as a multifamily housing project and (1) is subject to a mortgage which meets the requirements of and is insured under, subsec-

tion (j), or which has been assigned to the Secretary, or (2) is owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a public agency or a cooperative housing corporation, and is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which involves either new or existing construction which is approved for receiving the benefits of this section with respect to all or part of the project.

(c) The amount of any assistance payment by the Secretary on behalf of a project owner shall not exceed the difference between total costs attributable to the project (principal, interest, mortgage insurance premiums, taxes, utilities, maintenance, management, and operating costs (including appropriate tenant services approved by the Secretary)) and the total revenues accruing to the project (rents or cooperative charges, other fees and charges, rents or other income from nonresidential tenants, interest or any direct project investments and other revenues as determined by the Secretary). The Secretary may, from time to time amend any contract for such payments as may be necessary to reflect changes in project costs or revenues.

(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

(e) As a condition for receiving the benefits of assistance payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

(f) (1) For each dwelling unit there shall be established with the approval of the Secretary—

(A) an operating rental charge determined on the basis of operating, maintaining, and managing the project exclusive of debt service payments, and

(B) a fair market rental charge determined on the basis of operating the project with payments on principal, interest, mortgage insurance premium, which the mortgagor is obligated to pay under the mortgage covering the project.

(2) The rental for each unit shall be based on local rent-to-income ratios, determined by the locality, or by the sponsor in any case where local ratios are not available, and approved by the Secretary for the project. In determining such ratios, such factors as family income, size of family, and prevailing income patterns in the community shall be considered, except that (A) in no case shall a family pay a rental which exceeds 25 per centum of its net income, and (B) the average rent-to-income ratio in a project shall be not less than 20 per centum, except that beginning two years after the date of enactment of this Act, any family which is receiving a majority of its income under a federally-assisted public assistance program shall pay as rental not less than the operating rental charge established under paragraph (1) (A) of this subsection.

(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 those charges specified for collection in the assistance contract with the mortgage. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making assistance payments with respect to any rental housing project receiving assistance under this section, subject to limits approved in appropriation Acts pursuant to subsection (i). Moneys in such funds not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to the principal and interest by the United States.

(h) (1) The Secretary shall require, in the case of any new project, that at least 20 per centum of the units initially be made available for very low income families. The Secretary shall also prescribe regulations to ensure that new units in any such project shall be made available to low income families on a pro rata basis. The requirements of this paragraph may be waived by the Secretary in any case in which he determines that the project cannot meet such requirements or that the project was not intended to carry out the purpose of such requirements.

(2) The Secretary shall prescribe regulations to insure that the availability of units in any new project shall be published, along with a range of rentals, in a daily newspaper of general circulation in the area in which the project is located, and, in the case of any project located in a standard metropolitan statistical area, in a newspaper which serves the central city in such area.

(3) For the purpose of this subsection, the term "very low income family" means any family with respect to which assistance payments in excess of 60 per centum of the

rental charge established under subsection (f) (1) (B) would be paid.

(i) 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 assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$125,000,000 on July 1, 1969, by \$250,000,000 on July 1, 1970, by \$280,000,000 on July 1, 1971, by \$350,000,000 on July 1, 1972, by \$400,000,000 on July 1, 1973, and by \$450,000,000 on July 1, 1974.

(j) (1) The Secretary is authorized to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of section 501, except as modified under this subsection, upon a multifamily housing project to be occupied primarily by lower income tenants.

(2) If the mortgage is executed by a mortgagor which is a cooperative, a private nonprofit corporation or association, a public agency, or a builder-seller, as defined by the Secretary, the principal obligation of the mortgage shall not exceed—

(A) in the case of new construction, the Secretary's estimate of the replacement cost of the property or project when the proposed improvements are completed;

(B) in the case of rehabilitation, the sum of the Secretary's estimate of the cost of rehabilitation plus the Secretary's estimate of the value of the property before rehabilitation; or

(C) in the case of the purchase or refinancing of existing property without rehabilitation, the appraised value of the property as of the date the mortgage is accepted for insurance.

(3) If the mortgage is executed by a limited distribution corporation or other limited dividend entity, as defined by the Secretary, or an investor-sponsor who agrees to sell the project to a cooperative, and who meets such requirements as the Secretary may prescribe to assure that the consumer interest is protected, the amount of the mortgage shall not exceed 90 per centum of the amount otherwise authorized under this section.

(4) In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative, a public agency or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding 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 payments of all operating expenses, these are required reserves.

(5) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to eligible lower income purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

(k) For the purpose of this section—

(1) the term "tenant" includes a member of a cooperative and the terms "rental" and "rental charge" mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative;

(2) the term "low income tenants" means those tenants whose income do not exceed 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 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) the term "tenant services" includes but is not limited to the following services and activities for families living in housing projects assisted under this section: 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;

(4) in determining the income of any family, 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 family members under 18 and the income of full-time students (unless such members or students are heads of households), and any non-recurring income;

(B) an amount equal to \$300 for each de-

pendent and for each secondary wage earner;

(C) an amount equal to 5 per centum of gross income (or, in the case of an elderly family, 10 per centum of gross income); and

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

(5) the term "cooperative" means a nonprofit corporation or a nonprofit housing trust which has consumer-oriented sponsorship and which is organized for the purpose of construction, rehabilitation, or acquisition of housing and related facilities when the permanent occupancy of the dwellings will be restricted to members of such a cooperative.

(l) The Secretary is authorized to enter into agreements with any State or agency thereof under which such State or agency thereof contracts to make assistance payments, subject to the terms and conditions specified in this section and in rules, regulations, and procedures adopted by the Secretary under this section, with respect to a project which has been approved by the Secretary prior to the beginning of construction or rehabilitation. Any funds provided by a State or agency thereof for the purpose of making assistance payments shall be administered, disbursed and accounted for by the Secretary in accordance with the agreements entered into by the Secretary with the State or agency thereof and for such fees as shall be specified herein. Before entering into any agreement pursuant to this subsection the Secretary shall require assurances satisfactory to him that the State or agency thereof is able to provide sufficient funds for the making of assistance payments for the full period specified in the assistance payment contract, and the Secretary shall undertake no obligation to make such assistance payments as surety, guarantor, or in any other similar capacity.

On page 33, beginning with line 5, strike out through line 8 on page 39, and insert in lieu thereof the following:

MULTIFAMILY HOUSING ASSISTANCE

Sec. 502. (a) For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of the owner of a rental housing project, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

(b) Assistance payments with respect to a project shall only be made during such time as the project is operated as a multifamily housing project and (1) is subject to a mortgage which meets the requirements of and is insured under, subsection (j), or which has been assigned to the Secretary, or (2) is owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a public agency or a cooperative housing corporation, and is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which involves either new or existing construction which is approved for receiving the benefits of this section with respect to all or part of the project.

(c) The amount of any assistance payment by the Secretary on behalf of a project owner shall not exceed the difference between total costs attributable to the project (principal, interest, mortgage insurance premiums, taxes, utilities, maintenance, management, and operating costs (including appropriate tenant services approved by the Secretary)) and the total revenues accruing to the project (rents or cooperative charges, other fees and charges, rents or other income from on-residential tenants, interest or any direct project investments and other revenues as determined by the Secretary). The Secretary may, from time to time amend any contract for such payments as may be necessary to reflect changes in project costs or revenues.

(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

(e) As a condition for receiving the benefits of assistance payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

(f) (1) For each dwelling unit there shall be established with the approval of the Secretary—

(A) an operating rental charge determined on the basis of operating, maintaining, and managing the project exclusive of debt service payments, and

(B) a fair market rental charge determined on the basis of operating the project with payments on principal, interest, mortgage insurance premium, which the mortgagor is obligated to pay under the mortgage covering the project.

(2) The rental for each unit shall be based on local rent-to-income ratios, determined

by the locality, or by the sponsor in any case where local ratios are not available, and approved by the Secretary for the project. In determining such ratios, such factors as family income, size of family, and prevailing income patterns in the community shall be considered, except that (A) in no case shall a family pay a rental which exceeds 25 per centum of its net income, and (B) the average rent-to-income ratio in a project shall be not less than 20 per centum, except that beginning two years after the date of enactment of this Act, any family which is receiving a majority of its income under a federally-assisted public assistance program shall pay as rental not less than the operating rental charge established under paragraph (1)(A) of this subsection.

(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 those charges specified for collection in the assistance contract with the mortgage. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making assistance payments with respect to any rental housing project receiving assistance under this section, subject to limits approved in appropriation Acts pursuant to subsection (1). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

(h) (1) The Secretary shall require, in the case of any new project, that at least 20 per centum of the units initially be made available for very low income families. The Secretary shall also prescribe regulations to insure that new units in any such project shall be made available to low-income families on a pro rata basis. The requirements of this paragraph may be waived by the Secretary in any case in which he determines that the project cannot meet such requirements or that the project was not intended to carry out the purpose of such requirements.

(2) The Secretary shall prescribe regulations to insure that the availability of units in any new project shall be published, along with a range of rentals, in a daily newspaper of general circulation in the area in which the project is located, and, in the case of any project located in a standard metropolitan statistical area, in a newspaper which serves the central city in such area.

(3) For the purpose of this subsection, the term "very low income family" means any family with respect to which assistance payments in excess of 60 per centum of the rental charge established under subsection (f)(1)(B) would be paid.

(1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation acts, and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$125,000,000 on July 1, 1969, by \$250,000,000 on July 1, 1970, by \$280,000,000 on July 1, 1971, by \$350,000,000 on July 1, 1972, by \$400,000,000 on July 1, 1973, and by \$450,000,000 on July 1, 1974.

(j) (1) The Secretary is authorized to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of section 501, except as modified under this subsection, upon a multifamily housing project to be occupied primarily by lower income tenants.

(2) If the mortgage is executed by a mortgagor which is a cooperative, a private nonprofit corporation or association, a public agency, or a builder-seller, as defined by the Secretary, the principal obligation of the mortgage shall not exceed—

(A) in the case of new construction, the Secretary's estimate of the replacement cost of the property or project when the proposed improvements are completed;

(B) in the case of rehabilitation, the sum of the Secretary's estimate of the cost of rehabilitation plus the Secretary's estimate of the value of the property before rehabilitation; or

(C) in the case of the purchase or refinancing of existing property without rehabilitation, the appraised value of the property as of the date the mortgage is accepted for insurance.

(3) If the mortgage is executed by a limited distribution corporation or other limited dividend entity, as defined by the Secretary, or an investor-sponsor who agrees to sell the project to a cooperative, and who meets such requirements as the Secretary may prescribe to assure that the consumer interest is protected, the amount of the mortgage shall not exceed 90 per centum of the amount otherwise authorized under this section.

(4) In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative, a public agency or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit cor-

poration or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding 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.

(5) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to eligible lower income purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

(k) For the purpose of this section—
(1) the term "tenant" includes a member of a cooperative and the terms "rental" and "rental charge" mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative;

(2) the term "low income tenants" means those tenants whose incomes do not exceed 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 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) the term "tenant services" includes but is not limited to the following services and activities for families living in housing projects assisted under this section: counseling on household management, house-keeping, 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;

(4) in determining the income of any family, 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 family members under 18 and the income of full-time students (unless such members or students are heads of households), and any non-recurring income;

(B) an amount equal to \$300 for each dependent and for each secondary wage earner;

(C) an amount equal to 5 per centum of gross income (or, in the case of an elderly family, 10 per centum of gross income); and

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

(5) the term "cooperative" means a nonprofit corporation or a nonprofit housing trust which has consumer-oriented sponsorship and which is organized for the purpose of construction, rehabilitation, or acquisition of housing and related facilities when the permanent occupancy of the dwellings will be restricted to members of such a cooperative.

(l) The Secretary is authorized to enter into agreements with any State or agency thereof under which such State or agency thereof contracts to make assistance payments, subject to the terms and conditions specified in this section and in rules, regulations, and procedures adopted by the Secretary under this section, with respect to a project which has been approved by the Secretary prior to the beginning of construction or rehabilitation. Any funds provided by a State or agency thereof for the purpose of making assistance payments shall be administered, disbursed and accounted for by the Secretary in accordance with the agreements entered into by the Secretary with the State or agency thereof and for such fees as shall be specified herein. Before entering into any agreement pursuant to this subsection the Secretary shall require assurances satisfactory to him that the State or agency thereof is able to provide sufficient funds for the making of assistance payments for the full period specified in the assistance payment contract, and the Secretary shall undertake no obligation to make such assistance payments as surety, guarantor, or in any other similar capacity.

On page 76, line 9, before the period insert a comma and the following: "Including responsibility for the establishment of rents and eligibility requirements (subject to the approval of the Secretary)".

On page 76, beginning with line 15 strike out all through line 10, on page 77, and insert the following:

"(A) The term 'low-income housing' means well-designed but not luxurious housing in a local area, as determined by the Secretary, the construction cost of which does not exceed by more than 20 per centum the appropriate prototype construction costs for the area. Prototype construction costs (ex-

cluding the cost of land, demolition, and site improvements and nondwelling facilities) shall be determined at least annually by the Secretary on the basis of his estimate of the construction and equipment costs of new dwelling units of various sizes and types in the area. The Secretary in determining an area's prototype costs shall take into account the extra durability required for economical maintenance of assisted housing, and the provision of amenities designed to guarantee safe and healthy family life and neighborhood environment. Further, in the development of such prototypes, emphasis shall be given to encouraging good design as an essential component of such housing and to producing housing which will be of such quality as to reflect the architectural standards of the neighborhood and community. The prototype costs for any area shall become effective upon the date of publication in the Federal Register.

"(B) Occupancy shall be limited to families who at time of entry into a project are low-income families. Rents for low-income housing shall be determined by the public housing agency with the approval of the Secretary. The average rental for dwelling units administered by a public housing agency shall be not less than one-fifth of family income, and no rental for any single dwelling unit shall exceed one-fourth of family income. Income, for purposes of this Act, means income from all sources of each member of the family residing in the household who is at least eighteen years of age; except that (i) non-recurring income, as determined by the Secretary, and the income of dependent, full-time students shall be excluded; (ii) an amount equal to the sum of \$300 for each dependent, \$300 for each secondary wage earner, 5 per centum of the family's gross income (10 per centum in the case of elderly families), and those medical expenses of the family properly considered extraordinary shall be deducted; and (iii) the Secretary may allow further deductions in recognition of unusual circumstances."

On page 77, beginning with line 11, strike out all through line 10 on page 78 and insert the following:

"(2)(A) The term 'low-income families' means families the income of which do not exceed 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 the median income for the area on the basis of his finding that such variations are necessary because of prevailing levels of construction costs, unusually high or low median family incomes, or other relevant factors.

"(B) The term 'families' includes families consisting of a single person in the case of elderly families and displaced families, and includes the remaining member of a tenant family.

"(C) The term 'elderly families' means families whose heads (or their spouses), or whose sole members, are at least fifty years of age, or are under a disability as defined in section 223 of the Social Security Act, or are handicapped. A person shall be considered handicapped if such person is determined, pursuant to regulations issued by the Secretary, to have a physical 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.

"(D) The term 'displaced families' means families displaced by governmental action, or families whose present or former dwellings are situated in areas determined by the Small Business Administration, subsequent to April 1, 1965, to have been affected by a natural disaster, and which have been extensively damaged or destroyed as the result of such disaster."

On page 79, beginning with line 24, strike out all through line 3, on page 80, and insert the following:

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

On page 82 beginning with line 16, strike out all through line 9, on page 87, and insert the following:

"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 subsection 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 such 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 subsection for a project by such public housing agency which would provide housing for the comparable number, sizes, and kinds of families through the acquisition, 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 subsection 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 such annual contributions relate and shall be paid over a period not to exceed forty years.

"(b) 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 said public housing agency; in the event such 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.

"(c) In recognition that there should be local determination of the need for low-income housing—

"(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 (1) unless the governing body of the locality involved has by resolution approved the application of the public housing agency for such preliminary loan; and (2) unless the public housing agency has demonstrated to the satisfaction of the Secretary that there is a need for such low-income housing under the conditions set forth in this Act; 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.

"(d) (1) In addition to the annual contributions authorized under subsection (a), the Secretary may make contributions to public housing agencies to assist in the operation of their projects. Contributions under this subsection shall be payable annually and shall not exceed such amounts as the Secretary determines are required (A) to assure the low-income character of the projects involved, and (B) to achieve adequate operating services and reserve funds. The Secretary may embody the provisions for annual contributions in accordance with this subsection in a contract guaranteeing their payment.

"(2) At the initial stage of development of each new low-income housing project, or in the case of existing projects at the earliest practicable time after the date of enactment of this section, the public housing agency operating the project shall determine with the approval of the Secretary, appropriate and required operating services and reserve funds, including tenant services, based on the character and location of the project so the characteristics of the families to be housed. Services so determined shall constitute the base level of operating services of a public housing agency. If income from a project of a public housing agency will not be sufficient in any year to meet the agency's base level of operating services at projected costs for that year, the Secretary may make contributions to meet the residual cost. The commitment to maintain a base level of operating services shall be incorporated in an annual contributions contract. A public housing agency shall signify its base level of operating services requirements at the beginning of its operating year and at the time of the preparation of its annual budget. A public housing agency shall at the time of its reexamination of tenant income (at least every two years) reexamine its base level of operating services in order to determine the adequacy of the services provided for in the light of changing conditions and standards.

"(e) In addition to the annual contributions authorized under subsections (a) and (d), the Secretary may make contributions to public housing agencies to effect such improvement in existing projects administered by such agencies as the Secretary determines are necessary to bring such projects up to minimum standards prescribed by the Secretary for new projects. Contributions under this subsection shall be payable annually and provision therefor may be embodied in a contract guaranteeing their payment.

"(f) Income limits for occupancy, rents, and other requirements applicable to low-income housing projects shall be determined without regard to whether annual contributions with respect to such projects are being provided pursuant to subsections (d) and (e).

"(g) Any portion of an annual contributions payment made to a public housing

agency pursuant to a contract under this section which is not used by the agency in the year for which it was made shall, under regulations prescribed by the Secretary, effect a pro tanto reduction in any subsequent annual contributions payment made to such agency.

"(h) 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 of 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.

"(i) (1) The aggregate contracts for annual contributions entered into by the Secretary under subsection (a), and section 10 of this Act as it existed prior to the date of enactment of the Housing Consolidation and Simplification Act of 1971, shall not exceed \$1,424,250,000 per annum, which limit shall be increased by \$350,000,000 on July 1, 1972, by \$400,000,000 on July 1, 1973, and by \$450,000,000 on July 1, 1974: *Provided*, That at least 30 per centum of the total amount of such contracts entered into in any fiscal year pursuant to new authority granted to the Secretary by any Act of Congress enacted on or after December 31, 1970, shall be entered into with respect to units of low-income housing in private accommodations provided under section 8 (section 23 of this Act as it existed prior to the date of enactment of the Housing Consolidation and Simplification Act of 1971). The Secretary is also authorized to enter into contracts for annual contributions (A) under subsection (d) aggregating not more than \$300,000,000 per annum, and (B) under subsection (e) aggregating not more than \$100,000,000 per annum.

"(2) 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 under subsection (a). In administering the authority provided under this section, the Secretary shall assure that public housing agencies have complied with the requirements of section 8(a) (1) concerning the provision of low-income housing in private accommodations. The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section, and there is 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."

On page 99, beginning with line 10, strike out all through line 22, on page 100, and renumber succeeding sections accordingly.

On page 87, beginning with line 25, strike out all through line 11, on page 88, and insert the following:

"(b) Every contract made pursuant to this Act for loans (other than preliminary loans) and annual contributions shall provide that the construction cost of the project (excluding the cost of land, demolition, site improvement, non-dwelling facilities, and the cost of relocation assistance) on which the computation of any annual contributions under this Act may be based shall not exceed by more than 20 per centum the appropriate prototype cost for the area, except where the Secretary determines (on a project-by-project basis) that this limitation should not be applied to the project because of special considerations."

On page 88, strike out lines 14-18.

On page 88, line 19, strike out "(2)" and insert "(1)".

On page 89, line 1, strike out "(3)" and insert "(2)".

On page 89, beginning with line 11, strike out all through line 22, on page 90, and insert the following:

"(d) Except as otherwise herein provided, every contract for annual contributions under section 5(a) shall provide that no annual contributions shall be made available for any project which is exempt from real and personal property taxes levied or imposed by the State, city, county, or other political

subdivision in which the project is located. Notwithstanding the foregoing, such contributions may be made available for an existing project which is exempt from such taxes and with respect to which a public housing agency is required to make payments in lieu of taxes, if the amount of such payments is increased by not less than 10 per centum each year until such time (not later than 10 years after the first such increased payment) as the amount of such payments equals the full amount of such taxes which would be paid with respect to the project except for the exemption. The Secretary shall cause outstanding contracts for annual contributions to be amended in conformity with the provisions of this subsection. Estimates for the amounts by which such provisions require an increase in the annual contributions payable to any public housing agency shall be submitted to the Secretary by such agency not later than 6 months after the effective date of this section."

On page 90, line 23, strike out "(f)" and insert in lieu thereof "(e)".

On page 93, after line 4, insert the following:

"(f) Effective on January 1, 1975, every contract for annual contributions shall provide that, notwithstanding any other provision of this Act, the rent required of any tenant family receiving a major portion of its income in the form of public assistance payments under any Federal or State program shall be not less than an amount equal to (A) that part of the operating costs of the project which is attributable to the dwelling unit occupied by such family, and (B) the cost of the utility services furnished to such dwelling unit. For the purposes of this subsection, the operating costs of a project do not include principal and interest charges on obligations issued by the public housing agency to finance the development or acquisition cost of the project.

"(g) (1) Every contract for annual contributions shall provide that, if the Secretary and the public housing agency agree that a project with respect to which such contributions are made is obsolete as to physical condition or location, the Secretary may, in lieu of any other obligation under such contract with respect to such project, make a grant to such agency in an amount sufficient to retire the outstanding indebtedness on the project and, if the project is not to be sold, the cost of demolition. Any such grant shall be conditioned upon the public housing agency providing satisfactory replacement or relocation housing as determined by the Secretary.

"(2) There is authorized to be appropriated not to exceed \$100,000,000 for grants under this subsection. Any amounts so appropriated shall remain available until expended."

On page 93, beginning with "Expenditures" in line 24, strike out all through line 3, on page 94, and insert the following: "Expenditures incurred by a public agency in the operation of a central dining facility in connection with congregate housing shall be considered as one of the costs of the project, except that not to exceed 25 per centum of the cost of providing food and service shall be included."

On page 100, beginning with line 23, strike out all through line 25, on page 103, and insert the following:

"HOMEOWNERSHIP FOR LOW-INCOME FAMILIES"

"Sec. 10. (a) For the purpose of assisting families of low income in acquiring homeownership or in acquiring membership in a cooperative or other association operating a housing project, a public housing agency is authorized to develop, acquire, or lease low income housing for subsequent resale to low income housing tenants and families eligible for low income housing under the terms and conditions contained in this section. The provisions of this section also apply to the sale of rental housing owned by the public housing agency.

"(b) (1) To purchase low-income housing under this subsection, a mortgage or other obligations shall—

"(A) be given to the public housing agency by a family of low income eligible for low-income housing, a tenant family in low-income housing, or a qualified entity approved by the Secretary;

"(B) be secured by the property which is to be purchased;

"(C) be in a principal amount of not more than the sale price plus closing costs and prepaid expenses;

"(D) bear interest at a rate not to exceed the maximum rate applicable to mortgages insured under section 402 of the Revised National Housing Act, or the rate on the public housing agency's principal debt on the project, whichever is applicable;

"(E) provide for a maturity satisfactory to the Secretary, but not to exceed forty years;

"(F) provide that the purchaser's income contribution to monthly homeownership expense shall be an amount equal to one-fifth of the purchaser's income, but in no case shall the purchaser's income contribution be less than the amount of 'monthly homeownership expense' excluding payment for principal and interest;

"(G) provide that the income contribution to monthly homeownership expense for

a purchaser which is a qualified entity shall be determined by using an aggregate amount based on the contribution that would be required under paragraph (6) of each family who occupies a dwelling unit in the purchased property;

"(H) provide that the purchaser shall make monthly payments for any services furnished by the public housing agency to the purchaser; and

"(I) include other terms and conditions which the Secretary determines are required to carry out the purposes of this section.

"(2) As used in this subsection, the term 'monthly homeownership expense' shall include monthly amounts for principal and interest under the amortization provisions of the mortgage or other obligation, amounts for insurance and taxes, and an amount attributable to the cost of utilities as determined by the Secretary on the basis of estimated costs for utilities in the area. Subject to subsection (e), the term 'sale price' means (A) in the case of housing newly developed, acquired, or leased for subsequent resale under this subsection, the portion of the unpaid balance on the public housing agency's principal debt on the project at the time of sale which is allocable to the dwelling unit or units involved, (B) in the case of low-income rental housing, the appraised value of the property at the time of sale, or (C) in cases where participants in mutual-help projects or homebuyers in homeownership opportunity projects voluntarily elect to purchase their low-income housing units under the terms of this subsection, the purchase price provided for under their lease with option to purchase type of contracts with the public housing agencies involved.

"(c)(1) In furtherance of the purposes of this section, and as an alternative procedure for assisting families of low income to acquire homeownership, any public housing agency may permit any adult member of a tenant family to enter into a contract (either individually or as a member of a group) for the acquisition of a dwelling unit in any project of the public housing agency, if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable for sale and for occupancy by such purchaser or a member or members of his family, upon the following terms:

"(A) The purchaser shall pay at least (1) a pro rata share cost of any services furnished him by the public agency, including but not limited to, administration, maintenance, repairs, utilities, insurance, provision of reserves, and other expenses, (ii) local taxes on his dwelling unit, or a portion thereof, as determined by the Secretary, and (iii) monthly payments of interest and principal sufficient to amortize a sales price, equal to the greater of the unamortized debt or the appraised value (at the time such purchase contract is entered into) of the dwelling unit, in not more than forty years.

"(B) If at any time (1) a purchaser fails to carry out his contract with the public housing agency and if no adult member of his family who resides in the dwelling assumes such contract, or (ii) the purchaser or a member of his family who assumes the contract does not reside in the dwelling, the public housing agency shall have an option to acquire his interest under such contract upon payment to him or his estate of an amount equal to his aggregate principal payments plus the value to the public housing agency of any improvements made by him.

"(2) The public housing agency shall continue to make local tax payments upon the sale under this subsection of the project, or any dwelling unit in the project, if (A) the local governing body so requests, or (B) the Secretary determines that such payments should be continued, in whole or in part, to make it possible for any low-income family to purchase a home. Any payments so made shall (i) be in lieu of real or personal property taxes which might otherwise be levied or imposed on the project or dwelling unit, as the case may be, and (ii) be considered one of the costs of the project for purposes of annual contributions.

"(d) Notwithstanding any other provision of this Act, the sale of a project or dwelling unit in a project shall not affect the Secretary's commitment to pay annual contributions with respect to such project, but such contributions shall not exceed the maximum contributions authorized under this Act.

"(e) A public housing agency shall, before selling any project or dwelling unit in a project pursuant to this section, make such repairs or improvements to the project or dwelling unit as may be necessary to conform to standards prescribed by the Secretary. In addition to the contributions authorized under section 5, the Secretary may make annual contributions to any public housing agency in such amounts as the Secretary determines are required to pay the interest and principal charges on obligations issued by the public housing agency to finance repairs or improvements in accordance with the provisions of this subsection. The sales price of any project or dwelling unit with respect to which repairs or improvements are made under this subsection shall include that portion of the unpaid balance on the public housing agency's debt, at the time of sale, which was incurred to

finance such repairs or improvements and is allocable to the dwelling unit or units involved.

"(f) The Secretary shall by regulation prescribe the conditions under which a low-income family which purchases a dwelling unit pursuant to this section may sell such unit. Among the conditions so prescribed shall be a requirement that upon the resale of any such unit the seller shall be obligated to pay to the United States an amount equal to (1) the Federal subsidy received by, or for the benefit of, the seller in reduction of the principal amount of any mortgage covering property during the period in which it was held by the seller, or (2) that part of the sales price which is in excess of the seller's equity (including the reasonable value of repairs and improvements made by the seller) in the property at the time of the sale, whichever is the lesser.

"(g) Subject to the approval of the Secretary, any conveyance, contract, or agreement heretofore executed by a public housing agency for the sale or lease of low-income housing to low-income families or public housing tenants may be amended to include any of the terms and conditions of this section."

On page 110, strike out lines 7-11, and insert the following:

"Sec. 208. Except as provided in sections 201-207, this title shall take effect on January 1, 1973; except that—

"(1) any adjustment required by the provisions of the United States Housing Act of 1937, as amended by section 201 of this title, in what is to be considered income, or in rents for dwelling units in low-income housing shall be made at the first regular reexamination of tenant income following such date; and

"(2) the provisions of section 5(d) of the United States Housing Act of 1937, as amended by section 201 of this title, relating to annual base level operating assistance contributions pursuant to contracts entered into by the Secretary, shall take effect upon the date of enactment of this Act."

SECTION-BY-SECTION SUMMARY OF AMENDMENT 788 TO S. 2049, THE HOUSING SIMPLIFICATION AND CONSOLIDATION ACT OF 1971

This amendment proposes a series of changes to S. 2049 in the following areas:

TITLE I: MORTGAGE CREDIT ASSISTANCE

Title I of S. 2049 contains a complete rewrite of the National Housing Act and proposes a seven title "Revised National Housing Act." Amendment 788 would modify the following sections of this "Revised National Housing Act.":

Section 3. Flexible mortgage amounts.—The proposed section 3 of S. 2049 would be deleted and new section inserted in its place. Subsection (a) would prohibit the Secretary from insuring any mortgage under section 402 (Homeownership Assistance) or section 502 (Multifamily Housing Assistance) which exceeds, for that portion attributable to dwelling use, the sum of (1) 120% of the prototype construction cost for the type of dwelling in that area and (2) the appraised value of the land and actual cost of site improvements. However, the Secretary could insure a mortgage under section 402 and 502 which exceeded the above on an individual case basis if he determines that the particular project or dwelling is subject to unavoidable or unforeseeable cost increases.

Subsection (b) directs the Secretary to determine prototype construction costs for each type and size of dwelling units and project in each housing market area at least annually. These prototypes would be based on the following: (1) an estimate of the construction costs of comparable new dwelling units of various types and sizes; (2) the extra durability required for economical maintenance of such housing; (3) the provision of amenities to guarantee safe and healthy family life and neighborhood environment, (4) good design and quality in architecture to reflect neighborhood and community standards; (5) the effectiveness of existing FHA mortgage limits in the areas, and (6) the advice and recommendations of local housing producers. These prototype construction costs would become effective upon the date of publication in the *Federal Register*.

Subsection (c) would define "construction costs" as those cost items which are normally reflected in the amount of a home mortgage or multifamily mortgage insured under section 402 and 502, except for the cost of land and site improvements.

Section 201. Insurance funds.—Section 201 (b) of S. 2049, which describes the Special Risk Insurance Fund would be amended to include the mortgages of two new programs subsequently added to the "Revised National Housing Act." Section 201(b)(2) would be amended to include home mortgages insured under section 401(g) and section 201(b)(4) would be amended to include multifamily mortgages under 501(j) [refinanced mortgages].

Section 401. Home mortgage insurance.—Basic insurance program.—Section 401 of the "Revised National Housing Act" as proposed in S. 2049 would be amended by adding a new subsection (g). This subsection would authorize the Secretary to insure a mortgage

executed by the occupant of a single family dwelling to refinance an existing mortgage on that dwelling so to assist in preserving and improving the quality of existing neighborhoods and properties and to prevent the abandonment of such properties. Mortgages eligible for insurance under this subsection shall: (1) be secured by the property which is to be refinanced; (2) be in a principal amount not exceeding the sum of 90 percent of the appraised value of the property plus the estimated cost of any repairs; and (3) provide for the complete amortization by periodic payments within such term as the Secretary prescribes.

No mortgage can be insured under this subsection unless it is (a) located in a stable neighborhood containing adequate public facilities or in an area in which the community is planning to carry out a program for neighborhood preservation, conservation or rehabilitation and (b) the property is basically sound or capable of repair without substantial rehabilitation.

Section 402. Homeownership assistance.—S. 2049 provides in section 402 a program to assist lower income families in acquiring homeownership. (This would replace the present section 235 program.) This entire section would be deleted and a new section 402, dealing with homeownership assistance, inserted in its place.

Subsection (a) authorizes the Secretary to make and to contract to make periodic assistance payments on behalf of eligible lower income families to assist them in acquiring homeownership or ownership of a unit in a cooperative (sales cooperatives). Such assistance will be in the form of payments to mortgagees holding mortgages meeting the special requirements in this section.

Subsection (b) sets forth the general requirements for assistance under section 402. The homeowner or owner of a cooperative unit must be of lower income and satisfy eligibility requirements prescribed by the Secretary. For homeownership (including ownership of a condominium unit) the owner must be a mortgagor under a mortgage meeting the requirements of and insured under section 402.

For ownership of a unit in a cooperative, the owner must be a mortgagor under a mortgage meeting the requirements of and insured under section 402. Such a unit must be (a) in a cooperative project, the construction of which was financed through a mortgage insured under section 501 of the Revised National Housing Act, completed within two years prior to the filing of an application for assistance; and had no previous occupant; or (b) in an existing project, insured under Sections 213, 221(d)(3) or 236 of the National Housing Act, receiving rent supplements or financed under the low rent public housing program, and the units are to be sold to purchasers eligible for mortgage insurance and assistance payments under this section. The subsection also provides that to be eligible for assistance, the cooperative must have consumer-oriented sponsorship and will continue to provide community facilities for the owners of such units.

This subsection also provides an exception to the above and permits the Secretary to make assistance payments on behalf of otherwise eligible families involving homes or cooperative units which are being financed through a state or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.

Subsection (c) provides that assistance payments may be made during such time as the mortgagor continues to occupy the property. Such payments may continue to be made if a new owner purchases the property and is approved by the Secretary as eligible to receive such assistance. The Secretary is also authorized to continue making assistance payments where the mortgage has been assigned to him.

Subsection (d) provides that assistance payments shall be an amount not to exceed the lesser of (1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurances premiums due under the mortgage remaining unpaid after deducting 20% of the mortgagor's income; or (2) the difference between the monthly payment required for principal, interest, taxes, insurance and mortgage insurance premium and the monthly payment for taxes, insurance and mortgage insurance premium. In no case, however, shall monthly payments be less than the sum of monthly payments for taxes and insurance.

Subsection (e) permits the Secretary to include in that payment to the mortgagee an amount to reimburse the mortgagee for its expenses in handling the mortgage.

Subsection (f) provides that procedures shall be adopted to recertify mortgagor's income every two years for the purpose of adjusting the amount of assistance. This subsection also provides that no assistance payments shall be made unless the Secretary is satisfied that the mortgagor's residual income is sufficient to pay normal utility and maintenance costs.

Subsection (g) requires the Secretary to

prescribe regulations to assure that the sales price of properties to be purchased under the program are not increased above the appraised value on which the maximum mortgage is computed. This subsection also requires the Secretary to prescribe regulations to present excessive profits upon sale or disposition of property assisted under this section, in which case the seller would be required to repay, out of net proceeds, an amount equal to that portion of the assistance payments which covered principal determined by the Secretary to be equitable taking into account the circumstances surrounding the sale or disposition.

Subsection (h) authorizes the appropriation of funds to carry out the provisions of this section including sums to make assistance payments under contracts entered into under this section. Such contract authority shall not exceed amounts approved in appropriation acts, and such contracts shall not exceed \$75 million prior to the beginning of fiscal year 1970, and shall be increased by \$125 million in fiscal year 1970, \$150 million for fiscal year 1971, and \$200 million for fiscal year 1972, \$250 million in fiscal year 1973, \$300 million in fiscal year 1974, and \$350 million in fiscal year 1975.

This subsection also provides that not more than 30 percent of the contract authority approved in appropriations acts made after July 1, 1972 be made with respect to existing units except in the case of units for families displaced by public action or families with five or more minors where this limitation will not apply. Also, not less than 10 percent of this contract authority approved in appropriations acts shall be used for properties approved by the Secretary prior to substantial rehabilitation.

Subsection (i) authorizes the Secretary to insure a home mortgage (including open-end advances) under this section which meets the requirements of section 401 except that such a mortgage shall: (1) involve a single-family dwelling or a one-family unit in a condominium or cooperative, and (2) have a principal obligation not to exceed (a) the appraised value of property (or if a rehabilitated property, the sum of the estimated cost of rehabilitation plus the estimated value of the property prior to rehabilitation), and (b) an amount not to exceed all closing costs and prepaid expenses less \$200.

Subsection (j) authorizes the Secretary to insure a mortgage executed by a nonprofit organization, public body or agency to finance the purchase (and rehabilitation if necessary) of housing for resale to families eligible for assistance under section 402. The housing must include five or more one-family dwellings or units in any case where rehabilitation is involved. The mortgage shall not exceed the appraised value of the property at time of purchase plus the estimated cost of rehabilitation and bear market rate interest. Properties eligible for insurance shall be located in stable neighborhoods with adequate public facilities or amenities or in areas where action is being taken (including the rehabilitation under this section) to give reasonable promise that a healthy environment will be created.

Under subsection (j) (4) the Secretary is authorized to insure the individual mortgages given to finance the resale of this housing to families eligible to receive assistance under this section after the purchase and/or rehabilitation of the property. The Secretary also is authorized to pay on behalf of the mortgagor the difference between the required monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium obligated under the mortgage and the monthly payment for interest, taxes, and mortgage insurance premiums.

Subsection (k) incorporates Section 237 of the National Housing Act. The Secretary is authorized to provide, or contract with public or private organizations to provide, budget, debt management and related counseling services to families whose mortgage is insured under this section the Secretary may also provide counseling to eligible families who lack funds for a downpayment to help them save for this purpose.

Subsection (l) defines "lower income families" to mean those families whose income does not exceed the median income for the area. The Secretary may make adjustments for family size and can raise or lower these ceilings if construction costs, unusually high or low median family incomes, or other factors warrant such action.

Subsection (m) defines "income" to mean all income from each member of the family in the household, with the following exceptions: (1) the income of family members under 18, the income of full-time students (unless such members or students are heads of households), and nonrecurring income; (2) an amount equal to \$300 for each dependent and each secondary wage earner; (3) an amount equal to 5 percent of gross income (10 percent in the case of an elderly family); and (4) medical or other expenses as the Secretary approves for exclusion.

Subsection (n) provides for assistance to owner occupants to rehabilitate their own property, if such owner-occupant is otherwise eligible for assistance. It authorizes the Secretary to make assistance payments, subject to subsection (d), to a mortgagee on behalf of a homeowner who meets the in-

come requirements if (1) the mortgage was executed for the purpose of rehabilitating or renovating the property involved, (2) that mortgage is insured under or meets the requirements of subsection (i) of this section, and (3) that homeowner continues to occupy such property.

Section 501. Project mortgages.—Multifamily housing.—Section 501 of S. 2049 sets forth the general insurance requirements for multifamily housing. It would be amended as follows:

Section 501 (i) of S. 2049 sets forth certain requirements for insuring project mortgages. This subsection would be amended to permit projects or properties, intended for the use of the elderly or handicapped, to incorporate design facilities to serve the special needs of these families.

Section 501 of S. 2049 would also be amended by adding a new subsection (j) to cover insurance of refinanced mortgages meeting specified requirements. Under this new subsection, the Secretary would be authorized to insure any mortgage covering a multifamily housing project to finance an existing mortgage on that project so as to assist in preserving and improving the quality of existing neighborhoods and properties and prevent the abandonment of such properties. Mortgages eligible for insurance under this subsection shall: (1) be secured by the property which is to be refinanced with the proceeds; (2) be in a principal amount not exceeding the sum of 90 percent of the appraised value of the property (97 percent in the case of cooperatives) plus the estimated cost of repairs; and (3) provide for complete amortization by periodic payments as prescribed by the Secretary.

No mortgage shall be insured under this section unless the Secretary determines (a) that the property to be refinanced is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values or in which the community is planning to carry out a program for neighborhood preservation, conservation, or rehabilitation; (b) that the property is basically sound or capable of repair without substantial rehabilitation; and (c) that, when refinancing involves an existing owner, maintenance services provided have been adequate.

The Secretary may extend the amortization term of any mortgage insured under this subsection if he determines that a rent increase would be reduced or avoided.

This section does not preclude the insurance of mortgages which involve projects containing units to be made available to low or moderate income families, or a change in the form of ownership, or manner of operation of the project.

Section 502. Multi-family housing assistance.—S. 2049 provides in Section 502 a program designed to reduce rentals for lower income families. This entire section would be deleted and a new Section 502 dealing with multi-family housing assistance inserted in its place.

Subsection (a) authorizes the Secretary to make, and to contract to make, periodic assistance payments on behalf of the owners of rental housing projects. This would be accomplished through payments to mortgages holding mortgages meeting the special requirements of this section.

Subsection (b) provides that assistance payments would be made only so long as the project is operated as a multi-family housing project and is subject to the mortgage which meets the requirements of and is insured under Subsection (j) or which has been assigned to the Secretary. Additionally, assistance payments would be made if the project is owned by a private non-profit corporation or other private non-profit entity, a limited dividend corporation or other limited dividend entity, or a public agency or a cooperative housing corporation and is financed under a State or local program which is providing assistance through loans, loan insurance, or tax abatement. Upon meeting the requirements above, assistance payments can be made for either new or existing construction and for all or part of a project.

Subsection (c) provides that the amount of any assistance payment shall not exceed the difference between total cost attributable to the project (principal, interest, mortgage insurance premiums, taxes, utilities, maintenance, management and operating costs as well as tenants services) and the total revenues accruing to the project (rents or cooperative charges, other fees and charges, grants or other income, non-residential tenants, interest or any direct project investments and other revenues as determined by the Secretary). Contracts can be amended by the Secretary to reflect the changes in project costs or revenues.

Subsection (d) provides additional assistance payments to reimburse the mortgagee for its expenses in handling the mortgage.

Subsection (e) provides that receiving the benefits of assistance payments is made conditional on the project owner operating the project in accordance with such requirements that the Secretary may prescribe with respect to tenant eligibility and rents. Also, the Secretary is required to adopt procedures for reviewing tenants income at intervals of not more than 2 years.

Subsection (f) requires that an "operating rental charge" and a "fair market rental

charge" be established for each assisted unit. The operating rental charge would be based on the cost of operating, maintaining and managing the project, exclusive of debt service. The fair market rental would be based on the cost of operating the project with payments on principal, interest, and mortgage insurance premium. The actual per unit rental would be based on local rent to income ratios determined by the locality (or sponsor if no such local ratios exist) and approved by the Secretary. Such ratios would take into account family income, family size and local income and spending patterns; however, no family would pay in excess of 25 percent of income for rent and the average rent to income ratio in each project should be at least 20 percent. The only exception to these provisions would be families who receive a majority of their income through federally-assisted public assistance who, two years after enactment of this provision, would be required to pay as a minimum the operating rental charge. This two year period would provide the time necessary for any changes in state or local welfare laws and regulations to carry out the section.

Subsection (g) would require the project owner to accumulate and to pay periodically to the Secretary any rental charges received in excess above the amounts specified in the assistance contract. The Secretary would deposit these in a revolving fund to be used to make additional assistance payments. Moneys not needed for current obligations could be invested in government obligations or government guaranteed obligations.

Subsection (h) would require that, in the case of a new project, at least 20 percent of the units initially be made available for families of very low income, defined as those requiring an initial assistance payment in excess of 60 percent of the fair market rental charge. The requirement could be waived if, due to local or special circumstances, the project cannot meet this requirement. This subsection also requires the Secretary to prescribe regulation to insure that the availability of units in any new project shall be published, along with a rental range, in a daily newspaper of general circulation in the area where the project is located, and in a newspaper serving the center city if the project is located in a standard statistical metropolitan area.

Subsection (i) authorizes the appropriation of funds to carry out the provisions of this section including sums to make assistance payments under contracts entered into under this section. Such contract authority shall not exceed amounts approved in appropriation acts, and such contracts shall not exceed \$75 million prior to the beginning of fiscal year 1970, and shall be increased by \$125 million in fiscal year 1970, \$250 million in fiscal year 1971, \$280 million in fiscal year 1972, \$350 million in fiscal year 1973, \$400 million in fiscal year 1974 and \$450 million in fiscal year 1975.

Subsection (j) authorizes the Secretary to insure a mortgage (including advances on such mortgages during construction) under this section to be occupied primarily by lower income tenants. Such a mortgage should meet the requirements of section 501 with the following exceptions. If the mortgage is executed by a cooperative, nonprofit corporation or association, a public agency, or a builder-seller, as (defined by the Secretary) the principal obligation shall not exceed: (a) if new construction, the estimated replacement cost of the project when completed; (b) if rehabilitation, the sum of the cost of the rehabilitation plus the estimated value of the property prior to rehabilitation; or (c) if refinancing, the appraised value of the property. If the mortgage is executed by a limited distribution corporation or other limited dividend entity or an investor-sponsor who agrees to sell the project to a cooperative, the principal amount shall not exceed 90 percent of the above.

If a project is financed with a mortgage executed by other than a cooperative, nonprofit, or public agency and later sold to a cooperative or nonprofit association or corporation the Secretary under subsection (j) (4) is authorized to insure such a mortgage not exceeding the appraised value of the property at time of purchase, based on a mortgage amount on which debt service can be met from the income of the property, when operated on a non-profit basis, after payment of all operating expenses, taxes and reserves. Subsection (j) (5) permits the sale of individual units to eligible lower income families under such regulations as the Secretary may provide.

Subsection (k) (1) defines the term "tenant" to also include a member of a cooperative. It also defines the terms "rental" and "rental charge" to include the charges under the occupancy agreements between cooperative members and the cooperative.

Subsection (k) (2) defines the term "low income tenants" to mean tenants whose incomes do not exceed the median income for the area. The Secretary may make adjustments for family size and can raise or lower these ceilings if construction costs, unusually high or low median family incomes, or other factors warrant such action.

Subsection (k) (3) defines the term "tenant services" to include: 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 sources, 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 for families living in housing projects assisted under this section.

Subsection (k) (4) defines "income to mean all income from each member of the family in the household, with the following exceptions: (1) the income of family members under 18, the income of full-time students (unless such members or students are heads of households), and nonrecurring income; (2) are amount equal to \$300 for each dependent and each secondary wage earner; (3) an amount equal to 5 percent of gross income (10 percent in the case of an elderly family); and (4) medical or other expenses as the Secretary approves for exclusion.

Subsection (k) (5) defines "cooperatives" as a non-profit corporation or a non-profit housing trust which has consumer-oriented sponsorship and which is organized for the purpose of construction, rehabilitation, or acquisition of housing and related facilities. Occupancy of the cooperative is restricted to members.

Subsection (l) authorizes the Secretary to enter into agreements with a state or its agency where such a state or agency contracts to make assistance payments, subject to this section and such rules and regulations adopted by the Secretary, with respect to a project approved by the Secretary prior to the beginning of construction or rehabilitation. Any funds provided by the state or agency should be administered by the Secretary according to the agreement between the states or agency and the Secretary. Before entering into such agreements to administer such state programs, the Secretary should determine that the state or agency will provide sufficient funds for the full period specified in the assistance payment contract.

TITLE II: PUBLIC AGENCY HOUSING ASSISTANCE

Title II of S. 2049 contains a complete rewrite of the United States Housing Act of 1937 and proposes a 13-section revised "United States Housing Act of 1937". A series of amendments are proposed to this revised "United States Housing Act of 1937", which would result in the following.

Section 201. This section would amend and supersede the U.S. Housing Act of 1937.

Short title

Section 1. The Act would be cited as "The United States Housing Act of 1937".

Declaration of policy

Section 2. The Declaration of Policy of The United States Housing Act of 1937 would be amended as proposed in S. 2049, except the phrase in the existing 1937 Act including "responsibility for the establishment of rents and eligibility requirements, subject to the approval of the Secretary of HUD", would be retained.

Definitions

Section 3. This section defines "development", "operation", "acquisition cost", "State", "low income housing project" or "project", "families", "elderly families", and "displaced families" as proposed in S. 2049. The terms "low-income housing", "low-income families" and "public agency housing" are defined as follows:

The term "low-income housing" means well-designed but not luxurious housing in a local area, as determined by the Secretary, the construction cost of which does not exceed by more than 20 per centum the appropriate prototype construction costs for the area. Prototype construction costs (excluding the cost of land, demolition, and site improvements and non-dwelling facilities) shall be determined at least annually by the Secretary on the basis of his estimate of the construction and equipment costs of new dwelling units of various sizes and types in the area. The Secretary in determining an area's prototype costs shall take into account the extra durability required for economical maintenance of assisted housing, and the provision of amenities designed to guarantee safe and healthy family life and neighborhood environment. Further, in the development of such prototypes, emphasis shall be given to encouraging good design as an essential component of such housing and to producing housing which will be of such quality as to reflect the architectural standards of the neighborhood and community. The prototype costs for any area shall become effective upon the date of publication in the Federal Register. Occupancy shall be limited to families who at time of entry into a project are low-income families. Rents for low-income housing shall be determined by the public housing agency with the approval of the Secretary. The average rental for dwelling units administered by a public housing agency shall be not less than one-fifth of family income, and no rental for any single dwelling unit shall exceed one-fourth of family income. Income, or purposes of this Act, means income from all sources of each member of the family residing in the household who is at least eighteen years of age; except that (1) non-recurring income, as de-

termined by the Secretary, and the income of dependent, full-time students shall be excluded; (2) and amount equal to the sum of \$300 for each dependent, \$300 for each secondary wage earner, 5 percentum of the family's gross income (10 per centum in the case of elderly families), and those medical expenses of the family properly considered extraordinary shall be deducted; and (3) the Secretary may allow further deductions in recognition of unusual circumstances.

The term "low-income families" means families the incomes of which do not exceed 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 the median income for the area on the basis of his finding that such variations are necessary because of prevailing levels of construction costs, unusually high or low median family incomes, or other relevant factors.

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

Loans

Section 4. This section is the same as Title II, Section 4 of S. 2049.

Annual contributions

Section 5. This section provides for annual contributions contract provisions in two parts: (1) capital debt requirements and (2) operating services and reserve funds.

(a) The Secretary would make annual contributions to public agencies to cover principal and interest payments payable on obligations issued by the public housing agency to finance the development or acquisition cost of the low income project. This subsection is the same as Title II, Section 5(a) of S. 2049.

(b) This subsection is the same as Title II, Section 5(d) of S. 2049; and provides for collective coverage of two or more projects under one contract.

(c) This subsection is the same as Title II, Section 5(e) of S. 2049 which requires the approval of the local governing body of all public housing agency applications and the demonstration of the need for low income housing, except that (1) is amended to read as follows: "and (2) unless the public housing agency has demonstrated to the satisfaction of the Secretary that there is a need for such low-income housing under the conditions set forth in this Act".

(d) (1) This subsection is almost identical to Title II, Section 9(a) of S. 2049, and provides for annual contributions for operating services. In addition to the annual contributions authorized under subsection (a), the Secretary may make contributions to public housing agencies to assist in the operation of their projects. Contributions under this subsection shall be payable annually and shall not exceed such amounts as the Secretary determines are required (A) to assure the low-income character of the projects involved and (B) to achieve adequate operating services and reserve funds. The Secretary may embody the provisions for annual contributions in accordance with this subsection in a contract guaranteeing their payment.

(2) This subsection is not included in S. 2049 and spells out the procedure for allocation of annual contributions for operating services. At the initial stage of development of each new low-income housing project, or in the case of existing projects at the earliest practicable time after the date of enactment of this section, the public housing agency operating the project shall determine, with the approval of the Secretary, appropriate and required operating services and reserve funds, including tenant services, based on the character and location of the project and the characteristics of the families to be housed. Services so determined shall constitute the base level of operating services of a public housing agency. If income from a project of a public housing agency will not be sufficient in any year to meet the agency's base level of operating services at projected costs for that year, the Secretary may make contributions to meet the residual cost. The commitment to maintain a base level of operating services shall be incorporated in an annual contributions contract. A public housing agency shall signify its base level of operating services requirements at the beginning of its operating year and at the time of the preparation of its annual budget. A public housing agency shall at the time of its reexamination of tenant income (at least every two years) reexamine its base level of operating services in order to determine the adequacy of the services provided for in the light of changing conditions and standards.

(e) This subsection authorizes the Secretary to use annual contributions to make improvements in existing projects by providing that in addition to the annual contributions authorized under subsection (a) and (d), the Secretary may make contributions to public housing agencies to effect such improvement in existing projects administered

by such agencies as the Secretary determines are necessary to bring such projects up to minimum standards prescribed by the Secretary for new projects. Contributions under this subsection shall be payable annually and provision therefore may be embodied in a contract guaranteeing their payment.

(f) This subsection insures uniformity of treatment for tenants in low-income housing and provides that income limits for occupancy, rents, and other requirements applicable to low-income housing projects shall be determined without regard to whether annual contributions with respect to such projects are being provided pursuant to subsections (d) and (e).

(g) This subsection is the same as subsection 5(e) of S. 2049, and provides that any portion of an annual contributions payment made to a public housing agency pursuant to a contract under this section which is not used by the agency in the year for which it was made shall, under regulations prescribed by the Secretary, effect a pro tanto reduction in any subsequent annual contribution payment made to such agency.

(h) This subsection is the same as subsection 5(f) of S. 2049, granting the Secretary the authority to modify the rate of interest and other terms of contract to which he is a party, under certain conditions.

(i) (1) This subsection is in substitution of subsection 5(c) of S. 2049, and provides for total contract authority, and for a portion of new authority to be utilized for Section 23 leased housing. The aggregate contracts for annual contributions entered into by the Secretary under subsection (a), and section 10 of this Act as it existed prior to the date of enactment of the Housing Consolidation and Simplification Act of 1971, shall not exceed \$1,424,250,000 per annum, which limit shall be increased by \$350,000,000 on July 1, 1972, by \$400,000,000 on July 1, 1973, and by \$450,000,000 on July 1, 1974: *Provided*, That at least 30 per centum of the total amount of such contracts entered into in any fiscal year pursuant to new authority granted to the Secretary by any Act of Congress enacted on or after December 31, 1970, shall be entered into with respect to units of low-income housing in private accommodations provided under section 8 (section 23 of this Act as it existed prior to the date of enactment of the Housing Consolidation and Simplification Act of 1971). The Secretary is also authorized to enter into contracts for annual contributions (A) under subsection (d) aggregating not more than \$300,000,000 per annum, and (B) under subsection (e) aggregating not more than \$100,000,000 per annum.

(2) This subsection is the same as the second part of Subsection 5(c) of S. 2049, and provides that 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 under subsection (a). It also provides that public housing agencies must comply with the requirements of section 8 (a) (1) concerning the provision of low-income housing in private accommodations. The faith of the United States is solemnly pledged to the payment of all annual contributions contracted for pursuant to this section.

Contract provisions and requirements

Section 6. This Section would include the following subsections as proposed in S. 2049, with the changes noted.

(a) Same as Title II, subsection 6(a) of S. 2049—covering (1) the right of the Secretary to include conditions in loans, annual contributions, contracts or other instruments or agreements, necessary to insure the low income character of the project (2) a contract condition requiring open space or playground, if deemed necessary by the Secretary, and (3) a contract condition that no highrise elevator projects, except for elderly, shall be developed for families with children, unless the Secretary determines there is no practical alternative.

(b) This subsection is in substitution for subsection 6(b) of S. 2049, and provides that every contract made pursuant to this Act for loans (other than preliminary loans) and annual contributions shall provide that the construction cost of the project (excluding the cost of land, demolition, site improvement, non-dwelling facilities, and the cost of relocation assistance) on which the computation of any annual contributions under this Act may be based shall not exceed by more than 20 per centum the appropriate prototype cost for the area, except where the Secretary determines (on a project-by-project basis) that this limitation should not be applied to the project because of special considerations.

(c) This subsection is the same as subsection 6(c) (2) and (3) of S. 2049, requiring (1) Certification and two-year review of regulations and (2) notification procedures for ineligible applicants.

(d) This subsection is a substitute for subsection 6(d) of S. 2049 providing that all new public agency assisted housing would pay full real and personal property taxes levied or imposed by a state, city, county, or other political subdivision. It would further provide that existing public housing developments not now paying such full taxes would proceed to make increased tax payments on

a fixed level, annual basis until they are paying full taxes, at a rate of at least 10 percent increase a year, but reaching a full level tax payment within at least ten years. Estimates for increasing annual contribution contracts to cover full property taxes in existing projects would be submitted by the Secretary within six months after enactment of this Act.

(e) Subsection 6(e) of S. 2049 is deleted; conditions for reduction of subsequent annual contributions are covered under subsection 5(g). The new subsection 6(e) is the same as subsection 6(f) of S. 2049, covering conditions in the event of default.

(f) This would be a new subsection providing that after January 1, 1975, a family receiving the major portion of its income from public assistance shall pay rent at least equal to the operating costs attributable to its housing unit, including utilities. Operating costs shall mean all costs except for principal and interest payments on capital debt.

(g) This would be a new section providing that if the Secretary and the public housing agency jointly agree that an existing project is obsolete with respect to physical condition or location, that the Secretary can make a capital grant to pay off the indebtedness so that the project can be demolished or sold. The capital grant would cover the cost of demolition, if required. The local public agency would be required to provide replacement or relocation housing for existing tenants. A capital grant authorization of \$100 million is provided for this purpose, to remain available until expended.

Congregate housing

Section 7. This section is the same as Title II, Section 7 of S. 2049, except for the final sentence, which is revised to read: "Expenditures incurred by a public agency in the operation of a central dining facility in connection with congregate housing shall be considered as one of the costs of the project, except that only up to 25 percent of the cost of providing food and service, shall be included."

Low-income housing in private accommodations

Section 8. This section is the same as Title II, Section 8 of S. 2049.

Section 9. This section of S. 2049 is deleted; operating service contributions are covered under Section 5.

Homeownership for low-income families

Section 9. This section is in substitution for Title II, Section 10 of S. 2049 and sets forth the terms and conditions for homeownership under the public agency low-income housing program. It is the same as Section 10 of S. 2049, except for the following major changes:

(a) The rate of interest for a mortgage is the same as that under the FHA Section 402 homeownership program, or the rate on the public housing agency's principal, whichever is "applicable" (S. 2049 provides for the "greater" interest rate);

The home purchaser concept of the existing Turnkey III housing program is extended by providing an alternate method for a low-income family to achieve homeownership; under this alternative, the Secretary of HUD would have the discretion to assist the low-income home purchaser to meet all or part of total real property tax payments (c);

Upon sale of any unit, the family would be required to pay from the sales proceeds, if sufficient, any subsidy which has covered principal.

The conditions for disposition of a housing development, either for sale to low-income tenant purchasers, or to non-profit, or cooperative purchasers shall include a requirement that any necessary repairs or improvements be made prior to disposition of the property. The Secretary is authorized to provide supplemental annual contributions to cover the debt service on loans to make such repairs and improvements. The sale price shall cover: The outstanding bonded indebtedness, the costs of any supplemental loan to cover necessary repairs and improvements, the costs of conversion, closing costs and prepaid expenses. The legislation makes clear that annual contributions will continue to cover debt service both on the original capital cost and the loan, as well as prepaid expenses and closing costs.

General provisions

Section 10. This section is the same as Title II, Section 11 of S. 2049.

Financing low-income housing projects

Section 11. This section is the same as Title II, Section 12 of S. 2049.

Labor standards

Section 12. Section is the same as Title II, Section 13 of S. 2049.

Applicability of rental requirements

Section 202 of S. 2049 is deleted.

Exemption of mutual help projects from rental formula

Section 202 is the same as section 203 of S. 2049.

Repeal of specification requirements

Section 203 is the same as Section 204 of S. 2049.

Retroactive repeal of section 10(J)

Section 204. This section is the same as Title II, Section 205 of S. 2049.

Amendment to National Bank Act

Section 205. This section is the same as Title II, Section 206 of S. 2049.

Amendment to Lanham Act

Section 206. This section is the same as Title II, Section 207 of S. 2049.

Effective date of title II

Section 207. This section is in substitution for section 208 of S. 2049. Except as otherwise provided in Sections 201-202, the provisions of Title II shall be effective beginning on January 1, 1973, except that any adjustment in income eligibility or rent payment shall take place at the first regular reexamination of tenant income following January 1, 1973. Further, the Secretary is authorized to proceed immediately upon the effective date of this Act to execute "base level" operating assistance contract agreements with existing public housing agencies.

AMENDMENT No. 789

At the end of the bill insert the following new sections:

HOUSING GOALS AND ANNUAL HOUSING REPORT

Sec. 309. (a) Section 1601 of the Housing and Urban Development Act of 1968 is amended

(1) by striking out the section heading and inserting in lieu thereof the following: "Reaffirmation of National Goal; Development of State and Local Goals";

(2) by inserting "(a)" after "Sec. 1601"; and

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

"(b) The Congress further finds that the achievement of the national housing goal will require a more efficient use of the Nation's existing housing stock through such measures as preservation, rehabilitation, and improvements in management and maintenance policies, in order that losses to the housing stock may be minimized and the current level of housing services improved.

(c) In order to facilitate the achievement of the national housing goal and provide a more precise basis for determining national housing requirements, the Secretary of Housing and Urban Development shall encourage (through the provision of planning assistance and otherwise) the formulation of State and local housing goals covering major housing market areas. Such State and local housing goals shall be developed and formulated so as to include both the housing production requirements of the areas involved and the actions needed to preserve the existing housing stock in such areas, including—

"(1) the numbers and types of subsidized housing units which are needed annually to serve various income groups and are necessary for relocation or replacement housing resulting from community development programs,

"(2) the Federal, State, and local programs which might or should be utilized to meet the goals established, and the adequacy of private financing resources in meeting these goals,

"(3) the identification of impediments to meeting these goals, such as unrealistic or obsolete building codes and zoning regulations, and any recommendations or proposals for eliminating such impediments, and

"(4) plans for the general location of low- and moderate-income housing so as to provide the residents thereof with greater access to employment opportunities."

(b) Section 1602 of such Act is amended—

(1) by inserting "(a)" after "Sec. 1602"; and

(2) by adding at the end thereof a new subsection as follows:

"(b) The President shall from time to time report to the Congress such changes in the plan submitted pursuant to subsection (a) as he determines to be necessary or appropriate for the realization of the goal referred to in section 1601. Revisions so reported shall take into account (1) State and local housing goals which have been developed and formulated as prescribed in section 1601 (c), and (2) community development needs pursuant to the Community Development Assistance Act of 1971. Requests to the Congress for appropriations or new authorizations to carry out Federally-assisted housing programs shall be in three-year increments and shall be accompanied by explanatory material indicating the manner in which the requests will further the realization of the goal referred to in section 1601."

(c) (1) Section 1603 of such Act is amended by redesignating paragraph (5) and (6) as paragraphs (8) and (9), respectively, and by inserting after paragraph (4) the following new paragraphs:

"(5) include a contingency plan for the provision of required mortgage credit, setting forth proposed governmental actions to be carried out in the event of adverse mortgage credit conditions;

"(6) provide an analysis of changes affecting housing costs borne by occupants, together with recommended actions to reduce the cost of any inflationary elements;

"(7) provide an analysis of annual changes in the number and conditions of units in the

national housing inventory;"

(2) Such section is further amended by adding at the end thereof the following: "As an aid in the preparation of such periodic reports, the Bureau of the Census shall make such annual surveys as the President deems necessary to obtain current information on the national housing inventory. Expenses incurred in the making of such surveys or portions thereof shall be reimbursable from the appropriation authorized under section 1604."

(d) Title XVI of such Act is amended by redesignating section 1604 as section 1605, and by inserting after section 1603 a new section as follows:

"AUTHORIZATION FOR APPROPRIATIONS

"Sec. 1604. There is authorized to be appropriated not to exceed \$75,000,000 to carry out the provisions of sections 1601-1603. Sums so appropriated shall be available for expenses incurred in the preparation of the reports referred to in such sections; to provide such additional planning assistance to the States and localities as may be necessary, as determined by the Secretary of Housing and Urban Development, to carry out the provisions and purposes of section 1601(c); and to reimburse the Bureau of the Census for expenses incurred in the making of surveys pursuant to section 1603."

(e) Section 701(a) of the Housing Act of 1954 is amended by striking the next to last sentence of this section and inserting in lieu thereof the following: "Planning carried out with assistance under this section shall also include a housing element as part of the preparation of comprehensive land use plans. The development and formulation of State and local goals pursuant to title XVI of the Housing and Urban Development Act of 1968 shall be required as part of such a housing element. Consideration of housing needs and land use requirements for housing in each comprehensive plan 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 studies in the planning will be adequately covered in terms of existing and prospective in-migrant population growth."

PUBLIC SERVICE GRANTS

Sec. 310. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to enter into contracts to make, and to make annual grants to municipalities and other political subdivisions of States to assist such localities in meeting the increased cost of providing needed governmental services in connection with new federally assisted housing located in such localities. In no case shall a contract provide for such grants with respect to any such housing for a period in excess of ten years.

(b) A grant under this section shall not be made unless the Secretary has obtained assurances that the locality involved will maintain during the period of the contract a level of expenditures for governmental services at not less than its normal expenditures for such services prior to the execution of the contract. The amount of any annual grant under this section with respect to any housing shall not exceed an amount equal to the sum of (1) \$250 multiplied by the number of dwelling units in such housing having less than three bedrooms, and (2) \$400 multiplied by the number of dwelling units in such housing having three or more bedrooms.

(c) The Secretary is authorized to make such rules and regulations, and to adopt such procedures as he deems necessary or desirable to carry out this section.

(d) As used in this section, the term "State" means the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

(e) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including the making of annual grants under contracts entered into under this section. The aggregate amount of contracts to make such grants shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$150,000,000 per annum prior to July 1, 1972, which maximum dollar amount shall be increased by \$150,000,000 on July 1 of each of the years 1973 and 1974.

INCREASED AUTHORIZATION FOR REHABILITATION LOANS

Sec. 311. Section 312(d) of the Housing Act of 1964 is amended by striking out "\$150,000,000" and inserting in lieu thereof "\$200,000,000".

HOUSING EMERGENCY AREAS

Sec. 312. (a) The Congress finds and declares—

(1) that a serious impediment exists with respect to the realization of the national housing goal, established in the Housing Act of 1949, in those areas of the country where a substantial number of low- and moderate-income families are unable to obtain decent, safe, and sanitary housing because of a lack of public or private organizations willing or

able to sponsor, with or without Federal assistance, the housing requisite to meet their needs; and

(2) that there is a need to formulate criteria for identifying such areas as "housing emergency areas", and to provide the necessary authority for the Secretary of Housing and Urban Development to act as sponsor "of last resort" of the requisite housing in such areas.

(b) The Secretary of Housing and Urban Development shall submit to the Congress, at the earliest practicable date (in no event later than one year after the date of enactment of this Act), his recommendations for legislative and administrative actions necessary for implementing, within two years after such date, the policy stated in this section.

EXPANSION OF EXPERIMENTAL HOUSING ALLOWANCE PROGRAM

Sec. 313. (a) Section 504(a) of the Housing and Urban Development Act of 1970 is amended to read as follows:

"(a) In carrying out activities under section 501, the Secretary shall undertake on an experimental basis a program to demonstrate the feasibility of providing families of low income with housing allowances to assist them in obtaining housing of their choice. For this purpose, the Secretary is authorized to make, subject to the limitations contained in section 501, monthly housing allowances to such families in localities determined by the Secretary as having an adequate supply of appropriate housing units."

(b) Section 504(b) of such Act is amended to read as follows:

"(b) The program undertaken pursuant to this section shall include the development and utilization of different types of housing allowances, and different techniques for providing such allowances to families of low income, in order that a wide variety of potentially effective types of and techniques for providing housing allowances may be tested and evaluated. Particular attention shall be given (1) to the impact of such allowances on rent levels for housing units of comparable size throughout the housing market and the extent to which any increased rent levels reflect improved housing services, and (2) to areas where no eligible housing sponsors (public or private) are providing housing assistance and in which there is a need for such housing assistance."

(c) Section 504(d) of such Act is amended by striking out "not to exceed \$10,000,000 in each of the fiscal years 1972 and 1973" and inserting in lieu thereof "not to exceed \$25,000,000 in each of the fiscal years 1972, 1973, and 1974".

(d) Section 504(e) of such Act is amended by striking out "1972 and 1973" and inserting in lieu thereof "1972, 1973, and 1974".

(e) Section 504(g) of such Act is amended by striking out "June 30, 1973" and inserting

in lieu thereof "June 30, 1974".

A SECTION-BY-SECTION SUMMARY OF AMENDMENTS TO S. 2049, THE HOUSING SIMPLIFICATION AND CONSOLIDATION ACT OF 1971

Title III of S2049 provides for a series of amendments to existing law. This amendment, number 789, would add at the end of Title III the following new sections:

Section 309. Housing goals and annual housing report.—This section would amend Title X of the Housing and Urban Development Act of 1968 by creating a mechanism to update the housing goals and modifying the requirements of the annual housing goals report, especially relating to assisted housing.

It would authorize the Secretary of The Department of Housing and Urban Development to encourage the formulation of State and local housing goals (local goals usually based on Standard Statistical Metropolitan Area's) to provide a base for determining national housing requirements. This would be accomplished usually through the "701" Urban Planning Assistance Program. Such State and local goals would also include actions necessary to maintain the existing housing stock. Specific annual needs for subsidized housing on a five-year basis would be included.

This section would also provide for the periodic updating of the national housing goals and provide that these goals be based on national data, state and local housing goals, and community development needs (relocation and replacement housing). Likewise, this section would require the Secretary to justify all authorization and appropriation requests for assisted housing programs in terms of how these figures will approach the assisted housing goals.

The scope of the annual housing goals report would be expanded to include (a) an analysis of the effect of changes in housing costs and recommendations for reducing any inflationary increases; (b) an analysis of annual changes in the quantity and condition of the national housing inventory.

Seventy-five million dollars would be authorized: to fund the annual housing goals report; to assist in the formulation of state and local housing goals (either as a supplement to "701" assistance or as a separate grant); and to contract with the Bureau of Census to do an annual evaluation of the national housing inventory.

Section 310. Public Service Grants.—This section would authorize a new program of \$150 million in new contract authority annually for three years for payments to localities to assist them offset increases in public services resulting from the provision of new federally-assisted housing within their communities. Contracts for such public service grants could not exceed ten years and could not exceed \$250 per unit annually, except for units designed for large families (3 or more bedrooms) where such amount can be increased to \$400 annually.

The section also requires the Secretary of the Department of Housing and Urban Development to obtain assurances from localities receiving such assistance that the locality will maintain a level of expenditures for governmental services at not less than its normal expenditures for such services prior to the execution of the contract.

Section 311. Increased authorization for rehabilitation loans.—This section would amend Section 312 of the Housing Act of 1964 to increase the annual amount of funds authorized for the Section 312 Rehabilitation Loan Program from 150 million dollars to 200 million dollars.

Section 312. Housing emergency areas.—Subsection (a) would state that it is the finding and declaration of Congress that a serious impediment exists in achieving the national housing goal in those areas of the country where a substantial number of low and moderate-income families are unable to obtain decent, safe and sanitary housing because of a lack of public or private organizations willing or able to sponsor, with or without federal assistance, such housing. The subsection further declares that there is a need to formulate criteria for identifying such housing areas as "housing emergency areas" and to provide the necessary authority for the Secretary of Housing and Urban Development to act as sponsor "of last resort" of the requisite housing in such areas.

Subsection (b) would require the Secretary of the Department of Housing and Urban Development to submit not later than a year after the enactment of this act his recommendations for legislative and administrative actions necessary for implementing, within two years after such date, the policy stated in this section.

Section 313. Expansion of experimental housing allowance program.—This section amends Section 504 of the Housing and Urban Development Act of 1970 to authorize a demonstration on housing allowances to test methods in addition to a single housing allowance formula (i.e. the difference between 25% of a family's income and the maximum full market rental established in the locality). It would permit the development and utilization of different types of housing allowances and different techniques for implementation.

This title further provides for evaluation of the impact of such allowance on rent levels throughout the housing market area and the extent to which any increased rental levels reflect improved housing services and its use in areas where no eligible housing sponsor (public or private) is providing housing assistance and in which there is a need for such housing assistance.

The housing allowance contract authority is increased to \$25 million for each of the next three fiscal years.



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