

*Hon. Dan. P. Sargent Jr.*

## GENERAL SUMMARY

### HOUSING AND URBAN DEVELOPMENT ACT OF 1968 Public Law 90-448, approved August 1, 1968

#### Housing goal - declaration of policy

The Congress affirms in the 1968 Act the national goal of "a decent home and a suitable living environment for every American family" (as stated in the Housing Act of 1949). It states further that the highest priority should be given to meeting the housing needs of those families for which the national goal has not become a reality, and that there should be the fullest practicable utilization, in administration of Federal housing programs, of the resources and capabilities of private enterprise and self-help techniques.

#### Opportunities for training and employment for lower income persons

The Secretary of Housing and Urban Development is directed, in administering housing programs for low-income families, to require -

1. that opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing under the programs be given to lower income persons residing in the area of the housing; and
2. that to the greatest extent feasible contracts for work pursuant to the housing programs shall, where appropriate, be awarded to business concerns located in or owned in substantial part by persons residing in the area of the housing.

#### Improved design in Government housing programs

The Congress commends the Department of HUD for its recent efforts to improve architectural standards, but declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis shall be given to encouraging good design as an essential component of the housing.

#### Improvement of program administration

The Secretary is directed to make a report to the Banking and Currency Committees early in calendar years 1969 and 1970 identifying specific areas of program administration and management which require improvement. The reports shall describe actions taken and proposed to make improvements and recommend legislation needed to accomplish the improvements.

TITLE I - LOWER INCOME HOUSINGHomeownership for lower income families

A new program (sec. 235 of the National Housing Act) is authorized to provide Federal assistance to homeownership by lower income families (including membership in a cooperative). Under the new program, the Secretary of HUD may enter into contracts to make periodic payments to lenders who make FHA-insured home mortgage loans to these families. The payments will be in an amount necessary to make up the difference between 20 percent of the family's monthly income and the required monthly payment under the mortgage for principal, interest, taxes, insurance, and mortgage insurance premium. In no case, however, can the payment on a mortgage exceed the difference between the required payment under the mortgage for principal, interest, and mortgage insurance premium and the payment that would be required for principal and interest if the mortgage bore an interest rate of 1 percent. The amount of the payment on each mortgage will vary according to the income of the homeowner. The family's income is required to be recertified at least every 2 years and appropriate adjustments made in the assistance payment to reflect any changes.

The assistance payment is available for a purchaser having an income, at the time of his initial occupancy, not in excess of 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing. However, up to 20 percent of the funds authorized in appropriation acts for the program can be used to assist families with incomes above these limits but which are not in excess of 90 percent of the income limits for occupancy in a section 221(d)(3) below-market interest rate housing project.

In calculating the income of the homeowner for the purpose of determining eligibility as well as the amount on which the 20 percent computation will be made, there will be deducted \$300 for each minor child who is a member of the homeowner's immediate family and living with him. Also, income of minors will not be included in the homeowner's income for this computation.

The amount of a home mortgage can not exceed \$15,000 (\$17,500 in high cost areas). These limits are increased to \$17,500 (\$20,000 in high cost areas for families with five or more members. The same limits apply to cooperative and condominium units.

The minimum downpayment is \$200 for families with incomes up to 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing and 3 percent in other cases.

A homeowner is to be given the opportunity, to the maximum extent feasible, to contribute the value of his labor as equity in the dwelling.

The Secretary is authorized to provide budget, debt management, and related counseling services to homeowners who purchase homes under the new section 235 program.

The housing, with a few limited exceptions, must be new or substantially rehabilitated housing, except that up to 25 percent of the amount of contracts authorized to be made before July 1, 1969 can apply to existing housing, with this percentage decreasing to 15 percent the following year, and 10 percent the third year.

The aggregate amount of contracts to make payments can not exceed amounts approved in appropriation Acts. The payments pursuant to the contracts can not exceed \$75 million per annum prior to July 1, 1969. This amount is increased by \$100 million on July 1, 1969, and by \$125 million on July 1, 1970. A reasonable portion of the contract authority is to be transferred from time to time to the Secretary of Agriculture for use in rural areas and small towns.

In addition to the foregoing provisions, a mortgage executed by a nonprofit organization or a public body or agency can be insured where it finances the purchase (and rehabilitation if necessary) of housing in viable, or potentially viable, areas for resale to lower income families. The housing must include at least four or more one-family dwellings (or two-family dwellings, one unit of which is to be occupied by the owner), or at least four or more one-family units in a condominium project, in the cases where rehabilitation is involved. The individual mortgages given to finance the resale of the housing to lower income families will also be insured by FHA and assistance payments made on behalf of the purchasers.

#### 221 (h) Program

The 221 (h) program is changed to allow the Secretary to reduce the interest rate on a home purchaser's mortgage under the program to as low as 1 percent where the purchaser's income justifies, with periodic adjustments between 1 and 3 percent to reflect changes in the homeowner's income. Under this program nonprofit mortgagors purchase and rehabilitate housing with FHA insured mortgages and resell it to low-income families.

The limit on the aggregate amount of mortgages that can be insured and outstanding at any one time under the program is increased from \$20 million to \$50 million.

#### New FHA credit assistance for homeownership

FHA mortgage insurance is authorized (under a new Sec. 237 of the National Housing Act) for families of low and moderate income who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership but who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements generally applicable for the purchase of a home under the regular FHA mortgage insurance program.

A mortgage must meet the basic requirements under one of the various FHA home mortgage programs. The credit and income requirements of the particular program do not apply, however, and the principal obligation of the mortgage can not exceed \$15,000 (\$17,500 in high-cost areas). However, if the limit on the amount of a mortgage is lower under a particular program, the lower limit is applicable.

The monthly payments, combined with local real estate taxes on the property, will not exceed 25 percent of the home purchaser's income, computed over the previous year or the previous 3 years, whichever is higher. The interest rates and mortgage insurance premiums are the same as under the program involved for other mortgagors.

The Secretary of HUD is authorized to provide debt management and related counseling services to mortgagors whose mortgages are insured under these new more liberal provisions. He can also provide counseling to otherwise eligible families who lack a downpayment on a home in order to help them to save money for a downpayment.

The aggregate balance of mortgages insured under these new provisions can not exceed at any one time \$200 million.

#### Mortgage insurance for housing in declining areas

Mortgage insurance is authorized, under any of FHA's mortgage insurance programs, for the purchase, repair, rehabilitation, or construction of housing located in older, declining urban areas without regard to the normal requirements of the particular program if FHA finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate incomes in the area, and (2) the property is an acceptable risk in view of this consideration.

#### Special Risk Insurance Fund

A new Special Risk Insurance Fund is established which is not intended to be actuarially sound and out of which claims will be paid on mortgages insured under the several new special mortgage insurance programs for housing for low or moderate income families. A \$5 million advance from the general insurance fund is authorized to initiate the new Special Risk Fund. Appropriations are authorized to cover any losses sustained by the new fund.

Condominium and cooperative ownership for low and moderate income families  
Rental housing projects financed with below-market interest rate  
FHA 221(d)(3) mortgages are permitted to be converted to cooperative or  
condominium ownership.

A low or moderate income purchaser can purchase an individual family unit and an undivided interest in the common areas and facilities of a project at a price not in excess of the appraised value of the property and with a mortgage bearing the below-market interest rate then in effect. At least a 3 percent downpayment will be required, which can be applied in whole or in part toward closing costs.

A cooperative, with membership open only to low and moderate income families meeting income limits prescribed for 221(d)(3) below-market interest rate projects, can purchase a 221(d)(3) project for an amount not exceeding the appraised value of the property for continued use as a cooperative. The insured mortgage can bear the below-market interest rate in effect at the time the commitment to insure the mortgage is issued.

Assistance to nonprofit sponsors of low and moderate income housing  
The Secretary of HUD is authorized to provide technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing to nonprofit organizations. The Secretary can also make 80-percent, interest-free loans to nonprofit sponsors of such housing to cover certain preconstruction costs under Federally-assisted programs.

The Low and Moderate Income Sponsor Fund is established for the purpose of making the loans with an authorization for appropriations of \$7.5 million for fiscal year 1969 and \$10 million for fiscal year 1970. The Fund will be a revolving fund and repayments of loans will be deposited in the Fund.

National Homeownership Foundation  
The National Homeownership Foundation is created to carry out a continuing program of encouraging private and public organizations to provide increased homeownership and housing opportunities in urban and rural areas for lower income families.

The Foundation is authorized to make grants and loans (not otherwise available from Federal sources) to such organizations to help defray organizational and administrative expenses, necessary preconstruction costs, and the cost of counselling or similar services to lower income families for whom housing is being provided. The Foundation can also provide technical assistance to the organizations.

Appropriations up to \$10 million are authorized. The Foundation can also use donated funds.

The Foundation is to be administered by an 18-member Board of Directors. Fifteen members are to be appointed by the President. The Secretary of HUD, the Secretary of Agriculture and the Director of OEO are the other three members. The board will appoint an executive director as its executive officer.

New technologies - housing for lower income families

The Secretary of HUD is directed to institute a program under which qualified public and private organizations will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available for that purpose, or on other land which is suitable.

The Secretary will approve up to 5 plans which are submitted to him under the program. He will consider (among other things) the potential of the technology employed and the ability of the organization submitting the plan to produce at least 1,000 dwelling units a year utilizing that technology.

The Secretary is directed to seek to achieve the construction of at least 1,000 dwelling units a year over a 5-year period for each of the various types of technologies proposed in the plans approved. He is required to report at the earliest practicable date with respect to the projects assisted, together with his recommendations.

Mortgages financing the projects are authorized to be insured under the FHA experimental housing program.

Study of insurance protection for homeowners

The Secretary of HUD, in cooperation with the private insurance industry, is authorized to develop a plan for establishing an insurance program to enable homeowners to meet their monthly mortgage payments in times of personal economic adversity. The Secretary is required to report his actions and recommendations within 6 months following enactment of the law.

National Advisory Commission on Low-Income Housing

A National Advisory Commission on Low-Income Housing is established to undertake a comprehensive study and investigate the resources and capabilities in the public and private sectors of the economy which may be used to fulfill more completely the objectives of the national goal of "a decent home and a suitable living environment for every American family".

The Commission is directed to submit to the President and the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969, and a final report not later than July 1, 1970.

TITLE II - RENTAL HOUSING FOR LOWER INCOME FAMILIES

A new program of Federal assistance to rental and cooperative housing for lower income families is authorized by adding a new section 236 to the National Housing Act. The assistance is in the form of periodic payments to the mortgagee financing the housing to reduce the mortgagor's interest costs on a market rate FHA-insured project mortgage.

The interest reduction payments will reduce payments on the project mortgage from that required for principal, interest, and mortgage insurance premium on a market rate mortgage to that required for principal and interest on a mortgage bearing an interest rate of 1 percent.

The interest reduction payments will reduce rentals to a basic charge, and a tenant or cooperative member will either pay the basic charge or such greater amount as represents 25 percent of his income, but not in excess of the charges which would be necessary without any interest reduction payments. Incomes of tenants will be reexamined at least every 2 years for the purpose of adjusting rentals. Rental charges collected by the project owner in excess of the basic charges are to be returned to the Secretary for deposit in a revolving fund for the purpose of making other interest reduction payments.

Tenants of these projects who pay less than the fair market rental charge for their units will generally have to have incomes, at the time of the initial rent-up of the projects, not in excess of 135 percent of the maximum income limits that can be established in the area for initial occupancy in public housing dwellings. However, up to 20 percent of the contract funds authorized in appropriation acts may be made available for projects in which some or all of the units will be occupied, at the time of the initial rent-up, by tenants whose incomes exceed the above limit but do not exceed 90 percent of the income limits for occupancy of section 221(d)(3) below-market interest rate rental housing.

In determining income for the purpose of eligibility as well as the amount of rent to be paid a \$300 deduction is permitted for each minor person in the family and any income of such minor is not counted.

To qualify for mortgage insurance under the new program, a mortgagor must be a nonprofit organization, a cooperative, or a limited dividend entity of the types permitted under the FHA section 221(d)(3) rental housing program. The mortgage limitations with respect to maximum mortgage amount are the same as for mortgages insured under the (d)(3) program. Interest reduction payments can also be made with respect to State-aided rental housing projects approved for receiving the benefits of the program prior to completion of construction or rehabilitation of the projects.

Contracts for assistance payments are authorized, subject to approval in appropriation acts, in the amount of \$75 million annually prior to July 1, 1969. This amount is increased by \$100 million on July 1, 1969, and by \$125 million on July 1, 1970. A reasonable portion of this authority is to be transferred to the Secretary of Agriculture for use in rural areas and small towns.

A project financed under the new program can include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants of the project and the surrounding neighborhood, as long as the project is predominantly residential and any nondwelling facilities contribute to the economic feasibility of the project. Where a project is designed primarily for occupancy by the elderly or handicapped it can include related facilities for their use, such as dining, work, recreation, and health facilities.

With approval of the Secretary of HUD a mortgagor can sell the individual dwelling units to lower income purchasers and these purchasers are eligible for assistance payments under the provisions of the new homeownership program.

A cooperative or private nonprofit corporation or association can purchase a project from a limited dividend mortgagor and finance the purchase with a mortgage insured under the program.

Projects for low and moderate income families financed under the below marked 221(d)(3) program can be transferred, prior to final endorsement for FHA insurance, to the new rental housing interest reduction program.

Projects for the elderly or handicapped approved for direct loans can be refinanced under the new interest reduction program at any time up to, or a reasonable time after, project completion.

Rent supplement payments may be provided for tenants in projects financed under the new program, but no more than 20 percent of the units in any one project can receive rent supplement assistance.

#### Rent supplements

The authority for rent supplement contracts (subject to approval in appropriation acts) is increased by \$40 million on July 1, 1969, and by \$100 million on July 1, 1970.

State-aided projects are made eligible for rent supplements if the projects are approved for this benefit prior to completion of construction or rehabilitation.



In determining the income of any tenant for the purposes of the rent supplement program, \$300 may be deducted for each minor person who is a member of the immediate family of the tenant and living with the tenant, and the earnings of any such minor person shall not be included in the income of the tenant.

Low-rent public housing

Authority for annual contributions to low-rent public housing is increased by \$100 million on enactment of the law, and by \$150 million on July 1, 1969, and July 1, 1970.

The Secretary of HUD is authorized to make grants to local housing authorities to assist in financing tenant services for tenants of public housing. Appropriations for the grants are authorized up to \$15 million for fiscal year 1969, and \$30 million for fiscal 1970.

Preference is to be given to programs providing for maximum tenant participation in the development and operation of tenant services. Tenant services 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 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.

Public housing assistance is permitted for Indian families who live on or adjacent to their farmland.

High-rise public housing projects for families with children are prohibited except where the Secretary of HUD determines that there is no practical alternative.

The Secretary is prohibited from prescribing limitations on the types or categories of structures or dwelling units (other than those provided in the law) which can be leased under the public housing, section 23 leasing program.

An additional annual subsidy of \$120 is authorized for public housing units occupied by large families or families with very low incomes.

Local housing authorities are permitted to purchase structures leased under the Section 23 program for the purpose of reselling the structure to the tenants, or to a group of tenants occupying units aggregating in value at least 80 percent of the structure's value. The purchase can be on such terms and conditions as may be necessary to enable the tenants involved to make their purchases without undue financial hardship.

TITLE III - FEDERAL HOUSING ADMINISTRATION INSURANCE OPERATIONS

Perfecting and liberalizing changes are made in a number of existing FHA mortgage insurance programs. In addition:

FHA is authorized to -

insure loans to homeowners to finance the purchase of fee simple title to property on which their homes are located where the homeowner has only a leasehold interest in the land;

insure 90 percent supplemental loans to finance improvements and additions to FHA multifamily projects (including nursing homes and group practice facilities);

insure supplementary rehabilitation loans to housing cooperatives which purchased war housing covered by an uninsured mortgage;

permit the cost of nursing home equipment to be included in an insured nursing home mortgage; and

insure mortgages on new seasonal homes.

The Title I home improvement loan insurance program is changed by -

1. raising the limit on the amount of a loan from \$3,500 to \$5,000,
2. raising the maximum maturity from 5 years and 32 days to 7 years and 32 days, and
3. increasing the maximum financing charge to \$5.50 discount per \$100 of the first \$2,500 plus \$4.50 in excess of \$2,500 (now \$5 and \$4, respectively).

Mortgages financing the purchase of housing rehabilitated by local public agencies in urban renewal areas is authorized to be insured by FHA under the existing 220 and 221 (d) (3) programs as well as under the new section 236 program providing for interest reduction payments.

The maximum mortgage amount under section 203 (1) for homes in outlying, semirural and rural areas is increased from ~~\$10,000~~ to \$13,500.

*\$12,500*

TITLE IV - GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT  
("New Communities Act of 1968")

Title IV, the "New Communities Act of 1968", provides additional Federal assistance to new communities. It is designed to enlist new sources of private capital in their development.

The Secretary of HUD is authorized to guarantee obligations issued on the bond market by private developers to help finance the land acquisition and land development costs of new communities.

The obligations guaranteed for a new community may not exceed the lesser of (a) 80 percent of the Secretary's estimate of the value of the property upon completion of the land development, or (b) the sum of 75 percent of the Secretary's estimate of the value of the land before development plus 90 percent of his estimate of the actual cost of the land development, or (c) \$50 million.

The aggregate amount of outstanding principal obligations that may be guaranteed is limited to \$250 million.

To be eligible for a guarantee or commitment to guarantee the Secretary must determine that -

1. the proposed new community will be economically feasible and will contribute to the orderly development of the area of which it is a part;
2. there is a practicable plan for financing the new community and for marketing the land which represents an acceptable financial risk to the United States;
3. there is a sound internal development plan for the new community which has received all required State or local government approvals, and is acceptable to the Secretary as contributing to good living conditions in the area and including a proper balance of housing for families of low and moderate income; and
4. the internal development plan is consistent with comprehensive planning for the area which meets criteria established by the Secretary.

The Secretary is authorized to establish a revolving fund for the guaranty program which will be comprised of (1) receipts from fees and charges, (2) other receipts, and (3) such sums, authorized to be appropriated, as may be required.

The Secretary is also authorized to make supplementary grants to State and local public bodies and agencies for water and sewer facilities and open space assisted by grants under the Housing and Urban Development Act of 1965 or the Consolidated Farmers' Home Administration Act, and the Housing Act of 1961. The Secretary must determine that the supplementary grants are desirable for carrying out a new community development project, and that a substantial number of housing units for low and moderate income persons is to be made available through the project.

The supplementary grant cannot exceed 20 percent of the cost of the facility and the total Federal grant is limited to 80 percent of facility cost. Appropriations for supplementary grants are authorized up to \$5 million for fiscal year 1969, and up to \$25 million for fiscal year 1970.

#### TITLE V - URBAN RENEWAL

##### Neighborhood Development Programs

The Secretary of HUD is authorized to provide financial assistance for neighborhood development programs, a new approach to urban renewal which will facilitate more rapid rehabilitation and redevelopment of blighted areas on an effective scale. A neighborhood development program consists of urban renewal project undertakings and activities in one or more urban renewal areas that are planned and carried out on the basis of annual increments. Financing is based on the amount of loan and grant funds needed to carry out the activities planned during a 12-month period in each of the urban renewal areas contained in a community's program. If funds are available and a community's program is acceptable to the Secretary, a community can receive financial assistance based on its need for subsequent annual increments of the program.

The Redevelopment Land Agency of the District of Columbia is given authority to plan and undertake neighborhood development programs.

##### Increase in authorization of grants

The authorization for urban renewal grants is increased by \$1.4 billion on July 1, 1969. In addition, the authorization for urban renewal grants for projects in model cities areas is increased by \$350 million.

##### Rehabilitation grants

The limit on the amount of a rehabilitation grant to a low-income homeowner is increased from \$1,500 to \$3,000 and the grant is made available for rehabilitation of real property in addition to the dwelling itself.

Rehabilitation grants are authorized to be made to low-income homeowners for repairs and improvements of dwellings outside urban renewal and code enforcement areas -

1. where the dwellings are in areas certified by the local governing body as containing a substantial number of structures in need of rehabilitation,

2. if the locality has in effect a workable program for community improvement, and
3. the area is definitely planned for rehabilitation or code enforcement within a reasonable time, and the repairs to be assisted are consistent with the plan for rehabilitation or code enforcement.

The Secretary of HUD is also authorized to make rehabilitation grants to low-income homeowners whose property has been determined, after an inspection pursuant to an approved statewide property insurance plan, to be uninsurable because of physical hazards. The grant may be made only to rehabilitate the property to the extent that the Secretary determines necessary to make it meet reasonable underwriting standards imposed by the statewide plan.

#### Rehabilitation loans

The rehabilitation loan program has been broadened in the same manner as the rehabilitation grant program with respect to properties located outside urban renewal and code enforcement areas and those found to be uninsurable.

The amount authorized to be appropriated for each fiscal year is increased from \$100 million to \$150 million and the program is extended to June 30, 1973 (in lieu of the previous expiration date of October 1, 1969).

Eligibility for residential rehabilitation loans is limited to persons whose annual income is within the locally applicable income limits for the section 221 (d) (3) below-market interest rate program.

#### Limit on LPA rehabilitation in urban renewal areas

The previous limits on the acquisition and rehabilitation of residential properties by local renewal agencies are removed. Under prior law, an LPA could acquire and rehabilitate for demonstration purposes no more than 100 units or 5 percent of the total residential units in an urban renewal area, whichever is lesser.

#### Disposition of property for low and moderate income housing

Land in an urban renewal area is authorized to be leased (in addition to being sold as previously provided) for low or moderate income housing at a price consistent with the use for that purpose. A builder is permitted to purchase the land at the write-down price for low or moderate income sales housing. Under this provision land can also be made available at the write-down price for housing assisted under the 221(h) program, and the new interest reduction payment programs authorized by the Act for homeownership and multifamily housing.

#### Grants for low and moderate income housing in open land projects

Grants are authorized for open land urban renewal projects where the land is to be disposed of for low and moderate income housing. Previously, open land projects were not eligible for grants. The grant may be for

two-thirds of the difference between the proceeds from any land disposed of at its value for low or moderate income housing and the proceeds which would have been realized if the land had been disposed of at its fair value without regard to its special use.

Demolition grants - rat harborages

The Demolition Grant Program is expanded to permit grants for the demolition of structures which are rat harborages or potential rat harborages.

Use of air rights sites for educational facilities

Air-rights urban renewal projects, and the construction of necessary foundations and platforms in any type project, are authorized for the development of educational facilities. As in the case of industrial development, an air-rights project and the construction of foundations and platforms would only be available for educational facilities if the area is unsuitable for low or moderate income housing purposes.

Low and moderate income housing in residential urban renewal areas

A majority of the total number of housing units in a community's residential urban renewal projects which receive Federal recognition after August 1, 1968 must be for low and moderate income families or individuals, with at least 20% of such total for low income families or individuals. The Secretary may waive the 20% requirement to the extent that the units are not needed in the community.

Workable program requirements in case of Indian tribes

An additional period of time, until January 1, 1970, is provided for Indian tribes, bands, or nations to adopt and carry out minimum standards housing codes for workable program certification.

Interim assistance for blighted areas

The Secretary of HUD is authorized to contract to make grants aggregating up to \$15 million a year to cities or counties to assist them in taking interim steps to alleviate harmful conditions in slum or blighted areas of communities which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future, but which need some immediate public action until permanent action can be taken.

The Secretary is required to encourage employment of unemployed or under-employed residents of an assisted area in carrying out the activities to be assisted.

Grants may not exceed two-thirds of the cost of planning and carrying out an interim assistance program, except that three-fourths grants can be made to any community with a population of 50,000 or less.

A community has to have an approved workable program for community improvement to qualify for assistance, and relocation assistance and payments will be available.

### Relocation Payments

Relocation adjustment payments are broadened to permit payments of up to \$500 per year, for a 2-year period. Such payments have been heretofore limited to a maximum of \$500 payable over a 5 month period.

A new payment is authorized for a displaced owner-occupant of residential property to enable him to purchase a replacement dwelling. The payment, which cannot exceed \$1,000, is the difference between the average price for an adequate replacement home and the acquisition price of his former home.

## TITLE VI - URBAN PLANNING AND FACILITIES

### Comprehensive planning

The section 701 planning assistance grant program is extensively revised. The Secretary of HUD is ~~not~~ authorized to make comprehensive planning grants to State planning agencies for assistance to "district" planning agencies for rural and other nonmetropolitan areas. Consultation with the Secretary of Agriculture is required prior to approval of any district planning grants. The Secretary of Agriculture and, when appropriate, the Secretary of Commerce may provide technical assistance in connection with the establishment of districts and the carrying out of planning by them. Such district planning may not be aimed at assisting businesses to relocate from one area to another.

Other new provisions authorize direct planning grants to Indian tribal planning councils or other bodies for planning on Indian reservations; to regional and district councils of government as well as those organized on a metropolitan basis; to regional commissions and economic development districts established under the Public Works and Economic Development Act of 1965; to cities, without regard to population, within metropolitan areas for planning which is part of metropolitan planning; and to official Government planning agencies for areas where rapid urbanization is expected as a result of a new community development assisted under title IV of this act. The Secretary is required to consult with the Secretary of Commerce before making any planning grant which includes any part of an economic development district.

The definition of comprehensive planning is broadened to include planning for the provision of governmental services and for the development and utilization of human and natural resources. The inclusion of a housing element is required as part of the preparation of comprehensive land use plans. The use of private consultants, where their professional services are deemed appropriate by the assisted governments, is added to the stated purposes of the program.

The authorization of appropriations for grants is increased by \$35 million for fiscal year 1969 (including \$20 million earmarked for district planning) and by \$125 million (including \$10 million for district planning) beginning fiscal year 1970. It is also provided that an additional \$10 million of section 701 appropriations is to be available for study, research and demonstration projects.

#### Planned areawide development

Supplementary grants (designed to encourage areawide planning) are authorized for Federally-assisted projects in all multijurisdictional areas (not just metropolitan areas as previously provided) such as the rural planning districts proposed to be assisted with comprehensive planning grants under the comprehensive planning provisions of the law. Unused authorizations for appropriations for supplementary grants for fiscal year 1967 and 1968 are made available through fiscal year 1970.

#### Advance Acquisition of land

The advance acquisition of land program is extensively revised. Among the more significant changes is a broadening of the definition of eligible land from land "planned to be utilized in connection with the future construction of public works and facilities" to "land planned to be utilized in the future for public purposes". Grants can also be made for the imputed interest cost when a public body does not use borrowed funds to acquire the land. Authority is given the Secretary to extend the requirement that the land must be used for its proposed purpose within five years if he deems a longer period necessary due to unusual circumstances and so advises the Banking and Currency Committees of the Congress. It is also provided that assistance under this program will not render a project ineligible for other Federal assistance programs and that the cost of land acquired with assistance under this program will not be an ineligible project cost in such other programs.

#### Water and sewer facilities program

The interim planning requirements under the basic water and sewer facilities grant program is extended to October 1, 1969. It is also provided that in administering the program, to the greatest extent practicable, new job opportunities shall be provided for unemployed or underemployed persons.

#### Authorizations -- water and sewer, neighborhood facilities, and advance acquisition of land programs.

The authorization for appropriations for these three programs is extended to permit the appropriation, for fiscal year 1970, of any funds authorized but not appropriated prior to that time. Also, an additional \$150 million for fiscal year 1969 and \$115 million for fiscal year 1970 are authorized to be appropriated for the water and sewer facilities grant program.

#### Open space land program

The contract authorization of \$310 million for grants under the open space land program is changed to a \$310 million authorization of appropriations prior to July 1, 1969, with \$150 million in additional appropriations authorized for fiscal year 1970. The limit on the amount of the funds that can be used for studies and publishing of information is increased from \$50,000 to \$125,000 per year.



Feasibility studies - public works planning advances

It is made clear that the Secretary of HUD has authority to make advances for feasibility studies under the public works planning advances program.

TITLE VII - URBAN MASS TRANSPORTATION

Authorization

The authorization of appropriations for grants and other assistance to urban mass transportation is increased by \$190 million for fiscal year 1970. The amount of funds which can be used for research, development, and demonstration projects is increased by \$6 million, commencing July 1, 1968, and the statutory limit on the funds available for this purpose is removed, commencing July 1, 1969.

Emergency program extended

The emergency mass transportation capital grant program expiration date is extended from November 1, 1968 to July 1, 1970.

Definition

The definition of "mass transportation" in the Urban Mass Transportation Act of 1964 is amended to allow greater flexibility and opportunity for application of new concepts and systems.

Non federal share of net project cost

Not more than half of the non-federal share of the net project cost of a mass transportation project is permitted to be paid from private sources, except in certain cases of demonstrated fiscal inability. Any public or private transit system funds provided for the non-Federal share must be solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital.

TITLE VIII - SECONDARY MORTGAGE MARKET

The existing Federal National Mortgage Association (FNMA) is directed to be partitioned into two separate corporations. One will be a Government sponsored private corporation, to be known as the Federal National Mortgage Association (FNMA), to operate the secondary mortgage market operations. The other will remain in the Government and continue to operate the special assistance functions for special Federally-aided housing programs, and the management and liquidating functions of the old FNMA. The new corporation will be known as the Government National Mortgage Association (GNMA).

FNMA is authorized to issue and sell securities backed by a portion of its mortgage portfolio, with GNMA guaranteeing payment on such securities. GNMA can also guarantee similar securities issued by other private issuers where they are backed by FHA, VA, and some Farmers Home Administration mortgages or loans.

The special assistance authorization of FNMA (now GNMA) is increased by \$500 million on July 1, 1969.

The provisions of this title will become effective after a date, no more than 120 days following its enactment, established by the Secretary of HUD. The Secretary has established this date as September 1, 1968.

Provisions are made with respect to the capital stock of FNMA and its board of directors during a transitional period. The transitional period will end when 1/3 of the FNMA common stock is owned by persons or organizations in the mortgage lending, home building, real estate or related businesses, but not sooner than May 1, 1970, nor later than May 1, 1973. The majority of FNMA's board of directors are to be appointed by the Secretary of HUD during the transitional period. The President of FNMA during this period will be appointed by the President of the United States and confirmed by the Senate. One of the Secretary's appointees to the Board will be the President.

After the transitional period FNMA will be governed by a 15-member board of directors, five of whom will be appointed by the President of the United States.

The new FNMA will be subject to the general regulatory control of the Secretary of HUD, who also must approve the issuance of all stocks and other obligations by FNMA and may require it to allocate a reasonable portion of its mortgage purchases to mortgages in low and moderate income housing.

#### TITLE IX - NATIONAL HOUSING PARTNERSHIPS

A national housing partnership is to be created for the purpose of securing the participation of private investors in programs and projects to provide housing for low and moderate income families.

Initially, a federally chartered, privately funded corporation will be organized under the District of Columbia Business Corporation Act. The corporation in turn will organize the National partnership under the D.C. Uniform Limited Partnership Act.

The corporation will serve as the general partner and managing agent of the National partnership and each of its stockholders can be limited partners. It will provide the staff and expertise for the Partnership in organizing and planning project undertakings in which the partnership has an interest, and receive a fee for such services.

Both the corporation and the National partnership are authorized to engage in a broad range of activities appropriate to the provision of housing and related facilities primarily for low or moderate income families, with or without the use of Federal programs, and may enter into and participate in all forms of partnerships and associations. The National

partnership is expected to form partnership ventures with local investors for the purpose of building low and moderate income housing projects throughout the nation. Normally, it will be a limited partner in such undertakings, with an interest of not more than 25% of the aggregate initial equity investment for the project.

The President will appoint the incorporators of the corporation and 3 of the 15 members of the board of directors. The incorporators will serve as the initial board of directors and arrange for the initial offering of shares of stock in the corporation and interests in the National partnership.

The President is authorized to create additional partnerships when he determines it to be in the national interest.

National banks are authorized to invest in a corporation and other entities formed under this title.

#### TITLE X - RURAL HOUSING

##### Housing for low and moderate income persons and families

The Secretary of Agriculture is authorized to provide direct and insured loans for housing in rural areas to low and moderate income persons and families and to provide rental or cooperative housing for such persons where assistance is not available under the new interest reduction programs authorized by the law. The interest rate on the loans can be at a rate set by the Secretary after considering the cost of money to the Treasury and the payment ability of the applicants, but not less than 1 percent per annum. An interest supplement necessary to market the insured loans will be paid from, and reimbursed by annual appropriations to, the Rural Housing Insurance Fund.

##### Housing for rural trainees

The Secretary of Agriculture is authorized to provide financial and technical assistance to the provision of housing and related facilities in rural areas for rural trainees (and their families) enrolled in Federally assisted training courses to improve their employment capability.

Advances for land purchase for the housing will be repayable within 33 years and bear interest at a rate (not less than 1 percent) determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding Federal obligations. Other advances would be nonrepayable, or repayable with or without interest, depending on the applicant's payment ability, from project net income and any other available sources.

##### Mutual and self-help housing

A new program of grants and loans is authorized to provide assistance in rural areas and small towns to needy low-income individuals and their families for mutual or self-help housing. Grants can be made to public or private nonprofit organizations to pay part or all of the costs of developing comprehensive programs of technical and supervisory assistance to aid individuals and their families in carrying out mutual or self-help housing efforts.

Loans can be made on such terms and conditions and in such amounts as the Secretary of Agriculture deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of building materials as may be necessary, for the construction of dwellings. Loans will bear interest at not more than 3 percent per annum, and be repayable within 33 years.

A self-help housing land development fund is authorized to provide a source of short-term loans to public or private nonprofit organizations to buy and develop building sites to be sold to families, nonprofit organizations, and cooperatives eligible for assistance under the new interest reduction programs for housing for lower income families.

#### TITLE XI - URBAN PROPERTY PROTECTION AND REINSURANCE

Title XI enacts the "Urban Property Protection and Reinsurance Act of 1968."

Under this Act the Secretary of HUD is authorized to provide private insurers with reinsurance against losses resulting from riots or civil disorders. The sale of reinsurance is limited to those insurers that cooperate with State insurance authorities in developing statewide plans to assure fair access to insurance requirements, called FAIR plans. Reinsurance may only be provided in States which have such plans.

FAIR plans may vary among the States, but all plans must satisfy minimum statutory criteria. The principal requirement is that no risk can be written at the surcharged rate or denied coverage unless there has been an inspection of the property and a determination made that it does not meet reasonable underwriting standards at the applicable premium. Additional requirements relate to the procedures to be followed with respect to inspections, the provision of reasonable notice to property owners of cancellation or nonrenewal of policies, and the formation of an all-industry facility which will place the insurance in the regular market. Such FAIR Plans are to be administered under the supervision of the State insurance authority. As a condition for providing reinsurance in a State, the Secretary can require additional programs to make property insurance available without regard to environmental hazards.

Reinsurance is offered in standards lines of property insurance coverage and can be provided immediately following enactment by means of a binder agreement, which expires after 90 days unless sooner replaced by a reinsurance contract.

Premium rates and the terms and conditions of reinsurance contracts are to be uniform throughout the country. The premiums for the first year must provide sufficient income to cover a level of riot losses in excess of the amount of insured riot losses in 1967.

A State is required to assume a portion of the losses reinsured by the Secretary within 1 year or by the close of its next regular legislative session. The ceiling on the share will be 5% of the property insurance premiums, earned in the State on reinsured lines of property insurance. Such sharing will only be required if reinsured losses exceed premiums paid for reinsurance by insurance companies in that State (premiums paid in the current year plus premiums paid in previous years in excess of reinsured claims).

A National Insurance Development Fund is created to carry out the program authorized. Treasury borrowings are authorized to make payments of claims for reinsured losses, limited to \$250 million or such further sums as the Congress may authorize by joint resolution.

The Secretary is required to make a study concerning the availability of property insurance in urban areas and to submit the results to the President and the Congress no later than 1 year after the enactment of the law. He is also authorized to conduct other studies pertinent to his reinsurance and statewide plan responsibilities.

A 19-member advisory board is to be appointed by the Secretary with not less than four members to represent the insurance industry and not less than four members to represent the State insurance authorities.

#### TITLE XII - DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

The District of Columbia Insurance Placement Act establishes programs to assure the availability of basic property insurance protection against fire and other perils for residential and business properties in the District of Columbia. Such programs are subject to the supervision and regulation of the Commissioner of the District of Columbia.

Within 30 days after enactment all licensed insurers in the District who write basic property insurance are required to establish an Industry Placement Facility which is to administer a program to provide for the equitable distribution of responsibility for insuring qualified property for which insurance cannot be obtained through the normal insurance market.

Rules and regulations are to be adopted by the Facility to assure all property owners fair access to insurance requirements. Such rules and regulations, which must be approved by the Commissioner, are required to be consistent with the state-wide plan requirements of the Urban Property Protection and Reinsurance Act of 1968 (Title XI, Supra).

The Commissioner is authorized to establish a joint underwriting association to provide for the reinsuring of basic property insurance without regard to environmental hazard, if he finds that such a program is necessary to carry out the purposes of the Act.

The Commissioner is authorized to assess each insurance company authorized to do business in the District an amount sufficient to satisfy the state sharing requirement for Federal reinsurance under the Urban Property Protection and Reinsurance Act. Such assessments would be based on a company's proportionate share of premiums earned on reinsured lines during the preceding year. In the event of such assessments, the companies will increase their premiums by an amount sufficient to recover the assessment within not more than a 3 year period.

#### TITLE XIII - NATIONAL FLOOD INSURANCE

Title XIII enacts the "National Flood Insurance Act of 1968". Under this Act, the Secretary of HUD is authorized to establish and carry out a national flood insurance program to enable persons to purchase insurance against losses resulting from physical damage to or loss of real property or personal property arising from any flood occurring in the United States. He is directed to encourage and arrange for maximum participation in the program by insurance companies and other insurers, and by related agents, brokers and organizations.

The Act provides for the operation of the flood insurance program as a joint venture between the Federal Government and the private insurance industry (with the industry participating on a risk-sharing basis). However, as an alternative, the Secretary may, if necessary, operate the program without the companies participating on other than a fiscal agency basis.

The Secretary is authorized to borrow up to \$250 million from the Treasury to carry out the insurance program. A National Flood Insurance Fund is established for making payments authorized by the bill, including premium equalization payments and reinsurance for losses in excess of losses assumed by insurance company pools formed to provide flood insurance.

Coverage will be available initially for one to four family dwellings and small business establishments but is to be extended to additional types and classes of property as found feasible by the Secretary. In the case of dwellings, the insurance limit, where the rate is less than the full risk rate, will be \$17,500 for any single dwelling and \$30,000 for a two to four family structure, plus \$5,000 per dwelling for contents. Small business properties can be insured for up to a total of \$30,000 for the structure and \$5,000 for the contents of each individual business. These limits may be doubled upon the payment of full premium rates for the coverage in excess of such limits by the insured property owner.

The Secretary is directed to develop criteria designed to encourage the adoption of State and local measures to constrict the development of land which is exposed to flood damage, guide development of proposed construction away from locations threatened by flood hazards, assist in reducing damage caused by floods, and otherwise improve land management and use of flood-prone areas.

After June 30, 1970, no new flood insurance coverage can be provided in any area unless an appropriate public body has adopted permanent land use and control measures which the Secretary finds are consistent with the criteria he has prescribed for land management and use in flood prone areas.

The Secretary is directed to appoint a flood insurance advisory committee.

The face amount of flood insurance coverage outstanding and in force at any one time is limited to \$2.5 billion.

The Flood Insurance Program will go into effect 120 days following the date of enactment unless the Secretary prescribes a later effective date, not to exceed 180 days from the date of enactment.

The Secretary of HUD is authorized to undertake studies for the purpose of determining the extent to which insurance protection against earthquakes, or other natural disaster perils, other than flood, is not available, and the feasibility of such insurance protection being made available.

#### TITLE XIV - INTERSTATE LAND SALES

The "Interstate Land Sales Full Disclosure Act" enacted by Title XIV makes it unlawful for any developer to sell or lease, by the use of the mail or by any means in interstate commerce, any lot in any subdivision (defined as one with 50 or more lots for sale as part of a common promotional plan) unless

- (1) there has been filed with Secretary of HUD a statement of record listing certain required information about the ownership of the land, the state of its title, its physical nature, the availability of roads and utilities, and other matters; and
- (2) a printed property report, containing pertinent extracts from the statement of record, is furnished to the purchaser in advance of the signing of an agreement for purchase or lease.

These requirements do not apply to any subdivision where the property is clear of all liens and if every purchaser has personally inspected the lot which he purchased, as evidenced by a written affirmation by the developer.

Any contract for the purchase or lease of a lot covered by this Act is voidable at the option of the purchaser if he was not furnished with a property report at least 48 hours in advance of his signing the contract. If the property report was received by the purchaser less than 48 hours in advance of his signing the contract, it is voidable for a period of 48 hours after the signing unless he stipulates in writing that he has read the report and inspected the lot before he signed the contract.

Willful violation of these requirements is subject to criminal penalties of imprisonment for not more than 5 years, or a fine of not more than \$5,000, or both. Broader civil remedies than heretofore available are also provided. A suit for damages may be brought in any State or Federal court for the district in which the defendant may be found or in which the transaction took place. The Secretary is authorized to seek an injunction against any developer he can show is violating or about to violate the law.

In carrying out his responsibilities under this legislation, the Secretary is required to cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions.

This Act does not become effective until 270 days after enactment.

#### TITLE XV - MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

This title establishes a new FHA program (section 242 of the National Housing Act) under which the Secretary of HUD will insure mortgages covering new or rehabilitated hospitals (including initial equipment). The mortgage may not exceed \$25 million or 90 percent of replacement cost and the hospital must be owned and operated by one or more nonprofit organizations.

#### TITLE XVI - HOUSING GOALS AND ANNUAL HOUSING REPORT

##### Reaffirmation of national goal

The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal and reaffirms this goal. It determines that it can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

##### Report outlining plan

Not later than January 15, 1969, the President is required to make a report to the Congress setting forth a plan to be carried out over the next ten years for the elimination of all substandard housing and the realization of the national housing goal. The report shall, in addition, contain a projection of the residential mortgage market needs and prospects during the coming year, including an estimate of the requirements with respect to the availability, need and flow of mortgage funds, together with recommendations for encouraging the availability of funds.

##### Periodic reports

On January 15, 1970, and on each succeeding year through 1979, the President is required to submit to the Congress a report of results achieved in the provision of housing, and recommendations for legislation or additional administrative action that may be needed to achieve the objectives of the President's plan.



Commission on Mortgage Interest Rates

Funds appropriated and available for studies of housing markets and credit under laws previously enacted in 1948 and 1956 are made available for expenses of the Commission on Mortgage Interest Rates to study mortgage interest rates. This Commission was established by Public Law 90-301.

TITLE XVII - MISCELLANEOUSModel cities

The authorization for supplemental grants for model cities is increased by \$1 billion for fiscal year 1970, and an additional \$12 million is authorized for fiscal year 1969 for grants for planning model cities programs. Amounts authorized but not appropriated are made available for appropriation for any succeeding fiscal year commencing prior to July 1, 1970.

Urban renewal demonstration grant program

Urban renewal demonstration grants are authorized to be made to nonprofit organizations. Under prior law these grants were available only for public bodies.

The limit on the amount of urban renewal demonstration grants is increased from two-thirds of the cost of the undertakings to 90 percent of the cost.

The amount of funds available for these grants is increased from \$10 million to \$20 million.

Authorization for urban information and technical assistance service program

The authorization for grants to States to assist in the provision of urban information and technical assistance is increased by \$5 million for fiscal year 1969, and by \$15 million for fiscal year 1970. Amounts authorized for these grants but not appropriated are authorized to be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

Advances in technology in housing and urban development

Such sums as may be necessary are authorized to be appropriated commencing with fiscal year 1969, for studies of new and improved techniques and methods of applying advances in technology to housing construction and rehabilitation, and to urban development. Four-year contracts are authorized for such studies rather than 2-year contracts as heretofore authorized.

College housing

The college housing direct loan program is expanded to add a new program to provide financial assistance by means of annual debt service grants. The new grant program is to be used to reduce the borrower's annual debt service payments on private market loans to the average annual debt service that would have been required if the loan were

based on the rate charged on loans under the direct loan program. Annual grants can be made over a fixed period up to 40 years. The total amount of annual grant contracts is subject to approval in appropriation acts. The total amount cannot exceed \$10 million, with this limit increased by \$10 million on July 1, 1969.

The loan and new grant program are made available for the purchase of existing properties which are in need of little or no rehabilitation.

#### Federal-State training programs

The Federal-State training program is broadened to permit grants to States for the training of subprofessional (heretofore limited to professional) persons who will be employed in the field of housing as well as community development. The trainees may be trained for employment by private nonprofit organizations which have responsibility for housing and community development programs, in addition to public organizations. Guam, American Samoa, and the Trust Territory of the Pacific Islands are made eligible for grants under the program.

#### Additional Assistant Secretary of Housing and Urban Development

An additional Assistant Secretary of Housing and Urban Development is authorized.

#### Self-help Studies

Grants are authorized to be made under the low-income housing demonstration program for studies of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing them in self-help activities. The Secretary of HUD is required to report to Congress within one year on the results of any such studies.

#### Savings and loan associations

Federal savings and loan associations are authorized to raise capital in the form of savings deposits or other accounts (in addition to shares) and to borrow and issue bonds or other obligations.

Their lending and investment powers are liberalized and broadened by authorizing them to invest in -

1. time deposits, certificates or accounts in banks insured by the FDIC;
2. unsecured loans not exceeding \$5,000 to finance the construction of new structures relating to residential use (vacation homes);
3. mobile home financing;
4. loans not exceeding \$5,000 for the equipping of homes;
5. loans guaranteed by AID on housing projects located in developing countries outside of Latin American; and

6. loans to Federally supervised financial institutions or brokers or dealers registered with the SEC, if the loans are secured by loans, obligations or investments in which the Federal association has statutory authority to invest directly.

Federal Home Loan Bank Act

Federal home loan banks are authorized to invest in housing project loans guaranteed under the Foreign Assistance Act of 1961.

Federal Reserve Act

Section 24 of the Federal Reserve act is amended to authorize construction loans by national banks up to 3 months in length (seriously limited to 24 months) as an exception to the limitation on real estate loans.

National Banks are permitted to continue to purchase participations in existing mortgages, and it is made clear that loans by national banks are not to be considered as real estate loans where the bank looks primarily for repayment out of security other than real estate.