

Public Law 100-242
100th Congress

An Act

To amend and extend certain laws relating to housing, community and neighborhood development and preservation, and related programs, and for other purposes.

Feb. 5, 1988

[S. 825]

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

Housing and
Community
Development
Act of 1987.
42 USC 5301
note.

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SEC. 2. FINDINGS AND PURPOSE.

42 USC 5301
note.

(a) **FINDINGS.**—The Congress finds that—

(1) for the past 50 years, the Federal Government has taken the leading role in enabling the people of the Nation to be the best housed in the world, and recent reductions in Federal assistance have contributed to a deepening housing crisis for low- and moderate-income families;

(2) the efforts of the Federal Government have included a system of specialized lending institutions, favorable tax policies, construction assistance, mortgage insurance, loan guarantees, secondary markets, and interest and rental subsidies, that have enabled people to rent or buy affordable, decent, safe, and sanitary housing; and

(3) the tragedy of homelessness in urban and suburban communities across the Nation, involving a record number of people, dramatically demonstrates the lack of affordable residential shelter, and people living on the economic margins of our society (lower income families, the elderly, the working poor, and the deinstitutionalized) have few available alternatives for shelter.

(b) **PURPOSE.**—The purpose of this Act, therefore, is—

(1) to reaffirm the principle that decent and affordable shelter is a basic necessity, and the general welfare of the Nation and the health and living standards of its people require the addition of new housing units to remedy a serious shortage of housing units for all Americans, particularly for persons of low and moderate income;

(2) to make the distribution of direct and indirect housing assistance more equitable by providing Federal assistance for the less affluent people of the Nation;

(3) to provide needed housing assistance for homeless people and for persons of low and moderate income who lack affordable, decent, safe, and sanitary housing; and

(4) to reform existing programs to ensure that such assistance is delivered in the most efficient manner possible.

SEC. 3. BUDGET COMPLIANCE.

42 USC 5301
note.

(a) **IN GENERAL.**—This Act and the amendments made by this Act may not be construed to provide for new budget authority, budget outlays, or new entitlement authority, for fiscal year 1988 in excess of the appropriate aggregate levels established by the concurrent resolution on the budget for such fiscal year for the programs authorized by this Act and the amendments made by this Act.

(b) **DEFINITIONS.**—For purposes of this section, the terms “budget authority”, “budget outlays”, “concurrent resolution on the budget”, and “entitlement authority” have the meanings given such terms in section 3 of the Congressional Budget Act of 1974 (2 U.S.C. 622).

SEC. 4. CREDIT LIMITATION.

42 USC 5301
note.

Any new credit authority (as defined in section 3 of the Congressional Budget Act of 1974) which is provided by this Act, or by an amendment made by this Act, shall be effective only to such extent or in such amounts as are provided in appropriation Acts.

42 USC 5301
note.

SEC. 5. LIMITATION ON SPENDING AUTHORITY.

Any new spending authority (as defined in section 401(c) of the Congressional Budget Act of 1974) which is provided by this Act, or by an amendment made by this Act, shall be effective only to such extent or in such amounts as are provided in appropriation Acts.

TITLE I—HOUSING ASSISTANCE

**Subtitle A—Programs Under United States
Housing Act of 1937**

PART 1—GENERAL PROVISIONS

SEC. 101. LOWER INCOME HOUSING AUTHORIZATION.

42 USC 1437c.

(a) **AGGREGATE BUDGET AUTHORITY.**—Section 5(c)(6) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: "The aggregate amount of budget authority that may be obligated for contracts for annual contributions for assistance under section 8, for contracts referred to in paragraphs (7)(A)(iv) and (7)(B)(iv), for grants for public housing, for comprehensive improvement assistance, and for amendments to existing contracts, is increased (to the extent approved in appropriation Acts) by \$7,167,000,000 on October 1, 1987, and by \$7,300,945,000 on October 1, 1988."

(b) **UTILIZATION OF BUDGET AUTHORITY.**—Section 5(c)(7) of the United States Housing Act of 1937 is amended to read as follows:

"(7)(A) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1988, the Secretary shall, to the extent approved in appropriations Acts, reserve authority to enter into obligations aggregating—

"(i) for public housing grants under subsection (a)(2), not more than \$481,320,000, of which amount not more than \$144,696,000 shall be available for Indian housing;

"(ii) for assistance under subsections (b)(1) and (c) of section 8, not more than \$2,415,000,000;

"(iii) for assistance under section 8(e)(2), not more than \$400,000,000;

"(iv) for assistance under section 8 in connection with projects developed under section 202 of the Housing Act of 1959, not more than \$1,681,830,000;

"(v) for comprehensive improvement assistance grants under section 14, not more than \$1,700,000,000;

"(vi) for assistance under section 8 for property disposition, not more than \$301,700,000; and

"(vii) for assistance under section 8 for loan management, not more than \$187,150,000.

"(B) Using the additional budget authority provided under paragraph (6) and the balances of budget authority that become available during fiscal year 1989, the Secretary shall, to the extent approved in appropriations Acts, reserve authority to enter into obligations aggregating—

"(i) for public housing grants under subsection (a)(2), not more than \$490,465,000, of which amount not more than \$147,445,000 shall be available for Indian housing;

“(ii) for assistance under subsections (b)(1) and (o) of section 8, not more than \$2,458,660,000;

“(iii) for assistance under section 8(e)(2), not more than \$407,600,000;

“(iv) for assistance under section 8 in connection with projects developed under section 202 of the Housing Act of 1959, not more than \$1,713,785,000;

“(v) for comprehensive improvement assistance grants under section 14, not more than \$1,732,300,000;

“(vi) for assistance under section 8 for property disposition, not more than \$307,430,000; and

“(vii) for assistance under section 8 for loan management, not more than \$190,705,000.

“(C)(i) Any amount available for the conversion of a project to assistance under section 8(b)(1), if not required for such purpose, shall be used for assistance under section 8(b)(1).

“(ii) Any amount available for assistance under section 8 for property disposition, if not required for such purpose, shall be used for assistance under section 8(b)(1).”

SEC. 102. TENANT RENTAL CONTRIBUTIONS.

(a) **ECONOMIC RENT.**—Section 3(a) of the United States Housing Act of 1937 is amended—

42 USC 1437a.

(1) by inserting “(1)” after “(a)”;

(2) in the last sentence, by striking “A” and inserting the following: “Except as provided in paragraph (2), a”;

(3) by redesignating paragraphs (1) through (3) as subparagraphs (A) through (C), respectively; and

(4) by adding at the end the following new paragraph:

“(2)(A) Any public housing agency may provide that each family residing in a public housing project owned and operated by such agency (or in lower income housing assisted under section 8 that contains more than 2,000 dwelling units) shall pay as monthly rent for not more than a 3-year period an amount determined by such agency to be appropriate that does not exceed a maximum amount that—

“(i) is established by such agency and approved by the Secretary;

“(ii) is not more than the amount payable as rent by such family under paragraph (1); and

“(iii) is not less than the average monthly amount of debt service and operating expenses attributable to dwelling units of similar size in public housing projects owned and operated by such agency.

“(B) The 3-year limitation established in subparagraph (A) shall not apply to any family residing in a public housing project administered by an Indian public housing agency.”

Indians.

(b) **UTILITY ALLOWANCE.**—

Reports.

(1) The Comptroller General of the United States shall submit to the Congress not later than October 30, 1988, a report regarding the utility allowances provided to the residents of public housing and housing assisted under section 8 of the United States Housing Act of 1937.

(2) The report shall include the following:

(A) A description of the manner in which public housing agencies are currently calculating utility allowances,

including a national survey of the calculation methods used.

(B) An estimate of the number of residents of public housing and housing assisted under section 8 of the United States Housing Act of 1937 paying more than 30 percent of monthly adjusted income for rent and utilities, including a separate estimate for each meter category.

(C) Recommendations for revisions that may be made in current law to ensure that—

(i) utility allowances will not differ solely because of the metering system of the dwelling unit;

(ii) residents of public housing and housing assisted under section 8 of the United States Housing Act of 1937 will not pay more than 30 percent of monthly adjusted income for rent and utilities; and

(iii) such residents will have a strong incentive to conserve energy and reduce utility costs, and residents who waste substantial amounts of energy will be penalized.

(D) A description of administratively feasible methods of ensuring that utility allowances will reflect differences in the size, location, and energy-conserving condition of different types of dwelling units and appliances.

(E) An estimate of the costs that will be associated with any recommendation made under subparagraph (C).

(3) In preparing the report under this subsection, the Comptroller General shall consult with the Secretary of Housing and Urban Development, other appropriate Federal officials, other knowledgeable individuals, and national and other organizations representing public housing agencies, local governments, tenants, and energy conservation interests.

SEC. 103. INCOME ELIGIBILITY FOR ASSISTED HOUSING.

(a) IMPLEMENTATION OF PERCENTAGE LIMITATIONS.—Section 16 of the United States Housing Act of 1937 is amended by adding at the end the following:

“(c) In developing admission procedures implementing subsection (b), the Secretary may not totally prohibit admission of lower income families other than very low-income families, and shall establish, as appropriate, differing percentage limitations on admission of lower income families in separate assisted housing programs that, when aggregated, will achieve the overall percentage limitation contained in subsection (b). The Secretary shall issue regulations to carry out this subsection not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987.”

(b) EXEMPTIONS FROM PERCENTAGE LIMITATIONS.—Section 16 of the United States Housing Act of 1937 (as amended by subsection (a) of this section) is further amended by adding at the end the following new subsection:

“(d)(1) The limitations established in subsection (b) shall not apply to dwelling units made available under section 8 housing assistance contracts for the purpose of preventing displacement, or ameliorating the effects of displacement, including displacement caused by rents exceeding 30 percent of monthly adjusted family income, of lower income families from projects being rehabilitated with assistance from rehabilitation grants under section 17 and the Secretary

Energy.

42 USC 1437n.

Regulations.

Contracts.
Grants.

shall not otherwise unduly restrict the use of payments under section 8 housing assistance contracts for this purpose.

“(2) The limitations established in subsections (a) and (b) shall not apply to dwelling units assisted by Indian public housing agencies.”

Indians.

PART 2—PUBLIC HOUSING

SEC. 111. DISCRETIONARY PREFERENCE FOR NEAR ELDERLY FAMILIES IN PUBLIC HOUSING PROJECTS DESIGNED FOR THE ELDERLY.

Section 3(b)(3) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: “In determining priority for admission to public housing projects designed for elderly families, the public housing agency shall give preference to such families. When the public housing agency determines (in accordance with regulations of the Secretary) that there are insufficient numbers of elderly families to fill all the units in such a project, the agency may give preference to families in which the head of household (or spouse) is at least 50 years of age but below the age of 62 before those in which the head of household and spouse, if any, are below the age of 50.”

42 USC 1437a.

SEC. 112. GRANTS FOR PUBLIC HOUSING DEVELOPMENT.

(a) **AUTHORITY TO PROVIDE GRANTS.**—Section 5(a) of the United States Housing Act of 1937 is amended to read as follows:

42 USC 1437c.

“(a)(1) The Secretary may make annual contributions to public housing agencies to assist in achieving and maintaining the lower income character of their projects. The Secretary shall embody the provisions for such annual contributions in a contract guaranteeing their payment. The contribution payable annually under this section shall in no case exceed a sum equal to the annual amount of principal and interest payable on obligations issued by the public housing agency to finance the development or acquisition cost of the lower income project involved. Annual contributions payable under this section shall be pledged, if the Secretary so requires, as security for obligations issued by a public housing agency to assist the development or acquisition of the project to which annual contributions relate and shall be paid over a period not to exceed 40 years.

Contracts.

“(2) The Secretary may make contributions (in the form of grants) to public housing agencies to cover the development cost of public housing projects. The contract under which such contributions shall be made shall specify the amount of capital contributions required for each project to which the contract pertains, and that the terms and conditions of such contract shall remain in effect for a 40-year period.

Grants.

Contracts.

“(3) The amount of contributions that would be established for a newly constructed project by a public housing agency designed to accommodate a number of families of a given size and kind may be established under this section for a project by such public housing agency that would provide housing for the comparable number, sizes, and kinds of families through the acquisition and rehabilitation, or use under lease, of structures that are suitable for lower income housing use and obtained in the local market.”

(b) **CONFORMING AMENDMENTS.**—

(1) Section 5 of the United States Housing Act of 1937 is amended—

- (A) by striking “ANNUAL” in the section heading; and
- (B) by striking “annual” in subsection (e)(2).

- 42 USC 1437d. (2) Section 6 of the United States Housing Act of 1937 is amended by striking "annual" the first place it appears in the first sentence of subsection (g), and each place it appears in subsection (d) and the first sentence of each of subsections (a) and (c).
- 42 USC 1437e. (3) Section 7 of the United States Housing Act of 1937 is amended by striking "annual" in the proviso in the first sentence.
- 42 USC 1437g. (4) Section 9(a)(2) of the United States Housing Act of 1937 is amended—
 (A) by striking "being assisted by an annual contributions contract authorized by section 5(c)" and inserting the following: "one developed pursuant to a contributions contract authorized by section 5"; and
 (B) by striking "any such annual" and inserting "any such".
- 42 USC 1437j. (5) Section 12 of the United States Housing Act of 1937 is amended by striking "annual".
- 42 USC 1437l. (6) Section 14 of the United States Housing Act of 1937 is amended—
 (A) by striking "receive assistance under section 5(c)" in subsection (c)(2) and inserting "assisted under section 5"; and
 (B) by striking "annual" in each of paragraphs (2) and (4)(C) of subsection (d).
- 42 USC 1437m. (7) Section 15 of the United States Housing Act of 1937 is amended by striking "with loans or debt service annual contributions" in clause (2).
- 42 USC 1437n. (8) Section 16(b) of the United States Housing Act of 1937 is amended by striking "annual".
- 42 USC 1437p. (9) Section 18(c) of the United States Housing Act of 1937 is amended by striking "annual contributions authorized under section 5(c)" and inserting "contributions authorized under section 5".

SEC. 113. LIMITATION ON PUBLIC HOUSING DEVELOPMENT AND ASSURANCE OF PUBLIC HOUSING QUALITY STANDARDS.

- 42 USC 1437c. Section 5 of the United States Housing Act of 1937 is amended by adding at the end the following new subsection:
 "(j)(1) After September 30, 1987, in providing assistance under this Act to a public housing agency for public housing (other than for Indian families), the Secretary shall reserve funds for the development of public housing only if—
 "(A) the Secretary determines that additional amounts are required to complete the development of dwelling units for which amounts are obligated on or before such date;
 "(B) the public housing agency certifies to the Secretary that 85 percent of the public housing dwelling units of the public housing agency—
 "(i) are maintained in substantial compliance with the housing quality standards established by the Secretary under section 8(o)(6);
 "(ii) will be so maintained upon completion of modernization for which funding has been awarded; or
 "(iii) will be so maintained upon completion of modernization for which applications are pending that have been submitted in good faith under section 14 (or a comparable

State or local government program) and that there is a reasonable expectation, as determined by the Secretary in writing, that the applications would be approved;

“(C) the public housing agency certifies that such development—

“(i) will replace dwelling units that are disposed of or demolished by the public housing agency, including dwelling units disposed of or lost through sale to tenants or through units redesign; or

“(ii) is required to comply with court orders or directions of the Secretary;

“(D) the public housing agency certifies that it has demands for family housing not satisfied by the rental assistance programs established in subsection (b) or (c) of section 8 for which it plans to construct or acquire projects of not more than 100 units; or

“(E) the Secretary makes such reservation under paragraph (2).

“(2) Notwithstanding any other provision of law, not more than 20 percent of the funds appropriated for development of public housing also may be committed by the Secretary for the substantial redesign, reconstruction, or redevelopment of existing public housing projects or units, which work shall be carried out pursuant to the rules and regulations applicable to the development of public housing.”.

SEC. 114. LIMITATION ON RECAPTURE OF FUNDING RESERVATIONS.

Section 5 of the United States Housing Act of 1937 (as amended by section 113 of this Act) is further amended by adding at the end the following new subsection:

“(k) After the reservation of public housing development funds to a public housing agency, the Secretary may not recapture any of the amounts included in such reservation due to the failure of a public housing agency to begin construction or rehabilitation, or to complete acquisition, during the 30-month period following the date of such reservation. During such 30-month period, the public housing agency shall be permitted to change the site of the public housing project or reformulate the project, if not less than the original number of dwelling units are to be constructed, rehabilitated, or acquired. There shall be excluded from the computation of such 30-month period any delay in the beginning of construction or rehabilitation of such project caused by (1) the failure of the Secretary to process such project within a reasonable period of time; (2) any environmental review requirement; (3) any legal action affecting such project; or (4) any other factor beyond the control of the public housing agency.”.

SEC. 115. INDIAN PUBLIC HOUSING.

Section 5 of the United States Housing Act of 1937 (as amended by section 114 of this Act) is further amended by adding at the end the following new subsection:

“(1) The Secretary may not use as a criterion for distributing assistance under this section the progress made by an Indian public housing agency in collecting rents owed by tenants unless—

“(1) such criterion is used as 1 of several criteria that are weighted proportionally and is established by regulations issued after public notice and opportunity to comment in accordance with section 553 of title 5, United States Code; or

Regulations.

"(2) the Secretary determines that the Indian public housing agency has demonstrated a pattern of substantial noncompliance with requirements governing the collection of rents."

SEC. 116. LOCATION OF ACQUIRED HOUSING.

42 USC 1437d.

Section 6(h) of the United States Housing Act of 1937 is amended—

- (1) by inserting before "is" the following: "in the neighborhood where the public housing agency determines the housing is needed"; and
- (2) by inserting "in such neighborhood" after "rehabilitation".

SEC. 117. PUBLIC HOUSING CHILD CARE GRANTS.

12 USC 1701z-6
note.

Section 222 of the Housing and Urban-Rural Recovery Act of 1983 is amended to read as follows:

"PUBLIC HOUSING CHILD CARE DEMONSTRATION PROGRAM

"SEC. 222. (a) PROGRAM AUTHORITY.—

"(1) The Secretary of Housing and Urban Development shall, to the extent approved in appropriation Acts, carry out a demonstration program of making grants to nonprofit organizations to assist such organizations in providing child care services in lower income housing projects for lower income families who reside in public housing.

"(2) The Secretary shall design the program described in paragraph (1) to determine the extent to which the availability of child care services in lower income housing projects facilitates the employability of the parents or guardians of children residing in public housing.

"(b) ELIGIBILITY FOR ASSISTANCE.—The Secretary may make a grant to a nonprofit organization for child care services in a lower income housing project only if—

"(1) prior to receipt of assistance under this section, a child care services program is not in operation in the project;

"(2) the public housing agency agrees to provide suitable facilities for the provision of child care services;

"(3) the child care services program in the project will serve preschool children during the day, school children after school, or both, in order to permit the parents or guardians of such children to obtain, retain, or train for employment;

"(4) the child care services program in the project is designed, to the extent practicable, to involve the participation of the parents of children benefiting from such program;

Aged persons.

"(5) the child care services program in the project is designed, to the extent practicable, to employ in part-time positions elderly individuals who reside in the lower income housing project involved; and

"(6) the child care services program in the project complies with all applicable State and local laws, regulations, and ordinances.

"(c) ALLOCATION OF ASSISTANCE.—In providing grants under this section, the Secretary shall—

"(1) give priority to nonprofit organizations providing child care services in lower income housing projects in which reside the largest number of preschool and school children of lower income families;

"(2) seek to ensure a reasonable distribution of such grants between urban and rural areas and among nonprofit organizations providing child care services in lower income housing projects of varying sizes; and

"(3) seek to provide such grants to the largest number of nonprofit organizations practicable, considering the amount of funds available under this section and the financial requirements of the particular child care services programs to be established in the lower income housing projects for which applications are submitted under this section.

"(d) ADMINISTRATIVE PROVISIONS.—

"(1) Applications for grants under this section shall be made by nonprofit organizations (in consultation with public housing agencies) in such form, and according to such procedures, as the Secretary may prescribe.

"(2) Any nonprofit organization receiving a grant under this section may use such grant only for operating expenses and minor renovations of facilities necessary to the provision of child care services under this section.

"(3) The Secretary shall conduct periodic evaluations of each child care services program assisted under this section for purposes of—

"(A) determining the effectiveness of such program in providing child care services and permitting the parents or guardians of children residing in public housing to obtain, retain, or train for employment; and

"(B) ensuring compliance with the provisions of this section.

"(4) No provision of this section may be construed to authorize the Secretary to establish any health, safety, educational, or other standards with respect to child care services or facilities assisted with grants received under this section. Such services and facilities shall comply with all applicable State and local laws, regulations, and ordinances, and all requirements established by the Secretary of Health and Human Services for child care services and facilities.

"(e) REPORT TO CONGRESS.—Not later than the expiration of the 3-year period following the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall prepare and submit to the Congress a detailed report setting forth the findings and conclusions of the Secretary as a result of carrying out the demonstration program established in this section. Such report shall include any recommendations of the Secretary with respect to the establishment of a permanent program of assisting child care services in lower income housing projects.

"(f) DEFINITIONS.—For purposes of this section:

"(1) The term 'lower income families' has the meaning given such term in section 3(b)(2) of the United States Housing Act of 1937.

"(2) The terms 'lower income housing project' and 'public housing' have the meanings given such terms in section 3(b)(1) of the United States Housing Act of 1937.

"(3) The term 'public housing agency' has the meaning given such term in section 3(b)(6) of the United States Housing Act of 1937.

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

“(g) AUTHORIZATION OF APPROPRIATIONS.—Of the total amount approved in appropriation Acts under section 103 of the Housing and Community Development Act of 1974, there shall be set aside to carry out this section \$5,000,000 for fiscal year 1988 and \$5,210,000 for fiscal year 1989.”

SEC. 118. PAYMENTS FOR OPERATION OF LOWER INCOME HOUSING PROJECTS.

(a) PERFORMANCE FUNDING SYSTEM.—Section 9(a) of the United States Housing Act of 1937 is amended—

42 USC 1437g.

- (1) by striking the last sentence of paragraph (1); and
- (2) by adding at the end the following new paragraph:

“(3)(A) For purposes of making payments under this section, the Secretary shall utilize a performance funding system that is substantially based on the system defined in regulations and in effect on the date of the enactment of the Housing and Community Development Act of 1987 (as modified by this paragraph), and that establishes standards for costs of operation and reasonable projections of income, taking into account the character and location of the project and the characteristics of the families served, in accordance with a formula representing the operations of a prototype well-managed project. Such performance funding system shall be established in consultation with public housing agencies and their associations, be contained in a regulation promulgated by the Secretary prior to the start of any fiscal year to which it applies, and remain in effect for the duration of such fiscal year without change. Notwithstanding the preceding sentences, the Secretary shall revise the performance funding system by June 15, 1988, to accurately reflect the increase in insurance costs incurred by public housing agencies.

Insurance.

“(B) Under the performance funding system established under this paragraph—

“(i) in the first year that the reductions occur, any public housing agency shall share equally with the Secretary any cost reductions due to the differences between projected and actual utility rates attributable to actions taken by the agency which lead to such reductions;

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Energy.
Utilities.

“(ii) in the case of any public housing agency that receives financing (from a person other than the Secretary) or enters into a performance contract to undertake energy conservation improvements in a public housing project, under which payment does not exceed the cost of the energy saved as a result of the improvements during a negotiated contract period of not more than 12 years that is approved by the Secretary—

“(I) the public housing agency shall retain 100 percent of any cost avoidance due to differences between projected and actual utility consumption (adjusted for heating degree days) attributable to the improvements, until the term of the financing agreement is completed, at which time the annual utility expense level 3-year rolling base procedures shall be applied using—

“(a) in the first year following the end of the contract period, the energy use during the 2 years prior to installation of the energy conservation improvements and the last contract year;

“(b) in the second year following the end of the contract period, the energy use during the 1 year prior

to installation of the energy conservation improvements and the 2 years following the end of the contract period; and

“(c) in the third year following the end of the contract period, the energy use in the 3 years following the end of the contract period; or

“(II) the Secretary shall provide an additional operating subsidy above the current allowable utility expense level equivalent to the cost of the energy saved as a result of the improvements and sufficient to cover payments for the improvements through the term of the contract or agreement;

“(iii) there shall be a formal review process for the purpose of providing such revisions (either increases or reductions) to the allowable expense level of a public housing agency as necessary—

“(I) to correct inequities and abnormalities that exist in the base year expense level of such public housing agency;

“(II) to accurately reflect changes in operating circumstances since the initial determination of such base year expense level; and

“(III) to ensure that the allowable expense limit accurately reflects the higher cost of operating the project in an economically distressed unit of local government and the lower cost of operating the project in an economically prosperous unit of local government; and

“(iv) if a public housing agency redesigns or substantially rehabilitates a public housing project so that 2 or more dwelling units are combined to create a single larger dwelling unit, the payments received under this section shall not be reduced solely because of the resulting reduction in the number of dwelling units if not less than the same number of individuals will reside in the new larger dwelling unit as resided in the dwelling units that were combined to form such larger dwelling unit.”

(b) **AUTHORIZATION OF APPROPRIATIONS.**—Section 9(c) of the United States Housing Act of 1937 is amended to read as follows:

“(c) There are authorized to be appropriated for purposes of providing annual contributions under this section \$1,500,000,000 for fiscal year 1988 and \$1,530,000,000 for fiscal year 1989.”

(c) **TIME OF PAYMENT.**—Section 9 of the United States Housing Act of 1937 is amended by adding at the end the following new subsection:

“(e) In the case of any public housing agency that submits its budget for any fiscal year of such agency to the Secretary in a timely manner in accordance with the regulations issued by the Secretary under this section, assistance to be provided to such agency under this section for such fiscal year shall commence not later than the 1st month of such fiscal year, and shall be paid in accordance with such payment schedule as may be agreed upon by the Secretary and such agency.”

(d) **USE OF OPERATING SUBSIDIES TO REMEDY PHA NONCOMPLIANCE WITH AUDIT RESPONSIBILITIES.**—Section 9(a)(1) of the United States Housing Act of 1937 is amended by adding at the end the following new sentences: “If the Secretary determines that a public housing agency has failed to take the actions required to submit an acceptable audit on a timely basis in accordance with chapter 75 of title 31, United States Code, the Secretary may arrange for, and pay the

costs of, the audit. In such circumstances, the Secretary may withhold, from assistance otherwise payable to the agency under this section, amounts sufficient to pay for the reasonable costs of conducting an acceptable audit, including, when appropriate, the reasonable costs of accounting services necessary to place the agency's books and records in auditable condition."

SEC. 119. COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM.

(a) **PURPOSE OF AMENDMENTS.**—It is the purpose of the amendments made by this section—

(1) to provide assistance on a reliable and more predictable basis to public housing agencies in furtherance of their plans to enable them to operate, upgrade, modernize, and rehabilitate public housing projects financed under the United States Housing Act of 1937 to ensure their continued availability for the benefit of lower income families as decent, safe, and sanitary rental housing at affordable rents;

(2) to provide considerable discretion to public housing agencies to decide the specific improvements, the manner of their execution, and the timing of the expenditure of funds in the modernization of projects under section 14 of the United States Housing Act of 1937;

(3) to significantly simplify the program of Federal assistance for capital improvements in public housing projects;

(4) to provide increased opportunities and incentives for more efficient management of public housing projects; and

(5) to afford public housing agencies greater control in planning and expending funds under the United States Housing Act of 1937 for the modernization, rehabilitation, maintenance, and improvement of public housing projects to benefit lower income families.

(b) **AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE.**—Section 14(b) of the United States Housing Act of 1937 is amended—

(A) by inserting "(1)" after the subsection designation; and

(B) by adding at the end the following new paragraph:

"(2) The Secretary may make contributions (in the form of grants) to public housing agencies under this section. The contract under which the contributions shall be made shall specify that the terms and conditions of the contract shall remain in effect for a 20-year period for any project receiving the benefit of a grant under the contract."

(c) **APPLICATIONS BY PHA'S MANAGING LESS THAN 500 UNITS.**—Section 14(d) of the United States Housing Act of 1937 is amended in the matter preceding paragraph (1) by inserting after "subsection (b)" the following: "to a public housing agency that owns or operates less than 500 public housing dwelling units".

(d) **COMPREHENSIVE PLANS.**—Section 14 of the United States Housing Act of 1937 is amended—

(1) by redesignating subsection (e) as subsection (f); and

(2) by inserting after subsection (d) the following new subsection:

"(e)(1) No financial assistance may be made available under this section to a public housing agency that owns or operates 500 or more public housing dwelling units unless the Secretary approves (or has approved before the effective date of this subsection) a 5-year comprehensive plan submitted by the public housing agency, except that

42 USC 1437l
note.

42 USC 1437l.

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the Secretary may provide such assistance if it is necessary to correct conditions that constitute an immediate threat to the health or safety of tenants. The comprehensive plan shall contain—

“(A) a comprehensive assessment of—

“(i) the current physical condition of each public housing project owned or operated by the public housing agency;

“(ii) the physical improvements necessary for each such project to permit the project—

“(I) to be rehabilitated to a level at least equal to the modernization standards specified in the Modernization Handbook of the Department of Housing and Urban Development in effect on the date of the enactment of the Housing and Community Development Act of 1987, as well as the modernization standards established by the Secretary and in effect at the time of the preparation of the comprehensive plan; and

“(II) to comply with life-cycle cost-effective energy conservation performance standards established by the Secretary to reduce operating costs over the estimated life of the building; and

“(iii) the replacement needs of equipment systems and structural elements that will be required to be met (assuming routine and timely maintenance is performed) during the 5-year period covered by the comprehensive plan;

“(B) a comprehensive assessment of the improvements needed to upgrade the management and operation of the public housing agency and of each such project so that decent, safe, and sanitary living conditions will be provided such projects, which assessment shall include at least an identification of needs related to—

“(i) the management, financial, and accounting control systems of the public housing agency that are related to such projects;

“(ii) the adequacy and qualifications of personnel appropriate to be employed by the public housing agency (in the management and operation of such projects) for each significant category of employment; and

“(iii) the improvement of the efficacy of—

“(I) tenant programs and services in such projects;

“(II) the security of each such project and its tenants;

“(III) policies and procedures of the public housing agency for the selection and eviction of tenants in such projects; and

“(IV) other policies and procedures of the public housing agency relating to such projects, as specified by the Secretary;

“(C) an analysis, made on a project-by-project basis in accordance with standards and criteria prescribed by the Secretary, demonstrating that completion of the improvements and replacements identified under subparagraphs (A) and (B) will reasonably ensure the long-term physical and social viability of each such project at a reasonable cost;

“(D) an action plan for making the improvements and replacements identified under subparagraphs (A) and (B) that are determined under the analysis described in subparagraph (C) to reasonably ensure long-term viability of each such project at a reasonable cost, which action plan shall include at least a

Energy.

schedule, in order of priority established by the public housing agency, of the actions that are to be completed over a period of 5 years from the date of approval of the comprehensive plan by the Secretary (or any longer period reasonably needed to make the improvements and replacements, considering the scope of the improvements and replacements and the amount of funding provided) and that are necessary—

“(i) to make the improvements and replacements identified under subparagraph (A) for each project expected to receive capital improvements or replacements (with priority to improvements and replacements required to correct any life threatening condition); and

“(ii) to upgrade the management and operation of the public housing agency and its public housing projects as described in subparagraph (B);

“(E) a statement, to be signed by the chief local government official (or Indian tribal official, if appropriate), certifying that—

“(i) the comprehensive plan was developed by the public housing agency in consultation with appropriate local government officials (or Indian tribal officials) and with tenants of the housing projects (or tenants of the Indian housing projects) eligible for assistance under this section, which shall include at least one public hearing that shall be held prior to the initial adoption of any plan by the public housing agency for use of such assistance, and afford tenants and interested parties an opportunity to summarize their priorities and concerns, to ensure their due consideration in the planning process of the public housing agency; and

“(ii) the comprehensive plan is consistent with the assessment of the community of its lower income housing needs and that the unit of general local government (or Indian tribe) will cooperate in the provision of tenant programs and services (as defined in section 3(c)(2));

“(F) a statement, to be signed by the chief public housing official, certifying that the public housing agency will carry out the comprehensive plan in conformity with title VI of the Civil Rights Act of 1964, title VIII of the Act of April 11, 1968 (commonly known as the Civil Rights Act of 1968), and section 504 of the Rehabilitation Act of 1973;

“(G) a preliminary estimate of the total cost of the items identified in subparagraphs (A) and (B), including a preliminary estimate of the funds that will be required during each year covered by the comprehensive plan to accomplish the work pursuant to the action plan; and

“(H) such other information as the Secretary may require.

“(2)(A) The Secretary shall approve a comprehensive plan unless—

“(i) the comprehensive plan is incomplete in significant matters;

“(ii) on the basis of available significant facts and data pertaining to the physical and operational condition of the public housing projects of the public housing agency or the management and operations of the public housing agency, the Secretary determines that the identification by the public

State and local
governments.
Indians.

housing agency of needs is plainly inconsistent with such facts and data;

“(iii) on the basis of the comprehensive plan, the Secretary determines that the action plan described in paragraph (1)(D) is plainly inappropriate to meeting the needs identified in the comprehensive plan, or that the public housing agency has failed to demonstrate that completion of improvements and replacements identified under subparagraphs (A) and (B) of paragraph (1) will reasonably ensure long-term viability of one or more public housing projects to which they relate at a reasonable cost; or

“(iv) there is evidence available to the Secretary that tends to challenge in a substantial manner any certification contained in the comprehensive plan.

“(B) The comprehensive plan shall be considered to be approved, unless the Secretary notifies the public housing agency in writing within 75 calendar days of submission that the Secretary has disapproved the comprehensive plan as submitted, indicating the reasons for disapproval and modifications required to make the comprehensive plan approvable.

“(3)(A) Each public housing agency that owns or operates 500 or more public housing dwelling units shall, after being advised by the Secretary of the estimated assistance it will receive under this section in any fiscal year, submit to the Secretary, at a date determined by the Secretary, an annual statement of the activities and expenditures projected to be undertaken, in whole or in part, by such assistance during the 12-month period immediately following the execution of the contract for such assistance. The Secretary, in establishing the funding for a public housing agency for any fiscal year, shall review the relative needs for restoring public housing shown by the approved comprehensive plans in the regional or area office of the Department of Housing and Urban Development for such agency. As long as the activities and expenditures are consistent with the approved plan, the public housing agency shall have total discretion in expending assistance for any activity or work set forth in the plan. The annual statement shall include a certification by the public housing agency that the proposed activities and expenditures are consistent with the approved comprehensive plan of the public housing agency. The annual statement also shall include a certification that the public housing agency has provided the tenants of the public housing affected by the planned activities the opportunity to review the annual statement and comment on it, and that such comments have been taken into account in formulating the annual statement as submitted to the Secretary.

“(B) A public housing agency may propose an amendment to its comprehensive plan under paragraph (1) in any annual statement. Any such proposed amendment shall be reviewed in accordance with paragraph (2), and shall include a certification that (i) the proposed amendment has been made publicly available for comment prior to its submission; (ii) affected tenants have been given sufficient time to review and comment on it; and (iii) such comments have been taken into consideration in the preparation and submission of the amendment. A public housing agency shall have a right to amend its comprehensive plan and related statements to extend the time for performance whenever the Secretary has not provided the amount of assistance set forth in the plan or has not provided the assistance in a timely manner.

“(C) The Secretary shall approve the annual statement and any amendment to it or the comprehensive plan unless the Secretary determines that the statement or amendment is plainly inconsistent with the activities specified in the comprehensive plan. The statement or amendment shall be considered to be approved, unless the Secretary notifies the public housing agency in writing before the expiration of the 75-day period following its submission that the Secretary has disapproved it as submitted, indicating the reasons for disapproval and the modifications required to make it approvable.

Reports.

“(4)(A) Each public housing agency that owns or operates 500 or more public housing dwelling units shall submit to the Secretary, on a date determined by the Secretary, a performance and evaluation report concerning the use of funds made available under this section. The report of the public housing agency shall include an assessment by the public housing agency of the relationship of such use of funds made available under this section, as well as the use of other funds, to the needs identified in the comprehensive plan of the public housing agency and to the purposes of this section. The public housing agency shall certify that the report has been made available for review and comment by affected tenants prior to its submission to the Secretary.

“(B) The Secretary shall, at least on an annual basis, make such reviews as may be necessary or appropriate to determine whether each public housing agency receiving assistance under this section—

“(i) has carried out its activities under this section in a timely manner and in accordance with its comprehensive plan;

“(ii) has a continuing capacity to carry out its comprehensive plan in a timely manner;

“(iii) has satisfied, or has made reasonable progress towards satisfying, such performance standards as shall be prescribed by the Secretary, and has made reasonable progress in carrying out modernization projects approved under this section.

“(C) Each public housing agency that owns or operates 500 or more public housing dwelling units and receives assistance under this section shall have an audit made in accordance with chapter 75 of title 31, United States Code. The Secretary, the Inspector General of the Department of Housing and Urban Development, and the Comptroller General of the United States shall have access to all books, documents, papers, or other records that are pertinent to the activities carried out under this section in order to make audit examinations, excerpts, and transcripts.

“(D) The comprehensive plan, any amendments to the comprehensive plan, and the annual statement shall, once approved by the Secretary, be binding upon the Secretary and the public housing agency. The Secretary may order corrective action only if the public housing agency does not comply with subparagraph (A) or (B) or if an audit under subparagraph (C) reveals findings that the Secretary reasonably believes require such corrective action. The Secretary may withhold funds under this section only if the public housing agency fails to take such corrective action after notice and a reasonable opportunity to do so. In administering this section, the Secretary shall, to the greatest extent possible, respect the professional judgment of the administrators of the public housing agency.”.

(e) ELIGIBLE COSTS.—Section 14(f) of the United States Housing Act of 1937 (as so redesignated by this section) is amended—

(1) by inserting “(1)” after the subsection designation;

(2) in the matter preceding paragraph (1), by inserting after “public housing agency” the following: “that owns or operates less than 500 public housing dwelling units”;

(3) by redesignating paragraphs (1) through (4) as subparagraphs (A) through (D); and

(4) by adding at the end the following new paragraph:

“(2) A public housing agency that owns or operates 500 or more public housing dwelling units may use financial assistance received under subsection (b) only—

“(A) to undertake activities described in its approved comprehensive plan under subsection (e)(1) or its annual statement under subsection (e)(3);

“(B) to correct conditions that constitute an immediate threat to the health or safety of tenants and to meet special purpose needs described in section 14(i)(1)(D), whether or not the need for such correction is indicated in its comprehensive plan or annual statement; and

“(C) to prepare a comprehensive plan under subsection (e)(1), including reasonable costs that may be necessary to assist tenants in participating in the planning process in a meaningful way, an annual statement under subsection (e)(3), an annual performance and evaluation report under subsection (e)(4)(A), and an audit under subsection (e)(4)(C).”

Health and
medical care.
Safety.

Reports.

(f) ALLOCATION OF ASSISTANCE.—Section 14 of the United States Housing Act is amended by adding at the end the following new subsection:

42 USC 1437f.

“(k)(1) Until the Congress establishes by law a revised method for allocating assistance under this section, assistance shall be allocated under this section in substantial accordance with the allocation method in effect on the date of the enactment of the Housing and Community Development Act of 1987.

“(2) Not later than 1 year after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall—

“(A) complete the study of the need for public housing modernization initiated pursuant to the Department of Housing and Urban Development-Independent Agencies Appropriation Act, 1984 (Public Law 98-45) and any other studies that are necessary to evaluate the current condition and capital requirements of public housing as well as the future need for rehabilitation and replacement of public housing facilities;

“(B) submit to the Congress proposed methods for determining the relative allocation of funds between activities to correct existing deficiencies and the annual accrual of resources to meet future needs;

“(C) submit to the Congress proposed alternatives for allocating funds among public housing agencies to correct existing deficiencies, including formulas for distributing funds to public housing agencies, to regional and field offices of the Department of Housing and Urban Development, or to States, as well as such other allocation methods as the Secretary may wish to recommend;

“(D) provide the Congress with—

“(i) an analysis of data and other information used to develop recommendations for measuring existing deficiencies, future needs, and anticipated emergencies;

“(ii) an analysis of the bases underlying each of the proposed allocation methods; and

“(iii) a comparison of proposed allocations to previous allocations under this section;

“(E) propose to the Congress criteria for distinguishing capital replacement activities that are routine from those that are not routine;

“(F) propose to the Congress alternative methods—

“(i) to allocate funds to public housing agencies to meet predictable routine modernization and regular capital replacement expenses; and

“(ii) provide for unpredictable, infrequent, or extraordinary future capital replacement needs through a fund administered on a national, regional, State, or local level or through such other methods as the Secretary may recommend;

“(G) consult at least on a quarterly basis with organizations and individuals representing public housing agencies, local government, and tenants regarding progress on the studies referred to in subparagraph (A) and the development of alternatives for improving this section; and

“(H) estimate, for not less than the 200 largest public housing agencies, the amount that will be received annually under each such alternative allocation system and compare such amounts to funds received in prior years under this section.”

(g) ANNUAL REPORT.—Section 14 of the United States Housing Act (as amended by subsection (f) of this section) is further amended by adding at the end the following new subsection:

“(1) The Secretary shall include in the annual report under section 8 of the Department of Housing and Urban Development Act—

“(1) a description of the allocation, distribution, and use of assistance under this section on a regional basis and on the basis of public housing agency size; and

“(2) a national compilation of the total funds requested in comprehensive plans for all public housing agencies owning or operating 500 or more public housing dwelling units.”

(h) REGULATIONS.—Section 14 of the United States Housing Act (as amended by subsection (g) of this section) is further amended by adding at the end the following new subsection:

“(m) Subject to subsection (k)(1), the Secretary may issue any regulations that are necessary to carry out this section.”

(i) CONFORMING AMENDMENTS.—

(1) Section 14(d) of the United States Housing Act of 1937 is amended in the matter preceding paragraph (1) by striking “subsection (e)(4)” and inserting “subsection (f)(4)”.

(2) Section 14(i)(1) of the United States Housing Act of 1937 is amended in the matter preceding subparagraph (A) by inserting “(f),” after “(e),”.

(3) Section 14(f) of the United States Housing Act of 1937 (as so redesignated by this section) is amended by striking “annual”.

(4) Section 14(g) of the United States Housing Act of 1937 is amended by inserting “or (e)” after “subsection (d)(4)”.

(5) Section 14(h)(2) of the United States Housing Act of 1937 is amended by inserting “or (e)” after “subsection (d)(4)”.

(6) Section 14(i) of the United States Housing Act of 1937 is amended by striking “subsections (c), (d), (e), (g), and (h)” and inserting “subsections (c) through (h)”. 42 USC 1437L.

SEC. 120. COMPREHENSIVE IMPROVEMENT ASSISTANCE SPECIAL PURPOSE NEEDS.

Section 14(i)(1)(D) of the United States Housing Act of 1937 is amended—

(1) by inserting “(i)” after “(D)”;

(2) by redesignating clauses (i) and (ii) and clauses (I) and (II), respectively;

(3) by striking the period at the end and inserting “; and”; and

(4) by adding at the end the following new clause:

“(ii) physical improvement needs eligible under this subparagraph shall include replacing or repairing major equipment systems or structural elements, upgrading security, increasing accessibility for elderly families and handicapped families (as such terms are defined in section 3(b)(3)), reducing the number of vacant substandard units, and increasing the energy efficiency of the units, except that the Secretary may make financial assistance available under this clause only if the Secretary determines that the physical improvements are necessary and sufficient to extend substantially the useful life of the project.”.

SEC. 121. PUBLIC HOUSING DEMOLITION AND DISPOSITION.

(a) **DETERMINATION OF INFEASIBILITY OF MODIFICATIONS.**—Section 18(a)(1) of the United States Housing Act of 1937 is amended by striking “or” after “purposes,” and inserting “and”. 42 USC 1437p.

(b) **DEVELOPMENT AND APPROVAL OF REPLACEMENT HOUSING PLAN.**—Section 18(b) of the United States Housing Act of 1937 is amended—

(1) by striking “and” at the end of paragraph (1);

(2) by striking the period at the end of paragraph (2) and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(3) the public housing agency has developed a plan for the provision of an additional decent, safe, sanitary, and affordable dwelling unit for each public housing dwelling unit to be demolished or disposed under such application, which plan—

“(A) provides for the provision of such additional dwelling units through—

“(i) the acquisition or development of additional public housing dwelling units;

“(ii) the use of 15-year project-based assistance under section 8;

“(iii) the use of not less than 15-year project-based assistance under other Federal programs;

“(iv) the acquisition or development of dwelling units assisted under a State or local government program that provides for project-based assistance comparable in terms of eligibility, contribution to rent, and length of assistance contract (not less than 15 years) to assistance under section 8(b)(1);

“(v) the use of 15-year tenant-based assistance under section 8 (excluding vouchers under section 8(o)); or

“(vi) any combination of such methods;

State and local governments. Contracts.

“(B) if it provides for the use of tenant-based assistance under section 8, may be approved—

“(i) only after a finding by the Secretary that replacement with project-based assistance is not feasible, and the supply of private rental housing actually available to those who would receive such assistance under the plan is sufficient for the total number of certificates and vouchers available in the community after implementation of the plan and that such supply is likely to remain available for the full 15-year term of the assistance; and

“(ii) only if such finding is based on objective information, which shall include rates of participation by landlords in the section 8 program, size, conditions and rent levels of available rental housing as compared to section 8 standards, the supply of vacant existing housing meeting the section 8 quality standards with rents at or below the fair market rent or the likelihood of adjusting the fair market rent, the number of eligible families waiting for public housing or housing assistance under section 8, and the extent of discrimination against the types of individuals or families to be served by the assistance;

“(C) is approved by the unit of general local government in which the project is located;

“(D) includes a schedule for completing the plan within a period consistent with the size of the proposed demolition or disposition, except that the schedule shall in no event exceed 6 years;

“(E) includes a method of ensuring that the same number of individuals and families will be provided housing;

“(F) provides for the payment of the relocation expenses of each tenant to be displaced and ensures that the rent paid by the tenant following relocation will not exceed the amount permitted under this Act; and

“(G) prevents the taking of any action to demolish or dispose of any unit until the tenant of the unit is relocated to decent, safe, sanitary, and affordable housing that is, to the extent practicable, of the tenant's choice.”

(c) FUNDING OF REPLACEMENT HOUSING PLAN.—Section 18(c) of the United States Housing Act of 1937 is amended—

(1) by inserting “(1)” after the subsection designation; and

(2) by adding at the end the following new paragraphs:

“(2) The Secretary shall, upon approving a plan under subsection (b)(3), agree to commit (subject to the availability of future appropriations) the funds necessary to carry out the plan over the approved schedule of the plan.

“(3) The Secretary shall, in allocating assistance for the acquisition or development of public housing or for moderate rehabilitation under section 8(e)(2), give consideration to housing that replaces demolished public housing units in accordance with a plan under subsection (b)(3).”

(d) APPLICABILITY.—Section 18 of the United States Housing Act of 1937 is amended by striking subsection (d) and inserting the following new subsection:

“(d) A public housing agency shall not take any action to demolish or dispose of a public housing project or a portion of a public housing

State and local governments.

42 USC 1437p.

project without obtaining the approval of the Secretary and satisfying the conditions specified in subsections (a) and (b).”.

SEC. 122. PUBLIC HOUSING RESIDENT MANAGEMENT.

Corporations.

The United States Housing Act of 1937 is amended by adding at the end the following new section:

“PUBLIC HOUSING RESIDENT MANAGEMENT

“SEC. 20. (a) PURPOSE.—The purpose of this section is to encourage increased resident management of public housing projects, as a means of improving existing living conditions in public housing projects, by providing increased flexibility for public housing projects that are managed by residents by—

42 USC 1437r.

“(1) permitting the retention, and use for certain purposes, of any revenues exceeding operating and project costs; and

“(2) providing funding, from amounts otherwise available, for technical assistance to promote formation and development of resident management entities.

For purposes of this section, the term ‘public housing project’ includes one or more contiguous buildings or an area of contiguous row houses the elected resident councils of which approve the establishment of a resident management corporation and otherwise meet the requirements of this section.

“(b) PROGRAM REQUIREMENTS.—

“(1) RESIDENT COUNCIL.—As a condition of entering into a resident management program, the elected resident council of a public housing project shall approve the establishment of a resident management corporation. When such approval is made by the elected resident council of a building or row house area, the resident management program shall not interfere with the rights of other families residing in the project or harm the efficient operation of the project. The resident management corporation and the resident council may be the same organization, if the organization complies with the requirements applicable to both the corporation and council. The corporation shall be a nonprofit corporation organized under the laws of the State in which the project is located, and the tenants of the project shall be the sole voting members of the corporation. If there is no elected resident council, a majority of the households of the public housing project shall approve the establishment of a resident council to determine the feasibility of establishing a resident management corporation to manage the project.

“(2) PUBLIC HOUSING MANAGEMENT SPECIALIST.—The resident council of a public housing project, in cooperation with the public housing agency, shall select a qualified public housing management specialist to assist in determining the feasibility of, and to help establish, a resident management corporation and to provide training and other duties agreed to in the daily operations of the project.

“(3) BONDING AND INSURANCE.—Before assuming any management responsibility for a public housing project, the resident management corporation shall provide fidelity bonding and insurance, or equivalent protection, in accordance with regulations and requirements of the Secretary and the public housing agency. Such bonding and insurance, or its equivalent, shall be adequate to protect the Secretary and the public housing agency

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against loss, theft, embezzlement, or fraudulent acts on the part of the resident management corporation or its employees.

“(4) **MANAGEMENT RESPONSIBILITIES.**—A resident management corporation that qualifies under this section, and that supplies insurance and bonding or equivalent protection sufficient to the Secretary and the public housing agency, shall enter into a contract with the public housing agency establishing the respective management rights and responsibilities of the corporation and the public housing agency. Such contract shall be consistent with the requirements of this Act applicable to public housing projects and may include specific terms governing management personnel and compensation, access to public housing project records, submission of and adherence to budgets, rent collection procedures, tenant income verification, tenant eligibility determinations, tenant eviction, the acquisition of supplies and materials, and such other matters as may be appropriate. The contract shall be treated as a contracting out of services and shall be subject to any provision of a collective bargaining agreement regarding contracting out to which the public housing agency is subject.

Reports.

“(5) **ANNUAL AUDIT.**—The books and records of a resident management corporation operating a public housing project shall be audited annually by a certified public accountant. A written report of each audit shall be forwarded to the public housing agency and the Secretary.

“(c) **COMPREHENSIVE IMPROVEMENT ASSISTANCE.**—Public housing projects managed by resident management corporations may be provided with comprehensive improvement assistance under section 14 for purposes of renovating such projects in accordance with such section. If such renovation activities (including the planning and architectural design of the rehabilitation) are administered by a resident management corporation, the public housing agency involved may not retain, for any administrative or other reason, any portion of the assistance provided pursuant to this subsection unless otherwise provided by contract.

“(d) **WAIVER OF FEDERAL REQUIREMENTS.**—

“(1) **WAIVER OF REGULATORY REQUIREMENTS.**—Upon the request of any resident management corporation and public housing agency, and after notice and an opportunity to comment is afforded to the affected tenants, the Secretary may waive (for both the resident management corporation and the public housing agency) any requirement established by the Secretary (and not specified in any statute) that the Secretary determines to unnecessarily increase the costs or restrict the income of a public housing project.

“(2) **WAIVER TO PERMIT EMPLOYMENT.**—Upon the request of any resident management corporation, the Secretary may, subject to applicable collective bargaining agreements, permit residents of such project to volunteer a portion of their labor.

“(3) **REPORT ON ADDITIONAL WAIVERS.**—Not later than 6 months after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall submit to the Congress a report setting forth any additional waivers of Federal law that the Secretary determines are necessary or appropriate to carry out the provisions of this section. In preparing the report, the Secretary shall consult with resident management corporations and public housing agencies.

“(4) EXCEPTIONS.—The Secretary may not waive under this subsection any requirement with respect to income eligibility for purposes of section 16, rental payments under section 3(a), tenant or applicant protections, employee organizing rights, or rights of employees under collective bargaining agreements.

“(e) OPERATING SUBSIDY AND PROJECT INCOME.—

“(1) CALCULATION OF OPERATING SUBSIDY.—Notwithstanding any provision of section 9 or any regulation under such section, and subject to the exception provided in paragraph (3), the portion of the operating subsidy received by a public housing agency under section 9 that is allocated to a public housing project managed by a resident management corporation shall not be less than the public housing agency per unit monthly amount provided in the previous year as determined on an individual project basis.

“(2) CONTRACT REQUIREMENTS.—Any contract for management of a public housing project entered into by a public housing agency and a resident management corporation shall specify the amount of income expected to be derived from the project itself (from sources such as rents and charges) and the amount of income funds to be provided to the project from the other sources of income of the public housing agency (such as operating subsidy under section 9, interest income, administrative fees, and rents).

“(3) CALCULATION OF TOTAL INCOME.—

“(A) Subject to subparagraph (B), the amount of funds provided by a public housing agency to a public housing project managed by a resident management corporation may not be reduced during the 3-year period beginning on the date of enactment of the Housing and Community Development Act of 1987 or on any later date on which a resident management corporation is first established for the project.

“(B) If the total income of a public housing agency (including the operating subsidy provided to the public housing agency under section 9) is reduced or increased, the income provided by the public housing agency to a public housing project managed by a resident management corporation shall be reduced or increased in proportion to the reduction or increase in the total income of the public housing agency, except that any reduction in operating subsidy that occurs as a result of fraud, waste, or mismanagement by the public housing agency shall not affect the funds provided to the resident management corporation.

“(4) RETENTION OF EXCESS REVENUES.—

“(A) Any income generated by a resident management corporation of a public housing project that exceeds the income estimated for purposes of this subsection shall be excluded in subsequent years in calculating (i) the operating subsidies provided to the public housing agency under section 9; and (ii) the funds provided by the public housing agency to the resident management corporation.

“(B) Any revenues retained by a resident management corporation under subparagraph (A) shall be used for purposes of improving the maintenance and operation of the public housing project, for establishing business enterprises

that employ residents of public housing, or for acquiring additional dwelling units for lower income families.

“(f) RESIDENT MANAGEMENT TECHNICAL ASSISTANCE AND TRAINING.—

“(1) FINANCIAL ASSISTANCE.—To the extent budget authority is available for section 14, the Secretary shall provide financial assistance to resident management corporations or resident councils that obtain, by contract or otherwise, technical assistance for the development of resident management entities, including the formation of such entities, the development of the management capability of newly formed or existing entities, the identification of the social support needs of residents of public housing projects, and the securing of such support.

“(2) LIMITATION ON ASSISTANCE.—The financial assistance provided under this subsection with respect to any public housing project may not exceed \$100,000.

“(3) FUNDING.—Of the amounts available for financial assistance under section 14, the Secretary may use to carry out this subsection not more than \$2,500,000 for fiscal year 1988 and not more than \$2,500,000 for fiscal year 1989.

“(g) ASSESSMENT AND REPORT BY THE SECRETARY.—Not later than 3 years after the date of the enactment of the Housing and Community Development Act of 1987, the Secretary shall—

“(1) conduct an evaluation and assessment of resident management, and particularly of the effect of resident management on living conditions in public housing; and

“(2) submit to the Congress a report setting forth the findings of the Secretary as a result of the evaluation and assessment and including any recommendations the Secretary determines to be appropriate.”

Corporations.

SEC. 123. PUBLIC HOUSING HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES.

The United States Housing Act of 1937 (as amended by section 122 of this Act) is further amended by adding at the end the following new section:

“PUBLIC HOUSING HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES

42 USC 1437s.

“SEC. 21. (a) HOMEOWNERSHIP OPPORTUNITIES IN GENERAL.—Lower income families residing in a public housing project shall be provided with the opportunity to purchase the dwelling units in the project through a qualifying resident management corporation as follows:

“(1) FORMATION OF RESIDENT MANAGEMENT CORPORATION.—As a condition for public housing homeownership—

“(A) the adult residents of a public housing project shall have formed a resident management corporation in accordance with regulations and requirements of the Secretary prescribed under this section and section 20;

“(B) the resident management corporation shall have entered into a contract with the public housing agency establishing the respective management rights and responsibilities of the resident management corporation and the public housing agency; and

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“(C) the resident management corporation shall have demonstrated its ability to manage public housing effectively and efficiently for a period of not less than 3 years.

“(2) HOMEOWNERSHIP ASSISTANCE.—

“(A) The Secretary may provide comprehensive improvement assistance under section 14 to a public housing project in which homeownership activities under this section are conducted.

“(B) The Secretary, and the public housing agency owning and operating a public housing project, shall provide such training, technical assistance, and educational assistance as the Secretary determines to be necessary to prepare the families residing in the project, and any resident management corporation established under paragraph (1), for homeownership.

“(C) This paragraph shall not have effect after September 30, 1990.

Termination
date.

“(3) CONDITIONS OF PURCHASE BY A RESIDENT MANAGEMENT CORPORATION.—

“(A) A resident management corporation may purchase from a public housing agency one or more multifamily buildings in a public housing project following a determination by the Secretary that—

“(i) the resident management corporation has met the conditions of paragraph (1);

“(ii) the resident management corporation has applied for and is prepared to undertake the ownership, management, and maintenance of the building or buildings with continued assistance from the Secretary;

“(iii) the public housing agency has held one or more public hearings to obtain the views of citizens regarding the proposed purchase and, in consultation with the Secretary, has certified that the purchase will not interfere with the rights of other families residing in public housing, will not harm the efficient operation of other public housing, and is in the interest of the community;

“(iv) the public housing agency has certified that it has and will implement a plan to replace public housing units sold under this section within 30 months of the sale, which plan shall provide for replacement of 100 percent of the units sold under this section by—

“(I) production, acquisition, or rehabilitation of vacant public housing units by the public housing agency; and

“(II) acquisition by the resident management corporation of nonpublicly owned, decent, and affordable housing units, which the resident management corporation shall operate as rental housing subject to tenant income and rent limitations comparable to the limitations applicable to public housing; and

“(v) the building or buildings meet the minimum safety and livability standards applicable under section 14, and the physical condition, management, and operation of the building or buildings are sufficient to

Termination
date.

permit affordable homeownership by the families residing in the project.

“(B) The price of a building purchased under the preceding sentence shall be approved by the Secretary, in consultation with the public housing agency and resident management corporation, taking into account the fair market value of the property, the ability of resident families to afford and maintain the property, and such other factors as the Secretary determines to be consistent with increasing the supply of dwelling units affordable to very low income families.

“(C) This paragraph shall not have effect after September 30, 1990.

“(4) CONDITIONS OF RESALE.—

“(A)(i) A resident management corporation may sell a dwelling unit or ownership rights in a dwelling unit only to a lower income family residing in, or eligible to reside in, public housing and only if the Secretary determines that the purchase will not interfere with the rights of other families residing in the housing project or harm the efficient operation of the project, and the family will be able to purchase and maintain the property.

“(ii) The sale of dwelling units or ownership rights in dwelling units under clause (i) shall be made to families in the following order of priority:

“(I) a lower income family residing in the public housing project in which the dwelling unit is located;

“(II) a lower income family residing in any public housing project within the jurisdiction of the public housing agency having jurisdiction with respect to the project in which the dwelling unit is located;

“(III) a lower income family receiving Federal housing assistance and residing in the jurisdiction of such public housing agency; and

“(IV) a lower income family on the waiting list of such public housing agency for public housing or assistance under section 8, with priority given in the order in which the family appears on the waiting list.

“(iii) Each resident management corporation shall provide each family described in clause (ii) with a notice of the eligibility of the family to purchase a dwelling unit under this paragraph.

“(B) A purchase under subparagraph (A) may be made under any of the following arrangements:

“(i) Limited dividend cooperative ownership.

“(ii) Condominium ownership.

“(iii) Fee simple ownership.

“(iv) Shared appreciation with a public housing agency providing financing under paragraph (6).

“(v) Any other arrangement determined by the Secretary to be appropriate.

“(C) Property purchased under this section shall be resold only to the resident management corporation, a lower income family residing in or eligible to reside in public housing or housing assisted under section 8, or to the public housing agency.

"(D) In no case may the owner receive consideration for his or her interest in the property that exceeds the total of—

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"(i) the contribution to equity paid by the owner;

"(ii) the value, as determined by such means as the Secretary shall determine through regulation, of any improvements installed at the expense of the owner during the owner's tenure as owner; and

"(iii) the appreciated value determined by an inflation allowance at a rate which may be based on a cost of living index, an income index, or market index as determined by the Secretary through regulation and agreed to by the purchaser and the resident management corporation or the public housing agency, whichever is appropriate, at the time of initial sale, and applied against the contribution to equity; the resident management corporation or the public housing agency may, at the time of initial sale, enter into an agreement with the owner to set a maximum amount which this appreciation may not exceed.

"(E) Upon sale, the resident management corporation or the public housing agency, whichever is appropriate, shall ensure that subsequent owners are bound by the same limitations on resale and further restrictions on equity appreciation.

"(5) USE OF PROCEEDS.—Notwithstanding any other provision of this Act or other law to the contrary, proceeds from the sale of a building or buildings under paragraph (3) and amounts recaptured under paragraph (4) shall be paid to the public housing agency and shall be retained and used by the public housing agency only to increase the number of public housing units available for occupancy. The resident management corporation shall keep and make available to the public housing agency and the Secretary all records necessary to calculate accurately payments due the local housing agency under this section. The Secretary shall not reduce or delay payments under other provisions of law as a result of amounts made available to the local housing agency under this section.

"(6) FINANCING.—When financing for the purchase of the property is not otherwise available for purposes of assisting any purchase by a family or resident management corporation under this section, the public housing agency involved may make a loan on the security of the property involved to the family or resident management corporation at a rate of interest that shall not be lower than 70 percent of the market interest rate for conventional mortgages on the date on which the loan is made.

"(7) ANNUAL CONTRIBUTIONS.—Notwithstanding the purchase of a building in a public housing project under this section, the Secretary shall continue to pay annual contributions with respect to the project. Such contributions may not exceed the maximum contributions authorized in section 5(a).

"(8) OPERATING SUBSIDIES.—Operating subsidies shall not be available with respect to a building after the date of its sale by the public housing agency.

"(b) PROTECTION OF NONPURCHASING FAMILIES.—

“(1) **EVICITION PROHIBITION.**—No family residing in a dwelling unit in a public housing project may be evicted by reason of the sale of the project to a resident management corporation under this section.

“(2) **TENANTS RIGHTS.**—Families renting a dwelling unit purchased by a resident management corporation shall have all rights provided to tenants of public housing under this Act.

“(3) **RENTAL ASSISTANCE.**—If any family resides in a dwelling unit in a building purchased by a resident management corporation, and the family decides not to purchase the dwelling unit, the Secretary shall offer to provide to the family (at the option of the family) a certificate under section 8(b)(1) or a housing voucher under section 8(o) for as long as the family continues to reside in the building. The Secretary may adjust the fair market rent for such certificate to take into account conditions under which the building was purchased.

“(4) **RENTAL AND RELOCATION ASSISTANCE.**—If any family resides in a dwelling unit in a public housing project in which other dwelling units are purchased under this section, and the family decides not to purchase the dwelling unit, the Secretary shall offer (to be selected by the family, at its option)—

“(A) to assist the family in relocating to a comparable appropriate sized dwelling unit in another public housing project, and to reimburse the family for their cost of relocation; and

“(B) to provide to the family the financial assistance necessary to permit the family to stay in the dwelling unit or to move to another comparable dwelling unit and to pay no more for rent than required under subparagraph (A), (B), or (C) of section 3(a)(1).

“(c) **FINANCIAL ASSISTANCE FOR PUBLIC HOUSING AGENCIES.**—The Secretary shall provide to public housing agencies such financial assistance as is necessary to permit such agencies to carry out the provisions of this section.

“(d) **ADDITIONAL HOMEOWNERSHIP AND MANAGEMENT OPPORTUNITIES.**—This section shall not apply to the turnkey III, the mutual help, or any other homeownership program established under section 5(h) or section 6(c)(4)(D) and in existence before the date of the enactment of the Housing and Community Development Act of 1987.

“(e) **REGULATIONS.**—The Secretary shall issue such regulations as may be necessary to carry out the provisions of this section. Such regulations may establish any additional terms and conditions for homeownership or resident management under this section that are determined by the Secretary to be appropriate.

“(f) **ANNUAL REPORT.**—The Secretary shall annually submit to the Congress a report setting forth—

“(1) the number, type, and cost of units sold;

“(2) the income, race, gender, children, and other characteristics of families purchasing or moving and not purchasing;

“(3) the amount and type of financial assistance provided;

“(4) the need for subsidy to ensure continued affordability and meet future maintenance and repair costs;

“(5) any need for the development of additional public housing dwelling units as a result of the sale of public housing dwelling units under this section;

“(6) recommendations of the Secretary for additional budget authority to carry out such development;

“(7) recommendations of the Secretary to ensure decent homes and decent neighborhoods for lower income families; and

“(8) the recommendations of the Secretary for statutory and regulatory improvements to the program.

“(g) **LIMITATION.**—Any authority of the Secretary under this section to provide financial assistance, or to enter into contracts to provide financial assistance, shall be effective only to such extent or in such amounts as are or have been provided in advance in an appropriation Act.”.

Contracts.

SEC. 124. TREATMENT OF CERTAIN PUBLIC HOUSING DEVELOPMENT FUNDS.

(a) **FORGIVENESS OF CERTAIN INTEREST.**—Notwithstanding any other provision of law or other requirement, any interest accruing on any excess funds advanced to the Housing Authority of the City of Pittsburgh, in the State of Pennsylvania, for development of the public housing project numbered PA-1-22 shall be forgiven, and any such interest paid to the Secretary of Housing and Urban Development before the date of the enactment of this Act shall be returned to such City.

Pennsylvania.

(b) **FORGIVENESS OF CERTAIN PAYMENTS.**—Notwithstanding any other provision of law or other requirement, the Secretary of Housing and Urban Development may not require the Bay City Housing Commission in the State of Michigan to pay any amount relating to ineligible costs incurred with respect to the public housing development grant numbered Michigan 24-7, awarded in 1974, under the United States Housing Act of 1937.

Michigan.

(c) **SUBJECT TO APPROPRIATIONS.**—This section shall be effective only to the extent approved in appropriation Acts.

SEC. 125. ENERGY EFFICIENT PUBLIC HOUSING DEMONSTRATION.

42 USC 1437k note.

(a) **ESTABLISHMENT.**—The Secretary of Housing and Urban Development shall establish a demonstration program through the assistance of an appropriate technology transfer organization that specializes in producing detailed energy-efficient designs and in conducting local and statewide, public participation tests for energy efficient, needs-oriented housing. The appropriate technology organization shall carry out the demonstration working through and with public housing agencies to build and test a variety of energy-efficient housing designs in 100 separate housing units in 4 different States that meet local lower income housing needs (including single parent, disabled, and elderly concerns) through a composite ranging from single to 12-plex units in the cluster approach on vacant lots and open areas.

(b) **REPORT.**—As soon as practicable following September 30, 1988, the Secretary of Housing and Urban Development shall submit to the Congress a report setting forth the findings and recommendations of the Secretary as a result of the demonstration under this section.

(c) **FUNDING.**—Of the budget authority authorized to be provided for the development of public housing, there is authorized to be appropriated to carry out this section \$4,700,000 for fiscal year 1988.

SEC. 126. PUBLIC HOUSING COMPREHENSIVE TRANSITION DEMONSTRATION.

42 USC 1437f note.

(a) **ESTABLISHMENT OF DEMONSTRATION PROGRAM.**—The Secretary of Housing and Urban Development (in this section referred to as

the "Secretary") shall carry out a program to demonstrate the effectiveness of providing a comprehensive program of services to participating public housing residents in order to ensure the successful transition of such residents to private housing. In carrying out the demonstration program, the Secretary shall consult with the heads of other appropriate Federal agencies to design and implement procedures to carry out the transition from public housing.

North Carolina.

(b) **SCOPE OF DEMONSTRATION PROGRAM.**—The Secretary shall carry out the demonstration program with respect to public housing administered by the Housing Authority of the City of Charlotte, in the State of North Carolina. The Secretary may also carry out the demonstration program with respect to public housing administered by not more than 10 additional public housing agencies.

(c) **REQUIREMENTS OF DEMONSTRATION PROGRAM.**—The demonstration program shall consist of the following requirements:

(1) **CONTRACT OF PARTICIPATION.**—Each participating public housing agency may enter into a voluntary contract with any family that is to commence residence in a public housing project administered by the public housing agency. The contract shall be made part of the lease, shall set forth the provisions of the demonstration program, and shall specify the resources to be made available to the participating family and the responsibilities of the participating family.

(2) **REMEDIATION PHASE.**—

(A) During not to exceed the first 2 years of residence of a participating family in public housing, the public housing agency shall ensure the provision of remediation services to the family in accordance with the terms and conditions of the contract of participation, which may include—

- (i) remedial education;
- (ii) completion of high school;
- (iii) job training and preparation;
- (iv) substance abuse treatment and counseling;
- (v) training in homemaking skills and parenting; and
- (vi) training in money management.

(B) During the remediation phase, the amount of rent charged the family may not be increased on the basis of any increase in earned income of the family.

(3) **TRANSITION PHASE.**—

(A) During not to exceed a 5-year period following completion of the remediation stage—

- (i) the head of the family shall be required to have full-time employment; and
- (ii) the public housing agency shall ensure the provision of counseling for the family with respect to homeownership, money management, and problem solving.

(B) During the transition phase, the amount of rent charged the family—

- (i) may be increased on the basis of any increase in family income; and
- (ii) may not be decreased on the basis of any decrease in earned income due to voluntary termination of employment.

(4) **ENCOURAGEMENT OF SAVINGS.**—The public housing agency shall take appropriate actions (including the establishment of an escrow savings account) to encourage each participating

Education.
Drugs and drug
abuse.

family to save funds during the remediation and transition phases.

(5) EFFECT OF INCREASES IN FAMILY INCOME.—

(A) Any increase in the earned income of a family during participation in the demonstration program under this section may not be considered as income or a resource for the purpose of denying the eligibility of, or reducing the amount of benefits payable to, the family under any other Federal law, unless the income of the family increases at any time to not less than 50 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families).

(B) If at any time during the participation of a family in the demonstration program the income of the family increases to not less than 80 percent of the median income of the area (as determined by the Secretary with adjustments for smaller and larger families), the participation of the family in the demonstration program shall terminate.

(6) COMPLETION OF TRANSITION.—Each family participating in the demonstration program shall be required to complete the transition out of public housing during a period of not more than 7 years. The public housing agency shall extend the period for any family that requests an extension for good cause.

(d) REPORTS TO CONGRESS.—

(1) INTERIM REPORT.—Not later than 2 years after the date of the enactment of this Act, the Secretary shall submit to the Congress an interim report evaluating the effectiveness of the demonstration program under this section.

(2) FINAL REPORT.—Not later than 60 days after the termination of the demonstration program under subsection (f), the Secretary shall submit to the Congress a final report evaluating the effectiveness of the demonstration program under this section.

(e) REGULATIONS.—The Secretary shall issue such regulations as may be necessary to carry out this section.

(f) TERMINATION OF DEMONSTRATION PROGRAM.—The demonstration program under this section shall terminate upon the expiration of the 7-year period beginning on the date of the enactment of this Act.

PART 3—SECTION 8 ASSISTANCE AND OTHER PROGRAMS

SEC. 141. SECTION 8 CONTRACTS FOR EXISTING DWELLING UNITS.

Section 8(b)(1) of the United States Housing Act of 1937 is amended by inserting after the first sentence the following new sentence: "The Secretary shall enter into a separate annual contributions contract with each public housing agency to obligate the authority approved each year, beginning with the authority approved in appropriations Acts for fiscal year 1988 (other than amendment authority to increase assistance payments being made using authority approved prior to the appropriations Acts for fiscal year 1988), and such annual contributions contract (other than for annual contributions under subsection (o)) shall bind the Secretary to make such authority, and any amendments increasing such

42 USC 1437f.

authority, available to the public housing agency for a specified period.”.

SEC. 142. SECTION 8 FAIR MARKET RENTALS AND CONTRACT RENTS.

42 USC 1437f.

(a) **ANNUAL ADJUSTMENT.**—Section 8(c)(1) of the United States Housing Act of 1937 is amended by inserting before the last sentence the following new sentence: “Each fair market rental in effect under this subsection shall be adjusted to be effective on October 1 of each year to reflect changes, based on the most recent available data trended so the rentals will be current for the year to which they apply, of rents for existing or newly constructed rental dwelling units, as the case may be, of various sizes and types in the market area suitable for occupancy by persons assisted under this section.”.

New York.

(b) **CALCULATION FOR CERTAIN COUNTY.**—Section 8(c)(1) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: “The Secretary shall establish separate fair market rentals under this paragraph for Westchester County in the State of New York.”.

(c) **COMPARABILITY.**—

(1) Section 8(c)(1) of the United States Housing Act of 1937 (as amended by subsection (b) of this section) is further amended by adding at the end the following new sentence: “If units assisted under this section are exempt from local rent control while they are so assisted or otherwise, the maximum monthly rent for such units shall be reasonable in comparison with other units in the market area that are exempt from local rent control.”.

(2) Section 8(c)(2)(C) of the United States Housing Act of 1937 is amended—

(A) by striking “assisted and comparable unassisted units” and inserting the following: “assisted units and unassisted units of similar quality and age in the same market area”; and

(B) by adding at the end the following new sentence: “If the Secretary or appropriate State agency does not complete and submit to the project owner a comparability study not later than 60 days before the anniversary date of the assistance contract under this section, the automatic annual adjustment factor shall be applied.”.

(d) **PROHIBITION ON REDUCTION OF CERTAIN CONTRACT RENTS.**—Section 8(c)(2)(C) of the United States Housing Act of 1937 (as amended by subsection (c) of this section) is further amended by adding at the end the following new sentence: “The Secretary may not reduce the contract rents in effect on or after April 15, 1987, for newly constructed, substantially rehabilitated, or moderately rehabilitated projects assisted under this section (including projects assisted under this section as in effect prior to November 30, 1983), unless the project has been refinanced in a manner that reduces the periodic payments of the owner.”.

(e) **REPEAL OF LIMIT ON CONTRACT RENT INCREASES.**—Section 8(c)(2) of the United States Housing Act of 1937 is amended by striking subparagraph (D).

SEC. 143. HOUSING VOUCHER PROGRAM.

(a) **OPERATION.**—Section 8(o) of the United States Housing Act of 1937 is amended—

(1) in the first sentence of paragraph (1), by striking "In" and all that follows through "demonstration program" and inserting "The Secretary may provide assistance";

(2) by striking paragraph (4); and

(3) by redesignating paragraphs (5) through (8) as paragraphs (4) through (7), respectively.

(b) FLEXIBILITY TO ADJUST ASSISTANCE PAYMENTS.—Section 8(o)(6) of the United States Housing Act of 1937 (as so redesignated by subsection (a) of this section) is amended—

42 USC 1437f.

(1) in subparagraph (A), by striking "as frequently as twice during any five-year period" and inserting "annually"; and

(2) by striking subparagraph (D).

(c) USE OF VOUCHERS IN CONNECTION WITH COOPERATIVE AND MUTUAL HOUSING.—Section 8(o)(7) of the United States Housing Act of 1937 (as so redesignated by subsection (a) of this section) is amended by striking "not to exceed 5 per centum of the amount of".

(d) ADJUSTMENT POOLS.—Section 8(o) of the United States Housing Act of 1937 (as amended by subsection (a) of this section) is further amended by adding at the end the following new paragraph:

"(8) The Secretary may set aside up to 5 percent of the budget authority available under this subsection as an adjustment pool. The Secretary shall use amounts in the adjustment pool for adjustments pursuant to paragraph (6)(A) to ensure continued affordability where the Secretary determines additional assistance for this purpose is necessary, based on documentation submitted by a public housing agency."

SEC. 144. ADMINISTRATIVE FEES FOR SECTION 8 CERTIFICATE AND HOUSING VOUCHER PROGRAMS.

Section 8 of the United States Housing Act of 1937 is amended by adding at the end the following new subsection:

"(q)(1) The Secretary shall establish a fee for the costs incurred in administering the certificate and housing voucher programs under subsections (b) and (o). The amount of the fee for each month for which a dwelling unit is covered by an assistance contract shall be 8.2 percent of the fair market rental established under subsection (c)(1) for a 2-bedroom existing rental dwelling unit in the market area of the public housing agency. The Secretary may increase the fee if necessary to reflect the higher costs of administering small programs and programs operating over large geographic areas.

Contracts.

"(2)(A) The Secretary shall also establish reasonable fees (as determined by the Secretary) for—

"(i) the costs of preliminary expenses (not to exceed \$275) that the public housing agency documents it has incurred in connection with new allocations of assistance under the certificate and housing voucher programs under subsections (b) and (o);

"(ii) the costs incurred in assisting families who experience difficulty (as determined by the Secretary) in obtaining appropriate housing under the programs; and

"(iii) extraordinary costs approved by the Secretary.

"(B) The method used to calculate fees under subparagraph (A) shall be the same for the certificate and housing voucher programs under subsections (b) and (o) and shall take into account local cost differences.

"(3) The Secretary may establish or increase a fee in accordance with this subsection only to such extent or in such amounts as are provided in appropriation Acts."

SEC. 145. PORTABILITY OF SECTION 8 CERTIFICATES AND VOUCHERS.

Section 8 of the United States Housing Act of 1937 (as amended by section 144 of this Act) is further amended by adding at the end the following new subsection:

“(r)(1) Any family assisted under subsection (b) or (o) may receive such assistance to rent an eligible dwelling unit if the dwelling unit to which the family moves is within the same, or a contiguous, metropolitan statistical area as the metropolitan statistical area within which is located the area of jurisdiction of the public housing agency approving such assistance.

“(2) The public housing agency having authority with respect to the dwelling unit to which a family moves under this subsection shall have the responsibility of carrying out the provisions of this subsection with respect to the family. If no public housing agency has authority with respect to the dwelling unit to which a family moves under this subsection, the public housing agency approving the assistance shall have such responsibility.

“(3) In providing assistance under subsection (b) or (o) for any fiscal year, the Secretary shall give consideration to any reduction in the number of resident families incurred by a public housing agency in the preceding fiscal year as a result of the provisions of this subsection.

“(4) The provisions of this subsection may not be construed to restrict any authority of the Secretary under any other provision of law to provide for the portability of assistance under this section.”.

SEC. 146. PROHIBITION OF DENIAL OF SECTION 8 CERTIFICATES AND VOUCHERS TO RESIDENTS OF PUBLIC HOUSING.

Section 8 of the United States Housing Act of 1937 (as amended by section 145 of this Act) is further amended by adding at the end the following new subsection:

“(s) In selecting families for the provision of assistance under this section (including subsection (o)), a public housing agency may not exclude or penalize a family solely because the family resides in a public housing project.”.

Contracts.

SEC. 147. NONDISCRIMINATION AGAINST SECTION 8 CERTIFICATE HOLDERS AND VOUCHER HOLDERS.

Section 8 of the United States Housing Act of 1937 (as amended by section 146 of this Act) is further amended by adding at the end the following new subsection:

“(t)(1) No owner who has entered into a contract for housing assistance payments under this section on behalf of any tenant in a multifamily housing project shall refuse—

“(A) to lease any available dwelling unit in any multifamily housing project of such owner that rents for an amount not greater than the fair market rent for a comparable unit, as determined by the Secretary under this section, to a holder of a certificate of eligibility under this section a proximate cause of which is the status of such prospective tenant as a holder of such certificate, and to enter into a housing assistance payments contract respecting such unit; or

“(B) to lease any available dwelling unit in any multifamily housing project of such owner to a holder of a voucher under subsection (o), and to enter into a voucher contract respecting such unit, a proximate cause of which is the status of such prospective tenant as holder of such voucher.

“(2) For purposes of this subsection, the term ‘multifamily housing project’ means a residential building containing more than 4 dwelling units.”

SEC. 148. PROJECT-BASED SECTION 8 ASSISTANCE.

Section 8(d)(2) of the United States Housing Act of 1937 is amended by inserting before the period at the end of the last sentence the following: “, except that the Secretary shall permit the public housing agency to approve such attachment with respect to not more than 15 percent of the assistance provided by the public housing agency if the requirements of clause (B) are met”.

42 USC 1437f.

SEC. 149. SECTION 8 ASSISTANCE FOR RESIDENTS OF RENTAL REHABILITATION PROJECTS.

Section 8 of the United States Housing Act of 1937 (as amended by section 147 of this Act) is further amended by adding at the end the following new subsection:

“(u) In the case of lower income families living in rental projects rehabilitated under section 17 of this Act or section 533 of the Housing Act of 1949 before rehabilitation—

“(1) certificates or vouchers under this section shall be made for families who are required to move out of their units because of the physical rehabilitation activities or because of overcrowding; and

“(2) at the discretion of each public housing agency or other agency administering the allocation of assistance, certificates or vouchers under this section may be made for families who would have to pay more than 30 percent of their adjusted income for rent after rehabilitation whether they choose to remain in, or to move from, the project.”

SEC. 150. RENTAL REHABILITATION GRANTS.

(a) **AUTHORIZATION OF APPROPRIATIONS.**—Section 17(a)(3) of the United States Housing Act of 1937 is amended to read as follows:

42 USC 1437o.

“(3) **AUTHORIZATION.**—There are authorized to be appropriated for rental rehabilitation under this section \$125,000,000 for each of the fiscal years 1988 and 1989, of which \$1,500,000 shall be available each fiscal year for technical assistance, including the collection, processing, and dissemination of program information useful for local and national program management.”

(b) **ELIGIBLE PROPERTY.**—Section 17(a)(1)(A) of the United States Housing Act of 1937 is amended by inserting after “property” the following: “, or of real property that will be privately owned upon the completion of rehabilitation.”

(c) **MAXIMUM GRANT AMOUNT.**—Section 17(c)(2)(E) of the United States Housing Act of 1937 is amended by striking “\$5,000 per unit” and inserting the following: “\$5,000 per unit for a unit with no bedrooms, \$6,500 per unit for a unit with 1 bedroom, \$7,500 per unit for a unit with 2 bedrooms, and \$8,500 per unit for a unit with 3 or more bedrooms.”

(d) **USE OF FUNDS.**—Section 17(c) of the United States Housing Act of 1937 is amended by adding at the end the following new paragraph:

“(4) **USE OF FUNDS TO COMPLY WITH SEISMIC STANDARDS.**—If a unit of general local government has a local ordinance that requires rehabilitation to meet seismic standards, the unit of local government may use all rehabilitation assistance received under this

State and local governments.

section to rehabilitate units with no bedroom or 1 bedroom, if the occupants of the units will have incomes that do not exceed 50 percent of the median income of the area.”.

42 USC 1437o.

(e) **ADMINISTRATIVE EXPENSES.**—Section 17(h) of the United States Housing Act of 1937 is amended by inserting before the period at the end the following: “, except that not more than 10 percent of any rehabilitation grant received under subsection (c) may be retained to cover administrative expenses incurred by any State administering resources made available under subsection (b) (which State shall share such amount with units of general local government administering the program with the State) and by any city or urban county receiving resources under subsection (b)”.

(f) **ELIGIBILITY.**—Section 17(k)(4) of the United States Housing Act of 1937 is amended—

- (1) by inserting “privately owned” before “real property”;
- (2) by inserting “(A)” after “includes”; and
- (3) by inserting before the semicolon at the end the following: “, and (B) housing that is owned by a State or locally chartered, neighborhood based, nonprofit organization the primary purpose of which is the provision and improvement of housing”.

SEC. 151. RENTAL DEVELOPMENT GRANTS.

(a) **AUTHORIZATION OF APPROPRIATIONS.**—Section 17(a)(3) of the United States Housing Act of 1937 (as amended by section 150 of this Act) is further amended by adding at the end the following new sentence: “There are authorized to be appropriated for development grants under this section \$75,000,000 for fiscal year 1988 and \$75,000,000 for fiscal year 1989.”.

(b) **AREA ELIGIBILITY.**—Section 17(d)(2) of the United States Housing Act of 1937 is amended by adding at the end the following new sentence: “Notwithstanding any other provision of law, the eligibility requirements for development grants under this section shall be the requirements in effect under this subsection on October 17, 1986.”.

(c) **GRANT AMOUNT.**—Section 17(d)(4)(B) of the United States Housing Act of 1937 is amended by striking “refinancing costs and”.

(d) **PROGRAM REQUIREMENTS.**—Section 17(d)(4) of the United States Housing Act of 1937 is amended—

- (1) by inserting before the semicolon at the end of subparagraph (G) the following: “, except that the Secretary may extend such period by not more than 6 months if the commencement of such activities is delayed due to judicial or administrative proceedings”;
- (2) by striking “and” at the end of subparagraph (G);
- (3) by striking the period at the end of subparagraph (H) and inserting “; and”; and
- (4) by adding at the end the following new subparagraph: “(I) the owner of each assisted structure agrees to comply with the provisions of paragraph (8) until the 20-year period specified in paragraph (7) has ended.”.

(e) **DEVELOPMENT COST.**—Section 17(d) of the United States Housing Act of 1937 is amended by adding at the end the following new paragraph:

“(10) **DEVELOPMENT COST.**—

“(A) The Secretary shall include in the development cost of a project assisted under this subsection any developer’s fee if such fee—

“(i) is included in a mortgage secured by the project; and
 “(ii) the lender is a State housing finance agency or the project is financed by bonds issued by a State housing finance agency or similar local entity.

“(B) The amount of any developer's fee shall not be counted in calculating the maximum grant amount pursuant to paragraph (4)(B).

“(C) This paragraph shall only be applicable to projects with respect to which a notice of project selection is received before the date of the enactment of the Housing and Community Development Act of 1987.”.

SEC. 152. TERMINATION OF RENTAL DEVELOPMENT GRANT PROGRAM. 42 USC 1437o.

(a) **IN GENERAL.**—Effective on October 1, 1989, the rental development grant program under section 17(d) of the United States Housing Act of 1937 shall terminate.

(b) **SAVINGS PROVISION.**—The provisions of subsection (a) shall not apply with respect to any housing development grant under section 17(d) of the United States Housing Act of 1937 made pursuant to a reservation of funds made by the Secretary of Housing and Urban Development before October 1, 1989.

Subtitle B—Other Housing Assistance Programs

SEC. 161. HOUSING FOR THE ELDERLY AND HANDICAPPED.

(a) **BORROWING AUTHORITY.**—The first sentence of section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended—

(1) by striking “and” the first place it appears; and

(2) by inserting after “1984,” the following: “and to such sums as may approved in appropriation Acts for fiscal years 1988 and 1989,”.

(b) **LOAN AUTHORITY.**—Section 202(a)(4)(C) of the Housing Act of 1959 is amended by adding at the end the following new sentence: “For fiscal years 1988 and 1989, not more than \$621,701,000 and \$630,000,000, respectively, may be approved in appropriation Acts for such loans.”.

(c) **INTEREST RATE ON LOANS.**—

(1) **CALCULATION OF RATE.**—Section 202(a)(3) of the Housing Act of 1959 is amended—

(A) by inserting “(A)” after the paragraph designation;

(B) by striking all that follows “Secretary” the second place it appears through “loan is made” and inserting the following: “taking into consideration the average yield, during the 3-month period immediately preceding the fiscal year in which the loan is made, on the most recently issued 30-year marketable obligations of the United States”; and

(C) by adding at the end the following new subparagraph:

“(B) At the option of the borrower, a loan under this section may be made and may be processed for a conditional or firm commitment either (i) at an interest rate not to exceed a rate and allowance determined by the Secretary in accordance with subparagraph (A) using the 1-month period immediately prior to the month in which the request for a commitment is submitted; or (ii) at an interest rate not to exceed a rate and allowance determined by the Secretary in

12 USC 1701q.

accordance with subparagraph (A) using the 3-month period immediately preceding the fiscal year in which the request for a commitment is submitted.”.

12 USC 1701q
note. (2) **MAXIMUM RATE.**—Section 223(a) of the Housing and Urban-Rural Recovery Act of 1983 is amended by striking paragraph (2).

12 USC 1701q. (d) **INTEREST RATE ON NOTES.**—The second sentence of section 202(a)(4)(B)(i) of the Housing Act of 1959 is amended to read as follows: “Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury taking into consideration the average yield, during the 3-month period immediately preceding the fiscal year in which the loan is made, on the most recently issued 30-year marketable obligations of the United States.”.

(e) **APPEAL OF CANCELLATION OF LOAN AUTHORITY.**—Section 202 of the Housing Act of 1959 is amended by adding at the end the following new subsection:

“(n) The Secretary shall notify the project sponsor not less than 30 days prior to canceling any loan authority provided under this section. During the 30-day period following the receipt of a notice under paragraph (1), a sponsor may appeal the proposed cancellation of loan authority. Such appeal, including review by the Secretary, shall be completed not later than 45 days after the appeal is filed.”.

(f) **PRIORITY.**—Section 202(a) of the Housing Act of 1959 is amended by adding at the end the following new paragraph:

“(8) In reviewing applications for loans under this section, the Secretary shall give a priority to any project that will provide housing designed to replace a structure that is owned by a public housing agency, contains not less than 100 dwelling units, is used for housing only elderly families, and is to be demolished. The requirements of this paragraph shall not apply after September 30, 1988.”.

Termination
date.

SEC. 162. HOUSING FOR THE HANDICAPPED.

12 USC 1701q
note.

(a) **FINDINGS AND PURPOSE.**—

(1) The Congress finds that—

(A) housing for nonelderly handicapped families is assisted under section 202 of the Housing Act of 1959 and section 8 of the United States Housing Act of 1937;

(B) the housing programs under such sections are designed and implemented primarily to assist rental housing for elderly and nonelderly families and are often inappropriate for dealing with the specialized needs of the physically impaired, the developmentally disabled, and the chronically mentally ill;

(C) the development of housing for nonelderly handicapped families under such programs is often more expensive than necessary, thereby reducing the number of such families that can be assisted with available funds;

(D) the program under section 202 of the Housing Act of 1959 can continue to provide direct loans to finance group residences and independent apartments for nonelderly handicapped families, but can be made more efficient and less costly by the adoption of standards and procedures applicable only to housing for such families;

(E) the cost containment policies currently being implemented in the development of small group homes (i) do not

adequately reflect the necessity for building designs to meet the needs of the designated residents; and (ii) do not recognize necessary State and local standards for the operation of such homes;

(F) the use of the program under section 8 of the United States Housing Act of 1937 to assist rentals for housing for nonelderly handicapped families is time consuming and unnecessarily costly and, in some areas of the Nation, prevents the development of such housing;

(G) the use of the program under section 8 of the United States Housing Act of 1937 to assist rentals for housing for nonelderly handicapped families should be replaced by a more appropriate subsidy mechanism;

(H) both elderly and handicapped housing projects assisted under section 202 of the Housing Act of 1959 will benefit from an increased emphasis on supportive services and a greater use of State and local funds; and

(I) an improved program for nonelderly handicapped families will assist in providing shelter and supportive services for mentally ill persons who might otherwise be homeless.

(2) The purpose of this section is to improve the direct loan program under section 202 of the Housing Act of 1959 to ensure that such program meets the special housing and related needs of nonelderly handicapped families.

(b) HOUSING FOR HANDICAPPED FAMILIES.—

(1) Section 202(h) of the Housing Act of 1959 is amended to read as follows:

12 USC 1701q.

“(h)(1) Of the amounts made available in appropriation Acts for loans under subsection (a)(4)(C) for any fiscal year commencing after September 30, 1987, not less than 15 percent shall be available for loans for the development costs of housing for handicapped families. If the amount required for any such fiscal year for approvable applications for loan under this subsection is less than the amount available under this paragraph, the balance shall be made available for loans under other provisions of this section.

Loans.

“(2) The Secretary shall take such actions as may be necessary to ensure that—

“(A) funds made available under this subsection will be used to support a variety of methods of meeting the needs primarily of nonelderly handicapped families by providing a variety of housing options, ranging from small group homes to independent living complexes; and

“(B) housing for handicapped families assisted under this subsection will provide families occupying units in such housing with an assured range of services specified in subsection (f), will provide such families with opportunities for optimal independent living and participation in normal daily activities, and will facilitate access by such families to the community at large and to suitable employment opportunities within such community.

“(3)(A) In allocating funds under this subsection, and in processing applications for loans under this section and assistance payments under paragraph (4), the Secretary shall adopt such distinct standards and procedures as the Secretary determines appropriate due to differences between housing for handicapped families and other housing assisted under this section. In adopting such standards, the Secretary shall ensure adequate participation by representatives of

the disability community through the provisions available under the Federal Advisory Committee Act.

Reports.

“(B) The Secretary may, on a demonstration basis, determine the feasibility and desirability of reducing processing time and costs for housing for handicapped families by limiting project design to a small number of prototype designs. Any such demonstration shall be limited to the 3-year period following the date of the enactment of the Housing and Community Development Act of 1987, may only involve projects whose sponsors consent to participation in such demonstration, and shall be described in a report submitted by the Secretary to the Congress following completion of such demonstration.”

Contracts.
Loans.

“(4)(A) The Secretary shall, to the extent approved in appropriation Acts, enter into contracts with owners of housing for handicapped families receiving loans under, or meeting the requirements of, this section to make monthly payments to cover any part of the costs attributed to units occupied (or, as approved by the Secretary, held for occupancy) by lower income families that is not met from project income. The annual contract amount for any project shall not exceed the sum of the initial annual project rentals for all units and any initial utility allowances for such units, as approved by the Secretary. Any contract amounts not used by a project in any year shall remain available to the project until the expiration of the contract. The term of a contract entered into under this subparagraph shall be 240 months. The annual contract amount may be adjusted by the Secretary if the sum of the project income and the amount of assistance payments available under this subparagraph are inadequate to provide for reasonable project costs. In the case of an intermediate care facility in which there reside families assisted under title XIX of the Social Security Act, project income under this subparagraph shall include the same amount as if such families were being assisted under title XVI of the Social Security Act.

“(B) The Secretary shall approve initial project rentals for any project assisted under this subsection based on the determination of the Secretary of the total actual necessary and reasonable costs of developing and operating the project, excluding the costs of the assured range of services under subsection (f), taking into consideration the need to contain costs to the extent practicable and consistent with the purposes of the project and this section.

“(C) The Secretary shall require that, during the term of each contract entered into under subparagraph (A), all units in a project assisted under this subsection shall be made available for occupancy by lower income families, as such term is defined in section 3(b)(2) of the United States Housing Act of 1937. The rent payment required of a lower income family shall be determined in accordance with section 3(a) of such Act, except that the gross income of a family occupying an intermediate care facility assisted under title XIX of the Social Security Act shall be the same amount as if the family were being assisted under title XVI of the Social Security Act.

“(D) The Secretary shall coordinate the processing of an application for a loan for housing for handicapped families under this section and the processing of an application for assistance payments under this paragraph for such housing.”

12 USC 1701q.

(2) Section 202(d) of the Housing Act of 1959 is amended by adding at the end the following new paragraphs:

“(9) The term ‘housing for handicapped families’ means housing and related facilities to be occupied by handicapped families who are primarily nonelderly handicapped families.

“(10) The term ‘nonelderly handicapped families’ means elderly or handicapped families, the head of which (and spouse, if any) is less than 62 years of age at the time of initial occupancy of a project assisted under this section.”.

(3) Section 202(c)(3) of the Housing Act of 1959 is amended by inserting after “section” the following: “and designed for dwelling use by 12 or more elderly or handicapped families”.

(c) **SUPPORTIVE SERVICES FOR ELDERLY AND HANDICAPPED FAMILIES.**—Section 202(f) of the Housing Act of 1959 is amended—

(1) by inserting “(1)” after the subsection designation; and

(2) by adding at the end the following new paragraph:

“(2) Each applicant for a loan under this section for housing and related facilities shall submit with the application a supportive services plan describing—

“(A) the category or categories of families such housing and facilities are intended to serve;

“(B) the range of necessary services to be provided to the families occupying such housing;

“(C) the manner in which such services will be provided to such families; and

“(D) the extent of State and local funds available to assist in the provision of such services.”.

(d) **TERMINATION OF SECTION 8 ASSISTANCE.**—On and after the first date that amounts approved in an appropriation Act for any fiscal year become available for contracts under section 202(h)(4)(A) of the Housing Act of 1959, as amended by subsection (b) of this section, no project for handicapped (primarily nonelderly) families approved for such fiscal year pursuant to section 202 of such Act shall be provided assistance payments under section 8 of the United States Housing Act of 1937, except pursuant to a reservation for a contract to make such assistance payments that was made before the first date that amounts for contracts under such section 202(h)(4)(A) became available.

(e) **IMPLEMENTATION.**—Not later than the expiration of the 120-day period following the date of the enactment of this Act, the Secretary of Housing and Urban Development shall, to the extent amounts are approved in an appropriation Act for use under section 202(h)(4)(A) of the Housing Act of 1959 for fiscal year 1988, publish in the Federal Register a notice of fund availability to implement the provisions of, and amendments made by, this section. The Secretary shall issue such rules as may be necessary to carry out such provisions and amendments for fiscal year 1989 and thereafter.

(f) **EFFECTIVE DATE AND APPLICABILITY.**—

(1) Except as otherwise provided in this section, the provisions of, and amendments made by, this section shall not apply with respect to projects with loans or loan reservations made under section 202 of the Housing Act of 1959 before the implementation date under subsection (e).

(2) Notwithstanding paragraph (1), the Secretary shall apply the provisions of, and amendments made by, this section to any project if needed to facilitate the development of such project in a timely manner.

12 USC 1701q.

Loans.

State and local governments.
Contracts.
12 USC 1701q
note.

Federal Register,
publication.
12 USC 1701q
note.

12 USC 1701q
note.

SEC. 163. CONGREGATE SERVICES.

42 USC 8010. (a) AUTHORIZATION OF APPROPRIATIONS.—Section 411(a) of the Congregate Housing Services Act of 1978 is amended to read as follows:
“(a) There are authorized to be appropriated to carry out this title \$10,000,000 for each of the fiscal years 1988 and 1989.”

42 USC 8007. (b) DELETION OF REFERENCE TO PROGRAM AS NONPERMANENT.—Section 408 of the Congregate Housing Services Act of 1978 is amended by striking subsection (c).

(c) REPORT.—Section 408 of the Congregate Housing Services Act of 1978 (as amended by subsection (b) of this section) is further amended by adding at the end the following new subsection:

Contracts.
State and local
governments. “(c)(1) The Secretary shall contract with a university or qualified research institution to produce a report—

“(A) documenting the number of elderly living in federally assisted housing at risk of institutionalization;

“(B) studying and comparing alternative delivery systems in the States, including the congregate housing services program, to provide services to older persons in assisted congregate housing;

“(C) assessing existing and potential financial resources at the Federal, State, and local levels for the support of congregate housing services; and

Grants. “(D) making legislative recommendations as to the feasibility of permitting State housing agencies and other appropriate State agencies to participate and operate the program on a matching grant basis.

“(2) The Secretary shall submit the report to the Congress not later than September 30, 1988.”

SEC. 164. MODIFICATION OF RESTRICTION ON USE OF ASSISTED HOUSING BY ALIENS.

42 USC 1436a. (a) ALIENS ADMITTED FOR LAWFUL RESIDENCE.—Section 214(a) of the Housing and Community Development Act of 1980 is amended—

(1) by striking “or” at the end of paragraph (4);

(2) by striking the period at the end of paragraph (5) and inserting “; or”; and

(3) by adding at the end the following new paragraph:

“(6) an alien lawfully admitted for temporary or permanent residence under section 245A of the Immigration and Nationality Act.”

(b) PRESERVATION OF FAMILIES.—Section 214 of the Housing and Community Development Act of 1980 is amended by inserting after subsection (b) the following new subsection:

“(c)(1) If, following completion of the applicable hearing process, financial assistance for any individual receiving such assistance on the date of the enactment of the Housing and Community Development Act of 1987 is to be terminated, the public housing agency or other local governmental entity involved (in the case of public housing or assistance under section 8 of the United States Housing Act of 1937) or the Secretary of Housing and Urban Development (in the case of any other financial assistance) may, in its discretion, take one of the following actions:

“(A) Permit the continued provision of financial assistance, if necessary to avoid the division of a family in which the head of household or spouse is a citizen of the United States, a national of the United States, or an alien resident of the United States described in any of paragraphs (1) through (6) of subsection (a).

For purposes of this paragraph, the term 'family' means a head of household, any spouse, any parents of the head of household, any parents of the spouse, and any children of the head of household or spouse.

"(B) Defer the termination of financial assistance, if necessary to permit the orderly transition of the individual and any family members involved to other affordable housing. Any deferral under this subparagraph shall be for a 6-month period and may be renewed by the public housing agency or other entity involved for an aggregate period of 3 years. At the beginning of each deferral period, the public housing agency or other entity involved shall inform the individual and family members of their ineligibility for financial assistance and offer them other assistance in finding other affordable housing.

"(2) Notwithstanding any other provision of law, the Secretary of Housing and Urban Development may not make financial assistance available for the benefit of—

"(A) any alien who—

"(i) has a residence in a foreign country that such alien has no intention of abandoning;

"(ii) is a bona fide student qualified to pursue a full course of study; and

"(iii) is admitted to the United States temporarily and solely for purposes of pursuing such a course of study at an established institution of learning or other recognized place of study in the United States, particularly designated by such alien and approved by the Attorney General after consultation with the Department of Education of the United States, which institution or place of study shall have agreed to report to the Attorney General the termination of attendance of each nonimmigrant student (and if any such institution of learning or place of study fails to make such reports promptly the approval shall be withdrawn); and

"(B) the alien spouse and minor children of any alien described in subparagraph (A), if accompanying such alien or following to join such alien."

(c) VERIFICATION PROCEDURES.—Section 214(d) of the Housing and Community Development Act of 1980 (as added by section 121(a)(2) of the Immigration Reform and Control Act of 1986 (Public Law 99-603)) is amended—

Immigration.

42 USC 1436a.

(1) in paragraph (2), by inserting after "States" the following: ", is not 62 years of age or older, and is receiving financial assistance on the date of the enactment of the Housing and Community Development Act of 1987";

(2) in paragraph (4), in the matter before subparagraph (A)—

(A) by inserting after "States" the following: ", is not 62 years of age or older, and is receiving financial assistance on the date of the enactment of the Housing and Community Development Act of 1987"; and

(B) by inserting "or recertification" after "application";

(3) in paragraph (4)(A)(i), by inserting after the comma the following: "or to appeal to the Immigration and Naturalization Service the verification determination of the Immigration and Naturalization Service under paragraph (3),";

(4) in paragraph (4)(B), by striking the matter before clause (i) and inserting the following:

“(B) if any documents or additional information are submitted as evidence under subparagraph (A), or if appeal is made to the Immigration and Naturalization Service with respect to the verification determination of the Service under paragraph (3)—”;

(5) in paragraph (4)(B)(i), by inserting “or additional information” after “documents”;

(6) in paragraph (4)(B)(ii), by inserting “or appeal” after “verification”;

(7) by inserting after paragraph (5) the following new paragraph:

“(6) For purposes of paragraph (5)(B), the applicable fair hearing process made available with respect to any individual shall include not less than the following procedural protections:

“(A) The Secretary shall provide the individual with written notice of the determination described in paragraph (5) and of the opportunity for a hearing with respect to the determination.

“(B) Upon timely request by the individual, the Secretary shall provide a hearing before an impartial hearing officer designated by the Secretary, at which hearing the individual may produce evidence of a satisfactory immigration status.

“(C) The Secretary shall notify the individual in writing of the decision of the hearing officer on the appeal of the determination in a timely manner.

“(D) Financial assistance may not be denied or terminated until the completion of the hearing process.”; and

(8) by striking the last sentence and inserting the following: “For purposes of this subsection, the term ‘Secretary’ means the Secretary of Housing and Urban Development, a public housing agency, or another entity that determines the eligibility of an individual for financial assistance.”.

Immigration.

42 USC 1436a.

(d) ENFORCEMENT PROCEDURES.—Section 214(e) of the Housing and Community Development Act of 1980 (as added by section 121(a)(2) of the Immigration Reform and Control Act of 1986 (Public Law 99-603)) is amended—

(1) in the matter before paragraph (1), by inserting “of Housing and Urban Development” after “Secretary”;

(2) in paragraph (2), by inserting after “(d)(4)(A)(ii)” the following: “(or under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603))”;

(3) in paragraph (3), by inserting after “(d)(4)(B)(ii)” the following: “(or under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603))”; and

(4) in paragraph (4), by inserting after “(d)(5)(B)” the following: “(or provided for under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603))”.

(e) VERIFICATION SYSTEM.—Section 214 of the Housing and Community Development Act of 1980 (as amended by section 121(a)(2) of the Immigration Reform and Control Act of 1986 (Public

Law 99-603)) is amended by adding at the end the following new subsection: 42 USC 1436a.

“(f)(1) Notwithstanding any other provision of law, no agency or official of a State or local government shall have any liability for the design or implementation of the Federal verification system described in subsection (d) if the implementation by the State or local agency or official is in accordance with Federal rules and regulations. State and local governments.

“(2) The verification system of the Department of Housing and Urban Development shall not supersede or affect any consent agreement entered into or court decree or court order entered prior to the date of the enactment of the Housing and Community Development Act of 1987.”.

(f) REIMBURSEMENT FOR COSTS OF IMPLEMENTATION.—

(1) Section 214 of the Housing and Community Development Act of 1980 (as amended by subsection (e) of this section) is further amended by adding at the end the following new subsection:

“(g) The Secretary of Housing and Urban Development is authorized to pay to each public housing agency or other entity an amount equal to 100 percent of the costs incurred by the public housing agency or other entity in implementing and operating an immigration status verification system under subsection (d) (or under any alternative system for verifying immigration status with the Immigration and Naturalization Service authorized in the Immigration Reform and Control Act of 1986 (Public Law 99-603)).” Immigration.

(2) The United States Housing Act of 1937 (as amended by section 121(b)(6) of the Immigration Reform and Control Act of 1986 (Public Law 99-603)) is amended by striking section 20. 42 USC 1437r.
42 USC 1436a note.

(g) TRANSITIONAL CERTIFICATION AND DOCUMENTATION PROVISIONS.—In carrying out section 214 of the Housing and Community Development Act of 1980 during fiscal year 1988, the Secretary of Housing and Urban Development shall require, as a condition of providing financial assistance for the benefit of any individual, that such individual—

(1) declare in writing, under penalty of perjury, whether or not such individual is a citizen or national of the United States; and

(2) if not a citizen or national—

(A) declare in writing, under penalty of perjury, the immigration status of such individual, if such individual is not less than 62 years of age “and is receiving financial assistance on the date of the enactment of the Housing and Community Development Act of 1987”; or

(B) provide such documentation regarding the immigration status of such individual as the Secretary may require by regulation. Immigration.

(h) EFFECTIVE DATES.—

(1) The provisions of, and amendments made by, subsections (a), (b), (e), (f), and (g) shall take effect on the date of the enactment of this Act. 42 USC 1436a note.

(2) The amendments made by subsections (c) and (d) shall take effect on October 1, 1988.

42 USC 3543.

SEC. 165. PREVENTING FRAUD AND ABUSE IN DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PROGRAMS.Loans.
Grants.

(a) **DISCLOSURE OF SOCIAL SECURITY ACCOUNT NUMBER.**—As a condition of initial or continuing eligibility for participation in any program of the Department of Housing and Urban Development involving loans, grants, interest or rental assistance of any kind, or mortgage or loan insurance, and to ensure that the level of benefits provided under such programs is proper, the Secretary of Housing and Urban Development may require that an applicant or participant (including members of the household of an applicant or participant) disclose his or her social security account number or employer identification number to the Secretary.

(b) **DEFINITIONS.**—For purposes of this section, the terms “applicant” and “participant” shall have such meanings as the Secretary of Housing and Urban Development by regulation shall prescribe. Such terms shall not include persons whose involvement is only in their official capacity, such as State or local government officials or officers of lending institutions.

SEC. 166. ANNUAL REPORT ON CHARACTERISTICS OF FAMILIES IN ASSISTED HOUSING.42 USC 3536
note.

(a) **IN GENERAL.**—The Secretary of Housing and Urban Development shall include in the annual report under section 8 of the Housing and Urban Development Act descriptions of the characteristics of families assisted under each of the following programs of assistance: public housing, section 8 of the United States Housing Act of 1937 (other than subsection (o) of such section), section 8(o) of the United States Housing Act of 1937, and section 202 of the Housing Act of 1959.

(b) **SPECIFIC REQUIREMENTS.**—The descriptions required in subsection (a) shall include information with respect to—

- (1) family size, including the number of children;
- (2) amount and sources of family income;
- (3) the age, race, and sex of family members; and
- (4) whether the head of the family (or the spouse of such person) is a member of the armed forces.

SEC. 167. SECTION 236 RENTAL HOUSING PROGRAM.

12 USC 1715z-1.

(a) STATE-AIDED PROJECTS.—

(1) Section 236(f)(4) of the National Housing Act is amended by striking “90 per centum” and inserting “100 percent”.

12 USC 1701s.

(2) Section 101(g) of the Housing and Urban Development Act of 1965 is amended by striking “90 per centum” and inserting “100 percent”.

12 USC 1715z-1.

(b) **INSURING AUTHORITY.**—Section 236(n) of the National Housing Act is amended by adding at the end the following new sentence: “A mortgage may be insured under this section after the date in the preceding sentence in order to refinance a mortgage insured under this section or to finance pursuant to subsection (j)(3) the purchase, by a cooperative or nonprofit corporation or association, of a project assisted under this section.”

SEC. 168. TENANT ELIGIBILITY DETERMINATIONS IN RENT SUPPLEMENT PROJECTS.

Section 101 of the Housing and Urban Development Act of 1965 is amended—

- (1) by striking the second sentence of subsection (e)(1); and

(2) by striking subsection (k) and inserting the following:
 “(k) In selecting individuals or families to be assisted under this section in accordance with the eligibility criteria and procedures established under subsection (e)(1), the project owner shall give preference to individuals or families who are occupying substandard housing, are paying more than 50 percent of family income for rent, or are involuntarily displaced at the time they are seeking housing assistance under this section.”.

SEC. 169. COUNSELING TO TENANTS AND HOMEOWNERS.

(a) **COUNSELING SERVICES.**—Section 106(a)(3) of the Housing and Urban Development Act of 1968 is amended in the first sentence by striking all that follows the semicolon and inserting the following:
 “except that for each of the fiscal years 1988 and 1989 there are authorized to be appropriated \$3,500,000 for such purposes.”.

12 USC 1701x.

(b) **EMERGENCY HOMEOWNERSHIP COUNSELING.**—Section 106 of the Housing and Urban Development Act of 1968 is amended by inserting at the end the following new subsection:

“(c) **GRANTS FOR HOMEOWNERSHIP COUNSELING ORGANIZATIONS.**—

“(1) **IN GENERAL.**—The Secretary of Housing and Urban Development may make grants—

“(A) to nonprofit organizations experienced in the provision of homeownership counseling to enable the organizations to provide homeownership counseling to eligible homeowners; and

“(B) to assist in the establishment of nonprofit homeownership counseling organizations.

“(2) **PROGRAM REQUIREMENTS.**—

“(A) Applications for grants under this subsection shall be submitted in the form, and in accordance with the procedures, that the Secretary requires.

“(B) The homeownership counseling organizations receiving assistance under this subsection shall use the assistance only to provide homeownership counseling to eligible homeowners.

“(C) The homeownership counseling provided by homeownership counseling organizations receiving assistance under this subsection shall include counseling with respect to—

“(i) financial management;

“(ii) available community resources, including public assistance programs, mortgage assistance programs, home repair assistance programs, utility assistance programs, food programs, and social services; and

“(iii) employment training and placement.

“(3) **AVAILABILITY OF HOMEOWNERSHIP COUNSELING.**—The Secretary shall take any action that is necessary—

“(A) to ensure the availability throughout the United States of homeownership counseling from homeownership counseling organizations receiving assistance under this subsection, with priority to areas that—

“(i) are experiencing high rates of home foreclosure and any other indicators of homeowner distress determined by the Secretary to be appropriate; and

“(ii) are not already adequately served by homeownership counseling organizations; and

- Loans. “(B) to inform the public of the availability of the homeownership counseling.
- “(4) ELIGIBILITY FOR COUNSELING.—A homeowner shall be eligible for homeownership counseling under this subsection if—
- “(A) the home loan is secured by property that is the principal residence (as defined by the Secretary) of the homeowner;
- “(B) the home loan is not assisted under title V of the Housing Act of 1949; and
- “(C) the homeowner is, or is expected to be, unable to make payments, correct a home loan delinquency within a reasonable time, or resume full home loan payments due to a reduction in the income of the homeowner because of—
- “(i) an involuntary loss of, or reduction in, the employment of the homeowner, the self-employment of the homeowner, or income from the pursuit of the occupation of the homeowner; or
- “(ii) any similar loss or reduction experienced by any person who contributes to the income of the homeowner.
- Loans. “(5) NOTIFICATION OF AVAILABILITY OF HOMEOWNERSHIP COUNSELING REQUIREMENT.—The creditor of a delinquent home loan shall notify an eligible homeowner of the availability of any homeownership counseling offered by the creditor. As a supplement to the counseling provided by the creditor, the creditor shall notify the homeowner of the availability of 1 of the following:
- “(A) Homeownership counseling provided by nonprofit organizations approved by the Secretary and experienced in the provision of homeownership counseling.
- “(B) A list of the nonprofit organizations, approved by the Secretary and experienced in the provision of homeownership counseling, that can be obtained by calling a toll-free telephone number at the Department of Housing and Urban Development.
- “(C) Homeownership counseling provided by the Administrator of Veterans’ Affairs for loans insured or guaranteed under chapter 37 of title 38, United States Code.
- “(6) DEFINITIONS.—For purposes of this subsection:
- “(A) The term ‘creditor’ means a person or entity that is servicing a home loan on behalf of itself or another person or entity.
- “(B) The term ‘eligible homeowner’ means a homeowner eligible for counseling under paragraph (4).
- “(C) The term ‘home loan’ means a loan secured by a mortgage or lien on residential property.
- “(D) The term ‘homeowner’ means a person who is obligated under a home loan.
- “(E) The term ‘residential property’ means a 1-family residence, including a 1-family unit in a condominium project, a membership interest and occupancy agreement in a cooperative housing project, and a manufactured home and the lot on which the home is situated.
- “(7) REGULATIONS.—The Secretary shall issue any regulations that are necessary to carry out this subsection.
- “(8) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subsection

\$3,500,000 for each of the fiscal years 1988 and 1989. Any amount appropriated under this subsection shall remain available until expended.

“(9) **TERMINATION.**—The provisions of this subsection shall not be effective after September 30, 1989.”

SEC. 170. HOUSING ASSISTANCE TECHNICAL AMENDMENTS.

(a) **SECTION 235 HOMEOWNERSHIP ASSISTANCE.**—Section 235(i)(3)(C) of the National Housing Act is amended by inserting an opening parenthesis before “including”. 12 USC 1715z.

(b) **RENTAL HOUSING FOR LOWER INCOME FAMILIES.**—The last sentence of section 236(i)(1) of the National Housing Act is amended by striking “(h)” and inserting “(f)(4)”. 12 USC 1715z-1.

(c) **DEFINITION OF DISABILITY.**—Section 3(b)(3)(A) of the United States Housing Act of 1937 is amended— 42 USC 1437a.

(1) by striking “or” the first place it appears and inserting a comma; and

(2) by striking “or in section 102 of the Developmental Disabilities Services and Facilities Construction Amendments of 1970” and inserting the following: “, has a developmental disability as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(7))”.

(d) **LOWER INCOME HOUSING.**—

(1) The first sentence of section 6(a) of the United States Housing Act of 1937 is amended by inserting “The” before “Secretary”. 42 USC 1437d.

(2) Section 6(c)(4)(A) of the United States Housing Act of 1937 is amended—

(A) by striking “or are paying more than 50 per centum of family income for rent”; and

(B) by inserting “, are paying more than 50 percent of family income for rent,” after “substandard housing”.

(3) Paragraphs (4) and (5) of section 6(k) of the United States Housing Act of 1937 are amended by striking “his” each place it appears and inserting “their”.

(e) **HOUSING DEVELOPMENT GRANTS.**—Section 17(d)(7)(A) of the United States Housing Act of 1937 is amended by striking “title” and inserting “subsection”. 42 USC 1437e.

(f) **PUBLIC HOUSING DEMOLITION AND DISPOSITION.**—Section 18(b) of the United States Housing Act of 1937 is amended in the matter preceding paragraph (1) by inserting “or” after “section”. 42 USC 1437p.

(g) **HOUSING FOR THE ELDERLY AND HANDICAPPED.**—

(1) The third sentence of section 202(d)(4) of the Housing Act of 1959 is amended by striking “is a developmentally disabled individual as defined in section 102(5) of the Developmental Disabilities Services and Facilities Construction Amendments of 1950” and inserting the following: “has a developmental disability as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(7))”. 12 USC 1701q.

(2) Section 202(f) of the Housing Act of 1959 is amended by striking “section 134” and inserting “section 133”.

(3) Section 202(l) of the Housing Act of 1959 is amended by striking “difference” and inserting “different”.

(h) **RENT SUPPLEMENTS.**—Section 101(j)(1)(D) of the Housing and Urban Development Act of 1965 is amended by striking “divided” and inserting “dividend”. 12 USC 1701s.

Subtitle C—Multifamily Housing Management and Preservation

SEC. 181. MANAGEMENT AND PRESERVATION OF HUD-OWNED MULTIFAMILY HOUSING PROJECTS.

12 USC 1701z-11. (a) **GOALS.**—Section 203(a) of the Housing and Community Development Amendments of 1978 is amended by striking “(a)” and all that follows through the semicolon at the end of paragraph (1) and inserting the following:

“(a) The Secretary of Housing and Urban Development (in this section referred to as the ‘Secretary’) shall manage or dispose of multifamily housing projects that are owned by the Secretary, or that are subject to a mortgage held by the Secretary that is either delinquent, under a workout agreement, or being foreclosed upon by the Secretary, in a manner that is consistent with the National Housing Act and this section and that will, in the least costly fashion among the reasonable alternatives available, further the goals of—

“(1) preserving so that they are available to and affordable by low- and moderate-income persons—

“(A) all units in multifamily housing projects that are subsidized projects or formerly subsidized projects;

“(B) in other multifamily housing projects owned by the Secretary, at least the units that are occupied by low- and moderate-income persons or vacant; and

“(C) in all other multifamily housing projects, at least the units that are, on the date of assignment, occupied by low- and moderate-income persons;”

(b) **MANAGEMENT SERVICES.**—Section 203(b)(2) of the Housing and Community Development Amendments of 1978 is amended—

(1) by inserting “(A)” after the paragraph designation;

(2) by redesignating clauses (A) through (D) as clauses (i) through (iv), respectively;

(3) by striking “, owned by the Secretary” and inserting the following: “subject to subsection (a) that is owned by the Secretary (or for which the Secretary is mortgagee in possession)”;

(4) by striking the period at the end and inserting “; and”; and

(5) by adding at the end the following new subparagraph:

“(B) to require the owner of a multifamily housing project subject to subsection (a) that is not owned by the Secretary (and for which the Secretary is not mortgagee in possession), to contract for management services for the project in the manner described in subparagraph (A).”

(c) **MAINTAINING OF PROJECTS.**—Section 203(c) of the Housing and Community Development Amendments of 1978 is amended to read as follows:

“(c)(1) In the case of multifamily housing projects subject to subsection (a) that are owned by the Secretary (or for which the Secretary is mortgagee in possession), the Secretary shall—

“(A) to the greatest extent possible, maintain all such occupied projects in a decent, safe, and sanitary condition;

“(B) to the greatest extent possible, maintain full occupancy in all such projects; and

“(C) maintain all such projects for purposes of providing rental or cooperative housing for the longest feasible period.

“(2) In the case of any multifamily housing project subject to subsection (a) that is not owned by the Secretary (and for which the Secretary is not mortgagee in possession), the Secretary shall require the owner of the project to carry out the requirements of paragraph (1).”

(d) FINANCIAL ASSISTANCE.—Section 203 of the Housing and Community Development Amendments of 1978 is amended—

12 USC 1701z-11.

(1) by redesignating subsections (d) through (g) as subsections (e) through (h), respectively; and

(2) by inserting after subsection (c) the following new subsection:

“(d) In carrying out the goals specified in subsection (a)(1) the Secretary shall take not less than one of the following actions:

Contracts.

“(1) Enter into contracts under section 8 of the United States Housing Act of 1937, to the extent budget authority is available for such section 8, with owners of multifamily housing projects that are acquired by a purchaser other than the Secretary at foreclosure or after sale by the Secretary. Such contracts shall provide assistance to the project involved for a period of not less than 15 years. Such contracts shall be sufficient to assist all units in subsidized or formerly subsidized projects, and all units in other projects that are occupied by lower income families eligible for assistance under such section 8 at the time of foreclosure or sale, as the case may be, and all units that are vacant at such time (which units shall be made available for such families as soon as possible). In order to make available to families any units in subsidized or formerly subsidized projects that are occupied by persons not eligible for assistance under such section 8, but that subsequently become vacant, the contract shall also provide that when any such vacancy occurs the owner involved shall lease the available unit to a family eligible for assistance under such section 8. The Secretary shall provide such contracts at contract rents that, consistent with subsection (a), provide for the rehabilitation of such project and do not exceed the most recently adjusted fair market rents for substantially rehabilitated units published by the Secretary in the Federal Register.

Federal Register, publication.

“(2) In accordance with the authority provided under the National Housing Act, provide purchase-money mortgages, reduce the selling price, or provide other financial assistance to the owners of multifamily housing projects that are acquired by a purchaser other than the Secretary at foreclosure, or after sale by the Secretary, on terms that will ensure that, for a period of not less than 15 years (A) the project will remain available to and affordable by low- and moderate-income persons; and (B) such persons shall pay not more than the amount payable as rent under section 3(a) of the United States Housing Act of 1937.”

(e) RIGHT OF FIRST REFUSAL.—Section 203 of the Housing and Community Development Amendments of 1978 is amended—

(1) by redesignating subsections (e) through (h) (as so redesignated by this section) as subsections (f) through (i); and

(2) by inserting before such subsection (f) the following new subsection:

“(e) Upon receipt of a bona fide offer to purchase a project subject to subsection (a), the Secretary shall notify the local government and the State housing finance agency (or other agency or agencies

State and local governments.

designated by the Governor) of the proposed terms and conditions of the offer, including the assistance that the Secretary plans to make available to the prospective purchaser. The local government and the designated State agency shall have 90 days to match the offer and purchase the project. In administering the right of first refusal provided in this subsection, the Secretary shall offer assistance to the local government or designated State agency on terms and conditions at least as favorable as made available to the prospective purchaser. Notwithstanding any other provision of law to the contrary, a local government (including a public housing agency) or designated State agency may purchase a subsidized project or formerly subsidized project in accordance with this subsection."

(f) **DISPLACEMENT PROTECTION.**—Section 203(f)(1) of the Housing and Community Development Amendments of 1978 (as so redesignated by this section) is amended—

(1) by striking "owned by the Secretary" and inserting the following: "subject to subsection (a) that is owned by the Secretary (or for which the Secretary is mortgagee in possession)"; and

(2) by adding at the end the following new sentence: "In the case of a multifamily housing project subject to subsection (a) that is not owned by the Secretary (and for which the Secretary is not mortgagee in possession), the Secretary shall require the owner of the project to carry out the requirements of this paragraph."

(g) **LIMITATIONS ON CERTAIN PROJECT, LOAN, AND MORTGAGE SALES.**—Section 203 of the Housing and Community Development Amendments of 1978 is amended—

(1) by redesignating subsections (h) and (i) (as so redesignated by this section) as subsections (i) and (j); and

(2) by inserting before such subsection (i) the following new subsection:

"(h)(1) The Secretary may not approve the sale of any loan or mortgage held by the Secretary (including any loan or mortgage owned by the Government National Mortgage Association) on any subsidized project or formerly subsidized project unless such sale is made as part of a transaction that will ensure that such project will continue to operate at least until the maturity date of such loan or mortgage in a manner that will provide rental housing on terms at least as advantageous to existing and future tenants as the terms required by the program under which the loan or mortgage was made or insured prior to the assignment of the loan or mortgage on such project to the Secretary.

"(2) The Secretary may not approve the sale of any subsidized project (A) that is subject to a mortgage held by the Secretary; or (B) if the sale transaction involves the provision of any additional subsidy funds by the Secretary or a recasting of the mortgage, unless such sale is made as part of a transaction that will ensure that such project will continue to operate at least until the maturity date of the loan or mortgage in a manner that will provide rental housing on terms at least as advantageous to existing and future tenants as the terms required by the program under which the loan or mortgage was made or insured prior to the proposed sale of the project.

"(3) Notwithstanding any provision of law that may require competitive sales or bidding, the Secretary may carry out negotiated sales of subsidized or formerly subsidized mortgages held by the

12 USC 1701z-11.

State and local governments.

Secretary, without the competitive selection of purchasers or intermediaries, to agencies of State or local government, or groups of investors that include at least 1 such agency of State or local government, if the negotiations are conducted with such agencies, except that—

“(A) the terms of any such sale shall include the agreement of the purchasing agency or agencies of State or local government to act as mortgagee or owner of a beneficial interest in such mortgages in a manner consistent with maintaining the projects that are subject to such mortgages for occupancy by the general tenant group intended to be served by the applicable mortgage insurance program, including, to the extent the Secretary determines appropriate, authorizing such agency of State or local government to enforce the provisions of any regulatory agreement or other program requirements applicable to the related projects; and

“(B) the sales prices for such mortgages shall be, in the determination of the Secretary, the best price that may be obtained for such mortgages from an agency of State or local government, consistent with the expectation and intention that the projects financed will be retained for use under the applicable mortgage insurance program for the life of the initial mortgage insurance contract.”.

(h) **DEFINITIONS.**—Section 203(i) of the Housing and Community Development Amendments of 1978 (as so redesignated by this section) is amended—

(1) by inserting “(1)” after the subsection designation; and

(2) by adding at the end the following new paragraphs:

“(2) For the purpose of this section, the term ‘subsidized project’ means a multifamily housing project receiving any of the following assistance immediately prior to the assignment of the mortgage on such project to, or the acquisition of such mortgage by, the Secretary:

“(A) below market interest rate mortgage insurance under the proviso of section 221(d)(5) of the National Housing Act;

“(B) interest reduction payments made in connection with mortgages insured under section 236 of the National Housing Act;

“(C) rent supplement payments under section 101 of the Housing and Urban Development Act of 1965;

“(D) direct loans at below market interest rates, made under section 202 of the Housing Act of 1959 or to a multifamily housing project under section 312 of the Housing Act of 1964; or

“(E) housing assistance payments made under section 23 of the United States Housing Act of 1937 (as in effect before January 1, 1975) or section 8 of the United States Housing Act of 1937 (other than subsection (b)(1) of such section), without regard to whether such payments are made to all or a portion of the units in the project.

“(3) For the purpose of this section, the term ‘formerly subsidized project’ means a multifamily housing project owned by the Secretary that was a subsidized project immediately prior to its acquisition by the Secretary.”.

SEC. 182. ACQUISITION OF INSURED MULTIFAMILY HOUSING PROJECTS.

Section 207(k) of the National Housing Act is amended by inserting after the second sentence the following new sentence: “In deter-

12 USC 1701z-11.

12 USC 1713.

mining the amount to be bid, the Secretary shall act consistently with the goal established in section 203(a)(1) of the Housing and Community Development Amendments of 1978.”.

SEC. 183. TENANT PARTICIPATION IN MULTIFAMILY HOUSING PROJECTS.

12 USC 1715z-lb.

(a) **APPLICABILITY.**—Section 202(a) of the Housing and Community Development Amendments of 1978 is amended by inserting before the period at the end the following: “or section 202 of the Housing Act of 1959”.

(b) **NOTICE AND COMMENT.**—Section 202(b)(1) of the Housing and Community Development Amendments of 1978 is amended by striking “and the Secretary deems it appropriate” and inserting the following: “or where the Secretary proposes to sell a mortgage secured by a multifamily housing project”.

Contracts.
42 USC 1437f
note.

(c) **NONDISCRIMINATION AGAINST SECTION 8 CERTIFICATE HOLDERS AND VOUCHER HOLDERS.**—No owner of a subsidized project (as defined in section 203(i)(2) of the Housing and Community Development Amendments of 1978, as amended by section 181(h) of this Act) shall refuse—

(1) to lease any available dwelling unit in any such project of such owner that rents for an amount not greater than the fair market rent for a comparable unit, as determined by the Secretary under section 8 of the United States Housing Act of 1937, to a holder of a certificate of eligibility under such section, a proximate cause of which is the status of such prospective tenant as a holder of such certificate, and to enter into a housing assistance payments contract respecting such unit; or

(2) to lease any available dwelling unit in any such project of such owner to a holder of a voucher under section 8(o) of such Act, and to enter into a voucher contract respecting such unit, a proximate cause of which is the status of such prospective tenant as holder of such voucher.

State and local
governments.
12 USC 1701z-11
note.

SEC. 184. MULTIFAMILY HOUSING DISPOSITION PARTNERSHIP.

(a) **ESTABLISHMENT OF DEMONSTRATION PROGRAM.**—The Secretary of Housing and Urban Development (referred to in this section as the “Secretary”) shall carry out a program to demonstrate the effectiveness of disposing of distressed multifamily housing projects owned by the Department of Housing and Urban Development through a partnership with State housing finance agencies. The demonstration program may be carried out with not more than 4 State housing finance agencies and shall be designed to determine the feasibility of entering into similar relationships with other State housing finance agencies.

(b) **REQUIREMENTS OF DEMONSTRATION PROGRAM.**—

(1) **OPPORTUNITY TO PARTICIPATE IN SALE.**—Not less than 30 days before offering to sell any multifamily housing project that is located in a State participating in the demonstration program and that is subject to section 204 of the Housing and Community Development Amendments of 1978, the Secretary shall—

(A) notify the State housing finance agency of the plan of the Secretary to sell the project; and

(B) provide the State housing finance agency with the option to provide the long-term financing for the sale of the project through the co-insurance program of the Secretary, if the project complies with the State laws applicable to the State housing finance agency.

(2) **TERMS OF PARTICIPATION.**—If the State housing finance agency agrees to participate in the sale of a project under this section, the terms of the sale shall be as follows: Loans.

(A) The State housing finance agency shall provide a loan to the purchaser of the property.

(B) The mortgage securing the loan shall be insured by the Secretary and the State housing finance agency under paragraph (3) or (4) of section 221(d) of the National Housing Act.

(C) The terms and conditions of the loan shall be consistent with the terms and conditions of the sale.

(3) **COOPERATIVE AGREEMENT.**—Not later than the expiration of the 3-month period beginning on the date of the enactment of this Act, the Secretary shall enter into cooperative agreements with State housing finance agencies to carry out the demonstration program under this section.

(c) **TERMINATION OF DEMONSTRATION PROGRAM.**—

(1) **IN GENERAL.**—Except as provided in paragraph (2), the demonstration program under this section shall terminate upon the expiration of the 3-year period beginning on the date of the enactment of this Act.

(2) **CONTINUATION OF PROGRAM.**—

(A) The Secretary may continue the demonstration program under this section after the termination date established in paragraph (1) for such additional period as the Secretary determines to be appropriate.

(B) The Secretary shall continue the demonstration program under this section with respect to any project for which the Secretary notifies the State housing finance agency under subsection (b)(1)(A) before the termination date established in paragraph (1) or under subparagraph (A).

(d) **REPORT TO CONGRESS.**—Not later than 6 months after the termination date established in subsection (c)(1), the Secretary shall submit to the Congress a report evaluating the effectiveness of the demonstration program under this section as a national model for the disposition of distressed multifamily housing projects owned by the Department of Housing and Urban Development.

SEC. 185. MULTIFAMILY HOUSING CAPITAL IMPROVEMENTS ASSISTANCE.

(a) **PURPOSE.**—Section 201(a) of the Housing and Community Development Amendments of 1978 is amended by inserting after “management,” the following: “to permit capital improvements to be made to maintain certain projects as decent, safe, and sanitary housing.”

12 USC
1715z-1a.

(b) **ELIGIBILITY.**—Section 201(c)(1)(B) of the Housing and Community Development Amendments of 1978 is amended by inserting after “is assisted under” the following: “section 23 of the United States Housing Act of 1937, as in effect immediately before January 1, 1975.”

(c) **BORROWER REQUIREMENTS.**—Section 201(d) of the Housing and Community Development Amendments of 1978 is amended—

(1) in paragraph (1), by inserting “or physical” after “maintain the financial”; and

(2) in paragraph (6), by striking the final period, and inserting the following: “; except that the Secretary may excuse an owner from compliance with the plan requirement set forth in this

paragraph in any case in which such owner seeks only assistance for capital improvements under this section.”.

12 USC
1715z-1a.

(d) **AMOUNT AND CONDITIONS OF ASSISTANCE.**—Section 201(f) of the Housing and Community Development Amendments of 1978 is amended—

(1) in paragraph (1), by inserting after “to any project” in the matter preceding subparagraph (A) the following: “(except a project assisted only for capital improvements)”;

(2) in paragraph (4), by inserting after “for any year” the following: “for a project (other than a project receiving assistance only for capital improvements)”.

(e) **REGULATIONS.**—Section 201(g) of the Housing and Community Development Amendments of 1978 is amended by inserting before the period at the end the following: “, to the extent applicable.”.

(f) **FLEXIBLE SUBSIDY FUND.**—Section 201(j) of the Housing and Community Development Amendments of 1978 is amended to read as follows:

“(j)(1) For purposes of carrying out the provisions of this section, there is hereby established in the Treasury of the United States a revolving fund, to be known as the Flexible Subsidy Fund. The Fund shall, to the extent approved in appropriation Acts, be available to the Secretary to provide assistance under this section (including assistance for capital improvements).

“(2) The Fund shall consist of (A) any amount appropriated to carry out the purposes of this section; (B) any amount repaid on any assistance provided under this section; (C) any amounts credited to the reserve fund described in section 236(g) of the National Housing Act; and (D) any other amount received by the Secretary under this section (including any amount realized under paragraph (3)).

“(3) Any amounts in the Fund determined by the Secretary to be in excess of the amounts currently required to carry out the provisions of this section shall be invested by the Secretary in obligations of, or obligations guaranteed as to both principal and interest by, the United States or any agency of the United States.

“(4) The Secretary may use not more than \$50,000,000 from the Fund in any fiscal year for purposes of providing assistance for capital improvements in accordance with this section.”.

(g) **ASSISTANCE FOR CAPITAL IMPROVEMENTS.**—Section 201 of the Housing and Community Development Amendments of 1978 is amended by adding at the end the following new subsections:

“(k)(1) Assistance for capital improvements under this section shall include assistance for any major repair or replacement of a capital item in a multifamily housing project, including any such repair or replacement required as a result of deferred or inadequate maintenance. Capital improvements do not include maintenance of any such item. Assistance for capital improvements under this section shall be in the form of a loan.

Loans.

“(2) The owner of a project receiving assistance for capital improvements shall agree to contribute assistance to such project in such amounts, from such sources, and in such manner as the Secretary determines to be appropriate, except that—

“(A) such contribution shall not be less than 20 percent of the total estimated cost of the capital improvements involved, unless the Secretary, upon application of the owner, determines that such contribution is financially infeasible and waives or reduces such contribution to the extent necessary;

“(B) the Secretary may not require an amount to be contributed, from the reserve funds established by the owner of such projects for the purpose of making capital improvements, in excess of 50 percent of the amount of such reserve funds on the date of such loan; and

“(C) The Secretary shall waive the requirements of this paragraph if such owner is a private nonprofit corporation or an association.

“(3) The Secretary may provide assistance for capital improvements under this section if the Secretary finds that the reserve funds established by the owner of a project for the purpose of making capital improvements are insufficient to finance both the capital improvements for which such assistance is to be used and other capital improvements that are reasonably expected to be required in the near future, and such insufficiency is not the result of the failure of such owner to comply with any standard established by the Secretary for management of such reserve funds.

“(4) In providing, and contracting to provide, assistance for capital improvements under this section, the Secretary shall—

“(A) give priority to projects that are eligible for incentives under section 224(b) of the Emergency Low Income Housing Preservation Act of 1987; and

“(B) with respect to any amounts not required for projects under subparagraph (A), give priority among other projects based on the extent to which—

“(i) the capital improvements for which such assistance is requested are immediately required;

“(ii) the projects serve as the residences of lower income families, and the extent which other suitable housing is unavailable for such families in the areas in which such projects are located;

“(iii) the capital improvements for which such assistance is requested involve the life, safety, or health of the residents of the project or involve major capital improvements in the projects; and

“(iv) the projects demonstrate the greatest financial distress, while continuing to meet the requirements of subsection (d)(1).

“(1)(1) The principal amount of any assistance for capital improvements under this section that is provided to the owner of a project shall not exceed the difference between the contribution made by the owner in accordance with subsection (k)(2) and the sum of—

“(A) the amount determined by the Secretary to be necessary for such owner to make capital improvements with respect to capital items that have failed, or are likely to deteriorate seriously or fail in the near future, in such projects;

“(B) the amount determined by the Secretary to be necessary to carry out a plan to upgrade the capital items being improved, and any other capital items determined by the Secretary to be associated with such capital items being improved and to require upgrading, to meet cost-effective energy efficiency standards prescribed by the Secretary; and

“(C) the amount determined by the Secretary to be necessary to comply with the requirements of section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794).

“(2)(A) The term of any assistance for capital improvements in the form of a loan under this section shall not exceed the remaining

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term of the mortgage of the project with respect to which such loan is provided.

“(B) Each loan for capital improvements provided under this section shall bear interest at a rate determined by the Secretary to be appropriate, except that—

“(i) such rate shall not be more than 3 percentage points below a rate determined by the Secretary of the Treasury taking into consideration the average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding date on which the loan is made, adjusted to the nearest 1/8 of 1 percent, plus an allowance adequate in the judgment of the Secretary of Housing and Urban Development to cover administrative costs and probable losses under the program; and

“(ii) such interest rate plus such allowance shall not exceed 6 percent per annum nor be less than 3 percent per annum.

“(C) Each loan for capital improvements provided under this section shall be considered to be a liability of the project involved, and shall not be dischargeable in any bankruptcy proceeding under section 727, 1141, or 1328(b) of title 11, United States Code.

“(D) The Secretary may establish such additional conditions on loans provided under this section as the Secretary determines to be appropriate.

“(E) The Secretary may provide more than one loan or assistance in any other form to any project under this section, if each loan or other assistance complies with the provisions of this section.

Loans.

“(m)(1) Increases in rental payments that may occur as a result of the debt service and other expenses of a loan for capital improvements provided under this section for a project subject to a plan of action approved under subtitle B of the Emergency Low Income Housing Preservation Act of 1987 shall be governed by the rent agreements entered into under such subtitle.

“(2) In order to minimize any increases in rental payments that may occur as a result of the debt service and other expenses of a loan for capital improvements provided under this section for a project not subject to paragraph (1) and that would be incurred by lower income residents of the project involved whose rental payments are, or would as a result of such expenses be, in excess of the amount allowable if section 3(a) of the United States Housing Act of 1937 were applicable to such residents, the Secretary may take any or all of the following actions:

“(A) Provide assistance with respect to such project under section 8(b)(1) of the United States Housing Act of 1937, to the extent amounts are available for such assistance and without regard to section 16 of such Act.

“(B) Reduce the rate of interest charged on such loan to a rate of not less than 1 percent.

“(C) Increase the term of such loan to a term that does not exceed the remaining term of the mortgage on such project.

“(D) Increase the amount of assistance to be provided by the owner of such project under subsection (k)(2), if applicable, to an amount not to exceed 30 percent of the total estimated cost of the capital improvements involved.”

(h) **CONFORMING AMENDMENT.**—The section heading for section 201 of the Housing and Community Development Amendments of 1978 is amended by striking “OPERATING”.

12 USC
1715z-1a.

SEC. 186. FLEXIBLE SUBSIDY PROGRAM.

(a) **USE OF SECTION 236 EXCESS RENTAL CHARGES.**—Section 236(f)(3) of the National Housing Act is amended by striking “September 30, 1985” and inserting “September 30, 1989”.

12 USC 1715z-1.

(b) **ASSISTANCE FOR CERTAIN HOUSING PROJECTS FOR ELDERLY OR HANDICAPPED FAMILIES.**—

(1) Section 201(a) of the Housing and Community Development Amendments of 1978 is amended by inserting “the Housing Act of 1959,” after “1937.”

(2) Section 201(c)(1)(A) of the Housing and Community Development Amendments of 1978 is amended by inserting before the semicolon at the end the following: “, or received a loan under section 202 of the Housing Act of 1959 more than 15 years before the date on which assistance is made available under this section”.

TITLE II—PRESERVATION OF LOW INCOME HOUSING

Emergency Low
Income Housing
Preservation Act
of 1987.

Subtitle A—General Provisions

SEC. 201. SHORT TITLE.

This title may be cited as the “Emergency Low Income Housing Preservation Act of 1987”.

12 USC 1715f
note.

SEC. 202. FINDINGS AND PURPOSE.

(a) **FINDINGS.**—The Congress finds that—

12 USC 1715f
note.

(1) in the next 15 years, more than 330,000 low income housing units insured or assisted under sections 221(d)(3) and 236 of the National Housing Act could be lost as a result of the termination of low income affordability restrictions;

(2) in the next decade, more than 465,000 low income housing units produced with assistance under section 8 of the United States Housing Act of 1937 could be lost as a result of the expiration of the rental assistance contracts;

(3) some 150,000 units of rural low income housing financed under section 515 of the Housing Act of 1949 are threatened with loss as a result of the prepayment of mortgages by owners;

(4) the loss of this privately owned and federally assisted housing, which would occur in a period of sharply rising rents on unassisted housing and extremely low production of additional low rent housing, would inflict unacceptable harm on current tenants and would precipitate a grave national crisis in the supply of low income housing that was neither anticipated nor intended when contracts for these units were entered into;

(5) the loss of this affordable housing, to encourage the production of which the public has provided substantial benefits over past years, would irreparably damage hard-won progress toward such important and long-established national objectives as—

(A) providing a more adequate supply of decent, safe, and sanitary housing that is affordable to low income Americans;

(B) increasing the supply of housing affordable to low income Americans that is accessible to employment opportunities; and

(C) expanding housing opportunities for all Americans, particularly members of disadvantaged minorities;

(6) the provision of an adequate supply of low income housing has depended and will continue to depend upon a strong, long-term partnership between the public and private sectors that accommodates a fair return on investment;

(7) recent reductions in Federal housing assistance and tax benefits related to low income housing have increased the incentives for private industry to withdraw from the production and management of low income housing;

(8) efforts to retain this housing must take account of specific financial and market conditions that differ markedly from project to project;

(9) a major review of alternative responses to this threatened loss of affordable housing is now being undertaken by numerous private sector task forces as well as State and local organizations; and

(10) until the Congress can act on recommendations that will emerge from this review, interim measures are needed to avoid the irreplaceable loss of low income housing and irrevocable displacement of current tenants.

(b) **PURPOSE.**—It is the purpose of this title—

(1) to preserve and retain to the maximum extent practicable as housing affordable to low income families or persons those privately owned dwelling units that were produced for such purpose with Federal assistance;

(2) to minimize the involuntary displacement of tenants currently residing in such housing; and

(3) to continue the partnership between all levels of government and the private sector in the production and operation of housing that is affordable to low income Americans.

12 USC 1715/
note.

SEC. 203. TERMINATION OF CERTAIN PROVISIONS.

(a) **IN GENERAL.**—Effective upon the expiration of the 2-year period beginning on the date of the enactment of this Act—

(1) subtitles B and D are repealed; and

(2) each provision of law amended by subtitle B or D is amended to read as it would without such amendment.

(b) **SAVINGS PROVISION.**—The repeal or amendment of any provision under subsection (a) shall have no effect on any action taken or authorized under the provision prior to such repeal or amendment.

Subtitle B—Prepayment of Mortgages Insured Under National Housing Act

12 USC 1715/
note.

SEC. 221. GENERAL PREPAYMENT LIMITATION.

(a) **PRIOR APPROVAL OF PLAN OF ACTION.**—An owner of eligible low income housing may prepay, and a mortgagee may accept prepayment of, a mortgage on such housing only in accordance with a plan

of action approved by the Secretary of Housing and Urban Development under this subtitle.

(b) **ALTERNATIVE PREPAYMENT MORATORIUM.**—In the event any court of the United States or any State invalidates the requirements established in this subtitle, an owner of eligible low income housing located in the geographic area subject to the jurisdiction of such court may not prepay, and a mortgagee may not accept prepayment of, a mortgage on such housing during the 2-year period following the date of such invalidation.

SEC. 222. NOTICE OF INTENT.

12 USC 1715f
note.

An owner of eligible low income housing seeking to initiate prepayment or other changes in the status or terms of the mortgage or regulatory agreement shall file with the Secretary a notice of the intent of the owner in such form and manner as the Secretary shall prescribe. The owner shall simultaneously file the notice or intent with any appropriate State or local government agency for the jurisdiction within which the housing is located.

State and local
governments.

SEC. 223. PLAN OF ACTION.

12 USC 1715f
note.

(a) **PREPARATION AND SUBMISSION.**—Upon receipt of a notice of intent, the Secretary shall provide the owner with such information as the owner needs to prepare a plan of action, which information shall include a description of the Federal incentives authorized under this title. The owner shall submit the plan of action to the Secretary in such form and manner as the Secretary shall prescribe. The owner may simultaneously submit the plan of action to any appropriate State or local government agency for the jurisdiction within which the housing is located, which agency shall, in reviewing the plan, consult with representatives of the tenants of the housing.

State and local
governments.

(b) **CONTENTS.**—The plan of action shall include—

(1) a description of any proposed changes in the status or terms of the mortgage or regulatory agreement, which may include a request for incentives to extend the low income use of the housing;

(2) a description of any assistance that could be provided by State or local government agencies, as determined by prior consultation between the owner and any appropriate State or local agencies;

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governments.

(3) a description of any proposed changes in the low income affordability restrictions;

(4) a description of any change in ownership that is related to prepayment;

(5) an assessment of the effect of the proposed changes on existing tenants;

(6) a statement of the effect of the proposed changes on the supply of housing affordable to lower and very low income families or persons in the community within which the housing is located and in the area that the housing could reasonably be expected to serve; and

(7) any other information that the Secretary determines is necessary to achieve the purposes of this title.

(c) **REVISIONS.**—The owner may from time to time revise and amend the plan of action as may be necessary to obtain approval of the plan under this subtitle.

12 USC 1715/
note.

SEC. 224. INCENTIVES TO EXTEND LOW INCOME USE.

(a) **AGREEMENTS BY SECRETARY.**—After receiving a plan of action from an owner of eligible low income housing, the Secretary may enter into such agreements as are necessary to satisfy the criteria for approval under section 225.

(b) **PERMISSIBLE INCENTIVES.**—Such agreements may include one or more of the following incentives that the Secretary, after taking into account local market conditions, determines to be necessary to achieve the purposes of this title:

(1) An increase in the allowable distribution or other measures to increase the rate of return on investment.

(2) Revisions to the method of calculating equity.

(3) Increased access to residual receipts accounts or excess replacement reserves.

(4) Provision of insurance for a second mortgage under section 241(f) of the National Housing Act.

(5) An increase in the rents permitted under an existing contract under section 8 of the United States Housing Act of 1937, or (subject to the availability of amounts provided in appropriation Acts) additional assistance under such section 8 or an extension of any project-based assistance attached to the housing.

(6) Financing of capital improvements under section 201 of the Housing and Community Development Amendments of 1978.

(7) Other actions, authorized in other provisions of law, to facilitate a transfer or sale of the project to a qualified nonprofit organization, limited equity tenant cooperative, public agency, or other entity acceptable to the Secretary.

(8) Other incentives authorized in law.

12 USC 1715/
note.

SEC. 225. CRITERIA FOR APPROVAL OF PLAN OF ACTION.

(a) **PLAN OF ACTION INVOLVING TERMINATION OF LOW INCOME AFFORDABILITY RESTRICTIONS.**—The Secretary may approve a plan of action that involves termination of the low income affordability restrictions only upon a written finding that—

(1) implementation of the plan of action will not materially increase economic hardship for current tenants or involuntarily displace current tenants (except for good cause) where comparable and affordable housing is not readily available; and

(2)(A) the supply of vacant, comparable housing is sufficient to ensure that such prepayment will not materially affect—

(i) the availability of decent, safe, and sanitary housing affordable to lower income and very low-income families or persons in the area that the housing could reasonably be expected to serve;

(ii) the ability of lower income and very low-income families or persons to find affordable, decent, safe, and sanitary housing near employment opportunities; or

(iii) the housing opportunities of minorities in the community within which the housing is located; or

(B) the plan has been approved by the appropriate State agency and any appropriate local government agency for the jurisdiction within which the housing is located as being in accordance with a State strategy approved by the Secretary under section 226.

Safety.
Health and
medical care.

Minorities.

State and local
governments.

(b) **PLAN OF ACTION INCLUDING INCENTIVES.**—The Secretary may approve a plan of action that includes incentives only upon finding that—

(1) the package of incentives is necessary to provide a fair return on the investment of the owner;

(2) due diligence has been given to ensuring that the package of incentives is, for the Federal Government, the least costly alternative that is consistent with the full achievement of the purposes of this title; and

(3) binding commitments have been made to ensure that—

(A) the housing will be retained as housing affordable for very low-income families or persons, lower income families or persons, and moderate income families or persons for the remaining term of the mortgage;

(B) throughout such period, adequate expenditures will be made for maintenance and operation of the housing;

(C) current tenants shall not be involuntarily displaced (except for good cause);

(D) any increase in rent contributions for current tenants shall be to a level that does not exceed 30 percent of the adjusted income of the tenant or the fair market rent for comparable housing under section 8(b) of the United States Housing Act of 1937, whichever is lower;

(E)(i) any resulting increase in rents for current tenants (except for increases made necessary by increased operating costs)—

(I) shall be phased in equally over a period of not less than 3 years, if such increase is 30 percent or more; and

(II) shall be limited to not more than 10 percent per year if such increase is more than 10 percent but less than 30 percent; and

(ii) assistance under section 8 of the United States Housing Act of 1937 shall be provided if necessary to mitigate any adverse affect on current income eligible tenants; and

(F)(i) rents for units becoming available to new tenants shall be at levels approved by the Secretary that will ensure, to the extent practicable, that the units will be available and affordable to the same proportions of very low-income families or persons, lower income families or persons, and moderate income families or persons (including families or persons whose incomes are 95 percent or more of area median income) as resided in the housing as of January 1, 1987; and

(ii) in approving rents under this paragraph, the Secretary shall take into account any additional incentives provided under this subtitle and shall make provision for such annual rent adjustments as may be made necessary by future reasonable increases in operating costs.

SEC. 226. ALTERNATIVE STATE STRATEGY.

12 USC 1715f
note.

(a) **CRITERIA FOR APPROVAL.**—The Secretary may approve a State strategy for purposes of section 225(a) only upon finding that it is a practicable statewide strategy that ensures at a minimum that—

(1) current tenants will not be involuntarily displaced (except for good cause);

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(2) housing opportunities for minorities will not be adversely affected in the communities within which the housing is located;

(3) any increase in rent for current tenants shall be to a level that does not exceed 30 percent of the adjusted income of the tenants or the fair market rent for comparable housing under section 8(b) of the United States Housing Act of 1937, whichever is lower, except that any increase not necessitated by increased operating costs shall be phased in equally over not less than 3 years if such increase exceeds 10 percent;

(4) housing approved under the State strategy will remain affordable to very low-income, lower income or moderate income families and persons for not less than the remaining term of the original mortgage, if the housing is to be made available for rental, or for not less than 40 years, if the housing is to be made available for homeownership;

(5)(A) not less than 80 of all units in eligible low income housing approved under the State strategy shall be retained as affordable to families or persons meeting the income eligibility standards for initial occupancy that applies to the housing on January 1, 1987; and

(B) not less than 60 percent of the units in any one project shall remain available and affordable to such families or persons, within which not less than 20 percent of the units shall remain available and affordable to very low income families or persons as determined by the Secretary with adjustments for smaller and larger families;

(6) expenditures for rehabilitation, maintenance and operation shall be at a level necessary to maintain the housing as decent, safe and sanitary for the period specified in paragraph (4);

(7) not less than 25 percent of new assistance required to maintain low income affordability in accordance with this section shall be provided through State and local actions, such as tax exempt financing, low-income tax credits, State or local tax concessions, and other incentives provided by the State or local governments; and

(8) for each unit of eligible low income housing approved under the State strategy that is not retained as affordable to families or persons meeting the income eligibility standards for initial occupancy on January 1, 1987, the State will provide with State funds 1 additional unit of comparable housing in the same market area that is available and affordable to such families or persons, and such units or funds shall be made available before the Secretary approves the State strategy.

(b) ADDITIONAL REQUIREMENTS.—

(1) The Secretary may not approve a State strategy until the State has entered into all of the agreements necessary to carry out the strategy.

(2) Each State strategy shall include any other provision that the Secretary determines to be necessary to implement an approved State strategy.

(c) IMPLEMENTATION AGREEMENTS.—The Secretary may enter into such agreements as are necessary to implement an approved State strategy, which agreements may include incentives that are authorized in other provisions of this subtitle.

SEC. 227. TIMETABLE FOR APPROVAL OF PLAN OF ACTION.12 USC 1715/
note.

(a) **NOTIFICATION OF DEFICIENCIES.**—Not later than 60 days after receipt of a plan of action, the Secretary shall notify the owner in writing of any deficiencies that prevent the plan of action from being approved. If deficiencies are found, such notice shall describe alternative ways in which the plan could be revised to meet the criteria for approval

(b) NOTIFICATION OF APPROVAL.—

(1) **IN GENERAL.**—Not later than 180 days after receipt of a plan of action, or such longer period as the owner requests, the Secretary shall notify the owner in writing whether the plan of action, including any revisions, is approved. If approval is withheld, the notice shall describe—

- (A) the reasons for withholding approval; and
- (B) the actions that could be taken to meet the criteria for approval.

(2) **OPPORTUNITY TO REVISE.**—The Secretary shall subsequently give the owner a reasonable opportunity to revise the plan of action and seek approval.

SEC. 228. MODIFICATION OF EXISTING REGULATORY AGREEMENTS.12 USC 1715/
note.

(a) **IN GENERAL.**—If a plan of action cannot be approved within 300 days after a plan of action is submitted, the Secretary may, upon the request of the owner, modify existing regulatory agreements to—

- (1) prevent involuntary displacement of current tenants (except for good cause);
- (2) ensure that adequate expenditures will be made for maintenance and operation of the housing;
- (3) extend any expiring project-based assistance on the housing for the term of the agreement;
- (4) permit an increase in the allowable distribution that could be accommodated by a rise in rents on occupied units to rise to a level no higher than 30 percent of the adjusted income of the current tenants, as determined by the Secretary, except that rents shall not exceed the fair market rent for comparable housing under section 8(b) of the United States Housing Act of 1937 and any resulting increase in rents for current tenants shall be phased in equally over a period of no less than 3 years unless such increase is less than 10 percent; and
- (5) ensure that units becoming vacant during the term of the agreement are made available in accordance with section 225(b)(6)

(b) **EXPIRATION.**—Agreements entered into under this section shall expire upon the expiration of the 4-year period beginning on the date of the enactment of this Act. Upon the expiration of the agreements, the housing covered by the agreements shall be subject to any law then affecting low income affordability restrictions.

SEC. 229. CONSULTATIONS WITH OTHER INTERESTED PARTIES.State and local
governments.
12 USC 1715/
note.

The Secretary shall confer with any appropriate State or local government agency to confirm any State or local assistance that is available to achieve the purposes of this title and shall give consideration to the views of any such agency when making determinations under section 225. The Secretary shall also confer with appropriate interested parties that the Secretary believes could assist in the

development of a plan of action that best achieves the purposes of this title.

12 USC 1715f
note.

SEC. 230. RIGHT OF CONVERSION TO ALTERNATIVE PREPAYMENT SYSTEM.

Any agreement to extend low income affordability restrictions under section 225(b) shall, for 4 years from the date of the enactment of this Act, provide the owner the right to convert to any system of incentives and restrictions provided in law during such period, with such adjustments as the Secretary determines are appropriate to compensate for the value of any benefits the owner had received under this title.

SEC. 231. INSURANCE FOR SECOND MORTGAGE FINANCING.

Loans.
12 USC 1715z-6.

Section 241 of the National Housing Act is amended by adding at the end the following new subsection:

“(f)(1) Notwithstanding any other provision of this section, the Secretary may, upon such terms and conditions as the Secretary may prescribe, make a commitment to insure and insure equity loans made by financial institutions approved by the Secretary. For purposes of this section, the term ‘equity loan’ means a loan or advance of credit to the owner of eligible low income housing (as defined in section 233 of the Emergency Low Income Housing Preservation Act of 1987) that is made for the purpose of implementing a plan of action approved under such Act.

“(2) To be eligible for insurance under this subsection, an equity loan shall—

“(A) be limited to an amount equal to 90 percent of the value of the equity in the project, as determined by the Secretary, and the Secretary, in making the determination, shall take into account that rental income for the project may rise within limits established by section 225(b) of the Emergency Low Income Housing Preservation Act of 1987;

“(B) have a maturity and provisions for amortization satisfactory to the Secretary, bear interest at such rate as may be agreed upon by the mortgagor and mortgagee, and be secured in such manner as the Secretary may require; and

“(C) contain such other terms, conditions, and restrictions as the Secretary may prescribe, including phased advances of equity loan proceeds to reflect project rent levels.

“(3) A qualified nonprofit organization or limited equity tenant cooperative corporation, when purchasing an otherwise eligible project, may constitute an owner of eligible low income housing for purposes of receiving a loan insured under this subsection.

“(4) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (m) of section 207 shall be applicable to loans insured under this section, except that—

“(A) all references to the term ‘mortgage’ shall be construed to refer to the term ‘loan’ as used in this subsection;

“(B) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund; and

“(C) with respect to any sale under foreclosure of a mortgage on the project that is senior to the equity loan insured under this subsection and when the equity loan is secured by a mortgage, the Secretary may—

“(i) issue regulations providing that, in order to receive insurance benefits, the insured mortgagee shall either assign the equity loan to the Secretary or bid the amount necessary to acquire the project and convey title to the project to the Secretary, in which case the insurance benefits paid by the Secretary shall include the amount bid by the mortgagee to satisfy the senior mortgage at the foreclosure sale; and

“(ii) if the equity loan has been assigned to the Secretary, bid, in addition to amounts authorized under section 207(k), any sum not in excess of the total unpaid indebtedness secured by such senior mortgage and the equity loan, plus taxes, insurance, foreclosure costs, fees, and other expenses.

“(5) A mortgagee approved by the Secretary may not withhold consent to an equity loan on a property on which that mortgagee holds a mortgage.”.

SEC. 232. REPORT TO CONGRESS.

Not later than 1 year after the date of the enactment of this Act, the Secretary shall submit to the Congress a report setting forth the activities carried out under this subtitle. The report shall include a description of the plans of action approved under subsections (a) and (b) of section 225 and an analysis of the extent to which the plans retain housing affordable for very low-income families or persons, lower income families or persons, and moderate income families or persons.

12 USC 1715/
note.

SEC. 233. DEFINITIONS.

For purposes of this subtitle:

(1) The term “eligible low income housing” means any housing financed by a loan or mortgage—

12 USC 1715/
note.

(A) that is—

(i) insured or held by the Secretary under section 221(d)(3) of the National Housing Act and assisted under section 101 of the Housing and Urban Development Act of 1965 or section 8 of the United States Housing Act of 1937;

(ii) insured or held by the Secretary and bears interest at a rate determined under the proviso of section 221(d)(5) of the National Housing Act;

(iii) insured, assisted, or held by the Secretary under section 236 of the National Housing Act; or

(iv) held by the Secretary and formerly insured under a program referred to in clause (i), (ii), or (iii); and

(B) that, under regulation or contract in effect before the date of the enactment of this Act, is or will within 1 year become eligible for prepayment without prior approval of the Secretary.

(2) The term “low income affordability restrictions” means limits imposed by regulation or regulatory agreement on tenant rents, rent contributions, or income eligibility in eligible low income housing.

(3) The terms “lower income families or persons” and “very low-income families or persons” mean families or persons whose incomes do not exceed the respective levels established for lower income families and very low-income families under section 3(b)(2) of the United States Housing Act of 1937.

(4) The term "moderate income families or persons" means families or persons whose incomes are between 80 percent and 95 percent of median income for the area, as determined by the Secretary with adjustments for smaller and larger families.

(5) The term "owner" means the current or subsequent owner or owners of eligible low income housing.

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

(7) The term "termination of low income affordability restrictions" means any elimination or relaxation of low income affordability restrictions (other than those permitted under an approved plan of action under section 225(b)).

12 USC 1715/
note.

SEC. 234. REGULATIONS.

The Secretary shall issue final regulations to carry out this subtitle not later than 60 days after the date of the enactment of this Act. The Secretary shall provide for the regulations to take effect not later than 45 days after the date on which the regulations are issued.

12 USC 1715/
note.

SEC. 235. EFFECTIVE DATE.

The requirements of this subtitle shall apply to any project that is eligible low income housing on or after November 1, 1987.

Subtitle C—Rural Rental Housing Displacement Prevention

SEC. 241. PREPAYMENT AND REFINANCING PROCEDURES.

Section 502(c) of the Housing Act of 1949 is amended by adding at the end the following new paragraphs:

"(3) NOTICE OF OFFER TO PREPAY.—Not less than 30 days after receiving an offer to prepay any loan made or insured under section 514 or 515, the Secretary shall provide written notice of the offer or request to the tenants of the housing and related facilities involved, to interested nonprofit organizations, and to any appropriate State and local agencies.

"(4)(A) AGREEMENT BY BORROWER TO EXTEND LOW INCOME USE.—Before accepting any offer to prepay, or requesting refinancing in accordance with subsection (b)(3) of, any loan made or insured under section 514 or 515 pursuant to a contract entered into before December 21, 1979, the Secretary shall make reasonable efforts to enter into an agreement with the borrower under which the borrower will make a binding commitment to extend the low income use of the assisted housing and related facilities involved for not less than the 20-year period beginning on the date on which the agreement is executed.

"(B) ASSISTANCE AVAILABLE TO BORROWER TO EXTEND LOW INCOME USE.—To the extent of amounts provided in appropriation Acts, the agreement under subparagraph (A) may provide for 1 or more of the following forms of assistance that the Secretary, after taking into account local market conditions, determines to be necessary to extend the low income use of the housing and related facilities involved:

"(i) Increase in the rate of return on investment.

42 USC 1472.

State and local
governments.

Loans.
Contracts.

“(ii) Reduction of the interest rate on the loan through the provision of interest credits under section 521(a)(1)(B).

“(iii) Additional rental assistance, or an increase in assistance provided under existing contracts, under section 521(a)(2) or under section 8 of the United States Housing Act of 1937.

Contracts.

“(iv) An equity loan to the borrower under paragraphs (7) and (8) of section 515(b).

“(v) Incremental rental assistance in connection with loans under clauses (ii) and (iv) to the extent necessary to avoid increases in the rental payments of current tenants not receiving rental assistance under section 521(a)(2) or under section 8 of the United States Housing Act of 1937.

“(C) APPROVAL OF ASSISTANCE.—The Secretary may approve assistance under subparagraph (B) only if the Secretary determines that the combination of assistance provided—

“(i) is necessary to provide a fair return on the investment of the borrower; and

“(ii) is the least costly alternative for the Federal Government that is consistent with carrying out the purposes of this subsection.

“(5)(A) OFFER TO SELL TO NONPROFIT ORGANIZATIONS AND PUBLIC AGENCIES.—

“(i) IN GENERAL.—If the Secretary determines after a reasonable period that an agreement will not be entered into with a borrower under paragraph (4), the Secretary shall require the borrower (except as provided in subparagraph (G)) to offer to sell the assisted housing and related facilities involved to any qualified nonprofit organization or public agency at a fair market value determined by 2 independent appraisers, one of whom shall be selected by the Secretary and one of whom shall be selected by the borrower. If the 2 appraisers fail to agree on the fair market value, the Secretary and the borrower shall jointly select a third appraiser, whose appraisal shall be binding on the Secretary and the borrower.

“(ii) PERIOD FOR WHICH REQUIREMENT APPLICABLE.—If, upon the expiration of 180 days after an offer is made to sell housing and related facilities under clause (i), no qualified nonprofit organization or public agency has made a bona fide offer to purchase, the Secretary may accept the offer to prepay, or may request refinancing in accordance with subsection (b)(3) of the loan. This clause shall apply only when funds are available for purposes of carrying out a transfer under this paragraph.

“(B) QUALIFIED NONPROFIT ORGANIZATIONS AND PUBLIC AGENCIES.—

“(i) LOCAL NONPROFIT ORGANIZATION OR PUBLIC AGENCY.—A local nonprofit organization or public agency may purchase housing and related facilities under this paragraph only if—

Contracts.

“(I) the organization or agency is determined by the Secretary to be capable of managing the housing and related facilities (either directly or through a contract) for the remaining useful life of the housing and related facilities; and

“(II) the organization or agency has entered into an agreement that obligates it (and successors in interest thereof) to maintain the housing and related facilities as affordable for very low-income families or persons and low income families or persons for the remaining useful life of the housing and related facilities.

“(ii) NATIONAL OR REGIONAL NONPROFIT ORGANIZATION.—If the Secretary determines that there is no local nonprofit organization or public agency qualified to purchase the housing and related facilities involved, the Secretary shall require the borrower to offer to sell the assisted housing and related facilities to an existing qualified national or regional nonprofit organization.

“(C) FINANCING OF SALE.—To facilitate the sale described in subparagraph (A), the Secretary shall—

“(i) to the extent provided in appropriation Acts, make an advance to the nonprofit organization or public agency whose offer to purchase is accepted under this paragraph to cover any direct costs (other than the purchase price) incurred by the organization or agency in purchasing and assuming responsibility for the housing and related facilities involved;

Loans.

“(ii) approve the assumption, by the nonprofit organization or public agency involved, of the loan made or insured under section 514 or 515;

“(iii) to the extent provided in appropriation Acts, transfer any rental assistance payments that are received under section 521(a)(2)(A), or under section 8 of the United States Housing Act of 1937, with respect to the housing and related facilities involved; and

Loans.

“(iv) to the extent provided in appropriation Acts, provide a loan under section 515(c)(3) to the nonprofit organization or public agency whose offer to purchase is accepted under this paragraph to enable the organization or agency to purchase the housing and related facilities involved.

“(D) RENT LIMITATION AND ASSISTANCE.—The Secretary shall, to the extent provided in appropriation Acts, provide to each nonprofit organization or public agency purchasing housing and related facilities under this paragraph financial assistance (in the form of monthly payments or forgiveness of debt) in an amount necessary to ensure that the monthly rent payment made by each low income family or person residing in the housing does not exceed the maximum rent permitted under section 521(a)(2)(A).

“(E) RESTRICTION ON SUBSEQUENT TRANSFERS.—Except as provided in subparagraph (B)(ii), the Secretary may not approve the transfer of any housing and related facilities purchased under this paragraph during the remaining useful life of the housing and related facilities, unless the Secretary determines that—

“(i) the transfer will further the provision of housing and related facilities for low income families or persons; or

“(ii) there is no longer a need for such housing and related facilities by low income families or persons.

Loans.

Contracts.

“(F) GENERAL RESTRICTION ON PREPAYMENTS AND REFINANCINGS.—Following the transfer of the maximum number of dwelling units set forth in subparagraph (H)(i) in any fiscal year or the maximum number of dwelling units for which budget authority is available in any fiscal year, the Secretary may not accept in such fiscal year any offer to prepay, or request refinancing in accordance with subsection (b)(3) of, any loan made or insured under section 514 or 515 pursuant to a contract entered into before December 21, 1979, except in accordance with subparagraph (G). The limitation established in this subparagraph shall not apply to an offer to prepay, or request to refinance, if, following the date on which such offer or request is made (or following the date of the enactment of the Housing and

Community Development Act of 1987, whichever occurs later) a 15-month period expires during which no budget authority is available to carry out this paragraph. For purposes of this subparagraph, the Secretary shall allocate budget authority under this paragraph in the order in which offers to prepay, or request to refinance, are made.

“(G) EXCEPTION.—This paragraph shall not apply to any offer to prepay, or any request to refinance in accordance with subsection (b)(3), any loan made or insured under section 514 or 515 pursuant to a contract entered into before December 21, 1979, if—

Loans.

“(i) the borrower enters into an agreement with the Secretary that obligates the borrower (and successors in interest thereof)—

“(I) to utilize the assisted housing and related facilities for the purposes specified in section 514 or 515, as the case may be, for a period determined by the Secretary (but not less than the period described in paragraph (1)(B) calculated from the date on which the loan is made or insured); and

“(II) upon termination of the period described in paragraph (1)(B), to offer to sell the assisted housing and related facilities to a qualified nonprofit organization or public agency in accordance with this paragraph; or

“(ii) the Secretary determines that housing opportunities of minorities will not be materially affected as a result of the prepayment or refinancing, and that—

“(I) the borrower (and any successor in interest thereof) are obligated to ensure that tenants of the housing and related facilities financed with the loan will not be displaced due to a change in the use of the housing, or to an increase in rental or other charges, as a result of the prepayment or refinancing; or

“(II) there is an adequate supply of safe, decent, and affordable rental housing within the market area of the housing and related facilities and sufficient actions have been taken to ensure that the rental housing will be made available to each tenant upon displacement.

“(H) FUNDING.—

“(i) BUDGET LIMITATION.—Not more than 5,000 dwelling units may be transferred under this paragraph in any fiscal year, and the budget authority that may be provided under this paragraph for any fiscal year may not exceed the amounts required to carry out this paragraph with respect to such number.

“(ii) REIMBURSEMENT OF RURAL HOUSING INSURANCE FUND.—There are authorized to be appropriated to the Rural Housing Insurance Fund such sums as may be necessary to reimburse the Fund for financial assistance provided under this paragraph, paragraph (4), and section 517(j)(7).

“(I) DEFINITION.—For purposes of this paragraph, the term ‘non-profit organization’ means any private organization—

“(i) no part of the net earnings of which inures to the benefit of any member, founder, contributor, or individual; and

“(ii) that is approved by the Secretary as to financial responsibility.

“(J) REGULATIONS.—Notwithstanding section 534, the Secretary shall issue final regulations to carry out this paragraph not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987. The Secretary shall provide

for the regulations to take effect not later than 45 days after the date on which the regulations are issued.”.

SEC. 242. EQUITY RECAPTURE LOANS AND LOANS TO NONPROFIT ORGANIZATIONS AND PUBLIC AGENCIES.

42 USC 1485.

Section 515 of the Housing Act of 1949 is amended—

(1) by redesignating subsections (c) through (p) as subsections (d) through (q), respectively; and

(2) by inserting after subsection (b) the following:

“(c) With respect to a loan made or insured under subsection (a) or (b), the Secretary is authorized to—

“(1) make or insure an equity loan in the form of a supplemental loan for the purpose of equity takeout to the owner of housing financed with a loan made or insured under this section pursuant to a contract entered into before December 21, 1979, for the purpose of extending the affordability of the housing for low income families or persons and very low-income families or persons for not less than 20 years, except that such loan may not exceed 90 percent of the value of the equity in the project as determined by the Secretary;

“(2) transfer and reamortize an existing loan in connection with assistance provided under paragraph (1); and

“(3) make or insure a loan to enable a nonprofit organization or public agency to make a purchase described in section 502(c)(5).”.

SEC. 243. USE OF RURAL HOUSING INSURANCE FUND.

42 USC 1487.

Section 517(j) of the Housing Act of 1949 is amended—

(1) by striking “and” at the end of paragraph (5);

(2) by striking the period at the end of paragraph (6) and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(7) to provide advances and assistance required to carry out paragraphs (4) and (5) of section 502(c).”.

Subtitle D—Other Measures to Preserve Low Income Housing

SEC. 261. EARLY PREPAYMENT.

12 USC 1715z-15.

Section 250(a)(1) of the National Housing Act is amended by striking “or” and all that follows through “needs” the last place it appears

SEC. 262. SECTION 8 ASSISTANCE.

42 USC 1437f.

(a) **REQUIRED NOTICE.**—Section 8(c) of the United States Housing Act of 1937 is amended by adding at the end the following new paragraph:

Contracts.

“(9) Not less than 1 year prior to terminating any contract under which assistance payments are received under this section (but not less than 90 days in the case of housing certificates or vouchers under subsection (b) or (o)), an owner shall provide written notice to the Secretary and the tenants involved of the proposed termination, specifying the reasons for the termination with sufficient detail to enable the Secretary to evaluate whether the termination is lawful and whether there are additional actions that can be taken by the Secretary to avoid the termination. The Secretary shall review the

owner's notice, shall consider whether there are additional actions that can be taken by the Secretary to avoid the termination, and shall ensure a proper adjustment of the contract rents for the project in conformity with the requirements of paragraph (2). The Secretary shall issue a written finding of the legality of the termination and the reasons for the termination, including the actions considered or taken to avoid the termination. For purposes of this paragraph, the term 'termination' means the expiration of the assistance contract or an owner's refusal to renew the assistance contract."

(b) **ADJUSTMENT OF ALLOWABLE RENT.**—Section 8(c) of the United States Housing Act of 1937 (as amended by subsection (a) of this section) is further amended by adding at the end the following new paragraph:

"(10) If an owner provides notice of proposed termination under paragraph (9) and the contract rent is lower than the maximum monthly rent for units assisted under subsection (b)(1), the Secretary shall adjust the contract rent based on the maximum monthly rent for units assisted under subsection (b)(1) and the value of the lower income housing after rehabilitation."

Contracts.

(c) **LOAN MANAGEMENT AND PROPERTY DISPOSITION PROGRAMS.**—Section 8 of the United States Housing Act of 1937 (as amended by section 149 of this Act) is further amended by adding at the end the following new subsection:

Contracts.

"(v)(1) Each contract entered into by the Secretary under this section for loan management assistance shall be for a term of 180 months.

"(2) The Secretary shall extend any expiring contract entered into under this section for loan management assistance or execute a new contract, if the owner agrees to continue providing housing for lower income families during the term of the contract."

SEC. 263. SECTION 515 OPERATING RESERVE AND EQUITY CONTRIBUTION REQUIREMENTS.

Section 515 of the Housing Act of 1949 (as amended by section 242) is further amended by adding at the end the following new subsection:

"(r) The Secretary—

"(1) may require that the initial operating reserve under this section may be in the form of an irrevocable letter of credit; and

"(2) may not require more than a 3 percent contribution to equity."

TITLE III—RURAL HOUSING

SEC. 301. PROGRAM AUTHORIZATIONS.

(a) **INSURANCE AND GUARANTEE AUTHORITY.**—Section 513(a)(1) of the Housing Act of 1949 is amended to read as follows:

42 USC 1483.

"(a)(1) The Secretary may, to the extent approved in appropriation Acts, insure and guarantee loans under this title during fiscal years 1988 and 1989 in aggregate amounts not to exceed \$1,775,395,000 and \$1,794,925,000, respectively, as follows:

"(A) For insured or guaranteed loans under section 502 on behalf of borrowers receiving assistance under section 521(a)(1) or receiving guaranteed loans pursuant to section 304 of the Housing and Community Development Act of 1987,

\$1,104,000,000 for fiscal year 1988 and \$1,116,144,000 for fiscal year 1989.

“(B) For loans under section 504, \$11,335,000 for fiscal year 1988 and \$11,460,000 for fiscal year 1989.

“(C) For insured loans under section 514, \$11,485,000 for fiscal year 1988 and \$11,612,000 for fiscal year 1989.

“(D) For insured loans under section 515, \$647,000,000 for fiscal year 1988 and \$654,117,000 for fiscal year 1989.

“(E) For loans under section 523(b)(1)(B), \$1,000,000 for fiscal year 1988 and \$1,011,000 for fiscal year 1989.

“(F) For site loans under section 524, \$575,000 for fiscal year 1988 and \$581,000 for fiscal year 1989.”

(b) **AUTHORIZATION OF APPROPRIATIONS.**—Section 513(b) of the Housing Act of 1949 is amended to read as follows:

“(b) There are authorized to be appropriated for fiscal years 1988 and 1989, and to remain available until expended, the following amounts:

“(1) For grants under section 504, \$13,113,000 for fiscal year 1988 and \$13,362,000 for fiscal year 1989.

“(2) For purposes of section 509(c), \$713,000 for fiscal year 1988 and \$727,000 for fiscal year 1989.

“(3) Such sums as may be necessary to meet payments on notes or other obligations issued by the Secretary under section 511 equal to—

“(A) the aggregate of the contributions made by the Secretary in the form of credits on principal due on loans made pursuant to section 503; and

“(B) the interest due on a similar sum represented by notes or other obligations issued by the Secretary.

“(4) For financial assistance under section 516, \$9,979,000 for fiscal year 1988 and \$10,169,000 for fiscal year 1989.

“(5) For grants under section 523(f), \$8,392,000 for fiscal year 1988 and \$8,551,000 for fiscal year 1989.

“(6) For grants under section 533, \$20,078,000 for fiscal year 1988 and \$20,460,000 for fiscal year 1989.”

(c) **RENTAL ASSISTANCE PAYMENT CONTRACTS.**—Section 513(c) of the Housing Act of 1949 is amended to read as follows:

“(c)(1) The Secretary, to the extent approved in appropriation Acts for fiscal years 1988 and 1989, may enter into rental assistance payment contracts under section 521(a)(2)(A) aggregating \$275,310,000 for fiscal year 1988 and \$280,000,000 for fiscal year 1989.

“(2) Any authority approved in appropriation Acts for fiscal year 1988 or any succeeding fiscal year for rental assistance payment contracts under section 521(a)(2)(A) shall be used by the Secretary—

“(A) to renew rental assistance payment contracts that expire during such fiscal year;

“(B) to provide amounts required to continue rental assistance payments for the remaining period of an existing contract, in any case in which the original amount of rental assistance is used prior to the end of the term of the contract; and

“(C) to make additional rental assistance payment contracts for existing or newly constructed dwelling units.”

(d) **SUPPLEMENTAL RENTAL ASSISTANCE CONTRACTS.**—Section 513 of the Housing Act of 1949 is amended by adding at the end the following new subsection:

“(d) The Secretary, to the extent approved in appropriation Acts for fiscal years 1988 and 1989, may enter into 5-year supplemental rental assistance contracts under section 502(c)(5)(D) aggregating \$26,000,000 for fiscal year 1988 and \$27,534,000 for fiscal year 1989.”

(e) **RENTAL HOUSING LOAN AUTHORITY.**—Section 515(b)(4) of the Housing Act of 1949 is amended by striking “March 15, 1988” and inserting “September 30, 1989”.

42 USC 1485.

(f) **MUTUAL AND SELF-HELP HOUSING GRANT AND LOAN AUTHORITY.**—Section 523(f) of the Housing Act of 1949 is amended by striking “March 15, 1988” and inserting “September 30, 1989”.

42 USC 1490c.

(g) **RURAL HOUSING VOUCHER DEMONSTRATION.**—Section 513 of the Housing Act of 1949 (as amended by subsection (d) of this section) is further amended by adding at the end the following:

Contracts.
State and local
governments.

“(e)(1) To such extent or in such amounts as are approved in appropriation Acts, the Secretary shall carry out a demonstration rural housing voucher program during fiscal years 1988 and 1989. For such purpose, the Secretary shall enter into contracts using a payment standard in accordance with section 8(o) of the United States Housing Act of 1937 covering up to 7,500 dwelling units located in rural areas in not more than 5 States during each such fiscal year.

“(2) The Secretary may use the authority conferred by paragraph (1) in a State only if the State Farmers Home Administration Administrator certifies that—

“(A) such Administrator has completed an inventory of the State’s housing supply, including housing suitable for rehabilitation, using currently available data; and

“(B) there is an adequate supply of decent, safe, and sanitary housing available for occupancy by voucher holders in that State.

“(3) In carrying out the voucher demonstration program under this subsection, the Secretary shall coordinate activities under this subsection with activities assisted under sections 515 and 533 of this title and under section 17 of the United States Housing Act of 1937.

“(4) Funding for the voucher demonstration program under this subsection shall be from amounts in the Rural Housing Insurance Fund authorized for loans under sections 502 and section 515 in proportion to the amounts authorized for such loans. Any reduction in the amounts available for such loans shall be made from the total amounts available for such loans in all States.”

SEC. 302. ELIGIBILITY REQUIREMENTS.

(a) **RESIDENT ALIENS.**—Section 501 of the Housing Act of 1949 is amended by adding at the end the following new subsection:

42 USC 1471.

“(h)(1) The Secretary may not restrict the availability of assistance under this title for any alien for whom assistance may not be restricted by the Secretary of Housing and Urban Development under section 214 of the Housing and Community Development Act of 1980.

“(2) In carrying out any restriction established by the Secretary on the availability of assistance under this title for any alien, the Secretary shall follow procedures comparable to the procedures established in section 214 of the Housing and Community Development Act of 1980.”

(b) **INCOME LEVELS.**—

(1) Section 501(b)(4) of the Housing Act of 1949 is amended by adding at the end the following new sentence: “Notwithstand-

Virgin Islands.

ing the preceding sentence, the maximum income levels established for purposes of this title for such families and persons in the Virgin Islands shall not be less than the highest such levels established for purposes of this title for such families and persons in American Samoa, Guam, the Northern Mariana Islands, and the Trust Territory of the Pacific Islands.”.

Effective date.
42 USC 1471
note.

(2) The amendment made by paragraph (1) shall be applicable to any determination of eligibility for assistance under title V of the Housing Act of 1949 made on or after the date of the enactment of this Act.

SEC. 303. ESCROWING TAXES AND INSURANCE.

42 USC 1471.

Section 501(e) of the Housing Act of 1949 is amended to read as follows:

“(e) The Secretary shall establish procedures under which borrowers under this title are required to make periodic payments for the purpose of taxes, insurance, and other necessary expenses as the Secretary may deem appropriate. Notwithstanding any other provision of law, such payments shall not be considered public funds. The Secretary shall direct the disbursement of the funds at the appropriate time or times for the purposes for which the funds were escrowed. If the prepayments made by the borrower are not sufficient to pay the amount due, advances may be made by the Secretary to pay the costs in full, which advances shall be charged to the account of the borrower, bear interest, and be payable in a timely fashion as determined by the Secretary. The Secretary shall notify a borrower in writing when loan payments are delinquent.”.

Loans.

42 USC 1472
note.

SEC. 304. RURAL HOUSING GUARANTEED LOAN DEMONSTRATION.

(a) **ESTABLISHMENT OF DEMONSTRATION.**—The Secretary of Agriculture (referred to in this section as the “Secretary”) shall carry out a rural housing guaranteed loan demonstration program under which the Secretary shall, to the extent of amounts provided in appropriation Acts, provide guaranteed loans in accordance with section 502, section 517(d), and the last sentence of section 521(a)(1)(A), of the Housing Act of 1949.

State and local
governments.

(b) **AMOUNT AVAILABLE FOR DEMONSTRATION.**—

(1) There shall be available for guaranteed loans under this section for any fiscal year in each State an amount equal to whichever of the following is lower:

(A) 10 percent of the total loan authority allocated under section 502 of the Housing Act of 1949 to the State for the fiscal year.

(B) The average, during the preceding 3 fiscal years, of the funds allocated to the State under section 502 of the Housing Act of 1949 that have not been utilized.

(2) Any amount made available under this subsection that is not used before the last 60 days of a fiscal year shall become available for assistance for low income families or persons under section 502 of the Housing Act of 1949.

(c) **ELIGIBILITY FOR LOANS.**—Loans guaranteed pursuant to this section shall be made only to borrowers with moderate incomes that do not exceed the median income of the area, as determined by the Secretary, with adjustments for smaller and larger families.

(d) **REPORTS TO CONGRESS.**—The Secretary shall submit to the Congress—

(1) as soon as practicable after September 30, 1989, an interim report setting forth the findings and recommendations of the Secretary as a result of the demonstration; and

(2) as soon as practicable after September 30, 1991, a final report setting forth the findings and recommendations of the Secretary as a result of the demonstration.

(e) **TERMINATION.**—The Secretary may not provide any guaranteed loan under this section after September 30, 1991, except pursuant to a commitment entered into on or before such date.

SEC. 305. DEFINITION OF DOMESTIC FARM LABOR.

(a) **INSURED LOAN PROGRAM.**—Section 514(f)(3) of the Housing Act of 1949 is amended to read as follows:

42 USC 1484.

“(3) the term ‘domestic farm labor’ means any person (and the family of such person) who receives a substantial portion of his or her income from primary production of agricultural or aquacultural commodities or the handling of such commodities in the unprocessed stage, without respect to the source of employment, except that—

“(A) such person shall be a citizen of the United States or a person legally admitted for permanent residence;

“(B) such term includes any person (and the family of such person) who is retired or disabled, but who was domestic farm labor at the time of retirement or becoming disabled; and

“(C) in applying this paragraph with respect to vacant units in farm labor housing, the Secretary shall make units available for occupancy in the following order of priority:

“(i) to active farm laborers (and their families);

“(ii) to retired or disabled farm laborers (and their families) who were active in the local farm labor market at the time of retiring or becoming disabled; and

“(iii) to other retired or disabled farm laborers (and their families).”

(b) **GRANT PROGRAM.**—Section 516(g) of the Housing Act of 1949 is amended—

42 USC 1486.

(1) by striking “and” at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting “; and”; and

(3) by adding at the end the following new paragraph:

“(4) the term ‘domestic farm labor’ has the meaning given such term in section 514(f)(3).”

SEC. 306. CONFORMANCE WITH LOW-INCOME HOUSING TAX CREDIT ELIGIBILITY REQUIREMENTS.

Section 515(p) of the Housing Act of 1949 (as so redesignated by section 242 of this Act) is amended by adding at the end the following:

“(4) In projects financed under this section, units that have been allocated a low-income housing tax credit by a housing credit agency pursuant to section 42 of the Internal Revenue Code of 1986 shall not be available for occupancy by persons or families other than persons or families with incomes not in excess of the qualifying income applicable to such units pursuant to subparagraph (A) or (B) of section 42(g)(1) of such Code, except when the Secretary determines that the continued vacancy of units that have been unoccu-

pied for at least 6 months threatens the financial viability of the project.”.

SEC. 307. LIMITATION OF FEES ON RURAL RENTAL HOUSING LOANS.

Section 515 of the Housing Act of 1949 (as amended by section 263 of this Act) is further amended by adding at the end the following new subsection:

“(s) No fee other than a late fee may be imposed by or for the Secretary or any other Federal agency on or with respect to a loan made or insured under this section.”.

SEC. 308. RURAL AREA CLASSIFICATION.

42 USC 1490.

(a) **HOLD HARMLESS.**—Section 520 of the Housing Act of 1949 is amended by striking “March 15, 1988” in the last sentence and inserting “September 30, 1989”.

California.

(b) **ELIGIBILITY OF RURAL AREA PROXIMATE TO URBAN AREA.**—Section 520 of the Housing Act of 1949 is amended in the first sentence by inserting before “part of or associated with” the following: “(except in the case of Pajaro, in the State of California)”.

SEC. 309. PROCEDURES FOR REDUCTION OF INTEREST CREDITS.

Loans.

42 USC 1490a.

Section 521(a)(1)(B) of the Housing Act of 1949 is amended by adding at the end the following new sentence: “In the case of assistance provided under this subparagraph with respect to a loan under section 502, the Secretary may not reduce, cancel, or refuse to renew the assistance due to an increase in the adjusted income of the borrower if the reduction, cancellation, or nonrenewal will cause the borrower to be unable to reasonably afford the resulting payments required under the loan.”.

SEC. 310. RURAL HOUSING PRESERVATION GRANT PROGRAM.

42 USC 1490m.

Section 533(h) of the Housing Act of 1949 is amended—

(1) by inserting “(1)” after the subsection designation; and

(2) by adding at the end the following new paragraph:

Regulations.

“(2) The Secretary shall, not later than the expiration of the 30-day period following the date of the enactment of the Housing and Community Development Act of 1987 issue regulations to carry out the program of grants under subsection (a)(2).”.

SEC. 311. RURAL RENTAL REHABILITATION DEMONSTRATION.

42 USC 1490m
note.

(a) **ESTABLISHMENT OF DEMONSTRATION.**—The Secretary of Housing and Urban Development (referred to in this section as the “Secretary”) shall carry out a rural rental rehabilitation demonstration program in accordance with this section.

Grants.

(b) **AVAILABILITY OF AMOUNTS.**—For purposes of the demonstration program, any rental rehabilitation grant amount provided to a State under section 17 of the United States Housing Act of 1937 that is unutilized from any prior fiscal year shall be available for use in areas eligible for assistance under title V of the Housing Act of 1949.

(c) **REPORT TO CONGRESS.**—The Secretary shall submit to the Congress as soon as practicable after September 30, 1989, a report setting forth the findings and recommendations of the Secretary as a result of the demonstration program. The report shall include an evaluation of the following:

(1) The effectiveness of the program in meeting the need for the rehabilitation of rental housing in rural areas.

(2) The extent of participation by the owners of rental properties in the program.

(3) The cost of the program.

(d) **TERMINATION.**—The authority provided in this section shall terminate after September 30, 1989.

SEC. 312. STUDY OF MORTGAGE CREDIT IN RURAL AREAS.

Loans.

The Secretary of Housing and Urban Development shall conduct a study of the availability and use of funds (including mortgages and loans insured under title II of the National Housing Act, loans made or insured under title V of the Housing Act of 1949, and conventional mortgages and loans) for the purchase and improvement of residential real property in rural areas, particularly in communities that have populations of not more than 2,500 individuals. Not later than April 1, 1988, the Secretary shall submit to the Congress a detailed report setting forth the findings of the Secretary as a result of the study.

Reports.

SEC. 313. DEBT SETTLEMENT AUTHORITY OF SECRETARY.

Claims.

Contracts.

42 USC 1480.

Section 510(c) of the Housing Act of 1949 is amended to read as follows:

“(c) compromise, adjust, reduce, or charge-off claims, and adjust, modify, subordinate, or release the terms of security instruments, leases, contracts, and agreements entered into or administered by the Secretary under this title, as circumstances may require, including the release of borrowers or others obligated on a debt from personal liability with or without payment of any consideration at the time of the compromise, adjustment, reduction, or charge-off of any claim;”.

SEC. 314. MANUFACTURED HOUSING.

Loans.

Section 502(e) of the Housing Act of 1949 is amended by adding at the end the following:

42 USC 1472.

“(3) A loan that may be made or insured under this section with respect to a manufactured home on a permanent foundation, or a manufactured home on a permanent foundation and a lot, shall be repayable over the same period as would be applicable under section 203(b) of the National Housing Act.”.

SEC. 315. LOAN PACKAGING BY NONPROFIT ORGANIZATIONS.

Grants.

Section 501 of the Housing Act of 1949 (as amended by section 302 of this Act) is further amended by adding at the end the following new subsection:

“(i) For the purposes of this title, the term ‘development cost’ shall include the packaging of loan and grant applications and actions related thereto by public and private nonprofit organizations tax exempt under the Internal Revenue Code of 1986.”.

SEC. 316. RURAL HOUSING TECHNICAL AMENDMENTS.

(a) **DEFINITIONS.**—Section 501(b)(3) of the Housing Act of 1949 is amended by striking “is a developmentally disabled individual as defined in section 102(7) of the Development Disabilities Services and Facilities Construction Act” and inserting the following: “has a developmental disability as defined in section 102(7) of the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. 6001(7))”.

(b) **FARM LABOR HOUSING.**—Section 514(f)(1) of the Housing Act of 1949 is amended by striking “and” at the end.

42 USC 1484.

(c) **HOUSING FOR ELDERLY FAMILIES.**—Section 515(p)(1) of the Housing Act of 1949 (as so redesignated by section 242 of this Act) is amended by striking “effective”.

42 USC 1490a. (d) **LOANS TO LOW- AND MODERATE-INCOME FAMILIES.**—Section 521(a) of the Housing Act of 1949 is amended—

(1) in paragraph (1)(A), by striking “, except” and all that follows through “charges”; and

(2) in paragraph (2)(A), by striking “; or” and inserting “, or”.

42 USC 1490b. (e) **HOUSING FOR RURAL TRAINEES.**—Section 522(a) of the Housing Act of 1949 is amended by striking the comma after “Health”.

42 USC 1490f. (f) **CONDOMINIUM HOUSING.**—

(1) Section 526(a) of the Housing Act of 1949 is amended by striking “and” the first place it appears.

(2) Section 526(c) of the Housing Act of 1949 is amended by striking “and” the first place it appears.

(g) **HOUSING PRESERVATION GRANTS.**—

42 USC 1490m. (1) Section 533(e)(1)(B)(iii) of the Housing Act of 1949 is amended by inserting “to” before “refuse”.

(2) Section 533(g) of the Housing Act of 1949 is amended by striking “persons of low income and very low-income” and inserting “low income families or persons and very low-income families or persons”.

TITLE IV—MORTGAGE INSURANCE AND SECONDARY MORTGAGE MARKET PROGRAMS

Subtitle A—FHA Mortgage Insurance Programs

SEC. 401. INSURANCE AUTHORITY FOR FHA.

(a) **REPEALS.**—Each of the following provisions of law is repealed:

12 USC 1715h. (1) Section 217 of the National Housing Act.

12 USC 1715l. (2) The fifth sentence of section 221(f) of the National Housing Act.

12 USC 1715z-9. (3) Section 244(d), and the last sentence of section 244(h), of the National Housing Act.

12 USC 1715z-10. (4) The last sentence of section 245(a) of the National Housing Act.

12 USC 1748h-1. (5) The second sentence of section 809(f) of the National Housing Act.

12 USC 1748h-2. (6) The second sentence of section 810(k) of the National Housing Act.

12 USC 1749bb. (7) The second sentence of section 1002(a) of the National Housing Act.

12 USC 1749aaa. (8) The second sentence of section 1101(a) of the National Housing Act.

12 USC 1703. (b) **AMENDMENT.**—The first sentence of section 2(a) of the National Housing Act is amended by striking “and not later than March 15, 1988,”.

(c) **EXTENSION OF SECTION 235.**—The last sentence of section 235(h)(1), section 235(m), and the last sentence of section 235(q)(1), of

the National Housing Act are each amended by striking out "March 15, 1988" and inserting in lieu thereof "September 30, 1989". 12 USC 1715z.

(d) **TERMINATION OF SECTION 235.**—

(1) **IN GENERAL.**—Effective on October 1, 1989, the program 12 USC 1715z

under section 235 of the National Housing Act shall terminate. note.

(2) **SAVINGS PROVISION.**—The provisions of paragraph (1) shall not affect—

(A) any mortgage insurance commitment issued; or

(B) any assistance pursuant to a reservation of funds made;

under section 235 of the National Housing Act prior to October 1, 1989.

SEC. 402. AMOUNT TO BE INSURED UNDER NATIONAL HOUSING ACT.

Section 531 of the National Housing Act is amended—

12 USC 1735f-9.

(1) by inserting "(a)" after "SEC. 531."; and

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

"(b) Notwithstanding any other provision of law and subject only to the absence of qualified requests for insurance, to the authority provided in this Act, and to the limitation in subsection (a), the Secretary shall enter into commitments to insure mortgages under this Act with an aggregate principal amount of \$100,000,000,000 during fiscal year 1988, and \$104,000,000,000 during fiscal year 1989."

SEC. 403. LIMITATION ON FEDERAL HOUSING ADMINISTRATION INSURANCE PREMIUMS.

Section 203(c) of the National Housing Act is amended by adding at the end the following new sentence: "In the case of any mortgage secured by a 1- to 4-family dwelling, the total premium charge shall not exceed an amount equal to 3.8 percent of the original principal obligation of the mortgage if the Secretary requires (1) a single premium charge to cover the total premium obligation of the insurance of the mortgage; or (2) a periodic premium charge over less than the term of the mortgage." 12 USC 1709.

SEC. 404. INCREASE IN MAXIMUM MORTGAGE AMOUNT UNDER SINGLE FAMILY INSURANCE PROGRAM.

Section 203(b)(2)(A) of the National Housing Act is amended by striking "133½ per centum" and inserting "150 percent".

SEC. 405. CHANGE IN DEFINITION OF VETERAN.

The National Housing Act is amended—

(1) by inserting before the period at the end of the first undesignated paragraph of section 203(b)(3)(2) the following: " , except that persons enlisting in the armed forces after September 7, 1980, or entering active duty after October 16, 1981, shall have their eligibility determined in accordance with section 3103A(d) of title 38, United States Code"; and

(2) by inserting before the semicolon at the end of section 220(d)(3)(A)(i) the following: " , except that persons enlisting in the armed forces after September 7, 1980, or entering active duty after October 16, 1981, shall have their eligibility determined in accordance with section 3103A(d) of title 38, United States Code". 12 USC 1715k.

SEC. 406. LIMITATION ON USE OF SINGLE FAMILY MORTGAGE INSURANCE BY INVESTORS.

12 USC 1709.

(a) IN GENERAL.—Section 203 of the National Housing Act is amended by inserting the following new subsection before subsection (h):

“(g)(1) The Secretary may insure a mortgage under this title that is secured by a 1- to 4-family dwelling, or approve a substitute mortgagor with respect to any such mortgage, only if the mortgagor is to occupy the dwelling as his or her principal residence or as a secondary residence, as determined by the Secretary.

“(2) The occupancy requirement established in paragraph (1) shall apply only if the mortgage involves a principal obligation that exceeds, as appropriate, 75 percent of—

“(A) the appraised value of the dwelling;

“(B) the estimate of the Secretary of the replacement cost of the property;

“(C) the sum of the estimates of the Secretary of the cost of repair and rehabilitation and the value of the property before repair and rehabilitation; or

“(D) the sum of the estimates of the Secretary of the cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property, and, in the case of a property refinanced under section 220(d)(3)(A), any existing indebtedness incurred in connection with improving, repairing, or rehabilitating the property.

“(3) The occupancy requirement established in paragraph (1) shall not apply to any mortgagor (or co-mortgagor, as appropriate) that is—

“(A) a public entity, as provided in section 214 or 247;

“(B) a private nonprofit or public entity, as provided in section 221(h) or 235(j);

“(C) an Indian tribe, as provided in section 248;

“(D) a serviceperson who is unable to meet such requirement because of his or her duty assignment, as provided in section 216 or subsection (b)(4) or (f) of section 222; or

“(E) a mortgagor or co-mortgagor under subsection (k).

“(4) For purposes of this subsection, the term ‘substitute mortgagor’ means a person who, upon the release by a mortgagee of a previous mortgagor from personal liability on the mortgage note, assumes such liability and agrees to pay the mortgage debt.”.

(b) CONFORMING AMENDMENTS.—

(1) Section 203(b)(2) of the National Housing Act is amended—

(A) in the first sentence, by striking “(whether” and all that follows through “purposes”); and

(B) in the second sentence, by striking the following: “to be occupied as a principal residence of the owner”.

(2) Section 203(b) of the National Housing Act is amended by striking paragraph (8).

(3) Section 203(h) of the National Housing Act is amended by striking “is the owner and occupant and”.

(4) Section 203(i) of the National Housing Act is amended—

(A) by striking the first proviso; and

(B) by striking “further” the first place it appears.

(5) The first sentence of section 203(o)(2) of the National Housing Act is amended by striking “occupant”.

- (6) The first sentence of section 203(p)(2) of the National Housing Act is amended by striking "owner-occupant" and inserting "owner". 12 USC 1709.
- (7) The fourth sentence of section 214 of the National Housing Act is amended by striking the following: "shall be the owner and occupant of the property or". 12 USC 1715d.
- (8) Section 216 of the National Housing Act is amended— 12 USC 1715g.
 (A) by striking "that the mortgagor be the occupant" and inserting "with respect to the occupancy of the mortgagor"; and
 (B) by striking "occupy the property" each place it appears and inserting "meet such requirement".
- (9) Section 220(d)(3)(A) of the National Housing Act is amended— 12 USC 1715k.
 (A) by inserting "and" at the end of clause (i);
 (B) by striking clauses (ii) and (iii);
 (C) in clause (iv), by striking the following: "(except as provided in clause (iii))"; and
 (D) by redesignating clause (iv) as clause (ii).
- (10) Section 221(d)(2) of the National Housing Act is amended— 12 USC 1715l.
 (A) by striking the colon at the end of subparagraph (A)(iv) and all that follows through "Provided further, That" the first place it appears, and inserting ", except that";
 (B) by striking "Provided, That (i)" and all that follows through "(1) in" and inserting the following: "Provided, That (i)(1) in";
 (C) by striking the penultimate proviso; and
 (D) in the last proviso, by striking the following: ", if the mortgagor is the owner and an occupant of the property such" and inserting "the".
- (11) Section 221(d)(6)(ii) of the National Housing Act is amended by striking the following: "is an owner-occupant of the property and".
- (12) The first sentence of section 221(h)(6) of the National Housing Act is amended by striking "and occupied".
- (13) Section 221(h)(8) of the National Housing Act is amended by striking the following: "if one of the units is to be occupied by the owner".
- (14) Subsections (b)(4) and (f) of section 222 of the National Housing Act are amended by inserting "as a principal residence" after "occupies the property" each place it appears. 12 USC 1715m.
- (15) Section 223(a) of the National Housing Act is amended by inserting after "this Act," the first place it appears the following: "other than the limitation in section 203(g)". 12 USC 1715n.
- (16) The first sentence of section 223(e) of the National Housing Act is amended by inserting after "title XI," the following: "other than the limitation in section 203(g)".
- (17) Section 234(c) of the National Housing Act is amended by striking the fourth sentence. 12 USC 1715y.
- (18) Section 235(i)(3)(A) of the National Housing Act is amended by striking the following: "one of the units of which is to be occupied by the owner and". 12 USC 1715z.
- (19) Section 235(j)(6) of the National Housing Act is amended by striking the following: "if one of the units is to be occupied by the owner".

12 USC 1709. (c) **REPEAL OF VACATION AND SEASONAL HOME INSURANCE PROGRAM.**—Section 203 of the National Housing Act is amended by striking subsection (m).

12 USC 1709 note. (d) **APPLICABILITY.**—The amendments made by this section shall apply only with respect to—

(1) mortgages insured—

(A) pursuant to a conditional commitment issued on or after the date of the enactment of this Act; or

(B) in accordance with the direct endorsement program (24 CFR 200.163), if the approved underwriter of the mortgagee signs the appraisal report for the property on or after the date of the enactment of this Act; and

(2) the approval of substitute mortgagors, referred to in the amendment made by subsection (a), if the original mortgagor was subject to such amendment.

12 USC 1709 note. (e) **TRANSITION PROVISIONS.**—Any mortgage insurance provided under title II of the National Housing Act, as it existed immediately before the date of the enactment of this Act, shall continue to be governed (to the extent applicable) by the provisions specified in subsections (a) through (c), as such provisions existed immediately before such date.

SEC. 407. ACTIONS TO REDUCE LOSSES UNDER SINGLE FAMILY MORTGAGE INSURANCE PROGRAM.

(a) **IN GENERAL.**—

12 USC 1709 note. (1) **AMENDMENT TO SECTION 203.**—Section 203 of the National Housing Act is amended by adding at the end the following new subsection:

“(r) The Secretary shall take appropriate actions to reduce losses under the mortgage insurance program carried out under this section. Such actions shall include—

“(1) an annual review by the Secretary of the rate of early serious defaults and claims, in accordance with section 533;

“(2) requiring reviews of the credit standing of each person seeking to assume a mortgage insured under this section (A) during the 12-month period following the date on which the mortgage is endorsed for insurance, or (B) during the 24-month period following the date on which the mortgage is endorsed for insurance in the case of an investor originated mortgage; and

“(3) in any case where a mortgage is assumed after the period specified in paragraph (2), requiring that the original mortgagor be advised of the procedures by which he or she may be released from liability.

In any case where the homeowner does not request a release from liability, the purchaser and the homeowner shall have joint and several liability for any default for a period of 5 years following the date of the assumption. After the close of such 5-year period, only the purchaser shall be liable for any default on the mortgage unless the mortgage is in default at the time of the expiration of the 5-year period.”

12 USC 1709 note. (2) **EFFECTIVE DATE.**—The amendment made by paragraph (1) shall apply to mortgages endorsed for issuance on or after December 1, 1986.

(b) **REPORTS BY MORTGAGEES.**—Title V of the National Housing Act is amended by adding at the end thereof the following new section:

“DIRECTION TO THE SECRETARY TO REQUIRE MORTGAGEES WITH ABOVE NORMAL RATES OF EARLY, SERIOUS DEFAULTS AND CLAIMS TO SUBMIT REPORTS AND TAKE CORRECTIVE ACTION

“SEC. 533. (a) To reduce losses in connection with mortgage insurance programs under this Act, the Secretary shall review, at least once a year, the rate of early serious defaults and claims involving mortgagees approved under this Act. On the basis of this review, the Secretary shall notify each mortgagee which, as determined by the Secretary, had a rate of early serious defaults and claims during the preceding year which was higher than the normal rate for the geographic area or areas in which that mortgagee does business. In the notification, the Secretary shall require each mortgagee to submit a report, within a time determined by the Secretary, containing the mortgagee’s (1) explanation for the above normal rate of early serious defaults and claims; (2) plan for corrective action, if applicable, both with regard to (A) mortgages in default; and (B) its mortgage-processing system in general; and (3) a timeframe within which this corrective action will be begun and completed. If the Secretary does not agree with this timeframe or plan, a mutually agreeable timeframe and plan will be determined.

12 USC 1735f-11.

“(b) Failure of the mortgagee to submit a report required under subsection (a) within the time determined by the Secretary or to commence or complete the plan for corrective action within the timeframe agreed upon by the Secretary may be cause for suspension of the mortgagee from participation in programs under this Act.”.

SEC. 408. INSURANCE OF GRADUATED PAYMENT MORTGAGES.

(a) **AUTHORITY TO INSURE REFINANCING.**—Section 223(a)(7) of the National Housing Act is amended in the first proviso by inserting after “except that” the following: “(A) the principal amount of any such refinancing mortgage may equal the outstanding balance of an existing mortgage insured pursuant to section 245, if the amount of the monthly payment due under the refinancing mortgage is less than that due under the existing mortgage for the month in which the refinancing mortgage is executed; and (B)”.

12 USC 1715n.

(b) **TERMINATION OF AUTHORITY TO INSURE.**—Section 245(b) of the National Housing Act is amended by adding at the end the following new sentence: “No loan or mortgage may be insured under this subsection after the date of the enactment of the Housing and Community Development Act of 1987, except pursuant to a commitment to insure entered into on or before such date.”.

12 USC 1715z-10.

SEC. 409. REFINANCING MORTGAGE INSURANCE FOR HOSPITALS, NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.

(a) **STATE CERTIFICATION REQUIREMENT.**—Section 223(f)(4)(D) of the National Housing Act is amended to read as follows:

“(D) the applicable requirements for certificates, studies, and statements of section 232 (for the existing nursing home, intermediate care facility, board and care home, or any combination thereof, proposed to be refinanced) or of section 242 (for the existing hospital proposed to be refinanced) have been met.”.

(b) **REFINANCING INSURANCE FOR NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.**—Section 223(f) of the National Housing Act is amended—

(1) in paragraph (1), by inserting after "existing hospital" the following: "(or existing nursing home, existing intermediate care facility, existing board and care home, or any combination thereof)"; and

(2) in paragraph (4) (other than in subparagraph (D)), by inserting after "existing hospital" each place it appears the following: "(or existing nursing home, existing intermediate care facility, existing board and care home, or any combination thereof)".

12 USC 1715n
note.

(c) REGULATIONS.—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendment made by this section by not later than the expiration of the 90-day period following the date of the enactment of this Act.

SEC. 410. MORTGAGE INSURANCE FOR NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.

12 USC 1715w.

(a) INSURANCE FOR PUBLIC NURSING HOMES.—Section 232(b)(1) of the National Housing Act is amended by inserting "public facility," before "proprietary".

(b) REQUIREMENT OF STATE APPROVAL.—Section 232(d)(4)(A) of the National Housing Act is amended by inserting at the end the following new sentences: "If no such State agency exists, or if the State agency exists but is not empowered to provide a certification that there is a need for the home or facility or combined home and facility as required in clause (i) of the first sentence, the Secretary shall not insure any mortgage under this section unless (i) the State in which the home or facility or combined home and facility is located has conducted or commissioned and paid for the preparation of an independent study of market need and feasibility that (I) is prepared in accordance with the principles established by the American Institute of Certified Public Accountants; (II) assesses, on a marketwide basis, the impact of the proposed home or facility or combined home and facility on, and its relationship to, other health care facilities and services, the percentage of excess beds, demographic projections, alternative health care delivery systems, and the reimbursement structure of the home, facility, or combined home and facility; (III) is addressed to and is acceptable to the Secretary in form and substance; and (IV) in the event the State does not prepare the study, is prepared by a financial consultant who is selected by the State or the applicant for mortgage insurance and is approved by the Secretary; and (ii) the State complies with the other provisions of this subparagraph that would otherwise be required to be met by a State agency designated in accordance with section 604(a)(1) or section 1521 of the Public Health Service Act. The proposed mortgagor may reimburse the State for the cost of the independent feasibility study required in the preceding sentence. In the case of a small intermediate care facility for the mentally retarded or developmentally disabled, or a board and care home housing less than 10 individuals, the State program agency or agencies responsible for licensing, certifying, financing, or monitoring the facility or home may, in lieu of the requirements of clause (i) of the third sentence, provide the Secretary with written support identifying the need for the facility or home."

12 USC 1715w
note.

(c) REGULATIONS.—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendments made by this section by not later than the expira-

tion of the 90-day period following the date of the enactment of this Act.

SEC. 411. REQUIREMENT OF STATE APPROVAL FOR MORTGAGE INSURANCE FOR HOSPITALS.

(a) **IN GENERAL.**—Section 242(d)(4) of the National Housing Act is amended by inserting at the end the following new sentences: “If no such State agency exists, or if the State agency exists but is not empowered to provide a certification that there is a need for the hospital as set forth in clause (A) of the first sentence, the Secretary shall not insure any mortgage under this section unless (A) the State in which the hospital is located has conducted or commissioned and paid for the preparation of an independent study of market need and feasibility that (i) is prepared in accordance with the principles established by the American Institute of Certified Public Accountants; (ii) assesses, on a marketwide basis, the impact of the proposed hospital on, and its relationship to, other health care facilities and services, the percentage of excess beds, demographic projections, alternative health care delivery systems, and the reimbursement structure of the hospital; (iii) is addressed to and is acceptable to the Secretary in form and substance; and (iv) in the event the State does not prepare the study, is prepared by a financial consultant selected by the State and approved by the Secretary; and (B) the State complies with the other provisions of this paragraph that would otherwise be required to be met by a State agency designated in accordance with section 604(a)(1) or section 1521 of the Public Health Service Act. The proposed mortgagor may reimburse the State for the cost of the independent feasibility study required in the preceding sentence.”

12 USC 1715z-7.

(b) **REGULATIONS.**—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendment made by this section by not later than the expiration of the 90-day period following the date of the enactment of this Act.

12 USC 1715z-7
note.

SEC. 412. MORTGAGE INSURANCE FOR PUBLIC HOSPITALS.

(a) **ELIMINATION OF ADDITIONAL COLLATERAL REQUIREMENTS FOR PUBLIC HOSPITALS.**—Section 242(a) of the National Housing Act is amended by adding at the end the following: “Such assistance shall be provided regardless of the amount of public financial or other support a hospital may receive, and the Secretary shall neither require additional security or collateral to guarantee such support, nor impose more stringent eligibility or other requirements on publicly owned or supported hospitals.”

(b) **CREDIT FOR EXISTING EQUIPMENT AND IMPROVEMENTS.**—Section 242(d)(2) of the National Housing Act is amended by striking the matter preceding subparagraph (A) and inserting the following:

“(2) The mortgage shall involve a principal obligation in the amount requested by the mortgagor if such amount does not exceed 90 percent of the estimated replacement cost of the property or project including—”

(c) **CONTINUED USE OF LETTERS OF CREDIT.**—Section 242(d) of the National Housing Act is amended by adding at the end the following new paragraph:

“(6) To the extent that a private nonprofit or public facility mortgagor is required by the Secretary to provide cash equity in excess of the amount of the mortgage to complete the project, the

mortgagor shall be entitled, at the option of the mortgagee, to fund the excess with a letter of credit. In such event, mortgage proceeds may be advanced to the mortgagor prior to any demand being made on the letter of credit."

12 USC 1715z-7. (d) IMMEDIATE PROCESSING OF APPLICATIONS FOR PUBLIC HOSPITALS.—Section 242(f) of the National Housing Act is amended by adding at the end the following: "The Secretary shall begin immediately to process applications of public facilities for mortgage insurance under this section in accordance with regulations, guidelines, and procedures applicable to facilities of private nonprofit corporations and associations."

(e) REPORT ON INSURANCE UNDER SECTION 242.—The Comptroller General of the United States shall conduct a study of the long-term financial exposure of the Federal Government under the mortgage insurance program pursuant to section 242 of the National Housing Act. Not later than October 1, 1988, the Comptroller General of the United States shall transmit to the Congress a report setting forth the results of such study, including documentation of the long-term financial exposure determined in the course of such study and recommendations for such legislation as the Comptroller General deems appropriate.

SEC. 413. MORTGAGE INSURANCE ON HAWAIIAN HOME LANDS AND INDIAN RESERVATIONS.

12 USC 1715z-12. (a) APPLICABILITY OF MORTGAGE INSURANCE ON HAWAIIAN HOME LANDS.—Section 247(c)(1) of the National Housing Act is amended by inserting before the period at the end the following: "(or, in the case of an individual who succeeds a spouse or parent in an interest in a lease of Hawaiian home lands, such lower percentage as may be established for such succession under section 209 of the Hawaiian Homes Commission Act, 1920, or under the corresponding provision of the Constitution of the State of Hawaii adopted under section 4 of the Act entitled 'An Act to provide for the admission of the State of Hawaii into the Union', approved March 18, 1959 (73 Stat. 5))".

(b) MORTGAGE INSURANCE ON HAWAIIAN HOME LANDS AS OBLIGATIONS OF GENERAL INSURANCE FUND.—Section 247 of the National Housing Act is amended—

(1) by redesignating subsection (c) as subsection (d); and

(2) by inserting after subsection (b) the following new subsection:

"(c) Notwithstanding any other provision of this Act, the insurance of a mortgage using the authority contained in this section shall be the obligation of the General Insurance Fund established in section 519. The mortgagee shall be eligible to receive the benefits of insurance as provided in section 204 with respect to mortgages insured pursuant to this section, except that (1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund; and (2) all references in section 204 to section 203 shall be construed to refer to the section under which the mortgage is insured."

(c) MORTGAGE INSURANCE ON INDIAN RESERVATIONS AS OBLIGATIONS OF GENERAL INSURANCE FUND.—Section 248 of the National Housing Act is amended—

12 USC 1715z-13.

(1) in paragraphs (3) and (5) of subsection (f), by striking "insurance fund" each place it appears and inserting "General Insurance Fund";

(2) by redesignating subsections (f), (g), and (h) as subsections (g), (h), and (i), respectively; and

(3) by inserting after subsection (e) the following new subsection:

“(f) Notwithstanding any other provision of this Act, the insurance of a mortgage using the authority contained in this section shall be the obligation of the General Insurance Fund established in section 519. The mortgagee shall be eligible to receive the benefits of insurance as provided in section 204 with respect to mortgages insured pursuant to this section, except that (1) all references in section 204 to the Mutual Mortgage Insurance Fund or the Fund shall be construed to refer to the General Insurance Fund; and (2) all references in section 204 to section 203 shall be construed to refer to the section under which the mortgage is insured.”

SEC. 414. CO-INSURANCE PROGRAM.

(a) **REPEALER.**—Section 244 of the National Housing Act is amended by striking subsection (c). 12 USC 1715z-9.

(b) **CO-INSURANCE AMENDMENTS.**—Section 244 of the National Housing Act is amended—

(1) in subsection (h), by striking “coinsurance” each place it appears and inserting “co-insurance”; and

(2) by adding at the end the following new subsection:

“(i) Any mortgagee which enters into a contract of co-insurance under this section shall have the authority to assign its interest in any note or mortgage subject to a contract of co-insurance to a warehouse bank or other financial institution which provides interim funding for a loan co-insured under this section, and to retain the co-insurance risk of such note or mortgage, upon such terms and conditions as the Secretary shall prescribe.” Contracts.

SEC. 415. INCREASE IN AUTHORITY TO INSURE ADJUSTABLE RATE SINGLE FAMILY MORTGAGES.

(a) **IN GENERAL.**—Section 251(c) of the National Housing Act is amended to read as follows: 12 USC 1715z-16.

“(c) The aggregate number of mortgages and loans insured under this section in any fiscal year may not exceed 30 percent of the aggregate number of mortgages and loans insured by the Secretary under this title during the preceding fiscal year.” Loans.

(b) **CONFORMING AMENDMENTS.**—

(1) Section 245(c) of the National Housing Act is amended in the last sentence by striking “, section 251,”. 12 USC 1715z-10.

(2) Section 252(g) of the National Housing Act is amended— 12 USC 1715z-17.

(A) by striking the first comma and inserting “and”; and

(B) by striking “, and section 251”.

SEC. 416. PENALTIES FOR EQUITY SKIMMING.

(a) **PURCHASE OF DWELLING SUBJECT TO LOAN IN DEFAULT.**—Section 912 of the Housing and Urban Development Act of 1970 is amended— 12 USC 1709-2.

(1) in paragraph (1), by inserting “(including condominiums and cooperatives)” after “dwellings”;

(2) in paragraph (2), by inserting after “due” the following: “, regardless of whether the purchaser is obligated on the loan”; and

(3) in the matter following paragraph (3)—

(A) by striking “\$5,000” and inserting “\$250,000”; and

(B) by striking "three" and inserting "5".

(b) **USE OF FUNDS DERIVED FROM PROPERTY SUBJECT TO LOAN IN DEFAULT.**—Title II of the National Housing Act is amended by adding at the end the following new section:

"EQUITY SKIMMING PENALTY

12 USC 1715z-19.

"SEC. 254. Whoever, as an owner, agent, or manager, or who is otherwise in custody, control, or possession of property that is security for a mortgage note that is insured, acquired, or held by the Secretary pursuant to section 203, 207, 213, 220, 221(d)(3), 221(d)(4), 223(f), 231, 232, 234, 236, 238(c), 241, 242, 244, 608, or 810, or title XI, or is made pursuant to section 202 of the Housing Act of 1959, willfully uses or authorizes the use of any part of the rents, assets, proceeds, income or other funds derived from property covered by such mortgage note during a period when the mortgage note is in default or the project is in a nonsurplus cash position as defined by the regulatory agreement covering such property, for any purpose other than to meet actual or necessary expenses that include expenses approved by the Secretary if such approval is required under the terms of the regulatory agreement, shall be fined not more than \$250,000 or imprisoned not more than 5 years, or both."

12 USC 1715z-4.

(c) **CONFORMING AMENDMENTS.**—Section 239 of the National Housing Act is amended—

- (1) by striking "INSURED" in the section heading;
- (2) by striking "(a)" after "SEC. 239."; and
- (3) by striking subsection (b).

SEC. 417. HOME EQUITY CONVERSION MORTGAGE INSURANCE DEMONSTRATION.

(a) **IN GENERAL.**—Title II of the National Housing Act (as amended by section 416 of this Act) is further amended by adding at the end the following new section:

"DEMONSTRATION PROGRAM OF INSURANCE OF HOME EQUITY CONVERSION MORTGAGES FOR ELDERLY HOMEOWNERS

12 USC 1715z-20.

"SEC. 255. (a) PURPOSE.—The purpose of this section is to authorize the Secretary to carry out a demonstration program of mortgage insurance designed—

"(1) to meet the special needs of elderly homeowners by reducing the effect of the economic hardship caused by the increasing costs of meeting health, housing, and subsistence needs at a time of reduced income, through the insurance of home equity conversion mortgages to permit the conversion of a portion of accumulated home equity into liquid assets;

"(2) to encourage and increase the involvement of mortgagees and participants in the mortgage markets in the making and servicing of home equity conversion mortgages for elderly homeowners; and

"(3) to require the evaluation of data to determine—

"(A) the extent of the need and demand among elderly homeowners for insured and uninsured home equity conversion mortgages;

"(B) the types of home equity conversion mortgages that best serve the needs and interests of elderly homeowners, the Federal Government, and lenders; and

“(C) the appropriate scope and nature of participation by the Secretary in connection with home equity conversion mortgages for elderly homeowners.

“(b) DEFINITIONS.—For purposes of this section:

“(1) The terms ‘elderly homeowner’ and ‘homeowner’ mean any homeowner who is, or whose spouse is, at least 62 years of age or such higher age as the Secretary may prescribe.

“(2) The terms ‘mortgage’, ‘mortgagee’, ‘mortgagor’, and ‘State’ have the meanings given such terms in section 201.

“(3) The term ‘home equity conversion mortgage’ means a first mortgage which provides for future payments to the homeowner based on accumulated equity and which a housing creditor (as defined in section 803(2) of the Garn-St Germain Institutions Act of 1982) is authorized to make (A) under any law of the United States (other than section 804 of such Act) or applicable agency regulations thereunder; (B) in accordance with section 804 of such Act, notwithstanding any State constitution, law, or regulation; or (C) under any State constitution, law, or regulation.

“(c) INSURANCE AUTHORITY.—The Secretary may, upon application by a mortgagee, insure any home equity conversion mortgage eligible for insurance under this section and, upon such terms and conditions as the Secretary may prescribe, make commitments for the insurance of such mortgages prior to the date of their execution or disbursement to the extent that the Secretary determines such mortgages—

“(1) have promise for improving the financial situation or otherwise meeting the special needs of elderly homeowners;

“(2) will include appropriate safeguards for mortgagors to offset the special risks of such mortgages; and

“(3) have a potential for acceptance in the mortgage market.

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

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

“(2) have been executed by a mortgagor who—

“(A) qualifies as an elderly homeowner;

“(B) has received adequate counseling by a third party (other than the lender) as provided in subsection (f); and

“(C) meets any additional requirements prescribed by the Secretary;

“(3) be secured by a dwelling that is designed principally for a 1-family residence and is occupied by the mortgagor and that has a value not to exceed the maximum dollar amount established by the Secretary under section 203(b)(2) for a 1-family residence;

“(4) provide that prepayment, in whole or in part, may be made without penalty at any time during the period of the mortgage;

“(5) provide for a fixed or variable interest rate or future sharing between the mortgagor and the mortgagee of the appreciation in the value of the property, as agreed upon by the mortgagor and the mortgagee;

“(6) contain provisions for satisfaction of the obligation satisfactory to the Secretary;

“(7) provide that the homeowner shall not be liable for any difference between the net amount of the remaining indebted-

ness of the homeowner under the mortgage and the amount recovered by the mortgagee from—

“(A) the foreclosure sale; or

“(B) the insurance benefits paid pursuant to subsection (i)(1)(C); and

Taxes.

“(8) contain such terms and provisions with respect to insurance, repairs, alterations, payment of taxes, default reserve, delinquency charges, foreclosure proceedings, anticipation of maturity, additional and secondary liens, and other matters as the Secretary may prescribe.

“(e) DISCLOSURES BY MORTGAGEE.—The Secretary shall require each mortgagee of a mortgage insured under this section to make available to the homeowner—

“(1) at the time of the loan application, a written list of the names and addresses of third-party information sources who are approved by the Secretary as responsible and able to provide the information required by subsection (f);

“(2) at least 10 days prior to loan closing, a statement explaining the homeowner's rights, obligations, and remedies with respect to temporary absences from the home, late payments, and payment default by the lender, all conditions requiring satisfaction of the loan obligation, and any other information that the Secretary may require; and

“(3) on an annual basis (but not later than January 31 of each year), a statement summarizing the total principal amount paid to the homeowner under the loan secured by the mortgage, the total amount of deferred interest added to the principal, and the outstanding loan balance at the end of the preceding year.

“(f) INFORMATION SERVICES FOR MORTGAGORS.—The Secretary shall provide or cause to be provided by entities other than the lender the information required in subsection (d)(2)(B). Such information shall be discussed with the mortgagor and shall include—

“(1) options other than a home equity conversion mortgage that are available to the homeowner, including other housing, social service, health, and financial options;

“(2) other home equity conversion options that are or may become available to the homeowner, such as sale-leaseback financing, deferred payment loans, and property tax deferral;

“(3) the financial implications of entering into a home equity conversion mortgage;

Taxes.

“(4) a disclosure that a home equity conversion mortgage may have tax consequences, affect eligibility for assistance under Federal and State programs, and have an impact on the estate and heirs of the homeowner; and

“(5) any other information that the Secretary may require.

Termination date.

“(g) LIMITATION ON INSURANCE AUTHORITY.—No mortgage may be insured under this section after September 30, 1991, except pursuant to a commitment to insure issued on or before such date. The total number of mortgages insured under this section may not exceed 2,500. In no case may the benefits of insurance under this section exceed the maximum dollar amount established under section 203(b)(2) for a 1-family residence.

“(h) ADMINISTRATIVE AUTHORITY.—The Secretary may—

“(1) enter into such contracts and agreements with Federal, State, and local agencies, public and private entities, and such

other persons as the Secretary determines to be necessary or desirable to carry out the purposes of this section; and

“(2) make such investigations and studies of data, and publish and distribute such reports, as the Secretary determines to be appropriate.

Reports.

“(i) PROTECTION OF HOMEOWNER AND LENDER.—

“(1) Notwithstanding any other provision of law, and in order to further the purposes of the demonstration program authorized in this section, the Secretary shall take any action necessary—

“(A) to provide any mortgagor under this section with funds to which the mortgagor is entitled under the insured mortgage or ancillary contracts but that the mortgagor has not received because of the default of the party responsible for payment;

Contracts.

“(B) to obtain repayment of disbursements provided under subparagraph (A) from any source; and

“(C) to provide any mortgagee under this section with funds not to exceed the limitations in subsection (g) to which the mortgagee is entitled under the terms of the insured mortgage or ancillary contracts authorized in this section.

Contracts.

“(2) Actions under paragraph (1) may include—

“(A) disbursing funds to the mortgagor or mortgagee from the General Insurance Fund;

“(B) accepting an assignment of the insured mortgage notwithstanding that the mortgagor is not in default under its terms, and calculating the amount and making the payment of the insurance claim on such assigned mortgage;

“(C) requiring a subordinate mortgage from the mortgagor at any time in order to secure repayments of any funds advanced or to be advanced to the mortgagor;

“(D) requiring a subrogation to the Secretary of the rights of any parties to the transaction against any defaulting parties; and

“(E) imposing premium charges.

“(j) SAFEGUARD TO PREVENT DISPLACEMENT OF HOMEOWNER.—The Secretary may not insure a home equity conversion mortgage under this section unless such mortgage provides that the homeowner's obligation to satisfy the loan obligation is deferred until the homeowner's death, the sale of the home, or the occurrence of other events specified in regulations of the Secretary. For purposes of this subsection, the term 'homeowner' includes the spouse of a homeowner.

Loans.

“(k) REPORTS TO CONGRESS.—

“(1) The Secretary shall, not later than September 30, 1989, submit an interim report to Congress describing—

“(A) design and implementation of the demonstration;

“(B) number and types of reverse mortgages written to date;

“(C) profile of participant homeowner-borrowers, including incomes, home equity, and regional distribution; and

“(D) problems encountered in implementation, including impediments associated with State or Federal laws or regulations governing taxes, insurance, securities, public benefits, banking, and any other problems in implementation that the Secretary encounters.

Taxes.
Insurance.
Securities.
Banks and
banking.

“(2) Not later than March 30, 1992, the Secretary shall submit to Congress a preliminary evaluation of the program authorized in this section. Such evaluation shall include an updated report on the matters referred to in paragraph (1) and shall in addition—

“(A) describe the types of mortgages appropriate for inclusion in such program;

“(B) describe any changes in the insurance programs under this title, or in other Federal regulatory provisions, determined to be appropriate;

Insurance.

“(C) describe any risk created under such mortgages to mortgagors and mortgagees or the insurance programs under this title, and whether the risk is adequately covered by the premiums under the insurance programs;

Aged persons.

“(D) evaluate whether such program has improved the financial situation or otherwise met the special needs of participating elderly homeowners;

“(E) evaluate whether such program has included appropriate safeguards for mortgagors to offset the special risks of such mortgages; and

“(F) evaluate whether home equity conversion mortgages have a potential for acceptance in the mortgage markets.

“(3) The preliminary evaluation shall incorporate comments and recommendations solicited by the Secretary from the Board of Governors of the Federal Reserve System, the Secretary of Health and Human Services, the Federal Council on Aging, Federal Home Loan Bank Board, the Comptroller of the Currency, and the National Credit Union Administration Board regarding any of the matters referred to in paragraph (1) or (2).

“(4) Following submission of the preliminary evaluation, the Secretary shall, on a biennial basis, submit to the Congress an updated report and evaluation covering the period since the most recent report under this subsection and shall include analysis of the repayment of the home equity conversion mortgages under this demonstration during such period.”

12 USC 1715z-20
note.

(b) REGULATIONS.—The Secretary of Housing and Urban Development shall—

(1) not later than 6 months after the date of enactment of this Act, consult with lenders, insurers, and organizations and individuals with expertise in home equity conversion in developing proposed regulations implementing section 254 of the National Housing Act; and

(2) not later than 9 months after the date of the enactment of this Act, issue proposed regulations implementing section 254 of the National Housing Act.

SEC. 418. ASSURANCE OF ADEQUATE PROCESSING OF APPLICATIONS FOR LOAN AND MORTGAGE INSURANCE.

Title V of the National Housing Act (as amended by section 407 of this Act) is amended by adding at the end the following new section:

“ASSURANCE OF ADEQUATE PROCESSING OF APPLICATIONS FOR LOAN AND MORTGAGE INSURANCE

12 USC 1735f-12.

“SEC. 534. In order to ensure the adequate processing of applications for insurance of loans and mortgages under this Act, the

Secretary shall maintain not less than one office in each State to carry out the provisions of this Act.”

SEC. 419. PROHIBITION OF LENDER REQUIREMENTS DISCOURAGING LOANS WITH LOWER PRINCIPAL AMOUNTS.

(a) **LOAN AMOUNT OF ORIGINAL LOANS.**—Title V of the National Housing Act (as amended by sections 407 and 418 of this Act) is further amended by adding at the end the following new section:

“**PROHIBITION OF REQUIREMENT OF MINIMUM PRINCIPAL LOAN AMOUNT**

“**SEC. 535.** A mortgagee or lender may not require, as a condition of providing a loan insured under this Act or secured by a mortgage insured under this Act, that the principal amount of the loan exceed a minimum amount established by the mortgagee or lender.”

12 USC 1735f-13.

(b) **LOAN AMOUNT OF REFINANCINGS.**—Section 223(a)(7) of the National Housing Act (as amended by section 408 of this Act) is further amended by striking “; and (B)” and inserting the following: “; (B) a mortgagee may not require a minimum principal amount to be outstanding on the loan secured by the existing mortgage; and (C)”.

12 USC 1715n.

(c) **STUDY OF OTHER LENDING PRACTICES.**—During the 6-month period beginning on the date of the enactment of this Act, the Secretary of Housing and Urban Development shall conduct a study of the interest rates and discount points charged for mortgages and loans insured under the National Housing Act. The study shall be designed to identify any pattern or practice of charging higher interest rates or discount points for mortgages or loans with lower principal amounts than for mortgages or loans with the maximum principal amounts permitted for insurance under the National Housing Act. Not later than 3 months after the expiration of the 6-month period, the Secretary shall submit to the Congress a report setting forth the findings and recommendations of the Secretary.

Reports.

SEC. 420. REPEAL OF REQUIREMENT TO PUBLISH PROTOTYPE HOUSING COSTS FOR 1- TO 4-FAMILY DWELLING UNITS.

The Housing and Community Development Act of 1977 is amended by striking section 904.

42 USC 3540.

SEC. 421. DOUBLE DAMAGES REMEDY FOR UNAUTHORIZED USE OF MULTIFAMILY HOUSING PROJECT ASSETS AND INCOME.

(a) **ACTION TO RECOVER ASSETS OR INCOME.**—

(1) The Secretary of Housing and Urban Development (referred to in this section as the “Secretary”) may request the Attorney General to bring an action in a United States district court to recover any assets or income used by any person in violation of (A) a regulatory agreement that applies to a multifamily project whose mortgage is insured or held by the Secretary under title II of the National Housing Act; or (B) any applicable regulation. For purposes of this section, a use of assets or income in violation of the regulatory agreement or any applicable regulation shall include any use for which the documentation in the books and accounts does not establish that the use was made for a reasonable operating expense or necessary repair of the project and has not been maintained in accordance with the requirements of the Secretary and in reasonable condition for proper audit.

12 USC 1715z-4a.

(2) For purposes of a mortgage insured or held by the Secretary under title II of the National Housing Act, the term "any person" shall mean any person or entity which owns a project, as identified in the regulatory agreement, including but not limited to any stockholder holding 25 percent or more interest of a corporation that owns the project; any beneficial owner under any business or trust; any officer, director, or partner of an entity owning the project; and any heir, assignee, successor in interest, or agent of any owner.

(b) INITIATION OF PROCEEDINGS AND TEMPORARY RELIEF.—The Attorney General, upon request of the Secretary, shall have the exclusive authority to authorize the initiation of proceedings under this section. Pending final resolution of any action under this section, the court may grant appropriate temporary or preliminary relief, including restraining orders, injunctions, and acceptance of satisfactory performance bonds, to protect the interests of the Secretary and to prevent use of assets or income in violation of the regulatory agreement and any applicable regulation and to prevent loss of value of the realty and personalty involved.

(c) AMOUNT RECOVERABLE.—In any judgment favorable to the United States entered under this section, the Attorney General may recover double the value of the assets and income of the project that the court determines to have been used in violation of the regulatory agreement or any applicable regulation, plus all costs relating to the action, including but not limited to reasonable attorney and auditing fees. Notwithstanding any other provision of law, the Secretary may apply the recovery, or any portion of the recovery, to the project or to the applicable insurance fund under the National Housing Act.

(d) TIME LIMITATION.—Notwithstanding any other statute of limitations, the Secretary may request the Attorney General to bring an action under this section at any time up to and including 6 years after the latest date that the Secretary discovers any use of project assets and income in violation of the regulatory agreement or any applicable regulation.

(e) CONTINUED AVAILABILITY OF OTHER REMEDIES.—The remedy provided by this section is in addition to any other remedies available to the Secretary or the United States.

SEC. 422. MISCELLANEOUS MORTGAGE INSURANCE PROVISIONS.

12 USC 1715y. (a) MORTGAGE INSURANCE FOR CONDOMINIUMS.—Section 234(e)(3) of the National Housing Act is amended by inserting after "design;" the following: "except that each of the foregoing dollar amounts is increased to the amount established for a comparable unit in section 221(d)(3)(ii);".

12 USC 1709. (b) MORTGAGE INSURANCE FOR CERTAIN PROPERTIES WITHIN AN INDIAN RESERVATION.—Section 203(q)(1) of the National Housing Act is amended by striking "Secretary may" and inserting "Secretary shall".

SEC. 423. CALCULATION OF MAXIMUM MORTGAGE AMOUNT UNDER SINGLE FAMILY INSURANCE PROGRAM.

Section 203(b)(2) of the National Housing Act is amended by inserting after the first sentence the following: "For purposes of the preceding sentence, the term 'area' means a county, or a metropolitan statistical area as established by the Office of Management and Budget, whichever results in the higher dollar amount.".

SEC. 424. APPROVAL OF INDIVIDUAL RESIDENTIAL WATER PURIFICATION OR TREATMENT UNITS.

(a) **IN GENERAL.**—When the existing water supply does not meet the minimum property standards established by the Department of Housing and Urban Development and a permanent alternative acceptable water supply is not available, a continuous supply of water may be provided through the use of approved residential water treatment equipment or a water purification unit that provides bacterially and chemically safe drinking water.

12 USC 1701z-15.

(b) **APPROVAL PROCESS.**—A performance-based approval of the equipment or unit and the maintenance, monitoring, and replacement plan for such equipment or unit shall be certified by field offices of the Department of Housing and Urban Development based upon general standards recognized by the Department as modified for local or regional conditions. As a part of such approved plan, a separate monthly escrow account may be required to be established through the lender to cover the cost of the approved yearly maintenance and monitoring schedule and projected replacement of the equipment or unit.

SEC. 425. REGULATION OF RENTS IN INSURED PROJECTS.

After December 1, 1987, the Secretary of Housing and Urban Development shall control rents and charges as they were controlled prior to April 19, 1983, for any multifamily housing project insured under the National Housing Act if—

12 USC 1715z-1c.

(1) during the period of April 19, 1983, through December 1, 1987, the project owner and the Secretary have not executed, and the project owner has not filed a written request with the Secretary to enter into, an amendment to the regulatory agreement pursuant to regulations published by the Secretary on April 19, 1983, or June 4, 1986, electing to deregulate rents or utilize an alternative formula for determining the maximum allowable rents pursuant to regulations published by the Secretary on April 19, 1983, or June 4, 1986; and

(2)(A) the project was, as of December 1, 1987, receiving a housing assistance payment under a contract pursuant to section 8 of the United States Housing Act of 1937 (other than under the existing housing certificate program of section 8(b)(1) of such Act); or

(B) not less than 50 percent of the units in the project are occupied by lower income families (as defined in section 3(a)(2) of the United States Housing Act of 1937).

SEC. 426. MORTGAGE LIMITS FOR MULTIFAMILY PROJECTS.

(a) **SECTION 207 LIMITS.**—Section 207(c)(3) of the National Housing Act is amended—

12 USC 1713.

(1) by striking out “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, and “\$36,000” and inserting in lieu thereof “\$25,350”, “\$28,080”, “\$33,540”, “\$41,340”, and “\$46,800”, respectively; and

(2) by striking out “\$22,500”, “\$25,200”, “\$30,900”, “\$38,700”, and “\$43,758” and inserting in lieu thereof “\$29,250”, “\$32,760”, “\$40,170”, “\$50,310”, and “\$56,885”, respectively.

(b) **SECTION 213 LIMITS.**—Section 213(b)(2) of the National Housing Act is amended—

12 USC 1715e.

(1) by striking out “\$19,500”, “\$21,600”, “\$25,800”, “\$31,800”, and “\$36,000” and inserting in lieu thereof “\$25,350”, “\$28,080”, “\$33,540”, “\$41,340”, and “\$46,800”, respectively; and

(2) by striking out "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758" and inserting in lieu thereof "\$29,250", "\$32,760", "\$40,170", "\$50,310", and "\$56,885", respectively.

(c) SECTION 220 LIMITS.—Section 220(d)(3)(B)(iii) of the National Housing Act is amended—

12 USC 1715k. (1) by striking out "\$19,500", "\$21,600", "\$25,800", "\$31,800", and "\$36,000" and inserting in lieu thereof "\$25,350", "\$28,080", "\$33,540", "\$41,340", and "\$46,800", respectively; and

(2) by striking out "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758" and inserting in lieu thereof "\$29,250", "\$32,760", "\$40,170", "\$50,310", and "\$56,885", respectively.

12 USC 1715l. (d) SECTION 221(d)(3) LIMITS.—Section 221(d)(3)(ii) of the National Housing Act is amended by striking out "\$21,563"; "\$24,862"; "\$29,984"; "\$38,379"; "\$42,756"; "\$22,692"; "\$26,012"; "\$31,631"; "\$40,919"; and "\$44,917" and inserting in lieu thereof "\$28,032"; "\$32,321"; "\$38,979"; "\$49,893"; "\$55,583"; "\$29,500"; "\$33,816"; "\$41,120"; "\$53,195"; and "\$58,392", respectively.

(e) SECTION 221(d)(4) LIMITS.—Section 221(d)(4)(ii) of the National Housing Act of 1934 is amended by striking out "\$19,406"; "\$22,028"; "\$26,625"; "\$33,420"; "\$37,870"; "\$20,962"; "\$24,030"; "\$29,220"; "\$37,800"; and "\$41,494" and inserting in lieu thereof "\$25,228"; "\$28,636"; "\$34,613"; "\$43,446"; "\$49,231"; "\$27,251"; "\$31,239"; "\$37,986"; "\$49,140"; and "\$53,942", respectively.

12 USC 1715v. (f) SECTION 231 LIMITS.—Section 231(c)(2) of the National Housing Act is amended—

(1) by striking out "\$18,450", "\$20,625", "\$24,630", "\$29,640", and "\$34,846" and inserting in lieu thereof "\$23,985", "\$26,813", "\$32,019", "\$38,532", and "\$45,300", respectively; and

(2) by striking out "\$20,962", "\$24,030", "\$29,220", "\$37,800", and "\$41,494" and inserting in lieu thereof "\$27,251", "\$31,239", "\$37,986", "\$49,140", and "\$53,942", respectively.

12 USC 1715y. (g) SECTION 234 LIMITS.—Section 234(e)(3) of the National Housing Act is amended—

(1) by striking out "\$19,500", "\$21,600", "\$25,800", "\$31,800", and "\$36,000" and inserting in lieu thereof "\$25,350", "\$28,080", "\$33,540", "\$41,340", and "\$46,800", respectively; and

(2) by striking out "\$22,500", "\$25,200", "\$30,900", "\$38,700", and "\$43,758" and inserting in lieu thereof "\$29,250", "\$32,760", "\$40,170", "\$50,310", and "\$56,885", respectively.

12 USC 1713,
1715e, 1715k,
1715l, 1715v,
1715y. (h) LIMITS FOR MULTIFAMILY PROJECTS IN HIGH-COST AREAS.—Section 207(c)(3), the second proviso of section 213(b)(2), the first proviso of section 220(d)(3)(B)(iii), section 221(d)(3)(ii), section 221(d)(4)(ii), section 231(c)(2), and section 234(e)(3) of the National Housing Act are each amended by striking "not to exceed 75 percent" and all that follows through "involved" in such an area" and inserting the following: "not to exceed 110 percent in any geographical area where the Secretary finds that cost levels so require and by not to exceed 140 percent where the Secretary determines it necessary on a project-by-project basis, but in no case may any such increase exceed 90 percent where the Secretary determines that a mortgage purchased or to be purchased by the Government National Mortgage Association in implementing its special assistance functions under section 305 of this Act (as such section existed immediately before November 30, 1983) is involved".

SEC. 427. OPERATING LOSS LOAN INSURANCE.

12 USC 1715n. Section 223(d) of the National Housing Act is amended—

- (1) by inserting "(1)" after the subsection designation;
- (2) by striking the first and second sentences and inserting the following:

"Notwithstanding any other provision of this Act, the Secretary is authorized to insure loans made to cover the operating losses of certain projects that have existing project mortgages insured by the Secretary. Insurance under this subsection shall be in the Secretary's discretion and upon such terms and conditions as the Secretary may prescribe, and shall be provided in accordance with the provisions of this subsection. For purposes of this subsection, the term 'operating loss' means the amount by which the sum of the taxes, interest on the mortgage debt, mortgage insurance premiums, hazard insurance premiums, and the expense of maintenance and operation of the project covered by the mortgage, exceeds the income of the project.

"(2) To be eligible for insurance pursuant to this paragraph—

"(A) the existing project mortgage (i) shall have been insured by the Secretary at any time before or after the date of enactment of the Housing and Community Development Act of 1987; and (ii) shall cover any property, other than a property upon which there is located a 1- to 4-family dwelling;

"(B) the operating loss shall have occurred during the first 24 months after the date of completion of the project, as determined by the Secretary; and

"(C) the loan shall be in an amount not exceeding the operating loss.

"(3) To be eligible for insurance pursuant to this paragraph—

"(A) the existing project mortgage (i) shall have been insured by the Secretary at any time before or after the date of enactment of the Housing and Community Development Act of 1987; (ii) shall cover any property, other than a property upon which there is located a 1- to 4-family dwelling; and (iii) shall not cover a subsidized project, as defined by the Secretary;

"(B) the loan shall be in an amount not exceeding 80 percent of the unreimbursed cash contributions made on or after March 18, 1987, by the project owner for the use of the project, during any period of consecutive months (not exceeding 24 months) in the first 10 years after the date of completion of the project, as determined by the Secretary, except that in no event may the amount of the loan exceed the operating loss during such period;

"(C) the loan shall be made within 10 years after the end of the period of consecutive months referred to in the preceding subparagraph; and

"(D) the project shall meet all applicable underwriting and other requirements of the Secretary at the time the loan is to be made.

"(4) Any loan insured pursuant to this subsection shall (A) bear interest at such rate as may be agreed upon by the mortgagor and mortgagee; (B) be secured in such manner as the Secretary shall require; (C) be limited to a term not exceeding the unexpired term of the original mortgage; and (D) be insured under the same section as the original mortgage. The Secretary may provide insurance pursuant to paragraph (2) or (3), or pursuant to both such paragraphs, in connection with an existing project mortgage, except that the Secretary may not provide insurance pursuant to both such paragraphs

in connection with the same period of months referred to in paragraphs (2)(B) and (3)(B)."; and

(3) by inserting "(5)" before "A loan" at the beginning of the undesignated paragraph at the end.

SEC. 428. INTEREST CHARGES ON TEMPORARY MORTGAGE ASSISTANCE PAYMENTS AND ASSIGNMENT OR OTHER ASSISTANCE.

12 USC 1715u.

Section 230(a)(5) of the National Housing Act is amended by striking the third sentence and inserting the following: "The interest rate on payments made under this subsection shall be the rate established under section 1803(c) of title 38, United States Code. The interest rate to be charged shall be determined when the Secretary approves assistance under this subsection."

SEC. 429. MORTGAGE INSURANCE TECHNICAL AMENDMENTS.

12 USC 1702.

(a) **ADMINISTRATIVE PROVISIONS.**—The second sentence of section 1 of the National Housing Act is amended by striking the last comma.

12 USC 1706d.

(b) **APPLICABILITY.**—Section 9 of the National Housing Act is amended by inserting the following section heading:

"APPLICABILITY"

12 USC 1709,
1715z-5.

(c) **LOAN INSURANCE PROGRAMS.**—Sections 203(k)(3)(B) and 241(b)(3) of the National Housing Act are amended—

(1) by striking "mortgagor" each place it appears and inserting "borrower"; and

(2) by striking "mortgagee" each place it appears and inserting "financial institution".

12 USC 1715n.

(d) **MISCELLANEOUS HOUSING INSURANCE.**—

(1) Section 223(a)(7) of the National Housing Act is amended—

(A) in the first proviso, by striking "a rate not in excess of the maximum rate prescribed under the applicable section or title of this Act" and inserting the following: "such rate as may be agreed upon by the mortgagor and the mortgagee";

(B) in the second proviso, by striking "maturity, a principal obligation, and an interest rate" and inserting the following: "maturity and a principal obligation"; and

(C) by inserting before the semicolon at the end the following: ", and shall bear interest at such rate as may be agreed upon by the mortgagor and the mortgagee".

(2) Section 223(d)(1) of the National Housing Act is amended by striking "bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured" and inserting the following: "bear interest at such rate as may be agreed upon by the mortgagor and the mortgagee".

(e) **INSURANCE FOR NURSING HOMES, INTERMEDIATE CARE FACILITIES, AND BOARD AND CARE HOMES.**—

12 USC 1715w.

(1) Section 232(b) of the National Housing Act is amended—

(A) by indenting as a separate paragraph (in the same manner as paragraph (1)) "(3) a nursing" and all that follows through "day; and";

(B) in such new paragraph (3)—

(i) by inserting "the term" after the paragraph designation; and

- (ii) by striking “and” at the end;
- (C) by redesignating the second paragraph (3) as paragraph (4); and
- (D) by redesignating paragraph (4) as paragraph (5).
- (2) Section 232(i)(2)(B) of the National Housing Act is amended to read as follows:
- “(B) bear interest at such rate as may be agreed upon by the mortgagor and the mortgagee;”.
- (f) **MULTIFAMILY ASSISTANCE.**—Section 236 of such Act is amended by striking out “(h)” in the last sentence of subsection (i)(1) and inserting in lieu thereof “(f)(4)”.
- (g) **CO-INSURANCE.**—
- (1) Section 244(g) of the National Housing Act is amended—
- (A) by striking paragraph (2); and
- (B) by redesignating paragraphs (3) through (6) as paragraphs (2) through (5), respectively.
- (2) Section 244(h) of the National Housing Act is amended by striking “coinsurance” each place it appears and inserting “co-insurance”.
- (h) **INSURANCE ON HAWAIIAN HOME LANDS.**—Section 247(a)(2) of the National Housing Act is amended by striking “Mortgagor” and inserting “mortgagee”.
- (i) **INSURANCE ON INDIAN RESERVATIONS.**—Section 248 of the National Housing Act is amended—
- (1) in subsection (a)(1), by striking “lands” and inserting “land”;
- (2) in subsection (a)(2), by striking “lands”; and
- (3) in subsection (d), by striking “tribal or trust land” and inserting “trust or otherwise restricted land”.
- (j) **SHARED APPRECIATION MORTGAGES.**—Section 253 of the National Housing Act is amended—
- (1) in subsection (b), by striking the fourth sentence and inserting the following: “For purposes of this section, the term ‘net appreciated value’ means the amount by which the sales price of the property (less the mortgagor’s selling costs) exceeds the actual project cost after completion, as approved by the Secretary.”;
- (2) in the first sentence of subsection (c), by striking “204” and inserting “207”; and
- (3) in subsection (c), by striking the last sentence and inserting the following: “The term ‘original principal face amount of the mortgage’ as used in section 207 shall not include the mortgagee’s share of net appreciated value.”.
- (k) **DEFENSE HOUSING FOR IMPACTED AREAS.**—The first sentence of section 810(h) of the National Housing Act is amended—
- (1) by striking “(exclusive of premium charges for insurance) at not to exceed the rate applicable to mortgages insured under section 207” and inserting the following: “at such rate as may be agreed upon by the mortgagor and the mortgagee”; and
- (2) by striking “not to exceed the rate applicable to mortgages insured under section 203” and inserting the following: “such rate as may be agreed upon by the mortgagor and the mortgagee”.

SEC. 430. RELEASE OF POOL FUNDS.

(a) **SECTION 236.**—Section 236 of the National Housing Act is amended by adding at the end thereof the following:

State and local
governments.
Contracts.
12 USC 1715z-1.

“(r) The Secretary shall, not later than 45 days after receipt of an application by the mortgagee, provide interest reduction and rental assistance payments for the benefit of projects assisted under this section whose mortgages were made by State or local housing finance agencies or State or local government agencies for a term equal to the remaining mortgage term to maturity on projects assisted under this section to the extent of—

“(1) unexpended balances of amounts of authority as set forth in certain letter agreements between the Department of Housing and Urban Development and such State or local housing finance agencies or State or local government agencies, and

“(2) existing allocation under section 236 contracts on projects whose mortgages were made by State or local housing finance agencies or State or local government agencies which are not being funded, to the extent of such excess allocation, for any purposes permitted under the provisions of this section, including without limitation rent supplement and rental assistance payment unit increases and mortgage increases for any eligible purpose under this section, including without limitation operating deficit loans.

An application shall be eligible for assistance under the previous sentence only if the mortgagee submits the application within 548 days after the effective date of this subsection, along with a certification of the mortgagee that amounts hereunder are to be utilized only for the purpose of either (A) reducing rents or rent increases to tenants, or (B) making repairs or otherwise increasing the economic viability of a related project. Unexpended balances referred to in the first sentence of this subsection which remain after disposition of all such applications is favorably concluded shall be rescinded. The calculation of the amount of assistance to be provided under an interest reduction contract pursuant to this subsection shall be made on the basis of an assumed mortgage term equal to the lesser of a 40-year amortization period or the term of that part of the mortgage which relates to the additional assistance provided under this subsection, even though the additional assistance may be provided for a shorter period. The authority conferred by this subsection to provide interest reduction and rental assistance payments shall be available only to the extent approved in appropriation Acts.”

12 USC 1701s.

(b) RENT SUPPLEMENT PROGRAM.—Section 101 of the Housing and Urban Development Act of 1965 is amended by adding at the end thereof the following:

“(m) The Secretary shall, not later than 45 days after receipt of an application by the mortgagee, provide interest reduction and rental assistance payments for the benefit of projects assisted under this section whose mortgages were made by State or local housing finance agencies or State or local government agencies for a term equal to the remaining mortgage term to maturity on projects assisted under this section to the extent of—

“(1) unexpended balances of amounts of authority as set forth in certain letter agreements between the Department of Housing and Urban Development and such State or local housing finance agencies or State or local government agencies, and

“(2) existing allocation under section 236 contracts on projects whose mortgages were made by State or local housing finance agencies or State or local government agencies which are not

being funded, to the extent of such excess allocation, for any purposes permitted under the provisions of this section.

An application shall be eligible for assistance under the previous sentence only if the mortgagee submits the application within 548 days after the effective date of this subsection, along with a certification of the mortgagee that amounts are to be utilized hereunder for the purpose of either (A) reducing rents or rent increases to tenants, or (B) making repairs or otherwise increasing the economic viability of a related project. Unexpended balances referred to in the first sentence of this subsection which remain after disposition of all such applications is favorably concluded shall be rescinded. The authority conferred by this subsection to provide interest reduction and rental assistance payments shall be available only to the extent approved in appropriation Acts."

Subtitle B—Secondary Mortgage Market Programs

SEC. 441. LIMITATIONS ON CERTAIN SECONDARY MORTGAGE MARKET FEES.

(a) FEDERAL NATIONAL MORTGAGE ASSOCIATION.—Section 304 of the Federal National Mortgage Association Charter Act is amended by adding at the end the following new subsection:

12 USC 1719.

"(f) Except for fees paid pursuant to section 309(g), no fee or charge may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to the purchase, acquisition, sale, pledge, issuance, guarantee, or redemption of any mortgage, asset, obligation, trust certificate of beneficial interest, or other security by the corporation. No provision of this subsection shall affect the purchase of any obligation by the Secretary of the Treasury pursuant to subsection (c)."

(b) FEDERAL HOME LOAN MORTGAGE CORPORATION.—Section 306 of the Federal Home Loan Mortgage Corporation Act is amended by adding at the end the following new subsection:

12 USC 1455.

"(i) Except for fees paid pursuant to section 303(c) or 306(c), no fee or charge may be assessed or collected by the United States (including any executive department, agency, or independent establishment of the United States) on or with regard to the purchase, acquisition, sale, pledge, issuance, guarantee, or redemption of any mortgage, asset, obligation, or other security by the Corporation. No provision of this subsection shall affect the purchase of any obligation by any Federal home loan bank pursuant to section 303(a)."

SEC. 442. FNMA CUMULATIVE VOTING.

Section 303(a) of the Federal National Mortgage Association Charter Act is amended by inserting after the first sentence the following new sentence: "The corporation may eliminate such rights of cumulative voting by a resolution adopted by its board of directors and approved by the holders of a majority of the shares of common stock voting in person or by proxy at the annual meeting, or other special meeting, at which such resolution is considered."

12 USC 1718.

SEC. 443. PERMANENT AUTHORITY TO PURCHASE SECOND MORTGAGES ON SINGLE-FAMILY PROPERTIES.

12 USC 1717. (a) **FEDERAL NATIONAL MORTGAGE ASSOCIATION.**—Section 302(b)(5)(A)(i) of the Federal National Mortgage Association Charter Act is amended by striking “through March 15, 1988.”

12 USC 1454. (b) **FEDERAL HOME LOAN MORTGAGE CORPORATION.**—Section 305(a)(4)(A)(i) of the Federal Home Loan Mortgage Corporation Act is amended by striking “through March 15, 1988.”

SEC. 444. PERIOD FOR APPROVAL OF ACTIONS OF FNMA.

12 USC 1723a. Section 309(i) of the Federal National Mortgage Association Charter Act is amended in the second sentence by inserting before the period at the end the following: “, but such 45-day period may not be extended for any other reason or for any period in addition to or other than such 15-day period”.

SEC. 445. PROHIBITION OF LIMITATION ON FHLMC MORTGAGE OPERATIONS.

12 USC 1454. Section 305 of the Federal Home Loan Mortgage Corporation Act is amended by adding at the end the following new subsection: “(c) The Board of Directors may not impose any annual limitation on the maximum aggregate principal amount of mortgages purchased by the Corporation.”

SEC. 446. LIMITATION ON GNMA GUARANTEES OF MORTGAGE-BACKED SECURITIES.

12 USC 1721. Section 306(g)(2) of the Federal National Mortgage Association Charter Act is amended to read as follows:

“(2) Notwithstanding any other provision of law and subject only to the absence of qualified requests for guarantees, to the authority provided in this subsection, and to any funding limitation approved in appropriation Acts, the Association shall enter into commitments to issue guarantees under this subsection in an aggregate amount of \$150,000,000,000 for fiscal year 1988, and \$156,000,000,000 for fiscal year 1989.”

TITLE V—COMMUNITY DEVELOPMENT AND MISCELLANEOUS PROGRAMS

Subtitle A—Community and Neighborhood Development and Preservation

Disadvantaged
persons.

SEC. 501. COMMUNITY DEVELOPMENT AUTHORIZATIONS.

42 USC 5303. (a) **COMMUNITY DEVELOPMENT BLOCK GRANTS.**—The second sentence of section 103 of the Housing and Community Development Act of 1974 is amended to read as follows: “There are authorized to be appropriated for purposes of assistance under sections 106 and 107 \$3,000,000,000 for fiscal year 1988, and \$3,000,000,000 for fiscal year 1989.”

(b) DISCRETIONARY FUND.—

42 USC 5307. (1) The first sentence of section 107(a) of the Housing and Community Development Act of 1974 is amended to read as follows: “Of the total amount provided in appropriation Acts under section 103 for fiscal years 1988 and 1989, \$60,000,000

may be set aside in each year in a special discretionary fund for grants under subsection (b).”

(2) Section 107 of the Housing and Community Development Act of 1974 is amended—

(A) by redesignating subsections (c) and (d) as subsections (d) and (e), respectively; and

(B) by inserting after subsection (b) the following new subsection:

“(c) Of the amount set aside for use under subsection (b) in any fiscal year, the Secretary shall, to the extent approved in appropriation Acts, make available not less than \$3,000,000 in the form of grants to institutions of higher education, either directly or through areawide planning organizations or States, for the purpose of providing assistance to economically disadvantaged and minority students who participate in community development work study programs and are enrolled in full-time graduate or undergraduate programs in community and economic development, community planning, or community management.”

(c) URBAN DEVELOPMENT ACTION GRANTS.—Section 119(a) of the Housing and Community Development Act of 1974 is amended by striking the second and last sentences and inserting the following new sentences: “There are authorized to be appropriated to carry out this section \$225,000,000 for fiscal year 1988, and \$225,000,000 for fiscal year 1989. Any amount appropriated under this subsection shall remain available until expended.”

SEC. 502. TARGETING OF BENEFITS TO PERSONS OF LOW AND MODERATE INCOME.

(a) PRIMARY OBJECTIVE.—Section 101(c) of the Housing and Community Development Act of 1974 is amended in the second sentence by striking “51 percent” and inserting “60 percent”.

(b) SPECIFIC OBJECTIVES.—Section 101(c)(6) of the Housing and Community Development Act of 1974 is amended by striking “to attract persons of higher income”.

(c) CERTIFICATION.—Section 104(b)(3) of the Housing and Community Development Act of 1974 is amended by striking “51 percent” and inserting “60 percent”.

SEC. 503. CITY AND COUNTY CLASSIFICATIONS.

(a) METROPOLITAN CITY.—Section 102(a)(4) of the Housing and Community Development Act of 1974 is amended—

(1) in the second sentence, by striking “March 15, 1988” and inserting “September 30, 1989”;

(2) by striking out the third sentence and inserting in lieu thereof the following: “Any unit of general local government that becomes eligible to be classified as a metropolitan city, and was not classified as a metropolitan city in the immediately preceding fiscal year, may, upon submission of written notification to the Secretary, defer its classification as a metropolitan city for all purposes under this title, if it elects to have its population included in an urban county under subsection (d). Notwithstanding the second sentence of this paragraph, a city may elect not to retain its classification as a metropolitan city for fiscal year 1988 or 1989.”; and

(3) by adding at the end thereof the following new sentence: “Any city classified as a metropolitan city pursuant to the first or second sentence of this paragraph, and that no longer quali-

42 USC 5307.

Grants.

42 USC 5318.

42 USC 5301.

42 USC 5304.

State and local governments.

42 USC 5302.

fies as a metropolitan city under such first or second sentence in a fiscal year beginning after fiscal year 1989, shall retain its classification as a metropolitan city for such fiscal year and the succeeding fiscal year, except that in such succeeding fiscal year (A) the amount of the grant to such city shall be 50 percent of the amount calculated under section 106(b); and (B) the remaining 50 percent shall be added to the amount allocated under section 106(d) to the State in which the city is located and the city shall be eligible in such succeeding fiscal year to receive a distribution from the State allocation under section 106(d) as increased by this sentence."

(b) URBAN COUNTY.—Section 102(a)(6) of the Housing and Community Development Act of 1974 is amended to read as follows:

42 USC 5302.

"(6)(A) The term 'urban county' means any county within a metropolitan area which—

"(i) is authorized under State law to undertake essential community development and housing assistance activities in its unincorporated areas, if any, which are not units of general local government, and

"(ii) either—

"(I) has a population of 200,000 or more (excluding the population of metropolitan cities therein) and has a combined population of 100,000 or more (excluding the population of metropolitan cities therein) in such unincorporated areas and in its included units of general local government (and in the case of counties having a combined population of less than 200,000, the areas and units of general local government must include the areas and units of general local government which in the aggregate have the preponderance of the persons of low and moderate income who reside in the county) (a) in which it has authority to undertake essential community development and housing assistance activities and which do not elect to have their population excluded, or (b) with which it has entered into cooperation agreements to undertake or to assist in the undertaking of essential community development and housing assistance activities, or

"(II) has a population in excess of 100,000, a population density of at least 5,000 persons per square mile, and contains within its boundaries no incorporated places as defined by the United States Bureau of the Census.

"(B) In order to permit an orderly transition of each county losing its classification as an urban county by reason of a decrease in population, any county classified as or deemed to be an urban county under this paragraph for purposes of receiving assistance under any section of this title for fiscal year 1983 or subsequent years shall retain such qualification for purposes of receiving such assistance through September 30, 1989, or for such longer period covered by a cooperation agreement entered into during fiscal year 1984, except that the provisions of this subparagraph shall not apply with respect to any county losing its classification as an urban county by reason of the election of any unit of general local government included in such county to have its population excluded under clause (ii)(I)(a) of subparagraph (A) or to not renew a cooperation agreement under clause (ii)(I)(b) of such subparagraph.

"(C) Notwithstanding the combined population amount set forth in clause (ii) of subparagraph (A), a county shall also qualify as an

urban county for purposes of assistance under section 106 if such county—

“(i) complies with all other requirements set forth in the first sentence;

“(ii) has, according to the most recent available decennial census data, a combined population between 190,000 and 199,999, inclusive (excluding the population of metropolitan cities therein) in all its unincorporated areas that are not units of general local government and in all units of general local government located within such county;

“(iii) had a population growth rate of not less than 15 percent during the most recent 10-year period measured by applicable censuses; and

“(iv) has submitted data satisfactory to the Secretary that it has a combined population of not less than 200,000 (excluding the population of metropolitan cities therein) in all its unincorporated areas that are not units of general local government and in all units of general local government located within such county.

“(D) Such term also includes a county that—

“(i) has a combined population in excess of 175,000, has more than 50 percent of the housing units of the area unsewered, and has an aquifer that was designated before March 1, 1987, a sole source aquifer by the Environmental Protection Agency;

Water.

“(ii) has taken steps, which include at least one public referendum, to consolidate substantial public services with an adjoining metropolitan city, and in the opinion of the Secretary, has consolidated these services with the city in an effort that is expected to result in the unification of the two governments within 6 years of the date of enactment of the Housing and Community Development Act of 1987; or

“(iii) had a population between 180,000 and 200,000 on October 1, 1987, was eligible for assistance under section 119 of the Housing and Community Development Act of 1974 in fiscal year 1986, and does not contain any metropolitan cities.

“(E) Any county classified as an urban county pursuant to subparagraph (A), (B), or (C) of this paragraph, and that no longer qualifies as an urban county under such subparagraph in a fiscal year beginning after fiscal year 1989, shall retain its classification as an urban county for such fiscal year and the succeeding fiscal year, except that in such succeeding fiscal year (i) the amount of the grant to such an urban county shall be 50 percent of the amount calculated under section 106(b); and (ii) the remaining 50 percent shall be added to the amount allocated under section 106(d) to the State in which the urban county is located and the urban county shall be eligible in such succeeding fiscal year to receive a distribution from the State allocation under section 106(d) as increased by this sentence.”.

(c) INCLUSION OF UNITS OF GENERAL LOCAL GOVERNMENT IN URBAN COUNTIES.—Section 102(d) of the Housing and Community Development Act of 1974 is amended by striking the last sentence.

42 USC 5302.

SEC. 504. ELIGIBLE ACTIVITIES.

(a) ELIGIBLE ACTIVITIES.—Section 105(a)(15) of the Housing and Community Development Act of 1974 is amended by striking out “grants” both places it appears and inserting in lieu thereof “assistance”.

42 USC 5305.

42 USC 5305.

(b) **ENERGY USE STRATEGIES.**—Section 105(a)(16) of such Act is amended to read as follows:

“(16) activities necessary to the development of energy use strategies related to a recipient’s development goals, to assure that those goals are achieved with maximum energy efficiency, including items such as—

“(A) an analysis of the manner in, and the extent to, which energy conservation objectives will be integrated into local government operations, purchasing and service delivery, capital improvements budgeting, waste management, district heating and cooling, land use planning and zoning, and traffic control, parking, and public transportation functions; and

“(B) a statement of the actions the recipient will take to foster energy conservation and the use of renewable energy resources in the private sector, including the enactment and enforcement of local codes and ordinances to encourage or mandate energy conservation or use of renewable energy resources, financial and other assistance to be provided (principally for the benefit of low- and moderate-income persons) to make energy conserving improvements to residential structures, and any other proposed energy conservation activities;”.

SEC. 505. STATEMENT OF ACTIVITIES AND REVIEW.

42 USC 5304.

Section 104(a)(1) of the Housing and Community Development Act of 1974 is amended by striking out the last sentence.

SEC. 506. ALLEVIATION OF LAKEFRONT FLOODING AND EROSION.

Section 104(b)(3) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting “(A)” after “except that”; and

(2) by inserting before the semicolon at the end the following: “; and (B) a grantee that borders on the Great Lakes and that experiences significant adverse financial and physical effects due to lakefront erosion or flooding may include in the projected use of funds activities that are clearly designed to alleviate the threat posed, and rectify the damage caused, by such erosion or flooding if such activities will principally benefit persons of low and moderate income and the grantee certifies that such activities are necessary to meet other needs having a particular urgency”.

SEC. 507. HOUSING ASSISTANCE PLANS.

(a) **HOUSING PRESERVATION.**—Section 104(c)(1) of the Housing and Community Development Act of 1974 is amended—

(1) by striking “and” at the end of subparagraph (B);

(2) by striking the period at the end of subparagraph (C) and inserting “; and”; and

(3) by adding at the end the following new subparagraph: “(D) specifies activities that will be undertaken annually to minimize displacement and preserve or expand the availability of housing for persons of low and moderate income, such as the preservation of single room occupancy housing and the development by public and private nonprofit organizations of vacant properties that become available under in rem proceedings, and specifies separately the activities that will be undertaken for

persons of low income and the activities that will be undertaken for persons of moderate income.”.

(b) **TECHNICAL AMENDMENTS.**—Section 104(c)(1) of the Housing and Community Development Act of 1974 is amended—

42 USC 5304.

(1) by striking “lower income persons” each place it appears and inserting “persons of low and moderate income”; and

(2) in subparagraph (C)(ii), by striking “low-income persons” and inserting “persons of low and moderate income”.

SEC. 508. CITIZEN PARTICIPATION PLAN.

Grants.

Section 104(a) of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following:

“(3) A grant under section 106 may be made only if the grantee certifies that it is following a detailed citizen participation plan which—

“(A) provides for and encourages citizen participation, with particular emphasis on participation by persons of low and moderate income who are residents of slum and blight areas and of areas in which section 106 funds are proposed to be used, and in the case of a grantee described in section 106(a), provides for participation of residents in low and moderate income neighborhoods as defined by the local jurisdiction;

“(B) provides citizens with reasonable and timely access to local meetings, information, and records relating to the grantee’s proposed use of funds, as required by regulations of the Secretary, and relating to the actual use of funds under this title;

“(C) provides for technical assistance to groups representative of persons of low and moderate income that request such assistance in developing proposals with the level and type of assistance to be determined by the grantee;

“(D) provides for public hearings to obtain citizen views and to respond to proposals and questions at all stages of the community development program, including at least the development of needs, the review of proposed activities, and review of program performance, which hearings shall be held after adequate notice, at times and locations convenient to potential or actual beneficiaries, and with accommodation for the handicapped;

“(E) provides for a timely written answer to written complaints and grievances, within 15 working days where practicable; and

“(F) identifies how the needs of non-English speaking residents will be met in the case of public hearings where a significant number of non-English speaking residents can be reasonably expected to participate.

This paragraph may not be construed to restrict the responsibility or authority of the grantee for the development and execution of its community development program.”.

SEC. 509. CONSERVING NEIGHBORHOODS AND HOUSING BY PROHIBITING DISPLACEMENT.

Grants.

(a) **IN GENERAL.**—Section 104 of the Housing and Community Development Act of 1974 is amended—

(1) by redesignating subsections (d) through (j) as subsections (e) through (k), respectively; and

(2) by inserting after subsection (c) the following new subsection:

Grants.

“(d)(1) A grant under section 106 or 119 may be made only if the grantee certifies that it is following a residential antidisplacement and relocation assistance plan. A grantee receiving a grant under section 106(a) or section 119 shall so certify to the Secretary. A grantee receiving a grant under section 106(d) shall so certify to the State.

“(2) The residential antidisplacement and relocation assistance plan shall in connection with a development project assisted under section 106 or 119—

“(A) in the event of such displacement, provide that—

“(i) governmental agencies or private developers shall provide within the same community comparable replacement dwellings for the same number of occupants as could have been housed in the occupied and vacant occupiable low and moderate income dwelling units demolished or converted to a use other than for housing for low and moderate income persons, and provide that such replacement housing may include existing housing assisted with project based assistance provided under section 8 of the United States Housing Act of 1937;

“(ii) such comparable replacement dwellings shall be designed to remain affordable to persons of low and moderate income for 10 years from the time of initial occupancy;

“(iii) relocation benefits shall be provided for all low or moderate income persons who occupied housing demolished or converted to a use other than for low or moderate income housing, including reimbursement for actual and reasonable moving expenses, security deposits, credit checks, and other moving-related expenses, including any interim living costs; and in the case of displaced persons of low and moderate income, provide either—

“(I) compensation sufficient to ensure that, for a 5-year period, the displaced families shall not bear, after relocation, a ratio of shelter costs to income that exceeds 30 percent; or

“(II) if elected by a family, a lump-sum payment equal to the capitalized value of the benefits available under subclause (I) to permit the household to secure participation in a housing cooperative or mutual housing association;

“(iv) persons displaced shall be relocated into comparable replacement housing that is—

“(I) decent, safe, and sanitary;

“(II) adequate in size to accommodate the occupants;

“(III) functionally equivalent; and

“(IV) in an area not subject to unreasonably adverse environmental conditions;

“(B) provide that persons displaced shall have the right to elect, as an alternative to the benefits under this subsection, to receive benefits under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (42 U.S.C. 4601 et seq.) if such persons determine that it is in their best interest to do so; and

“(C) provide that where a claim for assistance under subparagraph (A)(iv) is denied by a grantee, the claimant may appeal to the Secretary in the case of a grant under section 106 or 119 or to the appropriate State official in the case of a grant under

Claims.

section 106(d), and that the decision of the Secretary or the State official shall be final unless a court determines the decision was arbitrary and capricious.

“(3) Paragraphs (2)(A)(i) and (2)(A)(ii) shall not apply in any case in which the Secretary finds, on the basis of objective data, that there is available in the area an adequate supply of habitable affordable housing for low and moderate income persons. A determination under this paragraph is final and nonreviewable.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on October 1, 1988.

42 USC 5304
note.

SEC. 510. LIMITED NEW CONSTRUCTION OF HOUSING UNDER COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM.

Section 105(a) of the Housing and Community Development Act of 1974 is amended—

42 USC 5305.

(1) by striking out “and” at the end of paragraph (17);

(2) by striking out the period at the end of paragraph (18) and inserting in lieu thereof “; and”; and

(3) by adding at the end thereof the following new paragraph:
“(19) provision of assistance to facilitate substantial reconstruction of housing owned and occupied by low and moderate income persons (A) where the need for the reconstruction was not determinable until after rehabilitation under this section had already commenced, or (B) where the reconstruction is part of a neighborhood rehabilitation effort and the grantee (i) determines the housing is not suitable for rehabilitation, and (ii) demonstrates to the satisfaction of the Secretary that the cost of substantial reconstruction is significantly less than the cost of new construction and less than the fair market value of the property after substantial reconstruction.”.

SEC. 511. AVAILABILITY OF COMMUNITY DEVELOPMENT BLOCK GRANTS FOR UNIFORM EMERGENCY TELEPHONE NUMBER SYSTEMS.

Section 105(c)(2) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting “(A)” after the paragraph designation;

(2) by redesignating subparagraphs (A) and (B) as clauses (i) and (ii), respectively; and

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

“(B) The requirements of subparagraph (A) do not prevent the use of assistance under this title for the development, establishment, and operation for not to exceed 2 years after its establishment of a uniform emergency telephone number system if the Secretary determines that—

“(i) such system will contribute substantially to the safety of the residents of the area served by such system;

“(ii) not less than 51 percent of the use of the system will be by persons of low and moderate income; and

“(iii) other Federal funds received by the grantee are not available for the development, establishment, and operation of such system due to the insufficiency of the amount of such funds, the restrictions on the use of such funds, or the prior commitment of such funds for other purposes by the grantee.

The percentage of the cost of the development, establishment, and operation of such a system that may be paid from assistance under this title and that is considered to benefit low and moderate income

persons is the percentage of the population to be served that is made up of persons of low and moderate income.”.

SEC. 512. STATE CERTIFICATIONS FOR RECEIVING COMMUNITY DEVELOPMENT BLOCK GRANTS FOR NONENTITLEMENT AREAS.

42 USC 5306.

Section 106(d)(2) of the Housing and Community Development Act of 1974 is amended—

(1) in subparagraph (C), by striking “the Governor must certify that the State” and inserting “the State must certify that it”; and

(2) in subparagraph (D), by striking “the Governor of each State” and inserting “the State”.

SEC. 513. ADMINISTRATIVE EXPENSES OF STATES DISTRIBUTING FUNDS TO NONENTITLEMENT AREAS.

Section 106(d)(3)(A) of the Housing and Community Development Act of 1974 is amended by striking “\$102,000” and inserting “\$100,000”.

SEC. 514. COMMUNITY DEVELOPMENT BLOCK GRANT LOAN GUARANTEES.

42 USC 5308.

(a) **LIMITATION ON COMMITMENTS.**—The last sentence of section 108(a) of the Housing and Community Development Act of 1974 is amended—

(1) by striking “during fiscal year 1984”; and

(2) by striking “\$225,000,000” and inserting “\$150,000,000 during fiscal year 1988, and \$153,000,000 during fiscal year 1989”.

(b) **PROHIBITION ON FEES.**—Section 108 of the Housing and Community Development Act of 1974 is amended by adding at the end the following new subsection:

“(m) No fee or charge may be imposed by the Secretary or any other Federal agency on or with respect to a guarantee made by the Secretary under this section after the date of the enactment of the Housing and Community Development Act of 1987.”.

(c) **ELIGIBLE USES OF LOAN GUARANTEES.**—Section 108(a) of the Housing and Community Development Act of 1974 is amended in the first sentence—

(1) by inserting “(1)” after “purposes of financing”; and

(2) by inserting before the period at the end the following: “; (2) housing rehabilitation; or (3) economic development activities permitted under paragraphs (14), (15), and (17) of section 105(a)”.

SEC. 515. URBAN DEVELOPMENT ACTION GRANT SELECTION CRITERIA.

42 USC 5318.

(a) **PROJECT QUALITY CRITERIA.**—Section 119(d)(1) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting a dash before “(A)”;

(2) by indenting subparagraphs (A) and (B) in the same manner as subparagraphs (C) and (D), as inserted by this subsection;

(3) in subparagraph (A), by striking out “as the primary criterion,”;

(4) by striking out “and” at the end of subparagraph (B); and

(5) by striking out subparagraph (C) and inserting in lieu thereof the following new subparagraphs:

“(C) the following other criteria:

Employment
and
unemployment.

“(i) the extent to which the grant will stimulate economic recovery by leveraging private investment;

“(ii) the number of permanent jobs to be created and their relation to the amount of grant funds requested;

“(iii) the proportion of permanent jobs accessible to lower income persons and minorities, including persons who are unemployed;

“(iv) the extent to which the project will retain jobs that will be lost without the provision of a grant under this section;

“(v) the extent to which the project will relieve the most pressing employment or residential needs of the applicant by—

“(I) reemploying workers in a skill that has recently suffered a sharp increase in unemployment locally;

“(II) retraining recently unemployed residents in new skills;

“(III) providing training to increase the local pool of skilled labor; or

“(IV) producing decent housing for low- and moderate-income persons in cases where such housing is in severe shortage in the area of the applicant, except that an application shall be considered to produce housing for low- and moderate-income persons under this clause only if such application proposes that (a) not less than 51 percent of all funds available for the project shall be used for dwelling units and related facilities; and (b) not less than 30 percent of all funds used for dwelling units and related facilities shall be used for dwelling units to be occupied by persons of low and moderate income, or not less than 20 percent of all dwelling units made available to occupancy using such funds shall be occupied by persons of low and moderate income, whichever results in the occupancy of more dwelling units by persons of low and moderate income;

“(vi) the impact of the proposed activities on the fiscal base of the city or urban county and its relation to the amount of grant funds requested;

“(vii) the extent to which State or local Government funding or special economic incentives have been committed; and

“(viii) the extent to which the project will have a substantial impact on physical and economic development of the city or urban county, the proposed activities are likely to be accomplished in a timely fashion with the grant amount available, and the city or urban county has demonstrated performance in housing and community development programs; and

“(D) additional consideration for projects with the following characteristics:

“(i) projects to be located within a city or urban county which did not receive a preliminary grant approval under this section during the 12-month period preceding the date on which applications are required to be submitted for the grant competition involved; and

“(ii) twice the amount of the additional consideration provided under clause (i) for projects to be located in cities

State and local governments.

or urban counties which did not receive a preliminary grant approval during the 24-month period preceding the date on which applications under this section are required to be submitted for the grant competition involved.

If a city or urban county has submitted and has pending more than one application, the additional consideration provided by subparagraph (D) of the preceding sentence shall be available only to the project in such city or urban county which received the highest number of points under subparagraph (C) of such sentence."

42 USC 5318.

(b) **SELECTION LIMITATIONS AND CRITERIA WEIGHT.**—Section 119(d) of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following new paragraphs:

"(3) The Secretary shall award points to each application as follows:

"(A) not more than 35 points on the basis of the criteria referred to in paragraph (1)(A);

"(B) not more than 35 points on the basis of the criteria referred to in paragraph (1)(B);

"(C) not more than 33 points on the basis of the criteria referred to in paragraph (1)(C); and

"(D)(i) 1 additional point on the basis of the criterion referred to in paragraph (1)(D)(i); or

"(ii) 2 additional points on the basis of the criterion referred to in paragraph (1)(D)(ii).

"(4) The Secretary shall distribute grant funds under this section so that to the extent practicable during each funding cycle—

"(A) 65 percent of the funds is first made available utilizing all of the criteria set forth in paragraph (1); and

"(B) 35 percent of the funds is then made available solely on the basis of the factors referred to in subparagraphs (C) and (D) of paragraph (1).

"(5)(A) Within 30 days of the start of each fiscal year, the Secretary shall announce the number of competitions for grants to be held in that fiscal year. The number of competitions shall be not less than two nor more than three."

"(B) Each competition for grants described in any clause of subparagraph (A) shall be for an amount equal to the sum of—

"(i) approximately the amount of the funds available for such grants for the fiscal year divided by the number of competitions for those funds;

"(ii) any funds available for such grants in any previous competition that are not awarded; and

"(iii) any funds available for such grants in any previous competition that are recaptured.

"(6) In an application under this subsection, an urban county may use data relating to the criteria under paragraph (1) that reflect distress conditions of census tracts within a radius of 15 miles of the proposed project and within that urban county and in metropolitan cities within that urban county, except that if any data reflecting conditions in a metropolitan city with a population of 100,000 or more are included, then data reflecting conditions in any metropolitan city with a population of 75,000 or more may be used only with the consent of that metropolitan city."

(c) **USE OF REPAID GRANT FUNDS.**—Section 119(f) of the Housing and Community Development Act of 1974 is amended by adding at

the end thereof the following: "In any case in which the project proposes the repayment to the applicant of the grant funds, such funds shall be made available by the applicant for economic development activities that are eligible activities under this section or section 104. The applicant shall annually provide the Secretary with a statement of the projected receipt and use of repaid grant funds during the next year together with a report acceptable to the Secretary on the use of such funds during the most recent preceding full fiscal year of the applicant."

(d) NONDISCRIMINATION.—Section 119(r) of the Housing and Community Development Act of 1974 is amended to read as follows:

42 USC 5318.

"(r) In utilizing the discretion of the Secretary when providing assistance and applying selection criteria under this section, the Secretary may not discriminate against applications on the basis of (1) the type of activity involved, whether such activity is primarily housing, industrial, or commercial; or (2) the type of applicant, whether such applicant is a city or urban county."

(e) REPORTS OF COMPTROLLER GENERAL.—

42 USC 5318
note.

(1)(A) Not later than the expiration of the 1-year period following the date of enactment of this Act and every 3 years thereafter, the Comptroller General of the United States shall prepare and submit to the Congress a comprehensive report evaluating the eligibility standards and selection criteria applicable under section 119 of the Housing and Community Development Act of 1974.

(B) Such report shall evaluate in detail the standards and criteria specified in such section that measure the level or comparative degree of economic distress of cities and urban counties and the effect of the grants awarded on the basis of such standards and criteria on stimulating the maximum economic development activity.

(C) Such report shall also evaluate in detail the extent to which the economic and social data utilized by the Secretary in awarding grants under such section is current and accurate, and shall compare the data used by the Secretary with other available data. The Comptroller General shall make recommendations to the Congress on whether or not other data should be collected by the Federal Government in order to fairly and accurately distribute grants under such section based on the level or comparative degree of economic distress. The Comptroller General shall also make recommendations on whether or not existing data should be collected more frequently in order to ensure that timely data is used to evaluate grant applications under such section.

(2) Not later than the expiration of the 3-month period following the date of the final competition for grants for fiscal year 1988 under section 119 of the Housing and Community Development Act of 1974, the Comptroller General of the United States shall prepare and submit to the Congress a comprehensive report describing the effect of the amendments made by this section on—

Grants.

(A) the targeting of grant funds to cities and urban counties having the highest level or degree of economic distress;

(B) the distribution of grants funds among regions of the United States;

(C) the number and types of projects receiving grants;

(D) the per capita funding levels for each city, urban county, or identifiable community described in subsection (p) of such section 119, receiving assistance under such section 119; and

(E) the stimulation of the maximum economic development activity.

42 USC 5318
note.

Federal
Register,
publication.

(f) REGULATIONS.—The Secretary of Housing and Urban Development shall issue such regulations as may be necessary to carry out the amendments made by this section. Such regulations shall be published for comment in the Federal Register not later than 60 days after the date of enactment of this Act. The provisions of section 119(d)(1)(D), section 119(d)(3), and section 119(d)(4) of the Housing and Community Development Act of 1974, shall take effect on the date of enactment of this Act.

(g) APPLICABILITY.—

42 USC 5318
note.

(1) IN GENERAL.—The amendments made by this section shall be applicable to the making of urban development action grants that have not received the preliminary approval of the Secretary of Housing and Urban Development before the date on which final regulations issued by the Secretary under subsection (f) become effective. For the fiscal year in which the amendments made by this section become applicable, such amendments shall only apply with respect to the aggregate amount awarded for such grants on or after such effective date.

Effective date.
42 USC 5318.

(2) SUNSET OF URBAN COUNTY COMPETITION RULE.—Effective October 1, 1989, section 119(d)(6) of the Housing and Community Development Act of 1974 is repealed.

(h) LIMITATION ON GRANT AMOUNTS.—Section 119 of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following:

“(s) For fiscal years 1988 and 1989, the maximum grant amount for any project under this section is \$10,000,000.”.

Hawaii.

(i) CONSIDERATION OF CERTAIN COUNTIES AS CITIES UNDER URBAN DEVELOPMENT ACTION GRANT PROGRAM.—Section 119(n)(1) of the Housing and Community Development Act of 1974 is amended by adding at the end thereof the following new sentence: “Such term also includes the counties of Kauai, Maui, and Hawaii in the State of Hawaii.”.

SEC. 516. PROHIBITION ON USE OF URBAN DEVELOPMENT ACTION GRANTS FOR BUSINESS RELOCATIONS.

(a) IN GENERAL.—Section 119(h) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting after the subsection designation the following:

“(1) SPECULATIVE PROJECTS.—”;

(2) by adding at the end of paragraph (1) (as so redesignated by paragraph (1) of this subsection) the following new sentence: “The provisions of this paragraph shall apply only to projects that do not have identified intended occupants.”; and

(3) by adding at the end the following new paragraphs:

“(2) PROJECTS WITH IDENTIFIED INTENDED OCCUPANTS.—No assistance may be provided or utilized under this section for any project with identified intended occupants that is likely to facilitate—

“(A) a relocation of any operation of an industrial or commercial plant or facility or other business establishment—

“(i) from any city, urban county, or identifiable community described in subsection (p), that is eligible for assistance under this section; and

“(ii) to the city, urban county, or identifiable community described in subsection (p), in which the project is located; or

“(B) an expansion of any such operation that results in a reduction of any such operation in any city, county, or community described in subparagraph (A)(i).

“(3) SIGNIFICANT AND ADVERSE EFFECT.—The restrictions established in paragraph (2) shall not apply if the Secretary determines that the relocation or expansion does not significantly and adversely affect the employment or economic base of the city, county, or community from which the relocation or expansion occurs.

“(4) APPEAL OF ADVERSE DETERMINATION.—Following notice of intent to withhold, deny, or cancel assistance under paragraph (1) or (2), the Secretary shall provide a period of not less than 90 days in which the applicant can appeal to the Secretary the withholding, denial, or cancellation of assistance. Notwithstanding any other provision of this section, nothing in this section or in any legislative history related to the enactment of this section may be construed to permit an inference or conclusion that the policy of the Congress in the urban development action grant program is to facilitate the relocation of businesses from one area to another.

“(5) ASSISTANCE FOR INDIVIDUALS ADVERSELY AFFECTED BY PROHIBITED RELOCATIONS.—

“(A) Any amount withdrawn by, recaptured by, or paid to the Secretary due to a violation (or a settlement of an alleged violation) of this subsection (or of any regulation issued or contractual provision entered into to carry out this subsection) by a project with identified intended occupants shall be made available by the Secretary as a grant to the city, county, or community described in subsection (p), from which the operation of an industrial or commercial plant or facility or other business establishment relocated or in which the operation was reduced.

“(B)(i) Any amount made available under this paragraph shall be used by the grantee to assist individuals who were employed by the operation involved prior to the relocation or reduction and whose employment or terms of employment were adversely affected by the relocation or reduction. The assistance shall include job training, job retraining, and job placement.

“(ii) If any amount made available to a grantee under this paragraph is more than is required to provide assistance under clause (i), the grantee shall use the excess amount to carry out community development activities eligible under section 105(a).

“(C)(i) The provisions of this paragraph shall be applicable to any amount withdrawn by, recaptured by, or paid to the Secretary under this section, including any amount withdrawn, recaptured, or paid before the effective date of this paragraph.

“(ii) Grants may be made under this paragraph only to the extent of amounts provided in appropriation Acts.

“(6) DEFINITION.—For purposes of this subsection, the term ‘operation’ includes any plant, equipment, facility, position, employment opportunity, production capacity, or product line.

“(7) REGULATIONS.—Not later than 60 days after the date of the enactment of the Housing and Community Development Act of 1987,

Employment
and
unemployment.

the Secretary shall issue such regulations as may be necessary to carry out the provisions of this subsection. Such regulations shall include specific criteria to be used by the Secretary in determining whether there is a significant and adverse effect under paragraph (3).”

42 USC 5318
note.

(b) **APPLICABILITY.**—Except as otherwise provided in section 119(h)(5) of the Housing and Community Development Act of 1974 (as added by subsection (a)), the amendments made by this section shall be applicable to urban development action grants that have not received the preliminary approval of the Secretary of Housing and Urban Development before the date of the enactment of this Act.

SEC. 517. URBAN HOMESTEADING.

(a) **EXTENSIONS.**—

12 USC 1706e.

(1) Section 810(h)(1) of the Housing and Community Development Act of 1974 is amended by striking out “1984 and 1985” and inserting in lieu thereof “1988 and 1989”.

(2) Section 810(i)(1) of such Act is amended by striking out “1984 and 1985” and inserting in lieu thereof “1988 and 1989”.

(3) Section 810(j) of such Act is amended by striking out “December 31, 1985” and inserting in lieu thereof “December 1, 1987”.

(b) **STATE ADMINISTRATIVE EXPENSES.**—

42 USC 5306.

(1) The second sentence of section 106(d)(3)(A) of the Housing and Community Development Act of 1974 is amended—

(A) by inserting immediately after “such expenses” the first time it appears the following: “and its administrative expenses under section 810 of this Act”; and

(B) by inserting immediately after “such expenses” the second time it appears the following: “under this title”.

42 USC 5307.

(2) Section 107(b)(4) of such Act is amended by inserting before the first semicolon the following: “and section 810 of this Act”.

(c) **SELECTION PROCEDURE.**—

12 USC 1706e.

(1) Section 810(b)(2) of the Housing and Community Development Act of 1974 is amended to read as follows:

“(2) an equitable procedure for selecting recipients of homestead properties who have the capacity to make or cause to be made the repairs and improvements required under paragraph (3) of this subsection, which procedure shall—

“(A) give special priority to applicants who are ‘lower income families’ as defined in section 3(b)(2) of the United States Housing Act of 1937;

“(B) exclude applicants who are currently homeowners;

“(C) take into account the applicant’s capacity to contribute a substantial amount of labor to the rehabilitation process, or to obtain assistance from private sources, community organizations, or other sources; and

“(D) include other reasonable selection criteria.”.

(2) Section 810(b)(5) of such Act is amended by adding “and” after the semicolon.

(3) Section 810(b)(6) of such Act is amended by striking out “; and” and inserting in lieu thereof a period.

(4) Section 810(b)(7) of such Act is repealed.

(d) **TRANSFER OF PROPERTY TO QUALIFIED COMMUNITY ORGANIZATIONS.**—Section 810 of the Housing and Community Development Act of 1974 is amended—

(1) in subsection (a), by inserting “qualified community organization or” before “public agency designated”;

(2) in subsection (b), by inserting “qualified community organization or” before “public agency designated”;

(3) in subsection (b)(1), by inserting before the semicolon the following: “or in accordance with subsection (l) to qualified community organizations”;

(4) in subsection (b)(3)(D), by inserting “qualified community organization or” before “public agency designated”;

(5) in subsection (b)(5), by inserting “qualified community organization or” before “public agency designated”;

(6) by redesignating subsection (k) as subsection (l); and

(7) by inserting after subsection (j) the following new subsection:

“(k) A unit of general local government or a State, or a public agency designated by a unit of general local government or a State, may transfer any real property that it receives under subsection (a) or purchases under subsection (i) to a qualified community organization. Qualified community organizations shall be limited to organizations that—

State and local governments.
Real property.

“(1) are incorporated and controlled by a board of directors whose members receive no compensation of any kind for the performance of their duties;

“(2) are organized exclusively for charitable, educational, scientific purposes, or the promotion of social welfare, and qualify as exempt organizations under paragraph (3) or (4) of section 501(c) of the Internal Revenue Code of 1986; and

“(3) agree to assist the applicable State or unit of general local government with the selection of homesteaders, the selection, inspection, and rehabilitation of the properties, and to perform such other functions as may be agreed between the State or unit of general local government and the qualified nonprofit organization, including the acceptance of title to property from the relevant Federal agency and the direct conveyance of the property to the homesteaders subject to the terms and conditions specified in this section.”

(e) **AUTHORIZATION OF APPROPRIATIONS.**—The first sentence of section 810(l) of the Housing and Community Development Act of 1974 (as so redesignated by subsection (d) of this section) is amended to read as follows: “To reimburse the housing loan funds for properties transferred pursuant to this section, and to carry out subsections (c), (g), (h), and (i), there are authorized to be appropriated \$12,000,000 for fiscal year 1988, and \$13,000,000 for fiscal year 1989.”

SEC. 518. REHABILITATION LOANS.

(a) **EXTENSION OF LOAN AUTHORITY.**—Section 312(h) of the Housing Act of 1964 is amended by striking “March 15, 1988” and inserting “September 30, 1989”.

42 USC 1452b.

(b) **PROHIBITION OF CERTAIN FEES.**—Section 312(g) of the Housing Act of 1964 is amended by adding at the end the following new sentence: “No risk premium or loan fee may be imposed by or for the Secretary or any other Federal agency on or with respect to a loan made under this section after the date of the enactment of the Housing and Community Development Act of 1987.”

(c) **PROHIBITION OF LOAN SALES.**—Section 312 of the Housing Act of 1964 is amended by adding at the end the following new subsection:

“(1) The Secretary may not sell any loan made under this section.”.

SEC. 519. LOAN CANCELLATION.

The Secretary of Housing and Urban Development shall cancel the indebtedness represented by loan number 070024914 under section 312 of the Housing Act of 1964. The obligor on such loan is relieved of all liability to the Government for the outstanding principal balance on such loan, for the amount of accrued interest on such loan, and for any other fees and charges payable in connection therewith. This section shall be effective only to such extent or in such amounts as may be approved in appropriation Acts.

SEC. 520. NEIGHBORHOOD REINVESTMENT CORPORATION.

42 USC 8103. (a) **COMPOSITION OF BOARD.**—Section 604 of the Neighborhood Reinvestment Corporation Act is amended—

(1) by inserting before the semicolon in subsection (a)(1) the following: “or a member of the Federal Home Loan Bank Board to be designated by the Chairman”;

(2) by striking out subsection (a)(3) and inserting in lieu thereof the following: “(3) the Chairman of the Board of Governors of the Federal Reserve System, or a member of the Board of Governors of the Federal Reserve System to be designated by the Chairman;”;

(3) by inserting before the semicolon in subsection (a)(4) the following: “or the appointive member of the Board of Directors of the Federal Deposit Insurance Corporation if so designated by the Chairman”; and

(4) by striking out “Administrator” in subsection (a)(6) and inserting in lieu thereof the word “Chairman”; and by inserting after “Administration” the following: “or a member of the Board of the National Credit Union Administration to be designated by the Chairman.”.

42 USC 8107. (b) **AUTHORIZATION OF APPROPRIATIONS.**—Section 608(a) of the Neighborhood Reinvestment Corporation Act is amended to read as follows:

“(a) There are authorized to be appropriated to the corporation to carry out this title \$19,000,000 for fiscal year 1988, and \$19,000,000 for fiscal year 1989.”.

SEC. 521. NEIGHBORHOOD DEVELOPMENT DEMONSTRATION PROGRAM.

42 USC 5318 note. Section 123(g) of the Housing and Urban-Rural Recovery Act of 1983 is amended to read as follows:

“(g) There are authorized to be appropriated to carry out this section \$2,000,000 for fiscal year 1988, and \$2,000,000 for fiscal year 1989.”.

SEC. 522. PARK CENTRAL NEW COMMUNITY PROJECT.

12 USC 1439. (a) **HOUSING ASSISTANCE.**—Section 213 of the Housing and Community Development Act of 1974 is amended by adding at the end the following new subsection:

Contracts. “(e) From budget authority made available in appropriation Acts for fiscal year 1988, the Secretary shall enter into an annual contributions contract for a term of 180 months to obligate sufficient funds to provide assistance payments pursuant to section 8(b)(1) of the United States Housing Act of 1937 on behalf of 500 lower income families from budget authority made available for fiscal year 1988,

so long as such families occupy properties in the Park Central New Community Project or in adjacent areas that are recognized by the unit of general local government in which such Project is located as being included within the Park Central New Town In Town Project. If a lower income family receiving assistance payments pursuant to this subsection ceases to qualify for assistance payments pursuant to the provisions of section 8 of such Act or of this subsection during the 180-month term of the annual contributions contract, assistance payments shall be made on behalf of another lower income family who occupies a unit identified in the previous sentence.”.

(b) **COMMUNITY DEVELOPMENT ASSISTANCE.**—Section 107(a) of the Housing and Community Development Act of 1974 is amended by adding at the end the following new sentence: “Of the amount set aside for grants under subsection (b) for fiscal year 1988, \$5,000,000 shall be made available by the Secretary for purposes of grants under subsection (b)(1) for the Park Central New Community Project.”.

42 USC 5307.

SEC. 523. COMMUNITY DEVELOPMENT PROJECTS LABOR STANDARDS.

Section 110 of the Housing and Community Development Act of 1974 is amended by striking “is designed for residential use of eight or more families” and insert “contains not less than 8 units”.

42 USC 5310.

SEC. 524. URBAN PLANNING.

Section 702 of the Housing Act of 1954 is amended—

40 USC 462.

(1) by striking subsections (c) and (h); and

(2) by striking subsection (g) and inserting the following:

“(g) Effective upon the date of the enactment of the Housing and Community Development Act of 1987, and in accordance with such accounting and other procedures as the Secretary may prescribe, each advance made by the Secretary under this section that has any principal amount outstanding shall be forgiven. The terms and conditions of any contract, or any amendment to a contract, for such advance with respect to any promise to repay the advance shall be canceled.”.

Contracts.

SEC. 525. COMMUNITY DEVELOPMENT TECHNICAL AMENDMENTS.

Section 123(e)(3) of the Housing and Urban-Rural Recovery Act of 1983 is amended by striking “Act” and inserting “section”.

42 USC 5318
note.

Subtitle B—Flood and Crime Insurance Programs

SEC. 541. EXTENSION OF FLOOD INSURANCE PROGRAM.

(a) **GENERAL AUTHORITY.**—Section 1319 of the National Flood Insurance Act of 1968 is amended by striking “March 15, 1988” and inserting “September 30, 1989”.

42 USC 4026.

(b) **EMERGENCY IMPLEMENTATION.**—Section 1336(a) of the National Flood Insurance Act of 1968 is amended by striking “March 15, 1988” and inserting “September 30, 1989”.

42 USC 4056.

(c) **ESTABLISHMENT OF FLOOD-RISK ZONES.**—Section 1360(a)(2) of the National Flood Insurance Act of 1968 is amended by striking “March 15, 1988” and inserting “September 30, 1989”.

42 USC 4101.

(d) **LIMITATION ON PREMIUMS.**—The premium rates charged for flood insurance under any program established pursuant to the National Flood Insurance Act of 1968 may not be increased during

42 USC 4015
note.

the period beginning on the date of the enactment of this Act and ending on September 30, 1989, by more than a prorated annual rate of 10 percent.

SEC. 542. EXTENSION OF CRIME INSURANCE PROGRAM.

12 USC 1749bbb. (a) **GENERAL AUTHORITY.**—Section 1201(b)(1) of the National Housing Act is amended by striking “March 15, 1988” in the matter preceding subparagraph (A) and inserting “September 30, 1989”.

(b) **CONTINUATION OF EXISTING CONTRACTS.**—Section 1201(b)(1)(A) of the National Housing Act is amended by striking “September 30, 1986” and inserting “September 30, 1990”.

Termination date.
12 USC
1749bbb-10c. (c) **LIMITATION ON PREMIUMS.**—The premium rates charged for crime insurance under any program established pursuant to part C of title XII of the National Housing Act may not be increased during the period beginning on the date of the enactment of this Act and ending on September 30, 1989, by more than a prorated annual rate of 5 percent.

SEC. 543. STUDIES UNDER NATIONAL FLOOD INSURANCE PROGRAM.

42 USC 4127. Section 1376(c) of the National Flood Insurance Act of 1968 is amended to read as follows:

“(c) There are authorized to be appropriated for studies under this title \$37,000,000 for fiscal year 1988, and \$37,000,000 for fiscal year 1989. Any amount appropriated under this subsection shall remain available until expended.”

Contracts.

SEC. 544. SCHEDULE FOR PAYMENT OF FLOOD INSURANCE FOR STRUCTURES ON LAND SUBJECT TO IMMINENT COLLAPSE OR SUBSIDENCE.

42 USC 4013. (a) **IN GENERAL.**—Section 1306 of the National Flood Insurance Act of 1968 is amended by adding at the end the following new subsection:

“(c)(1) If any structure covered by a contract for flood insurance under this title and located on land that is along the shore of a lake or other body of water is certified by an appropriate State or local land use authority to be subject to imminent collapse or subsidence as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels, the Director shall (following final determination by the Director that the claim is in compliance with regulations developed pursuant to paragraph (6)(A)) pay amounts under such flood insurance contract for proper demolition or relocation as follows:

“(A) For proper demolition—

“(i) Following final determination by the Director, 40 percent of the value of the structure; and

“(ii) Following demolition of the structure (including any septic containment system) prior to collapse, the remaining 60 percent of the value of the structure and 10 percent of the value of the structure, or the actual cost of demolition, whichever amount is less.

“(B) For proper relocation (including removal of any septic containment system) if the owner chooses to relocate the structure—

“(i) following final determination by the Director, prior to collapse, up to 40 percent of the value of the structure;

“(ii) the total payment under this subparagraph shall not exceed the actual cost of relocation.

“(2) If any structure subject to a final determination under paragraph (1) collapses or subsides before the owner demolishes or relocates the structure and the Director determines that the owner has failed to take reasonable and prudent action to demolish or relocate the structure, the Director shall not pay more than the amount provided in subparagraph (A)(i) with respect to the structure.

“(3) For purposes of paying flood insurance pursuant to this subsection, the value of a structure shall be whichever of the following is lowest:

“(A) The fair market value of a comparable structure that is not subject to imminent collapse or subsidence.

“(B) The price paid for the structure and any improvement to the structure, as adjusted for inflation in accordance with an index determined by the Director to be appropriate.

“(C) The value of the structure under the flood insurance contract issued pursuant to this title.

“(4)(A) The provisions of this subsection shall apply to contracts for flood insurance under this title that are in effect on, or entered into after, the date of the enactment of the Housing and Community Development Act of 1987.

“(B) The provisions of this subsection shall not apply to any structure not subject to a contract for flood insurance under this title on the date of a certification under paragraph (1).

“(C) The provisions of this subsection shall not apply to any structure unless the structure is covered by a contract for flood insurance under this title—

“(i) on or before June 1, 1988;

“(ii) for a period of 2 years prior to certification under paragraph (1); or

“(iii) for the term of ownership if less than 2 years.

“(D) The provisions of this subsection shall not apply to any structure located in the area west of the groin field on the barrier island from Moriches Inlet to Shinnecock Inlet on the southern shore of Long Island of Suffolk County, New York.

New York.

“(5) For any parcel of land on which a structure is subject to a final determination under paragraph (1), no subsequent flood insurance coverage under this title or assistance under the Disaster Relief Act of 1974 (except emergency assistance essential to save lives and protect property, public health and safety) shall be available for—

“(A) any structure consisting of one to four dwelling units which is constructed or relocated at a point seaward of the 30-year erosion setback; or

“(B) any other structure which is constructed or relocated at a point seaward of the 60-year erosion setback.

“(6)(A) The Director shall promulgate regulations and guidelines to implement the provisions of this subsection.

Regulations.

“(B) Prior to issuance of regulations regarding the State and local certifications pursuant to paragraph (1), all provisions of this subsection shall apply to any structure which is determined by the Director—

“(i) to otherwise meet the requirements of this subsection; and

“(ii) to have been condemned by a State or local authority and to be subject to imminent collapse or subsidence as a result of erosion or undermining caused by waves or currents of water exceeding anticipated cyclical levels.

"(7) No payments under this subsection may be made after September 30, 1989, except pursuant to a commitment made on or before such date."

42 USC 4013
note.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall become effective on the date of the enactment of this Act.

SEC. 545. FLOOD AND CRIME INSURANCE TECHNICAL AMENDMENTS.

12 USC 1749bbb.

(a) **CRIME INSURANCE PROGRAM AUTHORITY.**—Section 1201(b) of the National Housing Act is amended—

(1) by striking paragraphs (2) and (3);

(2) by striking "(b)(1)" and inserting "(b)"; and

(3) by redesignating subparagraphs (A) through (C) as paragraphs (1) through (3), respectively.

12 USC
1749bbb-8.

(b) **REINSURANCE AGREEMENTS.**—Section 1222(c) of the National Housing Act is amended by striking "section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a))," and inserting "section 1341(a) of title 31, United States Code,".

12 USC
1749bbb-13.

(c) **NATIONAL FLOOD INSURANCE DEVELOPMENT FUND.**—Section 1243(d) of the National Housing Act is amended by striking "by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849))" and inserting "by sections 9103 and 9104 of title 31, United States Code,".

42 USC 4017.

(d) **NATIONAL FLOOD INSURANCE FUND.**—Section 1310(e) of the National Flood Insurance Act of 1968 is amended by inserting a comma after "Code".

42 USC 4029.

(e) **FLOOD INSURANCE IN COLORADO RIVER FLOODWAY.**—The National Flood Insurance Act of 1968 is amended by inserting the following section heading for section 1322: "COLORADO RIVER FLOODWAY".

42 USC 2414.

(f) **FEMA TREASURY BORROWINGS.**—The third sentence of section 15(e) of the Federal Flood Insurance Act of 1956 is amended by inserting a comma after "Code".

Subtitle C—Miscellaneous Programs

Grants.
Contracts.
State and local
governments.
42 USC 3616
note.

SEC. 561. FAIR HOUSING INITIATIVES PROGRAM.

(a) **IN GENERAL.**—The Secretary of Housing and Urban Development (in this section referred to as the "Secretary") may make grants to, or (to the extent of amounts provided in appropriation Acts) enter into contracts or cooperative agreements with, State or local governments or their agencies, public or private nonprofit organizations or institutions, or other public or private entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices, to develop, implement, carry out, or coordinate—

Discrimination,
prohibition.

(1) programs or activities designed to obtain enforcement of the rights granted by title VIII of the Act of April 11, 1968 (commonly referred to as the Civil Rights Act of 1968), or by State or local laws that provide rights and remedies for alleged discriminatory housing practices that are substantially equivalent to the rights and remedies provided in such title VIII, through such appropriate judicial or administrative proceedings (including informal methods of conference, conciliation, and persuasion) as are available therefor; and

(2) education and outreach programs designed to inform the public concerning rights and obligations under the laws referred to in paragraph (1).

Education.

(b) PROGRAM ADMINISTRATION.—

(1) Not less than 30 days before providing a grant or entering into any contract or cooperative agreement to carry out activities authorized by this section, the Secretary shall submit notification of such proposed grant, contract, or cooperative agreement (including a description of the geographical distribution of such contracts) to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives.

(2) The Secretary shall provide to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives a quarterly report that summarizes the activities funded under this section and describes the geographical distribution of grants, contracts, or cooperative agreements funded under this section.

Reports.

(c) REGULATIONS.—

(1) The Secretary shall issue such regulations as may be necessary to carry out the provisions of this section.

(2) The Secretary shall, for use during the demonstration authorized in this section, establish guidelines for testing activities funded under the private enforcement initiative of the fair housing initiatives program. The purpose of such guidelines shall be to ensure that investigations in support of fair housing enforcement efforts described in subsection (a)(1) shall develop credible and objective evidence of discriminatory housing practices. Such guidelines shall apply only to activities funded under this section, shall not be construed to limit or otherwise restrict the use of facts secured through testing not funded under this section in any legal proceeding under Federal fair housing laws, and shall not be used to restrict individuals or entities, including those participating in the fair housing initiatives program, from pursuing any right or remedy guaranteed by Federal law. Not later than 6 months after the end of the demonstration period authorized in this section, the Secretary shall submit to Congress the evaluation of the Secretary of the effectiveness of such guidelines in achieving the purposes of this section.

Discrimination,
prohibition.

(3) Such regulations shall include provisions governing applications for assistance under this section, and shall require each such application to contain—

(A) a description of the assisted activities proposed to be undertaken by the applicant, together with the estimated costs and schedule for completion of such activities;

(B) a description of the experience of the applicant in formulating or carrying out programs to prevent or eliminate discriminatory housing practices;

(C) available information, including studies made by or available to the applicant, indicating the nature and extent of discriminatory housing practices occurring in the general location where the applicant proposes to conduct its assisted activities, and the relationship of such activities to such practices;

(D) an estimate of such other public or private resources as may be available to assist the proposed activities;

(E) a description of proposed procedures to be used by the applicant for monitoring conduct and evaluating results of the proposed activities; and

(F) any additional information required by the Secretary.

(4) Regulations issued under this subsection shall not become effective prior to the expiration of 90 days after the Secretary transmits such regulations, in the form such regulations are intended to be published, to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Banking, Finance and Urban Affairs of the House of Representatives.

(5) The Secretary shall not obligate or expend any amount under this section before the effective date of the regulations required under this subsection.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—There are authorized to be appropriated to carry out the provisions of this section, including any program evaluations, \$5,000,000 for fiscal year 1988, and \$5,000,000 for fiscal year 1989, of which not more than \$3,000,000 in each year shall be for the private enforcement initiative demonstration. Any amount appropriated under this section shall remain available until expended.

(e) **SUNSET.**—The demonstration period authorized in this section shall end on September 30, 1989.

42 USC 3608a.

SEC. 562. COLLECTION OF CERTAIN DATA.

(a) **IN GENERAL.**—To assess the extent of compliance with Federal fair housing requirements (including the requirements established under title VI of Public Law 88-352 and title VIII of Public Law 90-284), the Secretary of Housing and Urban Development and the Secretary of Agriculture shall each collect, not less than annually, data on the racial and ethnic characteristics of persons eligible for, assisted, or otherwise benefiting under each community development, housing assistance, and mortgage and loan insurance and guarantee program administered by such Secretary. Such data shall be collected on a building by building basis if the Secretary involved determines such collection to be appropriate.

(b) **REPORTS TO CONGRESS.**—The Secretary of Housing and Urban Development and the Secretary of Agriculture shall each include in the annual report of such Secretary to the Congress a summary and evaluation of the data collected by such Secretary under subsection (a) during the preceding year.

SEC. 563. REGULATORY AUTHORITY.

42 USC 3535.

(a) **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.**—Section 7(o) of the Department of Housing and Urban Development Act is amended by adding at the end thereof the following new paragraph:

“(7) The Secretary shall include with each rule or regulation required to be transmitted to the Committees under this subsection a detailed summary of all changes required by the Office of Management and Budget that prohibit, modify, postpone, or disapprove such rule or regulation in whole or part.”

42 USC 1490n.

(b) **FARMERS HOME ADMINISTRATION.**—Section 534 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

“(d) The Secretary shall include with each rule or regulation required to be transmitted to the Committees under this section a detailed summary of all changes required by the Office of Manage-

ment and Budget that prohibit, modify, postpone, or disapprove such rule or regulation in whole or part.”.

SEC. 564. RESEARCH AND DEVELOPMENT.

Section 501 of the Housing and Urban Development Act of 1970 is amended by striking the second and third sentences and inserting the following: “There are authorized to be appropriated to carry out this title \$17,000,000 for fiscal year 1988, and \$18,000,000 for fiscal year 1989.”.

12 USC 1701z-1.

SEC. 565. HOME MORTGAGE DISCLOSURE.

(a) APPLICABILITY TO MORTGAGE BANKING AFFILIATES.—

(1) Section 303(2) of the Home Mortgage Disclosure Act of 1975 is amended—

12 USC 2802.

(A) by striking “or” the first place it appears; and

(B) by inserting before the semicolon at the end the following: “, mortgage banking subsidiary of a bank holding company or savings and loan holding company, or savings and loan service corporation that originates or purchases mortgage loans”.

(2) Section 304 of the Home Mortgage Disclosure Act of 1975 is amended by adding at the end the following new subsection:

12 USC 2803.

“(g) The requirements of subsections (a) and (b) shall not apply with respect to mortgage loans that are—

“(1) made by any mortgage banking subsidiary of a bank holding company or savings and loan holding company or by any savings and loan service corporation that originates or purchases mortgage loans; and

“(2) approved by the Secretary for insurance under title I or II of the National Housing Act.”.

(3) The first sentence of section 311 of the Home Mortgage Disclosure Act of 1975 is amended by inserting after “306(b)” the following: “(and for each mortgagee making mortgage loans exempted under section 304(g))”.

12 USC 2810.

(4) The amendments made by this subsection shall be applicable to calendar years beginning after December 31, 1986.

Effective date.
12 USC 2802
note.

(b) PERMANENT EXTENSION OF GENERAL AUTHORITY.—The Home Mortgage Disclosure Act of 1975 is amended by striking section 312.

12 USC 2811.

SEC. 566. LEAD-BASED PAINT POISONING PREVENTION.

Safety.

(a) DETECTION AND ABATEMENT PROCEDURES.—Section 302 of the Lead-Based Paint Poisoning Prevention Act is amended—

42 USC 4822.

(1) by inserting after the section designation the following:

“(a) GENERAL REQUIREMENTS.—”;

(2) in the second sentence, by striking “housing constructed prior to 1950” and inserting the following: “housing constructed or substantially rehabilitated prior to 1978”;

(3) in clause (1) of the second sentence, by striking “paint which may contain lead and to which children may be exposed” and inserting the following: “accessible intact, intact, and nonintact interior and exterior painted surfaces that may contain lead in any such housing in which any child who is less than 7 years of age resides or is expected to reside”;

Children and
youth.

(4) in clause (2) of the second sentence, by inserting after “notification” the following: “(using a brochure developed after consultation with the National Institute of Building Sciences)”;

(5) by striking the third sentence; and

(6) by adding at the end the following new subsections:

“(b) **MEASUREMENT CRITERIA.**—The procedures established by the Secretary under this section for the detection and abatement of lead-based paint poisoning hazards in any housing, including housing assisted under section 8 of the United States Housing Act of 1937—

“(1) shall be based upon criteria that measure the condition of the housing; and

“(2) shall not be based upon criteria that measure the health of the residents of the housing.

“(c) **INSPECTION REQUIREMENTS.**—The Secretary shall require the inspection of all intact and nonintact interior and exterior painted surfaces of housing subject to this section for lead-based paint using an approved x-ray fluorescence analyzer or comparable approved sampling or testing technique. A qualified inspector shall certify in writing the precise results of the inspection. If the results equal or exceed a level of 1.0 milligrams per centimeter squared, the results shall be provided to any potential purchaser or tenant of the housing. The Secretary shall periodically review and reduce the level below 1.0 milligram per centimeter squared to the extent that reliable technology makes feasible the detection of a lower level and medical evidence supports the imposition of a lower level. The requirements of this subsection shall apply as provided in subsection (d).

“(d) **ABATEMENT REQUIRED.**—

“(1) **PUBLIC HOUSING.**—In the case of public housing assisted under section 9 of the United States Housing Act of 1937, the Secretary shall require the inspection described in subsection (c) for—

“(A) each vacant dwelling prior to rerenting;

“(B) a random sample of all occupied dwellings; and

“(C) each dwelling in any housing in which there is a dwelling determined under subparagraph (A) or (B) to have lead-based paint hazards.

The Secretary shall require the inspection of all housing subject to this paragraph prior to the expiration of 5 years from the date of the publication of final regulations pursuant to this subsection. The Secretary shall prioritize, within such 5-year period, inspections on the basis of vacancy, age of housing, or projected modernization or rehabilitation. The Secretary shall require abatement to eliminate the lead-based paint poisoning hazards in housing in which the test results equal or exceed the standard established by or under subsection (c). Final inspection and certification after abatement shall be made by a qualified inspector.

“(2) **HUD-OWNED PROPERTIES.**—

“(A) **ABATEMENT DEMONSTRATION PROGRAM.**—In carrying out the requirements of this subsection with respect to single-family and multifamily properties owned by the Department of Housing and Urban Development, the Secretary shall utilize a sufficient variety of abatement methods in a sufficient number of areas and circumstances to demonstrate their relative cost-effectiveness and their applicability to various types of housing.

“(B) **REPORT.**—Not later than 18 months after the effective date of the regulations issued to carry out this subsection, the Secretary shall transmit to the Congress the findings and recommendations of the Secretary as a result

of the demonstration program, including any recommendations of the Secretary for legislation to revise the requirements of this subsection. In preparing such report, the Secretary shall examine—

“(i) the most reliable technology available for detecting lead-based paint;

“(ii) the most efficient and cost-effective methods for abatement;

“(iii) safety considerations in testing;

“(iv) the overall accuracy and reliability of laboratory testing of physical samples, x-ray fluorescence machines, and other available testing procedures;

“(v) availability of qualified samplers and testers; and

“(vi) an estimate of the amount, characteristics, and regional distribution of housing in the United States that contains lead-based paint hazards at differing levels of contamination.

“(3) REPORT REQUIRED.—Not later than 9 months after completion of the demonstration required by paragraph (2), the Secretary shall, based on the demonstration, prepare and transmit to the Congress, a comprehensive and workable plan, including any recommendations for changes in legislation, for the prompt and cost effective inspection and abatement of privately owned single family and multifamily housing, including housing assisted under section 8 of the United States Housing Act of 1937. After the expiration of the 9-month period referred to in the preceding sentence, the Secretary may not obligate or expend any funds or otherwise carry out activities related to any other policy development and research project until the report is transmitted.

“(e) EXCEPTIONS.—The provisions of this section shall not apply to—

“(1) housing for the elderly or handicapped, except for any dwelling in such housing in which any child who is less than 7 years of age resides or is expected to reside;

“(2) any project for which an application for insurance is submitted under section 231, 232, 241, or 242 of the National Housing Act; or

“(3) any 0-bedroom dwelling.

“(f) FUNDING.—The Secretary shall carry out the provisions of this section utilizing available Federal funding sources. The Secretary shall use funds available for comprehensive improvement assistance under section 14 of the United States Housing Act of 1937 to carry out this section in public housing.”.

(b) REGULATIONS.—

(1) PROPOSED REGULATIONS.—Not later than the expiration of the 60-day period following the date of the enactment of this Act, the Secretary of Housing and Urban Development shall publish proposed regulations to carry out the amendments made by this section.

(2) FINAL REGULATIONS.—The Secretary shall publish final regulations to carry out the amendments made by this section, which shall become effective not later than the expiration of the 120-day period following the date of the enactment of this Act.

(3) REQUIRED CONSULTATIONS.—Before issuing proposed regulations under this subsection, the Secretary shall consult with—

(A) the National Institute of Building Sciences and the National Bureau of Standards with respect to the most cost-effective methods of detecting and abating lead-based paint poisoning hazards; and

(B) public housing agencies to develop a cost-efficient plan for detecting and abating lead-based paint poisoning hazards in dwelling assisted under section 8 of the United States Housing Act of 1937 and dwellings in public housing assisted under such Act.

42 USC 1437a
note.

SEC. 567. MEDIAN AREA INCOME.

For purposes of calculating the median income for any area that is not within a metropolitan statistical area (as established by the Office of Management and Budget) for programs under title I of the Housing and Community Development Act of 1974, the United States Housing Act of 1937, the National Housing Act, or title V of the Housing Act of 1949, the Secretary of Housing and Urban Development or the Secretary of Agriculture (as appropriate) shall use whichever of the following is higher:

(1) the median income of the county in which the area is located; or

(2) the median income of the entire nonmetropolitan area of the State.

Energy.

SEC. 568. MANUFACTURED HOUSING CONSTRUCTION AND SAFETY STANDARDS.

42 USC 5403.

Section 604 of the National Manufactured Housing Construction and Safety Standards Act of 1974 is amended by adding at the end the following new subsection:

“(i)(1) The Federal manufactured home construction and safety standards established by the Secretary under this section shall include preemptive energy conservation standards in accordance with this subsection.

“(2) The energy conservation standards established under this subsection shall be cost-effective energy conservation performance standards designed to ensure the lowest total of construction and operating costs.

“(3) The energy conservation standards established under this subsection shall take into consideration the design and factory construction techniques of manufactured homes and shall provide for alternative practices that result in net estimated energy consumption equal to or less than the specified standards.”.

SEC. 569. NULLIFICATION OF RIGHT OF REDEMPTION OF SINGLE-FAMILY MORTGAGORS.

12 USC 1710.

Section 204 of the National Housing Act is amended by adding at the end the following new subsection:

“(1)(1) Whenever the Secretary or a contract mortgagee (pursuant to its contract with the Secretary) forecloses on a Secretary-held single family mortgage in any Federal or State court or pursuant to a power of sale in a mortgage, the purchaser at the foreclosure sale shall be entitled to receive a conveyance of title to, and possession of, the property, subject to the interests senior to the interests of the Secretary or the contract mortgagee, as the case may be. Notwithstanding any State law to the contrary, there shall be no right of redemption (including in all instances any right to possession based upon any right of redemption) in the mortgagor or any other person

subsequent to the foreclosure sale in connection with a Secretary-held single family mortgage. The appropriate State official or the trustee, as the case may be, shall execute and deliver a deed or other appropriate instrument conveying title to the purchaser at the foreclosure sale, consistent with applicable procedures in the jurisdiction and without regard to any such right of redemption.

“(2) The following actions shall be taken in order to verify title in the purchaser at the foreclosure sale:

“(A) In the case of a judicial foreclosure in any Federal or State court, there shall be included in the petition and in the judgment of foreclosure a statement that the foreclosure is in accordance with this subsection and that there is no right of redemption in the mortgagor or any other person.

“(B) In the case of a foreclosure pursuant to a power of sale provision in the mortgage, the statement required in subparagraph (A) shall be included in the advertisement of the sale and either in the recitals of the deed or other appropriate instrument conveying title to the purchaser at the foreclosure sale or in an affidavit or addendum to the deed.

“(3) For purposes of this subsection:

“(A) The term ‘contract mortgagee’ means a person or entity under a contract with the Secretary that provides for the assignment of a single-family mortgage from the Secretary to the person or entity for the purpose of pursuing foreclosure.

“(B) the term ‘mortgage’ means a deed of trust, mortgage, deed to secure debt, security agreement, or any other form of instrument under which any interest in property, real, personal, or mixed, or any interest in property, including leaseholds, life estates, reversionary interests, and any other estates under applicable State law, is conveyed in trust, mortgaged, encumbered, pledged, or otherwise rendered subject to a lien, for the purpose of securing the payment of money or the performance of an obligation.

“(C) The term ‘Secretary-held single family mortgage’ means a single-family mortgage held by the Secretary or by a contract mortgagee at the time of initiation of foreclosure that—

“(i) was formerly insured by the Secretary under any section of this title; or

“(ii) was taken by the Secretary as a purchase money mortgage in connection with the sale or other transfer of Secretary-owned property under any section of this title.

“(D) The term ‘single-family mortgage’ means a mortgage that covers property on which is located a 1-to-4 family residence.”.

SEC. 570. MISCELLANEOUS PROGRAMS TECHNICAL AMENDMENTS.

(a) HUD ADMINISTRATIVE PROVISIONS.—

(1) Section 502(a) of the Housing Act of 1948 is amended by striking the fourth sentence. 12 USC 1701c.

(2) Section 502(b) of the Housing Act of 1948 is amended— 42 USC 1404a.

(A) by striking “United States Housing Authority” each place it appears and inserting “Secretary of Housing and Urban Development”; and

(B) by striking “the Authority” each place it appears and inserting “the Secretary of Housing and Urban Development”.

12 USC 1701c. (3) Section 502(c)(2) of the Housing Act of 1948 is amended by adding "and" at the end.

12 USC 1701o. (b) ANNUAL REPORT OF SECRETARY.—Section 802 of the Housing Act of 1954 is amended by inserting the following section heading:

"ANNUAL REPORT OF SECRETARY".

42 USC 6832. (c) ENERGY CONSERVATION IN NEW BUILDINGS.—Section 303(11) of the Energy Conservation Standards for New Buildings Act of 1976 is amended by striking "Secretary of Housing and Urban Development" and inserting "Secretary of Energy".

42 USC 6862. (d) WEATHERIZATION ASSISTANCE.—Section 412(9)(G) of the Energy Conservation in Existing Buildings Act of 1976 is amended by striking the first comma after "determine".

12 USC 3604, 3607, 3613. (e) SOLAR ENERGY AND ENERGY CONSERVATION BANK.—Sections 506(f)(1), 509(b)(2)(E), 509(c), 515(b)(1)(A)(iii), 515(b)(1)(B), 515(b)(1)(C)(ii), 515(b)(1)(D), and 515(b)(2) of the Solar Energy and Energy Conservation Bank Act are amended—

(1) by striking "section 38" each place it appears and inserting "section 23";

(2) by striking "section 44C" each place it appears and inserting "section 38"; and

(3) by striking "Internal Revenue Code of 1954" each place it appears and inserting "Internal Revenue Code of 1986".

(f) NATIONAL INSTITUTE OF BUILDING SCIENCES.—

12 USC 1701j-2. (1) Section 809(g)(4) of the Housing and Community Development Act of 1974 is amended by striking "and its" and inserting "of its".

(2) Section 809(h) of the Housing and Community Development Act of 1974 is amended by striking "preceeding" in the last sentence and inserting "preceding".

12 USC 2607. (g) REAL ESTATE SETTLEMENT PROCEDURES.—Section 8(c)(5) of the Real Estate Settlement Procedures Act of 1974 is amended by striking "clause 4(B)" and inserting "clause (4)(B)".

12 USC 2803. (h) HOME MORTGAGE DISCLOSURE.—Section 304(a)(1) of the Home Mortgage Disclosure Act of 1975 is amended by striking "at at" and inserting "at".

(i) STEWART B. MCKINNEY HOMELESS ASSISTANCE ACT.—

42 USC 11382. (1) Section 422(1) of the Stewart B. McKinney Homeless Assistance Act is amended by inserting "governmental entity," after "urban county,".

42 USC 11391. (2) Section 431(1) of such Act is amended by inserting "governmental entity," after "urban county,".

12 USC 1735e-1. SEC. 571. USE OF AMERICAN MATERIALS AND PRODUCTS.

In the administration of housing assistance programs, the Secretary of Housing and Urban Development shall encourage the use of materials and products mined and produced in the United States.

SEC. 572. STUDY OF VOLUNTARY STANDARDS FOR MODULAR HOMES.

Reports. (a) IN GENERAL.—In order to facilitate the construction and delivery of housing, the National Institute of Building Sciences shall prepare and submit to the Congress not later than 6 months after the date of the enactment of this Act a report describing feasible alternative systems for implementing one or more voluntary preemptive national codes for modular housing, including the method for inspecting the structures to ensure compliance with the

selected code or set of codes. Such codes may be national model codes and shall provide for periodic upgrading through recognized model code development procedures and the development of modular housing standards for construction, design, and performance that ensure quality, durability, and safety and are in accordance with life-cycle cost-effective energy conservation standards established by the Secretary of Housing and Urban Development and designed to ensure the lowest total construction and operating costs over the estimated life of such housing.

(b) **DEFINITION.**—For purposes of this section, the term “modular housing” means factory-built single-family and multifamily housing (including closed wall panelized housing) not subject to the requirements of the National Manufactured Housing Construction and Safety Standards Act of 1974.

(c) **GRANT.**—From amounts appropriated pursuant to section 501 of the Housing and Urban Development Act of 1970, the Secretary of Housing and Urban Development shall make a grant to the National Institute of Building Sciences in an amount not to exceed \$50,000 to cover the cost of the report under this section.

TITLE VI—NEHEMIAH HOUSING OPPORTUNITY GRANTS

SEC. 601. STATEMENT OF PURPOSE.

12 USC 1715/
note.

It is the purpose of this title—

- (1) to encourage homeownership by families in the United States who are not otherwise able to afford homeownership;
- (2) to undertake a concentrated effort to rebuild the depressed areas of the cities of the United States and to create sound and attractive neighborhoods; and
- (3) to increase the employment of neighborhood residents.

SEC. 602. DEFINITIONS.

12 USC 1715/
note.

For purposes of this title:

- (1) The term “Fund” means the Nehemiah Housing Opportunity Fund established in section 609(a).
- (2) The term “home” means any 1- to 4-family dwelling. Such term includes any dwelling unit in a condominium project or cooperative project consisting of not more than 4 dwelling units, any town house, and any manufactured home.
- (3) The term “lower income families” has the meaning given such term in section 3(b)(2) of the United States Housing Act of 1937.
- (4) The term “metropolitan statistical area” means a metropolitan statistical area as established by the Office of Management and Budget.
- (5) The term “nonprofit organization” means a private nonprofit corporation, or other private nonprofit legal entity, that is approved by the Secretary as to financial responsibility.
- (6) The term “Secretary” means the Secretary of Housing and Urban Development.
- (7) The term “State” means each of the several States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana

Islands, the Trust Territory of the Pacific Islands, and any other territory or possession of the United States.

- (8) The term "substantial rehabilitation" means—
- (A) rehabilitation involving costs in excess of 60 percent of the maximum sale price of a home assisted under this title in the market area in which it is located; or
 - (B) the rehabilitation of a vacant, uninhabitable structure.
- (9) The term "unit of general local government" means any borough, city, county, parish, town, township, village, or other general purpose political subdivision of a State.

12 USC 1715f
note.

SEC. 603. ASSISTANCE TO NONPROFIT ORGANIZATIONS.

(a) **IN GENERAL.**—The Secretary may provide assistance to nonprofit organizations to carry out Nehemiah housing opportunity programs in accordance with the provisions of this title. Such assistance shall be made in the form of grants.

(b) **APPLICATIONS.**—Applications for assistance under this title shall be made in such form, and in accordance with such procedures, as the Secretary may prescribe.

Loans.
12 USC 1715f
note.

SEC. 604. USE OF ASSISTANCE.

(a) **IN GENERAL.**—Any nonprofit organization receiving assistance under this title shall use such assistance to provide loans to families purchasing homes constructed or substantially rehabilitated in accordance with a Nehemiah housing opportunity program approved under this title.

(b) **SPECIFIC REQUIREMENTS.**—Each loan made to a family under this section shall—

- (1) be secured by a second mortgage held by the Secretary on the property involved;
- (2) be in an amount not exceeding \$15,000;
- (3) bear no interest; and
- (4) be repayable to the Secretary upon the sale, lease, or other transfer of such property.

12 USC 1715f
note.

SEC. 605. PROGRAM REQUIREMENTS.

(a) **IN GENERAL.**—Assistance provided under this title may be used only in connection with a Nehemiah housing opportunity program of construction or substantial rehabilitation of homes.

(b) **FAMILY NEED.**—Each family purchasing a home under this title shall—

- (1) have a family income on the date of such purchase that is not more than whichever of the following is higher:

- (A) the median income for a family of 4 persons in the metropolitan statistical area involved, except that if and to the extent that the unit of general local government demonstrates to the Secretary that such action is necessary to achieve or maintain neighborhood stability, not to exceed 15 percent of the families in a project at any time during development or occupancy may have incomes up to 115 percent of such median income; or

- (B) the national median income for a family of 4 persons; and

- (2) not have owned a home during the 3-year period preceding such purchase.

(c) **DOWNPAYMENT.**—

(1) Each family purchasing a home under this title shall make a downpayment of not less than 10 percent of the sale price of such home unless—

(A) the nonprofit organization determines a higher downpayment to be appropriate; or

(B) the first mortgage on the home is held by a State or unit of general local government under a home loan program of the State or unit of general local government, and the program provides for a lower downpayment.

State and local governments.

(2) Any downpayment made under this subsection shall accrue interest from the date on which such downpayment is made through the date of settlement, at a rate not less than the passbook rate. Such interest shall be paid by the nonprofit organization involved to the family purchasing the home for which such downpayment was made.

(d) **LEASING PROHIBITION.**—No family purchasing a home under this title may lease such home.

SEC. 606. TERMS AND CONDITIONS OF ASSISTANCE.

State and local governments.
12 USC 1715f note.

(a) **LOCAL CONSULTATION.**—No proposed Nehemiah housing opportunity program may be approved by the Secretary under this title unless the nonprofit organization involved demonstrates to the satisfaction of the Secretary that—

(1) it has consulted with and received the support of residents of the neighborhood in which such program is to be located; and

(2) it has the approval of each unit of general local government in which such program is to be located.

(b) **PROGRAM SCHEDULE.**—Each nonprofit organization applying for assistance under this title shall submit to the Secretary an estimated schedule for completion of its proposed Nehemiah housing opportunity program, which schedule shall have been agreed to by each unit of general local government in which such program is to be located.

(c) **MINIMUM PARTICIPATION.**—No nonprofit organization receiving assistance under this title may commence any construction or substantial rehabilitation (except with respect to homes to be constructed or substantially rehabilitated for the purpose of display) until not less than 25 percent of the homes to be constructed or substantially rehabilitated are contracted for sale to purchasers who intend to live in such homes and the required downpayments are made.

(d) **FINANCIAL FEASIBILITY.**—The Secretary may not provide any assistance under this title to any nonprofit organization unless such nonprofit organization demonstrates the financial feasibility of its proposed Nehemiah housing opportunity program, including the availability of non-Federal public and private funds.

(e) **HOME QUALITY AND LOCATION.**—A Nehemiah housing opportunity program may be approved under this title only if it provides that—

(1) the number of homes to be constructed or substantially rehabilitated under such program will not be less than whichever of the following is less:

(A) the greater of (i) 50 homes; or (ii) 0.25 percent of the number of existing dwelling units in the unit of general local government that provides the most assistance to such program; or

(B) 250 homes;

except that the Secretary may waive the requirements of this paragraph for any unit of general local government if the Governor of the State or the unit of general local government requests such waiver and certifies with supporting documentation that such requirements will prevent the State or the unit of general local government from being able to use such program effectively;

(2) each home constructed or substantially rehabilitated under such program will comply with—

(A)(i) applicable local building code standards;

(ii) in any case in which there is not an applicable local building code, a nationally recognized model building code mutually agreed upon by the sponsoring nonprofit organization and the Secretary; or

(iii) in the case of a manufactured home, the standards prescribed pursuant to title VI of the Housing and Community Development Act of 1974 and the installation, structural, and site requirements that would apply under title II of the National Housing Act; and

(B) the energy performance requirements established under section 526 of the National Housing Act or, in the case of manufactured housing, the energy conservation requirements prescribed in accordance with section 203(b) of the National Housing Act;

(3) all homes constructed or substantially rehabilitated under such program will be located in census tracts, or identifiable neighborhoods within census tracts, in which the median family income is not more than 80 percent of the median family income of the area in which such program is to be located, as such median family income and area are determined for purposes of assistance under section 8 of the United States Housing Act of 1937;

(4) all homes constructed or substantially rehabilitated under such program will be concentrated in a single neighborhood and located on contiguous parcels of land, except that homes may be constructed or substantially rehabilitated in up to 4 identifiable neighborhoods that each consist of contiguous parcels of land if—

(A) the unit of general local government in which the project is located certifies that land cannot be made available in a single neighborhood for a program of the size required by paragraph (1);

(B) the nonprofit organization submits evidence satisfactory to the Secretary that construction or substantial rehabilitation in more than 1 identifiable neighborhood will result in cost reductions through economies of scale comparable to the cost reductions achieved by other programs eligible for assistance under this title; and

(C) the nonprofit organization submits evidence satisfactory to the Secretary that the program, by itself or together with improvement efforts that are or will be undertaken in the identifiable neighborhoods by the unit of general local government or private entities, will result in a substantial improvement in the overall quality and long-term viability of the neighborhoods; and

(5) sales contracts entered into under such program will contain provisions requiring repayment of any loan made under

Energy.

Contracts.

this title upon the sale or other transfer of the home involved, unless the Secretary approves a transfer of such home without repayment (in which case the second mortgage held by the Secretary on such home shall remain in force until such loan is fully repaid).

SEC. 607. PROGRAM SELECTION CRITERIA.

12 USC 1715f
note.

(a) **IN GENERAL.**—In selecting Nehemiah housing opportunity programs for assistance under this title from among eligible programs, the Secretary shall make such selection on the basis of the extent to which—

(1) non-Federal public or private entities will contribute land necessary to make each program feasible;

(2) non-Federal public and private financial or other contributions (including tax abatements, waivers of fees related to development, waivers of construction, development, or zoning requirements, and direct financial contributions) will reduce the cost of homes constructed or substantially rehabilitated under each program;

(3) each program will produce the greatest number of units for the least amount of assistance provided under this title, taking into consideration the cost differences among different market areas;

(4) each program is located in a neighborhood of severe physical and economic blight (and, in determining the degree of physical blight, the Secretary shall consider the condition of the housing, other buildings, and infrastructure, in the neighborhood of the proposed program);

(5) each program uses construction methods that will reduce the cost per square foot below the average construction cost in the market area involved; and

(6) each program provides for the involvement of local residents in the planning, and construction or substantial rehabilitation, of homes.

(b) **EXCEPTION.**—To the extent that non-Federal public entities are prohibited by the law of any State from making any form of contribution described in paragraph (1) or (2) of subsection (a), the Secretary shall not consider such form of contribution in evaluating such program.

SEC. 608. DISTRIBUTION OF ASSISTANCE TO NONPROFIT ORGANIZATIONS.

12 USC 1715f
note.

(a) **RESERVATION OF AMOUNTS.**—Following the selection of any Nehemiah housing opportunity program for assistance under this title, the Secretary shall reserve sufficient amounts in the Nehemiah Housing Opportunity Fund for such assistance.

(b) **DISTRIBUTION OF ASSISTANCE.**—Following the sale of any home constructed or substantially rehabilitated under a Nehemiah housing opportunity program selected for assistance under this title, the Secretary shall provide to the sponsoring nonprofit organization an amount equal to the amount of the loan made to the family purchasing such home. Such amount shall be provided not more than 30 days after the sale of such home.

(c) **MAXIMUM ASSISTANCE.**—The assistance provided to any nonprofit organization under this title may not exceed \$15,000 per home.

12 USC 1715f
note.

SEC. 609. NEHEMIAH HOUSING OPPORTUNITY FUND.

(a) **ESTABLISHMENT.**—There is established in the Treasury of the United States a revolving fund, to be known as the Nehemiah Housing Opportunity Fund. The Fund shall be available to the Secretary, to the extent approved in appropriation Acts, for purposes of providing assistance under section 603.

(b) **ASSETS.**—The Fund shall consist of—

(1) any amount appropriated under section 612;

(2) any amount received by the Secretary under section 604(b)(4); and

(3) any amount received by the Secretary under subsection (c).

(c) **ADMINISTRATION.**—Any amount in the Fund determined by the Secretary to be in excess of the amount currently required to carry out the provisions of this title shall be invested by the Secretary in obligations of, or obligations guaranteed as to both principal and interest by, the United States or any agency of the United States.

12 USC 1715f
note.

SEC. 610. REPORT.

Not later than March 1, 1990, the Secretary shall prepare and submit to the Congress a comprehensive report setting forth the activities carried out under this title. Such report shall include—

(1) an analysis of the characteristics of the families assisted under this title, including family size, number of children, family income, sources of family income, race, age, and sex;

(2) an analysis of the market value of homes purchased under this title;

(3) an analysis of the non-Federal public and private financial or other contributions made to reduce the cost of homes constructed or substantially rehabilitated under each program;

(4) an analysis of the sales prices of homes under this title;

(5) an analysis of the amounts of the grants made to programs under this title; and

(6) any recommendations of the Secretary for modifications in the program established by this title in order to ensure the effective implementation of such program.

12 USC 1715f
note.

SEC. 611. REGULATIONS.

Not later than July 1, 1988, the Secretary shall issue final regulations to carry out the provisions of this title. Any such regulations shall be issued in accordance with section 553 of title 5, United States Code, notwithstanding the provisions of subsection (a)(2) of such section.

12 USC 1715f
note.

SEC. 612. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to carry out this title \$25,000,000 for fiscal year 1988 and \$100,000,000 for fiscal year 1989. Any amount appropriated under this section shall be deposited in the Nehemiah Housing Opportunity Fund, and shall remain available until expended.

12 USC 1715f
note.

SEC. 613. SUNSET.

No assistance may be provided under this title after September 30, 1989, except pursuant to a commitment made on or before such date.

TITLE VII—ENTERPRISE ZONE DEVELOPMENT

SEC. 701. DESIGNATION OF ENTERPRISE ZONES.

State and local
governments.
42 USC 11501.

(a) DESIGNATION OF ZONES.—

(1) DEFINITION.—For purposes of this section, the term “enterprise zone” means any area that—

(A) is nominated by one or more local governments and the State or States in which it is located for designation as an enterprise zone (in this section referred to as a “nominated area”); and

(B) the Secretary of Housing and Urban Development designates as an enterprise zone, after consultation with—

(i) the Secretaries of Agriculture, Commerce, Labor, and the Treasury, the Director of the Office of Management and Budget, and the Administrator of the Small Business Administration; and

(ii) in the case of an area on an Indian reservation, the Secretary of the Interior.

(2) NUMBER OF DESIGNATIONS.—

(A) IN GENERAL.—The Secretary of Housing and Urban Development may designate not more than 100 nominated areas as enterprise zones.

(B) MINIMUM DESIGNATION IN RURAL AREAS.—Of the areas designated under clause (i), not less than $\frac{1}{3}$ shall be areas that—

(i) are within a local government jurisdiction or jurisdictions with a population of less than 50,000 (as determined under the most recent census data available);

(ii) are outside of a metropolitan statistical area (as designated by the Director of the Office of Management and Budget); or

(iii) that are determined by the Secretary, after consultation with the Secretary of Commerce, to be rural areas.

(3) AREAS DESIGNATED BASED SOLELY ON DEGREE OF POVERTY.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the Secretary shall designate the nominated areas with the highest average ranking with respect to the criteria set forth in subparagraphs (C), (D), and (E) of subsection (c)(3). For purposes of the preceding sentence, an area shall be ranked within each such criterion on the basis of the amount by which the area exceeds such criterion, with the area that exceeds such criterion by the greatest amount given the highest ranking.

(B) EXCEPTION WHERE INADEQUATE COURSE OF ACTION, ETC.—An area shall not be designated under subparagraph (A) if the Secretary determines that the course of action with respect to such area is inadequate.

(C) SEPARATE APPLICATION TO RURAL AND OTHER AREAS.—Subparagraph (A) shall be applied separately with respect to areas described in paragraph (2)(B) and to other areas.

(4) LIMITATION ON DESIGNATIONS.—

(A) PUBLICATION OF REGULATIONS.—Before designating any area as an enterprise zone, the Secretary shall pre-

scribe by regulation not later than 4 months following the date of the enactment of this Act, after consultation with the officials described in paragraph (1)(B)—

(i) the procedures for nominating an area under paragraph (1)(A);

(ii) the parameters relating to the size and population characteristics of an enterprise zone; and

(iii) the manner in which nominated areas will be evaluated based on the criteria specified in subsection (d).

(B) **TIME LIMITATIONS.**—The Secretary shall designate nominated areas as enterprise zones only during the 24-month period beginning on the 1st day of the 1st month following the month in which the effective date of the regulations described in subparagraph (A) occurs.

(C) **PROCEDURAL RULES.**—The Secretary shall not make any designation under paragraph (1) unless—

(i) the local governments and the State in which the nominated area is located have the authority—

(I) to nominate such area for designation as an enterprise zone;

(II) to make the State and local commitments under subsection (d); and

(III) to provide assurances satisfactory to the Secretary that such commitments will be fulfilled;

(ii) a nomination therefor is submitted in such a manner and in such form, and contains such information, as the Secretary shall by regulation prescribe;

(iii) the Secretary determines that any information furnished is reasonably accurate; and

(iv) the State and local governments certify that no portion of the area nominated is already included in an enterprise zone or in an area otherwise nominated to be an enterprise zone.

(5) **NOMINATION PROCESS FOR INDIAN RESERVATIONS.**—In the case of a nominated area on an Indian reservation, the reservation governing body (as determined by the Secretary of the Interior) shall be deemed to be both the State and local governments with respect to such area.

(b) **PERIOD FOR WHICH DESIGNATION IS IN EFFECT.**—

(1) **IN GENERAL.**—Any designation of an area as an enterprise zone shall remain in effect during the period beginning on the date of the designation and ending on the earliest of—

(A) December 31 of the 24th calendar year following the calendar year in which such date occurs;

(B) the termination date designated by the State and local governments as provided for in their nomination pursuant to subsection (a)(4)(C)(ii); or

(C) the date the Secretary revokes such designation under paragraph (2).

(2) **REVOCATION OF DESIGNATION.**—The Secretary, after consultation with the officials described in subsection (a)(1)(B) and a hearing on the record involving officials of the State or local government involved, may revoke the designation of an area if the Secretary determines that the local government or the State in which it is located is not complying substantially with the State and local commitments pursuant to subsection (d).

(c) AREA AND ELIGIBILITY REQUIREMENTS.—

(1) **IN GENERAL.**—The Secretary may make a designation of any nominated area under subsection (a)(1) only if it meets the requirements of paragraphs (2) and (3).

(2) **AREA REQUIREMENTS.**—A nominated area meets the requirements of this paragraph if—

(A) the area is within the jurisdiction of the local government;

(B) the boundary of the area is continuous; and

(C) the area—

(i) has a population, as determined by the most recent census data available, of not less than—

(I) 4,000 if any portion of such area (other than a rural area described in subsection (a)(2)(B)(i)) is located within a metropolitan statistical area (as designated by the Director of the Office of Management and Budget) with a population of 50,000 or more; or

(II) 1,000 in any other case; or

(ii) is entirely within an Indian reservation (as determined by the Secretary of the Interior).

(3) **ELIGIBILITY REQUIREMENTS.**—For purposes of paragraph (1), a nominated area meets the requirements of this paragraph if the State and local governments in which it is located certify and the Secretary, after such review of supporting data as he deems appropriate, accepts such certification, that—

(A) the area is one of pervasive poverty, unemployment, and general distress;

(B) the area is located wholly within the jurisdiction of a local government that is eligible for Federal assistance under section 119 of the Housing and Community Development Act of 1974, as in effect on the date of the enactment of this Act;

(C) the unemployment rate, as determined by the appropriate available data, was not less than 1.5 times the national unemployment rate for that period;

(D) the poverty rate (as determined by the most recent census data available) for each populous census tract (or where not tracted, the equivalent county division as defined by the Bureau of the Census for the purpose of defining poverty areas) within the area was not less than 20 percent for the period to which such data relate; and

(E) the area meets at least one of the following criteria:

(i) Not less than 70 percent of the households living in the area have incomes below 80 percent of the median income of households of the local government (determined in the same manner as under section 119(b)(2) of the Housing and Community Development Act of 1974).

(ii) The population of the area decreased by 20 percent or more between 1970 and 1980 (as determined from the most recent census available).

(4) **ELIGIBILITY REQUIREMENTS FOR RURAL AREAS.**—For purposes of paragraph (1), a nominated area that is a rural area described in subsection (a)(2)(B) meets the requirements of paragraph (3) if the State and local governments in which it is located certify and the Secretary, after such review of support-

ing data as he deems appropriate, accepts such certification, that the area meets—

(A) the criteria set forth in subparagraphs (A) and (B) of paragraph (3); and

(B) not less than one of the criteria set forth in the other subparagraphs of paragraph (3).

(d) REQUIRED STATE AND LOCAL COMMITMENTS.—

(1) IN GENERAL.—No nominated area shall be designated as an enterprise zone unless the local government and the State in which it is located agree in writing that, during any period during which the area is an enterprise zone, such governments will follow a specified course of action designated to reduce the various burdens borne by employers or employees in such area. A course of action shall not be treated as meeting the requirements of this paragraph unless the course of action include provisions described in not less than 4 of the subparagraphs of paragraph (2).

(2) COURSE OF ACTION.—The course of action under paragraph (1) may be implemented by both such governments and private nongovernmental entities, may be funded from proceeds of any program administered by the Secretary of Housing and Urban Development or of any program administered by the Secretary of Agriculture under title V of the Housing Act of 1949, and may include, but is not limited to—

(A) a reduction of tax rates or fees applying within the enterprise zone;

(B) an increase in the level of public services, or in the efficiency of the delivery of public services, within the enterprise zone;

(C) actions to reduce, remove, simplify, or streamline paperwork requirements within the enterprise zone;

(D) involvement in the program by public authorities or private entities, organizations, neighborhood associations, and community groups, particularly those within the nominated area, including a written commitment to provide jobs and job training for, and technical, financial, or other assistance to, employers, employees, and residents of the nominated area;

(E) the giving of special preference to contractors owned and operated by members of any minority; and

(F) the gift (or sale at below fair market value) of surplus land in the enterprise zone to neighborhood organizations agreeing to operate a business on the land.

(3) RECOGNITION OF PAST EFFORTS.—In evaluating courses of action agreed to by any State or local government, the Secretary shall take into account the past efforts of such State or local government in reducing the various burdens borne by employers and employees in the area involved.

(4) PROHIBITION OF ASSISTANCE FOR BUSINESS RELOCATIONS.—

(A) IN GENERAL.—The course of action implemented under paragraph (1) may not include any action to assist—

(i) any establishment relocating from one area to another area; or

(ii) any subcontractor whose purpose is to divest, or whose economic success is dependent upon divesting, any other contractor or subcontractor of any contract

Employment and unemployment.

Minorities.

Gifts and property.

Contracts.

customarily performed by such other contractor or subcontractor.

(B) EXCEPTION.—The limitations established in subparagraph (A) shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary if the Secretary—

(i) finds that the establishment of the new branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where the existing business entity conducts business operations; and

(ii) has no reason to believe that the new branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where the existing business entity conducts business operations.

(e) DEFINITIONS.—For purposes of this section:

(1) GOVERNMENT.—If more than one government seeks to nominate an area as an enterprise zone, any reference to, or requirement of, this section shall apply to all such governments.

(2) LOCAL GOVERNMENT.—The term “local government” means—

(A) any county, city, town, township, parish, village, or other general purpose political subdivision of a State;

(B) any combination of political subdivisions described in subparagraph (A) recognized by the Secretary; and

(C) the District of Columbia.

(3) SECRETARY.—The term “Secretary” means the Secretary of Housing and Urban Development.

(4) STATE.—The term “State” includes Puerto Rico, the Virgin Islands, Guam, American Samoa, the Northern Mariana Islands, and any other possession of the United States.

SEC. 702. EVALUATION AND REPORTING REQUIREMENTS.

42 USC 11502.

Not later than the close of the 4th calendar year after the year in which the Secretary of Housing and Urban Development first designates areas as enterprise zones, and at the close of each 4th calendar year thereafter, the Secretary shall prepare and submit to the Congress a report on the effects of such designation in accomplishing the purposes of this title.

SEC. 703. INTERACTION WITH OTHER FEDERAL PROGRAMS.

42 USC 11503.

(a) COORDINATION WITH RELOCATION ASSISTANCE.—The designation of an enterprise zone under section 701 shall not—

(1) constitute approval of a Federal or federally assisted program or project (within the meaning of the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970 (42 U.S.C. 4601 et seq.)); or

(2) entitle any person displaced from real property located in such zone to any rights or any benefits under such Act.

(b) ENTERPRISE ZONES TREATED AS LABOR SURPLUS AREAS.—Any area that is designated as an enterprise zone under section 701 shall be treated for all purposes under Federal law as a labor surplus area.

42 USC 11504.

SEC. 704. WAIVER OR MODIFICATION OF HOUSING AND COMMUNITY DEVELOPMENT RULES IN ENTERPRISE ZONES.

(a) **IN GENERAL.**—Upon the written request of the governments that designated and approved an area that has been designated as an enterprise zone under section 701, the Secretary of Housing and Urban Development (or, with respect to any rule issued under title V of the Housing Act of 1949, the Secretary of Agriculture) may, in order to further the job creation, community development, or economic revitalization objectives of the zone, waive or modify all or part of any rule that the Secretary has authority to promulgate, as such rule pertains to the carrying out of projects, activities, or undertakings within the zone.

Discrimination,
prohibition.

(b) **LIMITATION.**—No provision of this section may be construed to authorize the Secretary to waive or modify any rule adopted to carry out a statute or Executive order that prohibits, or the purpose of which is to protect persons against, discrimination on the basis of race, color, religion, sex, marital status, national origin, age, or handicap.

(c) **SUBMISSION OF REQUESTS.**—A request under subsection (a) shall specify the rule or rules to be waived or modified and the change proposed, and shall briefly describe why the change would promote the achievement of the job creation, community development, or economic revitalization objectives of the enterprise zone. If a request is made to the Secretary of Agriculture, the requesting governments shall send a copy of the request to the Secretary of Housing and Urban Development at the time the request is made.

(d) **CONSIDERATION OF REQUESTS.**—In considering a request, the Secretary shall weigh the extent to which the proposed change is likely to further job creation, community development, or economic revitalization within the enterprise zone against the effect the change is likely to have on the underlying purposes of applicable statutes in the geographic area that would be affected by the change. The Secretary shall approve the request whenever the Secretary finds, in the discretion of the Secretary, that the public interest that the proposed change would serve in furthering such job creation, community development or economic revitalization outweighs the public interest that continuation of the rule unchanged would serve in furthering such underlying purposes. The Secretary shall not approve any request to waive or modify a rule if that waiver or modification would—

(1) directly violate a statutory requirement; or

(2) be likely to present a significant risk to the public health, including environmental health or safety.

Health and
medical care.
Safety.

(e) **NOTICE OF DISAPPROVAL.**—If a request is disapproved, the Secretary shall inform the requesting governments in writing of the reasons therefor and shall, to the maximum extent possible, work with such governments to develop an alternative, consistent with the standards contained in subsection (d).

(f) **PERIOD FOR DETERMINATION.**—The Secretary shall discharge the responsibilities of the Secretary under this section in an expeditious manner, and shall make a determination on requests not later than 90 days after their receipt.

(g) **APPLICABLE PROCEDURES.**—A waiver or modification of a rule under subsection (a) shall not be considered to be a rule, rule-making, or regulation under chapter 5 of title 5, United States Code. To facilitate reaching a decision on any requested waiver or modi-

fication, the Secretary may seek the views of interested parties and, if the views are to be sought, determine how they should be obtained and to what extent, if any, they should be taken into account in considering the request. The Secretary shall publish a notice in the Federal Register stating any waiver or modification of a rule under this section.

Federal
Register,
publication.

(h) **EFFECT OF SUBSEQUENT AMENDMENT OF RULES.**—In the event that the Secretary proposes to amend a rule for which a waiver or modification under this section is in effect, the Secretary shall not change the waiver or modification to impose additional requirements unless the Secretary determines, consistent with standards contained in subsection (d), that such action is necessary.

(i) **EXPIRATION OF WAIVERS AND MODIFICATIONS.**—No waiver or modification of a rule under this section shall remain in effect for a longer period than the period for which the enterprise zone designation remains in effect for the area in which the waiver or modification applies.

(j) **DEFINITIONS.**—For purposes of this section:

(1) **RULE.**—The term “rule” means—

(A) any rule as defined in section 551(4) of title 5, United States Code; or

(B) any rulemaking conducted on the record after opportunity for an agency hearing pursuant to sections 556 and 557 of such title 5.

(2) **SECRETARY.**—The term “Secretary” means the Secretary of Housing and Urban Development or, with respect to any rule issued under title V of the Housing Act of 1949, the Secretary of Agriculture.

SEC. 705. COORDINATION OF HOUSING AND URBAN DEVELOPMENT PROGRAMS IN ENTERPRISE ZONES.

Section 3 of the Department of Housing and Urban Development Act is amended by adding at the end the following new subsection:

42 USC 3532.

“(d) The Secretary shall—

“(1) promote the coordination of all programs under the jurisdiction of the Secretary that are carried on within an enterprise zone designated pursuant to section 701 of the Housing and Community Development Act of 1987;

“(2) expedite, to the greatest extent possible, the consideration of applications for programs referred to in paragraph (1) through the consolidation of forms or otherwise; and

“(3) provide, whenever possible, for the consolidation of periodic reports required under programs referred to in paragraph (1) into one summary report submitted at such intervals as may be designated by the Secretary.”

Reports.

Grants.
42 USC 11505.

SEC. 706. COORDINATION WITH CDBG AND UDAG PROGRAMS.

It is the policy of the Congress that amounts provided under the community development block grant and urban development action grant programs under title I of the Housing and Community Development Act of 1974 shall not be reduced in any fiscal year in which the provisions of this title are in effect.

Approved February 5, 1988.

LEGISLATIVE HISTORY—S. 825 (H.R. 4):

HOUSE REPORTS: No. 100-122 and Pt. 2 accompanying H.R. 4 (Comm. on Banking, Finance and Urban Affairs) and No. 100-426 (Comm. of Conference).

SENATE REPORTS: No. 100-21 (Comm. on Banking, Housing, and Urban Affairs).
CONGRESSIONAL RECORD, Vol. 133 (1987):

- Mar. 30, 31, considered and passed Senate.
- June 10, 11, H.R. 4 considered and passed House.
- June 17, S. 825 considered and passed House, amended.
- Nov. 9, House agreed to conference report.
- Nov. 12, 13, 17, Senate considered conference report.
- Dec. 21, Senate concurred in House amendments with an amendment. House concurred in Senate amendment.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 24 (1988):
Feb. 5, Presidential remarks.