

**The original documents are located in Box 27, folder “7/2/75 HR5398 Emergency Housing Act of 1975” of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald R. Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

APPROVED

JUL 2 - 1975

Signed in Ceremony  
in Rose Garden - 1:45pm  
Statement Issued: 7/2/75

7/2/75

ACTION

THE WHITE HOUSE

WASHINGTON

July 2, 1975

Last Day: July 12

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Jwe*

SUBJECT: Enrolled Bill H.R. 5398 - Emergency Housing Act of 1975

To Ashley  
7/3/75

Attached for your consideration is H.R. 5398, sponsored by Representative Ashley and 15 others, which:

- Provides standby authority for the Secretary of HUD to assist homeowners faced with foreclosures;
- Extends and revises HUD's authority to purchase home mortgages and authorizes an additional \$10 billion for such purchases;
- Extends the Section 312 rehabilitation program for one more year; and
- Amends the laws governing certain other HUD programs.

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

Jim Lynn, Jack Marsh, Bob Hartmann, Alan Greenspan, Max Friedersdorf, Phil Buchen (Lazarus), Bill Seidman and I recommend approval of the enrolled bill and the proposed signing statement which has been cleared by Paul Theis.

RECOMMENDATION

That you sign H.R. 5398 at Tab C.

That you approve the signing statement at Tab B.

Approve *JAC 7* Disapprove \_\_\_\_\_



STATEMENT BY THE PRESIDENT

I am pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975. This Act embodies the alternative approach which I urged at the time of my veto of H.R. 4485 last Tuesday.

I commend Members of Congress of both parties for quickly enacting meaningful and effective housing legislation. This is an excellent example of the way in which the Congress and the Executive Branch can--and should--work together in the best interests of the American people.

This Administration is committed to a prompt recovery of the housing industry and to getting construction workers back on the job. Both of these actions are crucial to our overall economic recovery.

This legislation provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association which will be available if required to sustain the housing

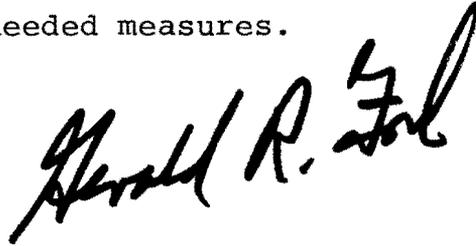
recovery presently under way. It also expands coverage to other types of housing construction, including condominiums.

Last week I directed Secretary Hills to release \$2 billion in GNMA mortgage purchase funds. As a result of the swift enactment of this new housing bill by the Congress, those funds will be released at an interest rate of 7-1/2 percent. Condominium mortgages will also be eligible, thus assisting a hard-pressed sector of the housing industry. These funds will finance an estimated 65,000 units of housing and provide jobs for the building trades.

The bill meets the problem of mortgage foreclosures head on. It provides standby authority for the Secretary of Housing and Urban Development to co-insure loans made by lending institutions or to make mortgage relief payments to other lenders to preclude mortgage foreclosures. Presently, mortgage foreclosures and defaults have remained level, at rates less than those which prevailed during the mid-1960s, indicating that private lenders are cooperating with homeowners. However, if foreclosure

rates rise significantly, this legislation will enable us to act quickly to keep owners from losing their homes.

I hope the cooperation between the Congress and the Executive Branch shown in this legislation will continue in other badly-needed measures.

A handwritten signature in black ink, reading "Gerald R. Ford". The signature is written in a cursive style with a large, stylized "F" and "D".



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

JUL 1 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5398 - Emergency Housing Act  
of 1975  
Sponsor - Rep. Ashley (D) Ohio and 15 others

Last Day for Action

*July 12, 1975*

Purpose

Provides standby authority for the Secretary of HUD to assist homeowners faced with foreclosure; extends and revises HUD's authority to purchase home mortgages and authorizes an additional \$10 billion for such purchases; extends the section 312 rehabilitation program for one more year; and amends the laws governing certain other HUD programs.

Agency Recommendations

Office of Management and Budget	Approval
Department of Housing and Urban Development	Approval
Council on Wage and Price Stability staff	Approval
Department of Labor	No objection (Informally)
Council of Economic Advisers	No objection (Informally)
Federal Deposit Insurance Corporation staff	No objection (Informally)
Federal Home Loan Bank Board	Does not recommend a veto
Department of the Treasury	Would support a veto recommendation



## Discussion

On June 24, 1975, you vetoed H.R. 4485, the proposed Emergency Housing Act of 1975. In your veto message you proposed that Congress instead extend the mortgage assistance program authorized by the Emergency Home Purchase Assistance Act of 1974, expand its coverage to include conventionally financed multi-family housing, including condominiums, and authorize an additional \$7.75 billion in mortgage purchases. Furthermore, you endorsed standby authority for the Secretary of HUD to make mortgage payment relief loans or to co-insure lenders who refrain from foreclosing on homeowners who are temporarily out of work.

The House of Representatives sustained your veto of H.R. 4485, and both Houses have responded to your call for new legislation with H.R. 5398. The bill meets the general outlines which you proposed, with some variations. However, it includes three objectionable provisions which extend the section 312 rehabilitation loan program, defer flood insurance sanctions, and extend the time for FHA-insured homeowners to apply for defect compensation. HUD's views letter indicates that although these amendments are objectionable, they cause no unmanageable difficulties.

### Major Provisions of H.R. 5398

#### Title I - Emergency Mortgage Relief

This Title would provide temporary standby authority for the Secretary of HUD to insure or make loans on behalf of homeowners who have incurred a substantial reduction in income because of involuntary unemployment or underemployment, due to adverse economic conditions, and who have been delinquent in their mortgage payments for at least 3 months. The loans could be up to \$250 per month for 24 months, and an annual premium of one-half of 1% could be charged on the outstanding balance of the loan. Prior to any loan, the lender would be required to notify the homeowner of his intention to foreclose.

The Secretary could insure a financial institution against up to 90% of the loss on an individual loan, with coverage limited to 40% of a lender's portfolio. The aggregate amount of loans and advances insured could not exceed \$1.5 billion at any time.



Non-depository institutions or any other mortgagee who elects not to participate in the insurance program would be eligible to receive direct loans on behalf of eligible mortgagors. The bill would authorize \$500 million for direct Federal loans, subject to appropriation action. No new commitments for assistance could be provided after June 30, 1976.

The emergency mortgage relief loans could only be made on the homeowner's principal residence, and would be repayable at an annual interest rate not to exceed the ceiling on FHA insured home loans. Repayments could be deferred for as long as the Secretary determines it would further the purposes of the program.

For one year after enactment, HUD and each Federal agency supervising financial institutions would have to encourage forbearance and request notification by lenders 30 days before instituting foreclosure proceedings. Every 60 days, HUD would have to report to Congress on the delinquency/foreclosure situation and related issues.

The Administration participated in the development of these provisions and agreed to support them. The original version of H.R. 5398 limited direct loans to nondepository institutions which do not regularly make loans and would have difficulty implementing the coinsurance loan alternative. The Senate amendment, adopted in the enrolled bill, would authorize direct loans for depository institutions, which could greatly expand the direct loan approach. In HUD's judgment, the congressional intent to limit depository institutions to the coinsurance approach (except in highly unusual cases) is clearly spelled out in floor colloquies and is therefore entirely at the Secretary's discretion.

#### Title II - Amendments to The Emergency Home Purchase Assistance Act of 1974

Title II of H.R. 5398 would amend the Emergency Home Purchase Assistance Act of 1974, Public Law 93-449, which you signed on October 18, 1974. The mortgage assistance program which the Act authorizes would be revised as follows:

-- an additional \$10 billion in mortgage purchase assistance would be authorized;

-- the maximum interest rate on mortgages assisted would be the lesser of 7-1/2% or the FHA home mortgage rate;

-- mortgages on multi-family projects including cooperatives and condominiums would be eligible for purchase;

-- the October 18, 1975 expiration date for new commitments would be extended to July 1, 1976.

The Administration also participated in the development of these provisions and agreed to support them.

### Title III - Emergency Repair and Rehabilitation Authority

Title III of the bill would:

-- authorize extension of the section 312 Rehabilitation Loan Program through June 30, 1976 at \$100 million. Under existing law, the program is scheduled to terminate on August 22, 1975;

-- provide a 7-month extension for FHA-insured owners to apply for defect compensation; the deadline presently is August 22, 1975;

-- delay certain sanctions for noncompliance under the Federal flood insurance program, from July 1, 1975 to January 1, 1976.

These provisions were opposed by the Administration-- particularly extension of the Rehabilitation Loan Program. Initial experience indicates that local communities are using their community development block grant funding for rehabilitation loans at a rate never attained by that categorical program, so additional rehabilitation loan funding is unnecessary. More importantly, acceptance of this provision could set a very undesirable precedent for possible reauthorization of other categorical programs that Congress agreed to phase out in favor of the more flexible block grant approach.

The Administration has consistently opposed compensation for defects in homes purchased with FHA mortgage insurance. However, since HUD was slow in promulgating regulations for compensating homeowners with defect claims, it would be difficult to oppose the 7-month extension contained in the bill.



The delay in flood insurance sanctions is limited to existing residential property with conventionally financed loans in special flood hazard areas. While any extension of these deadlines is undesirable, this specific deferral is narrowly and precisely circumscribed and thus will have a relatively limited impact. A more important consideration is that an extension of flood insurance sanctions could lead to further extensions so that subsidized flood insurance would never obtain the desired flood protection sanctions.

#### Budget Impact

Approval of H.R. 5398 would have little immediate budget impact. The key provisions of the bill--mortgage foreclosure relief and the expanded mortgage purchase program--represent standby authority which might never be used. Similarly, the extension of the section 312 Rehabilitation Loan Program requires appropriations by the Congress before outlays can exceed \$25 million annually.

OMB estimates the maximum budget impact of H.R. 5398 as follows (assuming full use of all available authority):

	(In \$ Millions)			
	<u>FY</u> <u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>FY</u> <u>1977</u>	<u>Total</u>
1. Mortgage foreclosure relief	275	150	225	650
2. Mortgage purchases	185	185	400	770
3. Rehabilitation loans	<u>75</u>	<u>15</u>	<u>40</u>	<u>130</u>
Total	535	350	665	1,550

Recommendations

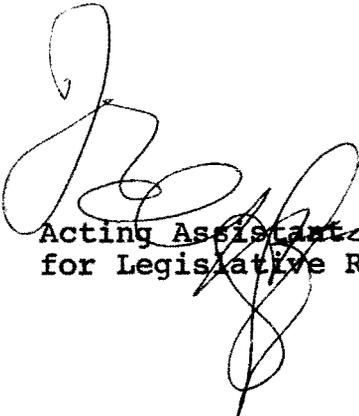
HUD considers H.R. 5398 to be "distinctly positive legislation," and recommends that you give your early approval to the measure.

FHLBB notes that some of the grounds for the Board's objections to H.R. 4485 are still in the enrolled bill, but does not recommend a veto.

Treasury would support a recommendation that the enrolled enactment not be approved. The Department states, "The fixed 7-1/2 percent interest rate ceiling proposed in section 202 could result in unintended interest rate subsidies to borrowers and costs to the government as market borrowing costs vary. The Department is not aware of the need for such subsidies...."

Other agencies whose views were requested either recommend approval or have no objection to this enrolled bill.

OMB agrees with Treasury that the interest subsidies which would be authorized in this bill are not warranted at this time. However, the bill does not require the release of these subsidies, and Administration approval would be necessary before they could be made available. With HUD's assurances that the Administration can limit the direct loans for foreclosure relief to non-depository institutions, OMB recommends approval of H.R. 5398. We are working with your staff in the preparation of a signing statement.



Acting Assistant Director  
for Legislative Reference

Enclosures

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

JUL 2 1975

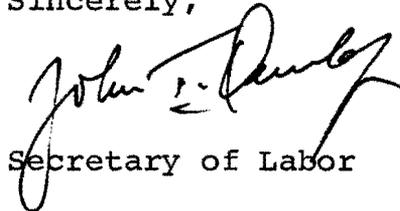
Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, D.C. 20503

Dear Mr. Lynn:

This is in response to your request for our comments on H.R. 5398, an enrolled enactment cited as "The Emergency Housing Act of 1975." The enrolled enactment provides for emergency mortgage relief designed to help unemployed people in danger of losing their homes through foreclosure and emergency home purchase authority and sustains the emergency repair and rehabilitation authority at an authorization of \$100 million.

The Department of Labor has no objection to Presidential approval of this legislation.

Sincerely,



Secretary of Labor



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

OFFICE OF THE CHAIRMAN

July 3, 1975

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

Dear Mr. Lynn:

Your Office has requested our views and recommendations with respect to H. R. 5398, 94th Congress, an enrolled bill cited as the "Emergency Homeowners' Relief Act." It is assumed that our comments on the enrolled bill are requested primarily with respect to §§ 110 and 113 thereof.

Section 110 would require the Federal financial regulatory agencies (including the FDIC), with respect to financial institutions subject to their jurisdiction, to --

"(1) take appropriate action, not inconsistent with laws relating to the safety or soundness of such institutions . . . to waive or relax limitations pertaining to the operations of such institutions . . . with respect to mortgage delinquencies in order to cause or encourage forbearance in residential mortgage loan foreclosures, and (2) request each such institution . . . to notify that Federal supervisory agency, the [HUD] Secretary, and the mortgagor, at least thirty days prior to instituting foreclosure proceedings in connection with any mortgage loan."

The only "limitations" of the type referred to in § 110 insofar as the FDIC is concerned would be criticism by examiners of defaulted residential mortgage loans of unemployed mortgagors who would qualify for emergency mortgage relief assistance under the enrolled bill. The Corporation has no objection either (1) to refraining from supervisory action based on the classification of such loans so long as the safety and soundness of the institution is not thereby jeopardized according to our standards (an interpretation of the word "laws" in clause (1) above which we would consider justified), or (2) to requesting banks it examines to give 30 days notice of intent to foreclose, as required by § 110.

Section 105 of the bill would establish a program under which the Secretary of Housing and Urban Development could insure up to 90 percent of loans made by private financial institutions to unemployed persons to meet defaulted mortgage payments (provided that insurance payments

July 3, 1975

pursuant to such program do not exceed 40 percent of the aggregate insured loans in any one lender's portfolio). Section 113 would authorize the FDIC "to make such advances to any insured bank as the Corporation determines may be necessary or appropriate to facilitate participation by such bank in [such] program . . . ." In order to obtain funds for such purpose, the Corporation would be authorized by § 113 to borrow from the Treasury pursuant to its borrowing authority in Section 14 of the Federal Deposit Insurance Act (12 U.S.C. 1824).

It is our understanding that this amendment to Section 14 of our Act is intended to be a stand-by source of liquidity for insured banks which are not members of the Federal Reserve System, in the unlikely event that participation in the insurance program contemplated by § 105 of the bill should give rise to liquidity problems for such nonmember insured banks. While we believe that the limited volume of § 105 insured loans likely to be generated under foreseeable economic conditions should cause no significant liquidity problems for participating financial institutions and that, in any event, normal liquidity sources (such as portfolio readjustment, correspondent borrowing, purchase of Federal funds, etc.) should enable nonmember insured banks to meet any liquidity needs which might conceivably be engendered by participation in the program, we nevertheless have no objection to providing a back-up liquidity source as envisaged by § 113 of the bill insofar as nonmember insured banks are concerned. As to member banks of the Federal Reserve System, of course, any liquidity problems that might be caused by participation in the § 105 insurance program would presumably be handled through such member banks' access to the Federal Reserve discount window.

From the Corporation's standpoint, therefore, there would be no objection to Presidential approval of H. R. 5398.

Sincerely,



Frank Wille  
Chairman

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



To -  
Cavanaugh  
7-1-75  
6:30 p.m.

JUL 1 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 5398 - Emergency Housing Act  
of 1975  
Sponsor - Rep. Ashley (D) Ohio and 15 others

Last Day for Action

July 12, 1975

Purpose

Provides standby authority for the Secretary of HUD to assist homeowners faced with foreclosure; extends and revises HUD's authority to purchase home mortgages and authorizes an additional \$10 billion for such purchases; extends the section 312 rehabilitation program for one more year; and amends the laws governing certain other HUD programs.

Agency Recommendations

Office of Management and Budget	Approval
Department of Housing and Urban Development	Approval
Council on Wage and Price Stability staff	Approval
Department of Labor	No objection (Informally)
Council of Economic Advisers	No objection (Informally)
Federal Deposit Insurance Corporation staff	No objection (Informally)
Federal Home Loan Bank Board	Does not recommend a veto
Department of the Treasury	Would support a veto recommendation



## Discussion

On June 24, 1975, you vetoed H.R. 4485, the proposed Emergency Housing Act of 1975. In your veto message you proposed that Congress instead extend the mortgage assistance program authorized by the Emergency Home Purchase Assistance Act of 1974, expand its coverage to include conventionally financed multi-family housing, including condominiums, and authorize an additional \$7.75 billion in mortgage purchases. Furthermore, you endorsed standby authority for the Secretary of HUD to make mortgage payment relief loans or to co-insure lenders who refrain from foreclosing on homeowners who are temporarily out of work.

The House of Representatives sustained your veto of H.R. 4485, and both Houses have responded to your call for new legislation with H.R. 5398. The bill meets the general outlines which you proposed, with some variations. However, it includes three objectionable provisions which extend the section 312 rehabilitation loan program, defer flood insurance sanctions, and extend the time for FHA-insured homeowners to apply for defect compensation. HUD's views letter indicates that although these amendments are objectionable, they cause no unmanageable difficulties.

### Major Provisions of H.R. 5398

#### Title I - Emergency Mortgage Relief

This Title would provide temporary standby authority for the Secretary of HUD to insure or make loans on behalf of homeowners who have incurred a substantial reduction in income because of involuntary unemployment or underemployment, due to adverse economic conditions, and who have been delinquent in their mortgage payments for at least 3 months. The loans could be up to \$250 per month for 24 months, and an annual premium of one-half of 1% could be charged on the outstanding balance of the loan. Prior to any loan, the lender would be required to notify the homeowner of his intention to foreclose.

The Secretary could insure a financial institution against up to 90% of the loss on an individual loan, with coverage limited to 40% of a lender's portfolio. The aggregate amount of loans and advances insured could not exceed \$1.5 billion at any time.

Non-depository institutions or any other mortgagee who elects not to participate in the insurance program would be eligible to receive direct loans on behalf of eligible mortgagors. The bill would authorize \$500 million for direct Federal loans, subject to appropriation action. No new commitments for assistance could be provided after June 30, 1976.

The emergency mortgage relief loans could only be made on the homeowner's principal residence, and would be repayable at an annual interest rate not to exceed the ceiling on FHA insured home loans. Repayments could be deferred for as long as the Secretary determines it would further the purposes of the program.

For one year after enactment, HUD and each Federal agency supervising financial institutions would have to encourage forbearance and request notification by lenders 30 days before instituting foreclosure proceedings. Every 60 days, HUD would have to report to Congress on the delinquency/foreclosure situation and related issues.

The Administration participated in the development of these provisions and agreed to support them. The original version of H.R. 5398 limited direct loans to nondepository institutions which do not regularly make loans and would have difficulty implementing the coinsurance loan alternative. The Senate amendment, adopted in the enrolled bill, would authorize direct loans for depository institutions, which could greatly expand the direct loan approach. In HUD's judgment, the congressional intent to limit depository institutions to the coinsurance approach (except in highly unusual cases) is clearly spelled out in floor colloquies and is therefore entirely at the Secretary's discretion.

Title II - Amendments to The Emergency Home Purchase Assistance Act of 1974

Title II of H.R. 5398 would amend the Emergency Home Purchase Assistance Act of 1974, Public Law 93-449, which you signed on October 18, 1974. The mortgage assistance program which the Act authorizes would be revised as follows:

-- an additional \$10 billion in mortgage purchase assistance would be authorized;

-- the maximum interest rate on mortgages assisted would be the lesser of 7-1/2% or the FHA home mortgage rate;

-- mortgages on multi-family projects including cooperatives and condominiums would be eligible for purchase;

-- the October 18, 1975 expiration date for new commitments would be extended to July 1, 1976.

The Administration also participated in the development of these provisions and agreed to support them.

### Title III - Emergency Repair and Rehabilitation Authority

Title III of the bill would:

-- authorize extension of the section 312 Rehabilitation Loan Program through June 30, 1976 at \$100 million. Under existing law, the program is scheduled to terminate on August 22, 1975;

-- provide a 7-month extension for FHA-insured owners to apply for defect compensation; the deadline presently is August 22, 1975;

-- delay certain sanctions for noncompliance under the Federal flood insurance program, from July 1, 1975 to January 1, 1976.

These provisions were opposed by the Administration-- particularly extension of the Rehabilitation Loan Program. Initial experience indicates that local communities are using their community development block grant funding for rehabilitation loans at a rate never attained by that categorical program, so additional rehabilitation loan funding is unnecessary. More importantly, acceptance of this provision could set a very undesirable precedent for possible reauthorization of other categorical programs that Congress agreed to phase out in favor of the more flexible block grant approach.

The Administration has consistently opposed compensation for defects in homes purchased with FHA mortgage insurance. However, since HUD was slow in promulgating regulations for compensating homeowners with defect claims, it would be difficult to oppose the 7-month extension contained in the bill.

The delay in flood insurance sanctions is limited to existing residential property with conventionally financed loans in special flood hazard areas. While any extension of these deadlines is undesirable, this specific deferral is narrowly and precisely circumscribed and thus will have a relatively limited impact. A more important consideration is that an extension of flood insurance sanctions could lead to further extensions so that subsidized flood insurance would never obtain the desired flood protection sanctions.

#### Budget Impact

Approval of H.R. 5398 would have little immediate budget impact. The key provisions of the bill--mortgage foreclosure relief and the expanded mortgage purchase program--represent standby authority which might never be used. Similarly, the extension of the section 312 Rehabilitation Loan Program requires appropriations by the Congress before outlays can exceed \$25 million annually.

OMB estimates the maximum budget impact of H.R. 5398 as follows (assuming full use of all available authority):

	(In \$ Millions)			
	<u>FY</u> <u>1976</u>	<u>Transition</u> <u>Quarter</u>	<u>FY</u> <u>1977</u>	<u>Total</u>
1. Mortgage foreclosure relief	275	150	225	650
2. Mortgage purchases	185	185	400	770
3. Rehabilitation loans	<u>75</u>	<u>15</u>	<u>40</u>	<u>130</u>
Total	535	350	665	1,550

Recommendations

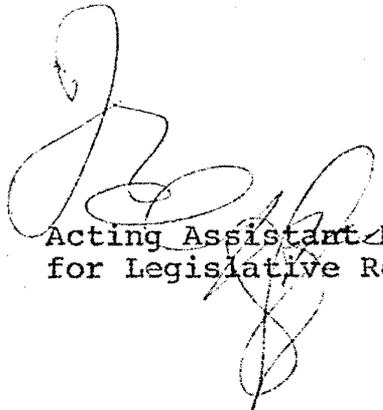
HUD considers H.R. 5398 to be "distinctly positive legislation," and recommends that you give your early approval to the measure.

FHLBB notes that some of the grounds for the Board's objections to H.R. 4485 are still in the enrolled bill, but does not recommend a veto.

Treasury would support a recommendation that the enrolled enactment not be approved. The Department states, "The fixed 7-1/2 percent interest rate ceiling proposed in section 202 could result in unintended interest rate subsidies to borrowers and costs to the government as market borrowing costs vary. The Department is not aware of the need for such subsidies...."

Other agencies whose views were requested either recommend approval or have no objection to this enrolled bill.

OMB agrees with Treasury that the interest subsidies which would be authorized in this bill are not warranted at this time. However, the bill does not require the release of these subsidies, and Administration approval would be necessary before they could be made available. With HUD's assurances that the Administration can limit the direct loans for foreclosure relief to non-depository institutions, OMB recommends approval of H.R. 5398. We are working with your staff in the preparation of a signing statement.



Acting Assistant Director  
for Legislative Reference

Enclosures



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

DATE: 7-11-75

TO: Bob Linder

FROM: Frey

Attached are views letters:

CEA - H.R. 5398

Commerce - H.R. 6900

Please have included in the  
appropriate enrolled bill files.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

July 1, 1975

Dear Mr. Frey:

In response to your request for our views on H.R. 5398 the Council of Economic Advisers has reservations regarding the desirability of the emergency mortgage payments provisions of title I. Recession conditions and the worsening in employment opportunities are obviously imposing hardships and financial difficulties upon portions of the population. The Council of Economic Advisers questions the advisability of this approach to the problems of the unemployed. Quite aside from the operational problems and administrative problems the emergency payments approach sets an undesirable precedent for the future and may be difficult to allow the emergency payments to expire as economic conditions improve.

The expansion and the extension of the GNMA authorizations may provide some support for the housing markets but past experience suggests that the net amount of additional financing will be significantly less than the gross amount. In view of the circumstances, however, the Council of Economic Advisers does not object to the signature of the bill.

Sincerely yours,



Alan Greenspan

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



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 1, 1975

Time: 545pm

FOR ACTION: Jim Lynn *no obj*  
~~Mark Frieders~~  
Robert Hartmann *sh*  
Paul Theis *sh* Max Friedersdorf *PK*  
Ken Lazarus *sh* Bill Seidman *sh*

cc (for information): Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: July 2

Time: 10:00am

SUBJECT:

Signing Statement for HR 5398. - The Emergency Housing Act of 1975

ACTION REQUESTED:

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

REMARKS:

Thea Barret return to Judy Johnston, Ground Floor West Wing

A signing ceremony is scheduled for 1:45 tomorrow.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

K. R. COLE, JR.  
For the President





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

RECEIVED

JUL 1 3 32 AM '75

OFFICE OF  
MANAGEMENT & BUDGET

June 30, 1975

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

Dear Mr. Lynn:

Subject: H. R. 5398, 94th Congress, Enrolled Enactment

This is in response to your request for the views of this Department on the enrolled enactment of H. R. 5398, the proposed "Emergency Housing Act of 1975".

This enrolled enactment contains three titles. Title I, which may be cited as the "Emergency Homeowners' Relief Act", would confer standby authority on the Secretary of Housing and Urban Development to co-insure financial institutions against losses they may sustain as the result of loans or advances of credit made by such institutions for the purpose of avoiding mortgage foreclosure to homeowners who are at least 3 months in default on their mortgage payments. The co-insurance could not exceed 90 percent of the loss on any such loan, and co-insurance coverage would be limited to 40 percent of the portfolio of all such loans and advances of credit made by a particular lender.

The Secretary also would have discretionary authority to make emergency mortgage relief payments directly to mortgagees on behalf of homeowners in default on their mortgage loans. Direct payments could be made available with respect to nondepository type institutions, such as mortgage bankers and insurance companies, and to such depository institutions as the Secretary approves for such assistance.

Assistance under the title with respect to any homeowner would be limited to "the lesser of \$250 per month or the amount determined to be reasonably necessary to supplement such amount as the homeowner is capable of contributing toward such mortgage payment." Assistance could be provided monthly for up to 24 months and the mortgagor would be required to repay the assistance, with interest, at a rate which could not exceed the maximum interest rate applicable to mortgages insured pursuant to section 203(b) of the National Housing Act. Also, the Secretary would have complete discretion in prescribing the terms and conditions, including terms of repayment, governing the assistance provided.

Title I also would limit the aggregate amount of loans and advances insured at any one time to \$1.5 billion; would authorize appropriations of not to exceed \$500 million for the making of direct Federal mortgage relief payments; and would provide that no assistance could be provided after June 30, 1976, except with respect to a mortgagor receiving the benefit of assistance on such date.

Title II of this enrolled bill would amend the Emergency Home Purchase Assistance Act of 1974, Public Law 93-449. It would substantially revise and expand, as well as extend, the Government National Mortgage Association mortgage assistance program authorized under that Act. An additional \$10 billion of mortgage purchase assistance would be authorized, subject to approval in an appropriation Act and to release by the Secretary; authority for the program would be extended from October 18, 1975, to July 1, 1976; the maximum interest rate on mortgage loans assisted under the program would be revised to the lesser of 7 1/2 percent or the interest rate applicable to mortgages insured under section 203(b) of the National Housing Act (but there would be no statutory limit on fees or points); and mortgages on more than four-family residences (including residences in a cooperative or condominium) which are not federally insured or guaranteed would be made eligible for assistance.

Title III of the enrolled bill would extend the authority of the Secretary to make loans under the section 312 rehabilitation loan program for one year, until August 22, 1976, and would authorize appropriations for the program for fiscal year 1976 in the amount of \$100 million.

The title also would amend the compensation for defects provisions contained in section 518(b) of the National Housing Act to cover three and four family dwellings, and would extend for seven months the deadline for applications for assistance by owners of dwellings insured under section 203 or 221 where the insurance commitment was issued on or after August 1, 1968, but prior to January 1, 1973.

Additionally, title III would amend section 202(b) of the Flood Disaster Protection Act of 1973, Public Law 93-234, to defer, until January 1, 1976, applicability in certain cases of the prohibition contained in that subsection against conventional mortgage lending with respect to loans secured by improved real estate or mobile homes located in identified special flood hazard areas of communities which are not participating in the National Flood Insurance Program by their statutory deadline date of the later of July 1, 1975 or one year from date of the community's formal identification as a community which contains one or more special flood hazard areas. Application of the prohibition would be deferred only in cases involving conventional loans made prior to January 1, 1976 to finance the acquisition of a previously occupied residential dwelling.

This enrolled enactment is, in my view, highly significant and, with a few exceptions, distinctly positive legislation. Moreover, it would appear noteworthy that its passage without objection in both Houses of the Congress occurred during the same week that the President returned without his approval an extremely undesirable alternative emergency housing proposal (H. R. 4485).

The new measure contains the features outlined as desirable by the President in his message on H. R. 4485. It would expand and extend the tried and proven successful GNMA mortgage assistance authorities under the Emergency Home Purchase Assistance Act of 1974, and it contains the Federal mortgage relief insurance standby authority to which the President also referred in his message.

We heartily endorse these features of the legislation, believing they will provide the types of flexible tools which would be useful, if needed, both to aid in the recovery of the housing sector which has already begun and to avoid widespread foreclosures should the foreclosure rate rise significantly.

With respect to the latter, while mortgage delinquencies have risen, mortgage foreclosures have not increased, reflecting cooperative forbearance practices of most lenders. However, should the foreclosure rate rise substantially in the coming year, title I would provide a readily available method for encouraging forbearance and avoiding widespread foreclosures.

As to title III, while H. R. 5398 obviously would have been a better bill if it did not include the section 312, section 518(b), and flood insurance provisions alluded to above, we do not believe any of those provisions is so seriously objectionable as to warrant a recommendation that the President withhold his approval from the measure. The section 312 authorization is conditioned upon appropriations action. Also, although undesirable, the section 518(b) amendments should cause this Department no unmanageable difficulties. As to the flood insurance sanction deferral, it is my belief that, while any extension of deadlines is undesirable from the standpoint of achieving the important objectives of the National Flood Insurance Program, the specific deferral included in the measure is likely to have a relatively limited impact on the program because it is so narrowly and precisely circumscribed.

In sum, I believe the enrolled enactment of H. R. 5398 is desirable legislation. Accordingly, I would respectfully recommend that the President give his early approval to the measure.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carla A. Hills".

Carla A. Hills

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON WAGE AND PRICE STABILITY  
WASHINGTON, D.C. 20506

June 30, 1975

James M. Frey  
Assistant Director  
for Legislative Reference  
Office of Management and Budget  
New Executive Office Building  
Washington, D. C. 20506

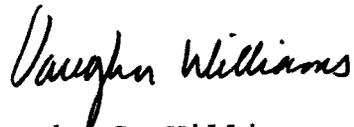
Attention: Mrs. Martha Ramsey  
Room 7201

Re: H.R. 5398

Dear Mr. Frey:

I am writing in response to your request for comments about H.R. 5398, the Emergency Housing Act of 1975. The staff of the Council on Wage and Price Stability recommends that the President sign that enrolled bill.

Sincerely,



Vaughn C. Williams  
General Counsel



OFFICE OF  
GENERAL COUNSEL

FEDERAL HOME LOAN BANK BOARD

WASHINGTON, D. C. 20552

320 FIRST STREET N.W.

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

June 30, 1975

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

Attention: Ms. Martha Ramsey  
Room 7201, NEOB

Dear Mr. Lynn:

This is in response to the request for our views on the enrolled bill, H.R. 5398, the "Emergency Housing Act of 1975".

The Board recommended disapproval of the predecessor bill, H.R. 4485, setting forth its objections in the Chairman's views letter of June 13, 1975. Title I of H.R. 5398 ("Emergency Mortgage Relief") incorporates several of the provisions of Title II of H.R. 4485, and some of the grounds for the Board's objections to the latter are still present in the enrolled bill now under consideration. Nevertheless, there have been significant changes in the emergency mortgage relief program, and many provisions of H.R. 4485, such as the interest reduction program, have been dropped completely. H.R. 5398 is obviously a compromise measure that attempts to reconcile the concern of Congress for the protection of families against loss of their homes with the national need for a sound and anti-inflationary economic program. Accordingly, the Board does not recommend a veto of the enrolled bill, H.R. 5398.

Sincerely,

  
Charles E. Allen  
General Counsel



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D. C. 20220

JUL 1 1975

Director, Office of Management and Budget  
Executive Office of the President  
Washington, D. C. 20503

Attention: Assistant Director for Legislative  
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 5398, the "Emergency Housing Act of 1975."

Title I of the enrolled enactment would permit the Secretary of HUD to provide emergency mortgage assistance of up to \$250 per month for certain mortgagors who have suffered a substantial reduction of income due to adverse economic conditions.

Title II of the enrolled enactment would amend the Emergency Home Purchase Assistance Act of 1974 to substitute a maximum interest rate of 7-1/2 per centum in place of the present flexible interest rate for mortgages purchased thereunder. Section 204 of the enrolled enactment would require the Federal Financing Bank to provide financing for the program. It is the Department's interpretation of section 204 that the interest rate on any FFB purchases would be determined by the Secretary of the Treasury under the FFB Act.

The fixed 7-1/2 percent interest rate ceiling proposed in section 202 could result in unintended interest rate subsidies to borrowers, and costs to the Government as market borrowing costs vary. The Department is not aware of the need for such subsidies, and thus would support a recommendation that the enrolled enactment not be approved by the President.

Sincerely yours,



General Counsel

Richard R. Albrecht

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 1, 1975

Time: 545pm

FOR ACTION: Jim Lynn  
Jack Marsh  
Robert Hartmann  
Paul Theis  
Ken Lazarus

cc (for information): Jim Cavanaugh

Max Friedersdorf  
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: July 2

Time: 10:00am

SUBJECT:

*Rec. 6:00 pm - 7/1/75*

Signing Statement for HR 5398. - The Emergency Housing Act of 1975

ACTION REQUESTED:

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

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

A signing ceremony is scheduled for 1:45 tomorrow.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James H. Cavanaugh  
For the President

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 1, 1975

Time: 545pm

FOR ACTION: Jim Lynn  
Jack Marsh ✓  
Robert Hartmann  
Paul Theis  
Ken Lazarus

cc (for information): Jim Cavanaugh

Max Friedersdorf  
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: July 2

Time: 10:00am

SUBJECT:

Signing Statement for HR 5398. - The Emergency Housing Act of 1975

ACTION REQUESTED:

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

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

A signing ceremony is scheduled for 1:45 tomorrow.

*Suggest rewriting to stress veto not negative*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Jim H. Cavanaugh  
Staff Secretary

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 1, 1975

Time: 545pm

FOR ACTION: Jim Lynn  
Jack Marsh  
Robert Hartmann  
Paul Theis  
Ken Lazarus

cc (for information): Jim Cavanaugh

Max Friedersdorf  
Bill Seidman  
Alan Greenspan

FROM THE STAFF SECRETARY

DUE: Date: July 2

Time: 10:00am

SUBJECT:

Signing Statement for HR 5398. - The Emergency Housing Act of 1975

ACTION REQUESTED:

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

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

A signing ceremony is scheduled for 1:45 tomorrow.

*Y 2219*

*Jim Davis  
for Alan Greenspan*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James H. Cavanaugh  
For the Staff Secretary

sh

DRAFT

I am pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975.

This Act embodies the alternative housing approach I urged at the time of my veto of H.R. 4485 last Tuesday. It provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association which will be available if required to sustain the housing recovery presently under way. ~~In addition, the bill establishes a workable interest rate and expands coverage to other types of housing construction, including condominiums.~~

Last week, I directed Secretary Hills to release \$2 billion in GNMA mortgage purchase funds. As a result of the swift enactment of this new housing bill by the Congress, those funds will be released at an interest rate of 7-1/2 percent. Condominium mortgages will be eligible, thus assisting a hard pressed sector of the housing industry. ~~(These funds will finance an estimated 65,000 units of housing and provide jobs for building trades.)~~

The bill also adopts a preferable approach to the potential problem of mortgage foreclosures. It confers standby authority on the Secretary of Housing and Urban Development to co-insure



*in those instances  
where recession - mlb's  
unemployment has caused  
extreme financial  
distress.*

advances and loans made by lending institutions or to make mortgage relief payments to other lenders to preclude mortgage foreclosure. Presently, mortgage foreclosures and defaults have remained level, at rates less than those which prevailed during the mid-1960s, indicating that private lenders are cooperating with homeowners. However, if foreclosure rates rise significantly, this legislation will enable us to act quickly to keep owners from losing their homes.

I commend Members of Congress of both parties for expeditiously enacting meaningful and effective housing legislation.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 1, 1975

Time: 545pm

FOR ACTION: Jim Lynn  
Jack Marsh  
Robert Hartmann  
Paul Theis Max Friedersdorf  
Ken Lazarus Bill Seidman

cc (for information): Jim Cavanaugh

FROM THE STAFF SECRETARY

DUE: Date: July 2

Time: 10:00am

SUBJECT:

Signing Statement for HR 5398. - The Emergency Housing Act of 1975

ACTION REQUESTED:

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

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

A signing ceremony is scheduled for 1:45 tomorrow.

*as  
jws*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James H. Cavanaugh  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 1, 1975

Time: 545pm

FOR ACTION: Jim Lynn  
Jack Marsh  
Robert Hartmann  
Paul Theis  
Ken Lazarus

cc (for information): Jim Cavanaugh

Max Friedersdorf  
Bill Seidman

*M. 6 -*

FROM THE STAFF SECRETARY

DUE: Date: July 2

Time: 10:00am

SUBJECT:

Signing Statement for HR 5398. - The Emergency Housing Act of 1975

ACTION REQUESTED:

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

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

A signing ceremony is scheduled for 1:45 tomorrow.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James H. Cavanaugh  
For the President

DRAFT

I am pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975.

This Act embodies the alternative housing approach I urged at the time of my veto of H.R. 4485 last Tuesday. It provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association which will be available if required to sustain the housing recovery presently under way. In addition, the bill establishes a workable interest rate and expands coverage to other types of housing construction, including condominiums.

Last week, I directed Secretary Hills to release \$2 billion in GNMA mortgage purchase funds. As a result of the swift enactment of this new housing bill by the Congress, those funds will be released at an interest rate of 7-1/2 percent. Condominium mortgages will be eligible, thus assisting a hard pressed sector of the housing industry. These funds will finance an estimated 65,000 units of housing and provide jobs for the building trades.

The bill also adopts a preferable approach to the potential problem of mortgage foreclosures. It confers standby authority on the Secretary of Housing and Urban Development to co-insure

advances and loans made by lending institutions or to make mortgage relief payments to other lenders to preclude mortgage foreclosure. Presently, mortgage foreclosures and defaults have remained level, at rates less than those which prevailed during the mid-1960s, indicating that private lenders are cooperating with homeowners. However, if foreclosure rates rise significantly, this legislation will enable us to act quickly to keep owners from losing their homes.

I commend Members of Congress of both parties for expeditiously enacting meaningful and effective housing legislation.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 1, 1975

Time: 545pm

FOR ACTION: Jim Lynn  
Jack Marsh  
Robert Hartmann  
Paul Theis  
Ken Lazarus

cc (for information): Jim Cavanaugh

Max Friedersdorf  
Bill Seidman

FROM THE STAFF SECRETARY

sk  
1000

DUE: Date: July 2

Time: 10:00am

SUBJECT:

Signing Statement for HR 5398. - The Emergency Housing Act of 1975

ACTION REQUESTED:

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

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

A signing ceremony is scheduled for 1:45 tomorrow.

275 JUL 1 PM 6 00

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James H. Cavanaugh  
For the Staff Secretary

DRAFT

I am pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975.

This Act embodies the alternative housing approach I urged at the time of my veto of H.R. 4485 last Tuesday. It provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association which will be available if required to sustain the housing recovery presently under way. In addition, the bill establishes a workable interest rate and expands coverage to other types of housing construction, including condominiums.

Last week, I directed Secretary Hills to release \$2 billion in GNMA mortgage purchase funds. As a result of the swift enactment of this new housing bill by the Congress, those funds will be released at an interest rate of 7-1/2 percent. Condominium mortgages will be eligible, thus assisting a hard pressed sector of the housing industry. These funds will finance an estimated 65,000 units of housing and provide jobs for the building trades.

The bill also adopts a preferable approach to the potential problem of mortgage foreclosures. It confers standby authority on the Secretary of Housing and Urban Development to co-insure

advances and loans made by lending institutions or to make mortgage relief payments to other lenders to preclude mortgage foreclosure. Presently, mortgage foreclosures and defaults have remained level, at rates less than those which prevailed during the mid-1960s, indicating that private lenders are cooperating with homeowners. However, if foreclosure rates rise significantly, this legislation will enable us to act quickly to keep owners from losing their homes.

I commend Members of Congress of both parties for expeditiously enacting meaningful and effective housing legislation.

STATEMENT BY THE PRESIDENT

I am pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975. This Act embodies the alternative approach which I urged at the time of my veto of H.R. 4485 last Tuesday.

I commend Members of Congress of both parties for quickly enacting meaningful and effective housing legislation. This is an excellent example of the way in which the Congress and the Executive Branch can--and should--work together in the best interests of the American people.

This Administration is committed to a prompt recovery of the housing industry and to getting construction workers back on the job. Both of these actions are crucial to our overall economic recovery.

This legislation provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association which will be available if required to sustain the housing

recovery presently under way. It also expands coverage to other types of housing construction, including condominiums.

Last week I directed Secretary Hills to release \$2 billion in GNMA mortgage purchase funds. As a result of the swift enactment of this new housing bill by the Congress, those funds will be released at an interest rate of 7-1/2 percent. Condominium mortgages will also be eligible, thus assisting a hard-pressed sector of the housing industry. These funds will finance an estimated 65,000 units of housing and provide jobs for the building trades.

The bill meets the problem of mortgage foreclosures head on. It provides standby authority for the Secretary of Housing and Urban Development to co-insure loans made by lending institutions or to make mortgage relief payments to other lenders to preclude mortgage foreclosures. Presently, mortgage foreclosures and defaults have remained level, at rates less than those which prevailed during the mid-1960s, indicating that private lenders are cooperating with homeowners. However, if foreclosure

rates rise significantly, this legislation will enable us to act quickly to keep owners from losing their homes.

I hope the cooperation between the Congress and the Executive Branch shown in this legislation will continue in other badly-needed measures.

## EMERGENCY HOMEOWNERS' RELIEF ACT

APRIL 7, 1975.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

### REPORT

together with

### SUPPLEMENTAL VIEWS

[To accompany H.R. 5398]

The Committee on Banking, Currency and Housing, to whom was referred the bill (H.R. 5398) to authorize temporary assistance to help defray mortgage payments on homes owned by persons who are temporarily unemployed or underemployed as the result of adverse economic conditions, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

Page 2, strike out line 25 and all that follows down through line 7 on page 3, and insert in lieu thereof the following:

(2) the mortgagor and holder of the mortgage have indicated in writing to the Secretary and to any agency or department of the Federal Government responsible for the regulation of the holder that circumstances (such as the volume of delinquent loans in its portfolio) make it probable that there will be a foreclosure and that the mortgagor is in need of emergency mortgage relief authorized by this Act, except that such statement by the holder of the mortgage may be waived by the Secretary if in his judgment such waiver would further the purposes of this Act;

Page 3, line 13, after "the" insert "full".

Page 3, line 24, strike out "\$250 per month" and insert in lieu thereof the following:

the lesser of \$250 per month or the amount determined to be reasonably necessary to supplement such amount as the homeowner is capable of contributing toward such mortgage payment.

Page 4, line 13, strike out "may" and insert "shall".  
Page 4, line 15, strike out "alien" and insert "a lien".

#### INTRODUCTION AND BACKGROUND OF BILL

The committee bill, H.R. 5398, reflects Congressional concern with high and prolonged unemployment levels and the effect of unemployment on home mortgage foreclosures.

Hearings on homeowner relief legislation were held by the Subcommittee on Housing and Community Development on February 6, 18, 19, and 20. The Subcommittee held a mark-up session on H.R. 34, the "Emergency Homeowners' Relief Act" on March 21. The Subcommittee made numerous changes in H.R. 34 and reported out a clean bill, H.R. 5398, which the full committee amended and ordered reported on March 25.

Your committee believes that early action on H.R. 5398 is essential in order that the legislation be funded and in place in the likely event of a significant rise in mortgage defaults caused by continued high levels of unemployment and the termination of unemployment compensation and other temporary benefits.

In the first quarter of 1975 the national economy was suffering the most severe recession since the Great Depression of the 1930's. The March unemployment rate was 8.7 percent which meant that about 8 million persons were out of work. An econometric model of Data Resources, Inc. (DRI) projects a near 10 percent peak in unemployment in the latter half of 1975. The overall decline in the economy is reflected in a severe drop in gross national product. GNP in the first quarter of 1975 is estimated at \$781 billion (in 1958 dollars), about 6 percent below the first quarter 1974 level of \$830.5 billion.

The composite of leading economic indicators watched by the Department of Commerce showed a drop from 181 in July 1974 (base year 1967=100) to 155 in January 1975. The February changes were mixed: the composite index was up about 1 percent from January, but five indicators were down, one was unchanged, and three were up. Among the significant declining indicators were: plant and equipment orders, down 2.8 percent; the average workweek, off 1 percent; and building permits, down 1.4 percent. On the other hand, new orders for durable goods increased 2 percent; and stock prices were up 10.4 percent.

Serious delinquencies on home mortgage payments (60 days or longer) tend to rise in periods of recession but lag behind increases in unemployment rates by 3 to 6 months. The sharp rise in unemployment began in September 1974 when the number of unemployed increased by about 400,000 over the previous month and the rate increased to 5.8 percent. As noted earlier, the rate in March 1975 was 8.7 percent. Thus it is likely that the number of delinquencies nationwide will rise significantly in the spring and summer of 1975. Already, in terms of dollar impact, delinquencies have risen rapidly. The most recent information available from the Federal Home Loan Bank Board shows an increase in seriously delinquent mortgage loans of insured savings and loans as a percentage of mortgage portfolios in dollar terms from 1.0 percent in January 1974 to 1.31 percent in January 1975.

The trend in delinquencies on home mortgages in the months ahead primarily will reflect the employment and income levels of household heads, particularly married men. Unemployment rates for household heads rose from 3.0 to 5.8 percent between March 1974 and March 1975. For married men, the comparable rise was from 2.3 to 5.2 percent. Those unemployed 15 weeks numbered 1,991,000 in March 1975, more than 1 million more than a year earlier. If this group contains a substantial number of homeowners, delinquencies on home mortgages are likely to rise.

H.R. 5398 is intended to assist homeowners who have suffered a significant decline in income and are financially unable to meet their mortgage payments. It is temporary legislation and no new assistance could be made after July 1, 1976. The measure would have the added benefit of preventing a rash of distress sales of houses with a consequent destabilization of residential markets in certain areas. A number of local housing markets are particularly vulnerable due to a large overhang of unsold new homes. Assistance under the program would also permit financial institutions with large holdings of delinquent mortgages to maintain much-needed new mortgage lending activity.

#### WHAT THE BILL WOULD DO

H.R. 5398 would make it possible for homeowners who lose their jobs or suffer reductions in income because of the current recession to retain their homes. The bill authorizes the Secretary of HUD to make repayable emergency mortgage relief payments on behalf of such homeowners in order to maintain the payments on their mortgages.

The committee considered it desirable to place a dollar limit on the amount of assistance made available on behalf of any homeowner. Thus, the mortgage relief payments cannot exceed \$250 a month. To the extent needed, these payments can be applied toward all amounts required to be paid under the terms of a mortgage, including principal, interest, taxes, ground rents, hazard insurance, and mortgage insurance premiums. The bill provides, however, that homeowners will receive assistance only beyond their capacity to make mortgage payments out of other funds available to them, as determined in accordance with general guidance contained in HUD regulations. The committee also expects that mortgage holders will agree, to the maximum extent possible, to receive less than the full amount of the mortgage payments.

The provisions of H.R. 5398 are designed to spread available federal funds as widely as possible and to concentrate their use on homeowners most in need of them. While mortgage relief payments may be made for up to 24 months, the committee expects that only in rare cases will it be found necessary to continue payments for that period of time. The bill requires assisted homeowners to report immediately any change in their financial condition which would enable them to assume all or a greater portion of their mortgage obligations. Payments are not expected to be made beyond twelve months without a re-evaluation of need.

The bill states a number of general conditions for relief. The homeowner must have incurred a substantial reduction in income as a result of involuntary unemployment or underemployment due to adverse eco-

conomic conditions and must be financially unable to make full mortgage payments. There must also be a reasonable prospect that the homeowner will be able to make the adjustments necessary for a full resumption of payments. Further, the mortgage payments must be at least two months delinquent and the mortgaged property must be the principal residence of the mortgagor. It is intended that assistance be available to that limited class of homeowners who have already had foreclosure actions initiated against them if there has not yet been a judicial sale of the property provided, of course, that the requirements of the bill can be met.

These conditions are stated in a manner which the committee believes give guidance as to basic policy while allowing the Secretary considerable discretion in developing specific regulations covering such matters as allowances to be made for a homeowner's savings and liquid assets, account to be taken of prior payment records, the manner of determining whether unemployment or underemployment is attributable to adverse economic conditions, and the circumstances that would be looked to as indicating that the homeowners can reasonably be expected to save his home with the assistance provided. It was the committee's belief in this respect that the variety of individual circumstances is such that it is difficult to establish more detailed statutory requirements without creating rigidities that may be very difficult to remedy, particularly in a short-term, emergency program, and that may result in unintended problems and inequities. The committee expects, however, that the Secretary will not only move promptly in developing the necessary specific regulations but will include statements of progress made and problems encountered in the reports under section 5 of the bill. The committee intends that the program will be administered in a manner which favors prompt and affirmative decisions with respect to the approval of assistance on behalf of homeowners.

It should be noted that under the bill, the Secretary would be given specific authority to delegate administrative functions and to accept certifications, as appropriate to facilitate prompt and efficient implementation of the program. The committee anticipates, for example, that actual processing of assistance requests, as well as servicing and collection activities, may be generally handled through lenders, subject to the Secretary's regulations and audit procedures. Also, if appropriate, the Secretary could delegate functions to other Federal agencies, to FNMA, to State or local government agencies, or to private agencies, and could provide such reimbursement for services rendered as may be needed.

The committee expects that this legislation will be administered in a manner that will tend to limit the number of payments by encouraging mortgage holders whenever appropriate to forbear rather than instituting foreclosure proceedings. The bulk of outstanding mortgage loans are currently held by lenders who now have substantial capacity to exercise forbearance, and many lenders will continue to have such capacity even if delinquency and foreclosure rates rise. The committee believes that every effort should be made to encourage and assist lenders—including particularly those subject to Federal supervisory or regulatory jurisdiction—to use this capacity and to exercise restraint

in collection and foreclosure policies. The committee expects that the Federal Home Loan Bank Board will continue to pursue its policy of March 12, 1975, of waiving its lending restrictions with respect to institutions carrying an excessive volume of scheduled items resulting from loan repayment leniency and foreclosure forbearance during periods of adverse economic conditions.

With the purpose of encouraging mortgage holders and homeowners to work out accommodations without Federal payment assistance, the committee has included in the bill a provision under which—subject to a possible waiver as described below—payments would not be made in any cases unless the mortgage holder has specified in writing the circumstances which make it probable that it cannot forbear—as, for example, the ratio of delinquent loans it is carrying—and that demonstrate the need for Federal assistance. These statements could be made on a form prescribed by the Secretary. They need not be reviewed on a case-by-case basis and it is not intended that Federal concurrence in the statements be a condition of relief to individual homeowners. It is expected, however, that the Secretary—and particularly the Federal Home Loan Bank Board and other Federal agencies having regulatory jurisdiction—will use the statements as a means of monitoring the program, identifying those institutions which may not be acting responsibly or that may be deliberately adopting a tougher line than they would otherwise take because of the availability of the Federal payments, and encouraging more liberal forbearance policies wherever appropriate. It is, further, intended that full information on these efforts will be included in the periodic reports provided for in section 5 of the bill.

The committee recognizes that there may be isolated instances where the holder of a mortgage has threatened foreclosure but refuses to submit a statement as to the circumstances that give rise to the need for such action. Should this occur, it feels that it would be inequitable flatly to deny relief to an otherwise deserving homeowner. Accordingly, it has given the Secretary specific authority to waive the statement requirement in those circumstances where the Secretary determines such a waiver would further the purposes of the bill.

The committee wishes to emphasize that mortgage relief payments are repayable by the homeowner to HUD. The bill is flexible with respect to the terms of the repayment as different approaches may be appropriate according to the individual circumstances. For example, the bill does specifically permit the Secretary to defer repayment until the home is sold or the mortgage retired. A maximum interest rate of 8 percent may be charged by the Secretary of HUD, which should be sufficient to make the program self-supporting. The committee bill requires the Secretary to obtain adequate security for the loan. While the bill permits this security to be in the form of a lien on the homeowner's mortgaged property, the committee expects the Secretary to select the most appropriate form of security in the circumstances.

The bill authorizes \$500,000,000 to be appropriated for the making of repayable mortgage relief payments. This level of authorization could assist approximately 300,000 families in saving their homes. On the basis of 1974 delinquency and foreclosure experience, fewer than 100,000 homeowners would need or be eligible for assistance under

H.R. 5398 over a period of one year. H.R. 5398, therefore, provides sufficient funds to accommodate a significant increase over the next year in mortgage delinquencies caused by unemployment.

Section 5 of the bill requires the Secretary of HUD to make periodic reports to the Congress concerning particularly hard hit housing market areas where serious defaults and foreclosures threaten to become widespread. The provision is necessary because of the considerable time lag between unemployment, actual defaults and foreclosures, and the availability of information on these defaults and foreclosures using traditional data collection techniques.

Section 5 also requires the Secretary to monitor default trends with respect to multifamily cooperative and rental projects with special attention to FHA projects which have been experiencing increasing difficulty lately. This requirement was adopted from H.R. 2700, legislation sponsored by Representative Joe Moakley. While the focus of this bill is on relief to homeowners, it was pointed out in hearings that many of the same economic factors which impact adversely on homeowners threatened with foreclosure also impact on the owners of rental or cooperative projects causing similar hardships to the tenants or cooperative shareholders.

#### STATEMENTS REQUIRED IN ACCORDANCE WITH HOUSE RULES

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

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

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

The objectives of this legislation are three in number: namely, (1) to assist homeowners in retaining their homes, (2) to prevent disruption of residential markets and construction activity because of distress sales of homes, and (3) to maintain normal mortgage lending activity of financial institutions.

With respect to subdivisions (C) and (D) of clause 3, the committee advises that no estimate or comparison has been prepared by the Director of the Congressional Budget Office relative to any of the provisions of H.R. 5398, nor have any oversight findings or recommendations been made by the Committee on Government Operations with respect to the subject matter contained in H.R. 5398.

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

H.R. 5398 could have little or no inflationary impact upon the national economy or the homebuilding industry. It would provide loans to enable distressed homeowners to retain their equity in exist-

ing assets. Thus, it would not add directly to effective demand for new goods and services, although it would release some funds that might otherwise be used in a desperate attempt by homeowners to retain possession of their homes. The main economic consequences are likely to be:

1. Enabling a number of homeowners to retain ownership of their properties by incurring a new debt;
2. Preventing the destabilization of certain local housing markets, with potentially serious declines in housing values and construction activity;
3. Easing a liquidity squeeze on some lending institutions with substantial holdings of delinquent mortgages.

In compliance with clause 7(a) of rule XIII of the House of Representatives, the following statement is made: H.R. 5398 authorizes \$500 million to be appropriated, to remain available until expended. Outlays would occur over a three-year period. Outlays for fiscal year 1976 are estimated at \$150 million; for 1977, \$250 million; and for 1978, \$100 million. The amounts are repayable with interest. A small number of repayments may occur within this three-year period, but the bulk of the repayments will take place during later periods. Cost estimates have not been submitted by a Government agency.

In compliance with clause 2(1)(2) of rule XI of the House of Representatives, the following statement is made relative to the record vote on the motion to report H.R. 5398. A total of 29 votes was cast for reporting, with one voting present.

## SECTION-BY-SECTION SUMMARY OF THE BILL

### *Section 1. Short title*

The first section of the bill provides that it may be cited as the "Emergency Homeowners' Relief Act".

### *Section 2. Findings and purpose*

Subsection (a) sets forth Congressional findings that (1) the Nation is in a severe recession and that the sharp downturn in economic activity has driven large numbers of workers into unemployment and has reduced the incomes of many others; (2) as a result the capacity of many homeowners to continue to make mortgage payments has deteriorated and may further deteriorate in the months ahead; and (3) many of these homeowners can retain their homes with temporary financial assistance until economic conditions improve.

Subsection (b) sets forth the purpose of the bill as being the prevention of widespread mortgage foreclosures and the distress-sale of homes resulting from the temporary loss of employment and income by authorizing emergency advances to homeowners to defray mortgage expenses.

### *Section 3. Emergency mortgage relief payments*

Subsection (a) authorizes the Secretary of HUD to make repayable emergency mortgage relief payments on behalf of homeowners who are delinquent in their mortgage payments.

Subsection (b) specifies that emergency mortgage relief payments shall not be approved with respect to any mortgage unless (1) the holder of the mortgage has notified the mortgagor in writing of its intention to foreclose; (2) the mortgagor and holder of the mortgage have indicated in writing to the Secretary and to any agency or department of the Federal Government responsible for the regulation of the holder that circumstances (such as the volume of delinquent loans in its portfolio) make it probable that there will be a foreclosure and that the mortgagor is in need of emergency mortgage relief authorized by this Act, except that such statement by the holder of the mortgage may be waived by the Secretary if in his judgment such waiver would further the purposes of this Act; (3) payments under the mortgage have been delinquent for at least two months; (4) the mortgagor has incurred a substantial reduction in income as a result of involuntary unemployment or underemployment due to adverse economic conditions and is financially unable to make the full mortgage payments; (5) there is a reasonable prospect that the mortgagor will be able to make the adjustments necessary for a full resumption of mortgage payments; and (6) the mortgaged property is the principal residence of the mortgagor.

Subsection (c) provides that mortgage relief payments on behalf of a homeowner may be in an amount up to the amount of the principal, interest, taxes, grounds rents, hazard insurance, and mortgage insur-

ance premiums due under the mortgage, but that such payments shall not exceed the lesser of \$250 per month or the amount determined to be reasonably necessary to supplement such amount as the homeowner is capable of contributing toward such mortgage payment.

Subsection (d) provides that mortgage relief payments may be made by the Secretary for up to twelve months, and may be extended once for up to twelve additional months. The Secretary must require the mortgagor to report any increase in income which will permit a reduction or termination of mortgage relief payments during this period.

Subsection (e) requires that the mortgage relief payments be repayable by the homeowner upon such terms and conditions as the Secretary shall prescribe, except that interest on the payments may not exceed 8 percent per annum. The Secretary may defer repayment of the mortgage relief payments until the disposition of the property or the completion of the period of amortization for the mortgage. He must require such security for the repayment of mortgage relief payments as he deems appropriate and may secure such repayment by a lien on the mortgaged property. The Secretary may make such delegations and accept such certifications with respect to the processing of mortgage relief payments as he deems appropriate to facilitate the prompt and efficient implementation of this Act.

#### *Section 4. Authorization and expiration date*

Subsection (a) authorizes appropriations of up to \$500 million. Any amounts so appropriated shall remain available until expended.

Subsection (b) prohibits the making of mortgage relief payments after July 1, 1976, except with respect to mortgagors receiving the benefit of payments on such date.

#### *Section 5. Reports*

This section requires the Secretary of HUD, sixty days after enactment of this Act and within each sixty-day period thereafter prior to July 1, 1976, to make a report to the Congress on (1) the current rate of delinquencies and foreclosures in the housing market areas of the country which should be of immediate concern if the purpose of this Act is to be achieved; (2) the extent of, and prospect for continuance of, voluntary forbearance by mortgagees in such housing market areas; (3) actions being taken by governmental agencies to encourage forbearance by mortgagees in such housing market areas; (4) actions taken and actions likely to be taken with respect to making assistance under this Act available to alleviate hardships resulting from any serious rates of delinquencies and foreclosures; and (5) the current default status and projected default trends with respect to mortgages covering multifamily properties with special attention to mortgages insured under the various provisions of the National Housing Act and with recommendations on how such defaults and prospective defaults may be cured or avoided in a manner which, while giving weight to the financial interests of the United States, takes into full consideration the urgent needs of the many low- and moderate-income families that currently occupy these multifamily properties.

## SUPPLEMENTAL VIEWS OF CONGRESSMAN JOHN H. ROUSSELOT

I have no quarrel with the basic objective of H.R. 5398, which is to assist homeowners who find themselves unemployed or underemployed through no fault of their own in meeting their mortgage payments. Although the bill does not explicitly recognize this fact, the "severe recession" and "sharp downturn in economic activity" to which the findings refer are largely the result of inflation and high interest rates caused by Federal mismanagement of the economy, so that it is entirely proper that the Federal government provide temporary assistance to homeowners in a manner which does not further aggravate the economic problems themselves.

The bill is clearly not a giveaway. Rather, it would authorize a \$500 appropriation to provide loans of up to \$250 per month to eligible homeowners. Additional assurance that the program will not be abused is provided by the Hyde amendment, which *requires* the Secretary of HUD to obtain "appropriate" security, such as a lien on the mortgaged property, for the loans which are made to homeowners.

Nevertheless, potentially serious administrative problems remain, which, if they are not corrected, may result in excessive expense and delay, or in failure of the legislation to achieve its purpose of providing emergency advances to homeowners without imposing an unwarranted burden on taxpayers. Among the most troublesome of these potential problems are the following:

1. Section 3(b)(2) of the bill, as amended in full Committee mark-up, requires the holder of the mortgage to indicate to the Secretary in writing,

. . . that circumstances (such as the volume of delinquent loans in its portfolio) make it probable that there will be a foreclosure and that the mortgagor is in need of emergency mortgage relief . . . except that such statement by the holder of the mortgage may be waived by the Secretary if in his judgment such waiver would further the purpose of the Act.

The purpose of the amendment was to prevent mortgagors in similar circumstances from being discriminated against on the basis of the relative soundness of the financial institutions with which they have dealt. However, the provision is now so vague that it is difficult to determine whether, or under what conditions, such a report by the holder is required. More serious is the possibility that the Secretary may have to make a determination in each case of the adequacy of the statement or of the advisability of a waiver.

2. Section 3(b)(3) establishes a delinquency period of "at least two months" as a prerequisite for payment of benefits. Since most mortgage holders usually forbear for three to six months, this provision may have the perverse effect of *reducing* the actual period of forbearance and of *increasing* the number of foreclosures. Such a result,

though unintended, would be extremely unfortunate and would create great hardship for the very homeowners whom this bill is designed to assist.

3. Section 3(b) (4) requires as a condition of assistance that,  
 . . . the mortgagor has incurred a substantial reduction in income as a result of involuntary unemployment or underemployment due to adverse economic conditions and is financially unable to make full mortgage payments.

Even if Congress ultimately provides a clear definition of what constitutes (1) "substantial reduction in income;" (2) "involuntary unemployment or underemployment;" (3) "adverse economic conditions;" and (4) "financially unable to make full mortgage payments;" determination of eligibility on a case-by-case basis may be extremely costly and burdensome. Without such definitions, the administrative problems are likely to be staggering. While it is true that under section 3(e) HUD may delegate the performance of this processing function to lenders, this does not necessarily resolve the problem and may even compound it.

4. Section 3(c) establishes the level of monthly payments as "the lesser of \$250 per month or the amount determined to be reasonably necessary to supplement such amounts as the homeowner is capable of contributing toward such mortgage payments." If such a calculation must be made by HUD on a case-by-case, month-by-month basis, a new and terribly costly bureaucracy may be required to perform this function.

It may be said that Congress should not be greatly concerned with the issues which I have raised because the definitions and standards may be established by HUD regulations in due course. However, experience should have taught us not to take this for granted.

A case in point involves the administration of the 1974 amendments to section 518(b) of the National Housing Act, which provides for Federally-assisted correction of defects in certain FHA-insured programs, such as section 203 housing purchased between 1968 and 1972. HUD regulations issued last fall required servicers of mortgages to enclose with their monthly statements to mortgagors brochures describing the new program. Unfortunately, in making the regulations for the program, HUD failed to consider that many servicers do not bill on a monthly basis and that most servicers could not determine without extraordinary effort and expense which mortgages were created under section 203 during the years in question and were therefore eligible for assistance. At last word the servicers had understandably refused to bear the clerical and mailing costs involved and HUD had refused to change its regulation.

If this is any indication of the kind of response which can be expected of HUD if this bill is enacted, then a great deal of careful work remains to be done on the Floor and in Conference before Congress can rest assured that the purposes of the bill will be faithfully implemented.

JOHN H. ROUSSELOT,  
*Member of Congress.*



# Ninety-fourth Congress of the United States of America

## AT THE FIRST SESSION

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

### An Act

To authorize temporary assistance to help defray mortgage payments on homes owned by persons who are temporarily unemployed or underemployed as the result of adverse economic conditions.

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

#### SHORT TITLE

SECTION 1. That this Act may be cited as the "Emergency Housing Act of 1975".

#### TITLE I—EMERGENCY MORTGAGE RELIEF

##### SHORT TITLE

SEC. 101. This title may be cited as the "Emergency Homeowners' Relief Act".

##### FINDINGS AND PURPOSE

SEC. 102. (a) The Congress finds that—

(1) the Nation is in a severe recession and that the sharp downturn in economic activity has driven large numbers of workers into unemployment and has reduced the incomes of many others;

(2) as a result of these adverse economic conditions the capacity of many homeowners to continue to make mortgage payments has deteriorated and may further deteriorate in the months ahead, leading to the possibility of widespread mortgage foreclosures and distress sales of homes; and

(3) many of these homeowners could retain their homes with temporary financial assistance until economic conditions improve.

(b) It is the purpose of this title to provide a standby authority which will prevent widespread mortgage foreclosures and distress sales of homes resulting from the temporary loss of employment and income through a program of emergency loans and advances and emergency mortgage relief payments to homeowners to defray mortgage expenses.

##### MORTGAGES ELIGIBLE FOR ASSISTANCE

SEC. 103. No assistance shall be extended with respect to any mortgage under this title unless—

(1) the holder of the mortgage has indicated to the mortgagor its intention to foreclose;

(2) the mortgagor and holder of the mortgage have indicated in writing to the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") and to any agency or department of the Federal Government responsible for the regulation of the holder that circumstances (such as the volume of delinquent loans in its portfolio) make it probable that there will be a foreclosure and that the mortgagor is in need of emergency mortgage relief as authorized by this title, except that

such statement by the holder of the mortgage may be waived by the Secretary if in his judgment such waiver would further the purposes of this title;

(3) payments under the mortgage have been delinquent for at least three months;

(4) the mortgagor has incurred a substantial reduction in income as a result of involuntary unemployment or underemployment due to adverse economic conditions and is financially unable to make full mortgage payments;

(5) there is a reasonable prospect that the mortgagor will be able to make the adjustments necessary for a full resumption of mortgage payments; and

(6) the mortgaged property is the principal residence of the mortgagor.

LIMITS OF ASSISTANCE

SEC. 104. (a) Assistance under this title with respect to a mortgage which meets the requirements of section 103 may be provided in the form of emergency mortgage relief loans and advances of credit insured pursuant to section 105 or in the form of emergency mortgage relief payments made by the Secretary pursuant to section 106.

(b) Assistance under this title on behalf of a homeowner may be made available in an amount up to the amount of the principal, interest, taxes, ground rents, hazard insurance, and mortgage insurance premiums due under the homeowner's mortgage, but such assistance shall not exceed the lesser of \$250 per month or the amount determined to be reasonably necessary to supplement such amount as the homeowner is capable of contributing toward such mortgage payment.

(c) Monthly payments may be provided under this title either with the proceeds of an insured loan or advance of credit or with emergency mortgage relief payments for up to twelve months, and, in accordance with criteria prescribed by the Secretary, such monthly payments may be extended once for up to twelve additional months. A mortgagor receiving the benefit of mortgage relief assistance pursuant to this title shall be required, in accordance with criteria prescribed by the Secretary, to report any increase in income which will permit a reduction or termination of such assistance during this period.

(d) Emergency loans or advances of credit made and insured under section 105, and emergency mortgage relief payments made under section 106, shall be repayable by the homeowner upon such terms and conditions as the Secretary shall prescribe, except that interest on a loan or advance of credit insured under section 105 or emergency mortgage relief payments made under section 106 shall not be charged at a rate which exceeds the maximum interest rate applicable with respect to mortgages insured pursuant to section 203(b) of the National Housing Act.

(e) The Secretary may provide for the deferral of the commencement of the repayment of a loan or advance insured under section 105 or emergency mortgage relief payments made under section 106 until one year following the date of the last disbursement of the proceeds of the loan or advance or payments or for such longer period as the Secretary determines would further the purpose of this title. The Secretary shall by regulation require such security for the repayment of insured loans or advances of credit or emergency mortgage relief payments as he deems appropriate and may require that such repayment be secured by a lien on the mortgaged property.

EMERGENCY MORTGAGE RELIEF LOANS AND ADVANCES

SEC. 105. (a) The Secretary is authorized, upon such terms and conditions as the Secretary may prescribe, to insure banks, trust companies, finance companies, mortgage companies, savings and loan associations, insurance companies, credit unions, and such other financial institutions, which the Secretary finds to be qualified by experience and facilities and approves as eligible for insurance, against losses which they may sustain as a result of emergency loans or advances of credit made in accordance with the provisions of section 104 and this section with respect to mortgages eligible for assistance under this title.

(b) In no case shall the insurance granted by the Secretary under this section to any financial institution on loans and advances made by such financial institution for the purposes of this title exceed 40 per centum of the total amount of such loans and advances made by the institution, except that, with respect to any individual loan or advance of credit, the amount of any claim for loss on such individual loan or advance of credit paid by the Secretary under the provision of this section shall not exceed 90 per centum of such loss.

(c) The Secretary is authorized to fix a premium charge or charges for the insurance granted under this section, but in the case of any loan or advance of credit, such charge or charges shall not exceed an amount equivalent to one-half of 1 per centum per annum of the principal obligation of such loan or advance of credit outstanding at any time.

(d) The Secretary is authorized and empowered to waive compliance with any rule or regulation prescribed by the Secretary for the purposes of this section if, in the Secretary's judgment, the enforcement of such rule or regulation would impose an injustice upon an insured lending institution which has substantially complied with such regulations in good faith. Any payment for loss made to an insured financial institution under this section shall be final and incontestable after two years from the date the claim was certified for payment by the Secretary, in the absence of fraud or misrepresentation on the part of such institution unless a demand for repurchase of the obligation shall have been made on behalf of the United States prior to the expiration of such two-year period. The Secretary is authorized to transfer to any financial institution approved for insurance under this title any insurance in connection with any loan which may be sold to it by another insured financial institution.

(e) The aggregate amount of loans and advances insured under this section shall not exceed \$1,500,000,000 at any one time.

EMERGENCY MORTGAGE RELIEF PAYMENTS

SEC. 106. (a) In the case of any mortgagee which would otherwise be eligible to participate in the program authorized under section 105 but does not qualify for an advance or advances as authorized by section 113 of this title or under section 10, 10b, or 11 of the Federal Home Loan Bank Act or otherwise elects not to participate in the program authorized under section 105, the Secretary is authorized to make repayable emergency mortgage relief payments directly to such mortgagee on behalf of homeowners whose mortgages are held by such financial institution and who are delinquent in their mortgage payments.

(b) Emergency mortgage relief payments shall be made under this section only with respect to a mortgage which meets the requirements of section 103 and only on such terms and conditions as the Secretary may prescribe, subject to the provisions of section 104.

(c) The Secretary may make such delegations and accept such certifications with respect to the processing of mortgage relief payments provided under this section as he deems appropriate to facilitate the prompt and efficient implementation of the assistance authorized under this section.

EMERGENCY HOMEOWNERS' RELIEF FUND

SEC. 107. (a) (1) To carry out the purposes of this title, the Secretary is authorized to establish in the Treasury of the United States an Emergency Homeowners' Relief Fund (hereinafter in this title referred to as the "fund") which shall be available to the Secretary without fiscal year limitation—

(A) for making payments in connection with defaulted loans or advances of credit insured under section 105 of this title;

(B) for making emergency mortgage relief payments under section 106 of this title;

(C) to pay such administrative expenses (or portion of such expenses) of carrying out the provisions of this title as the Secretary may deem necessary.

(2) The fund shall be credited with—

(A) all amounts received by the Secretary as premium charges for insurance or as repayment for emergency mortgage relief payments under this title and all receipts, earnings, collections, or proceeds derived from any claim or other assets acquired by the Secretary under this Act; and

(B) such amounts as may be appropriated for the purposes of this title.

AUTHORITY OF THE SECRETARY

SEC. 108. (a) The Secretary is authorized to make such rules and regulations as may be necessary to carry out the provisions of this title.

(b) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real or other property by the United States, the Secretary shall have power, for the protection of the interest of the fund authorized under this title, to pay out of such fund all expenses or charges in connection with the acquisition, handling, improvement, or disposal of any property, real or personal, acquired by the Secretary as a result of recoveries under security, subrogation, or other rights.

(c) In the performance of, with respect to, the functions, powers, and duties vested in the Secretary by this title, the Secretary shall—

(1) have the power, notwithstanding any other provision of law, whether before or after default, to provide by contract or otherwise for the extinguishment upon default of any redemption, equitable, legal, or other right, title in any mortgage, deed, trust, or other instrument held by or held on behalf of the Secretary under the provisions of this title; and

(2) have the power to foreclose on any property or commence any action to protect or enforce any right conferred upon the Secretary by law, contract, or other agreement, and bid for and purchase at any foreclosure or other sale any property in connection with which assistance has been provided pursuant to this title. In the event of any such acquisition, the Secretary may, notwithstanding any other provision of law relating to the acquisition, handling, or disposal of real property by the United States, complete, remodel and convert, dispose of, lease, and otherwise deal with, such property. Notwithstanding any other provision of law, the Secretary also shall have power to pursue to final collec-

## H. R. 5398—5

tion by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in administering this title.

## AUTHORIZATION AND EXPIRATION DATE

SEC. 109. (a) There are authorized to be appropriated for purposes of this title such sums as may be necessary, except that the funds authorized to be appropriated for section 106 shall not exceed \$500,000,000. Any amounts so appropriated shall remain available until expended.

(b) No loans or advance of credit shall be insured and no emergency mortgage relief payments made under this title after June 30, 1976, except if such loan or advance or such payments are made with respect to a mortgagor receiving the benefit of a loan or advance insured, or emergency mortgage relief payments made, under this title on such date.

## NOTIFICATION

SEC. 110. (a) Until one year from the date of enactment of this title, each Federal supervisory agency with respect to financial institutions subject to its jurisdiction, and the Secretary, with respect to other approved mortgagees, shall (1) take appropriate action, not inconsistent with laws relating to the safety or soundness of such institutions or mortgagee, as the case may be, to waive or relax limitations pertaining to the operations of such institutions or mortgagees with respect to mortgage delinquencies in order to cause or encourage forbearance in residential mortgage loan foreclosures, and (2) request each such institution or mortgagee to notify that Federal supervisory agency, the Secretary, and the mortgagor, at least thirty days prior to instituting foreclosure proceedings in connection with any mortgage loan. As used in this title the term "Federal supervisory agency" means the Board of Governors of the Federal Reserve System, the Board of Directors of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation, and the National Credit Union Administration.

## REPORTS

SEC. 111. Within sixty days after enactment of this title and within each sixty-day period thereafter prior to July 1, 1976, the Secretary shall make a report to the Congress on (1) the current rate of delinquencies and foreclosures in the housing market areas of the country which should be of immediate concern if the purposes of this title is to be achieved; (2) the extent of, and prospect for continuance of, voluntary forbearance by mortgagees in such housing market areas; (3) actions being taken by governmental agencies to encourage forbearance by mortgagees in such housing market areas; (4) actions taken and actions likely to be taken with respect to making assistance under this title available to alleviate hardships resulting from any serious rates of delinquencies and foreclosures; and (5) the current default status and projected default trends with respect to mortgages covering multifamily properties with special attention to mortgages insured under the various provisions of the National Housing Act and with recommendations on how such defaults and prospective defaults may be cured or avoided in a manner which, while giving weight to the financial interests of the United States, takes into full considera-

tion the urgent needs of the many low- and moderate-income families that currently occupy such multifamily properties.

NONAPPLICABILITY OF OTHER LAWS

SEC. 112. Notwithstanding any provision of law which limits the nature, amount, term, form, or rate of interest, or the nature, amount, or form of security of loans or advances of credit, loans, or advances of credit may be made in accordance with the provisions of this title without regard to such provision of law.

FEDERAL DEPOSIT INSURANCE CORPORATION ADVANCES

SEC. 113. Notwithstanding any other provision of law, the Federal Deposit Insurance Corporation is authorized, upon such terms and conditions as the Corporation may prescribe, to make such advances to any insured bank as the Corporation determines may be necessary or appropriate to facilitate participation by such bank in the program authorized by this title. For the purpose of obtaining such funds as it determines are necessary for such advances, the Corporation may borrow from the Treasury as authorized in section 14 of the Federal Deposit Insurance Act (12 U.S.C. 1824; 64 Stat. 890), and the Secretary of the Treasury is authorized and directed to make loans to the Corporation for such purpose in the same manner as loans may be made for insurance purposes under such section, subject to the maximum limitation on outstanding aggregate loans there provided.

TITLE II—AMENDMENTS TO THE EMERGENCY HOME  
PURCHASE ASSISTANCE ACT OF 1974

ACTIVATION OF PROGRAM

SEC. 201. Section 313(a)(1) of the National Housing Act is amended by inserting "or other economic conditions" immediately after "governmental actions".

LIMITATION ON INTEREST RATE

SEC. 202. Section 313(b)(C) of the National Housing Act is amended to read as follows:

"(C) such mortgage involves an interest rate not in excess of that which the Secretary may prescribe, taking into account the cost of funds and administrative costs under this section, but in no event shall such rate exceed the lesser of (i) 7½ per centum per annum, or (ii) the rate set by the Secretary applicable to mortgages insured under section 203(b) of the National Housing Act, and no State or local usury law or comparable law establishing interest rates or prohibiting or limiting the collection or amount of discount points or other charges in connection with mortgage transactions or any State law prohibiting the coverage of mortgage insurance required by the Association shall apply to transactions under this section;"

GUARANTEE AUTHORITY

SEC. 203. Section 313(d)(1) of the National Housing Act is amended—

(1) by striking out "purchased" in the first sentence and inserting "eligible for purchase" in lieu thereof; and

(2) by inserting after the first sentence the following: "Such securities shall bear interest at a rate equal to the rate on the underlying mortgages less an allowance for servicing and other expenses as approved by the Association."

FEDERAL FINANCING BANK FINANCING

SEC. 204. Section 313(d) (2) of the National Housing Act is amended by striking out the first sentence and inserting in lieu thereof the following: "The Association may offer and sell any mortgages purchased or securities guaranteed under this section to the Federal Financing Bank, and such Bank is authorized and directed to purchase any such mortgages or securities offered by the Association."

COVERAGE OF MULTIFAMILY AND CONDOMINIUM UNITS

SEC. 205. Section 313 of the National Housing Act is amended by adding the following new subsection at the end thereof:

"(h) Notwithstanding the provisions of subsection (b), the Association may make commitments to purchase and purchase, and may service, sell (with or without recourse), or otherwise deal in, a mortgage which covers more than four-family residences (including residences in a cooperative or condominium), or a single-family unit in a condominium, and which is not insured under the National Housing Act or guaranteed under chapter 37 of title 38, United States Code, if—

"(1) in the case of a project mortgage, the principal obligation of the mortgage does not exceed, for that part of the property attributable to dwelling use, the lesser of (A) the per unit amount specified in subsection (b)(B), or (B) the per unit limitations specified in section 207 of this Act in the case of a rental project or section 213 of this Act in a case of a cooperative project, or section 234 in the case of a condominium project;

"(2) in the case of a mortgage covering a housing project, the outstanding principal balance of the mortgage does not exceed 75 per centum of the value of the property securing such mortgage or is insured by a qualified private insurer or public benefit corporation created by the State which acts as an insurer as determined by the Association;

"(3) in the case of a mortgage covering an individual condominium unit, the mortgage is insured by a qualified private insurer or public benefit corporation created by the State which acts as an insurer as determined by the Association or has an outstanding principal balance which does not exceed 80 per centum of the value of the property securing the mortgage;

"(4) the mortgage is not being used to finance the conversion of an existing rental housing project into a condominium project or to finance the purchase of an individual unit in a condominium project in connection with the conversion of such project from rental to condominium form of ownership; and

"(5) the mortgage meets the requirements of subsection (b) except as modified by this subsection and any additional requirements the Secretary may prescribe to protect the interest of the United States or to protect consumers."

AUTHORIZATION

SEC. 206. Section 313(g) of the National Housing Act is amended by adding the following at the end thereof: "Such total amount shall

be increased on or after the date of enactment of the Emergency Housing Act of 1975, by such amount as is approved in an appropriation Act, but not to exceed \$10,000,000,000, and the Association shall not issue obligations pursuant to this section utilizing authority which is conferred by this sentence or which is conferred by the first sentence of this subsection but uncommitted on October 18, 1975, except as approved in appropriation Acts.”.

EXTENSION

SEC. 207. Section 3(b) of the Emergency Home Purchase Assistance Act of 1974 is amended—

(1) by striking out “for a period of one year following such date of enactment” and inserting in lieu thereof “until July 1, 1976”; and

(2) by striking out “the expiration of such period” each place it appears and inserting in lieu thereof “such date”.

TITLE III—EMERGENCY REPAIR AND REHABILITATION  
AUTHORITY

SEC. 301. (a) Section 312(h) of the Housing Act of 1964 is amended by striking out “one-year” and inserting in lieu thereof “two-year”.

(b) Section 312(d) of such Act is amended by inserting “ending prior to July 1, 1975, and not to exceed \$100,000,000 for the fiscal year beginning on July 1, 1975,” after “each fiscal year”.

SEC. 302. Section 518(b) of the National Housing Act is amended—

(1) by striking out “one or two” and inserting in lieu thereof “one, two, three, or four”; and

(2) by striking out “one year” the second time it appears in clause (1) of the first sentence of such section and inserting in lieu thereof “19 months”.

SEC. 303. Section 202(b) of the Flood Disaster Protection Act of 1973 is amended by inserting before the period at the end thereof a comma and the following: “except that the prohibition contained in this sentence shall not apply to any loan made prior to January 1, 1976, to finance the acquisition of a previously occupied residential dwelling”.

*Speaker of the House of Representatives.*

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

July 2, 1975

Office of the White House Press Secretary

---

THE WHITE HOUSEFACT SHEETTHE EMERGENCY HOUSING ACT OF 1975 (H.R. 5398)

President Ford today signed the Emergency Housing Act of 1975. When he vetoed H.R. 4485, an action sustained by the House of Representatives, the President urged enactment of alternative housing legislation.

This Act includes provisions addressing mortgage foreclosure, and expands the mortgage purchase programs of the Government National Mortgage Association (GNMA or Ginnie Mae), as recommended by the President at the time of his veto.

BACKGROUND

A housing recovery is now clearly under way from the depressed levels of the last year. During this period, \$15.5 billion, including \$2.0 billion released last week, has been committed by the Federal government -- an unprecedented level of financial support to the housing industry. H.R. 5398 continues this effective program.

FEATURES OF THE EMERGENCY HOUSING ACT OF 19751. Extension of the GNMA Mortgage Purchase Program

H.R. 5398 expands the Emergency Home Purchase Assistance Act of 1974, enacted at the President's urging in October. This bill:

- increases the GNMA mortgage purchase authority by \$10 billion and extends the 1974 Act's expiration date to July 1, 1976;
- fixes a mortgage interest rate ceiling of 7-1/2% under this program;
- expands coverage to include condominium mortgages.

2. Mortgage Foreclosure Relief

The Act provides the Secretary of Housing and Urban Development with standby authority to assist homeowners facing foreclosure by:

- co-insuring loans or credits advanced by lending institutions;
- making mortgage relief payments to lenders on behalf of eligible homeowners.

more

Mortgage foreclosures and defaults have remained level demonstrating that private lenders are cooperating with homeowners during this temporary economic situation, indicating no present need for mortgage foreclosure relief assistance. Foreclosure rates are less than the rates which prevailed during the mid-1960s.

### 3. Other Provisions of the Act

In addition to the foregoing, the Emergency Housing Act of 1975 includes several provisions added by the Congress:

- extending the low interest rehabilitation loan program to July 1, 1976 and providing a \$100 million authorization, subject to the appropriation process;
- extending for seven months the deadline for applications for financial assistance to correct defects in certain homes insured under the National Housing Act;
- deferring until January 1, 1976, a prohibition against mortgage loans on certain properties located in flood prone areas of communities not participating in the Federal Flood Insurance Program.

# # # #

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

---

THE WHITE HOUSE

REMARKS OF THE PRESIDENT  
UPON SIGNING OF  
H.R. 5398  
THE EMERGENCY HOUSING ACT OF 1975

THE ROSE GARDEN

1:55 P.M. EDT

Let me make a comment or two.

First, distinguished Members of the Congress, Secretary Hills, distinguished members of labor and industry, and particularly the housing industry:

Obviously, I am very, very pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975. This proposed legislation which I will sign into law embodies basically the compromise provisions which we worked out with the House and the Senate.

I commend the Members of the Congress on both sides of the aisle and at both ends of the Capitol for quickly enacting this meaningful and I think effective housing legislation. This is an excellent example of the way in which the Congress and the Executive Branch can and should work together in the best interest of the American people.

This Administration is committed to a prompt recovery of the housing industry and to getting construction workers back on the job. Both of these objectives and actions are crucial to our overall economic recovery.

This legislation provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association, which will be available, if required, to sustain the housing recovery presently underway. It also expands other types of housing construction, including condominiums.

The bill also meets the problem of mortgage foreclosures head-on. It provides standby authority for the Secretary of Housing and Urban Development to co-insure loans made by lending institutions to preclude mortgage foreclosures on homes whose owners are in temporary financial difficulty.

I hope and trust that the cooperation between the Congress and the Executive Branch shown by the effective action in this legislation, will continue in the future on other badly needed legislative proposals.

END

(AT 1:57 P.M. EDT)

EMBARGOED FOR RELEASE  
UNTIL 1:45 PM EDT  
Wednesday, July 2, 1975

JULY 2, 1975

Office of the White House Press Secretary

---

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I am pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975. This Act embodies the alternative approach which I urged at the time of my veto of H.R. 4485 last Tuesday.

I commend Members of Congress of both parties for quickly enacting meaningful and effective housing legislation. This is an excellent example of the way in which the Congress and the Executive Branch can-- and should--work together in the best interests of the American people.

This Administration is committed to a prompt recovery of the housing industry and to getting construction workers back on the job. Both of these actions are crucial to our overall economic recovery.

This legislation provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association which will be available if required to sustain the housing recovery presently under way. It also expands coverage to other types of housing construction including condominiums.

Last week I directed Secretary Hills to release \$2 billion in GNMA mortgage purchase funds. As a result of the swift enactment of this new housing bill by the Congress, those funds will be released at an interest rate of 7-1/2 percent. Condominium mortgages will also be eligible, thus assisting a hard-pressed sector of the housing industry. These funds will finance an estimated 65,000 units of housing and provide jobs for the building trades.

The bill meets the problem of mortgage foreclosures head on. It provides standby authority for the Secretary of Housing and Urban Development to co-insure loans made by lending institutions or to make mortgage relief payments to other lenders to preclude mortgage foreclosures. Presently, mortgage foreclosures and defaults have remained level, at rates less than those which prevailed during the mid-1960's, indicating that private lenders are cooperating with homeowners. However, if foreclosure rates rise significantly, this legislation will enable us to act quickly to keep owners from losing their homes.

I hope the cooperation between the Congress and the Executive Branch shown in this legislation will continue in other badly-needed measures.

# # #

July 1, 1975

Dear Mr. Director:

The following bills were received at the White House on July 1st:

H.R. 5398 ✓  
H.R. 8109 ✓

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

Sincerely,

Robert D. Linder  
Chief Executive Clerk

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