The original documents are located in Box C42, folder “Presidential Handwriting, 6/21/1976 (3)” of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

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ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: PAUL H. O'NEILL
FROM: JAMES E. CONNOR
SUBJECT: Housing for the Elderly Rescission

The President reviewed your memorandum of June 15th on the above subject and has approved release of the entire $750 million for elderly housing loans.

Please follow-up with the appropriate action.

cc: Dick Cheney
THE WHITE HOUSE  
WASHINGTON  
June 18, 1976

MR PRESIDENT:

Housing for the Elderly  
Rescission

The attached memorandum prepared by Paul O'Neill was staffed to Messrs. Buchen, Cannon, Friedersdorf, Greenspan, Marsh and Seidman.

The following recommendations were received:

Release Funds:

Supported by: Jim Cannon, Max Friedersdorf, Jack Marsh and Bill Seidman

Jim Cannon further commented: "I concur with Secretary Hills. Rescission would antagonize a very powerful and highly vocal constituency."

Propose Rescission:

Supported by: OMB, Alan Greenspan and Phil Buchen.

Jim Connor
I. BACKGROUND

The Second Supplemental Appropriations Act increases the volume of loans that may be approved under HUD's Housing for the Elderly or Handicapped ("section 202") Program during 1976 and the transition quarter. The $750 million loan level provided for in the Act is twice the level you approved for 1976, and 3.5 times the level you originally proposed.

II. OPTIONS

1. Release the entire $750 million for elderly housing loans.

2. Release the $375 million provided for in the budget and propose rescission of the $375 million add-on. (Unfortunately, deferral is not an option.)

Two factors have an important bearing on the need for section 202 loans. First, they are only being made to finance projects approved for rental subsidies under the section 8 program. Second, the section 8 new construction program itself is heavily oriented toward the elderly. To date, two-thirds of all new units approved for section 8 subsidies are earmarked for elderly persons.

Two programmatic arguments have been advanced in favor of the section 202 program. Supporters of the program claim that:

- It makes it easier for elderly housing sponsors to arrange permanent financing.
The implicit subsidy (equal to the difference between the Treasury borrowing rate and market rates) brings down the cost of housing to elderly persons.

OMB finds neither argument to be persuasive.

On the one hand, elderly housing sponsors have little problem securing FHA-insured financing. On the other hand, the section 202 subsidy makes little or no difference as far as the rents elderly tenants must pay. For upper income tenants—those receiving little or no section 8 assistance—the section 202 subsidy would reduce rents by no more than $15 per month. (Using a .25 rent/income ratio, this would reduce the annual income required to rent a newly built unit without benefit of a section 8 subsidy by only $700.) The rent paid by all other tenants would not be reduced at all. The section 202 subsidy, at best, would merely reduce the section 8 subsidy; at worst, it would add to the Federal subsidy. The impact of the subsidy is highlighted in the attached charts.

Of course, elderly programs such as the section 202 program are especially popular with the Congress. Nonprofit sponsors, elderly groups and builders are strong, organized supporters of elderly housing projects.

Budget Impact

An increase of $375 million in 1976 would have no direct impact on budget outlays if the program remains off-budget. It would, however, raise Treasury borrowing costs. More importantly, legislation passed by the House would put this account back on-budget in 1978—a move the Administration should strongly support. In that case, outlays resulting from the $375 million add-on would be as follows:

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<tbody>
<tr>
<td>off-budget</td>
<td>(100)</td>
<td>200</td>
<td>75</td>
<td>-10</td>
<td>-10</td>
</tr>
<tr>
<td>on-budget</td>
<td></td>
<td></td>
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since your budget also provides for a $375 million program level in 1977, acceptance of the congressional add-on in 1976 would all but guarantee at least another $375 million add-on in the 1977 appropriation bill. This would further
increase 1978 and 1979 outlays by $100 million and $200 million, respectively. (The House Appropriations Committee has reported out a bill providing for $750 million in elderly housing loans. Secretary Hills has appealed back to the budget request of $375 million.)

III. RECOMMENDATION

HUD Secretary Hills recommends that you release the entire appropriation. In her judgment, a rescission request would:

. Have almost no chance of being accepted by both Houses.
. Damage her credibility with the elderly and their friends in Congress.
. Hinder the effort to get this account back on-budget.
. Make the Administration look foolish, since it requested part of the add-on and did not appeal the remainder. See memo from Secretary Hills TAB A.

I take issue with the Secretary's last point. Although you did request a $115 million supplemental for elderly housing, you made it very clear that this was intended to preserve the $375 million program level, not increase it. We chose not to appeal the full add-on because we were advised by HUD staff that the House Appropriation Committee's intention was merely to make the funds requested by the Administration for 1977 available in advance of the new fiscal year. Only later on did we realize that additional funds were to be provided in 1977 as well.

I do not believe a rescission request now would make us look foolish, particularly since the Secretary has appealed to the Senate for a $375 million program level in 1977.

On programmatic grounds, I recommend that the $375 million add-on be withheld and that you request a rescission of the funds. A proposed rescission, while unlikely to be accepted, should strengthen the hand of those trying to put elderly housing loans back on-budget.

DECISION

- [ ] Release funds
- [ ] Propose rescission
- [ ] Other

Attachments
<table>
<thead>
<tr>
<th>Without Section 8</th>
<th>With Section 8</th>
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<tbody>
<tr>
<td><strong>TENANT'S SHARE</strong></td>
<td><strong>SUBSIDY OF $15</strong></td>
</tr>
<tr>
<td><strong>FAIR MARKET RENT (FMR)</strong></td>
<td><strong>FMR AT $373</strong></td>
</tr>
<tr>
<td><strong>ENTIRELY PAID BY TENANT</strong></td>
<td><strong>TENANT'S SHARE AT $358</strong></td>
</tr>
<tr>
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</tr>
<tr>
<td><strong>SECTION 8 ASSISTANCE</strong></td>
<td><strong>SECTION 8 SUBSIDY AT $321</strong></td>
</tr>
<tr>
<td><strong>TENANT'S SHARE AT $321</strong></td>
<td><strong>TENANT'S SHARE AT $306</strong></td>
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*Assumes a $2,500 income*
Without Section 8

- Fair Market Rent (FMR) at $373
- Entirely paid by tenant.

With Section 8

- Section 202 subsidy of $15
- FMR at $373
- Tenant's share at $358

Without Section 202, Section 8

- Tenant's share at $83*

*Assumes a $4,000 income.
TENANT'S SHARE OF FAIR MARKET RENTS WITH AND WITHOUT SECTION 8 AND SECTION 202 ASSISTANCE

Without Section 8

- FMR AT $373
- TENANT'S SHARE AT $228
- ENTIRELY PAID BY TENANT

With Section 8

- FMR AT $373
- SECTION 8 SUBSIDY AT $15
- TENANT'S SHARE AT $228
- TENANT'S SHARE AT $145*

*ASSUMES A $7,000 INCOME
MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Rescission of Section 202 Supplemental

I have just been advised by the Office of Management and Budget of their proposal to rescind the recently enacted supplemental of $375 million for the Section 202 Housing for the Elderly Loan Program.

I am strongly opposed to the Office of Management and Budget's proposal.

Although I sympathize with the fiscal reasoning behind the OMB proposal, the Administration will look extremely foolish if this proposal is submitted.

There are two major reasons for this:

1. The Administration requested $115 million of the total. While it is true that the rationale (a court order) for requesting those funds vanished during the appropriation process, the Administration did not withdraw the proposal.

2. After the House Appropriations Bill added $260 million for a total level of $375 million, the Administration did not object to the additional amount.

The various elderly housing groups are a potent political power. They are able to mobilize massive bipartisan support on the Hill. They have tremendous political influence throughout the country.
Any rescission measure on this program will be defeated. In our opinion only a small portion of Republicans would support such a measure. However in the course of seeking the rescission, we will lose the good will of these extremely powerful groups.

I respectfully, but very strongly, urge you to reject any proposal to rescind these funds.

I am happy to discuss this with you personally.

Sincerely,

[Signature]

cc: James T. Lynn
    Paul H. O'Neill
    Dan L. McGurk
    James M. Cannon
    James E. Connor
    Max L. Friedersdorf
ADMINISTRATIVELY CONFIDENTIAL

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SUBJECT: Housing for the Elderly Rescission

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cc: Dick Cheney
ACTION

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FROM: Paul H. O'Neill
SUBJECT: Housing for the Elderly Rescission

I. BACKGROUND

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1. Release the entire $750 million for elderly housing loans.

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Two factors have an important bearing on the need for section 202 loans. First, they are only being made to finance projects approved for rental subsidies under the section 8 program. Second, the section 8 new construction program itself is heavily oriented toward the elderly. To date, two-thirds of all new units approved for section 8 subsidies are earmarked for elderly persons.

Two programmatic arguments have been advanced in favor of the section 202 program. Supporters of the program claim that:

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The implicit subsidy (equal to the difference between the Treasury borrowing rate and market rates) brings down the cost of housing to elderly persons.

OMB finds neither argument to be persuasive.

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Of course, elderly programs such as the section 202 program are especially popular with the Congress. Nonprofit sponsors, elderly groups and builders are strong, organized supporters of elderly housing projects.

Budget Impact

An increase of $375 million in 1976 would have no direct impact on budget outlays if the program remains off-budget. It would, however, raise Treasury borrowing costs. More importantly, legislation passed by the House would put this account back on-budget in 1978—a move the Administration should strongly support. In that case, outlays resulting from the $375 million add-on would be as follows:

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<td>(100)</td>
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Since your budget also provides for a $375 million program level in 1977, acceptance of the congressional add-on in 1976 would all but guarantee at least another $375 million add-on in the 1977 appropriation bill. This would further
increase 1978 and 1979 outlays by $100 million and $200 million, respectively. (The House Appropriations Committee has reported out a bill providing for $750 million in elderly housing loans. Secretary Hills has appealed back to the budget request of $375 million.)

III. RECOMMENDATION

HUD Secretary Hills recommends that you release the entire appropriation. In her judgment, a rescission request would:

- Have almost no chance of being accepted by both Houses.
- Damage her credibility with the elderly and their friends in Congress.
- Hinder the effort to get this account back on-budget.
- Make the Administration look foolish, since it requested part of the add-on and did not appeal the remainder. See memo from Secretary Hills TAB A.

I take issue with the Secretary's last point. Although you did request a $115 million supplemental for elderly housing, you made it very clear that this was intended to preserve the $375 million program level, not increase it. We chose not to appeal the full add-on because we were advised by HUD staff that the House Appropriation Committee's intention was merely to make the funds requested by the Administration for 1977 available in advance of the new fiscal year. Only later on did we realize that additional funds were to be provided in 1977 as well.

I do not believe a rescission request now would make us look foolish, particularly since the Secretary has appealed to the Senate for a $375 million program level in 1977.

On programmatic grounds, I recommend that the $375 million add-on be withheld and that you request a rescission of the funds. A proposed rescission, while unlikely to be accepted, should strengthen the hand of those trying to put elderly housing loans back on-budget.

DECISION

<table>
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<tr>
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<tr>
<td></td>
<td>Propose rescission</td>
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<td>Other</td>
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Attachments
TENANT'S SHARE OF FAIR MARKET RENTS WITH AND WITHOUT SECTION 8 AND SECTION 202 ASSISTANCE

Without Section 8

- FAIR MARKET RENT (FMR) at $373
- ENTIRELY PAID BY TENANT

With Section 8

- FAIR MARKET RENT (FMR) at $373
- TENANT'S SHARE AT $358
- SUBSIDY OF $15

*ASSUMES A $2,500 INCOME
TENANT'S SHARE OF FAIR MARKET RENTS WITH AND WITHOUT SECTION 8 AND SECTION 202 ASSISTANCE

Without Section 8

Fair Market Rent (FMR)

AT $373

Entirely paid by tenant

SECTION 202

Subsidy of $15

FMR at $373

Tenant's Share at $358

With Section 8

FMR at $373

SECTION 8 Subsidy at $200

Tenant's Share at $358

*Assumes a $4,000 income
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Without Section 8

FAIR MARKET RENT (FMR) AT $373 ENTIRELY PAID BY TENANT

With Section 8

SECT ION 8 SUBSIDY OF $15

FMR AT $373 TENANT'S SHARE AT $358

SECT ION 202 SUBSIDY AT $220

FMR AT $373 TENANT'S SHARE AT $145*

*ASSUMES A $7,000 INCOME
MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Rescission of Section 202 Supplemental

I have just been advised by the Office of Management and Budget of their proposal to rescind the recently enacted supplemental of $375 million for the Section 202 Housing for the Elderly Loan Program.

I am strongly opposed to the Office of Management and Budget's proposal. Although I sympathize with the fiscal reasoning behind the OMB proposal, the Administration will look extremely foolish if this proposal is submitted.

There are two major reasons for this:

1. The Administration requested $115 million of the total. While it is true that the rationale (a court order) for requesting those funds vanished during the appropriation process, the Administration did not withdraw the proposal.

2. After the House Appropriations Bill added $260 million for a total level of $375 million, the Administration did not object to the additional amount.

The various elderly housing groups are a potent political power. They are able to mobilize massive bipartisan support on the Hill. They have tremendous political influence throughout the country.
Any rescission measure on this program will be defeated. In our opinion only a small portion of Republicans would support such a measure. However in the course of seeking the rescission, we will lose the good will of these extremely powerful groups.

I respectfully, but very strongly, urge you to reject any proposal to rescind these funds.

I am happy to discuss this with you personally.

Sincerely,

Carla A. Mills

cc: James T. Lynn
    Paul H. O'Neill
    Dan L. McGurk
    James M. Cannon
    James E. Connor
    Max L. Friedersdorf
June 18, 1976

MR PRESIDENT:

Housing for the Elderly

Rescission

The attached memorandum prepared by Paul O'Neill was staffed to Messrs. Buchen, Cannon, Friedersdorf, Greenspan, Marsh and Seidman.

The following recommendations were received:

Release Funds:

Supported by: Jim Cannon, Max Friedersdorf, Jack Marsh and Bill Seidman

Jim Cannon further commented: "I concur with Secretary Hills. Rescission would antagonize a very powerful and highly vocal constituency."

Propose Rescission:

Supported by: OMB, Alan Greenspan and Phil Buchen.

Jim Connor
Date: June 15, 1976

FOR ACTION:
✓ Phil Buchen
✓ Jim Cannon
✓ Max Friedersdorf
✓ Alan Greenspan
✓ Jack Marsh
✓ Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Thursday, June 17

SUBJECT:
Paul H. O'Neill's memorandum
6/15/76 re Housing for the Elderly
Recession

ACTION REQUESTED:

___ For Necessary Action

___ Prepare Agenda and Brief

X For Your Recommendations

___ Draft Reply

___ Draft Remarks

REMARKS:

Jim Connor - Release funds
March - Release funds
Greenspan (John Davis) Option A
Cannon - All comments
Buchen - Support Option B - Recession
Friedersdorf - Recommend release funds

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 Connor
For the President
ACTION MEMORANDUM

WASHINGTO

LOG NO.:

Date: June 15, 1976

FOR ACTION: cc (for information):

Phil Buchen
Jim Cannon
Max Friedersdorf

Alan Greenspan
Jack Marsh
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Thursday, June 17

TIME: Noon

SUBJECT:

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6/15/76 re Housing for the Elderly
Recession

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--- Prepare Agenda and Brief

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---X--- Draft Remarks

REMARKS:

[Signature]

[Date]

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Jim Connor
For the President
FOR ACTION: cc (for information):
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DUE: Date: Thursday, June 17 Time: Noon

SUBJECT: Paul H. O'Neill's memorandum
6/15/76 re Housing for the Elderly
Rescission

ACTION REQUESTED:

- For Necessary Action
- Prepare Agenda and Brief
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REMARKS:

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[Signature]

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Jim Connor
For the President
ACTION MEMORANDUM

Date: June 15, 1976

FOR ACTION:
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Jim Cannon
Max Friedersdorf

Alan Greenspan
Jack Marsh
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Thursday, June 17
Time: Noon

SUBJECT:
Paul H. O'Neill's memorandum
6/15/76 re Housing for the Elderly
Rescission

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Jim Connor
For the President
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DEcision

[ ] Release funds
[ ] Propose rescission
[ ] Other

Attachments
MEMORANDUM

FOR: JIM CONNO

FROM: MAX FRIEDERSDORF

SUBJECT: Paul O'Neill's memorandum 6/15/76 re Housing for the Elderly Rescission

The Office of Legislative Affairs recommends release of funds.
ACTION MEMORANDUM
THE WHITE HOUSE
WASHINGTON

Date: June 15, 1976

FOR ACTION: cc (for information):
Phil Buchen Alan Greenspan
Jim Cannon Jack Marsh
Max Friedersdorf Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Thursday, June 17 Time: Noon

SUBJECT:
Paul H. O'Neill's memorandum 6/15/76 re Housing for the Elderly
Rescission

ACTION REQUESTED:

For Necessary Action
Prepare Agenda and Brief
For Your Comments

For Your Recommendations
Draft Reply
Draft Remarks

REMARKS:
Recommend release of

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 Connor
For the President
Bob Linder -

You will recall that I have been holding the letter from Sec. Hills on this subject --- the memo from OMB is now in and I plan to staff it.

Thought you would want to review first.

Trudy Fry  
6/15/76
MEMORANDUM OF CALL

You were called by: Jim Jones

Please call: Phone number: GSA/FIIR

Wish to see you: Wishes an appointment

Message:

O'Neill talked with staff re: Hall memo on recession - they agree you should hold until OMB's memo

Received by: Signature: Date: Time:
TO: JIM CONNOR

Bob Linder said OMB would be sending something on or before 6/7.

Robert D. Linder
MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Rescission of Section 202 Supplemental

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