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94TH CONGRESS }
1st Session }

HOUSE OF REPRESENTATIVES {

REPORT
No. 94-64

EMERGENCY MIDDLE-INCOME HOUSING ACT OF 1975

MARCH 14, 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, ADDITIONAL INDIVIDUAL AND MINORITY VIEWS

[To accompany H.R. 4485]



The Committee on Banking, Currency and Housing, to whom was referred the bill (H.R. 4485) to provide for greater homeownership opportunities for middle-income families and to encourage more efficient use of land and energy resources, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments are as follows:

On page 2, line 20, strike out "is dissuading" and insert in lieu thereof "discourages".

On page 2, beginning in line 21, strike out "contributing" and insert in lieu thereof "contributes".

On page 4, line 19, insert "an obligation of, and paid by, the Secretary and to be" immediately after "be".

On page 5, line 10, strike out "mortgage" and insert in lieu thereof "mortgages".

On page 6, beginning in line 17, strike out "purchased or assisted by" and insert in lieu thereof "which".

On page 6, line 18, insert "purchases or commits to purchase" immediately after "Association".

On page 6, line 22, strike out "Act" and insert in lieu thereof "section".

On page 6, line 25, strike out "under this Act" and insert in lieu thereof "pursuant to this section".

On page 7, line 2, strike out "under this Act" and insert in lieu thereof "pursuant to this section".

On page 7, strike out lines 10 through 13.

On page 8, strike out lines 3 through 10, and insert in lieu thereof the following:

(b) The term "home mortgage" means a mortgage covering a single-family unit or one-family unit in a condominium project, or units in a cooperative housing project, where the appraised value of the unit at the time of purchase does not exceed \$38,000, or \$42,000 in high-cost areas as determined by the Secretary and \$48,000 in Alaska, Hawaii, and Guam.

On page 8, line 19, immediately after "this Act." insert the following:

The aggregate amount of contracts to make interest reduction payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$300,000,000 per annum. The aggregate amount of contracts to make interest rate differential payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$1,500,000,000. The aggregate amount of mortgages purchased by the Association under this Act shall not exceed amounts approved in appropriation Acts, and the aggregate amount of such mortgages shall not exceed \$12,000,000,000. The Association shall not issue obligations pursuant to section 6(c) or securities pursuant to section 6(d) except as approved in appropriation Acts.

On page 10, immediately following line 2, insert the following:

(e) Not more than 20 per centum of the aggregate mortgage amounts approved in appropriation Acts may be allocated for use with respect to existing previously occupied dwellings which have not been substantially rehabilitated.

On page 10, line 3, strike out "(e)" and insert in lieu thereof "(f)".

On page 10, line 7, strike out "(f)" and insert in lieu thereof "(g)".

INTRODUCTION AND BACKGROUND OF BILL

The committee bill, H.R. 4485, is a product of Congressional concern with the economy, and particularly the effect on the economy of a severe and prolonged slump in residential construction. In the committee's view, the Administration has not recognized the seriousness of the impact on the economy of a depressed homebuilding industry.

Hearings on emergency housing legislation were held by the Subcommittee on Housing and Community Development on February 6, 18, 19, and 20. The Subcommittee held mark-up sessions on H.R. 29, the "Emergency Middle Income Housing Act of 1975" on February 26, March 4, 5, and 6. The Subcommittee made numerous changes in H.R. 29 and reported out a clean bill, H.R. 4485, which the full committee amended and ordered reported on March 11.

Your committee believes that early action on H.R. 4485 is essential. Gross national product in the last quarter of 1974 fell by 9 percent in real terms and the unemployment rate, both in January and February 1975, was 8.2 percent with more than 7½ million persons unable to find work. At the same time, residential construction was undergoing its deepest postwar cycle. The homebuilding industry was operating

far below its potential capacity in early 1975. Housing starts in January 1975 were at an annual rate of 987,000 compared with levels of 2.4 and 2.0 million in 1972 and 1973, respectively. Housing starts declined in 1974 to a total of 1,351,000 units, down 43 percent from 1972. Some 688,000 construction workers were unable to find work in February 1975, or 15.9 percent of all workers in contract construction. The rate of unemployment in the residential construction industry is estimated at over 40 percent. The unadjusted unemployment rate in the related furniture industry is 17.5 percent and in lumber and wood products, 20.9 percent. With building permits in January down to a record-low annual rate of 661,000, prospects for a quick revival in housing construction as a result of market forces and available governmental programs are very poor.

Traditionally, housing has led the economy out of recessionary periods. The current severe slump in both the economy as a whole and the construction industry does not appear to be breaking. In order to stimulate increased activity in the housing industry, H.R. 4485 would make possible the financing of up to 400,000 dwelling units. This bill is intended as a temporary, emergency measure and authority under it would expire after June 30, 1976.

Construction activity has a multiplier effect on the economy. For each 1,000 man-years in on-site and off-site home construction, 1,200 man-years of work are required in manufacturing, wholesaling, and mining. Additional demand is typically generated for employment in appliances and home furnishing industries. As workers in these industries spend their earning, there is a ripple effect through the rest of the economy.

A Department of Labor study indicates that an increase in production of 250,000 single-family houses would generate about 130,000 on-site man-years of work, 25,000 off-site man-years, and another 188,000 man-years of work in manufacturing, wholesaling, and mining. All together, one-quarter million additional home starts would create up to 343,000 man-years of work.

These many additional man-years of work would generate workers' incomes aggregating approximately \$4.2 billion on which an estimated \$450 million in Federal income taxes would be paid for the year. Corporate and personal income taxes paid by builders, materials suppliers and firms in related industries are estimated conservatively at \$250 million, for a total increase in Federal income tax revenues of \$700 million.

WHAT THE BILL WOULD DO

H.R. 4485 would stimulate housing construction by expanding the potential homebuying market and by counteracting recessionary "no-buy" attitudes with the incentive of lower interest rates. The lower interest rates provided by the bill would increase the number of families eligible to purchase a given home by approximately 5 to 6 million. The attractive financing terms made possible by the bill would also encourage many families, particularly younger families, to make a decision to buy a home within the next year instead of deferring that decision. H.R. 4485 would thus shift a significant number of homebuying decisions into the current severely recessed period, in which substantial idle capacity exists, and away from a later period

of potentially high construction activity in which inflationary pressures may be strong.

In attempting to fashion means to stimulate housing construction and sales, the committee determined that the most effective program would provide alternative forms of subsidy and the tapping of various credit markets.

Subsidy Approaches

The bill authorizes the Secretary of Housing and Urban Development to make assistance available either (1) to reduce temporarily the payments on a market-rate mortgage to the level of payments on a mortgage bearing an interest rate of six percent, or (2) to make it possible for a home mortgage to be written with an interest rate of not more than seven percent for the life of the mortgage.

Under the temporary six percent approach, HUD would make interest reduction payments on behalf of middle-income homebuyers in the full amount authorized for three years. The amount of the payments would be reduced incrementally over the succeeding three years, so that the full assistance would be reduced by 25 percent in year four, by 50 percent in year five, by 25 percent in year six, and would be terminated after the sixth year. The gradual phasing down of the assistance not only eases the impact on the family assuming full homeownership expenses, but provides adequate opportunity for families who do not feel capable of assuming these responsibilities to sell their homes in an orderly manner.

The temporary subsidy approach capitalizes on the fact that average incomes of American families have moved markedly upward in recent years, rising 22 percent between 1970 and 1973. A significantly reduced interest rate can be provided under this approach at modest cost to the Government. The temporary subsidy should be particularly attractive to families which are upwardly mobile in terms of income or who do not expect to remain in one location for an extended period of time.

The other subsidy approach involves the origination of below-market-interest-rate loans at a rate of seven percent. The benefits of the reduced rate would therefore be realized for the life of the mortgage. Under this approach, several different ways for the Government to provide the subsidy are possible and involve varying costs, budgetary outlays, and credit markets.

Use of Different Credit Markets

1. *Temporary six percent subsidy.* These mortgage loans would be originated primarily by thrift institutions and mortgage companies and could be insured by the Federal Housing Administration, guaranteed by the Veterans' Administration, or conventionally financed with or without non-Federal mortgage insurance. These loans could be held by the originator, sold to a private investor, or sold to one of the Government's secondary market facilities—the Federal National Mortgage Association or the Federal Home Loan Mortgage Association.

2. *Seven percent mortgages.* One method HUD is authorized to use in bringing the interest rate down to seven percent is a single interest rate differential payment made to the lender at the time the loan is originated. The amount of the payment would be the difference between the amount of the mortgage and the price the mortgage would have

to be sold at to provide a market yield. These loans would also be originated primarily by thrift institutions and mortgage companies. Under this approach, if a \$30,000 mortgage at 7 percent would sell at a price of 88, the payment would equal 12 percent of \$30,000, or \$3,600. Approximately the same cost would be incurred by HUD if it purchased this mortgage at par and sold it immediately, but in the case of a purchase and resale, there would be commitment and purchase fees to be paid and temporary borrowing from the Treasury would be required.

Second, HUD, acting through the Government National Mortgage Association, could purchase seven percent loans at par. At the time of purchase or sometime thereafter, mortgage-backed securities guaranteed by GNMA would be issued by the originators of the loans and the proceeds from their sale would, in effect, be the ultimate source of the funds lent to homebuyers. These securities would bear a below-market interest rate (about 6½ percent) and HUD would bear a loss in this transaction of the difference between the market price of these securities and their face amount. Mortgage-backed securities are mainly purchased by pension funds, bank trust departments, insurance companies, and mutual savings banks, and by savings and loan associations which have surplus funds.

Third, HUD could purchase and hold the seven percent loans. In this case, the loans would be financed by the issuance of Treasury debt obligations. In addition, HUD could issue its own mortgage-backed securities based on these loans and sell the securities to the Federal Financing Bank. In either case, the mortgages would be financed through the use of Government credit in the bond markets. The Government would incur losses to the extent that its cost of borrowing exceeded net income from the loans. The loans or securities could be sold to private investors when market conditions were favorable.

Costs and Budgetary Outlays

H.R. 4485 is designed to provide assistance for approximately 400,000 units. The total amount of mortgages which could be assisted is limited to \$12 billion, or an average mortgage amount under the program of \$30,000. The amount of mortgages to be assisted would be required to be approved in appropriation Acts. Within this overall limit on the scope of the program, H.R. 4485 provides separate authorization or expenditure limits with respect to each of three methods of assistance. First, the amount of contracts to make interest reduction payments, used with respect to the temporary six percent loans, cannot exceed amounts approved in appropriation Acts and payments pursuant to such contracts cannot exceed \$300,000,000 per year. This authorization should be sufficient to support approximately 400,000 units, at an average annual cost per unit of \$750, so that if this subsidy mechanism were to be the only one utilized the bill's quantitative objectives could be achieved. Outlays under this subsidy approach would be spread over a seven to eight year period and the maximum possible outlays would be \$1.35 billion.

Payments under the six percent temporary subsidy would not be transferable and would be continued only for so long as the original family owned and occupied the assisted dwelling unit as its principal residence. The committee feels that no useful purpose would be accom-

plished by continuing the subsidy for subsequent purchasers, since the unit has already been constructed and purchased with the incentives provided by the bill. Thus, the actual cost to the Government of making interest reduction payments should be significantly less than the budget authority since many families move from their homes during a six-year period.

Second, the amount of contracts to make interest rate differential payments cannot exceed amounts in appropriation Acts and payments pursuant to such contracts cannot exceed \$1.5 billion. This authority should be sufficient to support approximately 400,000 units, at an average grant per unit of \$3,600, so that if this subsidy mechanism were to be the only one utilized the bill's quantitative objectives could be achieved. Outlays under this subsidy approach would be spread over a period of two years.

Third, the amount of seven percent mortgages purchased by GNMA cannot exceed an amount approved in appropriation Acts, and this amount cannot exceed \$12 billion. This authority should be sufficient to support approximately 400,000 units, at an average mortgage amount of \$30,000, so that if this subsidy mechanism were to be the only one utilized the bill's quantitative objectives could be achieved. Outlays under this subsidy approach would be spread over a period of two years. If mortgage-backed securities are sold to the Federal Financing Bank or other investors or if the mortgages are sold during these two years, receipts from the sales would be offset against outlays for budgetary purposes. Under current market conditions, the cost to the Government of holding the mortgages for their life would be approximately \$500 million; the cost if mortgage-backed securities were sold to the Federal Financing Bank, approximately \$1 billion; and the cost if mortgage-backed securities were sold to other investors, approximately \$1.4 billion.

With respect to a seven percent loan, the bill permits another middle-income family to assume the loan since the Government will have already made its full subsidy payment in all cases except where it continues to hold the loan.

Operation of Alternative Subsidy Mechanisms

H. R. 4485 gives the Secretary of HUD the discretion to determine which credit markets are best utilized for financing under the program at any given time. The committee, however, expects that the funds now flowing into thrift institutions will be extensively used. The bill provides that the users of the program will determine the extent to which each of the two basic subsidies will be used—the temporary six percent loan or the seven percent loan. In other words, the Secretary will determine which of the various methods for supporting seven percent loans will be made available and lenders who apply for allocations of mortgage funds will determine, looking to the needs and preferences of builders and potential homebuyers, the division of their allocations between six and seven percent subsidies.

H. R. 4485 is thus structured to provide the flexibility for the quick adjustments to market conditions and user needs that will make possible an emergency stimulus to housing construction and employment. The committee hopes that this important element of the program it has devised to help turn around a recessed industry will be accepted in the

appropriations process and that maximum amounts are approved which are needed to assist 400,000 units with the programmatic flexibility which the committee considers important.

Other Elements of the Program

Eligible homes. Assistance can be provided under H. R. 4485 with respect to single-family homes, one-family units in a condominium project, both vertical and horizontal projects, and units in cooperative housing projects. With the two exceptions noted below, construction or substantial rehabilitation of the dwelling units must be started after the enactment of H. R. 4485. The first exception permits the Secretary to apply up to 25 percent of the mortgage funds approved for the program to units in the current inventory of new, unsold homes, defined as units whose construction was started prior to the enactment of H. R. 4485. The current inventory contains some 400,000 single-family units plus an undetermined number of condominium units in multi-family projects estimated at between 200,000 and 250,000. The inventory of 400,000 single-family homes represents about 45 percent of all single-family starts in 1974. This ratio contrasts to ratios ranging from 24 to 32 percent between 1968 and 1972. Because of the slowness in sales of new homes, the inventory is not only excessively large, but the rate at which units are leaving the inventory is twice as slow as was usual during the period 1968 to 1972.

As a result of these conditions, many builders are not able to repay construction loans and to begin the new housing starts sought to be stimulated by H. R. 4485. Accordingly, the committee feels that the bill's objectives can be furthered through the allocation of a portion of funds to stimulate sales of new units from this inventory. If there is insufficient demand for the full 25 percent of the funds for this purpose, the committee expects the Secretary to use some of these funds to stimulate new starts. In addition, the committee feels that the 25 percent allocation should be used by the Secretary, as far as possible, with respect to units started after the enactment of H. R. 4485, but prior to the date the program is funded and operational.

The other exception to use of funds to support new starts would permit the Secretary to allocate up to 20 percent of the funds to assist the purchase of existing, previously occupied units. The committee intends that the Secretary have discretion in determining how much of this allocation is used with respect to existing housing and to limit its use to situations which he feels will further the bill's objective of stimulating construction activity.

H. R. 4485 contains two other provisions relating to the type of dwellings assisted. First, the bill directs assistance toward moderate cost housing—homes with appraised values of \$38,000 or under. This amount is approximately the average cost of new homes sold in 1974. A limited exception is provided for high-cost areas. Not more than ten percent of the mortgage funds could be used for homes valued between \$38,000 and \$42,000 in high-cost areas and up to \$48,000 in the very high-cost areas of Alaska, Hawaii, and Guam. Thus, H. R. 4485 would not only increase construction activity, but would also add to the housing supply a substantial number of moderate cost homes.

Second, H. R. 4485 would further reduce the costs of homeownership by directing the Secretary to encourage the construction of homes

which contribute to the conservation of land and energy resources. To the extent feasible, the committee intends that the Secretary gives preference to applications which indicate that the design, construction, and location of proposed dwellings are such as to contribute to the conservation objectives of the bill. The committee believes that while this provision may involve additional administrative effort, the benefits of reducing fuel and other homeownership expenses of middle-income families and of conserving these resources generally far outweigh any administrative disadvantages.

Families Served by the Program

The committee has found that many families with incomes between \$12,000 and \$18,000 cannot afford to purchase new homes. The committee believes that the most effective way to introduce additional buyers into the housing market is to make it possible, with the subsidies provided, for families generally in this income range to purchase new homes. Accordingly, the bill establishes a ceiling to the income of participating families at 120 percent of the median income for the area, as determined by the Secretary of HUD. The Secretary is already required to establish median incomes by area for use under existing housing programs, so that no additional administrative burden would be imposed. Median incomes would be established for each county in the country, with all counties in the same metropolitan area having the same median. Income limits are applied only at the time of entry into the program.

The committee wishes to make clear its intent that the interest reduction payments made by HUD under this bill are not to be considered as being an obligation of or as having been paid by the mortgagor, and that the committee regards such payments as neither income nor a deductible expense to the mortgagor for federal income tax purposes.

Administration

The committee does not expect that the distribution of funds under H. R. 4485 will be a telephone transaction. Lender-applicants will be required to submit written requests for allocations of mortgage amounts, specifying the amount to be utilized under each subsidy approach and such other information as the Secretary may require in order to effectively implement the program. The committee does not intend that any mortgage transaction approved for interest reduction payments receive a below-market rate of seven percent under the bill.

The committee expects the Secretary to take appropriate steps to assure that funds are promptly and firmly committed by lenders to builders and homebuyers and that speculation by lenders be prevented. Commitments issued by GNMA to purchase mortgages under the program should not exceed one year, including any extensions.

To the extent feasible, the Secretary should try to assure an equitable distribution of mortgage funds under the program to all participants.

The committee expects the Secretary to administer his authority to contract to make interest reduction payments in a manner to assure that interest rates and charges on the mortgages are not unreasonable or excessive. In contracting to make interest rate differential payments, the Secretary should establish at the outset the maximum cost exposure of the Government and should attempt to establish market

yield at the time the mortgage is made on the basis of objective criteria selected at the time the contract is written.

Implementation

The committee expects the Secretary of HUD to be prepared to implement the program authorized by H.R. 4485 upon its enactment and to make it fully operational as soon as funds are approved in an appropriation Act.

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 and 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 two in number: namely, (1) to assist in bringing the housing industry out of its severely depressed economic position and increase employment within this industry and other industries affected; and (2) to provide incentives for middle-income families to achieve ownership status.

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. 4485, 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. 4485.

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

Each report of a committee . . . shall contain a detailed analytical statement as to whether the enactment of such bill . . . into law may have an inflationary impact on prices and costs in the operation of the national economy.

Our economy currently is in the worst recession we have experienced since World War II. Output in the United States has declined for four consecutive quarters and practically every economic indicator points to another sharp decrease in production during the current quarter. The economic recession which our country is currently experiencing is so severe that our level of production in the fourth quarter of 1974 was lower than the level prevailing in the fourth quarter of 1972.

Every sector of our economy has suffered as a result of this decline. The drop in income which has accompanied the severe cutbacks in production have also been severe. Since the fourth quarter of 1973, real disposable income has fallen 4.5 percent.

Currently, our economy is suffering from an 8.2 percent unemployment rate. By industry—and specifically those industries that are directly or indirectly related to the homebuilding industry—unem-

ployment in construction is currently running at 15.9 percent; in furniture, 17.5 percent (unadjusted); and in lumber, 20.9 percent (unadjusted). Homebuilding, which comprises a major segment of the construction industry, is operating at less than half capacity at the start of 1975. Housing starts at the beginning of 1975 were only at 868,000 and building permits had dropped to a recession level of 661,000.

H.R. 4485 would make possible the financing of up to 400,000 units of housing. As many as 100,000 of these units could be new dwellings already completed or under construction but not yet sold. Another 80,000 houses could be existing previously-occupied dwellings. Thus, the volume of new units generated by this measure might be in the order of 220,000. This level of production is well within the capacity of the homebuilding industry, as indicated by the construction levels of 1972 and 1973, of 2.4 million and 2.0 million, respectively. The current expectation is that housing starts in the absence of this proposal will be only 1.1 to 1.2 million in 1975.

One out of six construction workers was idle in February and pressure on wage rates is not likely to be intense. In 1974, with production of housing on the decline, average hourly earnings of construction workers rose by 5.6 percent over the previous year compared with 9.4 percent in 1970.

The rate of cost increases for building materials moderated in late 1974 and early 1975. In January 1974 lumber and wood products were selling at 183.7 (1967=100); by January 1975 the index was down to 164.7, a decline of 10 percent. Other building materials prices were generally higher than a year before, but increasing at a moderate pace or remaining unchanged over the last several months. Since producers of building materials are geared to levels of at least 2 million units, raising the level from 1.1 to 1.3 million units would not be likely to induce a jump in materials prices. Increases in land costs also have moderated during the past 12 months.

Short-term rates have dropped sharply since mid-1974. The prime rate charged by banks to their best customers has come down from 12-12 $\frac{1}{4}$ percent in July 1974 to 7 $\frac{3}{4}$ -8 percent in early March 1975. Corporate bond rates have receded more slowly; new Aaa utility issues came down from 10.4 percent in September 1974 to below 9.0 percent in mid-February 1975. Mortgage interest rates for housing also showed some tendency to ease in early 1975. According to the Federal Home Loan Bank Board, the average effective rate on conventional mortgages closed on new homes declined 4 points to 9.33 percent in early January compared with the previous month. Residential mortgage loans have declined about one-half of 1 percent (about 50 basis points) since October 1974.

An increase in demand for funds will generally tend to keep interest rates from declining as much as they might have in absence of the added demand. But net new funds for savings and loan associations are likely to be in the order of \$30 billion in 1975; mutual banks will have \$4-5 billion more. Thus, residential mortgage funds will be in ample supply, but out of range at 8 $\frac{1}{2}$ to 9 percent to millions of families.

There can be no question that with the unemployment rate existing in the construction and related industries, with the excess capacity that exists within the construction industry generally, and with the recession

both in terms of employment and output that exists throughout the economy in general, that this legislation will in no way have an inflationary impact on prices or costs in the operation of the national economy, unite to the contrary, this legislation, if enacted into law and funded, should, in part, have the effect of moving our economy in those hardest of hit areas from an economic position of substantial recession along the road of economic recovery.

In your committee's opinion, the above statement fully complies with the requirements of Rule XI(2)(1)(4).

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. 4485. A total of 25 votes was cast for reporting and a total of 11 votes was cast against reporting H.R. 4485, with one voting present.

SECTION-BY-SECTION SUMMARY OF THE BILL

Section 1. Short Title

This section of the bill provides that upon enactment, it may be cited as the "Emergency Middle Income Housing Act of 1975".

Section 2. Findings and Purpose

Subsection (a) of this section sets forth Congressional findings that (1) many families of middle income cannot afford to purchase homes at current prices and high interest rates; (2) the decline in the home purchasing power of middle-income families has contributed to the severe economic recession of the building industry and those industries dependent upon the building industry; (3) the sharp decline in housing starts jeopardizes the attainment of an adequate housing stock in the years ahead; (4) the accessibility of homeownership to middle-income persons is further aggravated by the high costs of land and fuel associated with low-density development; (5) recessionary pressures in the economy have created an excessively large inventory of unsold, newly constructed residential properties which, although seriously needed, are beyond the financial means of prospective buyers who are unable to find acceptable mortgage credit terms; and (6) such inventory is dissuading the construction of additional seriously needed residential units, and contributing to an excessively high unemployment rate in the homebuilding and related industries.

Subsection (b) states that the purpose of this legislation is to reduce high mortgage interest costs to middle-income families and stimulate employment in the homebuilding industry during the current emergency period and to encourage land and energy conservation, where appropriate, to reduce further the costs of homeownership.

Section 3. Temporary Homeownership Assistance Authority

This section authorizes the Secretary of Housing and Urban Development to reduce interest rates on home mortgages for middle-income families by (1) making, and contracting to make, periodic interest reduction payments, as described in section 4; (2) making, and contracting to make, interest rate differential payments, as described in section 5; and (3) purchasing, and committing to purchase, below-market-interest mortgages, through the facilities of the Government National Mortgage Association as described in section 6.

Section 4. Interest Reduction Payments

Subsection (a) of this section provides that any interest reduction payments made on behalf of middle-income families shall equal the difference between the amount of principal, interest, and any mortgage insurance premium due under a home mortgage, and the amount of principal and interest due if the mortgage were to bear interest at an annual rate of 6 percent.

Subsection (b) provides that interest reduction payments may be made with respect to any dwelling unit only for such period as the family on whose behalf the payments are made occupies the dwelling unit. Payments will be in the full amount provided for in subsection (a) for the first three years during which a family occupies a dwelling unit, 75 percent of such amount in the fourth year, 50 percent in the fifth year, and 25 percent in the sixth year. No interest reduction payments shall be made after the sixth year.

Subsection (c) provides that interest reduction payments on behalf of occupants of cooperative housing projects shall be computed by applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula set forth in subsection (a).

Subsection (d) declares that for purposes of the Internal Revenue Code of 1954, the interest reduction payments described in this section shall be deemed to be applied in their entirety toward the payment of the interest due under a mortgage. The effect of this subsection is to preclude assisted homeowners from treating the payments received under this section as deductible interest for income tax purposes.

Section 5. Interest Rate Differential Payments

This section provides that interest rate differential payments shall equal the difference between the amount of the outstanding principal balance of a home mortgage and the amount which would be paid for the mortgage if it were priced to provide a market yield, as determined by the Secretary. The interest rate on the home mortgage with respect to which an interest rate differential payment is made may not exceed 7 percent per annum.

Section 6. Purchase of Mortgages

Subsection (a) of this section requires the Government National Mortgage Association to purchase, or commit to purchase, any home mortgages under this Act at a price equal to par. The interest rate on such mortgages may not exceed 7 percent per annum. The Association may service, sell or otherwise deal in the mortgages it purchases.

Subsection (b) provides that any mortgages which are not insured by the Federal Housing Administration or guaranteed by the Veterans' Administration may be purchased by the Association only if (1) the outstanding principal balance of the mortgage does not exceed 80 percent of the value of the property securing the mortgage or (2) the mortgage is insured by a qualified insurer as determined by the Association.

Subsection (c) provides that the Government National Mortgage Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option

of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes may use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force and the purposes for which securities may be issued under the Second Liberty Bond Act, are extended to include any purchase of the Association's obligations.

Subsection (d) authorizes the Government National Mortgage Association to guarantee securities based on pools or trusts of the mortgages purchased or assisted under this Act as provided in section 306 (g) of the National Housing Act (which authorizes such guarantees with respect to Federally-insured or guaranteed mortgages) and to act as the issuer of such guaranteed securities. The Association shall possess with respect to such securities all the powers it possesses with respect to securities guaranteed under such section 306 (g), and the provisions of that section shall apply to guarantees under this Act.

This subsection also authorizes the Association to offer and sell any securities guaranteed to the Federal Financing Bank, and that Bank is authorized to purchase any securities so offered. The Association may also offer and sell the guaranteed securities to any Federal Reserve bank. The proceeds from the sale of these securities when issued by the Association shall be treated in the accounts in the same manner as if such proceeds were from the sale of the underlying mortgages.

Subsection (e) authorizes the Government National Mortgage Association to pay for services performed in carrying out its functions under this Act without regard to any limitation on administrative expenses heretofore enacted.

Section 7. Definitions

Subsection (a) defines "middle-income families" as used in this Act as those families (including single individuals) whose incomes do not exceed 120 percent of the median income for the area, as determined by the Secretary, with adjustments for smaller or larger families, except that the Secretary may establish income ceilings higher or lower than 120 percent on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, usually high or low family incomes, or other factors.

Subsection (b) defines "home mortgage" as a mortgage covering a single family unit or one-family unit in a condominium project, or units in a cooperative housing project. Where the appraised value of the unit at the time of purchase does not exceed \$38,000, or \$42,000 in high-cost areas (\$48,000 in Alaska, Hawaii, and Guam) as determined by the Secretary.

Section 8. Authorization

This section limits the aggregate amount of mortgages assisted under the Act to amounts approved in appropriation Acts, but in no

event may such amount exceed \$12,000,000,000. Appropriations of such sums as may be necessary to carry out the provisions of the Act are authorized, including such sums as may be necessary to make the interest reduction payments and the interest rate differential payments authorized in sections 4 and 5.

The aggregate amount of contracts to make interest reduction payments under section 4 may not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts may not exceed \$300,000,000 per annum. The aggregate amount of contracts to make interest rate differential payments under section 5 may not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts may not exceed \$1,500,000,000. The aggregate amount of mortgages purchased by the Government National Mortgage Association under section 6 may not exceed amounts approved in appropriation Acts, and the aggregate amount of such mortgages shall not exceed \$12,000,000,000. The Association may not issue obligations to the Treasury pursuant to section 6(c) or mortgage-backed securities pursuant to section 6(d) except as approved in appropriation Acts.

Section 9. Allocation of Assistance

Subsection (a) directs the Secretary to allocate to applicant lenders aggregate amounts of mortgages to be assisted. He shall take appropriate steps to assure that mortgage funds under the Act are made available on an equitable basis geographically among and within the States and to different types and sizes of lenders.

Subsection (b) provides that the applicant lender shall indicate in its request for an allocation of mortgage amount the proportion of such amount to be utilized with the assistance described in section 4 (mortgage reduction payments) and the proportion of such amount to be utilized with the assistance described in sections 5 (interest differential payments) and 6 (purchase of mortgages by GNMA).

Subsection (c) authorizes the Secretary to determine which of the types of assistance described in sections 5 (interest differential payments) and 6 (purchase of mortgages by GNMA) of this Act may be made available at any particular time. The Secretary shall not, however, make any division of the mortgage amounts approved in appropriation Acts based on whether the assistance described in section 4 of this Act (mortgage reduction payments) or the assistance described in sections 5 and 6 of this Act is to be utilized, nor shall he accord any preference to a request for an allocation of mortgage amount based on whether the assistance described in section 4 or the assistance described in sections 5 and 6 is to be utilized.

Subsection (d) provides that not more than 25 percent of the aggregate mortgage amounts approved in appropriation Acts may be allocated for use with respect to new, unsold dwelling units the construction of which was commenced prior to the enactment of this Act. Also, not more than 10 percent of the aggregate mortgage amounts approved in appropriation Acts may be allocated with respect to dwelling units with appraised values in excess of \$38,000.

Subsection (e) provides that not more than 20 percent of the aggregate mortgage amounts approved in appropriation Acts may be allocated for use with respect to existing previously occupied dwellings which have not been substantially rehabilitated.

Subsection (f) provides that a commitment to purchase a mortgage issued by the Association pursuant to the provisions of any other law shall not be exchanged or credited in any way to the purchase of a commitment pursuant to this Act.

Subsection (g) provides that a mortgage, with respect to which the assistance described in section 5 (interest differential payments) or 6 (mortgage purchase by GNMA) is utilized, may not be assumed except by a middle-income family.

Section 10. Energy Conservation

This section directs the Secretary, in making financial assistance available under this Act, to take appropriate steps to encourage the construction or sale of dwelling units which he determines will contribute to the conservation of land and energy resources because of their design or their location in clusters or projects or otherwise.

Section 11. Expiration Date

This section provides that after June 30, 1976, no interest reduction payments or interest rate differential payments shall be made except pursuant to contracts or commitments entered into or before that date and that no mortgages shall be purchased or commitments to purchase mortgages shall be issued except pursuant to commitments made on or before that date.

SUPPLEMENTAL VIEWS SUBMITTED BY JERRY M. PATTERSON

The majority of the Members of the Committee on Banking, Currency and Housing have, by voting to report this bill, expressed a commitment to restoring the vitality of the housing market, providing employment in the construction trades, and insuring that middle income families will be able to buy homes. While we are wholeheartedly in accord with these objectives, we feel compelled to bring to the attention of the House a very serious flaw in the bill as reported by the Committee. The bill is intended to provide Federal assistance to prospective middle income home buyers. It establishes a \$38,000 ceiling on the value of homes to be purchased under the program, with the exception that not more than 10% of the total funds used in the program can be used for homes valued up to \$42,000 in areas designated by H.U.D. as "High Cost Areas".

The Committee recognizes that the price of building homes varies greatly from place to place, and that a set dollar limit for the entire nation would not be equitable. Equitable distribution of the benefits of this bill, however, will not be accomplished with a \$42,000 ceiling for high cost areas. A recent review of 17 geographically selected metropolitan areas across the country reveal the following median prices for new homes:

<i>Metropolitan area</i>	<i>Median sales price 4th quarter 1974</i>
Atlanta -----	\$47,310
Baltimore -----	41,705
Chicago -----	43,985
Cleveland -----	42,655
Dallas -----	50,350
Denver -----	39,615
Detroit -----	46,740
Houston -----	43,320
Los Angeles-Long Beach -----	51,490
Miami -----	34,200
Minneapolis-St. Paul -----	39,710
New York -----	49,970
Philadelphia -----	37,525
St. Louis -----	36,290
San Francisco-Oakland -----	45,220
Seattle -----	42,275
Washington, D.C.-Maryland, Virginia -----	47,405

In 11 of the 17 areas one half of the new homes are valued at over \$42,000. We believe that a bill that is intended to benefit middle income families should logically apply to the bottom half of the new homes in an area. As it comes before the House, the bill will have limited application to these 11 major metropolitan areas, and perhaps others.

Furthermore, one of the explicit objectives of the Committee in reporting this bill is to provide a stimulus to increase employment in the construction industry. We find that this objective, as well, will be

unfulfilled in those 11 large metropolitan areas. These areas happen to have high unemployment as well as high building costs. Because of these high building costs the bill denies these areas the full benefit of the housing assistance program.

In conclusion, we want to emphasize our support for the bill and its objectives. We want to make clear our agreement with the \$38,000 ceiling on home values as a general rule of thumb. Our objection is simply that the "High Cost Area" exemption is far below the median new home values in 11 of our largest metropolitan areas, and that the 10% assignment for "High Cost Areas" is not in proportion to the magnitude of the housing needs of such areas.

JERRY M. PATTERSON.
HENRY GONZALEZ.
FRANK ANNUNZIO.
ANDREW MAGUIRE.
THOMAS M. REES.
GLADYS NOON SPELLMAN.
JAMES J. BLANCHARD.

MINORITY VIEWS

The Minority Members of the Banking, Currency and Housing Committee are deeply concerned about the plight of the homebuilding industry and the mortgage markets in this country. Housing starts must be accelerated with the corresponding result of putting people back to work. On this there is no disagreement. There is disagreement, however, as to how this should be accomplished.

Unfortunately, as a result of the Committee's vote on reporting out H.R. 4485, which was virtually along party-lines, the House will be asked to rush into another emergency housing program, which, based on the lessons of the past, will prove undesirable. It is a complicated, administratively involved program which would take months to activate. Last October, less than six months ago, we passed the Emergency Home Purchase Assistance Act of 1974, designed to help middle income families purchase homes and assist the homebuilding industry out of a very serious recession. Now, with over \$14 billion dollars in subsidized commitments under the '74 Act and other prior programs in the hands of potential lenders and available in unused authorizations, we are being asked to institute a new program entitled the Emergency Middle Income Housing Act of 1975 authorizing assistance to an additional \$12 billion in mortgages (For a summary of recent Federal activity in support of the industry and homebuyers see Appendix A).

Before discussing the merits of H.R. 4485 or the alternative we have offered thereto, we would like to address some of the basic economic considerations affecting housing and how they relate to efforts to revitalize this important industry. Also it should be noted that forecasts indicate that the housing slump has bottomed out and there will be a marked improvement in housing in the near future.

INFLATION

Basically, inflation triggered the downward spiral of housing. You may recall that one of President Ford's mini-economic summits dealt solely with housing and construction. At that September conference in Atlanta it was vividly brought out that inflation was ruining the homebuilding industry. The prime interest rate had been at 12 percent for almost three months and mortgage credit availability had virtually disappeared. Three-month Treasury bills had a yield of 9.63% and funds were flowing out of savings institutions.

These things happened because of inflation—they were not the cause of inflation. We cannot afford to see such a condition return because it is clear that if inflation spells trouble for basic short-term credit, it spells disaster for long-term borrowing. After all, if inflation runs unabated, the compounding of its effect makes long-term lending a dismal investment form for capital. If we cannot control inflation—in effect admitting to a lender that he will lose considerable purchas-

ing power when he finally receives repayment of his principal—then we cannot keep short-term, let alone long-term interest rates down. A lender must be allowed a reasonable chance to recover his principal amount without suffering a drastic loss of purchasing power or he will leave the long-term investment market. And, if he leaves the long-term market, there will not be a significant private housing industry.

Now, interest rates are falling as inflation wanes. The prime rate is at 8 percent or less, and short-term Treasury bills are in the 5.5 percent range. But, consumer psychology which first fed inflation, has flip-flopped and appears to be demonstrating considerable resistance to higher-than-ever prices. In part, this resistance developed through visceral reactions to high prices which was then compounded by the news that drops in consumer spending were sending recessionary tremors through the economy. The result is that consumer reluctance to purchase is no longer due solely to reaction to high prices—there is now a fear that income security or job security is uncertain, and saving, rather than buying is the order of the day.

For housing, this new propensity to save is good news—but only so long as there are enough purchasers of new homes to support this vital industry. A word of caution is considered appropriate at this point. If the Congress continues to pursue this legislation, the smart buyer would be well advised to delay buying until this 6% money becomes available. This Bill could prove counterproductive and be harmful to the very industry we seek to assist.

Savings are flowing back into thrift institutions at a rate which last month exceeded \$3 billion. As a result of this extremely positive occurrence, there is bound to be an increase in mortgage lending and housing production. Evidence to this effect can be found in a recent article by Michael Sumichrast, chief economist for the National Association of Home Builders (See Appendix B). Well, what does this all mean? How does this relate to this specific legislation?

Proponents of this legislation argue that it will stimulate 400,000 units. It still has not been made clear whether the 400,000 units are in addition to those units which could be expected to be constructed without this legislation. If so, the effect would be grossly inflationary. If these units are not meant to be in addition to those that would be built, then what is the actual number that would not otherwise be provided? Surely, the proponents can't have it both ways—tout it as a bill to provide 400,000 units, but then say it is not inflationary because many of the units would have been built anyway. To attempt to institute a new deeper subsidy program than now exists to spur new construction could seriously threaten to refuel the inflationary pressures we have all fought so hard to subdue. To illustrate why this is such a great concern we need only look at what is happening to lumber prices.

Generally, finished lumber prices have been going down over the last year, but bids for future delivery of stumpage from certain National Forests have skyrocketed. Testimony in hearings on this legislation revealed that while finished Douglas Fir lumber was selling at the mill for \$133 per thousand board feet, bids for Douglas Fir stumpage from National Forests in Oregon and Washington have reached a level of \$221 per thousand board feet. If we are not careful,

and do not balance out our housing production with our resource availability, housing costs will jump out of reach for virtually all Americans even with Federal subsidy.

MINORITY AMENDMENTS

Minority members in the Subcommittee on Housing and Community Development offered a number of amendments to delete objectionable features of the bill, strengthen certain facets of the bill, or generally strengthen the bill in its relationship to the realities of the market place. By and large, most of these amendments were offered again when the full Banking, Currency and Housing Committee met to mark up the legislation. In virtually every instance, Minority amendments were rejected along party-line votes. We feel that at least a few of these amendments should be listed here so our colleagues can judge for themselves the merits of the proposals.

A Six Percent Mortgage Interest Rate

One such amendment would have raised the interest rate for the purpose of Section 4 interest reduction payments from 6 to 7 percent. A quick look at history shows that the 6 percent rate in this bill is excessively low. Conventional mortgage rates have not been at 6 percent since the beginning of 1966. During the boom years of 1971-1973 when the highest level of housing production in this nation's history was attained, conventional mortgage rates were at least 7½ percent. Even if we go back to the Emergency Home Finance Act of 1970, which was designed to accomplish basically the same goal as this Bill, we find the interest rate set at 7 percent. We feel that by setting a lower rate, it only serves to boost the artificiality of the incentive and unnecessarily increases the subsidy costs to taxpayers who are not fortunate enough to obtain—or who do not qualify—for these mortgage reduction payments.

It is also clear that mortgage interest rates which will not drop below the 7 to 8 percent range will be the order of the day for some time. Due to the inflation we have experienced—which in large part has been due to government spending in excess of its means—the thrift institutions have been forced to pay higher rates to depositors to attract capital. If we just look at the advertisements for such deposits, we can readily see that if a savings and loan is going to be paying out 7 percent or more on its longer-term certificates, representing a significant portion of its deposits, it cannot possibly originate a mortgage at the 6 percent or 5 percent rates we would all like to see.

It is easy to see, under these circumstances, where a program subsidizing mortgages down to six percent will be the target of an effort to extend and re-extend. We could well be forced to continue the program indefinitely. It is also interesting to note that the beneficiary of a 6 percent mortgage could place his savings in an insured institution and receive up to 7¾ percent interest which when compounded would yield in excess of 8 percent.

No Minimum Contribution on the Part of the Buyer

Another amendment was designed to assure that middle income homebuyers (whose income under the Act could exceed \$21,000 per annum in certain areas) will indeed set housing as a high priority item

for themselves in order to qualify for assistance under the 6 percent interest reduction program. This would be done in much the same way as with the subsidized housing programs for lower income families. It would require the homebuyer to pay 25 percent of his income towards the payment of principal, interest, taxes and insurance before the subsidy is calculated. In this way, subsidy would not be wasted on a family which could afford the housing on its own and there would be equity between those families qualifying for assistance. Without this amendment, a family with income equal to 120 percent of median would receive the same subsidy as that of a family with an income of only 80 percent of median—unless the higher income family buys a more expensive home in which case his subsidy is greater. It is beyond us how the Majority could reject an amendment of this sort. In the Washington, D.C. area, it means that the same, if not greater, subsidy will go to a family with an income of \$21,000 as would go to a family with an income of \$14,000 even though one family makes 50 percent more money. Incidentally, there would be no assistance to a family which might have income of one dollar in excess of the limits set in the legislation, while a family with one dollar less income can qualify for a 6% loan.

As indicated earlier, this requirement to pay a portion of ones' income towards his own housing before the need for subsidy is determined, is basic to our system of equity and similar to that used for the subsidized lower income housing programs. It is inappropriate not to require the same contribution from the beneficiaries of this new housing subsidy program. A case by case review of each application is already required in order to administer the program, and therefore, this action would not add a new burden to the program.

Windfall Profits for the Subsidized Homebuyer

Another amendment which did have some support on the Majority side would have removed a windfall to certain homebuyers under the Act. It simply required that if the home, on which the purchaser receives an interest subsidy down to six percent, is sold during the six year period of the subsidy, there would be a recapture of the lesser of the subsidy or the net gain realized from the sale.

Let us look at what this actually means in terms of dollars and cents. Assuming the same nationwide average increase in the price of housing over the next six years, as over the past six, a \$35,000 house bought today would sell for \$50,000 in 1981. The actual appreciation rate would undoubtedly be greater for newly constructed units than is indicated by the figures. Since 80 percent of the mortgages will be on newly constructed homes, the value of the home might double over the life of the subsidy, as has been the case in the Washington, D.C. area. It is a well-known fact that the most rapid appreciation is found in sub-division homes during the first three to four years when, generally, the development is completed and the esthetics of the area take shape. As a result, under this Bill, the Federal government would provide people in middle income brackets with 6 percent financing on an item which will appreciate dramatically.

A quick calculation shows that the subsidy payable on a \$35,000, 6 percent mortgage over the six year period equals \$3,875 when compared to a 9 percent mortgage. In this example, the subsidy must then be compared to the \$15,000 appreciation for that period. In effect,

the homebuyer will have a gain of approximately \$11,000 even after he repays the subsidy. Even though this figure would be reduced somewhat in determining net gain, it is clear that the opportunity for profit is quite good. Surely in a time where enormous deficits endanger rekindled inflation, it is not too much to ask for repayment in light of such gains.

Multifamily Construction is Excluded

Unfortunately, problems with this bill do not end yet. There is one final point relating to amendments offered and defeated in Committee. That point deals with the bill's exclusion of rental multi-family project mortgages from the types of mortgages, the Government National Mortgage Association, (GNMA) can assist under Sections 5 and 6 of the bill. When we see that rental multi-family starts have dropped 80 percent from the 1973 annual rate compared to a 30 percent drop in single family, it is difficult to see how this sector of the building trades can be ignored. Just as many people, if not more, can be put to work in building multi-family rental projects as can by building single-family units. It would also provide some aid to the cities which have higher unemployment generally and could not adequately utilize single family units. Our desire for homeownership should not be allowed to blind us to the needs of those who cannot afford to buy a house due to reasons other than interest rates. Lowering interest rates does not help a family which does not have the downpayment required to move into a new home. Such a family must rent until it can accumulate sufficient funds to afford a new home. Could it be that the short-sightedness of this legislation will lead to an avertable crisis in the rental housing market?

In essence, a review of the amendments listed above which were rejected in automatic fashion, illustrates why we cannot support this legislation. There are a number of other reasons, but those already outlined should suffice to convince our colleagues that this bill does not merit enactment. But, lest we be unjustly accused of negativism, we do have an alternative which to no one's surprise, was also rejected in the full Committee by a straight party line vote.

SUBSTITUTE TO H.R. 4485

The substitute offered by Mr. Brown of Michigan was designed to expand the existing Emergency Home Purchase Assistance Act of 1974 to make it more fully responsive to the needs of a viable homebuilding industry. Basically, the Emergency Act which was enacted in October, authorizes GNMA to purchase or commit to purchase mortgages originated at an interest rate determined by a formula which fluctuates according to the yields on certain long-term Treasury bonds. GNMA can then turn around and sell the mortgages to long-term investors (including the originators) at a discount to convert the fixed lower interest rate to a market yield. Depending upon how interest rates move during the period GNMA holds the mortgages, the government can either make or lose money on the resale.

The substitute would have amended the 1974 Act to include conventional condominium units and rental multi-family projects among the types of housing to be assisted. Condominium conversions would be excluded and the per unit mortgage value of condominiums and

multifamily would be limited to the highest mortgage value presently authorized for FHA mortgages. Also, due to problems in a number of states, the substitute would clarify the waiver of usury laws in the present statute and add an additional waiver concerning State laws which restrict or limit the coverage authorized to be written by private mortgage insurance companies.

Important as those features might be, the heart of the substitute deals with the very troublesome and sometimes counterproductive monthly determination of interest rates through an arbitrary formula. Specifically, the interest rate would be set at the lesser of (a) FHA rate for Section 203(b) as set by the Secretary of HUD or (b) 7½%. This new interest rate program would last until October 18, 1976 if held be, and the amount of mortgages GNMA would be allowed to need at any one time would be increased by \$7.25 billion to \$15 billion.

The net effect of this substitute would be to give assurance and direct assistance to the *whole* homebuilding industry, including new construction, existing residential properties, condominiums and rental multifamily. It would address the full range of problems; excess inventory, slow starts, unemployment and consumer confidence, and do it within the framework of an existing workable program.

It is not another new program with built-in delay factors and complicated administrative features which will further confuse both HUD and the mortgage lending industry. The amended program offers a stable and yet a flexible, managed system for the establishment of interest rates based upon careful assessment of the conditions in the mortgage credit field and avoids fixed interest rates at excessively low levels, while ensuring that the rate would not exceed the very reasonable level of 7½%.

CONCLUSION

It is for the reasons outlined above, and others which were not highlighted, that we cannot support H.R. 4485. We urge our colleagues to reject this legislation and support the substitute presented here as a constructive alternative which can do the most good with the least disruption of our capital and housing markets.

APPENDIX A

NEW FEDERAL SUPPORTS FOR HOUSING, JANUARY 1974 THROUGH JANUARY 1975

[In millions of dollars]

HUD programs	Amount	Percent	Estimated units
Government National Mortgage Association:			
Mortgage purchase programs—support levels announced:			
Jan. 21, 1974	\$6,600	7½%	200,000
May 10, 1974	3,300	8	100,000
Oct. 21, 1974	3,000	8½+8½+8	100,000
Jan. 16, 1975	3,000	7½	100,000
Total	15,900		
Low-rent public housing contract authority: Released Jan. 21, 1975	900		380,000
Direct loans for construction (elderly—202): Announced Jan. 21, 1975	215		10,000
Subtotal, HUD	17,340		
Other agencies:			
Federal Home Loan Bank Board, mortgage purchase commitments, May 10, 1974	3,000	8½	100,000
Federal Home Loan Bank System, advances to thrift institutions, May 10, 1974	4,000	(?)	
Subtotal, other	7,000		
Total, all programs	24,340		

¹ Limited to FHA/VA insured mortgages.

² BMIR advances.

Source: Department of Housing and Urban Development.

APPENDIX B

[From the Washington Post, Mar. 9, 1975]

MORTGAGE \$\$ NOW AVAILABLE

(By Michael Sumichrast)

Thrift institutions are being inundated with money as consumers spend less and save more. Some lending institutions are even reducing the interest they pay on savings in other parts of the country and are taking a hard look at how to use this money. And reduced interest on savings means a decline in other rates, including the mortgage rates.

Thus, money is becoming available for housing and many S-Ls and banks may be ready to talk to you about a mortgage on a house.

This heavy inflow of savings is occurring across the nation as well as in the Washington metro area (as shown in a recent S&L survey conducted here).

Nationally, February savings at S-Ls reached an estimated \$3.1 billion in net inflow. This figure compares with \$1.7 billion last February and the previous \$2.7 billion record in February, 1972. With January's near record savings of \$3.11 billion, and a fairly good November and

December, S&Ls have made one of their fastest turnarounds—and from heavy outflows in the June–September period.

A similar upturn has been experienced by mutual savings banks. After being drained of money for nine months last year, their January net inflow was \$225 million and is estimated to be around \$600 million in February.

Many thrift institutions are now sending letters to builders asking them to come in and talk about borrowing money. "We are accepting applications for construction (or mortgage) loans at competitive rates," many letters begin. This situation is a sharp reversal. Just a few months ago, most thrifts were accepting either an extremely limited number of applications, or none at all.

The major problem now is what to do with this money. Mortgage activity has declined. New housing production is 60% below its peak, with little in the pipeline for mortgages. What complicates the problem is the fact that nationally, S–Ls have about 56% of their savings in high-paying certificates, with 15% (or some \$35 billion) in 4 year CDs, paying 7¾%. S–Ls can barely afford to put their new money into Treasury securities, or to lower their mortgage interest rates to borrowers.

Nevertheless the decline in rates is already a fact in many parts of the country. Last week, the FHA–VA rate was dropped from 8½% to 8%. Only six weeks ago that rate was 9%.

In the last two months, S–Ls have put about \$2 billion a month into rebuilding their liquidity, which is now at about 9%, compared to 7.26% last fall. They also are repaying about \$1.5 billion a month in advances (money they borrowed last year). Now they are starting to look for new business.

In the Washington area, a survey of S–Ls showed the following:

All S–Ls are making mortgage loans on both new and existing homes.

Eight out of ten are making construction loans.

The most quoted construction loan rate was 9¼%, ranging from 9% to 12%, with 1–3 points. These rates are still substantially above the rates quoted two years ago (7½% to 8½% with 1 or 2 points).

Mortgage loans now vary from 8½% to 10%, compared to 7½% to 8¼% two years ago.

The flow of new savings is higher than two or three years ago, with present lending conditions considered good, excellent and easing—contrasted to tightening two years ago.

Only one out of ten S–Ls considered new home sales poor. Sales of existing homes are considered generally good to excellent.

All of the respondents suggested a further decline in interest rates, and a majority expect rates to stabilize at 8¼% to 8½% levels.

This optimistic news means that you can start looking for a real estate investment again because lenders will be more than willing to talk to you—and even to help you fill out the loan application.

(Michael Sumichrast, a native of Czechoslovakia, studied at the University of Bratislava, and Melbourne University in Australia, and received his Ph.D. from Ohio State University. Also he helped in production of over 3,600 houses here and in Australia. He is pres-

ently staff vice president and chief economist of the National Association of Home Builders.)

ALBERT W. JOHNSON,
J. WILLIAM STANTON,
GARRY BROWN,
CHALMERS P. WYLIE,
JOHN H. ROUSSELOT,
JOHN B. CONLAN,
GEORGE HANSEN,
WILLIS D. GRADISON, JR.,
HENRY J. HYDE,
CHARLES E. GRASSLEY,
MILLICENT FENWICK.

SUPPLEMENTAL VIEWS OF J. WILLIAM STANTON

Most everyone recognizes that the current slump in the housing market is causing some severe problems within our economy. The slump is creating hardships for many families that wish to own their own homes. It is causing a deep recession within the home building industry. And it is jeopardizing the health of the entire economy.

Overcoming these problems and forestalling even greater ones was the goal of our Committee as we debated H.R. 4485, "The Emergency Middle Income Housing Act of 1975". Undoubtedly, this goal is shared by every member of the House. Thus, as we consider aiding the housing industry, the real question we face is not "What is the problem?" or "What are our goals?" but rather "What policies should we adopt to overcome the problems we already recognize and to move toward the goals we all share?"

Unfortunately, this is not a question that invites simple answers. In fact, its complexity leads to disagreement. Therefore, although the Committee reported out H.R. 4485, I feel that the bill suffers from several pitfalls that the majority of Congress would like to remedy if we are to provide sound assistance to the housing industry and in turn to the entire economy.

Specifically, I favor four amendments to the bill:

(1) A CHANGE IN THE MORTGAGE INTEREST RATE

As the bill stands, it provides for interest payments at a 6 percent rate. Such a low rate not only lacks a comparison with the rates of recent years (the conventional mortgage rate has not been as low as 6 percent since 1966), but it also drains tax revenues and creates an unhealthy incentive for the continuation of the subsidy. To be more honest to the public, the rate should be increased to 7 percent.

(2) A COMMITMENT BY THE HOMEBUYER

Another fault of the bill is that it lacks a stated-financial commitment by the middle-income homebuyer. An amendment which would require the homebuyer to pay 25 percent of his income towards the payment of the home would correct this fault. Such a commitment insures that only those families that can afford their own homes would qualify for the subsidy. Since we already require this commitment of the lower-income homebuyer, how can we justify treating the middle-income homebuyer differently? Furthermore, the amendment compensates for the differences between the incomes of those families within the 120 percent median range of the subsidy. This latter point refers to the fact that without the amendment it is possible for families with incomes equaling 120 percent of the median to receive subsidies equal to or greater than families with incomes of only 80 percent of the median. In Washington, D.C., for example, a family with an income

of \$21,000 will receive at least the same subsidy as a family with an income of \$14,000.

(3) THE "TAXPAYER'S RECOVERY AMENDMENT"

A third improvement upon the bill would be the inclusion of a recapture provision. This provision, "The Taxpayer's Recovery Amendment", would provide that if a subsidized home is sold during the six years of the subsidy and a profit greater than the subsidy is realized, the homeowner would repay to the government the amount of the subsidy received. Simple arithmetic shows that, given the current rate of housing appreciation, this amendment would provide some revenue return to the taxpayer and still leave the homebuyer with a good profit. For example, it is highly likely that a \$35,000 home purchased today will appreciate in value to \$50,000 over the life of the subsidy. Since during those six years the subsidy payments on the 6 percent would equal approximately \$3,900 when compared to the 9 percent mortgage, the home buyer will stand to gain around \$11,000 from the sale of his home even after the subsidy is returned.

(4) THE "LENDER'S HONESTY AMENDMENT"

The final amendment that warrants inclusion is what I call the "Lender's Honesty Amendment". This amendment would require that no interest reduction payments be made unless the home mortgage interest rate of yield on which such payments are based is approved by the Secretary of HUD based on comparable market rates. Essentially, this would establish another protection for the homebuyer. It would insure that the homebuyer could not be charged a higher interest rate than would have been the case if no subsidy existed. This possibility arises because there will be a relatively limited supply of 6 percent money. With such a limited supply, the lender would be tempted to sell his 6 percent commitment to the homebuyer for a premium. In other words, a lender may be making loans at 9 percent, but in order to receive a 6 percent phase-out subsidy, the homebuyer may agree to a permanent 9½ percent rate.

With the addition of these safeguards, H.R. 4485 will better speak to the needs of the housing industry, it will better protect the interest of the public, and it will be better received by the President.

SUPPLEMENTAL VIEWS OF STEWART B. MCKINNEY

There is no doubt that this nation will be unable to beat back the forces of recession without a quick and strong recovery of our housing industry. We are all aware of the masses of statistical data which indicates the decreasing number of housing starts, the high unemployment rates in the building trades and the ripple effect which these factors are having on allied and supportive industries.

It has also been demonstrated, much to everyone's amazement, that funds exceeding \$14 billion in subsidy commitments are currently available for distribution under existing government programs. The Emergency Housing Assistance Act of 1974, provided for \$7 billion for emergency aid to the housing industry which provided mortgage rates at 7¾ percent. In addition, savings flows to thrift institutions have reversed their previous downward trend and last month inflows approached \$3 billion.

Thus, while it is evident that funds for housing are available, it also becomes clear that the funds are not being completely utilized. It is my opinion that these funds have been left untouched because of the lack of customer confidence in our economic position. Data obtained from various studies indicate that there is a market for new homes but families are not willing, or in some cases, unable to withdraw their savings for a downpayment and commit their families to a 30-year mortgage in an economic climate which may bring sudden unemployment to the families breadwinners.

It has recently been reported that one out of every three Americans now fears losing his or her job and a slightly higher proportion reports itself in serious financial trouble and deeply worried about unpaid bills and shrinking savings. As a result, Time Magazine reports, "two thirds of the American people think that this country is in deep economic trouble and almost half fear that the United States is headed for a depression. Furthermore, nearly 45 percent of Americans are worried about meeting their rent and mortgage payments." Even if a family could afford all the expenses incurred in the purchase of a house, the emotional conviction required to make a long range commitment in these tenuous economic times is lacking.

Given this data, I cannot in good conscience sit by and wait for existing programs, which have not provided the impetus for economic recovery over the last few months, to take hold. Thus, it is my aim in supporting H.R. 4485 to provide the incentive for and aid to, those Americans who have found it so difficult to make this commitment. The bill by no means is complete or comprehensive. Thus, while I believe that the dual aims of increased employment and the provision of housing at a reasonable mortgage rate can be accomplished more rapidly through the basic thrust of H.R. 4485. I also believe that there are serious defects which should be corrected before the whole House

supports the bill. For this reason, I intend to support the following amendments when the bill is offered in the House:

(1) *Recapture of subsidy*—One of the major objections to H.R. 4485 is the cost of the subsidy. In order to limit the expense of the program, I fully support an amendment which provides that any family that receives mortgage assistance under this program and subsequently sells that house at a gain, will repay, out of that gain the amount attributed to the subsidy. If there is no gain, then no repayment shall be required. The goal of the amendment is to return the funds provided to the federal coffers, thereby minimizing the ultimate program cost.

(2) *Minimum payment amendment*—This amendment would provide that any subsidized mortgagor must pay at least 25 percent of his income towards his home ownership payments. Such payments would include his mortgage payments, taxes and insurance. This concept has been evident in many government housing assistance programs and would have a beneficial effect on two areas. First, by paying at least 25 percent of his income, the mortgagor who receives a higher income will pay proportionally more than lower income families that receive the same assistance under the program. Under H.R. 4485, a family that qualifies for assistance at 120 percent of median income could conceivably pay as much per month as a mortgagor in the 30 percent bracket. Second, by mandating these minimum mortgage payments from the outset, more funds will be available for additional participants. Equity and common sense dictates that this provision must be added if a responsible housing assistance program is to result.

(3) *Secretarial Discretion regarding the allocation of Program funds*—Under H.R. 4485, complete discretion as to how much funding is accorded to lenders under Section 4 of this bill remains in the hands of the lenders. The cost of money and mortgages are affected by many variables in the market place which must be continually monitored, in order to determine the best possible time to accumulate or disperse funds. Under this bill, the lenders have the power to determine how much they will receive under the Section 4 subsidy. Thus, not only do they determine the total cost of this program, but they also determine the number of mortgages which will be distributed in each subsidy package. Thus, even during periods of economic expansion and monetary growth over the 13-14 month life of this program, the lenders will be able to still use full funding under Section 4, without regard to market conditions. The Secretary of HUD has the expertise, staff assistance and past experience with the administration of similar programs. The surrender of this power to the lender could result in disastrous economic and programmatic consequences.

I must make it clear that without these amendments, H.R. 4485 will be little more than a skeleton of a responsible and comprehensive rehabilitative program. We must remember that this is an "emergency" measure. Its purpose is to save an industry whose unemployment rate has not been this high since the depression. It is a bill to move the more than 400,000 newly constructed yet unpurchased homes. It is a bill which will enable Americans, afraid to commit themselves to a long standing financial obligation, to purchase decent shelter for their families. It is also a unique measure in that it attempts to aid a sector of our economy which has received little in the way of government subsidies in the past. It will provide a means for those families with

an income of up to 120 percent of median of their residential area, to be given the purchasing power which will begin a cycle resulting in economic recovery for this nation. Without this assistance to the middle income families, it will be difficult if not impossible to provide the means for the rehabilitation of an industry and economy gravely in need of rebuilding.

STEWART B. MCKINNEY.

ADDITIONAL VIEWS OF REPRESENTATIVE JOHN H. ROUSSELOT

I concur with the position of my Minority colleagues that an expansion of the GNMA conventional "tandem plan" would be a more sensible and responsible way to provide whatever additional Federal assistance may be required to stimulate recovery in the housing industry. There is some doubt in my opinion that any additional stimulus is needed, inasmuch as interest rates in the regular market place are coming down, and the Secretary of HUD still has more than \$2 billion of additional "tandem plan" funding available. However, I will take this opportunity to emphasize three specific objections to H.R. 4485, the Emergency Middle Income Housing Act of 1975, as reported by the Committee:

(1) THE "EMERGENCY" NATURE OF THE BILL

H.R. 4485 is yet another example of the growing tendency on the part of Congress to enact ill-considered "emergency" legislation which is more likely to aggravate the country's present economic problems than to solve them. Moreover, this legislation is being proposed at a time when mortgage interest rates have already fallen substantially, savings flows into thrift institutions have resumed, and there are some signs that consumer confidence can be restored before long if inflation can be controlled for a sustained period. In short, there is every reason to believe that the "emergency" in housing will ease before this bill passes. If there should be a need for substantial additional assistance to housing during the coming months, that assistance can be provided more rapidly and more efficiently by expanding the use of the GNMA conventional "tandem plan," as the Minority substitute proposes to do.

(2) THE FAILURE TO INCLUDE MULTI-FAMILY RENTAL HOUSING AMONG THE TYPES OF HOUSING ELIGIBLE FOR ASSISTANCE UNDER SECTIONS 5 AND 6 OF THE BILL

If the purpose of this legislation is to promote recovery of the housing industry and increase employment, there is no reason for ignoring this important segment in which starts have dropped 80%, a much more dramatic drop than the 30% decline in single-family housing starts. On the contrary, there are many reasons to believe that employment of labor and other resources in this segment could be increased much more meaningfully than in some of the segments which would be assisted under H.R. 4485.

Multi-family housing offers an efficient means of providing housing to those eligible families who are not yet prepared to buy a home due to reasons other than high interest rates. Multi-family housing pro-

vides an excellent opportunity to promote conservation of valuable energy and land resources and to provide such amenities as security, parking, and recreation in an efficient manner. It is for these reasons that I offered the "Meaningful Employment Amendment" during the full Committee mark-up of this legislation to include mortgages for multi-family projects in the bill. Unfortunately, this amendment was defeated.

(3) THE HARMFUL LONG-RUN EFFECTS WHICH THIS BILL IS LIKELY TO HAVE UPON MIDDLE-INCOME FAMILIES

As the Minority Views point out, the major cause of the current problem in housing is inflation. H.R. 4485 contemplates the Federally-assisted construction of 400,000 additional units of single-family housing. A program of this kind may disrupt what would otherwise be an orderly recovery in housing and touch off a new round of inflation in this volatile industry. Moreover, although the bill calls for a phase-out of the program over six years hence, it is likely that demands will be heard for re-extension and that the program will continue indefinitely.

The best action Congress can take to provide relief from the inflation and high taxes which are pinching the middle-income citizen is to refrain from enacting new Federal spending programs which in turn require new Federal borrowing. Such measures are guaranteed to result in additional upward pressure on interest rates and to aggravate the very problem which this legislation is supposedly designed to solve.

JOHN H. ROUSSELOT.

INDIVIDUAL VIEWS OF MR. SCHULZE

I would like to take this opportunity to reinforce the Minority Views in opposition to the proposed six percent mortgage interest rate in this emergency housing legislation. I have strong objections to the six percent rate, believing that it should be at least seven or seven and one-half percent.

According to the Department of Housing and Urban Development, available data suggests that "a very high level of demand and production can be sustained with interest rates at 7½ or 8 percent" and "that the reduced mortgage rate will be borne by other families, including those who are still unable to afford a home and many others who, not choosing to move, will continue paying interest rates above 6 percent on their own home mortgages." I suggest that the lower rate is not only inequitable, but is not necessary. It is likely that although thousands of families would take advantage of the lower interest rate, numerous additional families would have the opportunity to participate as a result of the funds freed up by only a one percent increase.

It is hardly consistent to offer a six percent interest rate on home mortgages, while conventional mortgage rates have not been this low for almost 20 years, and while insured savings institutions are yielding a compounded interest rate of up to 8 percent.

I recommend that a minimum rate of at least 7 percent be maintained so that the maximum number of families are able to participate.

Inflation is primarily responsible for the problems in the housing industry, through increased costs in lumber and other materials, and while this bill provides a short-term stimulus, it attacks the symptoms rather than the cause of this sensitive situation.

ADDITIONAL MINORITY VIEWS OF CHARLES E. GRASSLEY

The provisions of H.R. 4485 constitute an ill-advised attempt to inject tax dollars into the middle income housing loan market, ease the housing slump, and pronounce middle income housing as a critical shortage in this nation. In each instance, the House Banking, Currency and Housing Committee has by a near party-line vote missed its mark. Above all, this bill is not a solution to unemployment in the housing industry. Beyond this fallacy, it is clearly contrary to the wishes of the vast majority of the people of this nation.

A Gallup survey conducted during the period of January 29 to February 8 of this year underscores this view. Only one percent of the responses to that survey listed housing at the top of the list of needs to which this Congress must urgently address itself—and only 5 percent placed it in third position. With 36 percent of the respondents concerned about general unemployment, 25 percent worried about the ravages of inflation, and 15 percent targeting corruption in government; the majority of the members of the House Banking, Currency and Housing Committee have determined that the slight interest in housing needs is sufficient to declare a housing crisis exists. Only traffic safety, with less than one-half of one percent, is of less importance to those surveyed. Clearly, this bill is out of step with the thinking of the vast majority of Americans and that fact alone speaks volumes as to how this Congress has missed assessing the housing needs of this nation by a country mile.

Those who buy and sell homes report there is no shortage of housing for middle income Americans today and the members of the Banking, Currency and Housing Committee know it. To the contrary, statistics presented to the Committee emphasize that there are presently twice the usual number of available homes on the housing market.

A second reason for rejecting this legislation as it is reported from Committee is that it not only commits this government to another round of Washington-directed housing policy, but it also does little to encourage the individual home owner to manage his or her home investment wisely. There is nothing in the bill that requires an individual to commit a specific portion of his or her net worth or annual income toward paying off the mortgage on his or her dwelling. If the taxpayers of this nation are to be compelled to subsidize housing for persons earning up to \$21,000 annually, there must be an assurance that those receiving the loans will not abrogate their financial responsibility. Twice the Committee had an opportunity to require loan recipients to spend 25 percent of their annual income on housing—and twice the majority on the Committee voted down this provision.

Unfortunately, there is more bad news in the bill and it hits the poor of this nation hardest. Where were the defenders of equal opportunity who will not tolerate discriminatory treatment of low-income

persons who must by law pay a percentage of their income for public housing programs? Their voices were noticeably silent during Committee hearings on H.R. 4485. Under HUD managed 235, 236 and other public housing programs, low income Americans must pay approximately 20 percent of their adjusted income for housing. Does this Congress not want to require a similar stipulation for the more affluent?

Not only is the bill discriminatory against poor people who live in subsidized housing, but it also fails to treat middle income persons on a fair and equitable basis. This bill will provide a higher subsidy for higher income families and those families can afford a more expensive home, a larger mortgage and greater interest payments.

Application of the bill's provision to the Nation's Capitol reveals the same, if not greater, subsidy would go to a family with an income of \$21,000 as would go to a family with an income of \$14,000, even though the first family has 50 percent more income.

The concept of mortgage contributions according to individual income has been a basic tenet to government subsidized programs for years and such requirements were included in the language of the Emergency Home Finance Act of 1970.

It is one thing for this Congress to develop reasonable means to reduce the high cost of living. I await its action to do so. It is quite another thing to authorize subsidies for the high cost of high living. Without a provision to require a 25 percent-of-income use for housing, this Congress would open the door for those who wish to place the country club before their own home.

Let us not discriminate against the poor of this nation; let's require the middle income person to make a just commitment to his or her own home.

CHARLES E. GRASSLEY.

EMERGENCY HOUSING ACT OF 1975

MAY 22, 1975.—Ordered to be printed

Mr. REUSS, from the committee of conference,
submitted the following



CONFERENCE REPORT

[To accompany H.R. 4485]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4485) to provide for greater homeownership opportunities for middle-income families and to encourage more efficient use of land and energy resources, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SHORT TITLE

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

TITLE I—EMERGENCY MIDDLE-INCOME HOUSING

SHORT TITLE

SEC. 101. This title may be cited as the "Emergency Middle-Income Housing Act of 1975".

FINDINGS AND PURPOSE

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

(1) many families of middle income cannot afford to purchase homes at current prices and high interest rates;

(2) the decline in the home purchasing power of middle-income families has contributed to the severe economic recession of the building industry and those industries dependent upon the building industry;

(3) the sharp decline in housing starts jeopardizes the attainment of an adequate housing stock in the years ahead; and

(4) the accessibility of homeownership to middle-income persons is further aggravated by the high costs of land and fuel associated with low-density development.

(b) It is the purpose of this title to reduce high mortgage interest costs to middle-income families, to stimulate employment in the home-building industry during the current emergency period, and to encourage land and energy conservation, where appropriate, to reduce further the costs of homeownership.

TEMPORARY HOMEOWNERSHIP ASSISTANCE AUTHORITY

SEC. 103. The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to provide financial assistance with regard to home mortgages for middle-income families—

(1) by making, and contracting to make, periodic interest reduction payments, as described in section 104;

(2) by purchasing and committing to purchase, below-market-interest-rate mortgages, through the facilities of the Government National Mortgage Association (hereinafter referred to as the "Association"), as described in section 105; and

(3) by making, and contracting to make, home purchase incentive payments, as described in section 106.

INTEREST REDUCTION PAYMENTS

SEC. 104. (a) Interest reduction payments made on behalf of middle-income families shall equal the difference between the amount of principal, interest, and any mortgage insurance premium due under a home mortgage, and the amount of principal and interest which would be due if the home mortgage were to bear interest at the rate of 6 per centum per annum. Interest reduction payments may be made only with respect to home mortgages bearing interest rates and yields approved by the Secretary as being reasonable.

(b) Interest reduction payments may be made with respect to any dwelling unit only for such period as the family on whose behalf the payments are made occupies the dwelling unit. Such payments shall be made in the full amount provided for in subsection (a) for the first 3 years during which a family occupies a dwelling unit, 75 per centum of such amount in the fourth year, 50 per centum of such amount in the fifth year, and 25 per centum of such amount in the sixth year. No interest reduction payments shall be made after such sixth year.

(c) Interest reduction payments on behalf of an occupant of a cooperative housing project shall be in amounts computed on the basis of the formula set forth in subsection (a) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

(d) For purposes of chapter I of the Internal Revenue Code of 1954, the payments described in this section shall be deemed to be an

obligation of, and paid by, the Secretary and to be applied in their entirety toward the payment of the interest due under a mortgage.

PURCHASE OF MORTGAGES

SEC. 105. (a) The Association shall purchase, or commit to purchase, a home mortgage pursuant to this title at a price equal to par. The interest rate on such a mortgage shall not exceed 7 per centum per annum. The Association is authorized to service, sell, or otherwise deal in mortgages purchased pursuant to this title.

(b) A home mortgage which is not insured under the National Housing Act or insured or guaranteed under chapter 37 of title 38, United States Code, shall not be purchased by the Association unless either (1) the outstanding principal balance of the mortgage does not exceed 80 per centum of the value of the property securing the mortgage, or (2) the mortgage is insured by a qualified insurer as determined by the Association.

(c) The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchase of the Association's obligations hereunder.

(d) (1) The Association is authorized to guarantee securities based on pools or trusts of the mortgages which the Association purchases or commits to purchase under this title as provided in section 306(g) of the National Housing Act with respect to federally insured or guaranteed mortgages and to act as issuer of such guaranteed securities. The Association shall possess with respect to securities under this section all the powers it possesses with respect to securities guaranteed under such section 306(g), and the provisions of such section shall apply to guarantees pursuant to this section.

(2) The Association may offer and sell any securities guaranteed pursuant to this section to the Federal Financing Bank, and such Bank is authorized to purchase any securities so offered. The Association may also offer and sell any such guaranteed securities to any Federal Reserve bank. The proceeds from the sale of such securities when issued by the Association shall be treated in the accounts in the same manner as if such proceeds were from the sale of the underlying mortgages.

HOME PURCHASE INCENTIVE PAYMENTS

SEC. 106. (a) The amount of a home purchase incentive payment shall be \$1,000.

(b) The Secretary's obligation to make a home purchase incentive payment shall be evidenced by a certificate containing the name of the purchaser, a description of the property, and such other information as the Secretary by regulation may prescribe. The face amount of the certificate shall be applied to the downpayment made in connection with the purchase. Any person who acquires a certificate issued pursuant to this title may present such certificate to the Secretary who shall pay in full the face amount indicated on the certificate.

(c) (1) Notwithstanding any other provision of this title, a home purchase incentive payment may be made only in connection with the purchase of a single-family or two-family unit or a unit in a cooperative housing project, the construction of which began on or after March 26, 1975.

(2) A home purchase incentive payment may not be made with respect to (A) a mortgage purchased or otherwise assisted, or to be purchased or otherwise assisted, under section 313 of the National Housing Act, or (B) any mortgage which is assisted or purchased under section 104 or 105.

DEFINITIONS

SEC. 107. As used in this title—

(1) The term "middle-income families" means those families (including single individuals) whose incomes do not exceed 120 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller or larger families, except that the Secretary may establish income ceilings higher or lower than 120 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors.

(2) The term "home mortgage" means a mortgage (A) which is executed to finance the acquisition of a single family unit (including a unit in a condominium project) which will be the principal residence of the mortgagor, or a two-family unit where one of the units will be principal residence of the mortgagor, or which covers a cooperative housing project where all of the units will be the principal residences of its members; and (B) which covers housing where the appraised value of the unit (or the average appraised value per unit in the case of a cooperative housing project) does not exceed \$38,000, or \$42,000 in high cost areas as determined by the Secretary, or \$48,000 in Alaska, Hawaii, and Guam.

AUTHORIZATION

SEC. 108. (a) The aggregate amount of mortgages assisted under this title shall not exceed amounts approved in appropriation Acts, and in no event shall such amount exceed \$12,000,000,000.

(b) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, including such sums

as may be necessary to make the interest reduction payments and the home purchase incentive payments under contracts entered into under this title.

(c) The aggregate amount of contracts to make interest reduction payments under section 104 shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$300,000,000 per annum.

(d) The aggregate amount of mortgages purchased by the Association under section 105 shall not exceed amounts approved in appropriation Acts, and the aggregate amount of such mortgages shall not exceed \$12,000,000,000.

(e) The aggregate amount of contracts to make home purchase incentive payments under section 106 shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$400,000,000.

(f) The Association shall not issue obligations pursuant to section 105(c) or securities pursuant to section 105(d) except as approved in appropriation Acts.

ALLOCATION OF ASSISTANCE

SEC. 109. (a) The Secretary shall allocate to applicant lenders aggregate amounts of mortgages to be assisted. The Secretary shall take appropriate steps to the maximum extent practicable to assure that assistance under this title is made available on an equitable basis geographically.

(b) In carrying out his functions under this title and in making the allocations under subsection (a), the Secretary shall afford families eligible for assistance under this title a choice, to the maximum extent practicable, among the programs described in sections 104, 105, and 106.

(c) Not more than 20 per centum of the aggregate mortgage amounts approved in appropriation Acts may be allocated for use with respect to existing units (other than substantially rehabilitated units) and with respect to new, unsold dwelling units the construction of which commenced prior to March 26, 1975.

(d) Not more than 15 per centum of the aggregate mortgage amounts approved in appropriation Acts may be allocated with respect to dwelling units with appraised values in excess of \$38,000.

LIMITATIONS

SEC. 110. (a) If a family assisted under section 104 or 106 sells the property for which assistance was granted within 4 years from the date of execution of the mortgage on such property, there shall become due and payable to the Secretary, by the family assisted at a time set by the Secretary, an amount equal to the lesser of (1) the full amount of the assistance received under section 104 or 106, as the case may be; or (2) the amount of the gain realized on the sale after adding the cost of any improvements provided by the mortgagor to the original sales price and deducting any selling expenses. If such property is sold more than 4 years but less than 5 years from the date of execution of the mortgage, 75 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. If such property

is sold more than 5 years but less than 6 years from the date of execution of the mortgage, 50 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. If such property is sold more than 6 years but less than 7 years from the date of execution of the mortgage, 25 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. There should be no repayment if the property is sold by the family after 7 years, or if the family purchases or constructs a new principal residence within the applicable time period prescribed in section 1034 of the Internal Revenue Code of 1954.

(b) A mortgagor is not eligible both for a credit against income tax for the purchase of a home under section 44 of the Internal Revenue Code of 1954 and for assistance under this title.

(c) A commitment to purchase a mortgage issued by the Association pursuant to the provisions of any other law shall not be exchanged or credited in any way to the purchase of a commitment pursuant to this title.

(d) A mortgage purchased under section 105 may not be assumed except by a middle-income family.

ENERGY CONSERVATION

SEC. 111. In making financial assistance available under this title, the Secretary shall take appropriate steps to encourage the construction or sale of dwelling units which he determines will contribute to the conservation of land and energy resources because of their design or their location in clusters or projects or otherwise.

EXPIRATION DATE

SEC. 112. After June 30, 1976, no interest reduction payments, mortgage purchases, or home purchase incentive payments shall be made under this title except pursuant to contracts or commitments entered into on or before such date.

TITLE II—EMERGENCY MORTGAGE RELIEF PAYMENTS

HOMEOWNERS RELIEF

SEC. 201. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make repayable emergency mortgage relief payments on behalf of homeowners who are delinquent in their mortgage payments.

(b) Emergency mortgage relief payments shall not be approved with respect to any mortgage 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 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 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 2 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.

As used in this title, the term "mortgaged property" includes, but is not limited to, property owned in fee simple, condominium units, mobile homes, or multiunit dwellings.

(c) Mortgage relief payments on behalf of a homeowner may be in an amount up to the amount of the principal, interest, taxes, ground rents, hazard insurance, and mortgage insurance premiums due under the mortgage, but 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.

(d) Mortgage relief payments may be made by the Secretary for up to 12 months, and may be extended once for up to 12 additional months. The Secretary shall require the mortgagor to report any increase in income which will permit a reduction or termination of mortgage relief payments during this period.

(e) Mortgage relief payments made under this title shall be repayable by the homeowner upon such terms and conditions as the Secretary shall prescribe, except that interest on such payments shall not exceed 8 per centum per annum. Interest shall not begin to accrue until after the last payment made by the Secretary in behalf of the homeowner. 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. The Secretary shall 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 the assistance program authorized by this title.

NOTIFICATION

SEC. 202. Until 2 years from the date of enactment of this Act, 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 mortgagees, 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 30 days prior to instituting foreclosure proceedings in connection with any mortgage loan. As used in this section 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.

AUTHORIZATION AND EXPIRATION DATE

SEC. 203. (a) There are authorized to be appropriated for purposes of this title not to exceed \$500,000,000. Any amounts so appropriated shall remain available until expended.

(b) Mortgage relief payments shall not be made after July 1, 1976, except with respect to mortgagors receiving the benefit of payments on such date.

REPORTS

SEC. 204. Within 60 days after enactment of this title and within each 60-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 purpose 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 consideration the urgent needs of the many low- and moderate-income families that currently occupy such multifamily properties.

TITLE III—MISCELLANEOUS

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

(b) Section 312(d) of such Act is amended by inserting "ending prior to July 1, 1975, and not to exceed \$35,000,000 for each fiscal year beginning on or after July 1, 1975, and ending prior to October 1, 1977," after "each fiscal year".

SEC. 302. The second sentence of section 5(c) of the United States Housing Act of 1937 is amended by striking out "\$150,000,000" and inserting in lieu thereof "\$300,000,000".

SEC. 303. Section 235 (m) of the National Housing Act is amended by striking "1976" and inserting in lieu thereof "1977".

SEC. 304. The fourth sentence of section 5(c) of the United States Housing Act of 1937 is amended—

(1) by inserting "(1)" after "except that"; and

(2) by inserting before the period at the end thereof a comma and the following: "and (2) after the date of enactment of the Emergency Housing Act of 1975, none of the funds made available under this sentence shall be used to fulfill any outstanding commitments entered into prior to such date under any memoranda of understanding among the Departments of Housing and Urban Development, Interior, and Health, Education, and Welfare".

SEC. 305. Section 518(b) (1) of the National Housing Act is amended by striking out "one year" the second time it appears and inserting in lieu thereof "nineteen months".

SEC. 306. Section 236 of the National Housing Act is hereby amended by adding at the end thereof a new subsection as follows:

"(g) With respect to mortgages financed under State or local programs which are not insured under this section but which are receiving the benefits of this section as provided in subsection (b) hereof, and whenever the Secretary determines that such action is necessary to assist in maintaining the financial viability of a State or local agency providing such financing, the rental charge and percentage of income payable by the tenant as specified in subsection (i) (2), shall not be applicable, and the maximum income limitations, percentage of income, and rental to be paid by the tenant shall be fixed by the State or local agency thereof providing the mortgage assistance, in such amounts and percentages as are found necessary by such State or local agency to achieve the purposes of this section: Provided, That assistance payments under this section may be applied only with respect to tenants whose incomes do not exceed the median family income for the area, as determined by the State or local agency with adjustments for smaller and larger families. The tenants shall pay no less than the basic rental charge or such greater amount as the State or local agency determines is necessary for the economic feasibility of the project, not exceeding the fair market rental charge, and no less than 20 per centum of the tenant's income. Any tenants occupying such units prior to any modification in the rental charge approved by the State or local agency as authorized herein, shall not be made liable for rental increases except pursuant to the same criteria as would have been applicable under the provisions of this Act prior to the effective date of this subsection. The State or local agency shall report to the Secretary of Housing and Urban Development the rental charges, income limitations and percentage of income payable by the tenant and shall certify that the charges and income limitations are the minimum amounts which can be fixed and still maintain the economic feasibility of the projects and shall supply the Secretary with documentations supporting such certification."

SEC. 307. 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".

SEC. 308. 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 may service, sell (with or without recourse), or otherwise deal in, a mortgage which covers more than four-family residences (including cooperative or condominium projects), 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."

And the Senate agree to the same.

HENRY S. REUSS,
WILLIAM A. BARRETT,
WILLIAM S. MOORHEAD,
FERNAND J. ST GERMAIN,
PARREN MITCHELL,
LES AU COIN,

Managers on the Part of the House.

WILLIAM PROXMIRE,
JOHN SPARKMAN,
HARRISON A. WILLIAMS,
THOMAS J. MCINTYRE,
ALAN CRANSTON,
EDWARD W. BROOKE,
BOB PACKWOOD,

Managers on the Part of the Senate.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4485) to provide for greater home-ownership opportunities for middle-income families and to encourage more efficient use of land and energy resources, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bills, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

I—AMENDMENTS TO THE EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

Triggering Procedure for Activating and Deactivating Special Housing Assistance

The Senate amendment contained a provision not in the House bill providing for an automatic triggering procedure to activate and deactivate a housing assistance program designed to provide mortgage credit at reasonable interest rates through the use of Federal credit facilities during periods of low construction activity. The Senate amendment provided for the activation of this program whenever housing starts fell below an average annual rate of 1.6 million units over a period of 4 consecutive months and for deactivation of the program whenever housing starts exceeded 1.6 million units for 4 consecutive months. The conference report does not contain this Senate provision. The conferees agreed that a counter-cyclical housing program is worthy of further consideration by the Congress as a separate legislative measure.

Interest Rate on Assisted Mortgages

The Senate amendment contained a provision not in the House bill establishing the maximum interest rate on mortgages assisted at the lower of 8 percent or the maximum interest rate prescribed for FHA-insured mortgages. The conference report does not contain this Senate provision.

Limitation on Points

The Senate amendment contained a provision not in the House bill prohibiting mortgagees from charging any points, discounts, or similar

fees other than a loan origination fee not in excess of 1 percent of the mortgage amount in connection with mortgages assisted under the Emergency Home Purchase Assistance Act of 1974. The conference report does not contain this Senate provision.

Fees Charged by GNMA

The Senate amendment contained a provision not in the House bill limiting the fees which could be charged by GNMA in connection with the purchase of mortgages or the guarantee of mortgage-backed securities to 1 percent of the amount of mortgage or the amount of the securities. The conference report does not contain this Senate provision.

GNMA Authority to Guarantee Mortgage-Backed Securities

The Senate amendment contained a provision not in the House bill authorizing GNMA to guarantee securities backed by mortgages eligible for purchase by GNMA under the provisions of the Emergency Home Purchase Assistance Act of 1974, but which were not purchased by GNMA. The conference report does not contain this Senate provision.

Sale of GNMA Guaranteed Securities to Federal Financing Bank

The Senate amendment contained a provision not in the House bill authorizing and directing the Federal Financing Bank to purchase mortgage-backed securities guaranteed by GNMA at a price equal to par. The conference report does not contain this Senate provision.

Multifamily Housing

The Senate amendment contained a provision not in the House bill extending coverage of the Emergency Home Purchase Assistance Act to conventionally financed multifamily housing (rental, condominium, and cooperative housing) where the mortgage amount did not exceed 75 percent of the value of the property or the mortgage was insured. The conference report contains this Senate provision.

Authorization

The Senate amendment contained a provision not in the House bill authorizing appropriations to reimburse the Federal Financing Bank for any losses incurred by reason of the Bank's purchase of guaranteed mortgage-backed securities. The conference report does not contain this Senate provision.

Expiration Date

The Senate amendment contains a provision not in the House bill repealing the expiration date (October 18, 1975) of the Emergency Home Purchase Assistance Act of 1974. The conference report does not contain this Senate provision.

II. EMERGENCY MIDDLE INCOME HOUSING

FINDINGS AND PURPOSE

The House bill contained the findings that the high cost of land and fuel associated with low density developments aggravated the accessibility of homeownership to middle-income persons. The House bill

also contained a finding that a large inventory of unsold new homes existed and was discouraging new construction. The Senate amendment contained neither finding. The conference report contains the House finding dealing with the high cost of land and fuel.

TYPES OF SUBSIDY

Interest Reduction Payments

The House bill provided that interest reduction payments equal the difference between the amount of principal, interest and any mortgage insurance premium due under the mortgage and the amount of principal and interest due on a 6 percent mortgage. The Senate amendment provided that the interest reduction payments were not to exceed the difference between the amount of principal and interest due under the mortgage and the amount of principal and interest due under a 6 percent mortgage. The conference report contains the House provision.

The Senate amendment contained a provision not in the House bill authorizing the Secretary of HUD to prescribe the maximum interest rate on a mortgage with respect to which interest reduction payments were made. The conference report contains the Senate provision with an amendment which requires the Secretary to approve the interest rate and yield on a mortgage eligible for interest reduction payments, but does not require the Secretary to prescribe maximum interest rates in advance. The conferees expect that the Secretary, in determining whether the approved mortgage interest rate or yield is reasonable, will look to the current range of interest rates and yields on comparable mortgages in the area.

Home Purchase Incentive Payments

The Senate amendment contained a provision not in the House bill authorizing the Secretary to make home purchase incentive payments in the amount of \$1000 to eligible home buyers to assist them in meeting downpayment or closing cost requirements. The conference report contains the Senate provision with amendments limiting the use of such certificates to meeting downpayments, making such payments applicable only to newly constructed homes and prohibiting the making of incentive payments to home buyers receiving the benefits of below-market-interest-rate mortgages assisted under the Emergency Home Purchase Assistance Act of 1974.

Interest Rate Differential Payments

The House bill contained a provision not in the Senate amendment authorizing the Secretary to make single payments to lenders which originated 7 percent mortgage loans on behalf of middle-income families in order to bring the yields on these mortgages up to a market yield. The conference report does not contain this House provision.

Purchase of Mortgages

The House bill contained a provision not in the Senate amendment authorizing the Secretary to purchase 7 percent mortgage loans and to issue and guarantee mortgage-backed securities based on these mortgages. The conference report contains the House provision.

ELIGIBLE PROPERTIES

Types of Units

The House bill limited subsidies to home buyers of one- to two-family homes, condominium units, and units in a cooperative the construction and rehabilitation of which was started after enactment, but provided that up to 30 percent of the amount of assisted mortgages could be made available by the Secretary for use with respect to existing nonrehabilitated units and new, unsold units the construction of which started prior to enactment. The Senate amendment provided that assistance could be made available with respect to the same kind of dwelling units if their construction was completed 12 months or less prior to the sale under the program, with an exception that not less than 10 percent nor more than 30 percent of the units must be constructed more than 12 months prior to their purchase under the program (including substantially rehabilitated units).

The conference report contains the House provision with 2 amendments changing 30 percent to 20 percent and making units whose construction was started after March 26, rather than the date of enactment, eligible for assistance without restriction.

Limits on Appraised Value of Units

The House bill limited the appraised value of eligible units to \$42,000 in high cost areas and \$48,000 in Alaska, Hawaii, and Guam and further limited homes with values in excess of the basic \$38,000 limit to 10 percent of assisted mortgage amounts. The Senate amendment limited the appraised value of eligible units to \$48,000 in high cost areas and \$56,000 in Alaska, Hawaii, and Guam. The conference report contains the House provision with an amendment raising 10 percent to 15 percent.

SELECTION OF TYPE OF SUBSIDY

The House bill gave to lending institutions the choice as to the type of subsidy that would be made available to home buyers. The House bill also provided that subsidies would be allocated to lending institutions who would apply to HUD for these subsidies. The Senate amendment gave to eligible home buyers the choice as to which of the subsidy approaches he would receive. The conference report provides that the Secretary take appropriate steps to give to the eligible home buyers the choice to the maximum extent practicable as to the type of subsidy the home buyer will receive.

RECAPTURE OF SUBSIDY

The Senate amendment contained a provision not in the House bill exempting the obligation of the homeowner to repay the amount of the subsidy if the home were sold within 7 years or if the homeowner purchased another home within 18 months. The conference report contains this Senate provision.

EXPIRATION DATE

The House bill contained a provision providing that no new commitments or contracts for assistance could be entered into after June 30,

1976. The Senate amendment also contained a June 30, 1976, expiration date but required the program to be terminated sooner if private housing starts averaged at least 1,400,000 units for 3 consecutive months. The conference report contains the House provision.

III—BUILDING ENERGY CONSERVATION STANDARDS

The Senate amendment contained a provision not in the House bill authorizing the Secretary of HUD to develop component performance standards and performance standards with respect to the thermal efficiency of newly-constructed residential and commercial buildings. These standards would be incorporated in State or local building codes and would be enforced by State or local agencies. In order to insure incorporation of these standards into State or local building codes, the Senate provided grants to States and also provided sanctions, including the withholding of Federal assistance and Federally-related mortgage credit. The conference report does not contain the Senate provision in order to permit the House to act on energy conservation measures now pending in Committee.

IV—MISCELLANEOUS

REHABILITATION LOAN PROGRAM

The Senate amendment contained a provision not in the House bill authorizing the extension of the section 312 rehabilitation loan program from August 22, 1975, until September 30, 1978, and authorizing \$150 million a year, with certain provisions relative to Treasury financing and interest rates. The conference report contains the Senate provision with amendments extending the program two years (until August 22, 1977), reducing the authorization from \$150 million a year to \$35 million for each of the two years, and deleting the provisions relating to Treasury financing and interest rates.

PUBLIC HOUSING AUTHORIZATION

The Senate amendment contained a provision not in the House bill increasing the set-aside of contract authority for projects to be owned by public housing agencies from \$150 million to \$450 million. The conference report contains the Senate amendment with an amendment reducing the set-side from \$450 million to \$300 million. The conferees expect that funds for the increased set-aside will not be transferred from allocations already made to State agencies.

HOMEOWNERSHIP ASSISTANCE

The Senate amendment contained a provision not in the House bill extending the section 235 homeownership assistance program for one year, until July 1, 1977, and extending the period during which impounded funds (approximately \$270 million) could be used from August 22, 1975, until July 1, 1977. The conference report contains

the one-year extension of the program to July 1, 1977, the same date for other FHA programs, but does not include the provision extending the period during which the impounded funds could be used. The conferees did not include an extension of the period for utilizing the impounded funds because of uncertainties about the effect this extension would have on the Congressional budget process.

PUBLIC HOUSING AND ELDERLY HOUSING PROCESSING

The Senate amendment contained provisions not in the House bill requiring HUD to process all public housing and all section 202 housing for the elderly project applications during distinct periods not exceeding 75 days. The conference report does not contain these Senate provisions. The conferees believe that this rigid processing requirement could do more harm to the efficient implementation of the programs than good, but strongly urge the Secretary of HUD to take all steps to minimize the time for processing housing assistance applications.

INDIAN HOUSING

The Senate amendment contained a provision not in the House bill providing that none of the public housing funds set aside for Indian housing in the 1974 Housing and Community Development Act could be used by the HUD Secretary for prior commitments to financing public housing for the Indians. The conference report contains this Senate provision.

SUBSIDIZED SUPPLEMENTAL LOANS

The Senate amendment contained a provision not in the House bill authorizing HUD to make interest reduction payments with respect to certain supplemental project improvement loans made pursuant to section 241 of the National Housing Act. The conference report does not contain this Senate provision.

DEFECTS IN FHA-INSURED HOUSING

The Senate amendment contained a provision not in the House bill extending by seven months the period during which owners of FHA-insured houses which have serious structural defects could request assistance from the HUD Secretary to repair such defects under authority of section 518(b) of the National Housing Act. The conference report contains this Senate provision.

STATE-FINANCED HOUSING PROJECTS

The Senate amendment contained a provision not in the House bill authorizing HUD to permit certain State housing agencies to raise the income limits for eligibility for admission to non-FHA insured, State-assisted 236 projects and to vary rent-to-income ratios to not

less than 20 percent of the tenant's income. The conference report contains the Senate provision with minor modifications in language. The conferees intend to limit the use of this provision to situations such as that which currently exists in the State of New York.

FLOOD INSURANCE

The Senate amendment contained a provision not in the House bill extending from July 1, 1975, until January 1, 1976, the date on which Federal financial assistance would be denied to flood-prone areas unless the community were participating in the National Flood Insurance Program. The conference report retains the prohibition in existing law but authorizes a 6-month extension until January 1, 1976, of the prohibition against the making of loans by Federally-supervised lending institutions to finance the acquisition of a previously occupied residential dwelling.

V—EMERGENCY MORTGAGE RELIEF PAYMENTS

The Senate amendment contained a provision not in the House bill authorizing the Secretary of HUD to make repayable mortgage relief payments to homeowners whose incomes have been substantially reduced because of involuntary unemployment or underemployment due to current adverse economic conditions, and who therefore cannot make full mortgage payments. The conference report contains these Senate provisions with the following amendments:

AMOUNT OF PAYMENTS

The Senate amendment limited the amount of the monthly mortgage relief payment on behalf of any homeowner to \$300. The conference report limits this payment to \$250 a month.

LENGTH OF PAYMENTS

The Senate amendment authorized the Secretary to make payments up to 18 months with one extension for up to another 18 months. The conference report reduces the maximum period during which payments can be made to 12 months, with one extension for another 12 months.

AUTHORIZATION OF APPROPRIATIONS

The Senate amendment authorized appropriation of \$750 million to finance the program. The conference report contains an authorization of \$500 million.

ELIGIBLE PROPERTY

The Senate amendment authorized relief payments to be made to owners of houseboats. The conference report does not contain this Senate provision.

NOTIFICATION TO MORTGAGOR

The Senate amendment required the Secretary of HUD to notify mortgagors threatened with foreclosure of the availability of assistance under this program. The conference report does not contain this Senate provision.

HENRY S. REUSS,
WILLIAM A. BARRETT,
WILLIAM S. MOORHEAD,
FERNAND J. ST GERMAIN,
PARREN MITCHELL,
LES AU COIN,

Managers on the Part of the House.

WILLIAM PROXMIRE,
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THOMAS J. MCINTYRE,
ALAN CRANSTON,
EDWARD W. BROOKE,
BOB PACKWOOD,

Managers on the Part of the Senate.



EMERGENCY HOUSING ACT OF 1975

MAY 22, 1975.—Ordered to be printed

Mr. PROXMIRE, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 4485]



The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4485) to provide for greater homeownership opportunities for middle-income families and to encourage more efficient use of land and energy resources, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

SHORT TITLE

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

TITLE I—EMERGENCY MIDDLE-INCOME HOUSING

SHORT TITLE

SEC. 101. This title may be cited as the "Emergency Middle-Income Housing Act of 1975".

FINDINGS AND PURPOSE

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

(1) many families of middle income cannot afford to purchase homes at current prices and high interest rates;

(2) the decline in the home purchasing power of middle-income families has contributed to the severe economic recession of the building industry and those industries dependent upon the building industry;

(3) the sharp decline in housing starts jeopardizes the attainment of an adequate housing stock in the years ahead; and

(4) the accessibility of homeownership to middle-income persons is further aggravated by the high costs of land and fuel associated with low-density development.

(b) It is the purpose of this title to reduce high mortgage interest costs to middle-income families, to stimulate employment in the home-building industry during the current emergency period, and to encourage land and energy conservation, where appropriate, to reduce further the costs of homeownership.

TEMPORARY HOMEOWNERSHIP ASSISTANCE AUTHORITY

SEC. 103. The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to provide financial assistance with regard to home mortgages for middle-income families—

(1) by making, and contracting to make, periodic interest reduction payments, as described in section 104;

(2) by purchasing and committing to purchase, below-market-interest-rate mortgages, through the facilities of the Government National Mortgage Association (hereinafter referred to as the "Association"), as described in section 105; and

(3) by making, and contracting to make, home purchase incentive payments, as described in section 106.

INTEREST REDUCTION PAYMENTS

SEC. 104. (a) Interest reduction payments made on behalf of middle-income families shall equal the difference between the amount of principal, interest, and any mortgage insurance premium due under a home mortgage, and the amount of principal and interest which would be due if the home mortgage were to bear interest at the rate of 6 per centum per annum. Interest reduction payments may be made only with respect to home mortgages bearing interest rates and yields approved by the Secretary as being reasonable.

(b) Interest reduction payments may be made with respect to any dwelling unit only for such period as the family on whose behalf the payments are made occupies the dwelling unit. Such payments shall be made in the full amount provided for in subsection (a) for the first 3 years during which a family occupies a dwelling unit, 75 per centum of such amount in the fourth year, 50 per centum of such amount in the fifth year, and 25 per centum of such amount in the sixth year. No interest reduction payments shall be made after such sixth year.

(c) Interest reduction payments on behalf of an occupant of a cooperative housing project shall be in amounts computed on the basis of the formula set forth in subsection (a) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

(d) For purposes of chapter I of the Internal Revenue Code of 1954, the payments described in this section shall be deemed to be an

obligation of, and paid by, the Secretary and to be applied in their entirety toward the payment of the interest due under a mortgage.

PURCHASE OF MORTGAGES

SEC. 105. (a) The Association shall purchase, or commit to purchase, a home mortgage pursuant to this title at a price equal to par. The interest rate on such a mortgage shall not exceed 7 per centum per annum. The Association is authorized to service, sell, or otherwise deal in mortgages purchased pursuant to this title.

(b) A home mortgage which is not insured under the National Housing Act or insured or guaranteed under chapter 37 of title 38, United States Code, shall not be purchased by the Association unless either (1) the outstanding principal balance of the mortgage does not exceed 80 per centum of the value of the property securing the mortgage, or (2) the mortgage is insured by a qualified insurer as determined by the Association.

(c) The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchase of the Association's obligations hereunder.

(d) (1) The Association is authorized to guarantee securities based on pools or trusts of the mortgages which the Association purchases or commits to purchase under this title as provided in section 306(g) of the National Housing Act with respect to federally insured or guaranteed mortgages and to act as issuer of such guaranteed securities. The Association shall possess with respect to securities under this section all the powers it possesses with respect to securities guaranteed under such section 306(g), and the provisions of such section shall apply to guarantees pursuant to this section.

(2) The Association may offer and sell any securities guaranteed pursuant to this section to the Federal Financing Bank, and such Bank is authorized to purchase any securities so offered. The Association may also offer and sell any such guaranteed securities to any Federal Reserve bank. The proceeds from the sale of such securities when issued by the Association shall be treated in the accounts in the same manner as if such proceeds were from the sale of the underlying mortgages.

HOME PURCHASE INCENTIVE PAYMENTS

SEC. 106. (a) The amount of a home purchase incentive payment shall be \$1,000.

(b) The Secretary's obligation to make a home purchase incentive payment shall be evidenced by a certificate containing the name of the purchaser, a description of the property, and such other information as the Secretary by regulation may prescribe. The face amount of the certificate shall be applied to the downpayment made in connection with the purchase. Any person who acquires a certificate issued pursuant to this title may present such certificate to the Secretary who shall pay in full the face amount indicated on the certificate.

(c) (1) Notwithstanding any other provision of this title, a home purchase incentive payment may be made only in connection with the purchase of a single-family or two-family unit or a unit in a cooperative housing project, the construction of which began on or after March 26, 1975.

(2) A home purchase incentive payment may not be made with respect to (A) a mortgage purchased or otherwise assisted, or to be purchased or otherwise assisted, under section 313 of the National Housing Act, or (B) any mortgage which is assisted or purchased under section 104 or 105.

DEFINITIONS

SEC. 107. As used in this title—

(1) The term "middle-income families" means those families (including single individuals) whose incomes do not exceed 120 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller or larger families, except that the Secretary may establish income ceilings higher or lower than 120 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors.

(2) The term "home mortgage" means a mortgage (A) which is executed to finance the acquisition of a single family unit (including a unit in a condominium project) which will be the principal residence of the mortgagor, or a two-family unit where one of the units will be principal residence of the mortgagor, or which covers a cooperative housing project where all of the units will be the principal residences of its members; and (B) which covers housing where the appraised value of the unit (or the average appraised value per unit in the case of a cooperative housing project) does not exceed \$38,000, or \$42,000 in high cost areas as determined by the Secretary, or \$48,000 in Alaska, Hawaii, and Guam.

AUTHORIZATION

SEC. 108. (a) The aggregate amount of mortgages assisted under this title shall not exceed amounts approved in appropriation Acts, and in no event shall such amount exceed \$12,000,000,000.

(b) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, including such sums

as may be necessary to make the interest reduction payments and the home purchase incentive payments under contracts entered into under this title.

(c) The aggregate amount of contracts to make interest reduction payments under section 104 shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$300,000,000 per annum.

(d) The aggregate amount of mortgages purchased by the Association under section 105 shall not exceed amounts approved in appropriation Acts, and the aggregate amount of such mortgages shall not exceed \$12,000,000,000.

(e) The aggregate amount of contracts to make home purchase incentive payments under section 106 shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$400,000,000.

(f) The Association shall not issue obligations pursuant to section 105(c) or securities pursuant to section 105(d) except as approved in appropriation Acts.

ALLOCATION OF ASSISTANCE

SEC. 109. (a) The Secretary shall allocate to applicant lenders aggregate amounts of mortgages to be assisted. The Secretary shall take appropriate steps to the maximum extent practicable to assure that assistance under this title is made available on an equitable basis geographically.

(b) In carrying out his functions under this title and in making the allocations under subsection (a), the Secretary shall afford families eligible for assistance under this title a choice, to the maximum extent practicable, among the programs described in sections 104, 105, and 106.

(c) Not more than 20 per centum of the aggregate mortgage amounts approved in appropriation Acts may be allocated for use with respect to existing units (other than substantially rehabilitated units) and with respect to new, unsold dwelling units the construction of which commenced prior to March 26, 1975.

(d) Not more than 15 per centum of the aggregate mortgage amounts approved in appropriation Acts may be allocated with respect to dwelling units with appraised values in excess of \$38,000.

LIMITATIONS

SEC. 110. (a) If a family assisted under section 104 or 106 sells the property for which assistance was granted within 4 years from the date of execution of the mortgage on such property, there shall become due and payable to the Secretary, by the family assisted at a time set by the Secretary, an amount equal to the lesser of (1) the full amount of the assistance received under section 104 or 106, as the case may be; or (2) the amount of the gain realized on the sale after adding the cost of any improvements provided by the mortgagor to the original sales price and deducting any selling expenses. If such property is sold more than 4 years but less than 5 years from the date of execution of the mortgage, 75 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. If such property

is sold more than 5 years but less than 6 years from the date of execution of the mortgage, 50 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. If such property is sold more than 6 years but less than 7 years from the date of execution of the mortgage, 25 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. There should be no repayment if the property is sold by the family after 7 years, or if the family purchases or constructs a new principal residence within the applicable time period prescribed in section 1034 of the Internal Revenue Code of 1954.

(b) A mortgagor is not eligible both for a credit against income tax for the purchase of a home under section 44 of the Internal Revenue Code of 1954 and for assistance under this title.

(c) A commitment to purchase a mortgage issued by the Association pursuant to the provisions of any other law shall not be exchanged or credited in any way to the purchase of a commitment pursuant to this title.

(d) A mortgage purchased under section 105 may not be assumed except by a middle-income family.

ENERGY CONSERVATION

SEC. 111. In making financial assistance available under this title, the Secretary shall take appropriate steps to encourage the construction or sale of dwelling units which he determines will contribute to the conservation of land and energy resources because of their design or their location in clusters or projects or otherwise.

EXPIRATION DATE

SEC. 112. After June 30, 1976, no interest reduction payments, mortgage purchases, or home purchase incentive payments shall be made under this title except pursuant to contracts or commitments entered into on or before such date.

TITLE II—EMERGENCY MORTGAGE RELIEF PAYMENTS

HOMEOWNERS RELIEF

SEC. 201. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make repayable emergency mortgage relief payments on behalf of homeowners who are delinquent in their mortgage payments.

(b) Emergency mortgage relief payments shall not be approved with respect to any mortgage 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 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 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 2 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.

As used in this title, the term "mortgaged property" includes, but is not limited to, property owned in fee simple, condominium units, mobile homes, or multiunit dwellings.

(c) Mortgage relief payments on behalf of a homeowner may be in an amount up to the amount of the principal, interest, taxes, ground rents, hazard insurance, and mortgage insurance premiums due under the mortgage, but 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.

(d) Mortgage relief payments may be made by the Secretary for up to 12 months, and may be extended once for up to 12 additional months. The Secretary shall require the mortgagor to report any increase in income which will permit a reduction or termination of mortgage relief payments during this period.

(e) Mortgage relief payments made under this title shall be repayable by the homeowner upon such terms and conditions as the Secretary shall prescribe, except that interest on such payments shall not exceed 8 per centum per annum. Interest shall not begin to accrue until after the last payment made by the Secretary in behalf of the homeowner. 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. The Secretary shall 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 the assistance program authorized by this title.

NOTIFICATION

SEC. 202. Until 2 years from the date of enactment of this Act, 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 mortgagees, 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 30 days prior to instituting foreclosure proceedings in connection with any mortgage loan. As used in this section 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.

AUTHORIZATION AND EXPIRATION DATE

SEC. 203. (a) There are authorized to be appropriated for purposes of this title not to exceed \$500,000,000. Any amounts so appropriated shall remain available until expended.

(b) Mortgage relief payments shall not be made after July 1, 1976, except with respect to mortgagors receiving the benefit of payments on such date.

REPORTS

SEC. 204. Within 60 days after enactment of this title and within each 60-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 purpose 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 consideration the urgent needs of the many low- and moderate-income families that currently occupy such multifamily properties.

TITLE III—MISCELLANEOUS

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

(b) Section 312(d) of such Act is amended by inserting "ending prior to July 1, 1975, and not to exceed \$35,000,000 for each fiscal year beginning on or after July 1, 1975, and ending prior to October 1, 1977," after "each fiscal year".

SEC. 302. The second sentence of section 5(c) of the United States Housing Act of 1937 is amended by striking out "\$150,000,000" and inserting in lieu thereof "\$300,000,000".

SEC. 303. Section 235 (m) of the National Housing Act is amended by striking "1976" and inserting in lieu thereof "1977".

SEC. 304. The fourth sentence of section 5(c) of the United States Housing Act of 1937 is amended—

(1) by inserting "(1)" after "except that"; and

(2) by inserting before the period at the end thereof a comma and the following: "and (2) after the date of enactment of the Emergency Housing Act of 1975, none of the funds made available under this sentence shall be used to fulfill any outstanding commitments entered into prior to such date under any memoranda of understanding among the Departments of Housing and Urban Development, Interior, and Health, Education, and Welfare".

SEC. 305. Section 518(b) (1) of the National Housing Act is amended by striking out "one year" the second time it appears and inserting in lieu thereof "nineteen months".

SEC. 306. Section 236 of the National Housing Act is hereby amended by adding at the end thereof a new subsection as follows:

"(q) With respect to mortgages financed under State or local programs which are not insured under this section but which are receiving the benefits of this section as provided in subsection (b) hereof, and whenever the Secretary determines that such action is necessary to assist in maintaining the financial viability of a State or local agency providing such financing, the rental charge and percentage of income payable by the tenant as specified in subsection (i) (2), shall not be applicable, and the maximum income limitations, percentage of income, and rental to be paid by the tenant shall be fixed by the State or local agency thereof providing the mortgage assistance, in such amounts and percentages as are found necessary by such State or local agency to achieve the purposes of this section: Provided, That assistance payments under this section may be applied only with respect to tenants whose incomes do not exceed the median family income for the area, as determined by the State or local agency with adjustments for smaller and larger families. The tenants shall pay no less than the basic rental charge or such greater amount as the State or local agency determines is necessary for the economic feasibility of the project, not exceeding the fair market rental charge, and no less than 20 per centum of the tenant's income. Any tenants occupying such units prior to any modification in the rental charge approved by the State or local agency as authorized herein, shall not be made liable for rental increases except pursuant to the same criteria as would have been applicable under the provisions of this Act prior to the effective date of this subsection. The State or local agency shall report to the Secretary of Housing and Urban Development the rental charges, income limitations and percentage of income payable by the tenant and shall certify that the charges and income limitations are the minimum amounts which can be fixed and still maintain the economic feasibility of the projects and shall supply the Secretary with documentations supporting such certification."

SEC. 307. 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".

Sec. 308. 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 may service, sell (with or without recourse), or otherwise deal in, a mortgage which covers more than four-family residences (including cooperative or condominium projects), 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."

And the Senate agree to the same.

WILLIAM PROXMIRE,
JOHN SPARKMAN,
HARRISON A. WILLIAMS,
THOMAS J. MCINTYRE,
ALAN CRANSTON,
EDWARD W. BROOKE,
BOB PACKWOOD,

Managers on the Part of the Senate.

HENRY S. REUSS,
WILLIAM A. BARRETT,
WILLIAM S. MOORHEAD,
FERNAND J. ST GERMAIN,
PARREN MITCHELL,
LES AU COIN,

Managers on the Part of the House.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 4485) to provide for greater homeownership opportunities for middle-income families and to encourage more efficient use of land and energy resources, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The Senate amendment struck out all of the House bill after the enacting clause and inserted a substitute text.

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for the House bill and the Senate amendment. The differences between the House bills, the Senate amendment, and the substitute agreed to in conference are noted below, except for clerical corrections, conforming changes made necessary by agreements reached by the conferees, and minor drafting and clarifying changes.

I—AMENDMENTS TO THE EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974

Triggering Procedure for Activating and Deactivating Special Housing Assistance

The Senate amendment contained a provision not in the House bill providing for an automatic triggering procedure to activate and deactivate a housing assistance program designed to provide mortgage credit at reasonable interest rates through the use of Federal credit facilities during periods of low construction activity. The Senate amendment provided for the activation of this program whenever housing starts fell below an average annual rate of 1.6 million units over a period of 4 consecutive months and for deactivation of the program whenever housing starts exceeded 1.6 million units for 4 consecutive months. The conference report does not contain this Senate provision. The conferees agreed that a counter-cyclical housing program is worthy of further consideration by the Congress as a separate legislative measure.

Interest Rate on Assisted Mortgages

The Senate amendment contained a provision not in the House bill establishing the maximum interest rate on mortgages assisted at the lower of 8 percent or the maximum interest rate prescribed for FHA-insured mortgages. The conference report does not contain this Senate provision.

Limitation on Points

The Senate amendment contained a provision not in the House bill prohibiting mortgagees from charging any points, discounts, or similar

fees other than a loan origination fee not in excess of 1 percent of the mortgage amount in connection with mortgages assisted under the Emergency Home Purchase Assistance Act of 1974. The conference report does not contain this Senate provision.

Fees Charged by GNMA

The Senate amendment contained a provision not in the House bill limiting the fees which could be charged by GNMA in connection with the purchase of mortgages or the guarantee of mortgage-backed securities to 1 percent of the amount of mortgage or the amount of the securities. The conference report does not contain this Senate provision.

GNMA Authority to Guarantee Mortgage-Backed Securities

The Senate amendment contained a provision not in the House bill authorizing GNMA to guarantee securities backed by mortgages eligible for purchase by GNMA under the provisions of the Emergency Home Purchase Assistance Act of 1974, but which were not purchased by GNMA. The conference report does not contain this Senate provision.

Sale of GNMA Guaranteed Securities to Federal Financing Bank

The Senate amendment contained a provision not in the House bill authorizing and directing the Federal Financing Bank to purchase mortgage-backed securities guaranteed by GNMA at a price equal to par. The conference report does not contain this Senate provision.

Multifamily Housing

The Senate amendment contained a provision not in the House bill extending coverage of the Emergency Home Purchase Assistance Act to conventionally financed multifamily housing (rental, condominium, and cooperative housing) where the mortgage amount did not exceed 75 percent of the value of the property or the mortgage was insured. The conference report contains this Senate provision.

Authorization

The Senate amendment contained a provision not in the House bill authorizing appropriations to reimburse the Federal Financing Bank for any losses incurred by reason of the Bank's purchase of guaranteed mortgage-backed securities. The conference report does not contain this Senate provision.

Expiration Date

The Senate amendment contains a provision not in the House bill repealing the expiration date (October 18, 1975) of the Emergency Home Purchase Assistance Act of 1974. The conference report does not contain this Senate provision.

II. EMERGENCY MIDDLE INCOME HOUSING

FINDINGS AND PURPOSE

The House bill contained the findings that the high cost of land and fuel associated with low density developments aggravated the accessibility of homeownership to middle-income persons. The House bill

also contained a finding that a large inventory of unsold new homes existed and was discouraging new construction. The Senate amendment contained neither finding. The conference report contains the House finding dealing with the high cost of land and fuel.

TYPES OF SUBSIDY

Interest Reduction Payments

The House bill provided that interest reduction payments equal the difference between the amount of principal, interest and any mortgage insurance premium due under the mortgage and the amount of principal and interest due on a 6 percent mortgage. The Senate amendment provided that the interest reduction payments were not to exceed the difference between the amount of principal and interest due under the mortgage and the amount of principal and interest due under a 6 percent mortgage. The conference report contains the House provision.

The Senate amendment contained a provision not in the House bill authorizing the Secretary of HUD to prescribe the maximum interest rate on a mortgage with respect to which interest reduction payments were made. The conference report contains the Senate provision with an amendment which requires the Secretary to approve the interest rate and yield on a mortgage eligible for interest reduction payments, but does not require the Secretary to prescribe maximum interest rates in advance. The conferees expect that the Secretary, in determining whether the approved mortgage interest rate or yield is reasonable, will look to the current range of interest rates and yields on comparable mortgages in the area.

Home Purchase Incentive Payments

The Senate amendment contained a provision not in the House bill authorizing the Secretary to make home purchase incentive payments in the amount of \$1000 to eligible home buyers to assist them in meeting downpayment or closing cost requirements. The conference report contains the Senate provision with amendments limiting the use of such certificates to meeting downpayments, making such payments applicable only to newly constructed homes and prohibiting the making of incentive payments to home buyers receiving the benefits of below-market-interest-rate mortgages assisted under the Emergency Home Purchase Assistance Act of 1974.

Interest Rate Differential Payments

The House bill contained a provision not in the Senate amendment authorizing the Secretary to make single payments to lenders which originated 7 percent mortgage loans on behalf of middle-income families in order to bring the yields on these mortgages up to a market yield. The conference report does not contain this House provision.

Purchase of Mortgages

The House bill contained a provision not in the Senate amendment authorizing the Secretary to purchase 7 percent mortgage loans and to issue and guarantee mortgage-backed securities based on these mortgages. The conference report contains the House provision.

ELIGIBLE PROPERTIES

Types of Units

The House bill limited subsidies to home buyers of one- to two-family homes, condominium units, and units in a cooperative the construction and rehabilitation of which was started after enactment, but provided that up to 30 percent of the amount of assisted mortgages could be made available by the Secretary for use with respect to existing nonrehabilitated units and new, unsold units the construction of which started prior to enactment. The Senate amendment provided that assistance could be made available with respect to the same kind of dwelling units if their construction was completed 12 months or less prior to the sale under the program, with an exception that not less than 10 percent nor more than 30 percent of the units must be constructed more than 12 months prior to their purchase under the program (including substantially rehabilitated units).

The conference report contains the House provision with 2 amendments changing 30 percent to 20 percent and making units whose construction was started after March 26, rather than the date of enactment, eligible for assistance without restriction.

Limits on Appraised Value of Units

The House bill limited the appraised value of eligible units to \$42,000 in high cost areas and \$48,000 in Alaska, Hawaii, and Guam and further limited homes with values in excess of the basic \$38,000 limit to 10 percent of assisted mortgage amounts. The Senate amendment limited the appraised value of eligible units to \$48,000 in high cost areas and \$56,000 in Alaska, Hawaii, and Guam. The conference report contains the House provision with an amendment raising 10 percent to 15 percent.

SELECTION OF TYPE OF SUBSIDY

The House bill gave to lending institutions the choice as to the type of subsidy that would be made available to home buyers. The House bill also provided that subsidies would be allocated to lending institutions who would apply to HUD for these subsidies. The Senate amendment gave to eligible home buyers the choice as to which of the subsidy approaches he would receive. The conference report provides that the Secretary take appropriate steps to give to the eligible home buyers the choice to the maximum extent practicable as to the type of subsidy the home buyer will receive.

RECAPTURE OF SUBSIDY

The Senate amendment contained a provision not in the House bill exempting the obligation of the homeowner to repay the amount of the subsidy if the home were sold within 7 years or if the homeowner purchased another home within 18 months. The conference report contains this Senate provision.

EXPIRATION DATE

The House bill contained a provision providing that no new commitments or contracts for assistance could be entered into after June 30,

1976. The Senate amendment also contained a June 30, 1976, expiration date but required the program to be terminated sooner if private housing starts averaged at least 1,400,000 units for 3 consecutive months. The conference report contains the House provision.

III—BUILDING ENERGY CONSERVATION STANDARDS

The Senate amendment contained a provision not in the House bill authorizing the Secretary of HUD to develop component performance standards and performance standards with respect to the thermal efficiency of newly-constructed residential and commercial buildings. These standards would be incorporated in State or local building codes and would be enforced by State or local agencies. In order to insure incorporation of these standards into State or local building codes, the Senate provided grants to States and also provided sanctions, including the withholding of Federal assistance and Federally-related mortgage credit. The conference report does not contain the Senate provision in order to permit the House to act on energy conservation measures now pending in Committee.

IV—MISCELLANEOUS

REHABILITATION LOAN PROGRAM

The Senate amendment contained a provision not in the House bill authorizing the extension of the section 312 rehabilitation loan program from August 22, 1975, until September 30, 1978, and authorizing \$150 million a year, with certain provisions relative to Treasury financing and interest rates. The conference report contains the Senate provision with amendments extending the program two years (until August 22, 1977), reducing the authorization from \$150 million a year to \$35 million for each of the two years, and deleting the provisions relating to Treasury financing and interest rates.

PUBLIC HOUSING AUTHORIZATION

The Senate amendment contained a provision not in the House bill increasing the set-aside of contract authority for projects to be owned by public housing agencies from \$150 million to \$450 million. The conference report contains the Senate amendment with an amendment reducing the set-side from \$450 million to \$300 million. The conferees expect that funds for the increased set-aside will not be transferred from allocations already made to State agencies.

HOMEOWNERSHIP ASSISTANCE

The Senate amendment contained a provision not in the House bill extending the section 235 homeownership assistance program for one year, until July 1, 1977, and extending the period during which impounded funds (approximately \$270 million) could be used from August 22, 1975, until July 1, 1977. The conference report contains

the one-year extension of the program to July 1, 1977, the same date for other FHA programs, but does not include the provision extending the period during which the impounded funds could be used. The conferees did not include an extension of the period for utilizing the impounded funds because of uncertainties about the effect this extension would have on the Congressional budget process.

PUBLIC HOUSING AND ELDERLY HOUSING PROCESSING

The Senate amendment contained provisions not in the House bill requiring HUD to process all public housing and all section 202 housing for the elderly project applications during distinct periods not exceeding 75 days. The conference report does not contain these Senate provisions. The conferees believe that this rigid processing requirement could do more harm to the efficient implementation of the programs than good, but strongly urge the Secretary of HUD to take all steps to minimize the time for processing housing assistance applications.

INDIAN HOUSING

The Senate amendment contained a provision not in the House bill providing that none of the public housing funds set aside for Indian housing in the 1974 Housing and Community Development Act could be used by the HUD Secretary for prior commitments to financing public housing for the Indians. The conference report contains this Senate provision.

SUBSIDIZED SUPPLEMENTAL LOANS

The Senate amendment contained a provision not in the House bill authorizing HUD to make interest reduction payments with respect to certain supplemental project improvement loans made pursuant to section 241 of the National Housing Act. The conference report does not contain this Senate provision.

DEFECTS IN FHA-INSURED HOUSING

The Senate amendment contained a provision not in the House bill extending by seven months the period during which owners of FHA-insured houses which have serious structural defects could request assistance from the HUD Secretary to repair such defects under authority of section 518(b) of the National Housing Act. The conference report contains this Senate provision.

STATE-FINANCED HOUSING PROJECTS

The Senate amendment contained a provision not in the House bill authorizing HUD to permit certain State housing agencies to raise the income limits for eligibility for admission to non-FHA insured, State-assisted 236 projects and to vary rent-to-income ratios to not

less than 20 percent of the tenant's income. The conference report contains the Senate provision with minor modifications in language. The conferees intend to limit the use of this provision to situations such as that which currently exists in the State of New York.

FLOOD INSURANCE

The Senate amendment contained a provision not in the House bill extending from July 1, 1975, until January 1, 1976, the date on which Federal financial assistance would be denied to flood-prone areas unless the community were participating in the National Flood Insurance Program. The conference report retains the prohibition in existing law but authorizes a 6-month extension until January 1, 1976, of the prohibition against the making of loans by Federally-supervised lending institutions to finance the acquisition of a previously occupied residential dwelling.

V—EMERGENCY MORTGAGE RELIEF PAYMENTS

The Senate amendment contained a provision not in the House bill authorizing the Secretary of HUD to make repayable mortgage relief payments to homeowners whose incomes have been substantially reduced because of involuntary unemployment or underemployment due to current adverse economic conditions, and who therefore cannot make full mortgage payments. The conference report contains these Senate provisions with the following amendments:

AMOUNT OF PAYMENTS

The Senate amendment limited the amount of the monthly mortgage relief payment on behalf of any homeowner to \$300. The conference report limits this payment to \$250 a month.

LENGTH OF PAYMENTS

The Senate amendment authorized the Secretary to make payments up to 18 months with one extension for up to another 18 months. The conference report reduces the maximum period during which payments can be made to 12 months, with one extension for another 12 months.

AUTHORIZATION OF APPROPRIATIONS

The Senate amendment authorized appropriation of \$750 million to finance the program. The conference report contains an authorization of \$500 million.

ELIGIBLE PROPERTY

The Senate amendment authorized relief payments to be made to owners of houseboats. The conference report does not contain this Senate provision.

NOTIFICATION TO MORTGAGOR

The Senate amendment required the Secretary of HUD to notify mortgagors threatened with foreclosure of the availability of assistance under this program. The conference report does not contain this Senate provision.

WILLIAM PROXMIRE,
 JOHN SPARKMAN,
 HARRISON A. WILLIAMS,
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 FERNAND J. ST GERMAIN,
 PARREN MITCHELL,
 LES AU COIN,

Managers on the Part of the House.





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 provide for greater homeownership opportunities for middle-income families and to encourage more efficient use of land and energy resources.

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

SHORT TITLE

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

TITLE I—EMERGENCY MIDDLE-INCOME HOUSING

SHORT TITLE

SEC. 101. This title may be cited as the "Emergency Middle-Income Housing Act of 1975".

FINDINGS AND PURPOSE

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

(1) many families of middle income cannot afford to purchase homes at current prices and high interest rates;

(2) the decline in the home purchasing power of middle-income families has contributed to the severe economic recession of the building industry and those industries dependent upon the building industry;

(3) the sharp decline in housing starts jeopardizes the attainment of an adequate housing stock in the years ahead; and

(4) the accessibility of homeownership to middle-income persons is further aggravated by the high costs of land and fuel associated with low-density development.

(b) It is the purpose of this title to reduce high mortgage interest costs to middle-income families, to stimulate employment in the homebuilding industry during the current emergency period, and to encourage land and energy conservation, where appropriate, to reduce further the costs of homeownership.

TEMPORARY HOMEOWNERSHIP ASSISTANCE AUTHORITY

SEC. 103. The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to provide financial assistance with regard to home mortgages for middle-income families—

(1) by making, and contracting to make, periodic interest reduction payments, as described in section 104;

(2) by purchasing, and committing to purchase, below-market-interest-rate mortgages, through the facilities of the Government National Mortgage Association (hereinafter referred to as the "Association"), as described in section 105; and

(3) by making, and contracting to make, home purchase incentive payments, as described in section 106.

INTEREST REDUCTION PAYMENTS

SEC. 104. (a) Interest reduction payments made on behalf of middle-income families shall equal the difference between the amount of principal, interest, and any mortgage insurance premium due under



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a home mortgage, and the amount of principal and interest which would be due if the home mortgage were to bear interest at the rate of 6 per centum per annum. Interest reduction payments may be made only with respect to home mortgages bearing interest rates and yields approved by the Secretary as being reasonable.

(b) Interest reduction payments may be made with respect to any dwelling unit only for such period as the family on whose behalf the payments are made occupies the dwelling unit. Such payments shall be made in the full amount provided for in subsection (a) for the first 3 years during which a family occupies a dwelling unit, 75 per centum of such amount in the fourth year, 50 per centum of such amount in the fifth year, and 25 per centum of such amount in the sixth year. No interest reduction payments shall be made after such sixth year.

(c) Interest reduction payments on behalf of an occupant of a cooperative housing project shall be in amounts computed on the basis of the formula set forth in subsection (a) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

(d) For purposes of chapter I of the Internal Revenue Code of 1954, the payments described in this section shall be deemed to be an obligation of, and paid by, the Secretary and to be applied in their entirety toward the payment of the interest due under a mortgage.

PURCHASE OF MORTGAGES

SEC. 105. (a) The Association shall purchase, or commit to purchase, a home mortgage pursuant to this title at a price equal to par. The interest rate on such a mortgage shall not exceed 7 per centum per annum. The Association is authorized to service, sell, or otherwise deal in mortgages purchased pursuant to this title.

(b) A home mortgage which is not insured under the National Housing Act or insured or guaranteed under chapter 37 of title 38, United States Code, shall not be purchased by the Association unless either (1) the outstanding principal balance of the mortgage does not exceed 80 per centum of the value of the property securing the mortgage, or (2) the mortgage is insured by a qualified insurer as determined by the Association.

(c) The Association may issue to the Secretary of the Treasury its obligations in an amount outstanding at any one time sufficient to enable the Association to carry out its functions under this section. Each such obligation shall mature at such time and be redeemable at the option of the Association in such manner as may be determined by the Association, and shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the obligation of the Association. The Secretary of the Treasury is authorized and directed to purchase any obligations of the Association issued under this section, and for such purposes the Secretary of the Treasury is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as now or hereafter in force, and the purposes for which securities may be issued under the Second Liberty Bond Act, as now or hereafter in force, are extended to include any purchase of the Association's obligations hereunder.

(d) (1) The Association is authorized to guarantee securities based on pools or trusts of the mortgages which the Association purchases or commits to purchase under this title as provided in section 306(g)



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of the National Housing Act with respect to federally insured or guaranteed mortgages and to act as issuer of such guaranteed securities. The Association shall possess with respect to securities under this section all the powers it possesses with respect to securities guaranteed under such section 306(g), and the provisions of such section shall apply to guarantees pursuant to this section.

(2) The Association may offer and sell any securities guaranteed pursuant to this section to the Federal Financing Bank, and such Bank is authorized to purchase any securities so offered. The Association may also offer and sell any such guaranteed securities to any Federal Reserve bank. The proceeds from the sale of such securities when issued by the Association shall be treated in the accounts in the same manner as if such proceeds were from the sale of the underlying mortgages.

HOME PURCHASE INCENTIVE PAYMENTS

SEC. 106. (a) The amount of a home purchase incentive payment shall be \$1,000.

(b) The Secretary's obligation to make a home purchase incentive payment shall be evidenced by a certificate containing the name of the purchaser, a description of the property, and such other information as the Secretary by regulation may prescribe. The face amount of the certificate shall be applied to the downpayment made in connection with the purchase. Any person who acquires a certificate issued pursuant to this title may present such certificate to the Secretary who shall pay in full the face amount indicated on the certificate.

(c) (1) Notwithstanding any other provision of this title, a home purchase incentive payment may be made only in connection with the purchase of a single-family or two-family unit or a unit in a cooperative housing project, the construction of which began on or after March 26, 1975.

(2) A home purchase incentive payment may not be made with respect to (A) a mortgage purchased or otherwise assisted, or to be purchased or otherwise assisted, under section 313 of the National Housing Act, or (B) any mortgage which is assisted or purchased under section 104 or 105.

DEFINITIONS

SEC. 107. As used in this title—

(1) The term "middle-income families" means those families (including single individuals) whose incomes do not exceed 120 per centum of the median income for the area, as determined by the Secretary, with adjustments for smaller or larger families, except that the Secretary may establish income ceilings higher or lower than 120 per centum of the median for the area on the basis of his findings that such variations are necessary because of prevailing levels of construction costs, unusually high or low family incomes, or other factors.

(2) The term "home mortgage" means a mortgage (A) which is executed to finance the acquisition of a single family unit (including a unit in a condominium project) which will be the principal residence of the mortgagor, or a two-family unit where one of the units will be the principal residence of the mortgagor, or which covers a cooperative housing project where all of the units will be the principal residences of its members; and (B) which covers housing where the appraised value of the unit (or the average appraised value per unit in the case of a cooperative housing project) does not exceed \$38,000, or \$42,000 in high cost areas as determined by the Secretary, or \$48,000 in Alaska, Hawaii, and Guam.



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AUTHORIZATION

SEC. 108. (a) The aggregate amount of mortgages assisted under this title shall not exceed amounts approved in appropriation Acts, and in no event shall such amount exceed \$12,000,000,000.

(b) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this title, including such sums as may be necessary to make the interest reduction payments and the home purchase incentive payments under contracts entered into under this title.

(c) The aggregate amount of contracts to make interest reduction payments under section 104 shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$300,000,000 per annum.

(d) The aggregate amount of mortgages purchased by the Association under section 105 shall not exceed amounts approved in appropriation Acts, and the aggregate amount of such mortgages shall not exceed \$12,000,000,000.

(e) The aggregate amount of contracts to make home purchase incentive payments under section 106 shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$400,000,000.

(f) The Association shall not issue obligations pursuant to section 105(c) or securities pursuant to section 105(d) except as approved in appropriation Acts.

ALLOCATION OF ASSISTANCE

SEC. 109. (a) The Secretary shall allocate to applicant lenders aggregate amounts of mortgages to be assisted. The Secretary shall take appropriate steps to the maximum extent practicable to assure that assistance under this title is made available on an equitable basis geographically.

(b) In carrying out his functions under this title and in making the allocations under subsection (a), the Secretary shall afford families eligible for assistance under this title a choice, to the maximum extent practicable, among the programs described in sections 104, 105, and 106.

(c) Not more than 20 per centum of the aggregate mortgage amounts approved in appropriation Acts may be allocated for use with respect to existing units (other than substantially rehabilitated units) and with respect to new, unsold dwelling units the construction of which commenced prior to March 26, 1975.

(d) Not more than 15 per centum of the aggregate mortgage amounts approved in appropriation Acts may be allocated with respect to dwelling units with appraised values in excess of \$38,000.

LIMITATIONS

SEC. 110. (a) If a family assisted under section 104 or 106 sells the property for which assistance was granted within 4 years from the date of execution of the mortgage on such property, there shall become due and payable to the Secretary, by the family assisted, at a time set by the Secretary, an amount equal to the lesser of (1) the full amount of the assistance received under section 104 or 106, as the case may be; or (2) the amount of the gain realized on the sale after adding the cost of any improvements provided by the mortgagor to the original sales price and deducting any selling expenses. If such property is sold more than 4 years but less than 5 years from the date of execution of the mortgage, 75 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable.



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If such property is sold more than 5 years but less than 6 years from the date of execution of the mortgage, 50 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. If such property is sold more than 6 years but less than 7 years from the date of execution of the mortgage, 25 per centum of the amount payable in accordance with the first sentence of this subsection shall be repayable. There shall be no repayment if the property is sold by the family after 7 years, or if the family purchases or constructs a new principal residence within the applicable time period prescribed in section 1034 of the Internal Revenue Code of 1954.

(b) A mortgagor is not eligible both for a credit against income tax for the purchase of a home under section 44 of the Internal Revenue Code of 1954 and for assistance under this title.

(c) A commitment to purchase a mortgage issued by the Association pursuant to the provisions of any other law shall not be exchanged or credited in any way to the purchase of a commitment pursuant to this title.

(d) A mortgage purchased under section 105 may not be assumed except by a middle-income family.

ENERGY CONSERVATION

SEC. 111. In making financial assistance available under this title, the Secretary shall take appropriate steps to encourage the construction or sale of dwelling units which he determines will contribute to the conservation of land and energy resources because of their design or their location in clusters or projects or otherwise.

EXPIRATION DATE

SEC. 112. After June 30, 1976, no interest reduction payments, mortgage purchases, or home purchase incentive payments shall be made under this title except pursuant to contracts or commitments entered into on or before such date.

TITLE II—EMERGENCY MORTGAGE RELIEF PAYMENTS

HOMEOWNERS RELIEF

SEC. 201. (a) The Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") is authorized to make repayable emergency mortgage relief payments on behalf of homeowners who are delinquent in their mortgage payments.

(b) Emergency mortgage relief payments shall not be approved with respect to any mortgage 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 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 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 2 months;



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(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.

As used in this title, the term "mortgaged property" includes, but is not limited to, property owned in fee simple, condominium units, mobile homes, or multiunit dwellings.

(c) Mortgage relief payments on behalf of a homeowner may be in an amount up to the amount of the principal, interest, taxes, ground rents, hazard insurance, and mortgage insurance premiums due under the mortgage, but 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.

(d) Mortgage relief payments may be made by the Secretary for up to 12 months, and may be extended once for up to 12 additional months. The Secretary shall require the mortgagor to report any increase in income which will permit a reduction or termination of mortgage relief payments during this period.

(e) Mortgage relief payments made under this title shall be repayable by the homeowner upon such terms and conditions as the Secretary shall prescribe, except that interest on such payments shall not exceed 8 per centum per annum. Interest shall not begin to accrue until after the last payment made by the Secretary in behalf of the homeowner. 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. The Secretary shall 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 the assistance program authorized by this title.

NOTIFICATION

SEC. 202. Until 2 years from the date of enactment of this Act, 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 mortgagees, 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 30 days prior to instituting foreclosure proceedings in connection with any mortgage loan. As used in this section 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.



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AUTHORIZATION AND EXPIRATION DATE

SEC. 203. (a) There are authorized to be appropriated for purposes of this title not to exceed \$500,000,000. Any amounts so appropriated shall remain available until expended.

(b) Mortgage relief payments shall not be made after July 1, 1976, except with respect to mortgagors receiving the benefit of payments on such date.

REPORTS

SEC. 204. Within 60 days after enactment of this title and within each 60-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 purpose 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 consideration the urgent needs of the many low- and moderate-income families that currently occupy such multifamily properties.

TITLE III—MISCELLANEOUS

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

(b) Section 312(d) of such Act is amended by inserting "ending prior to July 1, 1975, and not to exceed \$35,000,000 for each fiscal year beginning on or after July 1, 1975, and ending prior to October 1, 1977," after "each fiscal year".

SEC. 302. The second sentence of section 5(c) of the United States Housing Act of 1937 is amended by striking out "\$150,000,000" and inserting in lieu thereof "\$300,000,000".

SEC. 303. Section 235(m) of the National Housing Act is amended by striking "1976" and inserting in lieu thereof "1977".

SEC. 304. The fourth sentence of section 5(c) of the United States Housing Act of 1937 is amended—

(1) by inserting "(1)" after "except that"; and

(2) by inserting before the period at the end thereof a comma and the following: "and (2) after the date of enactment of the Emergency Housing Act of 1975, none of the funds made available under this sentence shall be used to fulfill any outstanding commitments entered into prior to such date under any memoranda of understanding among the Departments of Housing and Urban Development, Interior, and Health, Education, and Welfare".

SEC. 305. Section 518(b)(1) of the National Housing Act is amended by striking out "one year" the second time it appears and inserting in lieu thereof "nineteen months".

SEC. 306. Section 236 of the National Housing Act is hereby amended by adding at the end thereof a new subsection as follows:



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“(q) With respect to mortgages financed under State or local programs which are not insured under this section but which are receiving the benefits of this section as provided in subsection (b) hereof, and whenever the Secretary determines that such action is necessary to assist in maintaining the financial viability of a State or local agency providing such financing, the rental charge and percentage of income payable by the tenant as specified in subsection (i) (2), shall not be applicable, and the maximum income limitations, percentage of income, and rental to be paid by the tenant shall be fixed by the State or local agency thereof providing the mortgage assistance, in such amounts and percentages as are found necessary by such State or local agency to achieve the purposes of this section: *Provided*, That assistance payments under this section may be applied only with respect to tenants whose incomes do not exceed the median family income for the area, as determined by the State or local agency with adjustments for smaller and larger families. The tenants shall pay no less than the basic rental charge or such greater amount as the State or local agency determines is necessary for the economic feasibility of the project, not exceeding the fair market rental charge, and no less than 20 per centum of the tenant’s income. Any tenants occupying such units prior to any modification in the rental charge approved by the State or local agency as authorized herein, shall not be made liable for rental increases except pursuant to the same criteria as would have been applicable under the provisions of this Act prior to the effective date of this subsection. The State or local agency shall report to the Secretary of Housing and Urban Development the rental charges, income limitations and percentage of income payable by the tenant and shall certify that the charges and income limitations are the minimum amounts which can be fixed and still maintain the economic feasibility of the projects and shall supply the Secretary with documentations supporting such certification.”

Sec. 307. 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”.

Sec. 308. 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 cooperative or condominium projects), 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;



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“(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.”

Speaker of the House of Representatives.

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

FOR IMMEDIATE RELEASE

JUNE 24, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

To help speed the recovery already underway in the housing industry, whose health is vital to our overall economic recovery, I have today directed the Secretary of Housing and Urban Development, Carla Hills, to release \$2 billion in previously-authorized Federal funds to assist in the purchase of home mortgages. This action will immediately make new mortgage money available to home buyers.

To help put workers in the building trades back to work, I am requesting the Congress today to authorize an additional \$7.75 billion for this program and to extend it for another year until July 1, 1976.

To prevent the possibility of foreclosures on homes whose owners are temporarily out of work, I am also requesting the Congress to move as rapidly as possible on legislation introduced by Congressman Lud Ashley of Ohio and Congressman Garry Brown of Michigan and others to provide mortgage payment relief loans and co-insurance for lenders who refrain from such foreclosures. This legislation will protect homeowners and head off needless foreclosures.

The steps I have announced today are the best way to meet the problems of housing in this country. I am therefore, vetoing H. R. 4485 because it will hamper the economic recovery now underway and will add to the already oversize Federal deficit.

Now I want to introduce Secretary Hills who will fill you in on my proposals to protect homeowners, further stimulate home building, and provide more building trade jobs.

Thank you.

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JUNE 24, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE HOUSE OF REPRESENTATIVES:

I am today returning, without my approval, H.R. 4485, the proposed Emergency Housing Act of 1975.

After careful examination of this bill and its provisions, it is my considered judgment that H.R. 4485, due to its cost, ineffectiveness, and delayed stimulus, would damage the housing industry and damage the economy.

This Administration is committed to a prompt recovery of the housing industry and to getting the construction workers back to work -- which are crucial elements in our overall economic recovery.

To reaffirm my commitment to such prompt recovery and my support of the existing Federal mortgage assistance program, I am today directing the release of the remaining \$2 billion in these funds and requesting Congress to authorize another \$7.75 billion in this assistance for housing. I will also support a workable plan to prevent mortgage foreclosures for home-owners who are out of work.

But H.R. 4485 is not acceptable for these reasons:

- It could not be implemented without substantial delay, and probably would actually provide a disincentive to some home purchases. Consequently it would delay for months putting construction workers back to work.
- It is in some respects inequitable. In some areas of the country, families with \$25,000 of income could qualify for benefits, while in other areas of the country, families with \$6,000 of income could not qualify.
- The levels of mortgage subsidies (down to 6% in some cases) would give some buyers an excessive benefit at the taxpayers' expense.
- For the modest benefits that might come in housing, this bill is too expensive --- over \$1 billion in additional Federal expenditures in FY 76, and more in years to come.

This bill's provisions for the protection of home-owners who are presently unemployed or under-employed due to our economic conditions and who face foreclosure on their homes, though well intentioned, unnecessarily place the Federal government in the retail loan-making business as a sole means of relief. Depository institutions have a stake in avoiding foreclosures and should be active participants in any such mortgage payment relief program.

I believe there is a better way both to stimulate jobs in construction and to provide standby protection for homeowners who may be threatened by foreclosure:

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1. To add impetus to the industry's recovery and to put the building trades back to work, I am today directing the Secretary of Housing and Urban Development to make available, immediately, under existing law, \$2 billion previously authorized for mortgage purchase assistance.

We know this program works, and this action will make new mortgage money available immediately from thrift institutions and other lenders. But since the mortgages the Federal government purchases can be later resold, the cost to the Federal government is relatively low -- \$60 million for FY 76.

2. To continue this effective tandem authority program, I propose that Congress extend this program beyond its expiration date in October, and to expand it to cover conventionally financed multi-family housing, including condominiums. In addition, I request authorization from Congress to put \$7.75 billion more into this program to insure financing is available if needed to sustain the recovery of the housing industry.
3. To protect home-owners against foreclosure, I commend the efforts of the sponsors of legislation recently introduced in the Congress that would confer standby authority on the Secretary of Housing and Urban Development to make mortgage payment relief loans or to co-insure lenders who refrain from foreclosing on home-owners who are temporarily out of work. We want to preserve the good relationship between the home-owner and the bank or other institution which holds his mortgage --- and at the same time provide some fiscal protection to the lender who assists a home-owner.

While there continue to be many problems in the housing industry, and while there is far too much unemployment among housing construction workers, there are clear signs of recovery in this vital part of the American economy.

During the current calendar year, funds needed for mortgage loans have been flowing into savings institutions at record levels -- \$19.7 billion net during the first five months of this year alone, nearly quadruple the level of the same period last year. With this flow of funds, interest rates have fallen substantially from their peaks of last summer.

Meanwhile, the government has been providing unprecedented support to the housing industry. Since last October, the Government National Mortgage Association has committed to purchase nearly \$9 billion in conventional, FHA and VA mortgages with interest rates down to 7-3/4 percent. And this March, a tax credit for unsold new homes was enacted into law.

There are now strong indications that new home construction and sales are responding to these actions. New home sales increased 25 percent in April, the largest increase in 12 years. Home building permits climbed 24 percent in April and an additional 9 percent in May. Also in May, housing starts --- which represent not only new homes but new jobs --- rose sharply.

These favorable trends, however, do not mean that we have overcome our problem in housing. To the contrary, the level of home construction is still too low, and I fully agree with those who believe that a swift recovery in housing is a prime objective of national economic policy.

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We must accelerate the improvement in housing that now appears to be coming about.

My action today to commit \$2 billion for mortgage purchase assistance under the Emergency Home Purchase Assistance Act of 1974 will exhaust the current authorization under that Act. In proposing that this Act be extended, broadened to multi-family housing, and expanded by \$7.75 billion, I am affirming that we have a tried and tested mechanism for supplementing and reinforcing housing construction.

Unfortunately, while H.R. 4485 does contain the multi-family amendment I have recommended, it fails to extend the current law, increase its authorization or effect any other improvements. Worse, it would authorize a variety of new and untried subsidies, including provisions for mortgages with mandated 6 and 7 percent interest rates and \$1,000 down-payment grants. Since there appears to have been no consensus in favor of any one of these new subsidies, the bill adopts all of them in the hope that something will work.

The full implementation of these new subsidies, together with other provisions of the bill, would add over \$1 billion to the fiscal 1976 deficit and ultimately cost more than \$2 billion. An addition to the budget of this magnitude to benefit a few home-buyers is inequitable as well as costly.

It is most important to housing that we maintain a firm line against ill-considered spending that adds to the growing deficit and necessitates Federal government borrowing which tends to drive up interest rates and depress housing construction. I believe that budgetary restraint is a key element in our effort to instill the kind of consumer confidence in the future that is essential to a vigorous housing market.

Proponents of H.R. 4485 have argued that the budgetary costs of this bill would be outweighed by stimulating an upturn in housing starts, jobs and tax revenues. But critical defects in the bill concerning its relative cost, impact, timing and long-term implications will prevent it from achieving these objectives.

First, the levels of subsidy provided are excessively deep and costly. Under H.R. 4485, mortgages would be heavily subsidized so that they could bear lower interest rates than any previously available to other home-owners during the last ten years. These deep subsidies would require substantial Federal outlays. Moreover, experience demonstrates that a strong and healthy housing industry can be maintained without the deep subsidies contained in this bill.

Second, the bill would not work as intended even if it could be immediately implemented. Although supporters of H.R. 4485 have claimed that it would produce hundreds of thousands of additional housing units, evaluation by HUD and OMB does not suggest that the bill would have any impact of this magnitude or that the units produced would necessarily be additional to those that would be produced in the absence of such large subsidies. Those most likely to be influenced to buy under the bill would be families near the top of the eligibility range. These same families would be most apt to buy even without subsidy assistance on the scale proposed.

Third, because the bill could not be immediately implemented, it would actually impede an early recovery in housing starts. The subsidies which would be authorized include new approaches that have never been tried before. To

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make this assistance available, it would not only be necessary to secure appropriations and write regulations, but also to prepare a variety of new forms, establish procedures and familiarize government, lender and builder personnel throughout the country with them. Even given top priority, months could be required before implementation is completed. Thus, H.R. 4485 --- far from helping during the coming months -- would actually inhibit home purchases among those eligible for assistance, since these families would understandably want to wait until the subsidies become available.

Fourth, the bill has long-term impacts and implications that are inappropriate and undesirable for an "emergency" measure. One of the subsidy options included in the bill would require home-owners with 6 percent interest rate mortgages to make increasing monthly payments in the future, up to the full payments that would be required at current market interest rates. I believe there will almost certainly be intense pressures for relief against these phase-up provisions in years to come -- and thus for a continuation of the deep subsidies this option involves. Moreover, even if this approach works as intended, it would require substantial government outlays in future years when the economy may be operating at full capacity with inflationary forces at or approaching their peaks.

Fifth, the subsidy provisions of H.R. 4485 pose substantial problems of equity among those who would and would not be eligible for the relatively large subsidies provided. As the bill is written, substantial subsidies would be made available to families within a given income group. Other families with similar or even less income would receive no subsidy at all and would be expected to pay full market rate mortgages. These discrepancies would be very sharp and hard to justify. In some areas, it would permit families with incomes well over \$25,000 to qualify while, in other areas, families with incomes as low as \$6,000 would be ineligible.

Sixth, H.R. 4485 would make a number of undesirable changes in our housing and community development laws. For example, the bill would extend the homeownership program authorized under Section 235 of the National Housing Act. It would also extend and expand the program of subsidized government rehabilitation loans authorized under Section 312 of the Housing Act of 1964. These provisions would reverse decisions the Congress itself enacted last year after one of the most extensive reviews of Federal housing policy ever conducted. Also objectionable are the provisions which would divert funds from the new leased housing program, and establish special rules for certain State agency housing projects assisted under Section 236 of the National Housing Act.

Finally, the foreclosure provision of H.R. 4485 is too limited in its mechanism for providing relief. This provision reflects the concern that mortgage foreclosures may soar during the recession. To date, no such trend has developed because private lenders have been cooperating with home-owners through forbearance and common sense arrangements. In fact, foreclosures rates have remained stable -- actually, at a level lower than that experienced during the mid-1960s.

Nonetheless, I can appreciate the desire of Congress to enact legislation, and I will support legislation which would

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protect home-owners from loss of their homes due to temporary economic hardship and which recognizes the provisions of such relief is both a matter of concern for the federal government and the depository institutions or other mortgagees involved.

Good housing is one of our greatest national assets, and our objective was and is to assist in the recovery of the housing construction industry and to help get the building trades workers back to their productive and meaningful skills. I shall be glad to work with the Congress toward this objective.

GERALD R. FORD

THE WHITE HOUSE,

June 24, 1975.

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON VETOING H.R. 4485
THE EMERGENCY HOUSING ACT OF 1975

THE BRIEFING ROOM

3:05 P.M. EDT

I would like to make a relatively short statement, and then Secretary Hills will follow with an extensive briefing.

To help speed the recovery already underway in the housing industry, whose health is absolutely vital to our overall economic recovery, I have today directed Secretary Hills, head of Housing and Urban Development, to release \$2 billion in previously authorized Federal funds to assist in the purchase of home mortgages.

This action will immediately make new mortgage money available to home buyers, to help put more workers in the building trades back to work.

I am requesting the Congress to authorize an additional \$7 billion 750 million for this program and to extend it for another year until July 1, 1976.

To prevent the possibility of foreclosures on homes whose owners are temporarily out of work, I am also requesting the Congress to move as rapidly as possible on legislation introduced by Congressman Lud Ashley of Ohio and Congressman Garry Brown of Michigan, and others, to provide mortgage payment relief loans and co-insurance for lenders who refrain from such foreclosures.

This legislation will protect home owners and head off needless foreclosures.

The steps I have announced today are the best way to meet the problems of housing in this country at the present time.

I am, therefore, vetoing H.R. 4485 because it will hamper the recovery now underway and will add to the oversize Federal deficit.

Now, let me introduce Secretary Hills, who will fill you in on my proposals to protect home owners, stimulate home building and provide more jobs for the building trades.

Secretary Hills?

END (AT 3:09 P.M. EDT)



June 12, 1975

Dear Mr. Director:

The following bills were received at the White House on June 12th:

H.R. 4485
H.R. 5899

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.

