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APPROVED  
AUG - 3 1976

8/3/76

ACTION

THE WHITE HOUSE  
WASHINGTON  
August 2, 1976

Last Day: August 3

Statement issued  
8/4/76

MEMORANDUM FOR THE PRESIDENT  
FROM: JIM CANNON  
SUBJECT: H.R. 3295 - Housing Authorities Act of 1976

Posted  
8/4/76

Attached for your consideration is H.R. 3295, sponsored by Senator Proxmire, which extends HUD program authorities through fiscal year 1977; modifies and adds funding authorizations for HUD programs; and revises a variety of HUD authorities, responsibilities and operations.

The enrolled bill contains a number of objectionable provisions which are discussed in detail in OMB's enrolled bill report at Tab A. A proposed signing statement on the enrolled bill will be submitted separately tomorrow.

HUD, OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman and I recommend approval of the enrolled bill.

RECOMMENDATION

That you sign H.R. 3295 at Tab B.



THE WHITE HOUSE  
WASHINGTON

Bob Linder -

Housing bill is signed.

Jim Connor spoke to Bill Seidman  
they will have a new statement or  
go with present statement by  
4 o'clock today.

We should wait until then.

Trudy Fry 8/3/76



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

JUL 29 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3295 - Housing Authorization  
Act of 1976  
Sponsor - Sen. Proxmire (D) Wisconsin

Last Day for Action

August 3, 1976 - Tuesday

Purpose

Extends HUD program authorities through fiscal year 1977;  
modifies and adds funding authorizations for HUD programs;  
and revises a variety of HUD authorities, responsibilities  
and operations.

Agency Recommendations

|   |  |
|---|--|
| Office of Management and Budget                 | Approval   |
| Department of Housing and Urban<br>Development  | Approval (Signing statement<br>attached)                 |
| Department of Agriculture                       | Approval   |
| Council on Wage and Price<br>Stability          | Approval   |
| Department of the Treasury                      | Defers to HUD; would<br>support a veto<br>recommendation |
| Veterans Administration                         | Defers to HUD  |
| Department of Health, Education,<br>and Welfare | Supports two<br>provisions                               |
| Council of Economic Advisers                    | No recommendation  |
| Federal Home Loan Bank Board                    | No recommendation  |

Discussion

The Administration's 1976 legislative program for HUD  
included only three routine authorization requests--for  
subsidized rental housing, public housing operating

subsidies, and comprehensive planning grants--and a proposed change in the definition of income under the public housing program. S. 3295 would provide authorizations for the three programs (although at generally higher levels than those proposed), but goes much further in altering programs and authorizing appropriations. The proposed change in the public housing program's income definition is not included in the bill.

S. 3295 passed the Senate 55-24 and the House 332-27. The second conference report was adopted by the House on a 341-68 vote, after a motion to recommit the conference report was defeated by a 157-250 vote. The Senate adopted the conference report by voice vote; the Republican conferees, however, did not sign the report.

The Congress considers the enrolled bill a compromise since some of the seriously objectionable provisions in earlier versions of this legislation were eliminated after strong objections by HUD, including a \$10 billion program of 6-1/2% direct Federal loans to homebuyers, and a requirement that all future Social Security cost-of-living increases be excluded from income in determining tenant rent under Federal housing assistance programs. However, various undesirable provisions remain in S. 3295 as enrolled.

The pluses and minuses of the enrolled bill, as HUD sees them, are discussed in the Department's attached views letter. In addition, all of the provisions of S. 3295 are described in detail in the attachment to HUD's views letter. Accordingly, the following discussion concentrates on the most objectionable provisions, and then summarizes other objectionable program extensions and authorizations and substantive program changes.

#### I. Most objectionable provisions

The bill would, as requested by the Administration, provide \$850 million of additional contract authority for fiscal year 1977 for rental subsidies in low-income housing projects; use of this authority would be subject to approval in appropriations acts.

The new contract authority would, however, be objectionably earmarked as follows:

-- at least \$157 million would have to be made available for development or acquisition of rental housing to be owned by public housing agencies. Of the \$157 million, \$117 million would have to be made available for the construction of new public housing units; the remaining \$40 million would be used to help public housing agencies acquire existing projects.

-- at least an additional \$60 million would have to be made available to increase subsidies for existing public housing projects under the modernization program. This would be three times the level included in the 1977 budget.

As explained further below, HUD and OMB agree that public housing provisions are the most objectionable in the bill. They would require a major shift in the Administration's housing policy toward conventional public housing and away from the section 8 program, under which rent subsidies are provided on behalf of low-income families living in privately owned housing. However, HUD does not believe that the mandatory set-aside for public housing, by itself, is sufficient to recommend disapproval.

The other major objectionable provisions in S. 3295 relate to the interest rate charged on mortgage loans provided under the section 202 and certain rural loan programs.

The bill would change the interest rate formula for section 202 direct loans (off-budget) which finance the development of rental housing for the elderly or handicapped. The rate on these HUD 40-year loans would be calculated using average interest rates on all interest-bearing U.S. obligations which are part of the public debt; existing law uses the average rate on long-term obligations. According to the Senate Committee report, this change would lower the present interest rate paid by sponsors of section 202 projects from 9% to 7-1/2%.

Treasury opposes this provision, stating that the new formula is "an inadequate measure of the Government's borrowing cost." HUD agrees that this provision is an unfortunate departure from the sounder public policy in present law, but the Department is not convinced that the provisions would offer a ready precedent for converting interest rate provisions in other programs. HUD anticipates that the fiscal impact of the provision would be significantly reduced, since the lower interest rate on section 202 projects will reduce the size of the subsidy required under section 8.

S. 3295 would also provide that the minimum interest rate for certain rural housing loans be determined by the Secretary of the Treasury on request of the Secretary of Agriculture, instead of annually, as presently required.

Agriculture supports this provision because of the increased flexibility it provides. Treasury is opposed to this provision because the Department expects it to result in pressures on the Secretary of Agriculture to request frequent rate determinations at times of falling market interest rates and to refrain from requesting rate determinations at times of rising interest rates.

In summary, Treasury defers to HUD on the bill's substantive provisions, and recognizes that consideration of the bill as a whole might override Treasury's objections to these two interest rate provisions.

## II. Objectionable program extensions and authorizations

A second group of objectionable provisions of S. 3295 includes the extension of, or increased authorizations for, certain existing HUD programs, as follows:

-- the authority to insure mortgages under the section 236 rental housing assistance program, which provides interest reduction payments on behalf of lower income families. (This program was to have been replaced by the section 8 program.)

-- the section 312 rehabilitation loan program, which finances home improvements or repairs in slum areas. \$100 million would be authorized to be appropriated in 1977. (This program was to have been replaced by the community development block grant program.)

-- the standby program of emergency relief for homeowners threatened with foreclosure, which would allow HUD to insure or make loans on behalf of homeowners who have been unable to make mortgage payments for at least 3 months. With the foreclosure rate at a 5-year low, this program has not been implemented and extension of authority for loans and insurance is unnecessary.

-- the Government National Mortgage Association (GNMA) emergency home purchase assistance authority (usually referred to as the conventional tandem plan), under which GNMA purchases mortgages with below-market interest rates.

This program is not necessary since the rate of housing starts has increased significantly since passage of the 1975 "emergency" legislation.

-- the Secretary's authority to provide financial assistance for planning new community development, which has never been used.

-- authorization for an additional \$2.5 billion of loans under the section 202 housing for the elderly or handicapped program in fiscal years 1977-1979 (no authorization requested by the Administration).

-- \$576 million for public housing operating subsidies in fiscal year 1977 (\$112 million more than the Administration requested).

-- \$100 million for fiscal year 1977 for the section 701 comprehensive planning grant program. (\$75 million more than the Administration proposed).

### III. Major objectionable program changes

The third group of objectionable provisions in S. 3295 would change existing programs in undesirable ways. The bill would:

-- authorize subsidy payments to the owners of certain unoccupied section 8 units for up to 1 year beyond the present 60 days, in order to reduce the risks borne by developers participating in the program.

-- increase from 20 to 40 years the period of subsidy contracts for section 8 projects owned or financed by the Farmers Home Administration, making it coincide with the life of the mortgage.

-- prohibit HEW from counting benefits received under HUD's subsidized housing programs as income or resources in determining eligibility and benefits under the Supplemental Security Income (SSI) program. HEW strongly supports this provision. HEW believes that reducing SSI entitlements on account of benefits received under the housing programs could counteract the relief that the housing assistance is intended to provide. We have some question about HEW's assessment of the provision. Our analysis indicates that it could result in inequitable treatment for SSI recipients,

increased costs to the taxpayers, and a weakening of work incentives for those participating in both SSI and housing programs.

-- increase the income limits under the section 235 homeownership assistance program, under which interest reduction payments are made on behalf of moderate income homebuyers.

-- give certain FHA-insured homebuyers an additional 4 months to apply for compensation in connection with structural defects in FHA-insured units.

S. 3295 would also convert the position of the Government National Mortgage Association (GNMA) President from a Secretarial to a Presidential appointee, subject to Senate confirmation, with Level IV salary (currently Level V). The Senate Committee report indicates this change was made because of the importance of this very responsible position. "The Committee expects the President to act forthwith in making the appointment and sending the same to the Senate for confirmation."

#### Budget Impact

If all authorized amounts were provided in appropriations acts, S. 3295 would increase fiscal year 1977 budget authority by \$8.75 billion over the Administration requests, of which \$5 billion would go for the GNMA tandem program. This would increase outlays in that year by \$500 million.

Moreover, continuing the program levels authorized by the bill through fiscal year 1981 (other than the tandem program) would increase budget authority and outlays above the levels anticipated in the 1977 budget as follows:

| <u>Fiscal</u><br><u>years</u> | (in billions of dollars)          |                |
|-------------------------------|-----------------------------------|----------------|
|                               | <u>Budget</u><br><u>authority</u> | <u>Outlays</u> |
| 1978                          | 5.4                               | 1.2            |
| 1979                          | 5.8                               | 1.3            |
| 1980                          | 6.2                               | 1.5            |
| 1981                          | 6.7                               | 1.5            |

However, it does not appear likely that the Congress will appropriate anything close to the amounts authorized in this bill for fiscal year 1977. As enrolled, the 1977 HUD appropriations bill includes only \$200 million of the \$8.75 billion unrequested authorization in this bill, with an estimated outlay impact of \$100 million over the budget.

The appropriation bill does not include any funds for the section 236 program, the tandem plan, foreclosure relief, or new community planning. Furthermore, the add-on's to the budget for comprehensive planning, rehabilitation loans, and elderly housing are well below authorized levels, although they are still excessive.

Moreover, the HUD appropriation bill ignores the public housing set-asides contained in S. 3295 and limits the amount of contract authority that may be used for public housing. The appropriation bill would allow no more than \$120 million in contract authority to be used for public housing (instead of the \$157 million "required" by S. 3295), of which no more than \$85 million would be used for new construction (instead of the \$117 million earmarked by S. 3295). It would also limit the modernization program to \$35 million, rather than \$60 million. While even these levels are well above those proposed in the 1977 budget, they do not adversely affect outlays during the 1977-81 period because there will be corresponding reductions in section 8 outlays.

The threat of increases to your Budget, however, does remain in future years because of the high authorization levels.

#### Recommendations

HUD and OMB agree that many provisions in S. 3295 are undesirable. We believe--and the Council on Wage and Price Stability agrees--that the most objectionable feature of S. 3295 is the reallocation of contract authority away from the section 8 program to conventional public housing. A national housing study conducted in 1973 indicated serious problems with the conventional public housing program, including a nineteen-fold increase in operating subsidies since 1970, concentration of social problems, exclusion of private sector involvement, lack of private market discipline, and inequities in benefits. Following the study, the section 8 program was proposed by the Nixon Administration and approved by the Congress in 1974.

Secretary Hills has said that the section 8 program shows great promise for meeting our assisted housing goals. The Secretary believes that the shift of funds away from section 8 will severely restrict the progress being made under that program and will result in delays in providing assistance to low income individuals and families because section 8 construction takes less time to complete than public housing

construction. Furthermore, processing delays will result since retraining of HUD staff will be necessary.

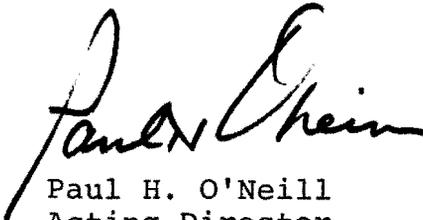
These arguments did not persuade the Congress which, according to HUD, has a strong desire to assure new subsidized housing starts and completions at levels substantially above those achieved to date under the section 8 program, regardless of cost.

While we believe the reactivation of the public housing program would be undesirable, Secretary Hills indicates that some of the problems encountered in the former conventional public housing program can be alleviated administratively.

HUD recommends approval with great reluctance, based largely on the funding in the appropriations bill and its assessment that a veto could not be sustained. HUD strongly recommends that a "reluctant" signing statement be issued, to support the action of the Republican conferees in refusing to sign the conference report, and to enable your concerns to be included in the news reports on the bill.

We agree that the congressional action on appropriations greatly mitigates the overall impact of S. 3295, and therefore concur with HUD's recommendation for approval.

HUD has supplied us informally with a rough draft of a possible signing statement, which is attached to the Department's views letter. That draft deals with the public housing issue in the bill. Because the Senate Republican conferees refused to sign the conference report, we agree that a signing statement would be desirable. In view of the many serious deficiencies in S. 3295, however, we believe the statement should also refer to other features of the bill, including the potential future budget threat because of its high authorizations. We are forwarding a revised signing statement separately.



Paul H. O'Neill  
Acting Director

Enclosures



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

July 23, 1976

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

Attention: Miss Martha Ramsey

Dear Mr. Frey:

Subject: S. 3295, 94th Congress  
Enrolled Enactment

This is in response to your request for the views of this Department on the enrolled enactment of S. 3295, the proposed "Housing Authorization Act of 1976".

This enrolled enactment contains additional or modified funding authorizations for a number of HUD programs, extensions of important program authorities through fiscal year 1977, and substantive provisions which would condition, revise or otherwise affect a variety of HUD authorities, responsibilities and operations. The scope of S. 3295 is broad and its impact on the Department of Housing and Urban Development would be substantial. Therefore, it is unfortunate that we find it far from unblemished.

In our view, the enrolled enactment of S. 3295 has distinct pluses and minuses. I would include in the former category the absence from the enrolled bill of a number of undesirable provisions which were included in earlier versions of the legislation. Among these are a \$10 billion program of 6 1/2 percent, direct Federal loans to homebuyers; a permanent compensation-for-defects program modelled after section 518(b); a requirement that all future Social Security cost-of-living benefit increases be excluded from income in determining the amount of rent which any individual or family is required to pay under Federal housing assistance programs;

a separate, cumbersome and unattractive housing assistance program -- to parallel section 8 -- for assistance to financially ailing FHA projects; additional contract authority for section 235; a limitation on the Secretary's authority to charge an actuarially sound premium under section 235; and a provision allowing Federal disaster assistance for permanent restorative purposes following non-flood disasters in identified special flood hazard areas of communities not participating in the National Flood Insurance Program by their statutory deadline dates. Even more significantly, S. 3295 almost emerged from Congress with provisions which would have restricted so severely the Secretary's ability to provide housing assistance under the United States Housing Act of 1937 as to have virtually guaranteed the paralysis of the Department's efforts in that regard.

While the above features are not in the final version of S. 3295, the measure unfortunately still contains enough regrettable features to place it clearly within the category of less-than-completely satisfactory legislation.

To begin with, although S. 3295 contains an authorization for fiscal year 1977 of \$850 million of additional annual contributions contract authority under section 5 of the United States Housing Act of 1937, as requested in the President's Budget, it would restrict that authority in an undesirable way. First, at least \$140 million of the additional authority would be required to be made available by the Secretary exclusively for projects to be owned by public housing agencies other than under section 8. Of that amount, at least \$100 million of contract authority could be made available only for new construction or substantial rehabilitation. Additionally, at least \$17 million of the additional authorization would have to be made available exclusively for housing units for Indians other than under section 8.

We would very much have preferred that the above requirement not be in this measure. In our view, however, it reflects a strong desire on the part of the Congress to assure new subsidized housing starts and completions at any cost at levels substantially above those achieved to date under the section 8 program.

The mandatory set-aside in the measure would require a major shift in the Administration's approach to housing

assistance which emphasizes providing decent, safe and sanitary housing for the largest number of lower-income families in the most expeditious and economical fashion.

At a time when the latest figures on the section 8 program are demonstrating that program's viability, we believe it is unwise and counterproductive to shift resources to public housing. Delivery of housing assistance to lower-income families will only be delayed because of the retraining of staff and administrative preparation that would be required by the reintroduction of public housing on a large scale.

Moreover, experience has taught us that mandatory set-asides of this type are undesirable in principle and practice. Such set-asides force the allocation of scarce Federal resources without regard to changing conditions or actual experience.

However, we do not believe the set-aside for public housing constitutes -- by itself -- sufficient justification for a recommendation by this Department that the President withhold his approval from S. 3295, for the reasons detailed below.

First, it now appears virtually certain that the HUD appropriations bill for fiscal year 1977 will ignore the set-aside language of S. 3295 and will instead limit to \$120 million the total amount of assisted housing to be owned by public housing agencies other than under section 8 which could be funded from the additional contract authority contained in S. 3295. Furthermore, the appropriations measure will limit to \$85 million the amount of new or substantially rehabilitated public housing which could be funded out of the \$120 million set-aside. It is also our understanding that the \$85 million will include the above-mentioned \$17 million set-aside for Indians, as well as the already budgeted \$8 million for contract amendments. Thus, rather than anticipating a mandated public housing program of approximately \$117 million, we expect a program of approximately \$85 million. This would be \$60 million above that already included in the Budget.

Second, despite our lack of enthusiasm for public housing, we believe it is distinctly possible to fashion and administer a carefully designed and monitored public housing new construction program so as largely to avoid the major, well-known pitfalls characteristic of the program in the past. Indeed, by careful selection of scattered-site, low density projects, and by focussing primarily on large low-income families not adequately served by other programs, the program could help to address an unmet need without repeating the mistakes of the past.

In our view, this enrolled enactment contains no other undesirable features on the order of that discussed above. We recognize that the proposed change in the formula for determining the interest rate of section 202 loans and HUD borrowings from the Treasury constitutes an unfortunate departure from the sounder public policy embodied in the present approach. However, we are not convinced that the provision would, as may be argued, offer a ready precedent for conversion of other Federal programs from the time-honored, rational approach reflected in section 202 as presently written. Moreover, the increased cost to the Treasury of this provision may be somewhat offset by the reduced level of section 8 housing assistance subsidies required to support section 202 projects receiving both the benefits of the provision and section 8 subsidies. Since it is anticipated that a substantial number of section 202 projects will receive section 8 assistance, the fiscal impact of the provision could be significantly reduced.

In addition, the objectionable \$60 million modernization authorization contained in S. 3295 must be placed against the anticipated appropriations action limiting modernization to the substantially lower level of \$35 million. Also, the discretionary authority of the Secretary to make payments equal to debt service for one year for unoccupied new or rehabilitated section 8 units is sufficiently qualified and restricted as to pose no major conflict with Administration policy, which is strongly opposed to subsidies for unoccupied units beyond the present sixty day limit. Similarly, the authority for the Secretary to enter into forty rather than twenty year section 8 contracts for those projects assisted by the Farmers Home Administration is not in itself a major cause for concern, both because it is discretionary and because it is not very different in principle from the State or local agency exception already in the statute.

On the positive side, S.3295 contains a number of particularly desirable features. It would for the first time create a separate authorization for public housing operating subsidies. This would be a major, positive departure from the automaticity built into the present contract authority approach to operating subsidies, one which would provide for a predetermined annual authorizations cap on such subsidies.

Also, the measure would delete, effective October 1, 1976, the present statutory \$150 million set-aside for public housing agency-owned projects, and it contains coinsurance amendments which parallel the Administration's approach on the important substantive issues. Moreover, S.3295 would rationalize the mortgage ceilings in HUD multifamily mortgage insurance programs, generally along the lines suggested by the Department. It would authorize the appropriation of not to exceed \$500 million to cover losses sustained by the General Insurance Fund, a provision which, although not the Administration proposal which was to transfer the section 221 programs to the Special Risk Insurance Fund, nevertheless offers the prospect of similar relief.

Additionally, authority for emergency implementation of the flood insurance program would be provided through fiscal year 1977. And S.3295 would provide a sound approach to full community development block grant funding of metropolitan area needs in fiscal year 1977, as well as authority for ratable reductions in grants in the event of fund insufficiency.

Aside from the pros and cons detailed above, S.3295 also contains a number of provisions (some desirable, some not) of less significance in the context of overall Administration housing and community development policies. Provisions in this category relating to assisted housing would include, in our view, such items as extension of section 235 mortgage insurance authority, which is necessary to carry out the reimplementation of that program in accordance with the President's FY 1977 Budget; increases in section 235 mortgage limits and income limits for initial occupancy which, although undesirable, are not particularly troublesome because of limited funding for the program and because the Secretary would have the discretion to lower the income limit should that prove warranted; limited discretionary authority for the Secretary to provide section 235 subsidies on behalf of owners of mobile homes (double module plus lot); an extension of section 236 mortgage insurance authority, a feature of relatively limited importance in the absence of additional funding for new projects;

and a provision allowing deep subsidy recipients in section 236 projects with or without separate utility metering to make the same contribution to rent, thus removing an inequity in the present law and thereby possibly increasing the appeal of conversion to separate metering.

Also in this third category are such items as substantially increased authorizations for section 202 borrowings from the Treasury, which would be subject to an important control (*i.e.*, all borrowings over the present \$800 million limit would be made subject to appropriations action); extension of, and an increased authorization for, the section 312 rehabilitation loan program; extensions of the Secretary's discretionary emergency homeowners' relief and GNMA interim mortgage purchase authorities; and an authorization of not to exceed \$100 million to be appropriated for section 701 comprehensive planning for fiscal year 1977, an amount which will be reduced to approximately \$62 million through appropriations action. Also included are limited exemptions from the sanctions against mortgage and similar lending by federally-related lenders in identified special flood hazard areas of communities not participating in the National Flood Insurance Program by their statutory deadline dates; authority for the Secretary to insure supplemental loans to finance improvements to, or equipment for, hospitals covered by FHA-insured mortgages; and a requirement that the President of GNMA be appointed by the President, subject to Senate confirmation.

In addition, the measure includes an extension of the deadline for section 518(b) applications, and authority for a section 518(b)-type program for mortgages insured between January 1, 1973 and enactment of the measure, two provisions which, although distinctly undesirable from a policy standpoint, should result in neither insoluble administrative difficulties nor exorbitant claims costs. Furthermore, resultant expenditures would be attributed to the relevant insurance funds and appropriations would be authorized to cover expenditures to the extent not otherwise provided for. Also, the measure contains a mandate for a HUD study and report to the Congress on the extent of the need for and the cost effectiveness of counseling to purchasers and owners of single-family dwellings covered by mortgages insured under the HUD unsubsidized mortgage insurance programs, as well as a number of relatively or completely uncontroversial provisions affecting HUD authorities.

Finally, the measure contains provisions which, although of interest to this Department, primarily affect the authorities of other agencies. These include an amendment to facilitate investments by Federal savings and loan associations in the Inter-American Savings and Loan Bank, and amendments to the rural housing authorities contained in title V of the Housing Act of 1949 which would eliminate the requirement for annual loan interest rate adjustments, modify the threshold test for assistance under title V for certain communities, and ease the transition when a rural area becomes non-rural and is no longer eligible for title V assistance. Also, the measure would require, effective October 1, 1976, exclusion of the value of assistance under Federal housing subsidy authorities from consideration as income or a resource for the purpose of determining the eligibility of, or the amount of benefits payable to, a person under the supplemental security income (SSI) program under title XVI of the Social Security Act. While we have no serious objection to those provisions, we would defer to the agencies directly involved as to their relative merits.

We cannot consider S.3295 without also considering the fact that a HUD appropriations measure is due to emerge from the Congress virtually simultaneously and with significantly lower funding across-the-board than is authorized in this measure. Given the guarantee of funding levels closer to (and in some cases lower than) Budget levels, it appears to me that this enrolled bill is, on balance, acceptable despite its shortcomings.

Since both House- and Senate-passed appropriations bills are below Budget, and also contain extremely appealing provisions for veterans benefits, the likelihood of sustaining a veto on the appropriations bill would appear virtually nil. Moreover, based on the two recorded votes in the House on recommittal and final passage of the Conference Report on S.3295, the likelihood of sustaining a veto on that measure would appear not much better, particularly when considered in tandem with anticipated Conference action on the appropriations bill.

Accordingly, I respectfully recommend that the President give his approval, with great reluctance, to this enrolled enactment.

Sincerely,



Carla A. Hills

Summary of S. 3295, 94th Congress, the Proposed  
"Housing Authorization Act of 1976"

S. 3295, 94th Congress, the proposed "Housing Authorization Act of 1976", contains a number of authorizations and other provisions which, if enacted into law, would affect in important ways the program authorities and operations of the Department of Housing and Urban Development.

In summary, the measure would:

Short Title

1. be citable as the "Housing Authorization Act of 1976" (sec. 1);

Additional ACC Authority

2. provide \$850 million of additional annual contributions contract authority under section 5 of the U. S. Housing Act of 1937 on October 1, 1976, subject to approval in appropriation Acts (sec. 2(a)(1));

Indian Housing

3. increase the statutory set-aside for Indian housing in section 5(c) of the USHAct of 1937 by not less than \$17 million on October 1, 1976 (sec. 2(a)(2)); and make the Indian housing set-aside additional to the requirements which would be imposed by item 5, infra. (sec. 2(b)(2));

P.H.A. Owned

4. delete, effective October 1, 1976, the existing \$150 million statutory set-aside for low-income housing projects to be owned by public housing agencies (sec. 2(b)(1));

Modernization/ P.H.A. Owned

5. require that, of the additional annual contributions contract authority provided on October 1, 1976 and approved in appropriation Acts, the Secretary shall (a) make available at least \$60 million for the modernization of low-income housing projects, and (b) make

available at least \$140 million to assist in financing low-income housing projects for ownership by public housing agencies other than under section 8 (sec. 2(b)(1), first sentence);

Allocation Of  
Housing  
Assistance

6. provide that the Secretary, in utilizing the additional annual contributions contract authority provided on October 1, 1976, shall administer the programs authorized by the USHAct of 1937 to provide assistance for new, substantially rehabilitated, and existing units, to the maximum extent practicable and consistent with section 213(d) of the Housing and Community Development Act of 1974, in accordance with the goals of units of general local government for such types of housing as reflected in their housing assistance plans prepared pursuant to section 104(a)(4) of the HCDAAct of 1974 (sec. 2(b)(1), second sentence);

Operating  
Subsidies

7. separate the authorization for public housing operating subsidies under section 9 of USHAct of 1937 from the annual contributions authority under section 5, and authorize appropriation of not to exceed \$576 million for operating subsidies for FY 1977 (sec. 2(c));

Section 8  
Payments  
For Unoccupied  
Units

8. authorize section 8 payments to be made to owner of an unoccupied newly constructed or substantially rehabilitated unit beyond present 60 day maximum period for such payments for up to one additional year in an amount equal to debt service attributable to unit, if a good faith effort is being made to fill the unit and the unit provides decent, safe, and sanitary housing; however, no payments could be made after sixty days if the unit is in a

project insured under the National Housing Act, except pursuant to section 244 (coinsurance), or if the Secretary determines the dwelling unit is in a project which provides the owner with revenues exceeding the costs incurred by such owner with respect to such project (sec. 2(d) and (e));

- Single  
Persons  
Eligibility
9. make eligible for assistance under USHAct of 1937 single persons not otherwise eligible, in circumstances prescribed by Secretary, except (a) that no more than 10 percent of units under jurisdiction of any public housing agency may be occupied by such persons, and (b) that in determining priority for admission to housing under 1937 Act, Secretary is to give preference to those single persons who are elderly, handicapped, or displaced before those eligible under this provision (sec. 2(f));

- FmHA Forty  
Year  
Contracts
10. authorize forty year section 8 contracts for projects owned by, or financed by a loan or loan guarantee from, the Farmers Home Administration (sec. 2(g));

- Income  
Counting  
For  
SSI
11. require, effective October 1, 1976, that the value of assistance paid with respect to a dwelling unit under the USHAct of 1937, the National Housing Act, section 101 of the Housing and Urban Development Act of 1965 (rent supplements), or title V of the Housing Act of 1949 (rural housing) not be considered as income or a resource in determining eligibility for or amount of benefits payable to a person under title XVI of the Social Security Act (the SSI Program), (sec. 2(h));

- Section  
235  
Extension
12. Extend section 235 mortgage insurance authority to September 30, 1977 (sec. 3(a));

- Section 235  
Mortgage  
Limits
13. increase section 235 (and corresponding section 221(d)(2)) mortgage limits to \$25,000 (to \$29,000 for homes for five or more persons); and in high cost areas, to \$29,000 (\$33,000 for homes for five or more persons), (sec. 3(b),(c), and (d));
- Section 235  
Income  
Limits
14. increase to 95 percent of area median income limit for section 235 initial occupancy (sec. 3(e));
- Section 235  
For  
Mobile  
Homes
15. make owners of mobile homes (double module plus lot) insured under title I of National Housing Act eligible for section 235 subsidy equivalent to that available to other assisted families with similar incomes and similar mortgages; however, not more than 20 percent of units approved for section 235 assistance after January 1, 1976, could be such mobile homes (sec. 3(f));
- Section 236  
Extension
16. extend section 236 mortgage insurance authority to September 30, 1977 (sec. 4(a));
- Section 236  
Deep  
Subsidies
17. provide that, for section 236 projects with separate utility metering, eligibility for and amount of deep subsidy assistance is to be determined on basis of difference, if any, between 25 percent of tenant income and basic rental including an amount allowed for utilities (sec. 4(b));
- Supplemental  
Loans For  
Hospitals
18. authorize Secretary to insure section 241 supplemental loans to finance improvements to hospitals covered by FHA-insured mortgages and to insure such loans for equipment for such hospitals (sec. 5);
- Coinsurance/  
Multifamily
19. amend section 244 of the National Housing Act to facilitate a multifamily project coinsurance

program for public housing agencies (including State housing finance agencies) and insured depository institutions by: explicitly authorizing coinsurance on a portfolio basis; exempting mortgages coinsured under provision from the 20 percent statutory limitation on the number of mortgages which may be coinsured; authorizing the Secretary to make loans, from the applicable insurance fund, to public housing agencies in connection with any mortgage insured under provision and which is in default; authorizing the Secretary to insure and commit to insure, in connection with coinsurance under provision, (a) a mortgage on a project assisted by a State under section 236(b), or (b) a mortgage or advance on a mortgage on a project under construction which is not approved for insurance prior to construction; defining terms "public housing agency" (as defined in USHAct of 1937) and "insured depository institution"; and allowing the Secretary, notwithstanding any other provision of National Housing Act, to include in project replacement cost a reserve not in excess of 5 percent of amount otherwise allowable (sec. 6(a));

Coinsurance/  
State Laws

20. provide that mortgagee participating in coinsurance program under section 244 shall not thereby be made subject to any State law regulating the business of insurance (sec. 6(b));

Experimental  
Financing

21. extend section 245 of the National Housing Act experimental financing authority to September 30, 1977 (sec. 7);

Multifamily  
Mortgage  
Limits

22. lower high cost area exception limit for all FHA multifamily mortgage insurance programs from 75 to 50 percent, while increasing per unit dollar mortgage ceilings in all such programs by approximately 50 percent for efficiencies and by approximately 20 percent for all other size units (sec. 8);

Section 518(b)

23. extend the deadline for requests for section 518(b) assistance until four months after enactment of provision; provide that expenditures under 518(b) are to be made from insurance fund corresponding to program under which mortgage was insured and authorize appropriations to reimburse funds for such expenditures to extent not otherwise provided for; add authority for section 518(b) - type assistance where mortgage was insured between January 1, 1973 and enactment of provision, with expenditures to be charged to corresponding insurance fund and appropriations authorized to reimburse funds; and require the Secretary to conduct a full study and investigation, and to report to Congress, with recommendations, not later than March 1, 1977, on an effective program to protect homebuyers from hidden or undisclosed defects seriously affecting use and livability with study to focus particularly on need for, and feasibility of, Federal national home inspection and warranty program, and also to analyze alternative Federal programs to meet needs and administrative steps to assure disclosure of actual condition of home (sec. 9);

General Insurance Fund Losses

24. authorize appropriation of not to exceed \$500 million to cover losses sustained by the General Insurance Fund (sec. 10);

Section 202 Treasury Borrowing

25. increase aggregate amount of notes or other obligations under section 202 (elderly or handicapped housing) which Secretary of HUD may issue to Secretary of Treasury from present \$800 million to \$1.475 billion, to be further increased to \$2.3875 billion on October 1, 1977, and to \$3.3 billion on October 1, 1978, but all issuances over \$800 million must be approved in appropriation Acts (sec. 11(a));

Single or Surviving Elderly

26. include, within definition of "elderly or handicapped families" in section 202(d)(4), two or more elderly or handicapped persons living together, one or more such persons living with another person determined (under Secretary's regulations) to be essential to their care or well-being, and

the surviving member or members of family described in present statutory definition who were living in section 202 unit at time of death of family member (sec. 11(b));

Section 202  
Interest  
Rate

27. change interest rate on section 202 loans and borrowings from Treasury to rate calculated using average interest rates on all interest bearing U. S. obligations forming a part of public debt at end of fiscal year next preceding date of loan (sec. 11(c));

Section 312

28. authorize the appropriation of not to exceed \$100 million for the 312 rehabilitation loan program for fiscal year 1977; limit the amount of commitments to make section 312 loans which may be entered into after August 22, 1976, to amounts approved in appropriation Acts; and extend authority for the program through fiscal year 1977 (sec. 12);

Emergency  
Homeowners'  
Relief  
Extension

29. extend emergency homeowners' relief program authority through September 30, 1977; extend until October 1, 1977, requirement for Secretary and Federal financial regulatory agencies to take steps to encourage forbearance in mortgage foreclosures; and extend to October 1, 1977 the period during which the Secretary must make bi-monthly reports to Congress on forbearance, foreclosures, and related subjects (sec. 13(a),(b), and (c));

GNMA Interim  
Authority  
Extension  
and  
Limitation

30. extend, until October 1, 1977, GNMA interim home purchase assistance authority under section 313(b) of the National Housing Act; and limit commitments made under such authority after enactment of provision to mortgages involving a principal residence the sale price of which does not exceed \$48,000 (\$52,000 in high-cost areas determined by Secretary) per family residence or dwelling unit, except that such sales price in Hawaii, Alaska, and Guam may not exceed \$65,000 (sec. 13(d) and (e));

Flood  
Insurance  
Sanctions  
Exceptions

31. exempt -- from existing statutory prohibition against mortgage and similar lending by federally related lenders in identified special flood hazard areas of communities not participating in the National Flood Insurance Program by their statutory deadline dates -- (a) loans to finance acquisition of a residential dwelling occupied as a residence prior to later of March 1, 1976 or one year after area identification or to extend, renew, or increase financing or refinancing in connection with such a dwelling; (b) any loan, not over Secretarially prescribed maximum, to finance the acquisition of a building or structure completed and occupied by a small business concern, as defined by Secretary, prior to January 1, 1976; (c) any loan or loans, not over \$5,000 in aggregate, to finance improvements to or rehabilitation of a building occupied as a residence prior to January 1, 1976; and (d) any loan or loans, not exceeding Secretarially prescribed aggregate maximum, to finance nonresidential additions or improvements to be used solely for agricultural purposes on a farm (sec. 14(a));

Flood Insurance  
Emergency Pro-  
gram Extension

32. extend, until September 30, 1977, authority for the emergency implementation of the National Flood Insurance Program (sec. 14(b));

Flood  
Insurance  
Studies

33. authorize appropriation of not to exceed \$100 million for flood insurance studies for fiscal year 1977 (sec. 14(c));

CDBG/SMSA  
Set-Aside

34. allocate \$200 million of fiscal year 1977 appropriation for Community Development Block Grant Program for hold-harmless and non-entitlement communities in SMSAs, but not more than \$100 million of that amount could be used for hold-harmless purposes (sec. 15(a));

CDBG/Centers  
for  
Handicapped

35. include centers for the handicapped in statutory listing of eligible CDBG activities (sec. 15(b));

CDBG/New  
Communities

36. make eligible for CDBG funding from Secretary's Discretionary Fund new communities assisted under title X of the National Housing Act which meet eligibility standards of title VII of the HUD Act of 1970 and which were the subject of an application or pre-application prior to January 14, 1975 (sec. 15(c));

CDBG/  
Metropolitan  
Area  
Insufficiency

37. provide that, in the event total CDBG amount available for distribution in fiscal year 1977 in metropolitan areas is insufficient to meet all basic grant entitlements and hold-harmless entitlement needs as provided by section 106(a), and funds are not otherwise appropriated to meet such deficiency, the Secretary is to meet deficiency, first, from Secretary's Discretionary Fund (sec. 107), and if such amounts are exhausted, through a ratable reduction of all entitlements under section 106(a), (sec. 15(d));

Section 701  
FY 1977 Appro-  
priation Authori-  
zation

38. authorize, for section 701 comprehensive planning, the appropriation of not to exceed \$100 million for fiscal year 1977 (sec. 16(a));

Section 701/  
Prior  
Participation

39. provide that no eligible recipient under section 701 may be excluded from qualifying for funds under the section solely on the basis of participation or non-participation under such section prior to fiscal year 1977 (sec. 16(b));

GNMA  
President

40. establish position of GNMA President as Presidential appointee, subject to Senate confirmation, with Level IV salary; reduce, from 7 to 6, number of positions for which Secretary may administratively fix compensation at Level V rates; but continue rights, powers, and duties of GNMA President, as in existence on day prior

to enactment of provision, until position is filled as provided above (sec. 17);

Special Assistant For Cooperative Housing

41. expand authorities with respect to which the Special Assistant for Cooperative Housing is to discharge his functions to include sections 235, 236, 241, 243, 246, and 203(n) of the National Housing Act and section 8 of the U. S. Housing Act of 1937; and make Special Assistant responsible to Assistant Secretary for Housing Management as well as to FHA Commissioner, as at present (sec. 18);

New Communities Special Planning Assistance

42. revive and extend until October 1, 1977, Secretary's authority to enter into agreements with private new community developers and State land development agencies to provide financial assistance for planning new community development programs (sec. 19);

Urban Homesteading Appropriations Authorization

43. revise authorization for appropriations for urban homesteading under section 810 of the Housing and Community Development Act of 1974 to authorize appropriation of \$6.25 million for fiscal year 1976 and the transition quarter, not to exceed \$5 million for fiscal year 1977, and not to exceed \$5 million for fiscal year 1978 (sec. 20);

Day Care Center

44. authorize Secretary by contract or otherwise to establish, equip and operate a day care facility for the purpose of serving children who are members of households of HUD employees; and authorize Secretary to establish or provide for establishment of fees or other charges for such day care (sec. 21);

Inter-American Bank Investments

45. authorize Federal savings and loan associations to invest up to 1 percent of assets in the Inter-American Savings and Loan Bank without requiring that such investments be guaranteed by AID (sec. 22);

- Research/  
Appropriations  
Authorization 46. authorize appropriation of not to exceed \$65 million for research and development activities under title V of the HUD Act of 1970 for fiscal year 1977 (eliminating present open-ended authorization for appropriations for such activities), (sec. 23(a));
- Research/  
Housing Allow-  
ance Experiment 47. delete separate authority in section 504 of HUD Act of 1970 for Department to undertake housing allowance experiment (sec. 23(b));
- Research/  
Multi-Agency 48. explicitly authorize other Federal agencies to contract or make grants on behalf of HUD Secretary in connection with multi-Federal agency research efforts (sec. 23(c));
- NIBS/  
Appropriations  
Authorization 49. authorize the appropriation, for the National Institute of Building Sciences, of not to exceed \$5 million for each of the fiscal years 1977 and 1978 (sec. 24);
- Rural  
Housing 50. amend rural housing authorities to provide that minimum interest rate for rural housing loans is to be newly set by Secretary of Treasury upon request of Secretary of Agriculture rather than annually as presently required; make area outside an SMSA with population of between ten and twenty thousand a rural area for purposes of title V of Housing Act of 1949 if HUD and Agriculture find a serious lack of mortgage credit for lower- and moderate-income families (presently, such lack must be general in area); and authorize Secretary of Agriculture to continue processing loan applications and other actions received before area is redesignated from rural to non-rural (sec. 25); and

Counseling

51. direct the Secretary of HUD, in carrying out research activities, to undertake programs of studies and demonstrations within at least three SMSAs to determine extent of need for and cost-effectiveness of providing pre-purchase, default and delinquency counseling and related services to owners and purchasers of single-family dwellings insured or to be insured under the unsubsidized mortgage insurance programs of the National Housing Act; and require Secretary to submit, within one year from enactment of provision, an interim report to Congress with respect to progress of studies and demonstrations, including estimate of date when final report will be submitted (sec. 26)

THE WHITE HOUSE  
WASHINGTON

August 3, 1976

MR PRESIDENT:

Earlier today you signed S. 3295.  
The attached statement was not  
ready at that time.

It is planned to release this statement  
tomorrow - if it meets with your  
approval.

Jim Connor

ACTION

THE WHITE HOUSE

WASHINGTON

August 3, 1976

MEMORANDUM FOR THE PRESIDENT  
FROM: JIM CANNON *JMC*  
SUBJECT: Signing Statement: S. 3295, the  
Housing Authorization Act, 1976

Attached for your consideration is a proposed signing statement on S. 3295, the Housing Authorization Act of 1976.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman and I recommend approval of the statement which has been approved by the White House Editorial Office (Smith).

RECOMMENDATION

That you approve the statement at Tab A.

Approve

*JMC*

Disapprove \_\_\_\_\_

## STATEMENT BY THE PRESIDENT

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

The need to increase the quantity and quality of housing in America and to assure adequate housing for all Americans has been one of my primary concerns. S. 3295 contains provisions which are important in helping us reach these housing goals, and also contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which indicate the strong reluctance on the part of this Congress to seek real solutions to the problems we face in assuring adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach to provide rental subsidies for lower-income families -- the Section 8 Housing Assistance Payments Program. This program was designed to avoid the serious, and well-documented, defects in the then-existing public housing program.

As a result of that new program, for the first time in our history we have been using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. This approach is approximately half as costly as constructing new public housing, and it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of institutionalized housing.

In S. 3295, however, the Congress has ignored both our unfortunate previous experience and the recent success resulting from the Section 8 program. Reversing this record of progress, it voted to re-initiate a public housing program. Fortunately, in the 1977 HUD appropriation bill, the Congress has voted overwhelmingly to cut back the size of that program.

S. 3295 would also extend a number of programs which should be discontinued and would authorize appropriations far in excess of my budget proposals. Although the Congress in acting on HUD's appropriation bill has demonstrated much greater restraint than was shown in S. 3295, the threat to future budgets remains because these high authorizations produce unrealistic expectations.

This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in S. 3295 become law as soon as possible. I have instructed Secretary Hills to use the resources of the Department of Housing and Urban Development to implement this measure in a manner which will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.



DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D. C. 20250

July 23, 1976

Honorable James T. Lynn  
Director  
Office of Management and Budget  
Washington, DC

Dear Mr. Lynn:

This will reply to the request of your office for our views and recommendations on the enrolled enactment S. 3295, "To extend the authorization for annual contributions under the United States Housing Act of 1937, to extend certain housing programs under the National Housing Act, and for other purposes."

This Department recommends that the President approve the bill.

The bill includes technical amendments to the Housing Act of 1949 which affect the Department of Agriculture and the following comments are limited to those specific amendments:

Section 25(a) of the bill amends the Housing Act of 1949, hereafter referred to as the "Act," to authorize the Secretary of Treasury to determine the minimum interest rate for most of the Department's housing programs upon the request of the Secretary of Agriculture. The present law requires that the Secretary of Treasury determine this interest rate annually. The amendment permits more flexibility in that the interest rate determination can be requested and made at any time.

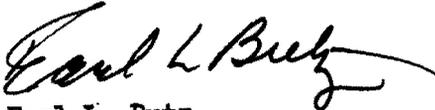
Subsection (b) of section 25 of the bill amends the Act to require that for towns with populations between 10,000 and 20,000 to be eligible for the Department's housing programs, the determination that a serious lack of mortgage credit exists must be made on the basis of the housing credit needs of lower- and moderate-income families. Presently, the law has been interpreted to require that this determination be based on the overall effectiveness of the HUD programs in the particular city and consideration is not limited to the lack of credit for lower- and moderate-income families. This change would permit a more reasonable and acceptable determination of a town's rural housing loan eligibility than is permitted under the present law.

Subsection (c) of Section 25 amends the Act to authorize the processing to closing of loan applications that are on file at the time a previously rural area is determined to be nonrural. At the present time, immediately upon designation of an area as nonrural, loans may not be further processed, approved, or closed. Some towns between 10,000 and 20,000 population could become ineligible by being located in a newly designated SMSA area and this and similar actions causing areas to be determined to be nonrural create hardships on buyers and sellers of homes, homebuilders, realtors, and other members of the community. The amendment would permit the processing of applications on hand at the time of the determination to be completed to loan closing. We believe this amendment is equitable for all concerned.

Subsection (c) of section 25 also authorizes the Secretary to make assistance available in connection with transfers and assumptions of security property in areas that are determined to be nonrural. Presently, property securing loans in nonrural areas can only be transferred on nonprogram terms. This limits the transferability of the security property thus jeopardizing the value of the Government's security. The proposed change would authorize certain new loans to be made to transferees or purchasers from FmHA's inventory and, to that extent, would permit continued servicing of existing loans in areas changing from "rural" to "nonrural" on the same basis as though the area were still "rural" and eligible for loan assistance. The change would not, however, increase the assistance which can be rendered to existing borrowers in such areas.

The Department believes that the four amendments discussed above would improve the delivery of housing credit to rural areas and that the other sections of the enrolled bill, S. 3295 would not adversely affect the Department's housing program.

Sincerely,



Earl L. Butz  
Secretary

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON WAGE AND PRICE STABILITY  
726 JACKSON PLACE, N.W.  
WASHINGTON, D.C. 20506

JUL 27 1976

MEMORANDUM FOR: JAMES M. FREY  
ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE  
OFFICE OF MANAGEMENT AND BUDGET

FROM: WILLIAM LILLEY III *William Lilley*

SUBJECT: ENROLLED BILL REQUEST ON S.3295  
THE "HOUSING AUTHORIZATION ACT OF 1976"

The "Housing Authorization Act of 1976" contains many changes and features that individually are objectionable from a strict anti-inflationary and economic efficiency viewpoint. However, whether this package is the best we can expect is another matter.

Especially objectionable is Section 2.(b), which de-emphasizes Section 8 public housing and re-establishes the conventional public housing program and places a limit on the amount of funding available for existing public housing. We believe that Section 8 public housing is a more cost-effective and flexible method of providing housing and that it is too early to make a reasonable evaluation and informed decision on the future direction of the program.

Second, Section 3, which raises the mortgage and income limits of Section 235 housing, a program that HUD several years ago found to be inequitable, inefficient, and susceptible to mismanagement, is a move in the wrong direction. The new income limits make almost one half of the population eligible for a generous subsidy that only a lucky few can hope to obtain. Although the construction industry has lagged in its recovery, the single-family sector has done reasonably well and will continue to improve as long as inflationary forces are held in check. However, given the program's existence, adding mobile homes is probably a movement toward lower-cost housing.

Another problem with the Act is that the new borrowing cost formula for Section 202, Housing for the Elderly, is likely to be inflationary and establishes a bad precedent. The current formula charges builders the current government market rate for similar maturities, a rate approximate to the marginal social cost of capital, while the proposed formula charges the average coupon rate on all government securities that are part of the public debt, a pool that includes many securities issued long ago at much lower interest rates. This rate is not the current social cost of capital, only the weighted average of past costs. It is highly likely that many other groups will demand the same type of preference immediately after passage.

Finally, Section 25 extends the eligibility of the Rural Housing programs to nonrural areas. Since the Farmers' Home programs are more generous than the conventional FHA programs, the demand for this type of more costly housing will increase rapidly. Again, a precedent will be established (rural housing programs for nonrural areas) that may be hard to contain in the future.

Although these changes appear inflationary and do not provide cost-effective and equitable government services, it is not clear that we can expect anything better. It is also possible that the potential inflationary and unfortunate precedent-setting effects could be contained.

Under these circumstances, while we are critical we recommend that the President sign the "Housing Authorization Act of 1976."



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

JUL 27 1976

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

Attention: Assistant Director for Legislative  
Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 3295, "To amend and extend laws relating to housing and community development."

Section 6 of the enrolled enactment contains amendments designed to facilitate public body participation in the section 244 co-insurance program. To the extent that portfolios of co-insured mortgages held by public bodies are pledged as security for borrowings to finance the mortgage portfolio, the result would be effective Federal backing for tax-exempt bonds. In a December 3, 1975 report to OMB, the Department opposed a HUD proposal to facilitate public body participation in the co-insurance program and recommended that any legislation submitted by the Administration should be accompanied by a provision which would make taxable the interest on obligations issued by participating public bodies.

Section 11 of the enrolled enactment would amend the interest rate formula enacted in 1974 for HUD section 202 direct loans for housing for the elderly. The present statutory formula includes a measure of the Treasury's borrowing costs based on the

"current average market yield on outstanding marketable obligations of the United States with remaining periods to maturity comparable to the average maturities of such loans."

Section 11 would change the above language to read

"the average interest rate on all interest bearing obligations of the United States then forming a part of the public debt, computed at the end of the fiscal year next preceding the date on which the loan is made."

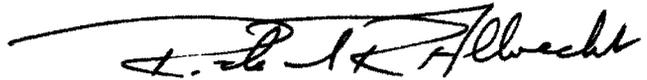
The proposed interest rate formula is an inadequate measure of the Government's borrowing cost.

Furthermore, Section 25 of the bill would amend section 521 of the Housing Act of 1949 to delete the requirement for annual determination by the Secretary of the Treasury of the interest rate for certain rural housing loans, and substitute a provision that the rate be determined by the Secretary of the Treasury upon the request of the Secretary of Agriculture. This change can be expected to result in pressures on the Secretary of Agriculture to request frequent rate determinations at times of falling market interest rates and to refrain from requesting rate determinations at times of rising interest rates.

Accordingly, the Department has strong reservations about these provisions of the enrolled enactment. If these provisions were a major part of the bill, we would recommend a veto. However, we recognize that the substantive provisions of the bill, to which we defer to the Department of Housing and Urban Development, may override these objections. Our objections would, of course, be an additional factor to support a veto recommendation.

In view of the foregoing, the Department would support a recommendation that the enrolled enactment not be approved by the President.

Sincerely yours,

A handwritten signature in black ink, appearing to read "R. R. Albrecht", with a long horizontal flourish extending to the left.

General Counsel  
Richard R. Albrecht



VETERANS ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D.C. 20420



July 23, 1976

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

Dear Mr. Lynn:

This is in reply to the request of the Assistant Director for Legislative Reference for the Veterans Administration's comments on the enrolled enactment of S.3295, 94th Congress, entitled the "Housing Authorization Act of 1976."

This omnibus measure contains 26 sections amending various programs under the jurisdiction of the Department of Housing and Urban Development. The programs affected are primarily found in the National Housing Acts, Flood Insurance Acts, Housing and Urban Development Acts, and the Housing and Community Development Act of 1974.

The amendments extend delimiting dates of certain programs, establish funding authorization for continued implementation of other programs, and also contain certain substantive amendments which do not affect the VA loan guaranty program. For instance, section 14 of the Act relates to amendments to the Flood Disaster Protection Act of 1973 and affects only conventional loans and not federally insured or guaranteed loans.



Accordingly, as none of the amendments proposed in the Act affect the VA loan guaranty program, we defer to the views of the Secretary of the Department of Housing and Urban Development.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Roudebush", written in a cursive style.

Associate Deputy Administrator - in the absence of  
RICHARD L. ROUDEBUSH  
Administrator



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

JUL 26 1976

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

Dear Mr. Lynn:

This is in response to your request for a report on sections 2(h) and 5 of S. 3295, an enrolled bill "To amend and extend laws relating to housing and community development."

In summary, we strongly support enactment of sections 2(h) and 5 of the enrolled bill, and defer to the Department of Housing and Urban Development on all other provisions of the enrolled bill.

Under section 2(h) of the enrolled bill, for the purposes of determining the eligibility of, and the amount of benefits payable to, any person under title XVI of the Social Security Act (the supplemental security income program), the value of any assistance paid under certain Federal housing programs would not be considered as income or a resource. The housing programs to which this provision would apply are those authorized by the United States Housing Act of 1937 (generally, the public housing programs), the National Housing Act (covering a variety of mortgage and loan insurance and interest reduction programs), section 101 of the Housing and Urban Development Act of 1965 (the rent supplement program), and title V of the Housing Act of 1949 (rural housing programs).

The Department supports section 2(h) of the enrolled bill because it would provide for more rational coordination of federally funded assistance programs. Various housing assistance programs take into consideration the income, including supplemental security income (SSI) benefits, of applicants in determining eligibility for and the amount of housing assistance. Counting the value of any resulting housing assistance as income for the purposes of the SSI program (and thus reducing SSI benefits on account of such

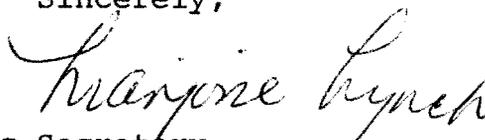
payments) can have the effect of counteracting the relief that the housing assistance is intended to provide. Moreover, if housing assistance were to be further increased as the result of a reduction in an individual's SSI benefits, the net effect of reducing benefits under the SSI program would be to shift greater responsibility for providing assistance from the SSI program to the housing assistance programs. Indeed, in some cases the effect of the current law can be to shift some assistance responsibility from the States (which provide some income assistance through supplementation of the Federal SSI benefit) to the Federal Government (under the housing assistance programs).

We have enclosed, for your information, a table showing our estimates of the cost of section 2(h).

Section 5 of the enrolled bill would permit the Secretary of Housing and Urban Development (HUD) to insure supplemental loans to improve hospitals whose mortgages have already been insured by the Secretary of HUD; the Secretary of HUD already has this authority in relation to other projects whose mortgages are HUD-insured and indeed can, in certain circumstances, insure supplemental loans to hospitals whose mortgages have not been insured by HUD. We favor the elimination of this anomaly in relation to hospitals. It should be noted that, under an interagency agreement between this Department and HUD, HUD does not insure hospital mortgages unless this Department first determines that construction of a particular hospital is needed.

For the reasons stated, and contingent upon the views of the Department of Housing and Urban Development regarding the bill as a whole, we support enactment of section 2(h) and section 5.

Sincerely,



Under Secretary

Enclosure

Cost Estimate for Section 2(h) of S. 3295

| <u>Fiscal Period</u> | <u>Cost in Millions</u> |
|----------------------|-------------------------|
| Transition Quarter   | \$ 14.2                 |
| FY 1977              | \$ 82.4                 |
| FY 1978              | \$128.6                 |
| FY 1979              | \$163.8                 |
| FY 1980              | \$192.9                 |
| FY 1981              | \$206.9                 |

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

July 23, 1976

Dear Mr. Frey:

This is in response to your request for the views of the Council on S. 3295, "An Act to Amend and Extend Laws Relating to Housing and Community Development."

The Council objects to the provision in Sec. 2(a)(1)(B) which mandates that a substantial portion of the funds to be available for public housing programs must be for new construction or substantial rehabilitation. It is by no means clear that such a provision by itself could raise the level of housing starts, which apparently is the motive behind the provision. At the same time it is likely to raise the average cost to the government of subsidizing housing services for low-income families. It is the Council's view that the Secretary should be left free to decide on the basis of a community's needs and resources how funds should be allocated behind new construction and existing housing.

Sincerely,



Paul W. MacAvoy  
Acting Chairman

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



**Federal Home Loan Bank Board**



320 First Street, N.W.  
Washington, D.C. 20552

Federal Home Loan Bank System  
Federal Home Loan Mortgage Corporation  
Federal Savings and Loan Insurance Corporation

July 23, 1976

Mr. James M. Frey  
Assistant Director for Legislative  
Reference  
Office of Management and Budget  
Washington, D.C. 20552

Attention: Ms. Ramsey

Dear Mr. Frey:

This is in response to your Enrolled Bill Request of July 21, 1976 concerning S. 3295, the "Housing Authorization Act of 1976".

Section 14(a) of the bill would create additional exemptions to the general prohibition in the Flood Disaster Protection Act of 1973 against regulated financial institutions making, increasing, extending, or renewing any loan secured by improved real estate or a mobile home located or to be located in a special flood hazard area. The Board has no objection to this provision.

Section 22 of the enrolled bill would amend Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464) to permit Federal savings and loan associations to invest up to one percent of their assets in the share capital and capital reserve of the Inter-American Savings and Loan Bank. The Board deferred to the Congress' judgment on the advisability of limited foreign investment by these thrift institutions in connection with an earlier version of this section. However, the earlier version would have established an aggregate level of \$3.5 million on such investment. The Board favored a dollar limit on the foreign investment of domestic associations. However, the Board does not oppose the bill in its present form.

Mr. James M. Frey  
Page Two

Since sections 14 and 22 are the only sections of enrolled bill S. 3295 which affect the Board, this letter is limited to those sections and the Board has no comment on the remainder of the bill.

Sincerely,

*Daniel J. Goldberg*  
Daniel J. Goldberg  
Acting General Counsel

STATEMENT BY THE PRESIDENT

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

*Insert*  
This measure contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which indicate once again the strong reluctance on the part of this Congress to seek real solutions to the problems we face in assuring adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach to provide rental subsidies for lower-income families -- the Section 8 Housing Assistance Payments Program. This program was designed to avoid the serious, and well-documented, defects in the then-existing public housing program.

As a result of that new program, for the first time in our history we have been using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. This approach is approximately half as costly as constructing new public housing, and it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of institutionalized housing.

In S. 3295, however, the Congress has ignored both our unfortunate previous experience and the recent success resulting from the Section 8 program. Reversing this record of progress, it voted to re-initiate a public housing program. Fortunately, in the 1977 HUD appropriation bill, the Congress has voted overwhelmingly to cut back the size of that program.

*Present*

I have today signed in to law S. 3295, the Housing Authorization Act of 1976.

The need to increase the quantity and quality of housing in America and to assure adequate housing for all Americans has been one of my primary concerns. S. 3295 contains provisions which are important in helping us reach these housing goals, and also contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which indicate the strong reluctance on the part of this Congress to seek real solutions to the problems we face in assuring adequate housing for all lower-income Americans.

S. 3295 would also extend a number of programs which should be discontinued and would authorize appropriations far in excess of my budget proposals. Although the Congress in acting on HUD's appropriation bill has demonstrated much greater restraint than was shown in S. 3295, the threat to future budgets remains because these high authorizations produce unrealistic expectations.

This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in S. 3295 become law as soon as possible. I have instructed Secretary Hills to use the resources of the Department of Housing and Urban Development to implement this measure in a manner which will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.

*Went*

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The need to increase the quantity and quality of housing in America and to assure adequate housing for all Americans has been one of my primary concerns. S. 3295 contains provisions which are important in helping us reach these housing goals, and also contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which indicate the strong reluctance on the part of this Congress to seek real solutions to the problems we face in assuring adequate housing for all lower-income Americans.

3473

STATEMENT BY THE PRESIDENT

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

This measure contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development.

Unfortunately, it also contains provisions which ~~clearly~~ *indicate* ~~reflect~~ *be* ~~once again a strong disposition on the part of this~~ *reluctance on the part of this* Congress to ~~reach for~~ *seek real* ~~palliatives rather than solutions to~~ the problems we face in ~~seeking to~~ *in* assure adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach -- the Section 8 Housing Assistance Payments Program -- to provide rental subsidies for lower-income families. This program was designed to avoid the ~~well-~~ *serious, and* ~~documented,~~ ~~serious~~ *then-existing* defects in the public housing program.

As a result *of that new program,* for the first time in our history we *have been* using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. ~~Not only is~~ *T* ~~this approach~~ *is* ~~approximately half as costly~~ as constructing new public housing, ~~but~~ *and* it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of in institutionalized housing.

In S. 3295, however, the Congress has ignored *both* our unfortunate previous experience and ~~the~~ *the* recent success ~~with Section 8~~ *resulting from the* ~~program~~ *Reversing this record it voted* and has ~~reversed~~ *and* its ~~field~~ *and* voting to re-initiate a public housing program. Fortunately, in the 1977 HUD appropriation bill, the Congress has voted overwhelmingly to cut back the size of that program.



S. 3295 would also extend a number of programs which should be discontinued and would authorize appropriations far in excess of my budget proposals. ~~Again, however,~~ <sup>Although</sup> the Congress<sup>x</sup> in acting on HUD's appropriation bill has demonstrated much greater restraint than was shown in S. 3295, ~~the~~ <sup>the</sup> threat to future budgets remains, ~~nevertheless,~~ because ~~of~~ these high authorizations ~~and the unrealistic expectations~~ <sup>product</sup> they produce.

This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in <sup>S. 3295</sup> ~~A~~ become law as soon as possible. I have instructed Secretary Hills to use the ~~full~~ resources of the Department of Housing and Urban Development to implement this measure in a manner <sup>which</sup> ~~that~~ will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.

## STATEMENT BY THE PRESIDENT

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

The need to increase the quantity and quality of housing in America and to assure adequate housing for all Americans has been one of my primary concerns. S. 3295 contains provisions which are important in helping us reach these housing goals, and also contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which indicate the strong reluctance on the part of this Congress to seek real solutions to the problems we face in assuring adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach to provide rental subsidies for lower-income families -- the Section 8 Housing Assistance Payments Program. This program was designed to avoid the serious, and well-documented, defects in the then-existing public housing program.

As a result of that new program, for the first time in our history we have been using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. This approach is approximately half as costly as constructing new public housing, and it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of institutionalized housing.

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THE WHITE HOUSE  
WASHINGTON

note to file: Insert paragraph  
submitted by Bill Seidman. Editorial  
changes are by Doug Smith. Paragraph  
cleared by Jim Frey and Max  
Friedersdorf.

Judy 8/3

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

*The*  
A ~~genuine~~ need exists to increase the quantity and quality of housing in America, ~~I yield to no one in my concern and interest~~ *and to assure*  
~~in assuring~~ *has been one of my primary concerns.* adequate housing for all Americans. S. 3295 contains provisions which are important in helping us reach these housing goals, and also contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which indicate the strong reluctance on the part of this Congress to seek real solutions to the problems we face in assuring adequate housing for all lower-income Americans.



July 29, 1976

TO JAMES M. CANNON

FROM Bill Seidman

RE S. 3295 signing statement

I believe this is much too negative. Let's take credit for what we have achieved for people in their housing needs!! It reads like a disgruntled bureaucrat's complaint. We signed it so it can't be that bad.

LWS

Per handwritten note;  
note underlinings, in text.

Date: July 29

Time: 500pm

FOR ACTION: Lynn May  
Bill Seidman  
Robert Hartmann Ken Lazarus  
Paul Leach  
Max Friedersdorf

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976  
Signing Statement

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*I believe this is much too negative. Lets we have credit for what we have achieved for people in their housing needs!!*

*at needs like Bureaucrats complaint. We signed it so it can't be that bad just*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James H. Cannon  
for the President

STATEMENT BY THE PRESIDENT

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

This measure contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which clearly reflect once again a strong disposition on the part of this Congress to reach for palliatives rather than solutions to the problems we face in seeking to assure adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach--the Section 8 Housing Assistance Payments Program--to provide rental subsidies for lower-income families. This program was designed to avoid the well-documented serious defects in the public housing program.

As a result, for the first time in our history we are using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. Not only is this approach approximately half as costly as constructing new public housing, but it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of in institutionalized housing.

In S. 3295, however, the Congress has ignored our unfortunate previous experience and our recent success with Section 8 and has reversed its field, voting to re-initiate a public housing program. Fortunately, in the 1977 HUD appropriation bill, the Congress has voted overwhelmingly to cut back the size of that program.

S. 3295 would also extend a number of programs which should be discontinued and would authorize appropriations far in excess of my budget proposals. Again, however, the Congress, in acting on HUD's appropriation bill has demonstrated much greater restraint than was shown in S. 3295. The threat to future budgets remains, nevertheless, because of these high authorizations and the unrealistic expectations they produce.

This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in it become law as soon as possible. I have instructed Secretary Hills to use the full resources of the Department of Housing and Urban Development to implement this measure in a manner that will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.



OFFICE OF MANAGEMENT AND BUDGET

Date: 7/29/76

TO : *Bob Linder*

FROM: James M. Frey  
Assistant Director for  
Legislative Reference

*This is the draft signing  
statement on S. 3895, the  
housing authorization bill, that  
we promised this morning in  
our enrolled bill memorandum.*

STATEMENT BY THE PRESIDENT

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

This measure contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which clearly reflect once again a strong disposition on the part of this Congress to reach for palliatives rather than solutions to the problems we face in seeking to assure adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach--the Section 8 Housing Assistance Payments Program--to provide rental subsidies for lower-income families. This program was designed to avoid the well-documented serious defects in the public housing program.

As a result, for the first time in our history we are using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. Not only is this approach approximately half as costly as constructing new public housing, but it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of in institutionalized housing.

In S. 3295, however, the Congress has ignored our unfortunate previous experience and our recent success with Section 8 and has reversed its field, voting to re-initiate a public housing program. Fortunately, in the 1977 HUD appropriation bill, the Congress has voted overwhelmingly to cut back the size of that program.

S. 3295 would also extend a number of programs which should be discontinued and would authorize appropriations far in excess of my budget proposals. Again, however, the Congress, in acting on HUD's appropriation bill has demonstrated much greater restraint than was shown in S. 3295. The threat to future budgets remains, nevertheless, because of these high authorizations and the unrealistic expectations they produce.

This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in it become law as soon as possible. I have instructed Secretary Hills to use the full resources of the Department of Housing and Urban Development to implement this measure in a manner that will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.

## DRAFT PRESIDENTIAL STATEMENT

It is with reluctance that I have today signed into law the Housing Authorization Act of 1976.

This measure contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which clearly reflect once again a strong disposition on the part of this Congress to reach for empty palliatives rather than real solutions to the problems we face in seeking to assure adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach -- the Section 8 Housing Assistance Payments Program -- to provide rental subsidies for lower-income families.

For the first time in our housing history we are utilizing in a meaningful way existing as well as new housing to provide decent shelter for our poor. Not only is this approach approximately half as costly as constructing new public housing, but it prevents the waste of our nation's housing stock. Moreover, this program permits lower-income families to live in modest homes indistinguishable from those of their neighbors instead of institutionalized housing.

During the fiscal year just ended and the current transition period, the program will have reserved moneys to house approximately 400,000 lower-income American families, and we sought funding to assist an equal number of families in the coming fiscal year.

The Congress, ignoring this blueprint for progress, has opted to allocate a substantial part of our housing assistance to construct public housing projects, thus reviving the very program which was found inadequate and replaced only two years ago. Fortunately in the appropriations process, the Congress is expected to vote overwhelmingly [has voted overwhelmingly] to cut back the size of that program.

Despite my strong reservations about this and other undesirable features, I have chosen to sign this bill because good government requires that a number of the authorizations and program extensions contained in this enrolled enactment become law as soon as possible. I have instructed Secretary Hills to use the full resources of the Department of Housing and Urban Development to implement this measure in a manner which will maximize its benefits while reducing as much as possible the inevitable frustration, delays and increased costs it will also bring.

To: J. Casanough  
7-29-76  
10:00 A.M.



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

JUL 29 1976

7/29

A prepared signing  
Statement will be  
submitted by omb  
later this afternoon,  
per omb.

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 3295 - Housing Authorization  
Act of 1976  
Sponsor - Sen. Proxmire (D) Wisconsin

Last Day for Action

August 3, 1976 - Tuesday

Purpose

Extends HUD program authorities through fiscal year 1977;  
modifies and adds funding authorizations for HUD programs;  
and revises a variety of HUD authorities, responsibilities  
and operations.

Agency Recommendations

|   |  |
|---|--|
| Office of Management and Budget                 | Approval   |
| Department of Housing and Urban<br>Development  | Approval (Signing state                                  |
| Department of Agriculture                       | Approval                    attac                        |
| Council on Wage and Price<br>Stability          | Approval   |
| Department of the Treasury                      | Defers to HUD; would<br>support a veto<br>recommendation |
| Veterans Administration                         | Defers to HUD  |
| Department of Health, Education,<br>and Welfare | Supports two<br>provisions                               |
| Council of Economic Advisers                    | No recommendation  |
| Federal Home Loan Bank Board                    | No recommendation  |

Discussion

The Administration's 1976 legislative program for HUD  
included only three routine authorization requests--for  
subsidized rental housing, public housing operating

THE WHITE HOUSE

WASHINGTON

July 30, 1976

MEMORANDUM FOR        ROGER PORTER  
FROM:                    JUDY JOHNSTON  
SUBJECT:                S. 3295 signing statement.

Mr. Seidman made the following comment with respect to the signing statement. "I believe this is much too negative. Let's take credit for what we have achieved for people in their housing needs. It reads like a disgruntled bureaucrat's complaint. We signed it so it can't be that bad."

I called Jim Frey in OMB re the statement. The only reason HUD and OMB recommend a signing statement on this very bad bill is because the Senate Republican conferees fought a strong battle, lost and refused to sign the conference report. They feel that silence on the part of the President would be a letdown to them, therefore a signing statement is recommended which has a negative tone.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 1030am

FOR ACTION: Lynn May *LM*  
Bill Seidman *BS*  
Dick Parsons  
Paul Leach *defer*  
Max Friedersdorf *MF*  
Ken Lazarus *KL*  
FROM THE STAFF SECRETARY

cc (for information):

Jack Marsh  
Jim Cavanaugh  
Ed Schmuls

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Paul*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

\_\_\_\_\_  
K. R. COLE, JR.  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 1030am

FOR ACTION: Lynn May  
Bill Seidman  
Dick Parsons  
Paul Leach  
Max Friedersdorf  
Ken Lazarus  
FROM THE STAFF SECRETARY

cc (for information):  
Jack Marsh  
Jim Cavanaugh  
Ed Schmults

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Approval  
JCS*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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James M. Cannon  
For the President

Date: July 29

Time: 1030am

~~FOR~~ ACTION: Lynn May  
Bill Seidman  
Dick Parsons  
✓ Paul Leach  
Max Friedersdorf  
Ken Lazarus  
FROM THE STAFF SECRETARY

cc (for information):  
Jack Marsh  
Jim Cavanaugh  
Ed Schmults

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

. please return to judy johnston, ground floor west wing

*Defer to Lynn May  
PCL  
7/29/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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\_\_\_\_\_  
John W. Dunlop  
Staff Secretary

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 1030am

FOR ACTION: Lynn May  
Bill Seidman  
Dick Parsons  
Paul Leach  
✓ Max Friedersdorf  
Ken Lazarus  
FROM THE STAFF SECRETARY

cc (for information):  
Jack Marsh  
Jim Cavanaugh  
Ed Schmults

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976

ACTION REQUESTED:

\_\_\_ For Necessary Action

\_\_\_ For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

<sup>x</sup>  
\_\_\_ For Your Comments

\_\_\_ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Sign*

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James M. Cannon  
For the President

## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 1030am

FOR ACTION: Lynn May  
 Bill Seidman  
 Dick Parsons  
 Paul Leach  
 Max Friedersdorf  
 ✓ Ken Lazarus

FROM THE STAFF SECRETARY

cc (for information):

Jack Marsh  
 Jim Cavanaugh  
 Ed Schmults

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976

## ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

## REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 7/29/76

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

James H. Cannon  
 For the President

Rec. 7/29/76 - 5:20 PM

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 500pm

FOR ACTION: Lynn May  
Bill Seidman  
✓ Robert Hartmann Ken Lazarus  
Paul Leach  
Max Friedersdorf

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

*to P 20  
7/30 8:57  
GAm*

*d/gm  
TO DTS 7/30 11:37*

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976  
Signing Statement

ACTION REQUESTED:

\_\_\_\_\_ For Necessary Action

\_\_\_\_\_ For Your Recommendations

\_\_\_\_\_ Prepare Agenda and Brief

\_\_\_\_\_ Draft Reply

\_\_\_X\_\_\_ For Your Comments

\_\_\_\_\_ Draft Remarks

REMARKS:

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John H. Garman  
for the President

STATEMENT BY THE PRESIDENT

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This measure contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which clearly reflect once again a strong disposition on the part of this Congress to reach for palliatives rather than solutions to the problems we face in seeking to assure adequate housing for all lower-income Americans.

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1974

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This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in it become law as soon as possible. I have instructed Secretary Hills to use the full resources of the Department of Housing and Urban Development to implement this measure in a manner that will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.

Rec, 7/29/76 - 5:20 PM

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 500pm

FOR ACTION: Lynn May cc (for information): Jack Marsh  
 Bill Seidman Jim Cavanaugh  
 ✓ Robert Hartmann Ken Lazarus Ed Schmults  
 Paul Leach  
 Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976  
 Signing Statement

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*7/29/76 - copy sent for researching. nm*

*7/30 - Researched copy returned. nm*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
 For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

Time: 500pm

FOR ACTION:

Lynn May *sm*  
Bill Seidman *comments*  
Robert Hartmann *King* King *Langrus* *aa*  
Paul Leach *defer*  
Max Friedersdoff *ra*

cc (for information):  
Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

B. 3295-Housing Authorization Act of 1976  
Signing Statement

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
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- For Your Comments
- Draft Remarks

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K. R. COLE, JR.  
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOC NO.:

Date: July 29

Time: 500pm

FOR ACTION: Lynn May  
Bill Seidman  
Robert Hartmann Ken Lazarus  
✓ Paul Leach  
Max Friedersdorf

cc (for information): Jack Marsh  
Jim Cavanaugh  
Ed Schmults

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976  
Signing Statement

ACTION REQUESTED:

\_\_\_ For Necessary Action

\_\_\_ For Your Recommendations

\_\_\_ Prepare Agenda and Brief

\_\_\_ Draft Reply

X  For Your Comments

\_\_\_ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

*Defer to Lynn May  
PLZ  
7/29/76*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

James M. Cannon  
For the President

## THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 29

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FOR ACTION: Lynn May cc (for information): Jack Marsh  
 Bill Seidman Jim Cavanaugh  
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FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976  
 Signing Statement

ACTION REQUESTED:

For Necessary Action  For Your Recommendations  
 Prepare Agenda and Brief  Draft Reply  
 For Your Comments  Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

No objection -- Ken Lazarus 7/30/76

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James M. Cannon  
 For the President

THE WHITE HOUSE

MEMORANDUM

WASHINGTON

LOG NO.:

July 29

Time: 5:00pm

FOR ACTION: Lynn May cc (for information): Jack Marsh  
 Bill Seidman Jim Cavanaugh  
 Robert Hartmann Ken Lazarus Ed Schmults  
 Paul Leach  
 Max Friedersdorf *M.F.*

FROM THE STAFF SECRETARY

DUE: Date: July 30

Time: noon

SUBJECT:

S. 3295-Housing Authorization Act of 1976  
 Signing Statement

ACTION REQUESTED:

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

REMARKS:

please return to judy johnston, ground floor west wing

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Judy Johnston  
 Staff Secretary

STATEMENT BY THE PRESIDENT

I have today signed into law S. 3295, the Housing Authorization Act of 1976.

This measure contains important fiscal year 1977 authorizations for the Department of Housing and Urban Development. Unfortunately, it also contains provisions which clearly reflect once again a strong disposition on the part of this Congress to reach for palliatives rather than solutions to the problems we face in seeking to assure adequate housing for all lower-income Americans.

Two years ago, the Ninety-third Congress authorized a new approach--the Section 8 Housing Assistance Payments Program--to provide rental subsidies for lower-income families. This program was designed to avoid the well-documented serious defects in the public housing program.

As a result, for the first time in our history we are using effectively the existing housing in inventory, as well as new housing, to provide decent shelter for the Nation's poor. Not only is this approach approximately half as costly as constructing new public housing, but it prevents the waste of our Nation's housing stock. Moreover, this program permits lower-income families to live in modest homes, indistinguishable from those of their neighbors, instead of in institutionalized housing.

In S. 3295, however, the Congress has ignored our unfortunate previous experience and our recent success with Section 8 and has reversed its field, voting to re-initiate a public housing program. Fortunately, in the 1977 HUD appropriation bill, the Congress has voted overwhelmingly to cut back the size of that program.

S. 3295 would also extend a number of programs which should be discontinued and would authorize appropriations far in excess of my budget proposals. Again, however, the Congress, in acting on HUD's appropriation bill has demonstrated much greater restraint than was shown in S. 3295. The threat to future budgets remains, nevertheless, because of these high authorizations and the unrealistic expectations they produce.

This bill also calls for short-sighted and illogical changes in the way interest rates are established under certain existing Federal programs.

Despite my strong reservations about these and other undesirable features, I have signed this bill because good government requires that a number of the authorizations and program extensions contained in it become law as soon as possible. I have instructed Secretary Hills to use the full resources of the Department of Housing and Urban Development to implement this measure in a manner that will maximize its benefits while reducing as much as possible the inevitable frustration, delays, and increased costs it will also bring.