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Office of the White House Press Secretary

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THE WHITE HOUSE

THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 (S.3066)

FACT SHEET

The President today signed into law the Housing and Community Development Act of 1974, which significantly affects Federal involvement in community development and urban and rural housing, including mobile homes. This legislation initiates a new program of community development block grants, amends public housing laws and initiates a new leased housing program. S. 3066 also revises mortgage credit programs for moderate and middle income families, and extends and amends other laws relating to housing and community development. This Act provides new funding authorizations of over \$11.9 billion for the three fiscal years 1975, 1976 and 1977.

Developing the Nation's Communities

Since 1949 Congress has enacted a series of Federal grant programs, each directed at a narrow category of community development activities: urban renewal, rehabilitation loans, public facility loans, open space land, neighborhood facilities, water and sewer grants, urban beautification, historic preservation, model cities and neighborhood development programs. All of these involved a process of applications on a project-by-project basis followed by extensive Federal review.

Title I of the new Act

- consolidates all of these categorical programs,
- eliminates the narrow, rigid purposes for which communities can spend Federal grant funds,
- allocates funds on a formula based on population, housing over-crowding and poverty (counted twice) for cities over 50,000 and urban counties,
- provides limited assurances that communities will continue to receive funds at levels of the recent past,
- earmarks special discretionary funds for smaller communities in each metropolitan area and for rural communities in each State, and
- substantially reduces application requirements and Federal review of applications.

Objectives

- To develop viable urban communities by providing decent housing and a suitable living environment -- and expanding economic opportunities -- principally for persons of low and moderate income. This is to be accomplished by elimination of slums and blight, conservation and expansion of housing, increased public services, improved use of land, increased neighborhood diversity, and the preservation of property of special value.

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- To further national growth policy by consolidating programs so as to provide aid annually with certainty and minimum delay.

### Funding

- Funds for the new program will become available January 1, 1975.
- Federal disbursement limitations: \$2.5 billion in FY 1975; \$2.95 billion in FY 1976; \$2.95 billion in FY 1977; Congress has not yet appropriated funds under these authorizations.
- Up to \$50 million for fiscal years 1975 and 1976, and \$100 million for FY 1977, will be authorized for transition grants to communities with urgent community development needs that cannot be met through the Act's allocation provisions.

Eligibility. States, cities, counties, other units of general local government (including designated public agencies) and new community entities.

Application Process. To secure funding, a community must file an annual application for Federal approval which:

- provides a three-year plan showing community development needs and objectives and a comprehensive strategy to meet those needs in accordance with areawide development planning and national urban growth policy
- describes a program to eliminate or prevent slums, blight, and deterioration and to provide improved community facilities and improvements including supporting social and health services
- contains a housing assistance plan, and
- complies with civil rights legislation and provides adequate citizen participation.

### Review of Applications

- Applications are deemed approved after 75 days unless HUD issues notification to the contrary. Applications from metropolitan cities and urban counties must be approved unless they describe needs and objectives plainly inconsistent with generally available information or propose ineligible activities or activities which are plainly inappropriate to meet identified needs and objectives.
- HUD will review programs at least annually and may make adjustments where recipients fail to carry out programs or conform to law or do not have the capacity to carry out programs in a timely manner.

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- Environmental factors must be taken into consideration but impact statements are not required in the application process. Recipients must certify they have prepared NEPA type statements before funds for various projects are released.

#### Fund Distribution and Allocation

- Distribution: 80 percent to metropolitan areas, 20 percent to non-metropolitan areas.
- Allocation formula: Based on population, amount of housing over-crowding, and extent of poverty (counted twice).
- Effect of prior funding levels: Cities and counties that have been receiving a higher level of funding under prior programs will continue to receive this higher level (will be "held harmless") during the first three years. In the next three years, the excess over formula entitlement will be phased out by thirds. Cities receiving a lower level of funding under prior programs will be phased in by thirds over the first three years. Former recipients of model cities grants will receive the full model cities "hold harmless" amount up to the equivalent of five programs years plus a declining percentage (80, 60, 40) of the full amount in the three years following the fifth action year.

Smaller communities that have no formula entitlement but that have been participating in model cities, urban renewal, or code enforcement programs, will receive the same "hold harmless" treatment.

Communities without formula entitlement and not otherwise receiving community development funds can apply for assistance from funds not committed to entitlement payments.

Two percent of each year's funds will be set aside for a national "discretionary" fund to be used for various purposes including correcting inequities and for aiding communities affected by disasters.

State Development Corporations. Subject to an appropriations act, Title VIII of the Act authorizes HUD to guarantee, up to \$500 million, taxable borrowings of State housing and development agencies for use in slum area revitalization and to make interest differential payments of the taxable borrowings of such agencies.

#### Better Housing for More American Families

##### Making it Easier on Homebuyers to Obtain Mortgages Involving Federal Programs

The Federal Government has long pursued policies designed to insure that homebuyers have an adequate supply of mortgage credit repayable over an extended term at reasonable interest rates. To increase the availability of mortgage credit, the Act provides authority to

- extend all of the unsubsidized FHA mortgage insurance programs until June 30, 1977 (in lieu of the usual one-year extensions)
- substantially increase the size of mortgages that can be insured by FHA -- from \$33,000 to \$45,000 for single-family homes

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- substantially increase the size of mortgage loans by savings and loan associations -- from \$45,000 to \$55,000 for single family homes
- substantially increase the size of mortgage loans that can be purchased by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) -- from \$35,000 to \$55,000 for single-family homes
- increase the size of mortgage loans that can be purchased by the Government National Mortgage Association (Ginnie Mae) from \$33,000 to \$38,000 for single family homes
- lower the downpayments required on FHA-insured mortgages -- from \$3450 to \$1750 on a \$35,000 home -- and mortgage loans that can be purchased by Fannie Mae, Freddie Mac and Ginnie Mae
- increase the size of mortgages and extend the maturities for FHA-insured mobile home loans and property improvement loans and increase the mortgage amount of property improvement loans made by S&Ls
- permit experimental mortgages with amortization payments increasing as family incomes are expected to rise over the course of the mortgages, and
- authorize institution of a program of co-insurance with private lenders to cut the red tape of FHA processing.

#### Assisting Lower-Income Families to Obtain Decent Housing

Last September, direct cash assistance was identified as the most promising approach for meeting the housing needs of our lower-income families. Congress was asked for, and the Act contains authority to, expand experimental housing allowance programs and to put into place appropriate measuring mechanisms.

At that time the need for a limited construction program was stress -- the Section 23 leased housing program -- and the Secretary of Housing and Urban Development was urged to eliminate abuses from that program to bring it in line as closely as possible with direct cash assistance approach. In addition to a number of administrative steps that have been taken, the Act establishes a new Section 8 program of housing assistance for lower-income families which authorizes the Federal Government to pay, with respect to over 400,000 units of existing, substantially rehabilitated or new housing, the difference between (i) the fair market rent and (ii) a portion of such rent -- between 15 and 25% of his gross income -- affordable by the tenant. This program should have the following advantages over the old subsidized programs:

- costs can be better controlled through the use of market-determined rents, competition between private developers and local housing authorities, payments only for units which are occupied and a twenty-year subsidy term
- the lowest-income families can be reached since the formula will always pay the difference between what the family can afford and what it costs to rent the unit

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- "projectitis" will be reduced and freedom of choice will be enhanced because tenants are free to negotiate with particular landlords, and HUD is authorized to give priority to developers who put fewer than 20% of their units in a project under subsidy.
- a better selection of sites will be available since both private developers and local housing authorities will be seeking sites to offer
- maintenance and operation will be improved because most units will be the responsibility of private owners, there is no special tax treatment encouraging owners to abandon the property and in some cases the presence of non-subsidized tenants will compel better maintenance and operation.

Authority to insure mortgages under the Section 235 interest subsidy home-ownership program and the Section 236 interest subsidy rental program was extended to June 30, 1976. HUD is expected to approve Section 236 projects when a community has identified its special housing needs and demonstrated that these needs cannot be met through the new Section 8 program of housing assistance for lower-income families. The Act would reestablish the old Section 202 program of direct loans for elderly projects but only to the extent approved in appropriation acts.

The Act would authorize HUD to transfer HUD-held properties to communities for use in urban homesteading programs.

#### Improving the Operation of Existing Public Housing Projects

The operation of existing public housing needs substantial improvement in many situations. Title II makes a start in this direction by provisions

- authorizing funding of over \$400 million for modernization of projects
- authorizing increased operating subsidies up to \$500 million for this fiscal year
- establishing the principle that all tenants must pay some rent
- authorizing housing authorities to establish a "mix" of tenant incomes so that the aggregate rent paid to the authority equals 20% of aggregate tenant income
- permitting the establishment of prototype cost standards.

#### Prohibiting Sex Discrimination

The Act would prohibit discrimination in housing and mortgage credit lending on the basis of sex and require lenders to consider more income of a spouse.

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Mobile Home Standards

In order to reduce the number of personal injuries and deaths and the amount of insurance costs and property damage resulting from mobile home accidents and to improve the quality and durability of mobile homes, the Act would provide that HUD, after consultation with the Consumer product Safety Commission, is authorized to issue national standards with respect to the safety, quality and durability of mobile homes, to enforce such standards and to require the repair of defects.

Other Important Provisions

The Act contains a number of additional provisions, including amending the Section 701 comprehensive planning program, the new communities program and several sections relating to rural housing, establishing a National Institute of Building Sciences to develop and evaluate criteria for housing and building regulations, authorizing a solar energy demonstration program and directing the study of possible abuses in condominium and co-operative housing.

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