

## Public Law 90-448

August 1, 1968  
[S. 3497]

## AN ACT

To assist in the provision of housing for low and moderate income families, and to extend and amend laws relating to housing and urban development.

Housing and  
Urban Develop-  
ment Act of 1968.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled.* That this Act may be cited as the "Housing and Urban Development Act of 1968".

## DECLARATION OF POLICY

63 Stat. 413.  
42 USC 1441.

SEC. 2. The Congress affirms the national goal, as set forth in section 2 of the Housing Act of 1949, of "a decent home and a suitable living environment for every American family".

The Congress finds that this goal has not been fully realized for many of the Nation's lower income families; that this is a matter of grave national concern; and that there exist in the public and private sectors of the economy the resources and capabilities necessary to the full realization of this goal.

The Congress declares that in the administration of those housing programs authorized by this Act which are designed to assist families with incomes so low that they could not otherwise decently house themselves, and of other Government programs designed to assist in the provision of housing for such families, the highest priority and emphasis should be given to meeting the housing needs of those families for which the national goal has not become a reality; and in the carrying out of such programs there should be the fullest practicable utilization of the resources and capabilities of private enterprise and of individual self-help techniques.

## JOBS IN HOUSING; EMPLOYMENT OPPORTUNITIES FOR LOWER INCOME PERSONS IN CONNECTION WITH ASSISTED PROJECTS

Post, pp. 477,  
498.  
75 Stat. 150.  
12 USC 1715f.  
50 Stat. 888.  
42 USC 1430.  
79 Stat. 451.  
12 USC 1749aa  
note.

SEC. 3. In the administration of the programs authorized by sections 235 and 236 of the National Housing Act, the below-market interest rate program under section 221(d)(3) of such Act, the low-rent public housing program under the United States Housing Act of 1937, and the rent supplement program under section 101 of the Housing and Urban Development Act of 1965, the Secretary of Housing and Urban Development shall—

(1) require, in consultation with the Secretary of Labor, that to the greatest extent feasible opportunities for training and employment arising in connection with the planning, construction, rehabilitation, and operation of housing assisted under such programs be given to lower income persons residing in the area of such housing; and

(2) require, in consultation with the Administrator of the Small Business Administration, that to the greatest extent feasible contracts for work to be performed pursuant to such programs shall, where appropriate, be awarded to business concerns, including but not limited to individuals or firms doing business in the fields of design, architecture, building construction, rehabilitation, maintenance, or repair, located in or owned in substantial part by persons residing in the area of such housing.

amendment  
2/15/24

## IMPROVED ARCHITECTURAL DESIGN IN GOVERNMENT HOUSING PROGRAMS

SEC. 4. The Congress finds that Federal aids to housing have not contributed fully to improvement in architectural standards. This objective has been contemplated in Federal housing legislation since the establishment of mortgage insurance through the Federal Housing Administration.

The Congress commends the Department of Housing and Urban Development for its recent efforts to improve architectural standards through competitive design awards and in other ways but at the same time recognizes that this important objective requires high priority if Federal aid is to make its full communitywide contribution toward improving our urban environment.

The Congress further finds that even within the necessary budget limitations on housing for low and moderate income families architectural design could be improved not only to make the housing more attractive, but to make it better suited to the needs of occupants.

The Congress declares that in the administration of housing programs which assist in the provision of housing for low and moderate income families, emphasis should be given to encouraging good design as an essential component of such housing and to developing housing which will be of such quality as to reflect its important relationship to the architectural standards of the neighborhood and community in which it is situated, consistent with prudent budgeting.

ANNUAL REPORT ON AREAS OF PROGRAM ADMINISTRATION AND  
MANAGEMENT WHICH REQUIRE IMPROVEMENT

SEC. 5. The Secretary shall, as early as practicable in the calendar year 1969 and in the calendar year 1970, make a report to the respective Committees on Banking and Currency of the House of Representatives and the Senate identifying specific areas of program administration and management which require improvement, describing actions taken and proposed for the purpose of making such improvements, and recommending such legislation as may be necessary to accomplish such improvements. Each such report shall include, but not be limited to, the following areas of program administration and management: uniformity and standardization in program requirements, simplification of program procedures, ways and means of expediting consideration of proposed projects and applications for assistance, the provision of more useful and specific assistance to communities, organizations and individuals seeking to utilize the Department's programs, and ways and means of combining or otherwise adapting the Department's programs to increase their usefulness in meeting the individual needs of applicants.

Report to congressional committees.

## TITLE I—LOWER INCOME HOUSING

## HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

SEC. 101. (a) Title II of the National Housing Act is amended by adding at the end thereof the following new section:

## "HOMEOWNERSHIP FOR LOWER INCOME FAMILIES

"SEC. 235. (a) For the purpose of assisting lower income families in acquiring homeownership or in acquiring membership in a cooperative association operating a housing project, the Secretary is authorized to make, and to contract to make, periodic assistance payments on behalf of such homeowners and cooperative members. The assistance shall

52 Stat. 9.  
12 USC 1707-  
1715y.

1400005  
2801

be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

"(b) To qualify for assistance payments, the homeowner or the cooperative member shall be of lower income and satisfy eligibility requirements prescribed by the Secretary, and—

"(1) the homeowner shall be a mortgagor under a mortgage which meets the requirements of and is insured under subsection (i) or (j) (4) of this section: *Provided*, That a mortgage meeting the requirements of subsection (i) (3) (A) of this section but insured under section 237 may qualify for assistance payments if such mortgage was executed by a mortgagor who is determined not to be an acceptable credit risk for mortgage insurance purposes (but otherwise eligible) under subsection (j) (4) of this section or under section 221(d) (2) or 234(c) and accepted as a reasonably satisfactory credit risk under section 237; or

"(2) the cooperative association of which the family is a member shall operate a housing project the construction or substantial rehabilitation of which has been financed with a mortgage insured under section 213 and which has been completed within two years prior to the filing of the application for assistance payments and the dwelling unit has had no previous occupant other than the family: *Provided*, That if the initial cooperative member receiving assistance payments transfers his membership and occupancy rights to another person who satisfies the eligibility requirements prescribed by the Secretary, such new cooperative member may qualify for assistance payments upon the filing of an application with respect to the dwelling unit involved to be occupied by him: *Provided further*, That assistance payments may be made with respect to a dwelling unit in an existing cooperative project which meets such standards as the Secretary may prescribe, if the family qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the amount of the mortgage attributable to the dwelling unit shall involve a principal obligation not in excess of \$15,000 (\$17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$17,500 and \$20,000, respectively.

"(c) The assistance payments to a mortgagee by the Secretary on behalf of a mortgagor shall be made during such time as the mortgagor shall continue to occupy the property which secures the mortgage: *Provided*, That assistance payments may be made on behalf of a homeowner who assumes a mortgage insured under subsection (j) (4) with respect to which assistance payments have been made on behalf of the previous owner, if the homeowner is approved by the Secretary as eligible for receiving such assistance. The payment shall be in an amount not exceeding the lesser of—

"(1) the balance of the monthly payment for principal, interest, taxes, insurance, and mortgage insurance premium due under the mortgage remaining unpaid after applying 20 per centum of the mortgagor's income; or

"(2) the difference between the amount of the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest which the mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

Post, p. 485.

68 Stat. 599;  
75 Stat. 160.  
12 USC 1715e,  
1715y.

64 Stat. 54.  
12 USC 1715e.

68 Stat. 599;  
80 Stat. 1317.

amended  
2/15/24



"(d) Assistance payments to a mortgagee by the Secretary on behalf of a family holding membership in a cooperative association operating a housing project shall be made only during such time as the family is an occupant of such project and shall be in amounts computed on the basis of the formula set forth in subsection (c) applying the cooperative member's proportionate share of the obligations under the project mortgage to the items specified in the formula.

"(e) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), (d), or (j) (7), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

"(f) Procedures shall be adopted by the Secretary for recertifications of the mortgagor's (or cooperative member's) income at intervals of two years (or at shorter intervals where the Secretary deems it desirable) for the purpose of adjusting the amount of such assistance payments within the limits of the formula described in subsection (c).

"(g) The Secretary shall prescribe such regulations as he deems necessary to assure that the sales price of, or other consideration paid in connection with, the purchase by a homeowner of the property with respect to which assistance payments are to be made is not increased above the appraised value on which the maximum mortgage which the Secretary will insure is computed.

"(h) (1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make the assistance payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$100,000,000 on July 1, 1969, and by \$125,000,000 on July 1, 1970.

"(2) Not more than 20 per centum of the total amount of assistance payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made on behalf of families whose incomes at the time of their initial occupancy exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7) (b) (ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the incomes of such families at the time of their initial occupancy shall in no case exceed 90 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d) (3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d) (5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for achieving homeownership with assistance under this section. The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families on behalf of which assistance payments have been made under this section.

"(3) Notwithstanding the provisions of subsections (b) (2) and (i) (3) (A) with respect to the prior construction or rehabilitation of a dwelling, or of the project in which there is a dwelling unit, for which assistance payments may be made, and notwithstanding the provisions of subsection (j) (1) authorizing the purchase of housing which is neither deteriorating nor substandard, not more than—

"(A) 25 per centum of the total amount of contracts for as-

Appropriation.

79 Stat. 457;  
63 Stat. 422.  
42 USC 1402,  
1415.

75 Stat. 150.  
12 USC 1715.

75 Stat. 152;  
79 Stat. 454.

Report to congressional committees.



sistance payments authorized by appropriation Acts to be made prior to July 1, 1969,

“(B) 15 per centum of the total additional amount of contracts for assistance payments authorized by appropriation Acts to be made prior to July 1, 1970, and

“(C) 10 per centum of the total additional amount of contracts for assistance payments authorized by appropriations Acts to be made prior to July 1, 1971,

may be made with respect to existing dwellings, or dwelling units in existing projects.

“(i) (1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage executed by a mortgagor who meets the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

“(2) To be eligible for insurance under this subsection, a mortgage shall meet the requirements of section 221(d)(2) or 234(c), except as such requirements are modified by this subsection.

“(3) A mortgage to be insured under this subsection shall—

“(A) involve a single-family dwelling which has been approved by the Secretary prior to the beginning of construction or substantial rehabilitation, or a two-family dwelling one of the units of which is to be occupied by the owner if the dwelling is purchased with the assistance of a nonprofit organization and is approved by the Secretary prior to the beginning of substantial rehabilitation, or a one-family unit in a condominium project (together with an undivided interest in the common areas and facilities serving the project) which is released from a multi-family project, the construction or substantial rehabilitation of which has been completed within two years prior to the filing of the application for assistance payments with respect to such family unit and the unit has had no previous occupant other than the mortgagor: *Provided*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project which meets such standards as the Secretary may prescribe, if the mortgagor qualifies as a displaced family as defined in section 221(f), or a family which includes five or more minor persons, or a family occupying low-rent public housing: *Provided further*, That the mortgage may involve an existing dwelling or a family unit in an existing condominium project if assistance payments have been made on behalf of the previous owner of the dwelling or family unit with respect to a mortgage insured under subsection (j)(4): *Provided further*, That the mortgage may involve a dwelling unit in an existing project covered by a mortgage insured under section 236 or in an existing project receiving the benefits of financial assistance under section 101 of the Housing and Urban Development Act of 1965;

“(B) where it is to cover a one-family unit in a condominium project, have a principal obligation not exceeding \$15,000 (\$17,500 in any geographical area where the Secretary authorizes an increase on the basis of a finding that cost levels so require), except that with respect to any family with five or more persons the foregoing limits shall be \$17,500 and \$20,000, respectively; and

“(C) be executed by a mortgagor who shall have paid (i) in the case of any family whose income is not in excess of 135 per centum of the maximum income limits which can be established

68 Stat. 599;  
75 Stat. 160.  
12 USC 1715f,  
1715y.

68 Stat. 599;  
80 Stat. 1317.

Post, p. 498.

79 Stat. 451.  
12 USC 1701s.

in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7)(b)(ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, at least \$200, or (ii) in the case of any other family, at least 3 per centum (or such larger amount as the Secretary may require) of the Secretary's estimate of the cost of acquisition, which amount (in cash or its equivalent) in either instance may be applied for the payment of settlement costs and initial payments for taxes, hazard insurance, mortgage insurance premiums, and other prepaid expenses.

79 Stat. 457;  
63 Stat. 422.  
42 USC 1402,  
1415.

“(j) (1) In addition to mortgages insured under the provisions of subsection (i), the Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances under such mortgage during rehabilitation) which is executed by a nonprofit organization or public body or agency to finance the purchase of housing, and the rehabilitation of such housing if it is deteriorating or substandard, for subsequent resale to lower income home purchasers who meet the eligibility requirements for assistance payments prescribed by the Secretary under subsection (b). Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe.

“(2) To be eligible for insurance under paragraph (1) of this subsection, a mortgage shall—

“(A) be executed by a private nonprofit organization or public body or agency, approved by the Secretary, for the purpose of financing the purchase (with the intention of subsequent resale), and rehabilitation where the housing involved is deteriorating or substandard, of property comprising one or more tracts or parcels, whether or not contiguous, consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established; except that in a case not involving the rehabilitation of deteriorating or substandard housing the property purchased may consist of one or more such dwellings or units;

“(B) be in a principal amount not exceeding the appraised value of the property at the time of its purchase under the mortgage plus the estimated cost of any rehabilitation;

“(C) bear interest (exclusive of premium charges for insurance and service charge, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market;

“(D) provide for complete amortization (subject to paragraph (4)(E)) by periodic payments within such term as the Secretary may prescribe; and

“(E) provide for the release of individual single-family dwellings from the lien of the mortgage upon their sale in accordance with paragraph (4).

“(3) No mortgage shall be insured under paragraph (1) unless the mortgagor shall have demonstrated to the satisfaction of the Secretary that (A) the property involved is located in a neighborhood which is sufficiently stable and contains sufficient public facilities and amenities to support long-term values, or (B) the purchase or rehabilitation of such property plus the mortgagor's related activities and the activities of other owners of housing in the neighborhood, together with actions to be taken by public authorities, will be of such scope

and quality as to give reasonable promise that a stable environment will be created in the neighborhood.

"(4) (A) No mortgage shall be insured under paragraph (1) unless the mortgagor enters into an agreement, satisfactory to the Secretary, that it will offer to sell the dwellings involved, after purchase and upon completion of any rehabilitation, to lower income individuals or families meeting the eligibility requirements established by the Secretary under subsection (b).

"(B) The Secretary is authorized to insure under this paragraph mortgages executed to finance the sale of individual dwellings to lower income purchasers as provided in subparagraph (A). Any such mortgage shall—

"(i) be in a principal amount not in excess of that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the individual dwelling involved;

"(ii) bear interest at the same rate as the blanket mortgage; and

"(iii) provide for complete amortization by periodic payments within a term equal to the remaining term (determined without regard to subparagraph (E)) of such blanket mortgage.

"(C) The price for which any individual dwelling is sold under this paragraph shall be in an amount equal to that portion of the unpaid principal balance of the blanket mortgage covering the property which is allocable to the dwelling plus such additional amount, not less than \$200 (which may be applied in whole or in part toward closing costs and may be paid in cash or its equivalent), as the Secretary may determine to be reasonable.

"(D) Upon the sale under this paragraph of any individual dwelling, such dwelling shall be released from the lien of the blanket mortgage. Until all of the individual dwellings in the property covered by the blanket mortgage have been sold, the mortgagor shall hold and operate the dwellings remaining unsold at any given time, in such manner and under such terms as the Secretary may prescribe, as though they constituted rental units.

"(E) Upon the sale under this paragraph of all the individual dwellings in the property covered by the blanket mortgage and the release of all individual dwellings from the lien of the blanket mortgage, the insurance of the blanket mortgage shall be terminated and no adjusted premium charge shall be charged by the Secretary upon such termination.

Definitions.

"(5) Where the Secretary has approved a plan of family unit ownership the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', and 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(6) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (5)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner.

"(7) In addition to the assistance payments authorized under subsection (b), the Secretary may make such payments to a mortgagee on behalf of a nonprofit organization or public body or agency which is a mortgagor under the provisions of paragraph (1) in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage and the monthly payment for



principal and interest such mortgagor would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

“(8) A mortgage covering property which is not deteriorating or substandard may be insured under this subsection only if it is situated in an area in which mortgages may be insured under section 221(h). *Infra.*

“(k) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make assistance payments as approved in appropriation Acts under subsection (h) (1).

“(1) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to \$300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family.”

(b) (1) Section 221(d) (2) (A) of the National Housing Act is amended— 75 Stat. 149;  
80 Stat. 1268.  
12 USC 1715l.

(A) by striking out “not to exceed (i) \$12,500” and inserting in lieu thereof “not to exceed (i) \$15,000 (or \$17,500, if the mortgagor’s family includes five or more persons)”; and

(B) by striking out “not to exceed \$15,000” in the second proviso and inserting in lieu thereof “not to exceed \$17,500 (or \$20,000 if the mortgagor’s family includes five or more persons)”.

(2) Section 221(d) (2) (B) of such Act is amended—

(A) by inserting “, in cash or its equivalent” before the semicolon after “acquisition cost” in the first proviso; and

(B) by inserting before the semicolon after “appraised value” at the end thereof the following: “: *Provided further*, That, if the mortgagor is the owner and an occupant of the property, such mortgagor shall to the maximum extent feasible be given the opportunity to contribute the value of his labor as equity in such dwelling”.

(c) (1) Section 221(h) (5) (B) (ii) of such Act is amended to read as follows: 80 Stat. 1269.

“(ii) bear interest at the same rate as the principal mortgage or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the purchaser’s income is sufficiently low to justify the lower rate, and provide for complete amortization within a term equal to the remaining term (determined without regard to subparagraph (E)) of such principal mortgage: *Provided*, That, if the rate of interest initially prescribed is less than the rate borne by the principal mortgage and the purchaser’s income (as determined on the basis of periodic review) subsequently rises, the rate of interest so prescribed shall be increased (but not above the rate borne by such principal mortgage), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide.”

“(2) Section 221(h) (4) of such Act is amended by striking out “\$20,000,000” and inserting in lieu thereof “\$50,000,000”.

(3) Section 221(h) of such Act is further amended by adding at the end thereof the following new paragraph:

“(6) In addition to the mortgages that may be insured under paragraphs (1) and (5), the Secretary is authorized to insure under this subsection at any time within one year after the date of the enactment of this paragraph, upon such terms and conditions as he may prescribe,

mortgages which are executed by individuals or families that meet the income criteria prescribed in paragraph (5) (A) and are executed for the purpose of financing the rehabilitation or improvement of single-family dwellings of detached, semidetached, or row construction that are owned and occupied in each instance by a mortgagor who has purchased the dwelling from a nonprofit organization of the type described in this subsection. To be eligible for such insurance, a mortgage shall—

“(A) be in a principal amount not exceeding the lesser of \$15,000 or the sum of the estimated cost of repair and rehabilitation and the Secretary’s estimate of the value of the property before repair and rehabilitation, except that in no case involving refinancing shall such mortgage exceed such estimated cost of repair and rehabilitation and the amount (as determined by the Secretary) required to refinance existing indebtedness secured by the property;

“(B) bear interest (exclusive of premium charges for insurance and service charge, if any) at 3 per centum per annum or such lower rate, not less than 1 per centum, as the Secretary may prescribe if in his judgment the mortgagor’s income is sufficiently low to justify the lower rate: *Provided*, That, if the rate of interest initially prescribed is less than 3 per centum per annum and the mortgagor’s income (as determined on the basis of periodic review) subsequently rises, the rate shall be increased (but not above 3 per centum), under regulations of the Secretary, to the extent appropriate to reflect the increase in such income, and the mortgage shall so provide;

“(C) involve a mortgagor that shall have paid on account of the property at the time of the rehabilitation such amount (which shall not be less than \$200 in cash or its equivalent, but which may be applied in whole or in part toward closing costs) as the Secretary may determine to be reasonable and appropriate under the circumstances; and

“(D) contain a provision that, if the low-income mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for insurance of the mortgage; except that the increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit organization which has been engaged in purchasing and rehabilitating deteriorating and substandard housing with financing under a mortgage insured under paragraph (1) of this subsection, (ii) a public housing agency having jurisdiction under the United States Housing Act of 1937 over the area where the dwelling is located, or (iii) a low-income purchaser approved for the purposes of this paragraph by the Secretary.”

(4) The purchase of any individual dwelling, sold by a nonprofit organization pursuant to the provisions of section 221(h)(5) of the National Housing Act after the date of enactment of this section, may be financed with a mortgage insured under the provisions of section 235(j)(4) of such Act, but such mortgage shall bear interest at the rate provided in section 235(j)(2)(C) of such Act.

(d) Section 212(a) of such Act is amended by inserting “or section 235(j)(1)” after “subsection (h)(1)” each place it appears.

(e) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling

50 Stat. 888.  
42 USC 1430.

80 Stat. 1269.  
12 USC 1715i.

Ante, p. 477.

53 Stat. 807;  
80 Stat. 1270.  
12 USC 1715c.  
Counseling  
services.

services to mortgagors whose mortgages are insured under section 235(i) or 235(j) (4) of the National Housing Act as he determines to be necessary to assist such mortgagors in meeting the responsibilities of homeownership. There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this subsection.

*Ante*, p. 477.

Appropriation.

#### CREDIT ASSISTANCE

SEC. 102. (a) Title II of the National Housing Act is amended by adding after section 236 (as added by section 201 of this Act) the following new section:

12 USC 1707-1715y.

#### "SPECIAL MORTGAGE INSURANCE ASSISTANCE

"SEC. 237. (a) The purpose of this section is to help provide adequate housing for families of low and moderate income, including those who, for reasons of credit history, irregular income patterns caused by seasonal employment, or other factors, are unable to meet the credit requirements of the Secretary for the purchase of a single-family home financed by a mortgage insured under section 203, 220, 221, 234, or 235(j) (4), but who, through the incentive of homeownership and counseling assistance, appear to be able to achieve homeownership.

12 USC 1709, 1715k, 1715l, 1715y; *Ante*, p. 477.

"(b) The Secretary is authorized upon application by the mortgagee to insure under this section any mortgage meeting the requirements of this section.

"(c) To be eligible for insurance under this section, a mortgage shall—

"(1) meet the requirements of section 203 (except subsection (m)), 220(d) (3) (A), 221(d) (2), 221(h) (5), 221(i), 234(c), or 235(j) (4), except as such requirements are modified by this section;

"(2) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed \$15,000: *Provided*, That the Secretary may increase the amount to not exceed \$17,500 in any geographical area where he finds that cost levels so require: *Provided further*, That no mortgage meeting the requirements of section 203(h) or 203(i) shall be eligible for insurance under this section if its principal obligation is in excess of the maximum limits prescribed in such section;

"(3) be executed by a mortgagor who the Secretary has determined, after a full and complete study of the case, would not be an acceptable credit risk for mortgage insurance purposes under sections 203, 220, 221, 234, or 235(j) (4), because of his credit standing, debt obligations, total annual income, or income characteristics, but who the Secretary is satisfied would be a reasonably satisfactory credit risk, consistent with the objectives stated in subsection (a), if he were to receive budget, debt management, and related counseling: *Provided*, That, in determining whether the mortgagor is a reasonably satisfactory credit risk, the Secretary shall review the credit history of the applicant giving special consideration to those delinquent accounts which were ultimately paid by the applicant and to extenuating factors which may have caused credit accounts of the applicant to become delinquent; and the Secretary shall also give special consideration to income characteristics of applicants whose total income over the two years prior to their applications has remained at levels of eligibility (as required under paragraph (4) of this subsection), but who,



because of the character of their seasonal employment or for other reasons, have not maintained continuous employment under one employer during that time; and

“(4) require monthly payments which, in combination with local real estate taxes on the property involved, do not exceed 25 per centum of the applicant's income, based on his average monthly income during the year prior to his application or the average monthly income during the three years prior to his application, whichever is higher.

Application  
preferences.

“(d) The Secretary shall give preference in approving mortgage insurance applications under this section to families living in public housing units, especially those families required to leave public housing because their incomes have risen beyond the maximum prescribed income limits, and families eligible for residence in public housing who have been displaced from federally assisted urban renewal areas.

Counseling  
services.

“(e) The Secretary is authorized to provide, or contract with public or private organizations to provide, such budget, debt management, and related counseling services to mortgagors whose mortgages are insured under this section as he determines to be necessary to meet the objectives of this section. The Secretary may also provide such counseling to otherwise eligible families who lack sufficient funds to supply a down payment to help them to save an amount necessary for that purpose.

“(f) The aggregate principal balance of all mortgages insured under this section and outstanding at one time shall not exceed \$200,000,000.

Appropriation.

“(g) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of subsection (e) of this section.”

68 Stat. 607.  
12 USC 1715g.

(b) Section 226 of the National Housing Act is amended by inserting “235(i), 237,” after “234.”

#### RELAXATION OF MORTGAGE INSURANCE REQUIREMENTS IN CERTAIN URBAN NEIGHBORHOODS

68 Stat. 605.  
12 USC 1715n.

SEC. 103. (a) Section 223 of the National Housing Act is amended by adding at the end thereof a new subsection as follows:

53 Stat. 807.  
12 USC 1715c.

“(e) Notwithstanding any of the provisions of this title except section 212, and without regard to limitations upon eligibility contained in any section of this title, the Secretary is authorized, upon application by the mortgagee, to insure under any section of this title a mortgage executed in connection with the repair, rehabilitation, construction, or purchase of property located in an older, declining urban area in which the conditions are such that one or more of the eligibility requirements applicable to the section of this title under which insurance is sought could not be met, if the Secretary finds that (1) the area is reasonably viable, giving consideration to the need for providing adequate housing for families of low and moderate income in such area, and (2) the property is an acceptable risk in view of such consideration. The insurance of a mortgage pursuant to this subsection shall be the obligation of the Special Risk Insurance Fund.”

Repeal.  
80 Stat. 1266.  
12 USC 1709.

(b) Section 203(l) of such Act is repealed.

#### SPECIAL RISK INSURANCE FUND

12 USC 1707-  
1715y.

SEC. 104. (a) Title II of the National Housing Act is amended by adding after section 237 (as added by section 102 of this Act) the following new section:

## "PAYMENT OF INSURANCE—SPECIAL RISK INSURANCE FUND

"SEC. 238. (a) (1) Any mortgagee under a mortgage insured under section 235(i), 235(j) (4), or 237 shall be entitled to receive the benefits of the insurance as provided in section 204(a) with respect to mortgages insured under section 203. The provisions of subsections (b), (c), (d), (g), (j), and (k) of section 204 shall be applicable to mortgages insured under section 235(i), 235(j) (4), or 237, except that all references therein to the 'Mutual Mortgage Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund', and all references therein to section 203 shall be construed to refer to section 235(i), 235(j) (4), or 237, as may be appropriate.

*Ante*, pp. 477,  
485.  
12 USC 1710.  
12 USC 1709.

"(2) Any mortgagee under a mortgage insured under section 235(j) (1) or 236 shall be entitled to receive the benefits of insurance as provided in section 207(g) with respect to mortgages insured under section 207. The provisions of subsections (d), (e), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to mortgages insured under section 235(j) (1) or 236, except that all references therein to the 'General Insurance Fund' shall be construed to refer to the 'Special Risk Insurance Fund' and the premium charge provided in section 207(d) shall be payable only in cash or debentures of the Special Risk Insurance Fund.

*Post*, p. 498.

52 Stat. 9.  
12 USC 1713.

"(3) In lieu of the amount of insurance benefits computed pursuant to paragraph (1) or (2) of this subsection the Secretary, in his discretion and in accordance with such regulations as he may prescribe, may (with respect to any mortgage loan acquired by him) compute and pay insurance benefits to the mortgagee in a total amount equal to the unpaid principal balance of the loan plus any accrued interest and any advances approved by the Secretary and made previously by the mortgagee under the provisions of the mortgage.

"(b) There is hereby created a Special Risk Insurance Fund (hereinafter referred to as the 'fund') which shall be used by the Secretary as a revolving fund for carrying out the mortgage insurance obligations of sections 223(e), 233(a) (2), 235, 236, and 237, and the Secretary is hereby authorized to advance to the fund the sum of \$5,000,000 from the General Insurance Fund established pursuant to the provisions of section 519. Such advance shall be repayable at such times and at such rates of interest as the Secretary deems appropriate. Premium charges, adjusted premium charges, inspection and other fees, service charges, and any other income received by the Secretary under sections 223(e), 233(a) (2), 235, 236, and 237, together with all earnings on the assets of the fund, shall be credited to the fund. All payments made pursuant to claims of mortgagees with respect to mortgages insured under sections 233(a) (2), 235, 236, and 237 or pursuant to section 223(e), cash adjustments, the principal of and interest paid on debentures which are the obligation of the fund, expenses incurred in connection with or as a consequence of the acquisition and disposal of property acquired under such sections, and all administrative expenses in connection with the mortgage insurance operations under such sections shall be paid out of the fund. There is authorized to be appropriated such sums as may be needed from time to time to cover losses sustained by the fund in carrying out the mortgage insurance obligations of sections 223(e), 233(a) (2), 235, 236, and 237. Moneys in the fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed by, the United States. The Secretary, with the approval of the Secretary of the Treasury, may purchase in the open

*Ante*, p. 486;  
*Post*, p. 496.

79 Stat. 471.  
12 USC 1735c.

market debentures which are the obligation of the fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtained from other investments authorized by this section. Debentures so purchased shall be canceled and not reissued."

68 Stat. 606.  
12 USC 1715o.

(b) Section 224 of such Act is amended by striking out "or section 233" and inserting in lieu thereof "section 233, or section 238".

79 Stat. 472.  
12 USC 1735c.

(c) Section 519(e) of such Act is amended by inserting after "section 213(k)" the following: ", or the provisions of sections 223(e), 233(a) (2), 235, 236 and 237".

#### CONDOMINIUM AND COOPERATIVE OWNERSHIP FOR LOW AND MODERATE INCOME FAMILIES

68 Stat. 599.  
12 USC 1715f.

SEC. 105. (a) Section 221 of the National Housing Act is amended by adding at the end thereof two new subsections as follows:

"(i) (1) The Secretary is authorized, with respect to any project involving a mortgage insured under subsection (d) (3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), to permit a conversion of the ownership of such project to a plan of family unit ownership. Under such plan, each family unit shall be eligible for individual ownership and provision shall be included for the sale of the family units, together with an undivided interest in the common areas and facilities which serve the project, to low or moderate income purchasers. The Secretary shall obtain such agreements as he determines to be necessary to assure continued maintenance of the common areas and facilities. Upon such sale, the family unit and the undivided interest in the common areas shall be released from the lien of the project mortgage.

"(2) (A) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection mortgages financing the purchase of individual family units under the plan prescribed in paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) be executed by a mortgagor having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at the below-market rate prescribed in the proviso of subsection (d) (5);

"(ii) involve a principal obligation (including such initial service charges, and such appraisal, inspection, and other fees, as the Secretary shall approve) in an amount not to exceed the Secretary's estimate of the appraised value of the family unit, including the mortgagor's interest in the common areas and facilities, as of the date the mortgage is accepted for insurance;

"(iii) bear interest at a rate determined by the Secretary (which may vary in accordance with the regulations of the Secretary promulgated pursuant to the last sentence of paragraph (4) of this subsection) but not less than the below-market rate in effect under the proviso of subsection (d) (5) at the date of the commitment for insurance; and

"(iv) provide for complete amortization by periodic payments within such term as the Secretary may prescribe, but not to exceed the lesser of forty years from the beginning of amortization of the mortgage or three-quarters of the Secretary's estimate of the remaining economic life of the building improvements.



"(B) The price for which the individual family unit is sold to the low or moderate income purchaser shall not exceed the appraised value of the property, as determined under subparagraph (A) (ii), except that the purchaser shall be required to pay on account of the property at the time of purchase at least such amount, in cash or its equivalent (which shall be not less than 3 per centum of such price, but which may be applied in whole or in part toward closing costs), as the Secretary may determine to be reasonable and appropriate.

"(3) Upon the sale of all of the family units covered by the project mortgage, and the release of all of the family units (including the undivided interest allocable to each unit in the common areas and facilities) from the lien of the project mortgage, the insurance of the project mortgage shall be terminated and no adjusted premium charge shall be collected by the Secretary upon such termination.

"(4) Any mortgage covering an individual family unit insured under this subsection shall contain a provision that, if the original mortgagor does not continue to occupy the property, the interest rate shall increase to the highest rate permissible under this section and the regulations of the Secretary effective at the time the commitment was issued for the insurance of the project mortgage; except that the requirement for an increase in interest rate shall not be applicable if the property is sold and the purchaser is (i) a nonprofit purchaser approved by the Secretary, or (ii) a low or moderate income purchaser who has an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at the below-market rate prescribed in the proviso of subsection (d) (5). The mortgage shall also contain a provision that, if the Secretary determines that the annual income of the original mortgagor (or a purchaser described in clause (ii) of the preceding sentence) has increased to an amount enabling payment of a greater rate of interest, the interest rate of the individual mortgage may be increased up to the highest rate permissible under the regulations of the Secretary for mortgages insured under this section, effective at the time the commitment was issued for the insurance of the mortgage.

Interest rate,  
increase.

"(5) For the purpose of this subsection—

"(i) the term 'mortgage', when used in relation to a mortgage insured under paragraph (2) of this subsection, includes a first mortgage given to secure the unpaid purchase price of a fee interest in, or a long-term lease-hold interest in, a one-family unit in a multifamily project and an undivided interest in the common areas and facilities which serve the project; and

"Mortgage."

"(ii) the term 'common areas and facilities' includes the land and such commercial, community, and other facilities as are approved by the Secretary.

"Common areas  
and facilities."

"(j) (1) The Secretary is authorized, with respect to any rental project involving a mortgage insured under subsection (d) (3) which bears interest at the below-market interest rate prescribed in the proviso of subsection (d) (5), to permit a conversion of the ownership of such project to a cooperative approved by the Secretary. Membership in such cooperative shall be made available only to those families having an income within the limits prescribed by the Secretary for occupants of projects financed with a mortgage insured under subsection (d) (3) which bears interest at such below-market rate: *Provided*, That families residing in the rental project at the time of its conversion to a cooperative who do not meet such income limits may be permitted to become members in the cooperative under such special terms and conditions as the Secretary may prescribe.

Cooperative  
ownership, con-  
version.

Cooperative  
mortgages, in-  
surance.

"(2) The Secretary is authorized, upon application by the mortgagee, to insure under this subsection cooperative mortgages financing the purchase of projects meeting the requirements of paragraph (1). Commitments may be issued by the Secretary for the insurance of such mortgages prior to the date of their execution or disbursement thereon, upon such terms and conditions as the Secretary may prescribe. To be eligible for such insurance, the mortgage shall—

"(i) involve a principal obligation (including such initial service charges and appraisal, inspection, and other fees as the Secretary shall approve) in an amount not exceeding the appraised value of the property for continued use as a cooperative, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after the payment of all operating expenses, taxes, and required reserves;

"(ii) bear interest at the below-market rate prescribed in the proviso of subsection (d) (5); and

"(iii) provide for complete amortization within such term as the Secretary may prescribe."

68 Stat. 599.  
12 USC 1715l.

(b) Section 221 (g) (1) of such Act is amended by striking out "or paragraph (5) of subsection (h) of this section" and inserting in lieu thereof "paragraph (5) of subsection (h) of this section, or paragraph (2) of subsection (i) of this section".

(c) Section 221 (g) (2) of such Act is amended by striking out "or paragraph (1) of subsection (h)" and inserting in lieu thereof "paragraph (1) of subsection (h) of this section, or paragraph (2) of subsection (j)".

(d) Section 221 (f) of such Act is amended by inserting after "subsection (h)" in the third sentence of the second paragraph the following: ", (i), or (j)".

#### ASSISTANCE TO NONPROFIT SPONSORS OF LOW AND MODERATE INCOME HOUSING

SEC. 106. (a) The Secretary of Housing and Urban Development is authorized to provide, or contract with public or private organizations to provide, information, advice, and technical assistance with respect to the construction, rehabilitation, and operation by nonprofit organizations of housing for low or moderate income families. Assistance by the Secretary may include—

(1) the assembly, correlation, publication, and dissemination of information with respect to the construction, rehabilitation, and operation of low and moderate income housing, and

(2) the provision of advice and technical assistance with respect to the construction, rehabilitation, and operation of low and moderate income housing.

Loans.

(b) (1) The Secretary is authorized to make loans to nonprofit organizations for the necessary expenses, prior to construction, in planning, and obtaining financing for, the rehabilitation or construction of housing for low or moderate income families under any federally assisted program. Such loans shall be made without interest and shall not exceed 80 per centum of the reasonable costs expected to be incurred in planning, and in obtaining financing for, such housing prior to the availability of financing, including, but not limited to, preliminary surveys and analyses of market needs, preliminary site engineering and architectural fees, site acquisition, application and mortgage commitment fees, and construction loan fees and discounts. The Secretary shall require repayment of loans made under this subsection, under

such terms and conditions as he may require, upon completion of the project or sooner, and may cancel any part or all of a loan if he determines that it cannot be recovered from the proceeds of any permanent loan made to finance the rehabilitation or construction of the housing.

(2) The Secretary shall determine prior to the making of any loan that the nonprofit organization meets such requirements with respect to financial responsibility and stability as he may prescribe.

(3) There are authorized to be appropriated for the purposes of this subsection not to exceed \$7,500,000 for the fiscal year ending June 30, 1969, and not to exceed \$10,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year.

Appropriation.

(4) All funds appropriated for the purposes of this subsection shall be deposited in a fund which shall be known as the Low and Moderate Income Sponsor Fund, and which shall be available without fiscal year limitation and be administered by the Secretary as a revolving fund for carrying out the purposes of this subsection. Sums received in repayment of loans made under this subsection shall be deposited in such fund.

Low and Moderate Income Sponsor Fund.

#### NATIONAL HOMEOWNERSHIP FOUNDATION

SEC. 107. (a)(1) There is hereby created a body corporate to be known as the "National Homeownership Foundation" (hereinafter referred to as the "Foundation") to carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels to provide increased homeownership and housing opportunities in urban and rural areas for lower income families through such means as—

(A) encouraging the investment in, and sponsoring of, housing for lower income families;

(B) encouraging the establishment of programs of assistance and counseling to lower income families to enable them better to achieve and afford adequate housing;

(C) providing a broad range of technical assistance through publications and advisory services to public and private organizations which are carrying out, or are desirous of carrying out, programs to expand homeownership and housing opportunities for lower income families; and

(D) providing grants and loans to public and private organizations carrying out homeownership and housing opportunity programs for lower income families to help cover some of the expenses of such programs.

(2) The Foundation shall be deemed to be a corporation without members organized and established under the provisions of the District of Columbia Nonprofit Corporation Act, with all the rights, powers, and responsibilities thereof except as limited by this section and any amendments thereto. This section shall constitute the articles of incorporation and charter of the Foundation, which shall not be an agency or instrumentality of the United States Government. The Congress expressly reserves the exclusive right to alter or amend this charter. The Foundation shall have succession until dissolved by Act of Congress. The Foundation shall maintain its principal office in the District of Columbia.

(3) No part of the net earnings of the Foundation shall inure to the benefit of any private person, and no substantial part of its activities shall be devoted to attempting to influence legislation. The Founda-

76 Stat. 265.  
D.C. Code 29-1001.

Administration as a charitable and educational foundation.

S/592



tion shall not participate or intervene in any political campaign on behalf of any candidate for public office. The Foundation shall be operated and administered at all times as a charitable and educational foundation.

(4) No employee or officer of the Foundation shall receive compensation in excess of that received by or hereafter prescribed by law for heads of executive departments.

Contract au-  
thority.

(5) The Foundation shall make maximum use of existing public and private agencies and programs, and in carrying out its functions the Foundation is authorized to contract with individuals, private corporations, organizations, and associations, and with agencies of the Federal, State, and local governments.

Acceptance  
of grants, etc.

(6) The Foundation is authorized to receive donations and grants from individuals and from public and private organizations, foundations, and agencies.

(7) The Foundation may use only donated funds, or funds derived from payment of interest on loans made by it, for the principal and interest payments on any borrowings.

Board of  
Directors.

(b) (1) The Foundation shall have a Board of Directors consisting of eighteen members, fifteen of whom shall be appointed by the President of the United States, with the advice and consent of the Senate. The other three members shall be, ex officio, the Secretary of Housing and Urban Development, the Secretary of Agriculture, and the Director of the Office of Economic Opportunity. The President shall appoint one of the fifteen appointed members to serve as Chairman of the Board during his term of office as a member.

Terms of  
office.

(2) Within thirty days after the date of enactment of this Act, the President shall appoint the fifteen appointed members of the Board. Not more than five of such members shall, at the time of their appointment, be serving full time as officers or employees of the Federal Government, or as officers or employees of any State or local government. Each appointed member of the Board shall hold office for a term of three years, except that (A) any member appointed to fill a vacancy prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of such term, and (B) the terms of the members first taking office shall expire, as designated by the President at the time of appointment, five at the end of the first year, five at the end of the second year, and five at the end of the third year after the date of appointment. Members of the Board, however appointed, shall be eligible for reappointment, but at no time shall there be more than five members of the Board who at the time of their appointment or reappointment were full-time officers or employees of the Federal Government or of any State or local government.

Compensation,  
travel expenses.

(3) Appointed members of the Board who are not employees of the Federal Government, while attending meetings or conferences of the Board or otherwise serving on business of the Board, shall be entitled to receive compensation at rates fixed by the President, but not exceeding \$100 per day, including travel time, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

80 Stat. 499.

Executive  
Director.

(4) The Board shall appoint an Executive Director of the Foundation. The Executive Director shall be the chief executive officer of the Foundation and shall serve at the pleasure of the Board, and all other executive officers and employees of the Board shall be responsible to him. The Board shall also cause to be appointed a secretary, a treasurer, and such other officers as may be necessary to conduct

properly the business of the Foundation, and shall provide for filling vacancies in such offices.

(5) The Board shall adopt bylaws for the Foundation which shall be made available for public inspection upon request.

(c)(1) The Foundation shall assist public and private organizations, at their request, in initiating, developing, and conducting programs to expand homeownership and housing opportunities for lower income families. To provide such assistance and to carry out the purposes of this section, the Foundation is authorized to—

Functions.

(A) carry out a continuing program of encouraging private and public organizations at the national, community, and neighborhood levels in the establishment of such programs;

(B) assist in the formation of organizations the purpose of which is the development and carrying out of such programs, including the establishment of local development funds for financing housing for lower income families through the pooling of moneys from private sources;

(C) identify and arrange for the technical and managerial assistance and personnel needed for the successful operation of such programs by public and private organizations;

(D) assist public and private organizations in obtaining the mortgage financing, insurance, and other requirements or aids necessary for conducting programs of housing construction, rehabilitation, or improvement for lower income families;

(E) arrange for, or provide on a limited basis, training for persons in the skills needed in administering programs of homeownership and housing opportunity for lower income families;

(F) encourage research and innovation, and collect and make available such information as may be desirable to further the purposes of this section, including but not limited to such activities as the sponsoring of seminars, conferences, and meetings and the establishment of a continuing information program to acquaint lower income families with the means they can use to improve the quality of their housing and the homeownership and housing opportunities available to them;

(G) assist private and public organizations in establishing, in connection with their homeownership and housing opportunity programs for lower income families, counseling and similar activities designed to advise lower income families of the means available to better themselves economically through job training and manpower development programs; and

(H) perform other similar services in order to further the purposes of this section.

(2) The Foundation may, if it deems it appropriate, charge a reasonable fee for any assistance or service provided under this subsection.

Fees.

(d)(1) In order to assist public and private organizations which are carrying out homeownership and housing opportunity programs for lower income families to fill unmet needs, initiate exceptional programs, and experiment with new approaches and programs, the Foundation is authorized, subject to such terms and conditions as it may prescribe, to make grants and loans to such organizations to help defray the following expenses:

Grant and loan authority.

(A) organizational and administrative expenses incurred in commencing the operation of a program, or in expanding an existing program, to the extent that the activities are related to providing homeownership and housing opportunities for lower income families;

(B) necessary preconstruction costs incurred for architectural assistance, land options, application fees, and similar items; and

(C) the cost of carrying out programs providing counseling or similar services to lower income families for whom housing is being provided, in order to enable those families better to achieve and afford adequate housing, in such matters as home management, budget management, and home maintenance.

(2) In order to be eligible for a grant or loan under this subsection, the organization seeking such assistance shall demonstrate to the satisfaction of the Foundation that the funds requested are not otherwise available from Federal sources: *Provided*, That a grant or loan under this subsection may be provided to help cover that portion of the cost of an eligible activity not covered by Federal funds.

(3) The Foundation shall encourage cooperation between public and private organizations carrying out programs of homeownership and housing opportunity for lower income families and the neighborhoods and communities affected by such programs. To help assure such cooperation and in order to coordinate, to the maximum extent feasible, any construction or rehabilitation activities with the development goals of the neighborhood or community affected, no application for a loan or grant under this subsection shall be considered unless such application has been submitted to the governing body of the community affected, or to such other entity of local government as may be designated by the governing body, for such recommendations as the local governing body or its designee may desire to make. Any recommendations so made shall be given careful consideration by the Foundation before taking final action on any such application. If, upon the expiration of thirty days after any such application has been submitted to such governing body or its designee, such body or designee fails to provide such recommendations, the application may be considered without the benefit of such recommendations.

(e) The Foundation shall coordinate its activities and consult with the Department of Housing and Urban Development and other Federal departments and agencies engaged in providing homeownership and housing opportunities for lower income families.

(f) (1) Not later than one hundred and twenty days after the close of each fiscal year, the Foundation shall prepare and submit to the President and to the Congress a full report of its activities during such year. Such report shall include an account of the Foundation's experiences with the efforts of private and public organizations to expand homeownership and housing opportunities for lower income families, together with such recommendations as it deems appropriate.

(2) Whenever in its judgment the general unavailability of mortgage funds is sufficiently serious to deter the Foundation from carrying out its objective of expanding homeownership and housing opportunities for lower income families, the Foundation shall, in its annual report or in a separate report to the President and the Congress, state its findings and make such recommendations for alternate means of financing housing for such families as it deems appropriate.

(g) (1) The financial transactions of the Foundation shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files, and all other papers, things, or property belonging to or in use by the Foundation and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositories, fiscal agents, and custodians. The audit shall cover the fiscal year corresponding to that of the United States Government.

Report to  
President and  
Congress.

Contents.

GAO audit.

Access to  
records, etc.



(2) A report of each such audit shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which the audit was made. The report shall set forth the scope of the audit and shall include a statement of assets and liabilities, capital, and surplus or deficit; a statement of sources and application of funds; and such comments and information as may be deemed necessary to keep the Congress informed of the operations and financial condition of the Foundation, together with such recommendations with respect thereto as the Comptroller General may deem advisable. The report shall also show specifically any program, expenditure, or other financial transaction or undertaking, observed in the course of the audit, which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the Foundation at the time submitted to the Congress.

Report to Congress and President.

(h) Funds of the Foundation shall be deposited, to the extent practicable, in accounts with financial institutions which are actively engaged in making loans or are otherwise carrying on activities in furtherance of homeownership and housing opportunities for lower income families.

(i) There is authorized to be appropriated to the Foundation not to exceed \$10,000,000 to carry out the purposes of this section. Appropriations made hereunder shall remain available until expended.

Appropriation.

#### NEW TECHNOLOGIES IN THE DEVELOPMENT OF HOUSING FOR LOWER INCOME FAMILIES

SEC. 108. (a) In order to encourage the use of new housing technologies in providing decent, safe, and sanitary housing for lower income families; to encourage large-scale experimentation in the use of such technologies; to provide a basis for comparison of such technologies with existing housing technologies in providing such housing; and to evaluate the effect of local housing codes and zoning regulations on the large-scale use of new housing technologies in the provision of such housing, the Secretary of Housing and Urban Development (hereinafter referred to as the "Secretary") shall institute a program under which qualified organizations, public and private, will submit plans for the development of housing for lower income families, using new and advanced technologies, on Federal land which has been made available by the Secretary for the purposes of this section, or on other land where (1) local building regulations permit the construction of experimental housing, or (2) State or local law permits variances from building regulations in the construction of experimental housing for the purpose of testing and developing new building technologies.

(b) The Secretary shall approve not more than five plans utilizing new housing technologies which are submitted to him pursuant to the program referred to in subsection (a) and which he determines are most promising in furtherance of the purposes of this section. In making such determination the Secretary shall consider—

Plans, approval; considerations.

(1) the potential of the technology employed for producing housing for lower income families on a large scale at a moderate cost;

(2) the extent to which the plan envisages environmental quality;

(3) the possibility of mass production of the technology; and

(4) the financial soundness of the organization submitting the plan, and the ability of such organization, alone or in combination with other organizations, to produce at least one thousand dwelling units a year utilizing the technology proposed.

(c) In approving projects for mortgage insurance under section 233 (a) (2) of the National Housing Act (as added by subsection (f) of this section), the Secretary shall seek to achieve the construction of at least one thousand dwelling units a year over a five-year period for each of the various types of technologies proposed in approved plans under subsection (b). The Secretary shall evaluate each project with respect to which assistance is extended pursuant to this section with a view to determining (1) the detailed cost breakdown per dwelling unit, (2) the environmental quality achieved in each such unit, and (3) the effect which local housing codes and zoning regulations have, or would have if applicable, on the cost per dwelling unit.

(d) Notwithstanding the provisions of the Federal Property and Administrative Services Act of 1949, any land which is excess property within the meaning of such Act and which is determined by the Secretary to be suitable in furtherance of the purposes of this section may be transferred to the Secretary upon his request.

(e) The Secretary shall, at the earliest practicable date, report his findings with respect to projects assisted pursuant to this section (including evaluations of each such project in accordance with subsection (c)), together with such recommendations for additional legislation as he determines to be necessary or desirable to expand the available supply of decent, safe, and sanitary housing for lower income families through the use of technologies the efficacy of which has been demonstrated under this section.

(f) (1) Section 233(a) of the National Housing Act is amended—

(A) by inserting "(1)" after "(a)";

(B) by redesignating clauses (1), (2), and (3) as clauses (A), (B), and (C), respectively, and

(C) by adding at the end thereof the following new paragraph:

"(2) The Secretary is further authorized to insure and to make commitments to insure, under this section, mortgages (including advances on mortgages during construction) secured by properties in projects to be carried out in accordance with plans approved by the Secretary under section 108 of the Housing and Urban Development Act of 1968."

(2) Section 233(c) of such Act is amended by inserting at the end thereof the following new sentence: "Any authority which the Secretary may exercise in connection with a mortgage, or property covered by a mortgage, insured under any other section of this title (including payments to reduce rentals for, or to facilitate homeownership by, lower income families) may be exercised in connection with a mortgage, or property covered by a mortgage, meeting the requirements of such other section (except as specified in subsection (b)), which is insured under this section to the same extent and in the same manner as if the mortgage insured under this section was insured under such other section."

#### INSURANCE PROTECTION FOR HOMEOWNERS

SEC. 109. (a) The Secretary of Housing and Urban Development is authorized, in cooperation with the private insurance industry, to develop a plan for the establishment at the earliest practicable date of an insurance program to help homeowners in meeting mortgage payments in times of personal economic adversity. Such insurance program shall be designed to protect mortgagors against foreclosure due to curtailment of income resulting from factors beyond their effective control, including such factors as death, disability, illness, and unemployment. Such insurance program shall also be designed to be actuarially sound through the use of premiums, fees, extended or increased

Surplus property.  
63 Stat. 377.  
40 USC 471  
note.

Report of findings, legislative recommendations.

75 Stat. 158.  
12 USC 1715x.

Ante, p. 495.

payment schedules, or other similar methods, in conjunction with such Federal participation as may be necessary.

(b) Within six months following the date of enactment of this Act, the Secretary shall report to the Congress on his actions under this section, and shall recommend to the Congress such legislation as he deems appropriate to authorize him to enter into agreements with any insurance company, or any corporation or joint enterprise formed to provide home mortgage insurance protection, for the purpose of reinsuring insurance reserve funds, subsidizing premium payments on behalf of lower income mortgagors, or otherwise making possible the insurance protection of homeowners in accordance with subsection (a). In preparing such recommendations the Secretary shall consult with other agencies or instrumentalities of the United States which insure or guarantee home mortgages in order that such legislation as may be recommended affords equal benefits to mortgagors participating in their programs.

Report to Congress, legislative recommendations.

#### NATIONAL ADVISORY COMMISSION ON LOW INCOME HOUSING

SEC. 110. (a) (1) There is hereby established the National Advisory Commission on Low Income Housing (hereinafter referred to as the "Commission"). The Commission shall be composed of twenty-one members as follows:

Membership.

(A) Four members appointed by the President of the Senate, two from the majority party and two from the minority party;

(B) Four members appointed by the Speaker of the House of Representatives, two from the majority party and two from the minority party; and

(C) Thirteen members appointed by the President, not more than three of whom shall be from the Federal Government, and of whom four shall be representative of persons eligible for low income housing. Appointment shall be made by the President, whenever practicable, after consultation with the ranking majority and minority members of the Housing Subcommittees of the Committees on Banking and Currency of the Senate and House of Representatives.

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(2) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(3) Eleven members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(4) The members of the Commission shall elect a Chairman and a Vice Chairman from the membership of the Commission.

(b) (1) The Commission shall undertake a comprehensive study and investigation, to further the policy set forth in section 2 of this Act, of practicable and effective ways of bringing decent, safe, and sanitary housing within the reach of low income families. Such study shall evaluate existing housing programs designed to assist such families, and explore new ways by which public and private resources may be more effectively utilized in meeting the housing needs of such families. In the carrying out of such study, the Commission may, where necessary or desirable, utilize the services of private research organizations, and shall, insofar as is practicable, seek to coordinate its investigation with studies undertaken, or being undertaken by the Banking and Currency Committees of the Senate and House of Representatives.

Commission functions.

(2) The Commission shall be organized and begin its functions at the earliest possible date, and shall submit to the President and to the Congress an interim report with respect to its findings and recommendations not later than July 1, 1969. A final report of its findings

Report to President and Congress.



and recommendations shall be submitted to the President and the Congress not later than July 1, 1970.

Hearings, etc.

(c) (1) The Commission or, on the authorization of the Commission, any subcommittee or members thereof, may, for the purpose of carrying out the provisions of this section, hold such hearings, take such testimony, and sit and act at such times and places as the Commission deems advisable. Any member authorized by the Commission may administer oaths or affirmations to witnesses appearing before the Commission or any subcommittee or members thereof.

(2) Each department, agency, and instrumentality of the executive branch of the Government is authorized and directed to furnish to the Commission, upon request made by the Chairman or Vice Chairman, such information as the Commission deems necessary to carry out its functions under this section.

(3) Subject to such rules and regulations as may be adopted by the Commission, the Chairman, without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, shall have the power—

(1) to appoint and fix the compensation of such staff personnel as he deems necessary, and

(2) to procure temporary and intermittent services to the same extent as is authorized by section 3109 of title 5, United States Code, but at rates not to exceed \$50 a day for individuals.

(d) (1) Any member of the Commission who is appointed from the executive or legislative branch of the Government shall serve without compensation in addition to that received in his regular employment, but shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by him in the performance of duties vested in the Commission.

(2) Members of the Commission, other than those referred to in paragraph (1), shall receive compensation at the rate of \$75 per day for each day they are engaged in the performance of their duties as members of the Commission and shall be entitled to reimbursement for travel, subsistence, and other necessary expenses incurred by them in the performance of their duties as members of the Commission.

(e) There are authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, such sums as may be necessary to carry out this section.

(f) The Commission shall cease to exist thirty days after the submission of its final report.

## TITLE II—RENTAL HOUSING FOR LOWER INCOME FAMILIES

### PART A—PRIVATE HOUSING

#### RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

SEC. 201. (a) Title II of the National Housing Act is amended by adding after section 235 (as added by section 101 of this Act) the following new section:

#### “RENTAL AND COOPERATIVE HOUSING FOR LOWER INCOME FAMILIES

“SEC. 236. (a) For the purpose of reducing rentals for lower income families, the Secretary is authorized to make, and to contract to make, periodic interest reduction payments on behalf of the owner of a

80 Stat. 443,  
467.  
5 USC 5101,  
5331.  
5 USC 5332  
note.

Experts and  
consultants.

80 Stat. 416.

Compensation,  
travel expenses.

Appropriation.

Termination.

12 USC 1707-  
1715y.

rental housing project designed for occupancy by lower income families, which shall be accomplished through payments to mortgagees holding mortgages meeting the special requirements specified in this section.

“(b) Interest reduction payments with respect to a project shall only be made during such time as the project is operated as a rental housing project and is subject to a mortgage which meets the requirements of, and is insured under, subsection (j) of this section: *Provided*, That interest reduction payments may be made with respect to a rental or cooperative housing project owned by a private nonprofit corporation or other private nonprofit entity, a limited dividend corporation or other limited dividend entity, or a cooperative housing corporation, which is financed under a State or local program providing assistance through loans, loan insurance, or tax abatements, and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.)

amended  
15291

15292

“(c) The interest reduction payments to a mortgagee by the Secretary on behalf of a project owner shall be in an amount not exceeding the difference between the monthly payment for principal, interest, and mortgage insurance premium which the project owner as a mortgagor is obligated to pay under the mortgage and the monthly payment for principal and interest such project owner would be obligated to pay if the mortgage were to bear interest at the rate of 1 per centum per annum.

“(d) The Secretary may include in the payment to the mortgagee such amount, in addition to the amount computed under subsection (c), as he deems appropriate to reimburse the mortgagee for its expenses in handling the mortgage.

Mortgage  
handling expenses.

“(e) As a condition for receiving the benefits of interest reduction payments, the project owner shall operate the project in accordance with such requirements with respect to tenant eligibility and rents as the Secretary may prescribe. Procedures shall be adopted by the Secretary for review of tenant incomes at intervals of two years (or at shorter intervals where the Secretary deems it desirable).

“(f) For each dwelling unit there shall be established with the approval of the Secretary (1) a basic rental charge determined on the basis of operating the project with payments of principal and interest due under a mortgage bearing interest at the rate of 1 per centum per annum; and (2) a fair market rental charge determined on the basis of operating the project with payments of principal, interest, and mortgage insurance premium which the mortgagor is obligated to pay under the mortgage covering the project. The rental for each dwelling unit shall be at the basic rental charge or such greater amount, not exceeding the fair market rental charge, as represents 25 per centum of the tenant's income.

“(g) The project owner shall, as required by the Secretary, accumulate, safeguard, and periodically pay to the Secretary all rental charges collected in excess of the basic rental charges. Such excess charges shall be deposited by the Secretary in a fund which may be used by him as a revolving fund for the purpose of making interest reduction payments with respect to any rental housing project receiving assistance under this section, subject to limits approved in appropriation Acts pursuant to subsection (i). Moneys in such fund not needed for current operations may be invested in bonds or other obligations of the United States or in bonds or other obligations guaranteed as to principal and interest by the United States.

Excess rental  
charges, collec-  
tion and deposit.

“(h) In addition to establishing the requirements specified in subsection (e), the Secretary is authorized to make such rules and regulations, to enter into such agreements, and to adopt such procedures as

Investment of  
moneys.

he may deem necessary or desirable to carry out the provisions of this section.

Appropriation.

“(i) (1) There are authorized to be appropriated such sums as may be necessary to carry out the provisions of this section, including such sums as may be necessary to make interest reduction payments under contracts entered into under this section. The aggregate amount of contracts to make such payments shall not exceed amounts approved in appropriation Acts, and payments pursuant to such contracts shall not exceed \$75,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$100,000,000 on July 1, 1969, and by \$125,000,000 on July 1, 1970.

“(2) Not more than 20 per centum of the total amount of interest reduction payments authorized to be contracted to be made pursuant to appropriation Acts shall be contracted to be made with respect to families, occupying rental housing projects assisted under this section, whose incomes at the time of the initial renting of the projects exceed 135 per centum of the maximum income limits which can be established in the area, pursuant to the limitations prescribed in sections 2(2) and 15(7) (b) (ii) of the United States Housing Act of 1937, for initial occupancy in public housing dwellings, but the income of such families at the time of the initial renting of the projects shall in no case exceed 90 per centum of the limits prescribed by the Secretary for occupants of projects financed with mortgages insured under section 221(d) (3) which bear interest at the below-market interest rate prescribed in the proviso of section 221(d) (5). The limitations prescribed in this paragraph shall be administered by the Secretary so as to accord a preference to those families whose incomes are within the lowest practicable limits for obtaining rental accommodations in projects assisted under this section. The Secretary shall report annually to the respective Committees on Banking and Currency of the Senate and House of Representatives with respect to the income levels of families living in projects assisted under this section.

“(j) (1) The Secretary is authorized, upon application by the mortgagee, to insure a mortgage (including advances on such mortgage during construction) which meets the requirements of this subsection. Commitments for the insurance of such mortgages may be issued by the Secretary prior to the date of their execution or disbursement thereon, upon such terms and conditions as he may prescribe.

Definitions.

“(2) As used in this subsection—

“(A) the terms ‘family’ and ‘families’ shall have the same meaning as in section 221;

“(B) the term ‘elderly or handicapped families’ shall have the same meaning as in section 202 of the Housing Act of 1959; and

“(C) the terms ‘mortgage’, ‘mortgagee’, and ‘mortgagor’ shall have the same meaning as in section 201.

“(3) To be eligible for insurance under this subsection, a mortgage shall meet the requirements specified in subsections (d) (1) and (d) (3) of section 221, except as such requirements are modified by this subsection. In the case of a project financed with a mortgage insured under this subsection which involves a mortgagor other than a cooperative or a private nonprofit corporation or association and which is sold to a cooperative or a nonprofit corporation or association, the Secretary is further authorized to insure under this subsection a mortgage given by such purchaser in an amount not exceeding the appraised value of the property at the time of purchase, which value shall be based upon a mortgage amount on which the debt service can be met from the income of the property when operated on a nonprofit basis, after payment of all operating expenses, taxes, and required reserves.

“(4) A mortgage to be insured under this subsection shall—

79 Stat. 457;  
63 Stat. 422.  
42 USC 1402,  
1415.

75 Stat. 150,  
152; 79 Stat. 454.  
12 USC 1715f.

Report to con-  
gressional com-  
mittees.

68 Stat. 599.

73 Stat. 667.  
12 USC 1701q.

48 Stat. 1247.  
12 USC 1707.



"(A) be executed by a private mortgagor eligible under subsection (d) (3) or (e) of section 221;

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market; and

"(C) provide for complete amortization by periodic payments within such term as the Secretary may prescribe.

"(5) The property or project shall—

"(A) comply with such standards and conditions as the Secretary may prescribe to establish the acceptability of the property for mortgage insurance and may include such nondwelling facilities as the Secretary deems adequate and appropriate to serve the occupants and the surrounding neighborhood: *Provided*, That the project shall be predominantly residential and any nondwelling facility included in the mortgage shall be found by the Secretary to contribute to the economic feasibility of the project, and the Secretary shall give due consideration to the possible effect of the project on other business enterprises in the community: *Provided further*, That, in the case of a project designed primarily for occupancy by elderly or handicapped families, the project may include related facilities for use by elderly or handicapped families, including cafeterias or dining halls, community rooms, workshops, infirmaries, or other inpatient or outpatient health facilities, and other essential service facilities;

"(B) include five or more dwelling units; and

"(C) be designed primarily for use as a rental project to be occupied by lower income families or by elderly or handicapped families: *Provided*, That lower income persons who are less than sixty-two years of age shall be eligible for occupancy in such a project, but not more than 10 per centum of the dwelling units in any such project shall be available for occupancy by such persons.

"(6) With the approval of the Secretary, the mortgagor may sell the individual dwelling units to lower income or elderly or handicapped purchasers. The Secretary may consent to the release of the mortgagor from his liability under the mortgage and the credit instrument secured thereby, or consent to the release of parts of the mortgaged property from the lien of the mortgage, upon such terms and conditions as he may prescribe, and the mortgage may provide for such release.

"(k) As used in this section the term 'tenant' includes a member of a cooperative; the term 'rental housing project' includes a cooperative housing project; and the terms 'rental' and 'rental charge' mean, with respect to members of a cooperative, the charges under the occupancy agreements between such members and the cooperative.

"Tenant."

"(1) The Secretary shall from time to time allocate and transfer to the Secretary of Agriculture, for use (in accordance with the terms and conditions of this section) in rural areas and small towns, a reasonable portion of the total authority to contract to make periodic interest reduction payments as approved in appropriation Acts under subsection (i).

"(m) In determining the income of any person for the purposes of this section, there shall be deducted an amount equal to \$300 for each minor person who is a member of the immediate family of such person and living with such family, and the earnings of any such minor person shall not be included in the income of such person or his family."

(b) (1) Section 212(a) of the National Housing Act is amended by

75 Stat. 150;  
78 Stat. 778.  
12 USC 1715l.

53 Stat. 807.  
12 USC 1715c.

striking out "or 232" in the first sentence of the second paragraph and inserting in lieu thereof ", 232, or 236".

78 Stat. 782.  
12 USC 1715r.

(2) Section 227(a) of such Act is amended by striking out "(viii) under section 234(d)" and inserting in lieu thereof "(viii) under section 234(d), or (ix) under section 236".

(3) Section 227(c) of such Act is amended by striking out "or section 233(b)(2)" each place it appears and inserting in lieu thereof "section 233, or section 236".

Anf., p. 500.

75 Stat. 150,  
152; 79 Stat. 454.  
12 USC 1715l.

(c) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to transfer to section 236(j) of the National Housing Act the insurance of a mortgage which has not been finally endorsed for insurance under section 221(d)(3) of such Act and which has been approved for the below-market interest rate prescribed in the proviso of section 221(d)(5) of such Act.

73 Stat. 667.  
12 USC 1701q.

(d) The Secretary of Housing and Urban Development is authorized, upon such terms and conditions as he may prescribe, to insure under section 236(j) of the National Housing Act a mortgage meeting the requirements of such section which is given to refinance a mortgage loan made under section 202 of the Housing Act of 1959: *Provided*, That the application for such insurance is filed with the Secretary on or before the date of project completion, or within such reasonable time thereafter as the Secretary may permit.

79 Stat. 452.  
12 USC 1701s.

(e) (1) Section 101(d) of the Housing and Urban Development Act of 1965 is amended by adding at the end thereof the following: "In determining the income of any tenant for the purposes of this section, there shall be deducted an amount equal to \$300 for each minor person who is a member of the immediate family of such tenant and living with such tenant, and the earnings of any such minor person shall not be included in the income of such tenant."

(2) Section 101(g) of such Act is amended by striking out "or section 231(c)(3)" and inserting in lieu thereof ", section 231(c)(3), or section 236".

(3) Section 101(j)(1) of such Act is amended—

(A) by striking out "and" at the end of subparagraph (B);

(B) by striking out the period at the end of subparagraph (C) and inserting in lieu thereof "; and"; and

(C) by inserting after subparagraph (C) a new subparagraph as follows:

"(D) a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is assisted under section 236 of the National Housing Act and which has been approved for receiving the benefits of this section: *Provided*, That payments shall not be made with respect to more than 20 per centum of the dwelling units in any property so financed."

(f) Section 207 of the Appalachian Regional Development Act of 1965 is amended—

81 Stat. 261.  
40 USC app.  
207.

(1) by inserting in the heading "AND SECTION 236" immediately after "SECTION 221";

(2) by inserting "or section 236" after "section 221" each place it appears;

(3) by inserting "or 'section 236'" after "'section 221'" in subsection (a); and

(4) by inserting ", Government National Mortgage Association," immediately after "Federal Housing Administration" in subsection (c).

(g) The first sentence of section 305(i) of the National Housing Act is amended—

80 Stat. 1285.  
12 USC 1720.

(1) by striking out “or (3)” and inserting in lieu thereof “(3)”; and

(2) by inserting after “221(e)” the following: “, or (4) a mortgage insured under section 236”.

Amf, p.498.

#### RENT SUPPLEMENT PROGRAM

SEC. 202. (a) Section 101(a) of the Housing and Urban Development Act of 1965 is amended by striking out everything after the word “exceed” the second time the word appears in the third sentence and inserting in lieu thereof the following: “\$150,000,000 per annum prior to July 1, 1969, which maximum dollar amount shall be increased by \$40,000,000, on July 1, 1969, and by \$100,000,000 on July 1, 1970.”

79 Stat. 451.  
12 USC 1701s.

(b) Section 101(b) of such Act is amended by inserting after the first sentence the following: “Such term also includes a private nonprofit corporation or other private nonprofit legal entity, a limited dividend corporation or other limited dividend legal entity, or a cooperative housing corporation, which is the owner of a rental or cooperative housing project financed under a State or local program providing assistance through loans, loan insurance, or tax abatement and which prior to completion of construction or rehabilitation is approved for receiving the benefits of this section.”

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#### PART B—LOW-RENT PUBLIC HOUSING

##### INCREASED LOW-RENT PUBLIC HOUSING AUTHORIZATION

SEC. 203. (a) Section 10(e) of the United States Housing Act of 1937 is amended by striking out “\$366,250,000 per annum, which limit shall be increased by \$47,000,000 on the date of enactment of the Housing and Urban Development Act of 1965, and by further amounts of \$47,000,000 on July 1 in each of the years 1966, 1967, and 1968, respectively,” in the first sentence and inserting in lieu thereof the following: “\$554,250,000 per annum, which limit shall be increased by \$100,000,000 on the date of enactment of the Housing and Urban Development Act of 1968 and by further amounts of \$150,000,000 on July 1 in each of the years 1969 and 1970.”

52 Stat. 820;  
78 Stat. 795;  
79 Stat. 487.  
42 USC 1410.

(b) Section 20 of such Act is amended—

63 Stat. 427.  
42 USC 1420.

(1) by striking out “not to exceed \$1,500,000,000” in the first sentence and inserting in lieu thereof “which shall not, unless authorized by the President, exceed \$1,500,000,000”; and

(2) by inserting after the first sentence the following: “For the purpose of determining obligations incurred to make loans pursuant to this Act against any limitation otherwise applicable with respect to such loans, the Secretary shall estimate the maximum amount to be loaned at any one time pursuant to loan agreements then outstanding with public housing agencies.”

##### UPGRADING MANAGEMENT AND SERVICES IN PUBLIC HOUSING PROJECTS

SEC. 204. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof the following new paragraph:

Contracts and grants.  
50 Stat. 895.  
42 USC 1415.

“(10) The Secretary is authorized to enter into contracts to make grants to public housing agencies to assist, where necessary, in financing tenant services for families living in low-rent housing projects. In making such contracts and grants, the Secretary shall give preference to programs providing for the maximum feasible participation of the tenants in the development and operation of such tenant services.”



"Tenant services."

For purposes of this paragraph the term 'tenant services' includes the following services and activities for families living in low-rent housing projects: counseling on household management, housekeeping, budgeting, money management, child care, and similar matters; advice as to resources for job training and placement, education, welfare, health, and other community services; services which are directly related to meeting tenant needs and providing a wholesome living environment; and referral to appropriate agencies when necessary for the provision of such services. To the maximum extent available and appropriate, existing public and private agencies in the community shall be used for the provision of such services. There are authorized to be appropriated for the purposes of this paragraph not to exceed \$15,000,000 for the fiscal year ending June 30, 1969, and not to exceed \$30,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this paragraph but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

Appropriation.

#### PURCHASE OF UNITS BY TENANTS

79 Stat. 488.  
42 USC 1415.

SEC. 205. Section 15(9) of the United States Housing Act of 1937 is amended by striking out "which is suitable by reason of its detached or semidetached construction" and inserting in lieu thereof "if the property to be acquired is sufficiently separable from other property retained by the public housing agency to make it suitable".

#### PUBLIC HOUSING IN INDIAN AREAS

50 Stat. 888;  
53 Stat. 429.  
42 USC 1401.

SEC. 206. (a) Section 1 of the United States Housing Act of 1937 is amended by striking out "urban and rural nonfarm" in the first sentence and inserting in lieu thereof "urban, rural nonfarm, and Indian".

63 Stat. 430.  
42 USC 1410.

(b) Section 10(a) of such Act is amended by inserting "or Indian" after "nonfarm" in the fourth proviso.

#### LIMITATION ON HIGH-RISE STRUCTURES IN LOW-RENT PUBLIC HOUSING PROJECTS

SEC. 207. Section 15 of the United States Housing Act of 1937 is amended by adding at the end thereof (after the new paragraph added by section 204 of this Act) the following new paragraph:

"(11) Except in the case of housing predominantly for the elderly, upon enactment of this paragraph, the Secretary shall not approve high-rise elevator projects for families with children unless he makes a determination that there is no practical alternative."

#### SALE TO TENANTS OF LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

79 Stat. 456.  
42 USC 1421b.

SEC. 208. (a) Section 23(f) of the United States Housing Act of 1937 is amended by inserting "(1)" after "shall not apply to", and by inserting before the period at the end thereof the following: "or (2) housing purchased (or in the process of purchase) by the public housing agency for resale to tenants as provided in subsection (g)".

(b) Section 23 of such Act is further amended by adding at the end thereof the following new subsection:

"(g) To the extent authorized in contracts entered into by the Authority with a public housing agency, such agency may purchase any structure containing one or more dwelling units leased to provide low-rent housing in private accommodations under this section for the purpose of reselling the structure to the tenant or tenants of the struc-

ture or to a group of such tenants occupying units aggregating in value at least 80 per centum of the structure's total value. Any such resale shall be made subject to such terms and conditions (including provision for deferment of the required downpayment and for elimination of or adjustments in the required interest payments during a temporary period) as may be necessary to enable the tenants involved to make the purchase without undue financial hardship."

ADDITIONAL SUBSIDY FOR LARGE FAMILIES AND FAMILIES OF UNUSUALLY  
LOW INCOME

SEC. 209. (a) Section 2(2) of the United States Housing Act of 1937 is amended by inserting at the end thereof the following new sentences: "The term 'large families' means families which include four or more minors. The term 'families of unusually low income' means families with incomes below the income level established by the public housing agency, as approved by the Authority, who could not be housed without the additional subsidy authorized under section 10 (a)."

Definitions.  
79 Stat. 457.  
42 USC 1402.

(b) The first proviso in section 10(a) of such Act is amended—

78 Stat. 794.  
42 USC 1410.

(1) by inserting after "an elderly family," the following: "or a large family, or a family of unusually low income,";

(2) by striking out "to lease the dwelling unit to an elderly or displaced family at a rental it could afford and"; and

(3) by striking out "and, in the case of displaced families, if and to the extent that the average or estimated average rental for units so occupied by such families was less than the rental which the Authority determines, on the basis of the average or estimated average project rentals, would have been established in leasing the units to families which were neither elderly nor similarly displaced".

PROHIBITION AGAINST CERTAIN LIMITATIONS ON TYPES OR CATEGORIES OF  
LOW-RENT HOUSING IN PRIVATE ACCOMMODATIONS

SEC. 210. The first sentence of section 23(d) of the United States Housing Act of 1937 is amended by inserting before the period at the end thereof the following: "(and no limitation not specifically provided for in this section shall be imposed by regulations of the Authority on the types or categories of structures or dwelling units, qualifying under subsection (a) (3) and approved under subsection (c), which may be so used in any community)".

79 Stat. 456.  
42 USC 1421b.

TITLE III—FEDERAL HOUSING ADMINISTRATION  
INSURANCE OPERATIONS

MORTGAGE INSURANCE PREMIUMS FOR SERVICEMEN AND THEIR WIDOWS

SEC. 301. Section 222 of the National Housing Act is amended—

68 Stat. 603.  
12 USC 1715m.

(1) by striking out "Secretary of the Treasury" each place it appears and inserting in lieu thereof "Secretary of Transportation"; and

(2) by adding at the end thereof two new subsections as follows:

"(f) The Secretary is authorized to transfer to this section the insurance on any mortgage covering a single-family dwelling or a one-family unit in a condominium project insured under this Act, if the mortgage indebtedness thereof has been assumed by a serviceman who at the time of assumption is the owner of the property and either occupies the property or certifies that his failure to do so is the result of his

military assignment, or, in the case of the United States Coast Guard, other assignment.

“(g) Where a serviceman dies while on active duty in the Armed Forces of the United States or in the United States Coast Guard, leaving a surviving widow as owner of the property, the period of ownership by the serviceman (within the meaning of subsection (c) of this section) shall extend for two years beyond the date of the serviceman's death or until the date the widow disposes of the property, whichever date occurs first. The Secretary of Defense or the Secretary of Transportation, as the case may be, shall notify such widow promptly following the serviceman's death of the additional costs to be borne by the mortgagor following termination of the two-year period.”

MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

12 USC 1707-  
1715y.

SEC. 302. Title II of the National Housing Act is amended by adding after section 238 (as added by section 104 of this Act) the following new section:

“MODIFICATIONS IN TERMS OF INSURED MORTGAGES COVERING MULTIFAMILY PROJECTS

“SEC. 239. (a) The Secretary shall not consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, as defined in the regulations of the Secretary, or for a modification of the terms of such mortgage, except in conformity with regulations prescribed by the Secretary in accordance with the provisions of this section. Such regulations shall require, as a condition to the granting of any such request, that, during the period of such extension or modification, any part of the rents or other funds derived by the mortgagor from the property covered by the mortgage which is not required to meet actual and necessary expenses arising in connection with the operation of such property, including amortization charges under the mortgage, be held in trust by the mortgagor and distributed only with the consent of the Secretary; except that the Secretary may provide for the granting of consent to any request for an extension of the time for curing a default under any mortgage covering multifamily housing, or for a modification of the terms of such mortgage, without regard to the foregoing requirement, in any case or class of cases in which an exemption from such requirement does not (as determined by the Secretary) jeopardize the interests of the United States.

“(b) Whoever, as an owner of a property which is security for a mortgage described in subsection (a), or as a stockholder of a corporation owning such property, or as a beneficial owner under any business organization or trust owning such property, or as an officer, director, or agent of any such owner, (1) willfully uses or authorizes the use of any part of the rents or other funds derived from property covered by such mortgage in violation of a regulation prescribed by the Secretary under subsection (a), or (2) if such mortgage is determined, as provided in subsection (a), to be exempt from the requirement of any such regulation or is not otherwise covered by such regulation, willfully and knowingly uses or authorizes the use, while such mortgage is in default, of any part of the rents or other funds derived from the property covered by such mortgage for any purpose other than to meet actual and necessary expenses arising in connection with such property (including amortization charges under the mortgage), shall be fined not more than \$5,000 or imprisoned not more than three years, or both.”



## CONDOMINIUMS

SEC. 303 (a) Section 234(c) of the National Housing Act is amended by striking out "rental housing, and (3)" in the first sentence and inserting in lieu thereof the following: "rental housing: *Provided*, That a one-family unit in a multifamily project involving eleven or less units shall be eligible for insurance without having been covered by a project mortgage, and (3)".

75 Stat. 160;  
78 Stat. 780.  
12 USC 1715y.

(b) Section 234(c) of such Act is further amended by striking out "(iii) 75 per centum" in the third sentence and inserting in lieu thereof "(iii) 80 per centum".

(c) Section 234(f) of such Act is amended by striking "five" and inserting in lieu thereof "four".

78 Stat. 781.

## INSURANCE OF LOANS FOR PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

SEC. 304. (a) Title II of the National Housing Act is amended by adding after section 239 (as added by section 302 of this Act) the following new section:

12 USC 1707-1715y.

## "PURCHASE OF FEE SIMPLE TITLE FROM LESSORS

"SEC. 240. (a) The Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure and to insure loans made by financial institutions for the purpose of financing purchasers by homeowners of the fee simple title to property on which their homes are located.

"(b) As used in this section—

"(1) the term 'financial institution' means a lender approved by the Secretary as eligible for insurance under section 2 or a mortgagee approved under section 203(b)(1); and

"Financial institution."  
12 USC 1703.  
52 Stat. 10.  
12 USC 1709.  
"Homeowner."

"(2) the term 'homeowner' means a lessee under a long-term ground lease.

"(c) To be eligible for insurance under this section, a loan shall—

"(1) relate to property on which there is located a dwelling designed principally for a one-, two-, three-, or four-family residence;

"(2) not exceed the cost of purchasing the fee simple title, or \$10,000 per family unit, whichever is the lesser;

"(3) be limited to an amount which when added to any outstanding indebtedness related to the property (as determined by the Secretary) creates a total outstanding indebtedness which does not exceed the applicable mortgage limit prescribed in section 203(b);

"(4) bear interest at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions, and such other charges (including service charges and appraisal, inspection, and other fees) as may be approved by the Secretary;

"(5) have a maturity satisfactory to the Secretary, but not to exceed twenty years from the beginning of amortization of the loan or three-quarters of the remaining economic life of the home, whichever is the lesser; and

"(6) comply with such other terms, conditions, and restrictions as the Secretary may prescribe.

"(d) The provisions of paragraphs (3), (5), (6), (7), (8), and (10) of section 220(h) shall be applicable to loans insured under this section and, as applied to loans insured under this section, references

75 Stat. 155.  
12 USC 1715k.

in those paragraphs to 'home improvement loans' and 'this subsection' shall be construed to refer to loans under this section."

48 Stat. 132;  
79 Stat. 465.

(b) Section 5(c) of the Home Owners' Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding immediately after the next to the last paragraph the following new paragraph:

"Notwithstanding any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of insurance under section 240 of the National Housing Act, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

Ante, p. 507.

#### EXTENSION OF SECTION 221(d)(2) SALES HOUSING PROGRAM FOR TWO-, THREE-, AND FOUR-FAMILY RESIDENCES TO ALL LOW AND MODERATE INCOME FAMILIES

73 Stat. 659.  
12 USC 1715l.

SEC. 305. Section 221(d)(2) of the National Housing Act is amended by striking out "a displaced family" at the end of the first proviso and inserting in lieu thereof "the mortgagor".

#### REMOVAL OF DIVIDEND RESTRICTION FOR NONDWELLING FACILITIES IN SECTION 221 PROJECTS

68 Stat. 599.

SEC. 306. Section 221(f) of the National Housing Act is amended by striking out in the first sentence all that follows the word "mortgage" in the proviso and inserting in lieu thereof ": *Provided further*, That, in the case of a mortgage which bears interest at the below-market interest rate prescribed in the proviso of subsection (d)(5), the provisions of section 220(d)(3)(B)(iv) shall only apply if the mortgagor waives the right to receive dividends on its equity investment in the portion thereof devoted to commercial facilities."

73 Stat. 658.  
12 USC 1715k.

#### SUPPLEMENTAL LOAN PROGRAM FOR PROJECTS FINANCED WITH FEDERAL HOUSING ADMINISTRATION INSURED MORTGAGES

12 USC 1707-  
1715y.

SEC. 307. Title II of the National Housing Act is amended by adding after section 240 (as added by section 304 of this Act) the following new section:

##### "SUPPLEMENTAL LOANS FOR MULTIFAMILY PROJECTS

"SEC. 241. (a) With respect to a multifamily project or group practice facility covered by a mortgage insured under any section or title of this Act, the Secretary is authorized, upon such terms and conditions as he may prescribe, to make commitments to insure, and to insure, supplemental loans (including advances during construction or improvement) made by financial institutions approved by the Secretary. As used in this section, 'supplemental loan' means a loan, advance of credit, or purchase of an obligation representing a loan or advance of credit made for the purpose of financing improvements or additions to such project or facility: *Provided*, That a loan involving a nursing home covered by a mortgage insured under section 232 or a loan involving a group practice facility covered by a mortgage insured under title XI may also be made for the purpose of financing equipment to be used in the operation of such nursing home or facility.

"(b) To be eligible for insurance under this section, a supplemental loan shall—

"(1) be limited to 90 per centum of the amount which the Secretary estimates will be the value of such improvements, additions, and equipment, except that such amount when added to the

73 Stat. 663.  
12 USC 1715w.  
80 Stat. 1274.  
12 USC 1749aaa  
et seq.

outstanding balance of the mortgage covering the project or facility, shall not exceed the maximum mortgage amount insurable under the section or title pursuant to which the mortgage covering such project or facility is insured;

"(2) have a maturity satisfactory to the Secretary but not to exceed the remaining term of the mortgage;

"(3) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet market conditions;

"(4) be secured in such manner as the Secretary may require;

"(5) be governed by the labor standards provisions of section 212 that are applicable to the section or title pursuant to which the mortgage covering the project or facility is insured; and

"(6) contain such other terms, conditions, and restrictions as the Secretary may prescribe.

"(c) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall be applicable to loans insured under this section, except that (1) all references to the term 'mortgage' shall be construed to refer to the term 'loan' as used in this section, (2) loans involving projects covered by a mortgage insured under section 213 that is the obligation of the Cooperative Management Housing Insurance Fund shall be insured under and shall be the obligation of such fund, and (3) loans involving projects covered by a mortgage insured under section 236 shall be insured under and shall be the obligation of the Special Risk Insurance Fund."

53 Stat. 807.  
12 USC 1715c.

52 Stat. 18.  
12 USC 1713.

64 Stat. 54.  
12 USC 1715e.

Anfe, p. 498.

#### HOME IMPROVEMENT LOANS—INCREASE IN MAXIMUM MATURITY, FINANCE CHARGE, AND LOAN AMOUNT

SEC. 308. Section 2(b) of the National Housing Act is amended—

(1) by striking out "\$3,500" and inserting in lieu thereof "\$5,000";

(2) by striking out "five years" and inserting in lieu thereof "seven years";

(3) by striking out "\$5 discount" and inserting in lieu thereof "\$5.50 discount"; and

(4) by striking out "\$1 discount" and inserting in lieu thereof "\$4.50 discount".

56 Stat. 305;  
70 Stat. 1091.  
12 USC 1703.

#### EXPERIMENTAL HOUSING PROGRAM

SEC. 309. Section 233 of the National Housing Act is amended—

(1) by striking out "of this title" immediately before the semicolon in subsection (b) and inserting in lieu thereof "or titles of this Act"; and

(2) by striking out "of this title" in subsection (e) and inserting in lieu thereof "or title of this Act".

78 Stat. 779.  
12 USC 1715x.

#### TERM OF FEDERAL HOUSING ADMINISTRATION MORTGAGES FOR LAND DEVELOPMENT

SEC. 310. Section 1002(d)(1) of the National Housing Act is amended—

(1) by striking out "seven" and inserting in lieu thereof "ten"; and

(2) by striking out the semicolon and inserting in lieu thereof the following: "Provided, That the Secretary may agree to a reasonable extension of the term of a mortgage, the maturity of

79 Stat. 462.  
12 USC 1749bb.



which is limited by this paragraph to not more than ten years, if he determines that unusual or unforeseen circumstances make such extension necessary to avoid undue hardship to the mortgagor;”.

#### REHABILITATED MULTIFAMILY PROJECTS IN URBAN RENEWAL AREAS

SEC. 311. (a) Section 220(d)(3)(B)(ii) of the National Housing Act is amended by inserting immediately before the semicolon at the end thereof “: *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case the foregoing limitations upon the amount of the mortgage shall be based upon the appraised value of the property as of the date the mortgage is accepted for insurance”.

(b) Section 221(d)(3)(iii) of such Act is amended by inserting immediately before the colon at the end of the first proviso “: *Provided further*, That the mortgage may involve the financing of the purchase of property which has been rehabilitated by a local public agency with Federal assistance pursuant to section 110(c)(8) of the Housing Act of 1949, and, in such case, the amount of the mortgage shall not exceed the appraised value of the property as of the date the mortgage is accepted for insurance”.

#### MISCELLANEOUS HOUSING INSURANCE

SEC. 312. (a) Section 223 of the National Housing Act is amended—

(1) by striking out so much of subsection (a) as precedes paragraph (1) and inserting in lieu thereof the following:

“(a) Notwithstanding any of the provisions of this Act and without regard to limitations upon eligibility contained in any section or title of this Act, the Secretary is authorized, upon application by the mortgagee, to insure or make commitments to insure under any section or title of this Act any mortgage—”;

(2) by striking out “applicable to loans insured under section 203, 207, 213, 220, 221, 222, 231, 232, or 233, as the case may be” in the first and second provisos of subsection (a)(7) and inserting in lieu thereof “prescribed under the applicable section or title of this Act”;

(3) by striking out “this title” each time it appears in subsection (c) and inserting in lieu thereof “this Act”;

(4) by striking out “title I, title II, title VI, title VII, title VIII, or title IX” in subsection (c) and inserting in lieu thereof “any section or title of this Act”; and

(5) by striking out “(except that in any case the payment of insurance shall be in debentures)” at the end of subsection (c).

(b) Section 223(d) of such Act is amended by striking out all that follows “as he may prescribe,” and inserting in lieu thereof the following: “insure under the same section as the original mortgage a loan by the mortgagee in an amount not exceeding the excess of the foregoing expenses over the project income. Such loan shall (1) bear interest (exclusive of premium charges for insurance) at not to exceed the per centum per annum currently permitted for mortgages insured under the section under which it is to be insured, (2) be secured in such manner as the Secretary shall require, and (3) be limited to a term not exceeding the unexpired term of the original mortgage. The Secretary is authorized to collect a premium charge for insurance of loans pursuant to this subsection in an amount computed at the same premium rate as is applicable to the original mort-

68 Stat. 596.  
12 USC 1715k.

70 Stat. 1097;  
78 Stat. 788.  
42 USC 1460.

75 Stat. 150.  
12 USC 1715l.

68 Stat. 605.  
12 USC 1715n.

68 Stat. 605;  
69 Stat. 484.

68 Stat. 606;  
75 Stat. 154.

75 Stat. 182.

gage. This premium shall be payable in cash or in debentures of the insurance fund under which the loan is insured at par plus accrued interest. In the event of a failure of the borrower to make any payment due under such loan or under the original mortgage, both the loan and original mortgage shall be considered in default, and if such default continues for a period of thirty days, the lender shall be entitled to insurance benefits, computed in the same manner as for the original mortgage, except that in determining the interest rate under section 224 for the debentures representing the portion of the claim applicable to the loan, the date of the commitment to insure the loan and the insurance date of the loan shall be taken into consideration rather than the commitment or insurance date for the original mortgage."

68 Stat. 606;  
75 Stat. 182.  
12 USC 1715o.

#### SUPPLEMENTARY LOANS FOR COOPERATIVE HOUSING PURCHASED FROM THE FEDERAL GOVERNMENT

SEC. 313. Section 213(j) of the National Housing Act is amended—

75 Stat. 179.  
12 USC 1715e.

(1) by inserting after the first sentence of paragraph (1) the following sentence: "The Secretary is further authorized to make commitments to insure and to insure supplementary cooperative loans (including advances during construction or improvement) with respect to any property purchased from the Federal Government by a nonprofit corporation or trust of the character described in paragraph (1) of subsection (a), if the property is covered by an uninsured mortgage representing a part of the purchase price."; and

64 Stat. 54.

(2) by adding before the semicolon at the end of paragraph (2)(B) the following: "; except that, in the case of repairs or improvements to a property covered by an uninsured mortgage dated more than twenty years prior to the date of the commitment to insure, of such magnitude that the Secretary deems them to be a major rehabilitation or modernization of such property, the loan may have a maturity date up to ten years in excess of the remaining term of the uninsured mortgage".

#### EQUIPMENT IN NURSING HOMES

SEC. 314. Section 232 of the National Housing Act is amended—

73 Stat. 663.  
12 USC 1715w.

(1) by striking out subsection (b)(2) and inserting in lieu thereof the following:

"(2) the term 'mortgage' means a first mortgage on real estate in fee simple, or on the interest of either the lessor or lessee thereof (A) under a lease for not less than ninety-nine years which is renewable, or (B) under a lease having a period of not less than fifty years to run from the date the mortgage was executed. The term 'first mortgage' means such classes of first liens as are commonly given to secure advances (including but not limited to advances during construction) on, or the unpaid purchase price of, real estate under the laws of the State in which the real estate is located, together with the credit instrument or instruments, if any, secured thereby, and any mortgage may be in the form of one or more trust mortgages or mortgage indentures or deeds of trust, securing notes, bonds, or other credit instruments, and, by the same instrument or by a separate instrument, may create a security interest in initial equipment, whether or not attached to the realty. The term 'mortgagor' shall have the meaning set forth in section 207(a) of this Act.";

(2) by striking out so much of subsection (d) as precedes paragraph (1) and inserting in lieu thereof the following:

52 Stat. 16.  
12 USC 1713.

"(d) In order to carry out the purposes of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated nursing home, including equipment to be used in its operation, subject to the following conditions:"; and

(3) by striking out "when the proposed improvements are completed" before the period at the end of subsection (d) (2) and inserting in lieu thereof the following: ", including equipment to be used in the operation of the nursing home, when the proposed improvements are completed and the equipment is installed".

#### FLEXIBLE INTEREST RATES FOR CERTAIN FHA INSURANCE PROGRAMS

SEC. 315. Section 3(a) of the Act entitled "An Act to amend chapter 37 of title 38 of the United States Code with respect to the veterans' home loan program, to amend the National Housing Act with respect to interest rates on insured mortgages, and for other purposes", approved May 7, 1968, is amended by inserting "235(j) (2) (C), 236(j) (4) (B), 240(c) (4), 241(b) (3), 242(d) (3) (B)," after "234(f),".

*Ante*, p. 113.

#### FHA SECTION 221(h) PROGRAM

80 Stat. 1268.  
12 USC 1715f.

SEC. 316. (a) Section 221(h) (2) (A) of the National Housing Act is amended to read as follows:

"(A) be executed by a private nonprofit corporation or association, approved by the Secretary, for financing the purchase and rehabilitation (with the intention of subsequent resale) of property comprising one or more tracts or parcels, whether or not contiguous, upon which there is located deteriorating or substandard housing consisting of (i) four or more single-family dwellings of detached, semidetached, or row construction, or (ii) four or more one-family units in a structure or structures for which a plan of family unit ownership approved by the Secretary is established;"

(b) Section 221(h) of such Act is amended by adding at the end thereof (after the new paragraph added by section 101(c) (3) of this Act) two new paragraphs as follows:

"(7) Where the Secretary has approved a plan of family unit ownership, the terms 'single-family dwelling', 'single-family dwellings', 'individual dwelling', an 'individual dwellings' shall mean a family unit or family units, together with the undivided interest (or interests) in the common areas and facilities.

"(8) For purposes of this subsection, the terms 'single-family dwelling' and 'single-family dwellings' (except for purposes of paragraph (7)) shall include a two-family dwelling which has been approved by the Secretary if one of the units is to be occupied by the owner."

#### HOUSING IN OUTLYING AREAS

71 Stat. 295;  
79 Stat. 466.  
12 USC 1709.

SEC. 317. Section 203(i) of the National Housing Act is amended by striking out "not in excess of \$12,500" and inserting in lieu thereof "not in excess of \$13,500".

#### SEASONAL HOMES

52 Stat. 101;  
80 Stat. 1266.

SEC. 318. Section 203 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(m) The Secretary is authorized to insure under this section any mortgage meeting the requirements of subsection (b) of this section, except as modified by this subsection. To be eligible, the mortgage shall involve a principal obligation not in excess of \$15,000 and not



in excess of 75 per centum of the appraised value of the property, as of the date the mortgage is accepted for insurance. The mortgage shall cover a dwelling for single-family occupancy which is approved for mortgage insurance prior to the beginning of construction. The dwelling need not be designed for year-round occupancy, but it shall (1) meet standards prescribed by the Secretary, and (2) be located in an area where the Secretary finds it is not practicable to obtain conformity with many of the requirements essential to the insuring of mortgages on housing in built-up urban areas. The development of the property with respect to which the mortgage is executed shall be consistent with the conservation of water and other natural resources of the area, and such property shall be an acceptable risk, giving consideration to the economic potential of the area in which the dwelling is located and the contribution that the housing will make toward improving the area. The Secretary may suspend the issuance of commitments under this subsection for the insurance of mortgages secured by properties situated in any area, whenever he determines that (i) there is a serious and unusual shortage of mortgage funds for residential construction in such area, (ii) such insurance would affect materially and adversely the availability of mortgage funds for residential construction in such area, and (iii) such suspension would not have an adverse impact upon the balanced economic development of the area."

#### TITLE IV—GUARANTEES FOR FINANCING NEW COMMUNITY LAND DEVELOPMENT

##### CITATION

SEC. 401. This title may be referred to as the "New Communities Act of 1968".

Citation of title.

##### PURPOSE

SEC. 402. It is the purpose of this title, by facilitating the enlistment of private capital in new community development, to encourage the development of new communities that—

- (1) contribute to the general betterment of living conditions through the improved quality of community development made possible by a consistent design for the provision of homes, commercial and industrial facilities, public and community facilities, and open spaces;
- (2) make substantial contributions to the sound and economic growth of the areas in which they are located;
- (3) provide needed additions to the general housing supply;
- (4) provide opportunities for innovation in housing and community development technology and in land use planning;
- (5) enlarge housing and employment opportunities by increasing the range of housing choice and providing new investment opportunities for industry and commerce;
- (6) encourage the maintenance and growth of a diversified local homebuilding industry; and
- (7) include, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs.

## GUARANTEE AUTHORITY

SEC. 403. To carry out the purposes of this title the Secretary is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by new community developers to help finance new community development projects. The Secretary may make such guarantees and enter into such commitments, subject to the limitations contained in sections 404 and 405, upon such terms and conditions as he may prescribe, taking into account (1) the large initial capital investment required to finance sound new communities, (2) the extended period before initial returns on this type of investment can be expected, (3) the irregular pattern of cash returns characteristic of such investment, and (4) the financial and security interests of the United States in connection with guarantees made under this title.

## ELIGIBLE NEW COMMUNITY DEVELOPMENT

SEC. 404. No guarantee or commitment to guarantee may be made under this title unless the Secretary has determined that—

(1) the proposed new community (A) will be economically feasible in terms of economic base or potential for growth, and (B) will contribute to the orderly growth and development of the area of which it is a part;

(2) there is a practicable plan (including appropriate time schedules) for financing the land acquisition and land development costs of the proposed new community and for improving and marketing the land which, giving due consideration to the public purposes of this title and the special problems involved in financing new communities, represents an acceptable financial risk to the United States;

(3) there is a sound internal development plan for the new community which (A) has received all governmental approvals required by State or local law or by the Secretary; and (B) is acceptable to the Secretary as providing reasonable assurance that the development will contribute to good living conditions in the area being developed, will be characterized by sound land use patterns, will include a proper balance of housing for families of low and moderate income, and will include or be served by such shopping, school, recreational, transportation, and other facilities as the Secretary deems satisfactory; and

(4) the internal development plan is consistent with a comprehensive plan which covers, or with comprehensive planning being carried on for, the area in which the land is situated, and which meets criteria established by the Secretary for such comprehensive plans or planning.

## ELIGIBLE OBLIGATIONS

SEC. 405. (a) Any bond, debenture, note or other obligation guaranteed under this title shall—

(1) be issued by a new community developer, other than a public body, approved by the Secretary on the basis of financial, technical and administrative ability which demonstrates his capacity to carry out the proposed project;

(2) be issued to and held by investors approved by, or meeting requirements prescribed by, the Secretary, or if an offering to the public is contemplated, be underwritten upon terms and conditions approved by the Secretary;

(3) be issued to finance a program of land development (including acquisition or use of land) approved by the Secretary: *Provided*, That the Secretary shall, through cost certification procedures, escrow or trusteeship requirements, or other means, insure that all proceeds from the sale of obligations guaranteed under this title are expended pursuant to such program;

(4) involve a principal obligation in an amount not to exceed the lesser of (A) 80 per centum of the Secretary's estimate of the value of the property upon completion of the land development or (B) the sum of 75 per centum of the Secretary's estimate of the value of the land before development and 90 per centum of his estimate of the actual cost of the land development;

(5) bear interest at a rate satisfactory to the Secretary, such interest to be exclusive of any service charges and fees that may be approved by the Secretary;

(6) contain repayment and maturity provisions satisfactory to the Secretary; and

(7) contain provisions which the Secretary shall prescribe with respect to the protection of the security interests of the United States (including subrogation provisions), liens and releases of liens, payment of taxes, and such other matters as the Secretary may, in his discretion, prescribe.

(b) The outstanding principal obligations guaranteed under this title with respect to a single new community development project shall at no time exceed \$50,000,000.

#### FEES AND CHARGES

SEC. 406. The Secretary is authorized to establish and collect fees for guarantees made under this title and may make such charges as he considers reasonable for the analysis of development and financing plans and for appraisals and inspections related to new community development projects. On or before January 1, 1970, the Secretary shall make a report to the Congress concerning the fees and other charges under this title that he estimates will be adequate to provide income sufficient for a self-supporting program.

Report to Congress.

#### GUARANTEE FUND

SEC. 407. (a) To provide for the payment of any liabilities incurred as a result of guarantees made under this title, the Secretary is authorized to establish a revolving fund which shall be comprised of (1) receipts from fees and charges; (2) recoveries under security or subrogation rights or other rights, and any other receipts obtained in connection with such guarantees; and (3) such sums, which are hereby authorized to be appropriated, as may be required for program operations and nonadministrative expenses and to make any and all payments guaranteed under this title.

(b) The full faith and credit of the United States is pledged to the payment of all guarantees made under this title with respect to both principal and interest, including (1) interest, as may be provided for in the guarantee, accruing between the date of default under a guaranteed obligation and the payment in full of the guarantee, and (2) principal and interest due under any debentures issued by the Secretary toward payment of guarantees made under this title.

(c) Notwithstanding any other provision of law relating to the acquisition, handling, improvement, or disposal of real and other property by the United States, the Secretary shall have power, for the protection of the interests of the guarantee fund authorized under this section, to pay out of such fund all expenses or charges in con-



nection with the acquisition, handling, improvement, or disposal of any property acquired by him under this title; and notwithstanding any other provision of law, the Secretary shall also have power to pursue to final collection by way of compromise or otherwise all claims acquired by him in connection with any security, subrogation, or other rights obtained by him in carrying out this title.

(d) The aggregate of the outstanding principal obligations guaranteed under this title shall at no time exceed \$250,000,000.

#### INCONTESTABILITY

SEC. 408. Any guarantee made by the Secretary under this title shall be conclusive evidence of the eligibility of the obligations for such guarantee, and the validity of any guarantee so made shall be incontestable in the hands of a qualified holder of the guaranteed obligation except for fraud or material misrepresentation on the part of such holder.

#### ENCOURAGEMENT OF SMALL BUILDERS

SEC. 409. The Secretary shall adopt such requirements as he deems necessary to assure that new community construction assisted under this title will encourage the maintenance of a diversified local home-building industry and broad participation by builders, particularly small builders.

#### LABOR

SEC. 410. All laborers and mechanics employed by contractors or subcontractors in land development assisted under section 403 shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a—276a-5). No assistance shall be extended under section 403 for land development without first obtaining adequate assurance that these labor standards will be maintained upon the construction work involved in such development. The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (64 Stat. 1267), and section 2 of the Act of June 13, 1934 (40 U.S.C. 276c).

#### REAL PROPERTY TAXATION

SEC. 411. Nothing in this title shall be construed to exempt any real property that may be acquired and held by the Secretary as a result of the exercise of lien or subrogation rights from real property taxation to the same extent, according to its value, as other real property is taxed.

#### SUPPLEMENTARY GRANTS

SEC. 412. (a) The Secretary is authorized to make supplementary grants to State and local public bodies and agencies carrying out new community assistance projects, as defined in section 415(c), if the Secretary determines that such grants are necessary or desirable for carrying out a new community development project approved for assistance under section 403, and that a substantial number of housing units for low and moderate income persons is to be made available through such development project.

(b) In no case shall any grant under this section exceed 20 per centum of the cost of the new community assistance project for which the grant is made; and in no case shall the total Federal contributions to the cost of such project be more than 80 per centum.

49 Stat. 1011;  
78 Stat. 238.

63 Stat. 108.

Federal contribution.

(c) In carrying out his authority under this section the Secretary shall consult with the Secretary of Agriculture with respect to new community assistance projects assisted by that Department, and he shall, for the purpose of subsection (b), accept that Department's certifications as to the cost of such projects.

(d) There are authorized to be appropriated for grants under this section not to exceed \$5,000,000 for the fiscal year ending June 30, 1969, and not to exceed \$25,000,000 for the fiscal year ending June 30, 1970. Any amounts so appropriated shall remain available until expended, and any amounts authorized for any fiscal year under this subsection but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.

Appropriations.

#### GENERAL PROVISIONS AND RULES AND REGULATIONS

SEC. 413. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c) (2), (d), and (f), of the Housing Act of 1950: *Provided*, That subsection (a) (1) of section 402 shall not apply with respect to functions, powers, and duties under section 412 of this title.

64 Stat. 78;  
73 Stat. 681.  
12 USC 1749a.

#### AUDIT BY GENERAL ACCOUNTING OFFICE

SEC. 414. Insofar as they relate to any grants or guarantees made pursuant to this title, the financial transactions of recipients of Federal grants or of developers whose obligations are guaranteed by the United States pursuant to this title may be audited by the General Accounting Office under such rules and regulations as may be prescribed by the Comptroller General of the United States. The representatives of the General Accounting Office shall have access to all books, account, records, reports, files, and all other papers, things, or property belonging to or in use by such developers or recipients of grants pertaining to such financial transactions and necessary to facilitate the audit.

GAO access to  
records, etc.

#### DEFINITIONS

SEC. 415. As used in this title—

(a) The term "land development" means the process of grading land, making, installing, or constructing water lines and water supply installations, sewer lines and sewage disposal installations, steam, gas, and electric lines and installations, roads, streets, curbs, gutters, sidewalks, storm drainage facilities, and other installations or work, whether on or off the site, which the Secretary deems necessary or desirable to prepare land for residential, commercial, industrial, or other uses, or to provide facilities for public or common use. The term "land development" shall not include any building unless it is (1) a building which is needed in connection with a water supply or sewage disposal installation or a steam, gas, or electric line or installation, or (2) a building, other than a school, which is to be owned and maintained jointly by the residents of the new community or is to be transferred to public ownership, but not prior to its completion.

(b) The term "actual costs" means the costs (exclusive of rebates or discounts) incurred by a new community developer in carrying out the land development assisted under this title. These costs may include amounts paid for labor, materials, construction contracts, land planning, engineers' and architects' fees, surveys, taxes, and interest during development, organizational and legal expenses, such allocation of gen-

eral overhead expenses as are acceptable to the Secretary, and other items of expense incidental to development which may be approved by the Secretary. If the Secretary determines that there is an identity of interest between the new community developer and a contractor, there may be included as a part of actual costs an allowance for the contractor's profit in an amount deemed reasonable by the Secretary.

(c) The term "new community assistance projects" means projects assisted by grants made under section 702 of the Housing and Urban Development Act of 1965, section 306(a)(2) of the Consolidated Farmers' Home Administration Act, or title VII of the Housing Act of 1961.

#### CONFORMING AMENDMENTS

SEC. 416. (a) Section 202(b)(4) of the Housing Amendments of 1955 is amended by adding before the period at the end of the second sentence "or under title IV of the Housing and Urban Development Act of 1968".

(b) The first paragraph of section 24 of the Federal Reserve Act is amended by striking out all that follows "national banking association" in the fourth sentence and adding "may make loans or purchase obligations for land development which are secured by mortgages insured under title X of the National Housing Act or guaranteed under title IV of the Housing and Urban Development Act of 1968".

(c) The paragraph which, prior to the amendments made by this Act, was the next to last paragraph of section 5(c) of the Home Owners' Loan Act of 1933 is amended by adding at the end thereof the following new sentence: "Without regard to any other provision of this subsection, an association may invest in loans or obligations, or interests therein, as to which the association has the benefit of any guaranty under title IV of the Housing and Urban Development Act of 1968, as now or hereafter in effect, or of a commitment or agreement therefor, and such investments shall not be included in any percentage of assets or other percentage referred to in this subsection."

### TITLE V—URBAN RENEWAL

#### NEIGHBORHOOD DEVELOPMENT PROGRAMS

SEC. 501. (a) Title I of the Housing Act of 1949 is amended by adding after the title heading the following new subheading:

#### "PART A—URBAN RENEWAL PROJECTS, DEMOLITION PROGRAMS, AND CODE ENFORCEMENT PROGRAMS"

(b) Title I of such Act is further amended by adding at the end thereof the following new part:

#### "PART B—NEIGHBORHOOD DEVELOPMENT PROGRAMS

#### "PURPOSE AND AUTHORITY

"SEC. 131. (a) To facilitate more rapid renewal and development of urban areas on an effective scale, and to encourage more efficient and flexible utilization of public and private development opportunities by local communities in such areas, the Secretary is authorized to make financial assistance available under this title to local public agencies for undertakings and activities which are carried out under a neighborhood development program approved by him pursuant to this part.

"(b) A neighborhood development program shall consist of urban renewal project undertakings and activities in one or more urban re-

79 Stat. 490.  
42 USC 3102.  
79 Stat. 931.  
7 USC 1926.  
75 Stat. 183;  
79 Stat. 494.  
42 USC 1500-  
1500e.

75 Stat. 174;  
80 Stat. 1273.  
42 USC 1492.

69 Stat. 633.  
12 USC 371.

79 Stat. 461.  
12 USC 1749aa.

79 Stat. 465.  
12 USC 1464.

63 Stat. 414;  
79 Stat. 457, 477.  
42 USC 1450-  
1468.



new areas which are planned and carried out on the basis of annual increments in accordance with the provisions of this title for planning and carrying out urban renewal projects, except as modified by the provisions of this part.

“(c) No application for financial assistance in planning and carrying out a neighborhood development program shall be approved by the Secretary unless—

“(1) the governing body of the locality has, by resolution or ordinance, approved the proposed program and the annual increment covered by the application and authorized the filing of the application for financial assistance; and

“(2) the Secretary has concluded that there is the necessary capacity to carry out the undertakings and activities included under the program.

#### “FINANCIAL PROVISIONS

“SEC. 132. (a) Upon the approval of a neighborhood development program by the Secretary, the cost of any undertakings and activities authorized as part of the program shall be financed in accordance with the loan, capital grant, and project cost provisions of part A, except that—

42 USC 1450-1468.

“(1) net project cost may be calculated on the basis of costs incurred and proceeds derived for the account of the program during a specified twelve-month period, and may be recalculated for succeeding periods of twelve months to reflect additional costs and additional proceeds since the date of the last computation or recomputation; and

“(2) if property has been acquired but not disposed of prior to the computation or recomputation of net project cost, temporary loans made or secured under this title to finance undertakings or activities included in the program may remain outstanding until the property has been disposed of and the proceeds thereof together with additional funds becoming available to the program, are sufficient to permit repayment of the loans.

“(b) In the event that gross project cost as computed for a specified twelve-month period is exceeded, with respect to that period, by the sum of (1) the sales price of land or other property sold, and (2) the imputed capital value of land or other property leased or retained by the local public agency in accordance with the provisions of the urban renewal plan, the local public agency shall pay to the Secretary two-thirds of the excess (or three-fourths in the case of a program on a three-fourths grant basis), which amount shall be available to the Secretary for grant payments under section 103.

63 Stat. 416;  
73 Stat. 672.  
42 USC 1453.

#### “LOCAL GRANTS-IN-AID

“SEC. 133. (a) For the purpose of determining the eligibility of local grants-in-aid in connection with undertakings and activities carried out under a neighborhood development program, the three-year period referred to in the second paragraph of section 110(d) shall be deemed to be a period of three years prior to the authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the public improvement or facility for which credit is claimed; and the seven-year period referred to in clause (1) of section 112(b) shall be deemed to be a period of seven years prior to the date of authorization by the Secretary of the first contract for financial assistance under the program which includes the urban renewal area which is benefited by the expenditures for which credit is claimed.

73 Stat. 675.  
42 USC 1460.

75 Stat. 169.  
42 USC 1463.

"(b) No portion of the cost of a public improvement or public facility (to the extent otherwise eligible) may be included as a local grant-in-aid in computing the gross project cost of an approved program for any twelve-month period—

"(1) prior to commencement of construction of the improvement or facility, or

"(2) in excess of the amount actually expended or obligated by contract.

70 Stat. 1101.  
42 USC 1454.

"(c) The provisions of section 104 with respect to the pooling of local grants-in-aid among the various projects undertaken by a local public agency shall not be applicable with respect to any excess local grants-in-aid resulting from the urban renewal projects contained in a neighborhood development program.

#### "GENERAL PROVISIONS

"SEC. 134. (a) For purposes of this part—

68 Stat. 623.  
42 USC 1451.

"(1) the workable program requirement in section 101(c) shall apply to the authorization, rather than the execution, of any contract for loans or capital grants;

"(2) capital grants on a three-fourths basis may only be made under section 103(a)(2)(B);

79 Stat. 479.  
42 USC 1453.  
79 Stat. 475.  
42 USC 1455.

"(3) the relocation requirements specified in section 105(c) shall apply to each annual increment of an approved program;

"(4) section 106(g) (relating to transient housing) shall apply to activities undertaken under approved programs, except that the determination as to need for transient housing shall be made with respect to any sale or lease of land for construction of such housing prior to such sale or lease; and

70 Stat. 1097.  
42 USC 1460.

"(5) the requirement concerning demolition and removal of buildings and improvements stated in clause (A) of the sentence following paragraph (10) of section 110(c) shall apply to each annual increment of an approved program.

"(b) The approval by the Secretary of financial assistance for one or more annual increments of a neighborhood development program shall not be considered as obligating him to provide financial assistance for any subsequent annual increments.

71 Stat. 301.

"(c) The urban renewal plan referred to in section 110(b) may cover one or more of the urban renewal areas covered by a neighborhood development program and such plan may be modified from time to time to cover additional urban renewal areas added to the program. The Secretary may establish such requirements as he deems appropriate prescribing the scope and content of such plan, taking into consideration, among other matters, the degree of detail needed in the plan to properly and expeditiously carry out the activities and undertakings proposed in any annual increment of a neighborhood development program."

(c) Notwithstanding any requirement or condition to the contrary in section 6 or 20(i) of the District of Columbia Redevelopment Act of 1945 or in any other provision of law, the District of Columbia Redevelopment Land Agency may plan and undertake neighborhood development programs under part B of title I of the Housing Act of 1949 (as added by this section), subject to all of the provisions of such Act of 1945 to the extent not inconsistent with such part B, and any such program shall be regarded as complying with the requirements of such sections 6 and 20(i) and of such other provision of law if it meets the applicable requirements established under such part B.

60 Stat. 794;  
68 Stat. 630.  
D.C. Code 5-  
705, 5-717a.

## INCREASED AUTHORIZATION

SEC. 502. (a) Section 103(b) of the Housing Act of 1949 is amended by striking out everything in the first sentence after "exceed" and inserting in lieu thereof "\$7,600,000,000, which amount shall be increased by \$1,400,000,000 on July 1, 1969".

63 Stat. 416;  
79 Stat. 475.  
42 USC 1453.

(b) Section 103(b) of such Act is further amended by striking out "\$250,000,000" in the second sentence and inserting in lieu thereof "\$600,000,000".

80 Stat. 1260.

## REHABILITATION GRANTS

SEC. 503. (a) The second sentence of section 115(a) of the Housing Act of 1949 is amended by striking out the words "a structure" and "such structure" and inserting in lieu thereof "real property" and "such real property", respectively.

79 Stat. 457.  
42 USC 1466.

(b) Section 115(b) of such Act is amended by striking out "\$1,500" and inserting in lieu thereof "\$3,000".

(c) Section 115(a) of such Act is amended by inserting "(1)" after "(a)", and by adding at the end thereof a new paragraph as follows:

"(2) In addition to the authority conferred by paragraph (1), and notwithstanding any other provision of this title, the Secretary is authorized, through the utilization of local public agencies where feasible, to make grants (payable from any grant funds provided under section 103(b)) to an individual or family, as described in subsection (b), to cover the cost of repairs and improvements necessary to make real property owned and occupied by such individual or family conform to public standards for decent, safe, and sanitary housing. No grants shall be made under this paragraph in the case of any property, unless (A) such property is in an area within a locality (other than an urban renewal or code enforcement area) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of such repairs and improvements, (B) there is in effect for the locality a workable program meeting the requirements of section 101(c), and (C) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and such repairs and improvements to such property are consistent with the plan for rehabilitation or concentrated code enforcement."

68 Stat. 623.  
42 USC 1451.

(d) Section 115 of such Act is further amended—

(1) by redesignating subsection (b) as subsection (c) and inserting after subsection (a) a new subsection (b) as follows:

"(b) The Secretary is authorized to make grants (payable from any grant funds provided under section 103(b)), through the utilization of local public and private agencies where feasible, to an individual or family, as described in subsection (c), who owns and occupies real property which has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act. Such grants may only be made to rehabilitate such property to the extent which the Secretary determines to be necessary to make it meet reasonable underwriting standards imposed by such plan."; and

Post, p. 556.

(2) by striking out "subsection (b)" in subsection (a) and inserting in lieu thereof "subsection (c)".

## REHABILITATION IN URBAN RENEWAL AREAS

SEC. 504. Section 110(c) (8) of the Housing Act of 1949 is amended by striking out (1) "guidance purposes, and", and (2) the proviso at the end thereof.

70 Stat. 1097;  
78 Stat. 788.  
42 USC 1460.



## DISPOSITION OF PROPERTY FOR LOW AND MODERATE INCOME HOUSING

78 Stat. 786.  
42 USC 1457.

SEC. 505. Section 107(a) of the Housing Act of 1949 is amended—

(1) by inserting after “public body or agency,” the following: “or other approved purchaser or lessee,”;

(2) by inserting “, section 221(h)(1), section 235(j)(1), or section 236” after “or (d)(4)”;

(3) by inserting “or lessee” after “a purchaser” and after “such purchaser”, and “or lease” after “purchase”;

(4) by striking out “rental or cooperative”;

(5) by striking out “moderate” and inserting in lieu thereof “low or moderate”; and

(6) by inserting before the period at the end thereof the following: “: *Provided*, That when property is made available under clause (1) to an approved purchaser or lessee other than a limited dividend corporation, nonprofit corporation or association, cooperative, or public body or agency, the Secretary shall assure that the benefits of this subsection will go to the occupant of the property rather than to such purchaser or lessee”.

## GRANTS FOR LOW AND MODERATE INCOME HOUSING IN OPEN LAND PROJECTS

63 Stat. 416;  
75 Stat. 165.  
42 USC 1453.

SEC. 506. Section 103(a)(1) of the Housing Act of 1949 is amended by inserting before the period at the end thereof the following: “, except that he may contract for a grant in an amount not to exceed two-thirds of the difference between the proceeds from any land disposed of pursuant to section 107 and the fair value of the land without regard to such section”.

## URBAN RENEWAL LOAN CONTRACTS

63 Stat. 414.  
42 USC 1452.<sup>1</sup>

SEC. 507. (a) Section 102(c) of the Housing Act of 1949 is amended—

(1) by striking out “at interest rates lower than provided in the loan contract” in the first sentence; and

(2) by inserting before the period at the end of the first sentence the following: “: *Provided*, That, if at any time during the undertaking of the project, the interest rate on such a loan from a source other than the Federal Government is greater than the rate at which funds could be made available under the Federal loan contract, the Secretary may make a supplemental grant to the local public agency in the amount of the difference between the interest cost from such sources and the interest cost at the contract rate, and no part of the amount of any such grant shall be required to be contributed as a part of the local grant-in-aid”.

(b) Loan contracts outstanding on the date of enactment of this section may be amended to incorporate the provisions authorized by the amendment contained in subsection (a) without regard to the proviso in section 110(g) of the Housing Act of 1949.

68 Stat. 626.  
42 USC 1460.

## PROJECT COMPLETION PRIOR TO DISPOSITION OF CERTAIN PROPERTY

63 Stat. 417.  
42 USC 1456.

SEC. 508. (a) Section 106 of the Housing Act of 1949 is amended by adding at the end thereof the following new subsection:

“(i) Upon a determination by the Secretary that (1) not more than 5 per centum of the total area of land acquired as part of an urban renewal project remains to be disposed of, (2) the local public agency does not expect to be able, due to circumstances beyond its control, to dispose of such land in the near future, (3) all other project activities are completed, and (4) the local public agency has agreed to dispose

of or retain such land for uses in accordance with the urban renewal plan, the urban renewal project may be deemed completed, and the net project cost may be computed and the capital grant paid."

(b) Section 110(f) of such Act is amended by inserting before the period at the end thereof the following: "or for subsequent disposition or retention as provided under section 106(i)".

68 Stat. 626.  
42 USC 1460.

#### REHABILITATION LOANS

SEC. 509. (a) The first sentence of section 312(d) of the Housing Act of 1964 is amended to read as follows: "There is authorized to be appropriated not to exceed \$150,000,000 for each fiscal year which shall constitute a revolving fund to be used by the Secretary in carrying out this section."

78 Stat. 790;  
79 Stat. 479.  
42 USC 1452b.

(b) Section 312(h) of such Act is amended by striking out "October 1, 1969" and inserting in lieu thereof "June 30, 1973".

(c) Section 312(a) of such Act is amended to read as follows:

"(a) The Secretary is authorized, through the utilization of local public and private agencies where feasible, to make loans as herein provided to the owners and tenants of property to finance the rehabilitation of such property. No loan shall be made under this section unless—

"(1) (A) the property is situated in an urban renewal area or an area in which a program of concentrated code enforcement activity is being carried out pursuant to section 117 of the Housing Act of 1949, and the rehabilitation is required to make the property conform to applicable code requirements or to carry out the objectives of the urban renewal plan for the area and, in addition, to generally improve the condition of the property; or

79 Stat. 478.  
42 USC 1468.

"(B) (i) the property is in an area (other than an area described in subparagraph (A) which the governing body of the locality has determined, and so certifies to the Secretary, contains a substantial number of structures in need of rehabilitation, (ii) there is in effect for the locality a workable program meeting the requirements of section 101(c) of the Housing Act of 1949, (iii) the property is residential and owner-occupied, (iv) the property is in need of rehabilitation and is in violation of the local minimum housing or similar code, and (v) the area is definitely planned for rehabilitation or concentrated code enforcement within a reasonable time, and the rehabilitation of such property is consistent with the plan for rehabilitation or code enforcement;

68 Stat. 623.  
42 USC 1451.

"(2) the applicant is unable to secure the necessary funds from other sources upon comparable terms and conditions; and

"(3) the loan is an acceptable risk taking into consideration the need for the rehabilitation, the security available for the loan, and the ability of the applicant to repay the loan."

(d) Section 312 of such Act is further amended—

(1) by inserting "or" after the semicolon at the end of paragraph (1)(B) in subsection (a) (as amended by subsection (c) of this section), and by inserting after such paragraph (1)(B) the following new subparagraph:

"(C) (i) the property has been determined to be uninsurable because of physical hazards after an inspection pursuant to a statewide property insurance plan approved by the Secretary under title XII of the National Housing Act, and (ii) the loan is made to the owner or tenant of the property to finance rehabilitation which the Secretary determines to be necessary to make the property meet reasonable underwriting standards: "; and

Post, p. 556.

(2) by striking out "or" after "applicable codes" in subsection (b) (1) and inserting in lieu thereof a comma, and by inserting after "urban renewal plan" in such subsection "or a statewide property insurance plan".

(e) Section 312(a) of such Act (as amended by the preceding provisions of this section) is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding provisions of this subsection, no loan with respect to residential property shall be made under this section to any person whose annual income, as determined pursuant to criteria and procedures established by the Secretary, exceeds the limits prescribed by the Secretary for occupants of projects financed with below-market interest rate mortgages insured (in the area involved) under section 221(d) (3) of the National Housing Act: *Provided*, That the provisions of this sentence shall not apply to property in the area of an urban renewal project or a code enforcement project for which the city or other local public body or agency is receiving financial assistance under title I of the Housing Act of 1949 if, prior to the date of enactment of the Housing and Urban Development Act of 1968, such local public body or agency specifically developed plans for such project in reliance upon the availability of loans under this section."

75 Stat. 150.  
12 USC 1715f.

42 USC 1450-  
1468; *Ante*, p.  
518.

#### DEMOLITION GRANTS

SEC. 510. (a) The first sentence of section 116(a) of the Housing Act of 1949 is amended by inserting after "unsound" the following: ", a harborage or potential harborage of rats,".

(b) Section 116(b) of such Act is amended by inserting after the comma at the end of clause (2) the following: "or will be consistent with a systematic rodent control program being undertaken in the neighborhood,".

79 Stat. 477.  
42 USC 1467.

#### AIR RIGHTS SITES IN URBAN RENEWAL AREAS

SEC. 511. (a) Section 110(c) (1) (iv) of the Housing Act of 1949 is amended by striking out "for use for industrial development" and inserting in lieu thereof "for use for the development of industrial or educational facilities".

(b) Section 110(c) (7) of such Act is amended by striking out "for industrial development" and inserting in lieu thereof "for the development of industrial or educational facilities".

78 Stat. 787;  
80 Stat. 1281.  
42 USC 1460.

#### LOW AND MODERATE INCOME HOUSING IN RESIDENTIAL URBAN RENEWAL AREAS

SEC. 512. Section 105(f) of the Housing Act of 1949 is amended to read as follows:

"(f) A majority of the housing units provided in each community's total of such approved urban renewal projects as will be redeveloped for predominantly residential uses and which receive Federal recognition after the date of enactment of the Housing and Urban Development Act of 1968 shall be standard housing units for low and moderate income families or individuals: *Provided*, That the units in each community's total of such approved urban renewal projects which are for low-income families or individuals shall constitute at least 20 per centum of the units in such projects, except that the Secretary may waive the requirement of this proviso in any community to the extent that units for low-income families and individuals are not needed. The Secretary shall promptly report any waiver under the proviso in

Report of waiver  
to congressional  
committees.



the preceding sentence to the Committees on Banking and Currency of the Senate and the House of Representatives.”

#### WORKABLE PROGRAM REQUIREMENT IN CASE OF INDIAN TRIBES

SEC. 513. Section 101(c) of the Housing Act of 1949 is amended by inserting after “1964” in the second proviso the following: “or, in the case of an Indian tribe, band, or nation, commencing January 1, 1970”.

78 Stat. 785.  
42 USC 1451.

#### INTERIM ASSISTANCE FOR BLIGHTED AREAS

SEC. 514. Title I of the Housing Act of 1949 is amended by adding after section 117 a new section as follows:

42 USC 1450-  
1468.

#### “INTERIM ASSISTANCE FOR BLIGHTED AREAS

“SEC. 118. Notwithstanding any other provision of this title, the Secretary is authorized to enter into contracts (in an aggregate amount not to exceed \$15,000,000 in any fiscal year) to make, and to make, grants as provided in this section (payable from any grant funds provided under section 103(b)) to cities, other municipalities, and counties for the purpose of assisting such localities in carrying out programs to alleviate harmful conditions in slum and blighted areas which are planned for substantial clearance, rehabilitation, or federally assisted code enforcement in the near future but in which some immediate public action is needed until clearance, rehabilitation, or code enforcement activities can be undertaken. Such grants shall not exceed two-thirds (or three-fourths in the case of any city, other municipality, or county having a population of fifty thousand or less according to the most recent decennial census) of the cost of planning and carrying out programs which may include (1) the repair of streets, sidewalks, parks, playgrounds, publicly owned utilities, and public buildings to meet needs consistent with the short-term continued use of the area prior to the undertaking of the contemplated clearance or upgrading activities, (2) the improvement of private properties to the extent needed to eliminate the most immediate dangers to public health and safety, (3) the demolition of structures determined to be structurally unsound or unfit for human habitation and which constitute a public nuisance and serious hazard to the public health and safety, (4) the establishment of temporary public playgrounds on vacant land within the area, and (5) the improvement of garbage and trash collection, street cleaning, and similar activities. The Secretary shall encourage, wherever feasible, the employment of otherwise unemployed or underemployed residents of the area in carrying out the activities and undertakings assisted under this section. The provisions of sections 101(c), 106, and 114 shall be applicable to activities and undertakings assisted under this section to the same extent as if such activities and undertakings were being carried out in an urban renewal area as part of an urban renewal project.”

63 Stat. 416.  
42 USC 1453.

68 Stat. 623;  
63 Stat. 417;  
78 Stat. 788.  
42 USC 1451,  
1456, 1465.

#### UTILIZATION OF LOCAL PRIVATE NONPROFIT AGENCIES FOR REHABILITATION GRANTS IN CODE ENFORCEMENT AREAS

SEC. 515. Section 117 of the Housing Act of 1949 is amended by inserting the following before the period at the end thereof: “: *Provided*, That the Secretary may, in addition to authorizing a local public agency to make grants as prescribed in section 115, make such grants through the utilization of local private nonprofit agencies”.

79 Stat. 478.  
42 USC 1468.

42 USC 1466.

## RELOCATION PAYMENTS

78 Stat. 788.  
42 USC 1465.

SEC. 516. Section 114(c) of the Housing Act of 1949 is amended—

(1) by striking out the first sentence of paragraph (2) and inserting in lieu thereof the following: "In addition to any amount under paragraph (1), a local public agency may pay to or on behalf of any displaced family, displaced individual sixty-two years of age or over, or displaced handicapped individual, monthly payments over a period not to exceed twenty-four months in an amount not to exceed \$500 in the first twelve months and \$500 in the second twelve months to assist such displaced family or individual to secure a decent, safe, and sanitary dwelling.";

(2) by striking out "relocation adjustment" in the second sentence of paragraph (2) and inserting in lieu thereof "additional";

(3) by striking out the second proviso in paragraph (2) and inserting in lieu thereof the following: "Provided further, That additional payments under this paragraph may be paid on a lump sum or other than monthly basis in cases in which the small size of the payments that would otherwise be required do not warrant a number of separate payments or in other cases in which other than monthly payments are determined warranted by the Secretary: And provided further, That no payment received under this paragraph shall be considered as income for the purpose of determining the eligibility or the extent of eligibility of any person for assistance under the Social Security Act or any other Federal Act"; and

(4) by inserting a new paragraph (3) as follows:

"(3) In addition to any amount under paragraph (1), a local public agency may make a payment to a displaced family or individual, who does not receive the additional payment authorized under paragraph (2) and who is the owner of real property which is acquired for a project assisted under this title and which is improved by a single- or two-family dwelling occupied by the owner for a period of not less than one year prior to the initiation of negotiations for the acquisition of such property. Such payment, not to exceed \$5,000, shall be an amount which, when added to the acquisition payment, equals the average price required for a decent, safe, and sanitary dwelling of modest standards adequate in size to accommodate the displaced owner, reasonably accessible to public services and places of employment and available on the private market: *Provided*, That such payment may be made only to a displaced owner who purchases and occupies a dwelling within one year subsequent to the date on which he is required to move from the dwelling acquired for the project: *Provided further*, That no such payment may be made if the owner-occupant receives a payment required by the State law of eminent domain which is determined by the Secretary to have substantially the same purpose and effect as this paragraph and to be part of the cost of the project for which Federal financial assistance is available."

49 Stat. 620.  
42 USC 1305.

## TITLE VI—URBAN PLANNING AND FACILITIES

## COMPREHENSIVE PLANNING

73 Stat. 678.  
40 USC 461.

SEC. 601. Section 701 of the Housing Act of 1954 is amended to read as follows:

## "COMPREHENSIVE PLANNING

"SEC. 701. (a) In order to assist State and local governments in solving planning problems, including those resulting from the increasing concentration of population in metropolitan and other urban areas

and the out-migration from and lack of coordinated development of resources and services in rural areas; to facilitate comprehensive planning for urban and rural development, including coordinated transportation systems, on a continuing basis by such governments; and to encourage such governments to establish and improve planning staffs and techniques on an areawide basis, and to engage private consultants where their professional services are deemed appropriate by the assisted governments, the Secretary is authorized to make planning grants to—

“(1) State planning agencies for the provision of planning assistance to (A) cities and other municipalities having a population of less than 50,000 according to the latest decennial census, and counties without regard to population: *Provided*, That grants shall be made under this paragraph for planning assistance to counties having a population of 50,000 or more, according to the latest decennial census, which are within metropolitan areas, only if (i) the Secretary finds that planning and plans for such county will be coordinated with the program of comprehensive planning, if any, which is being carried out for the metropolitan area of which the county is a part, and (ii) the aggregate amount of the grants made subject to this proviso does not exceed 15 per centum of the aggregate amount appropriated, after September 2, 1964, for the purposes of this section, (B) any group of adjacent communities, either incorporated or unincorporated, having a total population of less than 50,000 according to the latest decennial census and having common or related urban planning problems, (C) cities, other municipalities, and counties referred to in paragraph (3) of this subsection, and areas referred to in paragraph (4) of this subsection, and (D) Indian reservations;

“(2) State, metropolitan, and regional planning agencies for metropolitan or regional planning, and to cities, within metropolitan areas, for planning which is part of comprehensive metropolitan planning and which shall supplement and be coordinated with State, metropolitan, and regional planning;

“(3) (A) economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, and

79 Stat. 560.  
42 USC 3161-  
3171 and note.

“(B) cities, other municipalities, and counties which (i) are situated in redevelopment areas or economic development districts designated by the Secretary of Commerce under title IV of the Public Works and Economic Development Act of 1965, or (ii) have suffered substantial damage as a result of catastrophe which the President, pursuant to section 2(a) of the Act entitled ‘An Act to authorize Federal assistance to States and local governments in major disasters, and for other purposes’, approved September 30, 1950, as amended (42 U.S.C. 1855a), has determined to be a major disaster;

64 Stat. 1109.

“(4) official governmental planning agencies for areas where rapid urbanization has resulted or is expected to result from the establishment or rapid and substantial expansion of a Federal installation, or for areas where rapid urbanization is expected to result on land developed or to be developed as a new community approved under section 1004 of the National Housing Act or title IV of the Housing and Urban Development Act of 1968;

80 Stat. 1271.  
12 USC 1749cc-1.  
Ante, p. 513.

“(5) States for State and interstate comprehensive planning and for research and coordination activity related thereto, including technical and other assistance for the establishment and operation of intrastate and interstate planning agencies;



"(6) State planning agencies for assistance to district planning, or planning for areas within districts, carried on by or for district planning agencies;

"(7) metropolitan and regional planning agencies, with the approval of the State planning agency or (in States where no such planning agency exists) of the Governor of the State, for the provision of planning assistance within the metropolitan area or region to cities, other municipalities, counties, groups of adjacent communities, or Indian reservations described in clauses (A), (B), (C), and (D) of paragraph (1) of this subsection;

"(8) official governmental planning agencies for any area where there has occurred a substantial reduction in employment opportunities as the result of (A) the closing (in whole or in part) of a Federal installation, or (B) a decline in the volume of Government orders for the procurement of articles or materials produced or manufactured in such area;

"(9) tribal planning councils or other tribal bodies designated by the Secretary of the Interior for planning for an Indian reservation;

"(10) the various regional commissions established by the Appalachian Regional Development Act of 1965 or under the Public Works and Economic Development Act of 1965 for comprehensive planning for the regions established under such Acts (or State agencies or instrumentalities participating in such planning); and

"(11) local development districts, certified under section 301 of the Appalachian Regional Development Act of 1965, for comprehensive planning for their entire areas, or for metropolitan planning, urban planning, county planning, or small municipality planning within such areas in the Appalachian region, and for planning for Appalachian regional programs.

Planning assisted under this section shall, to the maximum extent feasible, cover entire areas having common or related development problems. The Secretary shall encourage cooperation in preparing and carrying out plans among all interested municipalities, political subdivisions, public agencies, and other parties in order to achieve coordinated development of entire areas. To the maximum extent feasible, pertinent plans and studies already made for areas shall be utilized so as to avoid unnecessary repetition of effort and expense. Planning which may be assisted under this section includes the preparation of comprehensive transportation surveys, studies, and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other areas and reducing transportation needs. Planning carried out with assistance under this section shall also include a housing element as part of the preparation of comprehensive land use plans, and this consideration of the housing needs and land use requirements for housing in each comprehensive plan shall take into account all available evidence of the assumptions and statistical bases upon which the projection of zoning, community facilities, and population growth is based, so that the housing needs of both the region and the local communities studied in the planning will be adequately covered in terms of existing and prospective in-migrant population growth. Funds available under this section shall be in addition to and may be used jointly with funds available for planning surveys and investigations under other federally aided programs, and nothing contained in this section shall be construed as affecting the authority of the Secretary of Transportation under section 307 of title 23, United States Code.

79 Stat. 5.  
40 USC app. 1.  
79 Stat. 552.  
42 USC 3121  
note.

“(b) A planning grant made under subsection (a) shall not exceed two-thirds of the estimated cost of the work for which the grant is made: *Provided*, That such a grant may be made for up to 75 per centum of such estimated cost when made for planning primarily for (1) redevelopment areas, local development districts, or economic development districts, or portions thereof, described in paragraph (3) (A) and (B) (i) and paragraph (11) of subsection (a), (2) areas described in subsection (a) (8), and (3) the various regions, as described in subsection (a) (10). All grants made under this section shall be subject to terms and conditions prescribed by the Secretary. No portion of any grant made under this section shall be used for the preparation of plans for specific public works. The Secretary is authorized, notwithstanding the provisions of section 3648 of the Revised Statutes, as amended, to make advance or progress payments on account of any grant made under this section. There are authorized to be appropriated for the purposes of this section not to exceed \$265,000,000 prior to July 1, 1969, and not to exceed \$390,000,000 prior to July 1, 1970. Of the amount available prior to July 1, 1969, \$20,000,000 may be used only for district planning grants under subsection (a) (6), which amount shall be increased by \$10,000,000 on July 1, 1969. Any amounts appropriated under this section shall remain available until expended: *Provided*, That, of any funds appropriated under this section, not to exceed an aggregate of \$10,000,000 plus 5 per centum of the funds so appropriated may be used by the Secretary for studies, research, and demonstration projects, undertaken independently or by contract, for the development and improvement of techniques and methods for comprehensive planning and for the advancement of the purposes of this section, and for grants to assist in the conduct of studies and research relating to needed revisions in State statutes which create, govern, or control local governments and local governmental operations.

31 USC 529.  
Appropriation.

“(c) The Secretary is authorized, in areas embracing several municipalities or other political subdivisions, to encourage planning on a unified regional, district, or metropolitan basis and to provide technical assistance for such planning and the solution of problems relating thereto.

“(d) It is the further intent of this section to encourage comprehensive planning, including transportation planning, for States, cities, counties, metropolitan areas, districts, regions, and Indian reservations and the establishment and development of the organizational units needed therefor. In extending financial assistance under this section, the Secretary may require such assurances as he deems adequate that the appropriate State and local agencies are making reasonable progress in the development of the elements of comprehensive planning. The Secretary is authorized to provide technical assistance to State and local governments and their agencies and instrumentalities, and to Indian tribal bodies, undertaking such planning and, by contract or otherwise, to make studies and publish information on related problems.

“(e) In the exercise of his responsibilities under this section, the Secretary shall consult with those officials of the Federal Government responsible for the administration of programs of Federal assistance to the States and municipalities for various categories of public facilities and other comprehensively planned activities. He shall, particularly, consult with the Secretary of Agriculture prior to his approval of any district planning grants under subsections (a) (6) and (g), and with the Secretary of Commerce prior to his approval of any planning grants which include any part of an economic development district as defined and designated under the Public Works and Eco-

Consultation  
with other Govern-  
ment officials.

79 Stat. 552.  
42 USC 3121  
note.

Interstate com-  
pacts.

Historical sites  
and structures,  
study.

80 Stat. 915.  
16 USC 470a.

Definitions.

conomic Development Act of 1965. The Secretary of Agriculture and the Secretary of Commerce, as appropriate, may provide technical assistance, with or without reimbursement, in connection with the establishment of districts by the Secretary of Housing and Urban Development and the carrying out of planning by such districts.

“(f) The consent of the Congress is hereby given to any two or more States to enter into agreements or compacts, not in conflict with any law of the United States, for cooperative effort and mutual assistance in the comprehensive planning for the growth and development of interstate, metropolitan, or other urban areas, and to establish such agencies, joint or otherwise, as they may deem desirable for making effective such agreements and compacts.

“(g) In addition to the planning grants authorized by subsection (a), the Secretary is further authorized to make grants to organizations composed of public officials representative of the political jurisdictions within the metropolitan area, region, or district for the purpose of assisting such organizations to undertake studies, collect data, develop metropolitan, regional, and district plans and programs, and engage in such other activities, including implementation of such plans, as the Secretary finds necessary or desirable for the solution of the metropolitan, regional, or district problems in such areas, regions, or districts. To the maximum extent feasible, all grants under this subsection shall be for activities relating to all the developmental aspects of the total metropolitan area, region, or district including, but not limited to, land use, transportation, housing, economic development, natural resources development, community facilities, and the general improvement of living environments. A grant under this subsection shall not exceed two-thirds of the estimated cost of the work for which the grant is made.

“(h) In addition to the other grants authorized by this section, the Secretary is authorized to make grants to assist any city, other municipality, or county in making a survey of the structures and sites in such locality which are determined by its appropriate authorities to be of historic or architectural value. Any such survey shall be designed to identify the historic structures and sites in the locality, determine the cost of their rehabilitation or restoration, and provide such other information as may be necessary or appropriate to serve as a foundation for a balanced and effective program of historic preservation in such locality. The aspects of any such survey which relate to the identification of historic and architectural values shall be conducted in accordance with criteria found by the Secretary to be comparable to those used in establishing the national register maintained by the Secretary of the Interior under other provisions of law; and the results of each such survey shall be made available to the Secretary of the Interior. A grant under this subsection shall not exceed two-thirds of the cost of the survey for which it is made, and shall be made to the appropriate agency or entity specified in paragraphs (1) through (11) of subsection (a) or, if there is no such agency or entity which is qualified and willing to receive the grant and provide for its utilization in accordance with this subsection, directly to the city, other municipality, or county involved.

“(i) As used in this section—

“(1) The term ‘metropolitan area’ means a standard metropolitan statistical area, as established by the Bureau of the Budget, subject, however, to such modifications or extensions as the Secretary deems to be appropriate for the purposes of this section.

“(2) The term ‘region’ includes (A) all or part of the area of jurisdiction of one or more units of general local government, and (B) one or more metropolitan areas.



“(3) The term ‘district’ includes all or part of the area of jurisdiction of (A) one or more counties, and (B) one or more other units of general local government, but does not include any portion of a metropolitan area.

“(4) The term ‘comprehensive planning’ includes the following:

“(A) preparation, as a guide for governmental policies and action, of general plans with respect to (i) the pattern and intensity of land use, (ii) the provision of public facilities (including transportation facilities) and other government services, and (iii) the effective development and utilization of human and natural resources;

“(B) long-range physical and fiscal plans for such action;

“(C) programing of capital improvements and other major expenditures, based on a determination of relative urgency, together with definite financing plans for such expenditures in the earlier years of the program;

“(D) coordination of all related plans and activities of the State and local governments and agencies concerned; and

“(E) preparation of regulatory and administrative measures in support of the foregoing.

Comprehensive planning for the purpose of districts shall not include planning for or assistance to establishments in relocating from one area to another or assist subcontractors whose purpose is to divest, or whose economic success is dependent upon divesting, other contractors or subcontractors of contracts theretofore customarily performed by them: *Provided*, That this limitation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate, or subsidiary of such entity, if the Secretary finds that the establishment of such branch, affiliate, or subsidiary will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations, unless the Secretary has reason to believe that such branch, affiliate, or subsidiary is being established with the intention of closing down the operations of the existing business entity in the area of its original location or in any other area where it conducts such operations.

“(5) The term ‘State planning agencies’ includes official State planning agencies and (in States where no such planning agency exists) agencies or instrumentalities of State government designated by the Governor of the State and acceptable to the Secretary.

“(6) The terms ‘metropolitan planning agencies’, ‘regional planning agencies’, and ‘district planning agencies’ mean official metropolitan, regional, and district planning agencies, or other agencies and instrumentalities designated by the Governor (or Governors in the case of interstate planning), and acceptable to the Secretary, empowered under State or local law or interstate compact to perform metropolitan, regional, or district planning, respectively: *Provided*, That such agencies and instrumentalities shall, to the greatest practicable extent, be composed of or responsible to the elected officials of the unit or units of general local government for whose jurisdictions they are empowered to engage in planning.”

#### PLANNED AREAWIDE DEVELOPMENT

SEC. 602. (a) The heading of title II of the Demonstration Cities and Metropolitan Development Act of 1966 is amended to read as follows: “TITLE II—PLANNED AREAWIDE DEVELOPMENT”.

(b) Section 201 of such Act is amended to read as follows:

## "FINDINGS AND DECLARATION OF PURPOSE"

"SEC. 201. (a) The Congress hereby finds that the welfare of the Nation and of its people is directly dependent upon the sound and orderly development and the effective organization and functioning of our State and local governments.

"It further finds that it is essential that our State and local governments prepare, keep current, and carry out comprehensive plans and programs for their orderly physical development with a view to meeting efficiently all their economic and social needs.

"It further finds that our State and local governments are especially handicapped in this task by the complexity and scope of governmental services required, the multiplicity of political jurisdictions and agencies involved, and the inadequacy of the operational and administrative arrangements available for cooperation among them.

"It further finds that present requirements for areawide planning and programing in connection with various Federal programs have materially assisted in the solution of areawide problems, but that greater coordination of Federal programs and additional participation and cooperation are needed from the States and localities in perfecting and carrying out such efforts.

"(b) It is the purpose of this title to provide through greater coordination of Federal programs, and through supplementary grants for certain federally assisted development projects, additional encouragement and assistance to States and localities for making comprehensive areawide planning and programing effective."

(c) Section 202 of such Act is amended by striking out "metropolitan" each place it appears and inserting in lieu thereof "areawide".

(d) (1) Section 205 of such Act is amended by striking out "metropolitan development" each place it appears and inserting in lieu thereof "areawide development".

(2) Such section is further amended by striking out "metropolitan areas" and "metropolitan area" and inserting in lieu thereof "areas" and "area", respectively.

(3) Such section is further amended by striking out "metropolitan-wide" each place it appears, and inserting in lieu thereof "areawide".

(4) Such section is further amended by striking out "metropolitan planning" each place it appears and inserting in lieu thereof "areawide planning".

(5) Such section is further amended by inserting "where appropriate," after "(B)" in subsection (c) (1).

(6) Such section is further amended by striking out "within the metropolitanwide area" in subsection (f).

(e) (1) Paragraphs (1) and (2) of section 208 of such Act are amended by striking out "Metropolitan" and inserting in lieu thereof "Areawide".

(2) Paragraph (7) of such section is amended—

(A) by striking out "or metropolitan or regional" and inserting in lieu thereof "metropolitan, regional, or district"; and

(B) by striking out "metropolitan" in the parenthetical phrase.

(f) Section 206(b) of such Act is amended by striking out the second sentence and inserting in lieu thereof the following: "Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970."

80 Stat. 1261.

42 USC 3332.

42 USC 3335.

42 USC 3338.

42 USC 3336.

## ADVANCE ACQUISITION OF LAND

SEC. 603. (a) Section 701 of the Housing and Urban Development Act of 1965 is amended by striking out "in connection with the future construction of public works and facilities" in clause (3) and inserting in lieu thereof "in the future for public purposes".

79 Stat. 489.  
42 USC 3101.

(b) Section 704 of such Act is amended to read as follows:

42 USC 3104.

## "ADVANCE ACQUISITION OF LAND

"SEC. 704. (a) In order to encourage and assist the timely acquisition of land planned to be utilized in the future for public purposes, the Secretary is authorized to make grants to States and local public bodies and agencies to assist in financing the acquisition of a fee simple estate or other interest in such land.

"(b) The amount of any grant made under this section shall not exceed the aggregate amount of reasonable interest charges on the loans or other financial obligations incurred to finance the acquisition of such land for a period not in excess of the lesser of (1) five years from the date of acquisition of such land or (2) the period of time between the date on which the land was acquired and the date its use began for the purpose for which it was acquired: *Provided*, That where all or any portion of the cost of such land is not financed through borrowings, the amount of the grant shall be computed on the basis of the aggregate amount of reasonable interest charges that the Secretary determines would have been required.

"(c) No grant shall be made under this section unless the Secretary determines that the land will be utilized for a public purpose within a reasonable period of time and that such utilization will contribute to economy, efficiency, and the comprehensively planned development of the area. The Secretary shall in all cases require that land acquired with the assistance of a grant under this section be utilized for a public purpose within five years after the date on which a contract to make such grant is entered into, unless the Secretary (1) determines that due to unusual circumstances a longer period of time is necessary and in the public interest, and (2) reports such determination promptly to the Committees on Banking and Currency of the Senate and House of Representatives.

Report to congressional committees.

"(d) No land acquired with assistance under this section shall, without approval of the Secretary, be diverted from the purpose originally approved. The Secretary shall approve no such diversion unless he finds that the diversion is in accord with the then applicable comprehensive plan for the area. In cases of a diversion of land to other than a public purpose, the Secretary may require repayment of the grant, or substitution of land of approximately equal fair market value, whichever he deems appropriate. An interim use of the land for a public or private purpose in accordance with standards prescribed by the Secretary, or approved by him, shall not constitute a diversion within the meaning of this subsection.

"(e) Notwithstanding any other provision of law, no project for which land is acquired with assistance under this section shall, solely as a result of such advance acquisition, be considered ineligible for the purpose of any other Federal loan or grant program, and the amount of the purchase price paid for the land by the recipient of a grant under this section may be considered an eligible cost for the purpose of such other Federal loan or grant program."



## WATER AND SEWER FACILITIES PROGRAM

79 Stat. 490.  
42 USC 3102.

SEC. 604. (a) Section 702(c) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1968" and inserting in lieu thereof "October 1, 1969".

(b) Section 702(b) of such Act is amended—

(1) by striking out "a basic public sewer facility" and inserting in lieu thereof "a basic public water or sewer facility"; and

(2) by striking out "a public or other adequate sewer facility" and inserting in lieu thereof "a public or other adequate water or sewer facility".

(c) Section 702 of such Act is amended by adding at the end thereof a new subsection as follows:

"(d) In the administration of this section the Secretary shall require that, to the greatest extent practicable, new job opportunities be provided for unemployed or underemployed persons in connection with projects the financing of which is assisted under this section."

AUTHORIZATIONS FOR THE WATER AND SEWER FACILITIES, NEIGHBORHOOD FACILITIES, AND ADVANCE ACQUISITION OF LAND PROGRAMS

42 USC 3108.

SEC. 605. (a) Section 708(b) of the Housing and Urban Development Act of 1965 is amended by striking out "July 1, 1969" and inserting in lieu thereof "July 1, 1970".

(b) Section 708(a) of such Act is amended—

(1) by striking out "\$200,000,000 for grants under section 702" and inserting in lieu thereof "\$200,000,000 (or \$350,000,000 in the case of the fiscal year commencing July 1, 1968) for grants under sections 702"; and

(2) by adding at the end thereof the following new sentence: "In addition, there is authorized to be appropriated for grants under section 702 not to exceed \$115,000,000 for the fiscal year commencing July 1, 1969."

## OPEN-SPACE LAND PROGRAM

75 Stat. 184.  
42 USC 1500a.

SEC. 606. (a) Section 702(b) of the Housing Act of 1961 is amended to read as follows:

"(b) There are authorized to be appropriated, for the purpose of making grants under this title, not to exceed \$310,000,000 prior to July 1, 1969, and not to exceed \$460,000,000 prior to July 1, 1970. Any amounts appropriated under this section shall remain available until expended."

75 Stat. 185;  
79 Stat. 495, 497;  
80 Stat. 1280.  
42 USC 1500d.

(b) Section 708(b) of such Act is amended by striking out "\$50,000" and inserting in lieu thereof "\$125,000".

AUTHORIZATION TO MAKE FEASIBILITY STUDIES IN THE PUBLIC WORKS PLANNING ADVANCES PROGRAM

69 Stat. 641.  
40 USC 462.

SEC. 607. Section 702(a) of the Housing Act of 1954 is amended by inserting after "to aid in financing the cost of" the following: "feasibility studies,".

## TITLE VII—URBAN MASS TRANSPORTATION

## GRANT AUTHORIZATIONS

78 Stat. 304;  
80 Stat. 715.  
49 USC 1603.

SEC. 701. (a) Section 4(b) of the Urban Mass Transportation Act of 1964 is amended (1) by striking out the word "and" where it first appears in the first sentence, and (2) by inserting before the period at the end of the first sentence "; and \$190,000,000 for fiscal year 1970".

(b) Section 6(c) of such Act is amended (1) by striking out “\$50,000,000” and inserting in lieu thereof “\$56,000,000”, and (2) by inserting at the end thereof the following: “On or after July 1, 1969, the Secretary may make available to finance projects under this section such additional sums out of the grant authorization provided in section 4(b) as he deems appropriate.”

79 Stat. 475;  
80 Stat. 717.  
49 USC 1605.

#### DEFINITION OF MASS TRANSPORTATION

SEC. 702. Section 12(c) (5) of the Urban Mass Transportation Act of 1964 is amended to read as follows:

“(5) the term ‘mass transportation’ means transportation by bus, rail, or other conveyance, either publicly or privately owned, which provides to the public general or special service (but not including school buses or charter or sightseeing service) on a regular and continuing basis.”

78 Stat. 306;  
79 Stat. 507;  
80 Stat. 715.  
49 USC 1608.

#### EXTENSION OF EMERGENCY PROGRAM UNDER THE URBAN MASS TRANSPORTATION ACT

SEC. 703. Section 5 of the Urban Mass Transportation Act of 1964 is amended by striking out “November 1, 1968” and inserting in lieu thereof “July 1, 1970”.

78 Stat. 304;  
81 Stat. 526.  
49 USC 1604.

#### NON-FEDERAL SHARE OF NET PROJECT COST

SEC. 704. (a) Section 4(a) of the Urban Mass Transportation Act of 1964 is amended by striking out the last sentence and inserting in lieu thereof of following: “The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant.”

78 Stat. 304.  
49 USC 1603.

(b) Section 5 of such Act is amended by striking out the last sentence and inserting in lieu thereof the following: “The remainder of the net project cost shall be provided, in cash, from sources other than Federal funds. Not more than 50 per centum of such remainder may be provided from other than public sources, and any public or private transit system funds shall be provided solely from undistributed cash surpluses, replacement or depreciation funds or reserves available in cash, or new capital; except that in cases of demonstrated fiscal inability of an applicant actively engaged in preparing and effectuating a program for a unified or officially coordinated urban transportation system as part of the comprehensively planned development of the urban area, such remainder may be provided from other than public sources. No refund or reduction of the remainder of the net project cost shall be made at any time unless there is at the same time a refund of a proportional amount of the Federal grant.”

49 USC 1604.

## TITLE VIII—SECONDARY MORTGAGE MARKET

## PURPOSES

SEC. 801. The purposes of this title include the partition of the Federal National Mortgage Association as heretofore existing into two separate and distinct corporations, each of which shall have continuity and corporate succession as a separated portion of the previously existing corporation. One of such corporations, to be known as Federal National Mortgage Association, will be a Government-sponsored private corporation, will retain the assets and liabilities of the previously existing corporation accounted for under section 304 of the Federal National Mortgage Association Charter Act, and will continue to operate the secondary market operations authorized by such section 304. The other, to be known as Government National Mortgage Association, will remain in the Government, will retain the assets and liabilities of the previously existing corporation accounted for under sections 305 and 306 of such Act, and will continue to operate the special assistance functions and management and liquidating functions authorized by such sections 305 and 306.

Federal National Mortgage Association.

68 Stat. 615.  
12 USC 1719.

Government National Mortgage Association.

12 USC 1720,  
1721.

## AMENDMENTS TO THE FEDERAL NATIONAL MORTGAGE ASSOCIATION CHARTER ACT

SEC. 802. (a) The heading of title III of the National Housing Act is amended by striking out "FEDERAL NATIONAL MORTGAGE ASSOCIATION" and inserting in lieu thereof "NATIONAL MORTGAGE ASSOCIATIONS".

68 Stat. 612.  
12 USC 1716.

(b) Section 301 of such Act is amended—

(1) by striking out "in the Federal Government a";

(2) by striking out "facility for" and inserting in lieu thereof "facilities for";

(3) by striking out "of such facility" and inserting in lieu thereof "thereof";

(4) by striking out "facility to" and inserting in lieu thereof "facilities to"; and

(5) by striking out "the existing mortgage portfolio of the Federal National Mortgage Association" and inserting in lieu thereof "federally owned mortgage portfolios".

12 USC 1717.

(c) Section 302(a) of such Act is amended—

(1) by inserting "(1)" immediately following "(a)";

(2) by striking out "(hereinafter referred to as the 'Association')"; and

(3) by adding at the end thereof the following new paragraph:

"(2) On the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968, the body corporate described in the foregoing paragraph shall cease to exist in that form and is hereby partitioned into two separate and distinct bodies corporate, each of which shall have continuity and corporate succession as a separated portion of the previously existing body corporate, as follows:

"(A) One of such separated portions shall be a body corporate without capital stock to be known as Government National Mortgage Association (hereinafter referred to as the 'Association'), which shall be in the Department of Housing and Urban Development and which shall retain the assets and liabilities acquired and incurred under sections 305 and 306 prior to such effective date, including any and all liabilities incurred pursuant to section 302(c). The Association shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof. Agencies or



offices may be established by the Association in such other place or places as it may deem necessary or appropriate in the conduct of its business.

“(B) The other such separated portion shall be a body corporate to be known as Federal National Mortgage Association (hereinafter referred to as the ‘corporation’), which shall retain the assets and liabilities acquired and incurred under sections 303 and 304 prior to such effective date. The corporation shall have succession until dissolved by Act of Congress. It shall maintain its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be a resident thereof.”

68 Stat. 613.  
12 USC 1718,  
1719.

(d) Section 302(b) of such Act is amended—

12 USC 1717.

(1) by striking out “the Association is authorized” and inserting in lieu thereof “each of the bodies corporate named in subsection (a) (2) is authorized”;

(2) by striking out “lend (under section 304) on the security of,”;

(3) by inserting immediately before the colon in the first sentence “; and the corporation is authorized to lend on the security of any such mortgages and to purchase, sell, or otherwise deal in any securities guaranteed by the Association under section 306(g)”;

(4) by striking out “no mortgage may be purchased” and inserting in lieu thereof “the Association may not purchase any mortgage”.

(e) Section 302(c)(1) of such Act is amended by striking out “, consistent with section 307,”.

78 Stat. 800.

(f) Section 302(c)(2)(C) of such Act is amended to read as follows:

“(C) The Department of Housing and Urban Development.”

(g) Section 302(c)(2) of such Act is amended by striking out “incurred by the Federal National Mortgage” and inserting in lieu thereof “incurred by the”.

(h) The heading of section 303 of such Act is amended to read as follows: “CAPITALIZATION—FEDERAL NATIONAL MORTGAGE ASSOCIATION”.

(i) Section 303(a) of such Act is amended—

68 Stat. 613.  
12 USC 1718.

(1) by striking out “nonvoting common stock” and inserting in lieu thereof “common stock, without par value, which shall be vested with all voting rights, each share being entitled to one vote with rights of cumulative voting at all elections of directors”;

(2) by striking out “nonvoting preferred stock” and inserting in lieu thereof “nonvoting preferred stock, with a par value of \$100 per share,”;

(3) by striking out the second and third sentences thereof and inserting in lieu thereof “The free transferability of the common stock at all times to any person, firm, corporation, or other entity shall not be restricted except that, as to the corporation, it shall be transferable only on the books of the corporation.”;

(4) by striking out “of the capital surplus and the general surplus accounts”;

(5) by striking out “retire” and inserting in lieu thereof “retire, at par,”; and

(6) by striking out “the Association shall deem feasible” and inserting in lieu thereof “possible subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968”.

(j) Section 303(b) of such Act is amended—

(1) by striking out “for its services” and inserting in lieu thereof “, which may be regarded as elements of pricing,”; and

68 Stat. 614.  
12 USC 1718.

(2) by striking out the last sentence.

(k) Section 303(c) of such Act is amended—

(1) by striking out “(only in denominations of \$100 or multiples thereof)”;

(2) by inserting immediately after the first sentence the following: “In addition to the shares of common stock issued under the foregoing sentence, the corporation may issue additional shares in return for appropriate payments into capital or capital and surplus. The corporation shall at all times require each servicer of its mortgages to own a minimum amount of common stock of the corporation, measured by its stated value. Such minimum amount shall not exceed 2 per centum, as determined from time to time by the corporation with the approval of the Secretary of Housing and Urban Development, of the aggregate outstanding principal balances of all mortgages of the corporation which have been purchased subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968 and which are then serviced by such servicer for the corporation.”; and

(3) by striking out “the general surplus account of the Association shall not be reduced through the payment of dividends applicable to such common stock which exceed in the aggregate 5 per centum of the par value of the outstanding common stock of the Association” and inserting in lieu thereof “the aggregate amount of cash dividends paid on account of any share of such stock shall not exceed any rate which may be determined from time to time by the Secretary of Housing and Urban Development to be a fair rate of return after consideration of the current earnings and capital condition of the corporation”.

(l) Section 303(d) of such Act is amended by striking out “\$225,000,000” and inserting in lieu thereof “\$225,000,000; but no such stock may be issued subsequent to the effective date established pursuant to section 808 of the Housing and Urban Development Act of 1968”.

(m) Section 303(f) of such Act is amended by striking out “contributions, and” inserting in lieu thereof “contributions, to purchase additional shares of such stock, and”.

Repeal.

(n) Section 303(g) of such Act is repealed.

(o) The heading of section 304 of such Act is amended to read as follows: “SECONDARY MARKET OPERATIONS—FEDERAL NATIONAL MORTGAGE ASSOCIATION”.

(p) Section 304(a)(1) of such Act is amended by striking out “and the Association shall not purchase any mortgage insured or guaranteed prior to the effective date of the Housing Act of 1954”.

(q) Section 304(b) of such Act is amended by striking out “earnings and in” and inserting in lieu thereof “earnings unless a greater ratio shall be fixed at any time or from time to time by the Secretary of Housing and Urban Development. In”.

(r) Section 304(c) of such Act is amended by striking out “(1) all of the preferred stock of the Association held by the Secretary of the Treasury has been retired, or (2)”.

(s) Sections 303 and 304 of such Act, as amended by the foregoing subsections of this section, are further amended—

(1) by striking out “Association” each place it appears and inserting in lieu thereof, in each such place, “corporation”; and

(2) by striking out “Association’s” each place it appears and inserting in lieu thereof, in each such place, “corporation’s”.

(t) The heading of section 305 of such Act is amended to read as follows: “SPECIAL ASSISTANCE FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION”.

68 Stat. 615;  
75 Stat. 176.  
12 USC 1719.

12 USC 1720.

(u) The heading of section 306 of such Act is amended to read as follows: "MANAGEMENT AND LIQUIDATING FUNCTIONS—GOVERNMENT NATIONAL MORTGAGE ASSOCIATION".

68 Stat. 618.  
12 USC 1721.

(v) Subsections (a) and (b) of section 307 of such Act are repealed.

Repeal.  
12 USC 1722.

(w) Section 307 of such Act is further amended—

(1) by striking out "SEC. 307.";

(2) by striking out "(c) All of the benefits and burdens incident to the administration of" and inserting in lieu thereof the following:

"SEC. 307. All of the benefits and burdens incident to the administration of"; and

(3) by striking out "board of directors of the Association" and inserting in lieu thereof "Secretary of Housing and Urban Development".

(x) The heading of section 308 of such Act is amended to read as follows: "MANAGEMENT".

(y) Section 308 of such Act is amended—

12 USC 1723.

(1) by inserting "(a)" immediately following "308";

(2) by striking out the first two sentences and inserting in lieu thereof "All the powers and duties of the Government National Mortgage Association shall be vested in the Secretary of Housing and Urban Development and the Association shall be administered under the direction of the Secretary.";

(3) by striking out "the board shall determine" and inserting in lieu thereof "the Secretary shall determine";

(4) by striking out "Association. The chairman of the board" and inserting in lieu thereof "Association, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The Secretary";

(5) by striking out "by the board of directors," and inserting in lieu thereof "by the Secretary,";

(6) by striking out the last sentence; and

(7) by adding at the end thereof the following new subsection:

FNMA, Board of  
Directors.  
12 USC 1723.

"(b) The Federal National Mortgage Association shall have a board of directors which shall consist of fifteen persons, one-third of whom shall be appointed annually by the President of the United States, and the remainder of whom shall be elected annually by the common stockholders. The board shall at all times have as members appointed by the President at least one person from the homebuilding industry, at least one person from the mortgage lending industry, and at least one person from the real estate industry. Each member of the board of directors shall be appointed or elected for a term ending on the date of the next annual meeting of the stockholders, except that any such member may be removed from office by the President for good cause. Any elective seat on the board which becomes vacant after the annual election of the directors shall be filled by the board, but only for the unexpired portion of the term. Any appointive seat which becomes vacant shall be filled by appointment of the President, but only for the unexpired portion of the term. Within the limitations of law and regulation, the board shall determine the general policies which shall govern the operations of the corporation, and shall have power to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law. The board of directors shall select and effect the appointment of qualified persons to fill the offices of president and vice president, and such other offices as may be provided for in the bylaws. Any member of the board who is a full-time officer or employee of the Federal Government shall not, as such member, receive compensation for his services."



68 Stat. 620.  
12 USC 1723a.

(z) Section 309 (a) of such Act is amended—

(1) by striking out “The Association” and inserting in lieu thereof “Each of the bodies corporate named in section 302(a) (2)”;

(2) by striking out “by its board of directors, to adopt, amend, and repeal bylaws governing the performance of the powers and duties granted to or imposed upon it by law;”;

(3) by striking out “conduct its business” and inserting in lieu thereof “conduct its business without regard to any qualification or similar statute”;

(4) by striking out “the Association may deem” and inserting in lieu thereof “it may deem”; and

(5) by striking out “the purposes of the Association” and inserting in lieu thereof “its purposes”.

(aa) Section 309 (c) of such Act is amended—

(1) by striking out “(1)”;

(2) by striking out “The Association” and inserting in lieu thereof “(1) The Association”;

(3) by striking out “, and (2) the Association shall, with respect to its secondary market operations under section 304 after the cutoff date referred to in section 303(d) of this title, pay annually to the Secretary of the Treasury, for covering into miscellaneous receipts, an amount equivalent to the amount of Federal income taxes for which it would be subject if it were not exempt from such taxes with respect to such secondary market operations”; and

(4) by adding at the end thereof the following new paragraph:

“(2) The corporation, including its franchise, capital, reserves, surplus, mortgages or other security holdings, and income, shall be exempt from all taxation now or hereafter imposed by any State, territory, possession, Commonwealth, or dependency of the United States, or by the District of Columbia, or by any county, municipality, or local taxing authority, except that any real property of the corporation shall be subject to State, territorial, county, municipal, or local taxation to the same extent as other real property is taxed.”

(bb) Section 309 (d) of such Act is amended—

(1) by inserting “(1)” immediately following “(d)”;

(2) by striking out “Chairman of the Board” and inserting in lieu thereof “Secretary of Housing and Urban Development”;

(3) by striking out “agents,” and inserting in lieu thereof “agents of the Association,”; and

(4) by adding at the end thereof the following new paragraph:

“(2) The board of directors of the corporation shall have the power to select and appoint or employ such officers, attorneys, employees, and agents, to vest them with such powers and duties, and to fix and to cause the corporation to pay such compensation to them for their services, as it may determine; and any such action shall be without regard to the Federal civil service and classification laws. Appointments, promotions, and separations so made shall be based on merit and efficiency, and no political tests or qualifications shall be permitted or given consideration. Each officer and employee of the corporation who is employed by the corporation prior to the termination of the transitional period referred to in section 810(b) of the Housing and Urban Development Act of 1968 and who on the day previous to the beginning of such employment will have been subject to the civil service retirement law (subch. III of ch. 83 of title 5, United States Code) shall, so long as his employment by the corporation continues without a break in continuity of service, continue to be subject to such law; and

FNMA, exemption from taxation.

Officers and employees.

Post, p. 546.

80 Stat. 564.  
5 USC 8331-8348.

for the purpose of such law his employment by the corporation without a break in continuity of service shall be deemed to be employment by the Government of the United States. The corporation shall contribute to the Civil Service Retirement and Disability Fund a sum as provided by section 8334(a) of title 5, United States Code, except that such sum shall be determined by applying to the total basic pay (as defined in 5 U.S.C. 8331(3) and except as hereinafter provided) paid to the employees of the corporation who are covered by the civil service retirement law, the per centum rate determined annually by the United States Civil Service Commission to be the excess of the total normal cost per centum rate of the civil service retirement system over the employee deduction rate specified in section 8334(a) of title 5, United States Code. The corporation shall also pay into the Civil Service Retirement and Disability Fund such portion of the cost of administration of the fund as is determined by the United States Civil Service Commission to be attributable to its employees. Notwithstanding the foregoing provisions, there shall not be considered for the purposes of the civil service retirement law that portion of the basic pay in any one year of any officer or employee of the corporation which exceeds the basic pay provided for in section 5312 of title 5, United States Code, on the last day of such year. Except as provided in this subsection, the corporation shall not be subject to the provisions of title 5, United States Code."

80 Stat. 569.

80 Stat. 564.

80 Stat. 460.

80 Stat. 378.

68 Stat. 620.

12 USC 1723a.

(cc) Section 309(e) of such Act is amended—

(1) by striking out "body corporate created by section 302" and inserting in lieu thereof "bodies corporate named in section 302(a) (2)";

(2) by inserting ", 'Government National Mortgage Association,'" immediately following "'Federal National Mortgage Association'" ; and

(3) by striking out the second sentence and inserting in lieu thereof the following: "Violations of the foregoing sentence may be enjoined by any court of general jurisdiction at the suit of the proper body corporate. In any such suit, the plaintiff may recover any actual damages flowing from such violation, and, in addition, shall be entitled to punitive damages (regardless of the existence or nonexistence of actual damages) of not exceeding \$100 for each day during which such violation is committed or repeated."

(dd) Section 309(g) of such Act is amended to read as follows:

"(g) The Federal Reserve banks are authorized and directed to act as depositories, custodians, and fiscal agents for each of the bodies corporate named in section 302(a) (2), for its own account or as fiduciary, and such banks shall be reimbursed for such services in such manner as may be agreed upon; and each of such bodies corporate may itself act in such capacities, for its own account or as fiduciary, and for the account of others."

Federal Reserve  
banks, custodians.

Ante, p. 536.

(ee) Section 309 of such Act is amended by adding at the end thereof the following new subsection:

"(h) The Secretary of Housing and Urban Development shall have general regulatory power over the Federal National Mortgage Association and shall make such rules and regulations as shall be necessary and proper to insure that the purposes of this title are accomplished. No stock, obligation, security, or other instrument shall be issued by the corporation without the prior approval of the Secretary. The Secretary may require that a reasonable portion of the corporation's mortgage purchases be related to the national goal of providing adequate housing for low and moderate income families, but with reasonable economic return to the corporation. The Secretary may examine and audit the books and financial transactions of the corporation, and

he may require the corporation to make such reports on its activities as he deems advisable."

68 Stat. 622.  
12 USC 1723c.

(ff) Section 311 of such Act is amended—

(1) by striking out "the Association" and inserting in lieu thereof "either of the bodies corporate named in section 302(a)(2)"; and

(2) by adding at the end thereof the following: "All stock, obligations, securities, participations, or other instruments issued pursuant to this title shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission; but all such issuances shall be made only with the approval of the Secretary of Housing and Urban Development."

#### PARTICIPATIONS

78 Stat. 800;  
80 Stat. 164.  
12 USC 1717.

SEC. 803. Section 302(c)(5) of the National Housing Act is amended by inserting at the end thereof the following: "In the event that the insufficiency required by the trustee is on account of principal maturities of outstanding beneficial interests or participations authorized to be issued pursuant to paragraph (4) of this subsection, or pursuant hereto, the trustee is authorized to elect to issue additional beneficial interests or participations for refinancing purposes in lieu of requiring any trustor or trustors to make payments to the trustee from appropriated funds or other sources. Each such issue of beneficial interests or participations shall be in an amount determined by the trustee but not in excess of the aggregate amount which the trustee would otherwise require the trustor or trustors to pay from appropriated funds or other sources, and may be issued without regard to the provisions of paragraph (4) of this subsection. All refinancing issues of beneficial interests or participations shall be deemed to have been issued pursuant to the authority contained in the appropriation Act or Acts under which the beneficial interests or participations were originally issued."

#### MORTGAGE-BACKED SECURITIES

68 Stat. 615.  
12 USC 1719.

SEC. 804. (a) Section 304 of the National Housing Act is amended by adding at the end thereof the following new subsection:

"(d) To provide a greater degree of liquidity to the mortgage investment market and an additional means of financing its operations under this section, the corporation is authorized to set aside any mortgages held by it under this section, and, upon approval of the Secretary of the Treasury, to issue and sell securities based upon the mortgages so set aside. Securities issued under this subsection may be in the form of debt obligations or trust certificates of beneficial interest, or both. Securities issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury. Securities issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal and interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. Mortgages set aside pursuant to this subsection shall at all times be adequate to enable the corporation to make timely principal and interest payments on the securities issued and sold pursuant to this subsection."

12 USC 1721.

(b) Section 306 of such Act is amended by adding at the end thereof the following new subsection:



“(g) The Association is authorized, upon such terms and conditions as it may deem appropriate, to guarantee the timely payment of principal of and interest on such trust certificates or other securities as shall (1) be issued by the corporation under section 304(d), or by any other issuer approved for the purposes of this subsection by the Association, and (2) be based on and backed by a trust or pool composed of mortgages which are insured under the National Housing Act or title V of the Housing Act of 1949, or which are insured or guaranteed under the Servicemen’s Readjustment Act of 1944 or chapter 37 of title 38, United States Code. The Association shall collect from the issuer a reasonable fee for any guaranty under this subsection and shall make such charges as it may determine to be reasonable for the analysis of any trust or other security arrangement proposed by the issuer. In the event the issuer is unable to make any payment of principal of or interest on any security guaranteed under this subsection, the Association shall make such payment as and when due in cash, and thereupon shall be subrogated fully to the rights satisfied by such payment. Any Federal, State, or other law to the contrary notwithstanding, the Association is hereby empowered, in connection with any guaranty under this subsection, whether before or after any default, to provide by contract with the issuer for the extinguishment, upon default by the issuer, of any redemption, equitable, legal, or other right, title, or interest of the issuer in any mortgage or mortgages constituting the trust or pool against which the guaranteed securities are issued; and with respect to any issue of guaranteed securities, in the event of default and pursuant otherwise to the terms of the contract, the mortgages that constitute such trust or pool shall become the absolute property of the Association subject only to the unsatisfied rights of the holders of the securities based on and backed by such trust or pool. The full faith and credit of the United States is pledged to the payment of all amounts which may be required to be paid under any guaranty under this subsection. There shall be excluded from the total amounts set forth in subsection (c) the amounts of any mortgages acquired by the Association as a result of its operations under this subsection.”

*Ante*, p. 542.

48 Stat. 1246.  
12 USC 1701  
and note.  
63 Stat. 432.  
42 USC 1471-  
1490.  
58 Stat. 284;  
72 Stat. 1273.  
72 Stat. 1203.  
38 USC 1801.

(c) Section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following:

“Ninth. To issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act.”

(d) The first proviso of section 21(a)(1) of the Banking Act of 1933 (12 U.S.C. 378(a)(1)) is amended by inserting “, or issuing securities,” immediately following “investment securities”.

48 Stat. 189;  
49 Stat. 707.

(e) Section 5(c) of the Home Owners’ Loan Act of 1933 (12 U.S.C. 1464(c)) is amended by adding at the end thereof a new paragraph as follows:

48 Stat. 132.

“Any such association may issue and sell securities which are guaranteed pursuant to section 306(g) of the National Housing Act.”

#### SUBORDINATED AND CONVERTIBLE OBLIGATIONS

SEC. 805. Section 304 of the National Housing Act is amended by adding thereto (after subsection (d) as added by section 804 of this Act) the following new subsection:

68 Stat. 615.  
12 USC 1719.

“(e) For the purposes of this section, the corporation is authorized to issue, upon the approval of the Secretary of the Treasury, obligations which are subordinated to any or all other obligations of the corporation, including subsequent obligations. The obligations issued under this subsection shall have such maturities and bear such rate or rates of interest as may be determined by the corporation with the approval of the Secretary of the Treasury and may be made redeem-

able at the option of the corporation before maturity in such manner as may be stipulated in such obligations. Any of such obligations may be made convertible into shares of common stock in such manner, at such price or prices, and at such time or times as may be stipulated therein. The total principal amount of such subordinated obligations which may be outstanding at any one time shall not exceed two times the sum of (1) the capital of the corporation represented by its outstanding common stock and (2) its surplus and undistributed earnings at such time. The outstanding total principal amount of such obligations, which are entirely subordinated to the obligations of the corporation issued or to be issued under subsection (b), shall be deemed to be capital of the corporation for the purpose of determining the aggregate amount of obligations issued under subsection (b) which may be outstanding at any one time. Obligations issued by the corporation under this subsection shall, to the same extent as securities which are direct obligations of or obligations guaranteed as to principal or interest by the United States, be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission. The corporation shall insert appropriate language in all of its obligations issued under this subsection clearly indicating that such obligations, together with the interest thereon, are not guaranteed by the United States and do not constitute a debt or obligation of the United States or of any agency or instrumentality thereof other than the corporation. The corporation is authorized to purchase in the open market any of its obligations outstanding under this subsection at any time and at any price."

## SPECIAL ASSISTANCE AUTHORIZATION

SEC. 806. Section 305(c) of the National Housing Act is amended—

- (1) by striking out "and" after "July 1, 1967,"; and
- (2) by striking out the period and inserting in lieu thereof "and by \$500,000,000 on July 1, 1969."

## AMENDMENTS TO OTHER LAWS

SEC. 807. (a) Section 306(b) of the Housing Act of 1959 is amended by striking out "Federal National Mortgage Association pursuant" and inserting in lieu thereof "Government National Mortgage Association pursuant".

(b) Section 312(d) of the Housing Act of 1964 is amended by striking out "Federal" and inserting in lieu thereof "Government".

(c) Section 5(b) of the Department of Housing and Urban Development Act is amended—

- (1) by striking out "The Federal" and inserting in lieu thereof "The Government"; and

- (2) by striking out "and the position of the President of said Association is hereby allocated among the positions referred to in section 7(c) hereof".

(d) Section 7(b) of the Department of Housing and Urban Development Act is repealed.

(e) Section 101 of the Government Corporation Control Act is amended by striking out "Federal National Mortgage Association" and inserting in lieu thereof "Government National Mortgage Association".

(f) Section 13(4)(F) of the Public Buildings Act of 1959 is amended by striking out "Federal" and inserting in lieu thereof "Government".

75 Stat. 175;  
79 Stat. 493.  
12 USC 1720.

73 Stat. 670.  
12 USC 1721  
note.

78 Stat. 790;  
79 Stat. 479.  
42 USC 1452b.

79 Stat. 669.  
42 USC 3534.

Repeal.  
42 USC 3535.

59 Stat. 597.  
31 USC 846.

73 Stat. 482.  
40 USC 612.

(g) Section 6(b) of the Participation Sales Act of 1966 is amended by striking out "secondary market operations carried on by the Federal" and inserting in lieu thereof "the Government".

80 Stat. 167.  
12 USC 1717  
note.

(h) Section 1820(e) of title 38, United States Code, is amended by striking out "Federal National" in three places and inserting in lieu thereof, in each such place, "Government National".

78 Stat. 800.

(i) Section 709 of title 18, United States Code, is amended by striking out "Federal National Mortgage Association" each place it appears and inserting in lieu thereof, in each such place, "Government National Mortgage Association".

68 Stat. 609.

(j) Section 5136 of the Revised Statutes is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

12 USC 24.

(k) Section 11(h) of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association, in the stock of the Federal National Mortgage Association" immediately following "Federal National Mortgage Association".

47 Stat. 733;  
68 Stat. 622.  
12 USC 1431.

(l) Section 16 of the Federal Home Loan Bank Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

(m) Section 5(c) of the Home Owners' Loan Act of 1933 is amended by inserting "or the Government National Mortgage Association," immediately following "Federal National Mortgage Association" and by inserting "or the stock of the Federal National Mortgage Association" immediately after "any other agency of the United States".

48 Stat. 132.  
12 USC 1464.

(n) Section 8(8)(E) of the Federal Credit Union Act is amended by inserting "or the Government National Mortgage Association" immediately following "Federal National Mortgage Association".

73 Stat. 630;  
81 Stat. 110.  
12 USC 1757.

#### EFFECTIVE DATE

SEC. 808. The amendments made by this title shall be effective from and after a date, no more than one hundred and twenty days following the date of enactment of this Act, as established by the Secretary of Housing and Urban Development. Notice of the establishment of such effective date shall be published in the Federal Register at least thirty days prior thereto.

Publication in  
Federal Register.

#### SAVINGS PROVISIONS

SEC. 809. (a) No cause of action by or against the Federal National Mortgage Association existing prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. Any such cause of action may thereafter be asserted by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act.

Ante, p. 536.

(b) No suit, action, or other proceeding commenced by or against the Federal National Mortgage Association, or any officer thereof in his official capacity, prior to the effective date established pursuant to section 808 shall abate by reason of the enactment of this title. A court may at any time thereafter during the pendency of any such litigation, on its own motion or that of any party, order that the litigation may be maintained by or against the appropriate corporate body named in section 302(a)(2) of the National Housing Act or the appropriate corresponding officer thereof.

#### TRANSITIONAL PROVISIONS

SEC. 810. (a) On the effective date established pursuant to section 808 of this Act, each share of outstanding nonvoting common stock, with a par value of \$100 per share, of the Federal National Mortgage



Association shall be changed into and shall become one share of voting common stock, without par value, of such corporation.

Ante, p. 539.

FNMA, Board of  
Directors.  
Transitional  
period.

(b) (1) The provisions of section 308(b) of the National Housing Act (as added by section 802(y) (7) of this Act) shall be applicable only to the extent that its provisions do not conflict with this subsection.

(2) For a transitional period after the effective date established pursuant to section 808 of this Act, the board of directors of the Federal National Mortgage Association shall consist of nine persons. For a term expiring on the date of the first annual meeting of the corporation's stockholders, all members of the board shall be appointed by the Secretary of Housing and Urban Development. For a term beginning on such date, seven members of the board shall be appointed by the Secretary, and two members shall be elected by the common stockholders. For subsequent terms beginning prior to the termination of the transitional period, five members shall be appointed by the Secretary, and four members shall be elected by the common stockholders. For each term beginning prior to the termination of the transitional period, the Secretary shall appoint as a member of the board the president of the corporation. During the transitional period, the president of the corporation shall be appointed by the President, by and with the advice and consent of the Senate, and may be removed from office by the President for good cause.

(3) The transitional period referred to in paragraph (2) shall come to an end at such time as the board of directors shall find, with the approval of the Secretary, that not less than one-third of the corporation's common stock is owned by persons or institutions in the mortgage lending, homebuilding, real estate, or related businesses; but in no event shall it end sooner than May 1, 1970, or later than May 1, 1973.

(c) From the effective date established pursuant to section 808 and until the retirement of the last of the outstanding shares of its preferred stock, the Federal National Mortgage Association shall be deemed to be a wholly owned corporation for the purposes of the Government Corporation Control Act. Notwithstanding the foregoing provisions of this paragraph, the financial transactions of the Federal National Mortgage Association shall continue to be subject to audit by the General Accounting Office for such period as there may be outstanding obligations of the Federal National Mortgage Association which are guaranteed as to principal or interest by the Government National Mortgage Association.

59 Stat. 597.  
31 USC 841  
note.  
GAO audit.

(d) Those persons who are the officers and employees of the Federal National Mortgage Association immediately prior to the effective date established pursuant to section 808 shall become the officers and employees of the Government National Mortgage Association on such date. The Federal National Mortgage Association and the Government National Mortgage Association shall provide by contract for the conditions and methods under which and by which the Federal National Mortgage Association during the transitional period may employ those individuals who are employees of the Government National Mortgage Association on such effective date; and may provide by contract for the operation by either of such corporations of any of the functions of the other. The Secretary of Housing and Urban Development shall make every reasonable effort to place in other comparable Federal positions any individuals who are career or career-conditional employees of the Government National Mortgage Association on such effective date and who are subsequently during the transitional period neither employed by the Federal National Mortgage Association nor retained by the Government National Mortgage Association.

## TITLE IX—NATIONAL HOUSING PARTNERSHIPS

## STATEMENT OF PURPOSE

SEC. 901. The Congress finds that the volume of housing being produced for families and individuals of low or moderate income must be increased to meet the national goal of a decent home and a suitable living environment for every American family, and declares that it is the policy of the United States to encourage the widest possible participation by private enterprise in the provision of housing for low or moderate income families. The Congress has therefore determined that one or more private organizations should be created to encourage maximum participation by private investors in programs and projects to provide low and moderate income housing.

## CREATION OF CORPORATIONS

SEC. 902. (a) There is hereby authorized to be created a private corporation for profit (hereinafter in this title referred to as the "corporation"). The corporation will not be an agency or establishment of the United States Government. The corporation shall be subject to the provisions of this title and, to the extent consistent with this title, to the District of Columbia Business Corporation Act (D.C. Code, sec. 29-901 et seq.).

68 Stat. 179.

(b) Whenever the President finds it in the national interest to do so, he may cause the creation of an additional corporation or additional corporations to carry out the purposes of this title. All the provisions of this title shall thereupon become applicable to each such corporation, and to the limited partnership formed by it pursuant to section 907.

(c) Nothing in this title shall be construed to preclude private persons from creating other corporations and organizing other partnerships, joint ventures, or associations for the purposes set forth in this title as the purposes of the corporation and the partnership described in section 907.

## PROCESS OF ORGANIZATION

SEC. 903. (a) The President of the United States shall appoint, by and with the advice and consent of the Senate, incorporators of the corporation, one of whom shall be designated by the President to serve as chairman. The incorporators shall serve as the initial board of directors until the first annual meeting of stockholders or until their successors are elected and have qualified.

(b) The incorporators shall take whatever actions are necessary or appropriate to establish the corporation, including the filing of articles of incorporation as approved by the President.

(c) The incorporators shall also arrange for an initial offering of shares of stock in the corporation and of interests in the partnership described in section 907 of this title. If the incorporators deem it advisable in order to carry out the purposes of this title, the initial offering may be made upon terms which require the purchase of other securities of the corporation or of interests in such partnership.

## DIRECTORS

SEC. 904. The corporation shall have a board of directors (hereinafter in this section referred to as the "board"), consisting of fifteen members. Three members of the board shall be appointed by the President of the United States, by and with the advice and consent of the Senate, effective on the date on which the other members are

elected, and for terms of three years or until their successors have been appointed and have qualified, except that the first three members of the board so appointed shall continue in office for terms of one, two, and three years, respectively, and any member so appointed to fill a vacancy shall be appointed only for the unexpired term of the director whom he succeeds. Twelve members of the board shall be elected by the stockholders.

#### FINANCING THE CORPORATION

SEC. 905. The corporation shall have the power to create and issue the number of shares stated in its articles of incorporation. Such shares may be divided into one or more classes, any or all of which classes may consist of shares with par value or shares without par value, with such designations, preferences, voting powers, and special or relative rights and such limitations, restrictions, or qualifications thereof as shall be stated in the articles of incorporation. The articles of incorporation may limit or deny the voting power of the shares of any class.

#### PURPOSES AND POWERS OF THE CORPORATION

SEC. 906. (a) In order to achieve the objectives and carry out the purposes of this title, the corporation is authorized to—

(1) plan, initiate, and carry out, pursuant to Federal programs or otherwise, the building or rehabilitation of housing and related facilities primarily for the benefit of families and individuals of low or moderate income;

(2) buy, own, manage, lease, or otherwise acquire or dispose of property in connection with the developments, projects, or undertakings referred to in paragraph (1); and

(3) provide such funds as may be necessary to accomplish the developments, projects, or undertakings referred to in paragraph (1).

(b) Included in the activities authorized to the corporation for the accomplishment of the purposes indicated in subsection (a) of this section are, among others not specifically named—

(1) to enter into partnerships, limited partnerships, joint ventures, and other associations with individuals, corporations, and private and governmental agencies, organizations, and institutions;

(2) to act as manager or general partner of any such partnership, venture, or association;

(3) to conduct or contract for research and studies related to the development, demonstration, and evaluation of improved techniques and methods of constructing, rehabilitating, and maintaining housing;

(4) to provide technical assistance to nonprofit corporations, limited dividend corporations, and others with respect to the planning, financing, construction, rehabilitation, maintenance, and management of housing for low and moderate income families and individuals;

(5) to make loans or grants including grants of interests in housing and related facilities, to nonprofit corporations, limited dividend corporations, and others, in carrying out its activities under subsection (a) of this section; and

(6) to hire or accept the voluntary services of consultants, experts, advisory boards, and panels to aid the corporation in carrying out the purposes of this title.

(c) To carry out the foregoing purposes and engage in the foregoing activities, the corporation shall have the usual powers conferred

Research contracts.

Loans or grants.



upon a stock corporation by the District of Columbia Business Corporation Act.

(d) Nothing in this title shall have the effect of waiving or otherwise affecting the applicability of the provisions of the Davis-Bacon Act (40 U.S.C. 267a—276a-5), or any other law requiring compliance with labor standards, in the case of any construction to which such provisions would otherwise apply.

49 Stat. 1011;  
78 Stat. 238.

#### NATIONAL HOUSING PARTNERSHIP

SEC. 907. (a) The corporation is authorized to arrange for the formation, as a separate organization, of a limited partnership (hereinafter in this title referred to as the "partnership") under the District of Columbia Uniform Limited Partnership Act (D.C. Code, sec. 41-401 et seq.) for the purpose of engaging in any of the activities authorized for the corporation under section 906 of this title, and to enter into a partnership agreement governing the affairs of such limited partnership.

76 Stat. 655.

(b) The partnership shall be subject to the provisions, to the extent consistent with this title, of (1) the District of Columbia Uniform Limited Partnership Act and (2) those provisions of the District of Columbia Uniform Partnership Act (D.C. Code, sec. 41-301 et seq.) made applicable by section 6(2) of that Act (D.C. Code, sec. 41-305(2)). Notwithstanding any inconsistency between the provisions of such Acts, or of any other law, and the provisions of this section, the partnership organized pursuant to this section shall be deemed to have the legal status of a limited partnership.

76 Stat. 636.

(c) The partnership is authorized to enter into partnerships, limited partnerships, or joint ventures organized under applicable State or local law for the purpose of engaging in low and moderate income housing developments, projects, or undertakings in particular localities.

(d) The corporation shall be the general partner in the partnership. The capital of the partnership and the contributions of the partners shall be in such amounts and at such times as are set forth in or pursuant to the partnership agreement.

(e) The partnership agreement shall include provisions designed to assure that (1) the partnership shall participate in low and moderate income housing developments, projects, or undertakings in a manner designed to encourage the participation therein of local interests, and (2) in any such development, project, or undertaking the partnership shall not subscribe to more than 25 per centum (including equity investments made in services or property) of the aggregate initial equity investment unless, in the judgment of the corporation as general partner, the balance of the required equity investment is not readily obtainable from other responsible investors residing or doing business in the local community.

(f) The partnership agreement may without limitation (1) permit each of the stockholders of the corporation to become a member of the partnership as a limited partner, (2) authorize the inclusion of other limited partners in addition to the stockholders of the corporation, (3) provide that the assignee of the partnership interest of a limited partner of the partnership who is also a stockholder of the corporation may not become a substituted limited partner unless he also acquires the assignor's stock of the corporation, and (4) include provisions requiring that the corporation as a general partner approve the substitution or addition of a member of the partnership.

(g) A corporation which is a limited partner in the partnership shall not become liable as a general partner by reason of the fact that

(1) such corporation is a holder of shares of voting stock of the corporation constituting not more than 5 per centum of the total number of outstanding shares of such stock and exercises any of the rights (including voting rights) of a holder of such shares, and/or (2) a person who is an officer or director of such corporation (or of another corporation which controls or is subject to the control of, or is under common control with, such corporation) is a director of the corporation and performs the duties of that office. The interest of a limited partner in the partnership shall not be treated as a stock interest in the corporation, notwithstanding that such interest of a limited partner may be proportionate to his stock interest in the corporation.

(h) The certificate of the partnership and any amendment thereof required by the District of Columbia Uniform Limited Partnership Act shall be executed and acknowledged by the corporation as member and by each other member of the partnership or his attorney-in-fact duly authorized by power of attorney in writing. The corporation may execute and acknowledge the certificate and any amendment thereof as attorney-in-fact for any member, member to be substituted or added, or assigning member, by whom the certificate or amendment is required to be executed and acknowledged and who has appointed the corporation as such attorney.

76 Stat. 655.  
D.C. Code 41-  
401.

#### REPORT TO CONGRESS AND RECORDS

SEC. 908. (a) The corporation shall submit an annual report to the President for transmittal to the Congress within six months after the end of its fiscal year. The report shall include a comprehensive and detailed report of the operations, activities, and financial condition of the corporation and the partnership under this title.

(b) The accounts of the corporation and of the partnership shall be audited annually in accordance with generally accepted auditing standards by independent certified public accountants or independent licensed public accountants certified or licensed by a regulatory authority of a State or other political subdivision of the United States.

#### ANTITRUST LAWS

SEC. 909. Nothing contained herein shall affect the applicability of the Federal antitrust laws to the activities of the corporation and the partnership created under this title and of the persons participating therein or in partnerships, limited partnerships, or joint ventures with either of them.

38 Stat. 730.  
15 USC 12.

#### RIGHT TO REPEAL, ALTER, OR AMEND

SEC. 910. The right to repeal, alter, or amend this title at any time is expressly reserved.

#### AMENDMENT TO BANKING LAWS

SEC. 911. Paragraph "Seventh" of section 5136 of the Revised Statutes (12 U.S.C. 24) is amended by adding at the end thereof the following: "Notwithstanding any other provision in this paragraph, the association may purchase for its own account shares of stock issued by a corporation authorized to be created pursuant to title IX of the Housing and Urban Development Act of 1968, and may make investments in a partnership, limited partnership, or joint venture formed pursuant to section 907(a) or 907(c) of that Act."

*Ante*, p. 547.

## TITLE X—RURAL HOUSING

## HOUSING FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

SEC. 1001. Title V of the Housing Act of 1949 is amended by adding at the end thereof the following new section:

63 Stat. 432.  
42 USC 1471-  
1490.

“LOANS TO PROVIDE OCCUPANT-OWNED, RENTAL, AND COOPERATIVE HOUSING  
FOR LOW AND MODERATE INCOME PERSONS AND FAMILIES

“SEC. 521. (a) Notwithstanding the provisions of sections 502, 517 (a) and 515, loans to persons of low or moderate income under section 502 or 517(a) (1), and loans under section 515 to provide rental or cooperative housing and related facilities for persons and families of low or moderate income or elderly persons and elderly families, shall bear interest at a rate prescribed by the Secretary at not less than a rate determined annually by the Secretary of the Treasury taking into consideration 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, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum: *Provided*, That such a loan may be made only when the Secretary determines that the needs of the applicant for necessary housing cannot be met with financial assistance from other sources including assistance under section 235 or 236 of the National Housing Act: *Provided further*, That interest on loans under section 502 or 517(a) to victims of natural disaster shall not exceed the rate which would be applicable to such loans under section 502 without regard to this section.

42 USC 1472,  
1487, 1485.

*Ante*, pp. 477,  
498.

“(b) Housing and related facilities provided with loans described in subsection (a) shall be located in rural areas; and applicants eligible for such loans under section 502 or 517(a) (1), or for occupancy of housing provided with such loans under section 515, shall include otherwise qualified nonrural residents who will become rural residents.

42 USC 1472,  
1487, 1485.

“(c) There shall be reimbursed to the Rural Housing Insurance Fund by annual appropriations the amounts by which nonprincipal payments made from the fund during each fiscal year to the holders of insured loans described in subsection (a) exceed interest due from the borrowers during each year; and the Secretary from time to time may issue notes to the Secretary of the Treasury under section 517(h) to obtain amounts equal to such unreimbursed excess payments, pending the annual reimbursement by appropriation.”

## HOUSING FOR RURAL TRAINEES

SEC. 1002. Title V of the Housing Act of 1949 is amended by adding after section 521 (as added by section 1001 of this Act) the following new section:

## “HOUSING FOR RURAL TRAINEES

“SEC. 522. (a) Upon the application of any State or political subdivision thereof, or any public or private nonprofit organization, the Secretary is authorized, after consultation with the Secretary of Labor, the Secretary of Health, Education, and Welfare, the Secretary of Housing and Urban Development, and the Director of the Office of Economic Opportunity, and after the Secretary determines that the housing and related facilities cannot reasonably be provided in any other way, to provide financial and technical assistance for



the establishment, in rural areas, of housing and related facilities for trainees and their families who are residents of a rural area and have a rural background, while such trainees are enrolled and participating in training courses designed to improve their employment capability. The selection of training sites and location of housing shall be made with due regard to the economic viability of the area, and only after consideration of a labor area survey and full coordination among all Government agencies having primary responsibility for administering related programs.

“(b) Housing and related facilities assisted under this section shall be safe and sanitary, constructed in the most economical manner, and of modest design, giving due consideration to the purposes to be served and the needs of the occupants, and may, in the discretion of the Secretary, include mobile family quarters. Design and location shall be such as to facilitate, as feasible, the use of such housing and related facilities for other purposes when no longer needed for the primary purpose.

“(c) The applicant shall contribute the necessary land, or funds to acquire such land, from its own resources, including land acquired by donation or from funds repayable under subsection (e) or borrowed from other sources.

“(d) No financial assistance shall be made available under this section unless, to the extent and for the periods required by the Secretary, the applicant agrees that—

“(1) such housing will be maintained at all times in a safe and sanitary condition in accordance with standards prescribed by State or local law, or, in the absence of such standards, with requirements prescribed by the Secretary;

“(2) priority shall be given at all times, in granting occupancy of such housing and facilities, to the trainees and their families described in subsection (a); and

“(3) rentals charged them shall not exceed amounts approved by the Secretary after considering the portion of the actual total family income which the family can afford to pay for rent while meeting its other immediate needs during occupancy.

“(e) The Secretary may make advances pursuant to any contract for financial assistance under this section at such times and in such manner as may be specified in the contract. Such advances for the purchase of land shall be repayable with interest and within a period not to exceed thirty-three years and may be made upon such security, if any, as the Secretary requires. Advances for other purposes may be made repayable with or without interest or nonrepayable, as determined by the Secretary on the basis of the anticipated income and cost of operation of the housing and related facilities and the ability of each applicant to finance such facilities. Any advances shall be limited to cover the capital costs of constructing such facilities, plus interest on borrowings to cover such costs.

“(f) Should housing and related facilities assisted pursuant to a contract under this section be sold to an ineligible transferee or diverted to a use other than its primary purpose within a period specified in the contract, all advances made under such contract shall be repaid to the Secretary, up to the amount of the sales price or the fair value of the property as determined by the Secretary, whichever is higher, with interest from the date of the sale or diversion. If no suitable alternate use of the property is available, as determined by the Secretary, after the purpose of this section can no longer be served, the property shall be returned to its original condition by the recipient of the assistance.

“(g) Interest charged on advances made under this section shall be at a rate, prescribed by the Secretary, which shall be not less than a

rate determined by the Secretary of the Treasury taking into consideration 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, adjusted to the nearest one-eighth of 1 per centum, less not to exceed the difference between the adjusted rate determined by the Secretary of the Treasury and 1 per centum per annum, as determined by the Secretary.

“(h) The Secretary shall prescribe regulations to insure that Federal funds expended under this section are not wasted or dissipated.

“(i) As used in this section (1) the term ‘related facilities’ shall include any necessary community rooms or buildings, infirmaries, utilities, access roads, water and sewer services, and the minimum fixed or movable equipment determined by the Secretary to be necessary to make the housing reasonably habitable by trainees and their families; and (2) the term ‘trainee’ means any person receiving training under any federally assisted training program.

“(j) There are authorized to be appropriated such sums as may be necessary to carry out this section.”

“Related facilities.”

“Trainee.”

Appropriation.

#### APPROPRIATIONS

SEC. 1003. Section 513 of the Housing Act of 1949 is amended—

(1) by striking out “and (e)” and inserting in lieu thereof “(e)”; and

(2) by inserting before the period at the end thereof the following: “; and (f) such sums as may be required by the Secretary to administer the provisions of sections 235 and 236 of the National Housing Act”.

63 Stat. 438;

75 Stat. 188;

78 Stat. 798.

42 USC 1483.

Ante, pp. 477, 498.

#### PURCHASE OF LAND FOR BUILDING SITES

SEC. 1004. Section 514(f)(2) of the Housing Act of 1949 is amended—

(1) by striking out “and” before “(B)”, and

(2) by inserting before the semicolon at the end thereof the following: “and (C) land necessary for an adequate site”.

75 Stat. 186.

42 USC 1484.

#### MUTUAL AND SELF-HELP HOUSING

SEC. 1005. Title V of the Housing Act of 1949 is amended by adding after section 522 (as added by section 1002 of this Act) the following new section:

42 USC 1471-

1490.

#### “MUTUAL AND SELF-HELP HOUSING

“SEC. 523. (a) The purposes of this section are (1) to make financial assistance available on reasonable terms and conditions in rural areas and small towns to needy low-income individuals and their families who, with the benefit of technical assistance and overall guidance and supervision, participate in approved programs of mutual or self-help housing by acquiring and developing necessary land, acquiring building materials, providing their own labor, and working cooperatively with others for the provision of decent, safe, and sanitary dwellings for themselves, their families, and others in the area or town involved, and (2) to facilitate the efforts of both public and private nonprofit organizations providing assistance to such individuals to contribute their technical and supervisory skills toward more effective and comprehensive programs of mutual or self-help housing in rural areas and small towns wherever necessary.

"(b) In order to carry out the purposes of this section, the Secretary of Agriculture (in this section referred to as the 'Secretary') is authorized—

Contract  
authority.

"(1) (A) to make grants to, or contract with, public or private nonprofit corporations, agencies, institutions, organizations, and other associations approved by him, to pay part or all of the costs of developing, conducting, administering, or coordinating effective and comprehensive programs of technical and supervisory assistance which will aid needy low-income individuals and their families in carrying out mutual or self-help housing efforts; and

Self-Help Fund.

"(B) to establish the Self-Help Housing Land Development Fund, referred to herein as the Self-Help Fund, to be used by the Secretary as a revolving fund for making loans, on such terms and conditions and in such amounts as he deems necessary, to public or private nonprofit organizations for the acquisition and development of land as building sites to be subdivided and sold to families, nonprofit organizations, and cooperatives eligible for assistance under section 235 or 236 of the National Housing Act or section 521 of this Act. Such a loan, with interest at a rate not to exceed 3 percent per annum, shall be repaid within a period not to exceed two years from the making of the loan, or within such additional period as may be authorized by the Secretary in any case as being necessary to carry out the purposes hereof; and

*Ante*, pp. 477,  
498.  
*Ante*, p. 551.

Loans.

"(2) to make loans, on such terms and conditions and in such amounts as he deems necessary, to needy low-income individuals participating in programs of mutual or self-help housing approved by him, for the acquisition and development of land and for the purchase of such other building materials as may be necessary in order to enable them, by providing substantially all of their own labor, and by cooperating with others participating in such programs, to carry out to completion the construction of decent, safe, and sanitary dwellings for such individuals and their families, subject to the following limitations:

"(A) there is reasonable assurance of repayment of the loan;

"(B) the amount of the loan, together with other funds which may be available, is adequate to achieve the purpose for which the loan is made;

"(C) the credit assistance is not otherwise available on like terms or conditions from private sources or through other Federal, State, or local programs;

"(D) the loan bears interest at a rate not to exceed 3 percent per annum on the unpaid balance of principal, plus such additional charge, if any, toward covering other costs of the loan program as the Secretary may determine to be consistent with its purposes; and

"(E) the loan is repayable within not more than thirty-three years.

Considerations.

"(c) In determining whether to extend financial assistance under paragraph (1) or (2) of subsection (b), the Secretary shall take into consideration, among other factors, the suitability of the area within which construction will be carried out to the type of dwelling which can be provided under mutual or self-help housing programs, the extent to which the assistance will facilitate the provision of more decent, safe, and sanitary housing conditions than presently exist in the area, the extent to which the assistance will be utilized efficiently and expeditiously, the extent to which the assistance will effect an increase in the standard of living of low-income individuals participating in the mutual or self-help housing program, and whether the



assistance will fulfill a need in the area which is not otherwise being met through other programs, including those carried out by other Federal, State, or local agencies.

“(d) As used in this section, the term ‘construction’ includes the erection of new dwellings, and the rehabilitation, alteration, conversion, or improvement of existing structures.

“Construction.”

“(e) The Secretary is authorized to establish appropriate criteria and procedures in order to determine the eligibility of applicants for the financial assistance provided under this section, including criteria and procedures with respect to the periodic review of any construction carried out with such financial assistance.

Eligibility of applicants, criteria.

“(f) There are hereby authorized to be appropriated for each fiscal year commencing after June 30, 1968, and ending prior to July 1, 1973, such sums, not in excess of \$5,000,000 for any such fiscal year, as may be necessary to carry out the provisions of this section. No grant or loan may be made or contract entered into under the authority of this section after June 30, 1973, except pursuant to a commitment or other obligation entered into pursuant to this section before that date.

Appropriation.

“(g) There are hereby authorized to be appropriated for the purposes of subsection (b) (1) (B) not to exceed \$1,000,000 for the fiscal year ending June 30, 1969, and not to exceed \$2,000,000 for the fiscal year ending June 30, 1970. Any amount so authorized to be appropriated for any fiscal year which is not appropriated may be appropriated for any succeeding fiscal year or years. Amounts appropriated under this subsection shall be deposited in the Self-Help Fund, which shall be available without fiscal year limitation for making loans under subsection (b) (1) (B). Instruments and property acquired by the Secretary in or as a result of making such loans shall be assets of the Self-Help Fund. Sums received from the repayment of such loans shall be deposited in and be a part of the Self-Help Fund.”

## TITLE XI—URBAN PROPERTY PROTECTION AND REINSURANCE

### SHORT TITLE

SEC. 1101. This title may be cited as the “Urban Property Protection and Reinsurance Act of 1968.”

### FINDINGS AND DECLARATION OF PURPOSE

SEC. 1102. (a) The Congress finds that (1) the vitality of many American cities is being threatened by the deterioration of their inner city areas; responsible owners of well-maintained residential, business, and other properties in many of these areas are unable to obtain adequate property insurance coverage against fire, crime, and other perils; the lack of such insurance coverage accelerates the deterioration of these areas by discouraging private investment and restricting the availability of credit to repair and improve property therein; and this deterioration poses a serious threat to the national economy; (2) recent riots and other civil commotion in many American cities have brought about abnormally high losses to the private property insurance industry for which adequate reinsurance cannot be obtained at reasonable cost, and the risk of such losses will make most lines of property insurance even more difficult to obtain; (3) the capacity of the private property insurance industry to provide adequate insurance is threatened, and the continuity of such property insurance protection is essential to the extension of credit in these areas; and (4) the national interest demands urgent action by the Congress to assure that essential lines of property insurance, including lines providing protection

against riot and civil commotion damage will be available to property owners at reasonable cost.

(b) The purposes of this title are, therefore, to (1) encourage and assist the various State insurance authorities and the property insurance industry to develop and carry out statewide programs which will make necessary property insurance coverage against the fire, crime, and other perils more readily available for residential, business, and other properties meeting reasonable underwriting standards; and (2) provide a Federal program of reinsurance against abnormally high property insurance losses resulting from riots and other civil commotion, placing appropriate financial responsibility upon the States to share in such losses.

#### AMENDMENT OF THE NATIONAL HOUSING ACT

SEC. 1103. The National Housing Act is amended by adding at the end thereof the following new title:

### "TITLE XII—NATIONAL INSURANCE DEVELOPMENT PROGRAM

#### "PROGRAM AUTHORITY

"SEC. 1201. (a) The Secretary is authorized to establish and carry out the programs provided for in parts A, B, and C of this title.

"(b) (1) The powers of the Secretary under this title shall terminate on April 30, 1973, except to the extent necessary—

"(A) to continue reinsurance in accordance with the provisions of section 1223 (b) until April 30, 1976;

"(B) to process, verify, and pay claims for reinsured losses and perform other necessary functions in connection therewith; and

"(C) to complete the liquidation and termination of the reinsurance program.

"(2) On April 30, 1976, or as soon thereafter as possible, the Secretary shall submit to the Congress, for its approval, a plan for the liquidation and termination of the reinsurance program.

#### "ADVISORY BOARD; MEETINGS, DUTIES, COMPENSATION, AND EXPENSES

"SEC. 1202. (a) (1) There is established an Advisory Board (hereinafter called the 'Board') consisting of nineteen members appointed by the Secretary. Members of the Board shall be selected from among representatives of the general public, the insurance industry, State and local governments including State insurance authorities, and the Federal Government. Of these members of the Board, not more than six shall be regular full-time employees of the Federal Government, and not less than four shall be representatives of the private insurance industry and not less than four shall be representatives of State insurance authorities.

"(2) The Secretary shall designate a Chairman and a Vice Chairman of the Board.

"(3) Each member shall serve for a term of two years or until his successor has been appointed, except that no person who is appointed while a full-time employee of a State or the Federal Government shall serve in such position after he ceases to be so employed, unless he is reappointed.

"(4) Any member appointed to fill a vacancy occurring prior to the expiration of the term for which his predecessor was appointed shall be appointed for the remainder of that term.

*Post*, pp. 558,  
560, 563.

Report to Con-  
gress.

"(b) The Chairman shall preside at all meetings, and the Vice Chairman shall preside in the absence or disability of the Chairman. In the absence of both the Chairman and Vice Chairman, the Secretary may appoint any member to act as Chairman pro tempore. The Board shall meet at such times and places as it or the Secretary may fix and determine, but shall hold at least four regularly scheduled meetings a year. Special meetings may be held at the call of the Chairman or any three members of the Board, or at the call of the Secretary.

"(c) The Board shall review general policies and shall advise the Secretary with respect thereto, and perform such other functions as are specified in this title.

"(d) The members of the Board shall not, by reason of such membership, be deemed to be employees of the United States, and such members, except those who are regular full-time employees of the Government, shall receive for their services, as members, the per diem equivalent to the rate for grade GS-18 of the General Schedule under section 5332 of title 5, United States Code, when engaged in the performance of their duties, and each member of the Board shall be allowed travel expenses, including per diem in lieu of subsistence, as authorized by section 5703 of such title for persons in the Government service employed intermittently.

5 USC 5332  
note.

80 Stat. 499.

#### "DEFINITIONS

"SEC. 1203. (a) When used in this title, unless the context otherwise requires, the term—

"(1) 'environmental hazard' means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner;

"(2) 'essential property insurance' means insurance against direct loss to property as defined and limited in standard fire policies and extended coverage endorsement thereon, as approved by the State insurance authority, and insurance for such types, classes, and locations of property against the perils of vandalism, malicious mischief, burglary, or theft, as the Secretary by rule shall designate. Such insurance shall not include automobile insurance and shall not include insurance on such types of manufacturing risks as may be excluded by the State insurance authority;

"(3) 'inspection facility', with respect to any State, means any rating bureau or other person designated by the State insurance authority to perform inspections under fair access to insurance requirements plans under part A;

"(4) 'insurer' includes any insurance company or group of companies under common ownership which is authorized to engage in the insurance business under the laws of any State;

"(5) 'pool' means any pool or association of insurance companies in any State which is formed, associated, or otherwise created for the purpose of making property insurance more readily available;

"(6) 'losses resulting from riots or civil disorders' means losses resulting from riots or civil disorders under policies for standard lines of property insurance for which reinsurance is offered under section 1221, as determined under regulations of the Secretary;

"(7) 'property owner', with respect to any real, personal, or mixed real and personal property, means any person having an insurable interest in such property;

"(8) 'person' includes any individual or group of individuals, corporation, partnership, or association, or any other organized group of persons;



"(9) 'reinsured losses' means losses on reinsurance claims and all direct expenses incurred in connection therewith including, but not limited to, expenses for processing, verifying, and paying such losses;

"(10) 'standard line of property insurance' includes—

"(A) fire and extended coverage;

"(B) vandalism and malicious mischief;

"(C) other allied lines of fire insurance;

"(D) burglary and theft;

"(E) those portions of multiple peril policies covering perils similar to those provided for in subparagraphs (A), (B), (C), and (D);

"(F) inland marine;

"(G) glass;

"(H) boiler and machinery;

"(I) ocean marine;

"(J) aircraft physical damage; and

"(K) such other lines generally offered to the public which include protection against damage from riot or civil commotion as the Secretary by regulation may designate;

"(11) 'State' means the several States, the District of Columbia, the Commonwealth of Puerto Rico, the territories and possessions, and the Trust Territory of the Pacific Islands;

"(12) 'urban area' includes any municipality or other political subdivision of a State, subject to population or other limitations defined in rules and regulations of the Secretary and such additional areas as may be designated by the State insurance authority; and

"(13) 'year' means a calendar year, fiscal year of a company, or such other period of twelve months as may be designated by the Secretary.

"(b) The Secretary is authorized to define, by rules and regulations, any technical or trade term, insofar as such definition is not inconsistent with the provisions of this title.

#### "PART A—STATEWIDE PLANS TO ASSURE FAIR ACCESS TO INSURANCE REQUIREMENTS

##### "FAIR PLANS

"SEC. 1211. (a) Each insurer reinsured under this title shall cooperate with the State insurance authority in each State in which it is to acquire such reinsurance in establishing and carrying out statewide plans to assure fair access to insurance requirements (FAIR plans).

"(b) Such plans must be approved by, and administered under the supervision of, the State insurance authority, or be authorized or required by State law, and shall be designed to make essential property insurance more readily available in, but not necessarily limited to, urban areas. Such plans may vary in detail from State to State because of local conditions, but all plans shall contain provisions that—

"(1) no risk shall be written at surcharged rates or be denied insurance coverage for essential property insurance unless there has first been an inspection of the risk, without cost to the owner, by an inspection facility and a determination by the insurer, based on information in the inspection report and other sources, that the risk does not meet reasonable underwriting standards at the applicable premium rate;

"(2) inspections under the plan may be requested by the property owner or his representative, the insurer, or the insurance

agent, broker or other producer, and such requests need not be made in writing;

“(3) the absence of a building owner or his representative during an inspection shall not preclude a tenant seeking insurance from obtaining an inspection under the plan;

“(4) following the inspection, a copy of the inspection report shall be promptly sent by the inspection facility to the insurer or insurers, or to an all-industry placement facility referred to under section 1212, as may be designated by the person requesting the inspection;

“(5) after the inspection report is received by an insurer, it shall promptly determine if the risk meets reasonable underwriting standards at the applicable premium rate, and shall promptly return to the inspection facility the inspection report and provide an action report setting forth—

“(A) (i) the amount of coverage it agrees to write; and if the insurer agrees to write the coverage with a surcharge (if such a surcharge is authorized by the State insurance authority), the improvements necessary before it will provide coverage at an unsurcharged premium rate; and

“(ii) the amount of coverage it agrees to write if certain improvements specified in the action report are made; or

“(B) the specific reasons it declines to write coverage;

“(6) if the insurer declines the risk, or agrees to write the coverage sought on condition that the property will be improved, it shall also promptly send a copy of both the inspection and action reports to the property owner and the State insurance authority, and at the time the insurer sends such reports to the property owner, it shall also explain his right, under applicable State laws, to appeal the decision of the insurer to the State insurance authority, setting forth the procedures to be followed for such appeal;

“(7) all policies written pursuant to the plan shall be promptly written after inspection or reinspection and shall be separately coded so that appropriate records may be compiled for purposes of performing loss prevention and other studies of the operation of the plan;

“(8) the inspection facility shall submit to the State insurance authority and to the Secretary periodic reports setting forth information, by individual insurers, including the number of risks inspected under the plan, the number of risks accepted, the number of risks conditionally accepted and reinspections made, the number of risks declined, and such other information as the State insurance authority may request;

“(9) notice will be given to any policyholder a reasonable time prior to the cancellation or nonrenewal of any risk eligible under the plan (except in case of nonpayment of premium or evidence of incendiarism), to allow ample time for an application for new coverage to be made and a new policy to be written under the plan, and the insurer shall, in writing, explain to the policyholder the procedures for obtaining an inspection under the plan in the notice of cancellation or nonrenewal; and

“(10) a continuing public education program will be undertaken by the participating insurers, agents, and brokers to assure that the plan receives adequate public attention.

“ALL-INDUSTRY PLACEMENT FACILITY

“SEC. 1212. Any plan under this part shall include an all-industry placement facility doing business with every insurer participating in the plan in the State, and shall provide that this facility shall perform certain functions including, but not limited to, the following:

“(1) seeking, upon request by or on behalf of any property owner requesting an inspection under the plan, to distribute the risks involved equitably among the insurers with which it is doing business; and

“(2) seeking to place insurance up to the full insurable value of the risk to be insured with one or more insurers with which it is doing business, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

“INDUSTRY COOPERATION

“SEC. 1213. (a) Each insurer seeking reinsurance under this title shall file a statement with the State insurance authority in each State in which it is participating in a plan under this part, pledging its full participation and cooperation in carrying out the plan, and shall file a copy of such statement with the Secretary.

“(b) No insurer acquiring reinsurance under this title shall direct any agent or broker or other producer not to solicit business through such a plan, nor shall any agent, broker, or other producer be penalized by such insurer in any way for submitting applications for insurance to an insurer under the plan.

“PLAN EVALUATION

“SEC. 1214. (a) In accordance with such rules and regulations as the Secretary may prescribe, each State insurance authority shall—

“(1) transmit to the Secretary any proposed or adopted plan, or amendments thereto; and

“(2) advise the Secretary, from time to time, concerning the operation of the plan, its effectiveness in providing essential property insurance, and the need to form a pool of insurers or adopt other programs to make essential property insurance more readily available in urban areas of the State.

“(b) The Secretary may, after full consultation with the Board, by rules and regulations, modify the plan criteria set forth under this part, if he finds, on the basis of experience, that such action is necessary or desirable to carry out the purposes of this title. The Secretary may also, with respect to any State, waive compliance with one or more of the plan criteria, upon certification by the State insurance authority that compliance is unnecessary or inadvisable under local conditions or State law.

“PART B—REINSURANCE COVERAGE

“REINSURANCE OF LOSSES FROM RIOTS OR CIVIL DISORDERS

“SEC. 1221. (a) (1) The Secretary is authorized to offer to any insurer or pool, subject to the conditions set forth in section 1223, reinsurance against property losses resulting from riots or civil disorders in any one or more States.

“(2) Reinsurance shall be offered to any such insurer or pool only on all standard lines of property insurance enumerated under subparagraphs (A) through (E) of section 1203(a)(10) together, and any insurer or pool purchasing such reinsurance shall also be eligible,



to purchase reinsurance on any one or more standard lines of property insurance enumerated under subparagraphs (F) through (J) of section 1203(a)(10) or which may be designated by regulation pursuant to subparagraph (K) of that section.

“(b) Reinsurance coverage under this section may be provided immediately following the enactment of this title to any insurer or pool in any State on a temporary basis, and on such terms and conditions as may be agreed upon, and coverage under such terms and conditions may be bound with respect to any such insurer or pool by means of a written binder which shall remain in force not more than ninety days and shall expire at the earlier of either—

“(1) the termination of such ninety-day period, or

“(2) the effective date of any governing contract, agreement, treaty, or other arrangement entered into between the insurer or pool and the Secretary under section 1222 for the purpose of providing reinsurance coverage against losses resulting from riots or civil disorders.

“(c) No reinsurance shall be offered to any insurer or pool in a State after the expiration of the written binder entered into under subsection (b), unless there is in effect in such State a plan as set forth under part A and the insurer or pool is participating in such plan, and unless, in the case of an insurer in a State where a pool has been established pursuant to State law, the insurer is participating in such a pool.

#### “REINSURANCE AGREEMENTS AND PREMIUMS

“SEC. 1222. (a) During the first year following the date of the enactment of this title, the Secretary is authorized to enter into any contract, agreement, treaty, or other arrangement with any insurer or pool for reinsurance coverage, in consideration of payment of such premiums, fees, or other charges by insurers or pools which the Secretary, after full consultation with the Board, deems to be adequate to obtain aggregate reinsurance premiums for deposit in the National Insurance Development Fund established under section 1233 in excess of the estimated amount of insured riot losses during the calendar year 1967, on the assumption that a substantial proportion of the property insurance written will be reinsured under this title, and thereafter the Secretary may increase or decrease such premiums for reinsurance if it is found after full consultation with the Board and the National Association of Insurance Commissioners that such action is necessary or appropriate to carry out the purposes of this title.

“(b) Reinsurance offered under this title shall reimburse an insurer or pool for its total proved and approved claims for covered losses resulting from riots or civil disorders during the term of the reinsurance contract, agreement, treaty, or other arrangement, over and above the amount of the insurer's or pool's retention of such losses as provided in such reinsurance contract, agreement, treaty, or other arrangement entered into under this section.

“(c) Such contracts, agreements, treaties, or other arrangements may be made without regard to section 3679(a) of the Revised Statutes of the United States (31 U.S.C. 665(a)), and shall include any terms and conditions which the Secretary deems necessary to carry out the purposes of this title. The premium rates, terms, and conditions of such contracts with insurers or pools, throughout the country, in any one year shall be uniform.

“(d) Any contract, agreement, treaty, or other arrangement for reinsurance under this section shall be for a term expiring on April 30, 1969, and on April 30 each year thereafter, and shall be entered into within ninety days after the date of the enactment of this title or within ninety days prior to April 30 each year thereafter, or within ninety

days after an insurer is authorized to write insurance eligible for reinsurance in a State which it was not authorized to write in the preceding year.

“CONDITIONS OF REINSURANCE

“SEC. 1223. (a) Subject to the provisions of subsection (b), reinsurance shall not be offered by the Secretary in a State or be applicable to insurance policies written in that State by an insurer—

“(1) after one year following the date of the enactment of this title, or, if the appropriate State legislative body has not met in regular session during that year, by the close of its next regular session, in any State which has not adopted appropriate legislation, retroactive to the date of the enactment of this title, under which the State, its political subdivisions, or a governmental corporation or fund established pursuant to State law, will reimburse the Secretary, in an amount up to 5 per centum of the aggregate property insurance premiums earned in that State during the preceding calendar year on those lines of insurance reinsured by the Secretary in that State during the current year, such that the Secretary may be reimbursed for amounts paid by him in respect to reinsured losses that occurred in that State during a calendar year in excess of (A) reinsurance premiums received in that State during the same calendar year plus (B) the excess of (i) the total premiums received by the Secretary for reinsurance in that State during a preceding period measured from the end of the most recent calendar year with respect to which the Secretary was reimbursed for losses under this title over (ii) any amounts paid by the Secretary for reinsured losses that occurred during this same period;

“(2) after thirty days following notification to the insurer that the Secretary finds (after consultation with the State insurance authority) that there has not been adopted by the State, or the property insurance industry in that State, a suitable program or programs, in addition to plans under part A, to make essential property insurance available without regard to environmental hazards, and that such action is necessary to carry out the purposes of this title; except that this paragraph shall not become effective until two years after the date of the enactment of this title, or at such earlier date as the Secretary, after consultation with the State insurance authority, may determine;

“(3) after thirty days following notification to the insurer that the Secretary, or the State insurance authority, finds that such insurer is not fully participating—

“(A) in the plan in the State;

“(B) where it exists, in a pool; and

“(C) where it exists, in any other program found by the Secretary to aid in making essential property insurance more readily available in the State:

*Provided*, That the Secretary shall not make any such finding with respect to any insurer unless (i) prior to making such finding the Secretary has requested and considered the views of the State insurance authority as to whether such finding should be made, or (ii) the Secretary has made such a request in writing to the State insurance authority and such authority has failed to respond thereto within a reasonable period of time after receiving such request;

“(4) following a merger, acquisition, consolidation or reorganization involving one or more insurers having lines of property insurance in the State reinsured under this title and one or more

insurers with or without such reinsurance, unless the surviving company—

“(A) meets the criteria of eligibility for reinsurance, other than as provided under section 1222(d); and

“(B) within ten days pays any reinsurance premiums due;

or

“(5) upon receipt of notice from the insurer or pool that it desires to cancel its reinsurance agreement with the Secretary in the State.

“(b) Notwithstanding the foregoing provisions of this section, reinsurance may be continued for the term of the policies written prior to the date of termination or nonrenewal of reinsurance under this section, for as long as the insurer pays reinsurance premiums annually in such amounts as are determined under section 1222, based on the annual premiums earned on such reinsured policies, and for the purpose of this subsection, the renewal, extension, modification, or other change in a policy, for which any additional premium is charged, shall be deemed to be a policy written on the date such change was made. •

#### “RECOVERY OF PREMIUMS; STATUTE OF LIMITATIONS

“SEC. 1224. (a) The Secretary, in a suit brought in the appropriate United States district court, shall be entitled to recover from any insurer the amount of any unpaid premiums lawfully payable by such insurer to the Secretary.

“(b) No action or proceeding shall be brought for the recovery of any premium due to the Secretary for reinsurance, or for the recovery of any premium paid to the Secretary in excess of the amount due to him, unless such action or proceeding shall have been brought within five years after the right accrued for which the claim is made, except that, where the insurer has made or filed with the Secretary a false or fraudulent annual statement, or other document with the intent to evade, in whole or in part, the payment of premiums, the claim shall not be deemed to have accrued until its discovery by the Secretary.

#### “PART C—PROVISIONS OF GENERAL APPLICABILITY

##### “CLAIMS AND JUDICIAL REVIEW

“SEC. 1231. (a) All reinsurance claims for losses under this title shall be submitted by insurers in accordance with such terms and conditions as may be established by the Secretary.

“(b) (1) Upon disallowance of any claim under color of reinsurance made available under this title, or upon refusal of the claimant to accept the amount allowed upon any such claim, the claimant may institute an action against the Secretary on such claim in the United States district court for the district in which a major portion (in terms of value) of the claim arose.

“(2) Any such action must be begun within one year after the date upon which the claimant received written notice of disallowance or partial disallowance of the claim, and exclusive jurisdiction is hereby conferred upon United States district courts to hear and determine such actions without regard to the amount in controversy.

U.S. district courts, jurisdiction.

##### “FISCAL INTERMEDIARIES AND SERVICING AGENTS

“SEC. 1232. (a) In order to provide for maximum efficiency in the administration of the reinsurance program under this title, and in order to facilitate the expeditious payment of any funds under such program, the Secretary may enter into contracts with any insurer, pool,

Contract authority.



or other person, for the purpose of providing for the performance of any or all of the following functions:

“(1) estimating or determining any amounts of payments for reinsurance claims;

“(2) receiving and disbursing and accounting for funds in making payments for reinsurance claims;

“(3) auditing the records of any insurer, pool, or other person to the extent necessary to assure that proper payments are made;

“(4) establishing the basis of liability for reinsurance payments, including the total amount of proved and approved claims which may be payable to any insurer, and the total amount of premiums earned by any insurer in the respective States for re-insured lines of property insurance; and

“(5) otherwise assisting in any manner provided in the contract to further the purposes of this title.

“(b) (1) Any such contract may require the insurer, pool, or other person, or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amounts as the Secretary may deem appropriate.

“(2) In the absence of gross negligence or intent to defraud the United States—

“(A) no individual designated pursuant to a contract under this section to certify payments shall be liable with respect to any payment certified by him under this section; and

“(B) no officer of the United States disbursing funds shall be liable with respect to any otherwise proper payment by him if it was based on a voucher signed by an individual designated pursuant to a contract under this section to certify payments.

#### “NATIONAL INSURANCE DEVELOPMENT FUND

“SEC. 1233. (a) To carry out the programs authorized under this title, the Secretary is authorized to establish a National Insurance Development Fund (hereinafter called the ‘fund’) which shall be available, without fiscal year limitations—

“(1) to make such payments as may, from time to time, be required under reinsurance contracts under this title;

“(2) to pay such administrative expenses as may be necessary or appropriate to carry out the purposes of this title; and

“(3) to repay to the Secretary of the Treasury such sums, including interest thereon, as may be borrowed from him for purposes of such programs under section 520(b).

“(b) The fund shall be credited with—

“(1) reinsurance premiums, fees, and other charges which may be paid or collected in connection with reinsurance provided under part B;

“(2) interest which may be earned on investments of the fund;

“(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

“(4) receipts from any other source which may, from time to time, be credited to the fund; and

“(5) funds borrowed by the Secretary under section 520(b) and deposited in the fund.

“(c) If, after any amounts which may have been advanced to the fund from appropriations have been credited to the appropriation from which advanced (including interest thereon at the rate prescribed under section 520(b)), the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

“(d) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849)) for wholly-owned Government corporations.

59 Stat. 597;  
61 Stat. 584.

#### “RECORDS, ANNUAL STATEMENT, AND AUDITS

“SEC. 1234. (a) Any insurer or pool acquiring reinsurance under this title shall furnish the Secretary with such summaries and analyses of information in its records as may be necessary to carry out the purposes of this title, in such form as the Secretary, in cooperation with the State insurance authority, shall, by rules and regulations, prescribe. The Secretary shall make use of State insurance authority examination reports and facilities to the maximum extent feasible.

“(b) Any insurer or pool acquiring reinsurance under this title shall file with the Secretary a true and correct copy of any annual statement, or amendment thereof, filed with the State insurance authority of its domiciliary State, at the time it files such statement or amendment with such State insurance authority.

“(c) Any insurer or other person executing any contract, agreement, or other appropriate arrangement with the Secretary under section 1222 or section 1232 shall keep reasonable records which fully disclose the total costs of the programs undertaken or the services being rendered, and such other records as will facilitate an effective audit of liability for reinsurance payments by the Secretary.

Recordkeeping  
requirements.

“(d) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of investigation, audit, and examination to any books, documents, papers, and records of any insurer or other person that are pertinent to the costs of any program undertaken for, or services rendered to, the Secretary. Such audits shall be conducted to the maximum extent feasible in cooperation with the State insurance authorities and through the use of their examining facilities.

Access to rec-  
ords, etc.

#### “STUDY OF REINSURANCE AND OTHER PROGRAMS

“SEC. 1235. (a) The Secretary is authorized and directed to conduct a study of reinsurance and other means to help assure—

“(1) an adequate market for burglary and theft and other property insurance in urban areas; and

“(2) adequate availability of surety bonds for construction contractors in urban areas.

“(b) The Secretary shall submit the results of this study, together with appropriate recommendations, to the President and Congress no later than one year following the date of the enactment of this title.

#### “OTHER STUDIES

“SEC. 1236. (a) The Secretary is authorized to undertake such studies as may be necessary to carry out the purposes of this title including, but not limited to, inquiries concerning—

“(1) the operation of plans under part A;

“(2) the extent to which essential property insurance is unavailable in urban areas;

“(3) the market for private reinsurance; and

“(4) loss prevention methods and procedures, insurance marketing methods, and underwriting techniques.

“(b) To such extent and under such circumstances as may be practicable and feasible, the Secretary shall conduct any study authorized

under this section in cooperation with State insurance authorities and the private insurance industry.

#### "GENERAL POWERS

"SEC. 1237. In the performance of, and with respect to, the functions, powers, and duties vested in him by this title, the Secretary shall (in addition to any authority otherwise vested in him) have the functions, powers, and duties (including the authority to issue rules and regulations) set forth in section 402, except subsections (c) (2), (d), and (f), of the Housing Act of 1950. Any rules or regulations of the Secretary shall only be issued after full consultation with the Board and after notice and hearing, if granted, as required by the Administrative Procedure Act.

64 Stat. 78;  
73 Stat. 681.  
12 USC 1749a.

60 Stat. 237.  
5 USC 551  
et seq.

#### "SERVICES AND FACILITIES OF OTHER AGENCIES—UTILIZATION OF PERSONNEL, SERVICES, FACILITIES, AND INFORMATION

"SEC. 1238. The Secretary may, with the consent of the agency concerned, accept and utilize, on a reimbursable basis, the officers, employees, services, facilities, and information of any agency of the Federal Government, except that any such agency having custody of any data relating to any of the matters within the jurisdiction of the Secretary shall, to the extent permitted by law, upon request of the Secretary, make such data available to the Secretary.

#### "ADVANCE PAYMENTS

"SEC. 1239. Any payments which are made under the authority of this title may be made, after necessary adjustments on account of previously made underpayments or overpayments in advance or by way of reimbursement. Payments may be made in such installments and on such conditions as the Secretary may determine.

#### "TAXATION

"SEC. 1240. (a) The National Insurance Development Fund, including its reserves, surplus, and income, shall be exempt from all taxation now or hereafter imposed by the United States, or by any State, or any subdivision thereof, except that any real property acquired by the Secretary as a result of reinsurance shall be subject to taxation by any State or political subdivision thereof, to the same extent, according to its value, as other real property is taxed.

"(b) Any measures undertaken by any State to meet or to fund its obligations under section 1223(a) (1) shall not be the subject of any retaliatory or fiscal imposition by any other State.

#### "APPROPRIATIONS

"SEC. 1241. There are hereby authorized to be appropriated such sums as may be necessary to carry out this title."

#### FINANCING

SEC. 1104. Section 520(b) of the National Housing Act is amended by inserting "(1)" after "necessary" in the first sentence, and by striking out the period at the end of such sentence and inserting in lieu thereof ", and (2) to make payments for reinsured losses under title XII of this Act: *Provided, however,* That borrowings to make payments for reinsured losses under title XII shall be limited to

79 Stat. 472.  
12 USC 1735d.



\$250,000,000 or such further sum as the Congress, by joint resolution, may from time to time determine.”

#### FEDERAL INSURANCE ADMINISTRATOR

SEC. 1105. (a) There is hereby established in the Department of Housing and Urban Development the position of Federal Insurance Administrator.

(b) Section 5315 of title 5, United States Code, is amended by adding at the end thereof the following new paragraph:

80 Stat. 461;  
81 Stat. 638.

“(91) Federal Insurance Administrator, Department of Housing and Urban Development.”

#### CLARIFYING AMENDMENTS TO ACTS REFERRING TO DISASTERS

SEC. 1106. (a) Section 7(b)(1) of the Small Business Act is amended by inserting “, riots or civil disorders,” before “or other catastrophes”.

72 Stat. 387.  
15 USC 636.

(b) Section 101(c)(2)(E) of the Housing and Urban Development Act of 1965 is amended by striking out “natural”.

79 Stat. 451.  
12 USC 1701s.  
70 Stat. 1101;  
81 Stat. 21.  
42 USC 1462.

(c) Section 111 of the Housing Act of 1949 is amended by striking out “the Secretary” after “disaster,” and inserting in lieu thereof “or which the Secretary has determined is in need of such redevelopment or rehabilitation as a result of a riot or civil disorder, he”.

(d) Section 203(h) of the National Housing Act is amended by inserting “riot or civil disorder,” before “or other catastrophe”.

68 Stat. 592.  
12 USC 1709.

(e) No person who has been convicted of committing a felony during and in connection with a riot or civil disorder shall be permitted, for a period of one year after the date of his conviction, to receive any benefit under any law of the United States providing relief for disaster victims.

Relief to convicted felons, prohibition.

### TITLE XII—DISTRICT OF COLUMBIA INSURANCE PLACEMENT ACT

#### SHORT TITLE

SEC. 1201. This title may be cited as the “District of Columbia Insurance Placement Act”.

#### DECLARATION OF PURPOSE

SEC. 1202. The purposes of this title are—

(1) to assure stability in the property insurance market for property located in the District of Columbia;

(2) to assure the availability of basic property insurance as defined by this title;

(3) to encourage maximum use, in obtaining basic property insurance, of the normal insurance market provided by authorized insurers; and

(4) to provide for the equitable distribution among insurers of the responsibility for insuring qualified property in the District of Columbia for which insurance cannot be obtained through the normal insurance market and to authorize the establishment of a joint underwriting association in the District of Columbia to provide for reinsuring of basic property insurance without regard to environmental hazards.

## DEFINITIONS

SEC. 1203. As used in this title, unless the context otherwise requires—

(1) The term "Commissioner" means the Commissioner of the District of Columbia or his designated agent.

(2) The term "basic property insurance" means (1) insurance against direct loss to property caused by perils as defined and limited in the standard fire policy and extended coverage endorsement thereon, as approved by the Commissioner, and (2) such other insurance (including insurance against the perils of vandalism, malicious mischief, burglary, theft, and robbery) as the Commissioner may designate (under regulations adopted or made under section 1205 of this title) from those lines of property insurance for which reinsurance is available for losses from riots or civil disorders under part B of title XII of the National Housing Act.

*Ante*, p. 560.

(3) The term "environmental hazard" means any hazardous condition that might give rise to loss under an insurance contract, but which is beyond the control of the property owner.

(4) The term "inspection bureau" means any rating bureau or other organization designated by the Commissioner to perform inspections to determine the condition of the properties for which basic property insurance is sought.

(5) The terms "Industry Placement Facility" and "Facility" mean the facility consisting of all insurers licensed to write and engaged in writing basic property insurance (including homeowners and commercial multiperil policies) within the District of Columbia to assist agents, brokers, and applicants in securing basic property insurance.

(6) The term "premiums written" means gross direct premiums charged with respect to property in the District of Columbia on all policies of basic property insurance and the basic property insurance premium components of all multiperil policies, less all premiums and dividends returned, paid, or credited to policyholders or the unused or unabsorbed portions of premiums deposits.

(7) The term "property owner" means any person having an insurable interest in real, personal, or mixed real and personal property.

## INDUSTRY PLACEMENT FACILITY

SEC. 1204. (a) Within thirty days after the date of the enactment of this title all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or any component thereof in multiperil policies, shall establish an Industry Placement Facility. The Facility shall formulate and administer a program, subject to disapproval by the Commissioner in whole or in part, to seek the equitable apportionment amount such insurers of basic property insurance which may be afforded applicants in the District of Columbia whose property is insurable in accordance with reasonable underwriting standards and who individually or through their insurance agent or broker request the aid of the Facility to procure such insurance. The Facility shall seek to place insurance with one or more participating companies up to the full insurable value of the risk, if requested, except to the extent that deductibles, percentage participation clauses, and other underwriting devices are employed to meet special problems of insurability.

(b) The Facility may, subject to the approval of the Commissioner, provide as part of its program for the equitable distribution of commercial risks and dwelling risks among insurers.

(c) Each insurer licensed to write and engaged in writing in the District of Columbia, on a direct basis, basic property insurance or

any component thereof in multiperil policies shall participate in the Industry Placement Facility program in accordance with the established rules of the program as a condition of its authority to transact such kinds of insurance in the District of Columbia, except that, in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the established rules of the program, the Commissioner may subject such company to a penalty of not more than \$200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

Penalty for  
noncompliance.

#### FAIR ACCESS TO INSURANCE REQUIREMENTS

SEC. 1205. (a) The Industry Placement Facility shall on its own motion, or within thirty days after a request by the Commissioner, submit to the Commissioner such proposed rules and regulations applicable to insurers, agents, and brokers deemed necessary to assure all property owners fair access to basic property insurance through the normal insurance markets, including rules and regulations concerning—

(1) the manner and scope of inspections of risk by an inspection bureau;

(2) the preparation and filing of inspection reports and reports on actions taken in connection with inspected risks, and summaries thereof;

(3) the operation of the Facility, including rules and regulations concerning—

(A) the basic property insurance coverages to be provided through the Facility;

(B) the reasonable effort to obtain insurance in the normal commercial market required of an applicant before recourse to the Facility; and

(C) the appeals procedure within the Facility for any applicant for insurance regarding any ruling, action, or decision by or on behalf of the Facility.

(b) The Commissioner may adopt such of the rules and regulations submitted pursuant to subsection (a) of this section as he approves. If the Commissioner disapproves any proposed rule or regulation submitted, he shall state the reasons for so doing, and he shall require the Facility to submit a revision thereof within such time as he may designate, but no less than ten days. During such designated time, the Commissioner and the Facility shall consult regarding any such disapproved rule or regulation. If the Facility fails to submit a proposed rule or regulation, or revision thereof, within the designated time, or if a revised rule or regulation is unacceptable to the Commissioner, the Commissioner may make such rules and regulations covering the proposed general subject matter as he shall deem necessary to carry out the purposes of this title. Any rule or regulation adopted or made under this section shall be consistent with the requirements of part A of title XII of the National Housing Act.

*Ante*, p. 558.

#### JOINT UNDERWRITING ASSOCIATION

SEC. 1206. (a) The Commissioner is authorized to establish by order a joint underwriting association if he finds, after notice and hearing, that such association is necessary to carry out the purposes of this title. Such joint underwriting association shall consist of all insurers licensed to write and engaged in writing in the District of Columbia, on a direct basis, such basic property insurance as may be designated by the Commissioner or any component thereof in multiperil policies.



Penalty for  
noncompliance.

(b) Every such insurer shall be and remain a member of the association and shall comply with all requirements of membership as a condition of its authority to transact such kinds of insurance in the District of Columbia, except that in lieu of revoking or suspending the certificate of authority of any company for any failure to comply with any of the requirements of membership, the Commissioner may subject such company to a penalty of not more than \$200 for each such failure to so comply when in his judgment he finds that the public interest would be best served by the continued operation of the company in the District of Columbia.

(c) (1) Within sixty days following the effective date of the order of the Commissioner under this section the association shall submit to him a proposed plan of operation, consistent with the provisions of this title, which shall provide for economical, fair, and nondiscriminatory administration of the association and for the prompt and efficient provision of reinsurance, without regard to environmental hazards, for such basic property insurance as may be designated by the Commissioner. The plan of operation shall include provisions for—

(A) preliminary assessment of all members for initial expenses necessary to commence operations;

(B) establishment of necessary facilities;

(C) management and operation of the association;

(D) assessment of members to defray losses and expenses;

(E) commission arrangements;

(F) reasonable underwriting standards;

(G) assumption and cession of reinsurance; and

(H) such other matters as the Commissioner may designate.

(2) The plan of operation shall not take effect until approved by the Commissioner. If the Commissioner disapproves the proposed plan of operation (or any part thereof), he shall state the reasons for so doing, and the association shall within thirty days thereafter submit for his review an appropriately revised plan of operation. During such time, the Commissioner and the association shall consult regarding the disapproved plan or part thereof. If the association fails to submit a revised plan of operation, or if the revised plan so submitted is unacceptable to the Commissioner, the Commissioner shall promulgate a plan of operation.

(3) The association may, on its own initiative, amend such plan, subject to approval by the Commissioner, and shall amend such plan at the direction of the Commissioner if he finds such action is necessary to carry out the purposes of this title.

(d) All members of the association shall participate in its writings, expenses, profits, and losses, or in such categories thereof as may be separately established by the association, subject to approval by the Commissioner, in the proportion that the premiums written by each such member during the preceding calendar year bear to the aggregate premiums written in the District of Columbia by all members of the association, or in accordance with such other formula as the association may devise with the approval of the Commissioner. Such participation by each insurer in the association shall be determined annually on the basis of such premiums written during the preceding calendar year as disclosed in the annual statements and other reports filed by the insurer with the Commissioner.

(e) The association shall be governed by a board of eleven directors, elected annually by cumulative voting by the members of the association, whose votes in such election shall be weighted in accordance with the proportionate amount of each member's net direct premiums written in the District of Columbia during the preceding calendar year.

The first board shall be elected at a meeting of the members or their authorized representatives, which shall be held within thirty days after the effective date of the order under this section establishing the association, at a time and place designated by the Commissioner.

#### EXAMINATION BY COMMISSIONER

SEC. 1207. The operation of any inspection bureau, the Industry Placement Facility, and the joint underwriting association shall at all times be subject to the supervision and regulation of the Commissioner. The Commissioner shall have the power of visitation of and examination into such operations and free access to all the books, records, files, papers, and documents that relate to such operations, may summon and qualify witnesses under oath, and may examine directors, officers, agents, employees or, any other person having knowledge of such operations.

Access to records.

#### WAIVER OF LIABILITY

SEC. 1208. There shall be no liability on the part of, and no cause of action of any nature shall arise against, insurers, any inspection bureau, the Industry Placement Facility, the joint underwriting association, the agents or employees of such bureau, Facility, or association, or any officer or employee of the District of Columbia, for any statements made in good faith by them concerning the insurability of property (A) in any reports or other communications, (B) at the time of the hearings conducted in connection therewith, or (C) in the findings with respect thereto required by the provisions of this title. The reports and communications of any inspection bureau, the Industry Placement Facility, and the joint underwriting association with respect to individual properties shall not be open to inspection by, or otherwise available to, the public.

#### ANNUAL REPORTS BY JOINT UNDERWRITING ASSOCIATION

SEC. 1209. The joint underwriting association shall file with the Commissioner, annually on or before the 1st day of March, a statement which shall contain information with respect to its transactions, condition, operations, and affairs during the preceding year. Such statement shall contain such matters and information as are prescribed by the Commissioner and shall be in such form as is approved by him. The Commissioner may at any time require the association to furnish him with additional information with respect to its transactions, condition, or any matter connected therewith which he considers to be material and which will assist him in evaluating the scope, operation, and experience of the association.

#### APPEALS

SEC. 1210. (a) Any applicant for insurance and any affected insurer may appeal to the Commissioner within ninety days after any final ruling, action, or decision by or on behalf of any inspection bureau, the Industry Placement Facility, or the joint underwriting association, following exhaustion of remedies available within such bureau, Facility, or association.

(b) All final orders or decisions of the Commissioner made under this title shall be subject to review by the District of Columbia Court of Appeals under section 11-742 of the District of Columbia Code.

77 Stat. 485.

REIMBURSEMENT FOR REINSURANCE PROVIDED UNDER NATIONAL  
INSURANCE DEVELOPMENT PROGRAM

*Ante*, p. 560.

SEC. 1211. (a) In order to carry out the purposes of this title and to make available to insurers who participate hereunder the reinsurance afforded under part B of title XII of the National Housing Act against losses to property resulting from riots or civil disorders, the Commissioner is authorized to assess each insurance company authorized to do business in the District of Columbia an amount, in the proportion that the premiums earned by each such company in the District of Columbia, on lines reinsured in the District of Columbia by the Secretary of Housing and Urban Development, during the preceding calendar year bear to the aggregate premiums earned on those lines in the District of Columbia by all insurance companies, sufficient to provide a fund to reimburse the Secretary of Housing and Urban Development in the manner set forth in section 1223(a)(1) of such part B. Such fund may be added to or such fund may be created by moneys appropriated therefor by the Congress.

(b) Insurers shall add to the premium rate an amount, to be approved by the Commissioner, sufficient to recover, within not more than three years, any amounts assessed under subsection (a) of this section during the preceding calendar year. Such amount shall be a separate charge to the insured in addition to the premium to be paid and shall be reflected as such in the policy of insurance. No commission shall be paid thereon to any agent or broker producing or selling the policy of insurance wherein such amount is added.

## DELEGATION

SEC. 1212. The Commissioner is authorized to delegate any of the functions vested in him by this title.

## JUDICIAL REVIEW

77 Stat. 485;  
78 Stat. 633.

SEC. 1213. Section 11-742(a) of the District of Columbia Code is amended (1) by striking out "and" immediately following paragraph (10); (2) by striking out the period following paragraph (11) and inserting in lieu thereof "; and"; and (3) by adding at the end thereof the following new paragraph:

"(12) final orders and decisions of the Commissioner of the District of Columbia under the provisions of the District of Columbia Insurance Placement Act."

## TITLE XIII—NATIONAL FLOOD INSURANCE

## SHORT TITLE

SEC. 1301. This title may be cited as the "National Flood Insurance Act of 1968".

## FINDINGS AND DECLARATION OF PURPOSE

SEC. 1302. (a) The Congress finds that (1) from time to time flood disasters have created personal hardships and economic distress which have required unforeseen disaster relief measures and have placed an increasing burden on the Nation's resources; (2) despite the installation of preventive and protective works and the adoption of other public programs designed to reduce losses caused by flood damage, these methods have not been sufficient to protect adequately against growing exposure to future flood losses; (3) as a matter of national policy, a reasonable method of sharing the risk of flood losses is



through a program of flood insurance which can complement and encourage preventive and protective measures; and (4) if such a program is initiated and carried out gradually, it can be expanded as knowledge is gained and experience is appraised, thus eventually making flood insurance coverage available on reasonable terms and conditions to persons who have need for such protection.

(b) The Congress also finds that (1) many factors have made it uneconomic for the private insurance industry alone to make flood insurance available to those in need of such protection on reasonable terms and conditions; but (2) a program of flood insurance with large-scale participation of the Federal Government and carried out to the maximum extent practicable by the private insurance industry is feasible and can be initiated.

(c) The Congress further finds that (1) a program of flood insurance can promote the public interest by providing appropriate protection against the perils of flood losses and encouraging sound land use by minimizing exposure of property to flood losses; and (2) the objectives of a flood insurance program should be integrally related to a unified national program for flood plain management and, to this end, it is the sense of Congress that within two years following the effective date of this title the President should transmit to the Congress for its consideration any further proposals necessary for such a unified program, including proposals for the allocation of costs among beneficiaries of flood protection.

Proposals  
transmitted to  
Congress.

(d) It is therefore the purpose of this title to (1) authorize a flood insurance program by means of which flood insurance, over a period of time, can be made available on a nationwide basis through the cooperative efforts of the Federal Government and the private insurance industry, and (2) provide flexibility in the program so that such flood insurance may be based on workable methods of pooling risks, minimizing costs, and distributing burdens equitably among those who will be protected by flood insurance and the general public.

(e) It is the further purpose of this title to (1) encourage State and local governments to make appropriate land use adjustments to constrict the development of land which is exposed to flood damage and minimize damage caused by flood losses, (2) guide the development of proposed future construction, where practicable, away from locations which are threatened by flood hazards, (3) encourage lending and credit institutions, as a matter of national policy, to assist in furthering the objectives of the flood insurance program, (4) assure that any Federal assistance provided under the program will be related closely to all flood-related programs and activities of the Federal Government, and (5) authorize continuing studies of flood hazards in order to provide for a constant reappraisal of the flood insurance program and its effect on land use requirements.

#### AMENDMENTS TO THE FEDERAL FLOOD INSURANCE ACT OF 1956

SEC. 1303. (a) The second sentence of section 15(e) of the Federal Flood Insurance Act of 1956 (79 Stat. 1078) is amended—

70 Stat. 1084.  
42 USC 2414.

(1) by striking out "rate" the second time it appears in such sentence, and inserting in lieu thereof "market yield", and

(2) by striking out "as of the last day of", and inserting in lieu thereof "during".

(b) Section 15(e) of such Act is further amended by striking out the last sentence thereof.

(c) Sections 2 through 14, subsections (a) through (d), and (f) and (g) of section 15, and sections 16 through 23 of such Act are hereby repealed.

Repeal.  
42 USC 2401  
et seq.

## CHAPTER I—THE NATIONAL FLOOD INSURANCE PROGRAM

### BASIC AUTHORITY

SEC. 1304. (a) To carry out the purposes of this title, the Secretary of Housing and Urban Development is authorized to establish and carry out a national flood insurance program which will enable interested persons to purchase insurance against loss resulting from physical damage to or loss of real property or personal property related thereto arising from any flood occurring in the United States.

(b) In carrying out the flood insurance program the Secretary shall, to the maximum extent practicable, encourage and arrange for—

(1) appropriate financial participation and risk sharing in the program by insurance companies and other insurers, and

(2) other appropriate participation, on other than a risk-sharing basis, by insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations,

in accordance with the provisions of chapter II.

*Post*, p. 581.

### SCOPE OF PROGRAM AND PRIORITIES

SEC. 1305. (a) In carrying out the flood insurance program the Secretary shall afford a priority to making flood insurance available to cover residential properties which are designed for the occupancy of from one to four families and business properties which are owned or leased and operated by small business concerns.

(b) If on the basis of—

(1) studies and investigations undertaken and carried out and information received or exchanged under section 1307, and

(2) such other information as may be necessary,

the Secretary determines that it would be feasible to extend the flood insurance program to cover other properties, he may take such action under this title as from time to time may be necessary in order to make flood insurance available to cover, on such basis as may be feasible, any types and classes of—

(A) other residential properties,

(B) other business properties,

(C) agricultural properties,

(D) properties occupied by private nonprofit organizations, and

(E) properties owned by State and local governments and agencies thereof,

and any such extensions of the program to any types and classes of these properties shall from time to time be prescribed in regulations.

(c) The Secretary shall make flood insurance available in only those States or areas (or subdivisions thereof) which he has determined have—

(1) evidenced a positive interest in securing flood insurance coverage under the flood insurance program, and

(2) given satisfactory assurance that by June 30, 1970, permanent land use and control measures will have been adopted for the State or area (or subdivision) which are consistent with the comprehensive criteria for land management and use developed under section 1361, and that the application and enforcement of such measures will commence as soon as technical information on floodways and on controlling flood elevations is available.

## NATURE AND LIMITATION OF INSURANCE COVERAGE

SEC. 1306. (a) The Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under section 1331, and appropriate representatives of the insurance authorities of the respective States, provide by regulation for general terms and conditions of insurability which shall be applicable to properties eligible for flood insurance coverage under section 1305, including—

(1) the types, classes, and locations of any such properties which shall be eligible for flood insurance;

(2) the nature and limits of loss or damage in any areas (or subdivisions thereof) which may be covered by such insurance;

(3) the classification, limitation, and rejection of any risks which may be advisable;

(4) appropriate minimum premiums;

(5) appropriate loss-deductibles; and

(6) any other terms and conditions relating to insurance coverage or exclusion which may be necessary to carry out the purposes of this title.

(b) In addition to any other terms and conditions under subsection (a), such regulations shall provide that—

(1) any flood insurance coverage based on chargeable premium rates under section 1308 which are less than the estimated premium rates under section 1307(a)(1) shall not exceed—

(A) in the case of residential properties which are designed for the occupancy of from one to four families—

(i) \$17,500 aggregate liability for any dwelling unit, and \$30,000 for any single dwelling structure containing more than one dwelling unit, and

(ii) \$5,000 aggregate liability per dwelling unit for any contents related to such unit;

(B) in the case of business properties which are owned or leased and operated by small business concerns, an aggregate liability with respect to any single structure, including any contents thereof related to premises of small business occupants (as that term is defined by the Secretary), which shall be equal to (i) \$30,000 plus (ii) \$5,000 multiplied by the number of such occupants and shall be allocated among such occupants (or among the occupant or occupants and the owner) under regulations prescribed by the Secretary; except that the aggregate liability for the structure itself may in no case exceed \$30,000; and

(C) in the case of any other properties which may become eligible for flood insurance coverage under section 1305—

(i) \$30,000 aggregate liability for any single structure, and

(ii) \$5,000 aggregate liability per dwelling unit for any contents related to such unit in the case of residential properties, or per occupant (as that term is defined by the Secretary) for any contents related to the premises occupied in the case of any other properties; and

(2) any flood insurance coverage which may be made available in excess of any of the limits specified in subparagraph (A), (B), or (C) of paragraph (1) (or allocated to any person under subparagraph (B) of such paragraph) shall be based only on chargeable premium rates under section 1308 which are not less than the estimated premium rates under section 1307(a)(1), and the



amount of such excess coverage shall not in any case exceed an amount which is equal to the applicable limit so specified (or allocated).

#### ESTIMATES OF PREMIUM RATES

SEC. 1307. (a) The Secretary is authorized to undertake and carry out such studies and investigations and receive or exchange such information as may be necessary to estimate, and shall from time to time estimate, on an area, subdivision, or other appropriate basis—

(1) the risk premium rates for flood insurance which—

(A) based on consideration of the risk involved and accepted actuarial principles, and

(B) including—

(i) the applicable operating costs and allowances set forth in the schedules prescribed under section 1311 and reflected in such rates, and

(ii) any administrative expenses (or portion of such expenses) of carrying out the flood insurance program which, in his discretion, should properly be reflected in such rates,

would be required in order to make such insurance available on an actuarial basis for any types and classes of properties for which insurance coverage is available under section 1305(a) (or is recommended to the Congress under section 1305(b));

(2) the rates, if less than the rates estimated under paragraph (1), which would be reasonable, would encourage prospective insureds to purchase flood insurance, and would be consistent with the purposes of this title; and

(3) the extent, if any, to which federally assisted or other flood protection measures initiated after the date of the enactment of this title affect such rates.

(b) In carrying out subsection (a), the Secretary shall, to the maximum extent feasible and on a reimbursement basis, utilize the services of the Department of the Army, the Department of the Interior, the Department of Agriculture, the Department of Commerce, and the Tennessee Valley Authority, and, as appropriate, other Federal departments or agencies, and for such purposes may enter into agreements or other appropriate arrangements with any persons.

(c) The Secretary shall give priority to conducting studies and investigations and making estimates under this section in those States or areas (or subdivisions thereof) which he has determined have evidenced a positive interest in securing flood insurance coverage under the flood insurance program.

#### ESTABLISHMENT OF CHARGEABLE PREMIUM RATES

SEC. 1308. (a) On the basis of estimates made under section 1307 and such other information as may be necessary, the Secretary shall from time to time, after consultation with the advisory committee authorized under section 1318, appropriate representatives of the pool formed or otherwise created under section 1331, and appropriate representatives of the insurance authorities of the respective States, prescribe by regulation—

(1) chargeable premium rates for any types and classes of properties for which insurance coverage shall be available under section 1305 (at less than the estimated risk premium rates under section 1307(a) (1), where necessary), and

(2) the terms and conditions under which, and the areas (including subdivisions thereof) within which, such rates shall apply.

(b) Such rates shall, insofar as practicable, be—

(1) based on a consideration of the respective risks involved, including differences in risks due to land use measures, flood-proofing, flood forecasting, and similar measures.

(2) adequate, on the basis of accepted actuarial principles, to provide reserves for anticipated losses, or, if less than such amount, consistent with the objective of making flood insurance available where necessary at reasonable rates so as to encourage prospective insureds to purchase such insurance and with the purposes of this title, and

(3) stated so as to reflect the basis for such rates, including the differences (if any) between the estimated risk premium rates under section 1307(a)(1) and the estimated rates under section 1307(a)(2).

(c) Notwithstanding any other provision of this title, the chargeable rate with respect to any property, the construction or substantial improvement of which the Secretary determines has been started after the identification of the area in which such property is located has been published under paragraph (1) of section 1360, shall not be less than the applicable estimated risk premium rate for such area (or subdivision thereof) under section 1307(a)(1).

(d) In the event any chargeable premium rate prescribed under this section—

(1) is a rate which is not less than the applicable estimated risk premium rate under section 1307(a)(1), and

(2) includes any amount for administrative expenses of carrying out the flood insurance program which have been estimated under clause (ii) of section 1307(a)(1)(B),

a sum equal to such amount shall be paid to the Secretary, and he shall deposit such sum in the National Flood Insurance Fund established under section 1310.

#### FINANCING

SEC. 1309. (a) All authority which was vested in the Housing and Home Finance Administrator by virtue of section 15(e) of the Federal Flood Insurance Act of 1956 (70 Stat. 1084) (pertaining to the issue of notes or other obligations to the Secretary of the Treasury), as amended by subsections (a) and (b) of section 1303 of this Act, shall be available to the Secretary for the purpose of carrying out the flood insurance program under this title; except that the total amount of notes and obligations which may be issued by the Secretary pursuant to such authority shall not exceed \$250,000,000, and all authority of the Secretary to issue notes and obligations under said section 15(e) beyond such sum is hereby rescinded.

(b) Any funds borrowed by the Secretary under this authority shall, from time to time, be deposited in the National Flood Insurance Fund established under section 1310.

#### NATIONAL FLOOD INSURANCE FUND

SEC. 1310. (a) To carry out the flood insurance program authorized by this title, the Secretary is authorized to establish in the Treasury of the United States a National Flood Insurance Fund (hereinafter referred to as the "fund") which shall be available, without fiscal year limitation—

(1) for making such payments as may, from time to time, be required under section 1334;

(2) to pay reinsurance claims under the excess loss reinsurance coverage provided under section 1335;

(3) to repay to the Secretary of the Treasury such sums as may be borrowed from him (together with interest) in accordance with the authority provided in section 1309; and

(4) to pay such administrative expenses (or portion of such expenses) of carrying out the flood insurance program as he may deem necessary; and

(5) for the purposes specified in subsection (d) under the conditions provided therein.

(b) The fund shall be credited with—

(1) such funds borrowed in accordance with the authority provided in section 1309 as may from time to time be deposited in the fund;

(2) premiums, fees, or other charges which may be paid or collected in connection with the excess loss reinsurance coverage provided under section 1335;

(3) such amounts as may be advanced to the fund from appropriations in order to maintain the fund in an operative condition adequate to meet its liabilities;

(4) interest which may be earned on investments of the fund pursuant to subsection (c);

(5) such sums as are required to be paid to the Secretary under section 1308(d); and

(6) receipts from any other operations under this title (including premiums under the conditions specified in subsection (d), and salvage proceeds, if any, resulting from reinsurance coverage).

(c) If, after—

(1) all outstanding obligations of the fund have been liquidated, and

(2) any outstanding amounts which may have been advanced to the fund from appropriations authorized under section 1376

(a) (2) (B) have been credited to the appropriation from which advanced, with interest accrued at the rate prescribed under section 15(e) of the Federal Flood Insurance Act of 1956, as in effect immediately prior to the enactment of this title,

the Secretary determines that the moneys of the fund are in excess of current needs, he may request the investment of such amounts as he deems advisable by the Secretary of the Treasury in obligations issued or guaranteed by the United States.

(d) In the event the Secretary makes a determination in accordance with the provisions of section 1340 that operation of the flood insurance program, in whole or in part, should be carried out through the facilities of the Federal Government, the fund shall be available for all purposes incident thereto, including—

(1) cost incurred in the adjustment and payment of any claims for losses, and

(2) payment of applicable operating costs set forth in the schedules prescribed under section 1311,

for so long as the program is so carried out, and in such event any premiums paid shall be deposited by the Secretary to the credit of the fund.

(e) An annual business-type budget for the fund shall be prepared, transmitted to the Congress, considered, and enacted in the manner prescribed by law (sections 102, 103, and 104 of the Government Corporation Control Act (31 U.S.C. 847-849)) for wholly-owned Government corporations.

70 Stat. 1084.  
42 USC 2414.

Investment of  
moneys.

59 Stat. 597;  
61 Stat. 584.



## OPERATING COSTS AND ALLOWANCES

SEC. 1311. (a) The Secretary shall from time to time negotiate with appropriate representatives of the insurance industry for the purpose of establishing—

(1) a current schedule of operating costs applicable both to risk-sharing insurance companies and other insurers and to insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations participating on other than a risk-sharing basis, and

(2) a current schedule of operating allowances applicable to risk-sharing insurance companies and other insurers, which may be payable in accordance with the provisions of chapter II, and such schedules shall from time to time be prescribed in regulations.

*Post*, p. 581.

(b) For purposes of subsection (a)—

(1) the term “operating costs” shall (without limiting such term) include—

“Operating costs.”

(A) expense reimbursements covering the direct, actual, and necessary expenses incurred in connection with selling and servicing flood insurance coverage;

(B) reasonable compensation payable for selling and servicing flood insurance coverage, or commissions or service fees paid to producers;

(C) loss adjustment expenses; and

(D) other direct, actual, and necessary expenses which the Secretary finds are incurred in connection with selling or servicing flood insurance coverage; and

(2) the term “operating allowances” shall (without limiting such term) include amounts for profit and contingencies which the Secretary finds reasonable and necessary to carry out the purposes of this title.

“Operating allowances.”

## PAYMENT OF CLAIMS

SEC. 1312. The Secretary is authorized to prescribe regulations establishing the general method or methods by which proved and approved claims for losses may be adjusted and paid for any damage to or loss of property which is covered by flood insurance made available under the provisions of this title.

## DISSEMINATION OF FLOOD INSURANCE INFORMATION

SEC. 1313. The Secretary shall from time to time take such action as may be necessary in order to make information and data available to the public, and to any State or local agency or official, with regard to—

(1) the flood insurance program, its coverage and objectives, and

(2) estimated and chargeable flood insurance premium rates, including the basis for and differences between such rates in accordance with the provisions of section 1308.

## PROHIBITION AGAINST CERTAIN DUPLICATIONS OF BENEFITS

SEC. 1314. (a) Notwithstanding the provisions of any other law, no Federal disaster assistance shall be made available to any person—

(1) for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage is covered by a valid claim which may be adjusted and paid

under flood insurance made available under the authority of this title, or

(2) except in the situation provided for under subsection (b), for the physical loss, destruction, or damage of real or personal property, to the extent that such loss, destruction, or damage could have been covered by a valid claim under flood insurance which had been made available under the authority of this title, if—

(A) such loss, destruction, or damage occurred subsequent to one year following the date flood insurance was made available in the area (or subdivision thereof) in which such property or the major part thereof was located, and

(B) such property was eligible for flood insurance under this title at that date;

and in such circumstances the extent that such loss, destruction, or damage could have been covered shall be presumed (for purposes of this subsection) to be an amount not less than the maximum limit of insurable loss or damage applicable to such property in such area (or subdivision thereof), pursuant to regulations under section 1306, at the time insurance was made available in such area (or subdivision thereof).

(b) In order to assure that the provisions of subsection (a)(2) will not create undue hardship for low-income persons who might otherwise benefit from the provision of Federal disaster assistance, the Secretary shall provide by regulation for the circumstances in which the provisions of subsection (a)(2) shall not be applicable to any such persons.

"Federal disaster assistance."

(c) For purposes of this section, "Federal disaster assistance" shall include any Federal financial assistance which may be made available to any person as a result of—

(1) a major disaster (within the meaning of that term as determined by the President pursuant to the Act entitled "An Act to authorize Federal assistance to State and local governments in major disasters, and for other purposes", as amended (42 U.S.C. 1855-1855g)),

64 Stat. 1109.

(2) a natural disaster, as determined by the Secretary of Agriculture pursuant to section 321 of the Consolidated Farmers Home Administration Act of 1961 (7 U.S.C. 1961), or

75 Stat. 311.

(3) a disaster with respect to which loans may be made under section 7(b) of the Small Business Act (15 U.S.C. 636(b)).

72 Stat. 389;  
79 Stat. 206.

"Financial assistance."

(d) For purposes of section 10 of the Disaster Relief Act of 1966 (80 Stat. 1320), the term "financial assistance" shall be deemed to include any flood insurance which is made available under this title.

42 USC 1855ff.

#### STATE AND LOCAL LAND USE CONTROLS

SEC. 1315. After June 30, 1970, no new flood insurance coverage shall be provided under this title in any area (or subdivision thereof) unless an appropriate public body shall have adopted permanent land use and control measures (with effective enforcement provisions) which the Secretary finds are consistent with the comprehensive criteria for land management and use under section 1361.

#### PROPERTIES IN VIOLATION OF STATE AND LOCAL LAW

SEC. 1316. No new flood insurance coverage shall be provided under this title for any property which the Secretary finds has been declared by a duly constituted State or local zoning authority, or other authorized public body, to be in violation of State or local laws, regulations, or ordinances which are intended to discourage or otherwise restrict land development or occupancy in flood-prone areas.

## COORDINATION WITH OTHER PROGRAMS

SEC. 1317. In carrying out this title, the Secretary shall consult with other departments and agencies of the Federal Government, and with interstate, State, and local agencies having responsibilities for flood control, flood forecasting, or flood damage prevention, in order to assure that the programs of such agencies and the flood insurance program authorized under this title are mutually consistent.

## ADVISORY COMMITTEE

SEC. 1318. (a) The Secretary shall appoint a flood insurance advisory committee without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and such committee shall advise the secretary in the preparation of any regulations prescribed in accordance with this title and with respect to policy matters arising in the administration of this title, and shall perform such other responsibilities as the Secretary may, from time to time, assign to such committee.

80 Stat. 408.  
5 USC 2101  
et seq.

(b) Such committee shall consist of not more than fifteen persons and such persons shall be selected from among representatives of—

- (1) the insurance industry,
- (2) State and local governments,
- (3) lending institutions,
- (4) the homebuilding industry, and
- (5) the general public.

(c) Members of the committee shall, while attending conferences or meetings thereof, be entitled to receive compensation at a rate fixed by the Secretary but not exceeding \$100 per day, including traveltime, and while so serving away from their homes or regular places of business they may be allowed travel expenses, including per diem in lieu of subsistence, as is authorized under section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

Compensation,  
travel expenses.

80 Stat. 499.

## INITIAL PROGRAM LIMITATION

SEC. 1319. The face amount of flood insurance coverage outstanding and in force at any one time under this title shall not exceed the sum of \$2,500,000,000.

## REPORT TO THE PRESIDENT

SEC. 1320. The Secretary shall include a report of operations under this title in the annual report to the President for submission to the Congress required by section 8 of the Department of Housing and Urban Development Act.

79 Stat. 670.  
42 USC 3536.

## CHAPTER II—ORGANIZATION AND ADMINISTRATION OF THE FLOOD INSURANCE PROGRAM

## ORGANIZATION AND ADMINISTRATION

SEC. 1330. Following such consultation with representatives of the insurance industry as may be necessary, the Secretary shall implement the flood insurance program authorized under chapter I in accordance with the provisions of part A of this chapter and, if a determination is made by him under section 1340, under part B of this chapter.

Ante, p. 574;  
Post, pp. 582,  
584.



## PART A—INDUSTRY PROGRAM WITH FEDERAL FINANCIAL ASSISTANCE

## INDUSTRY FLOOD INSURANCE POOL

SEC. 1331. (a) The Secretary is authorized to encourage and otherwise assist any insurance companies and other insurers which meet the requirements prescribed under subsection (b) to form, associate, or otherwise join together in a pool—

*Ante*, p. 574.

(1) in order to provide the flood insurance coverage authorized under chapter I; and

(2) for the purpose of assuming, on such terms and conditions as may be agreed upon, such financial responsibility as will enable such companies and other insurers, with the Federal financial and other assistance available under this title, to assume a reasonable proportion of responsibility for the adjustment and payment of claims for losses under the flood insurance program.

(b) In order to promote the effective administration of the flood insurance program under this part, and to assure that the objectives of this title are furthered, the Secretary is authorized to prescribe appropriate requirements for insurance companies and other insurers participating in such pool including, but not limited to, minimum requirements for capital or surplus or assets.

## AGREEMENTS WITH FLOOD INSURANCE POOL

SEC. 1332. (a) The Secretary is authorized to enter into such agreements with the pool formed or otherwise created under this part as he deems necessary to carry out the purposes of this title.

(b) Such agreements shall specify—

(1) the terms and conditions under which risk capital will be available for the adjustment and payment of claims,

(2) the terms and conditions under which the pool (and the companies and other insurers participating therein) shall participate in premiums received and profits or losses realized or sustained,

(3) the maximum amount of profit, established by the Secretary and set forth in the schedules prescribed under section 1311, which may be realized by such pool (and the companies and other insurers participating therein),

(4) the terms and conditions under which operating costs and allowances set forth in the schedules prescribed under section 1311 may be paid, and

(5) the terms and conditions under which premium equalization payments under section 1334 will be made and reinsurance claims under section 1335 will be paid.

(c) In addition, such agreements shall contain such provisions as the Secretary finds necessary to assure that—

(1) no insurance company or other insurer which meets the requirements prescribed under section 1331(b), and which has indicated an intention to participate in the flood insurance program on a risk-sharing basis, will be excluded from participating in the pool,

(2) the insurance companies and other insurers participating in the pool will take whatever action may be necessary to provide continuity of flood insurance coverage by the pool, and

(3) any insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations will be permitted to cooperate with the pool as fiscal agents or otherwise, on other than a risk-sharing basis, to the maximum extent practicable.

## ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1333. The insurance companies and other insurers which form, associate, or otherwise join together in the pool under this part may adjust and pay all claims for proved and approved losses covered by flood insurance in accordance with the provisions of this title and, upon the disallowance by any such company or other insurer of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance of the claim, may institute an action on such claim against such company or other insurer in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

## PREMIUM EQUALIZATION PAYMENTS

SEC. 1334. (a) The Secretary, on such terms and conditions as he may from time to time prescribe, shall make periodic payments to the pool formed or otherwise created under section 1331, in recognition of such reductions in chargeable premium rates under section 1308 below estimated premium rates under section 1307(a)(1) as are required in order to make flood insurance available on reasonable terms and conditions.

(b) Such payments shall be based only on the aggregate amount of flood insurance retained by the pool after ceding reinsurance in accordance with the provisions of section 1335, and shall not exceed an aggregate amount in any payment period equal to the sum of the following:

(1) an amount for losses which bears the same ratio to the amount of all proved and approved claims for losses under this title during any designated period as the amount equal to the difference between—

(A) the sum of all premium payments for flood insurance coverage in force under this title during such designated period which would have been payable during such period if all such coverage were based on estimated risk premium rates under section 1307(a)(1) (excluding any administrative expenses which may be reflected in such rates, as specified in clause (ii) of section 1307(a)(1)(B)), and

(B) the sum of the premium payments actually paid or payable for such insurance under this title during such period, bears to the amount specified in clause (A); and

(2) subject to the terms and conditions specified in the agreements entered into with the pool under section 1332, a proportionate amount for appropriate operating costs and allowances (as set forth in the schedules prescribed under section 1311) during any designated period which bears the same ratio to the total amount of such operating costs and allowances during such period as the ratio specified in paragraph (1).

(c) Designated periods under this section and the methods for determining the sum of premiums paid or payable during such periods shall be established by the Secretary.

## REINSURANCE COVERAGE

SEC. 1335. (a) The Secretary is authorized to take such action as may be necessary in order to make available, to the pool formed or otherwise created under section 1331, reinsurance for losses (due to claims for proved and approved losses covered by flood insurance)

which are in excess of losses assumed by such pool in accordance with the excess loss agreement entered into under subsection (c).

(b) Such reinsurance shall be made available pursuant to contract, agreement, or any other arrangement, in consideration of such payment of a premium, fee, or other charge as the Secretary finds necessary to cover anticipated losses and other costs of providing such reinsurance.

(c) The Secretary is authorized to negotiate an excess loss agreement, from time to time, under which the amount of flood insurance retained by the pool, after ceding reinsurance, shall be adequate to further the purposes of this title, consistent with the objective of maintaining appropriate financial participation and risk sharing to the maximum extent practicable on the part of participating insurance companies and other insurers.

(d) All reinsurance claims for losses in excess of losses assumed by the pool shall be submitted on a portfolio basis by such pool in accordance with terms and conditions established by the Secretary.

## PART B—GOVERNMENT PROGRAM WITH INDUSTRY ASSISTANCE

### FEDERAL OPERATION OF THE PROGRAM

SEC. 1340. (a) If at any time, after consultation with representatives of the insurance industry, the Secretary determines that operation of the flood insurance program as provided under part A cannot be carried out, or that such operation, in itself, would be assisted materially by the Federal Government's assumption, in whole or in part, of the operational responsibility for flood insurance under this title (on a temporary or other basis) he shall promptly undertake any necessary arrangements to carry out the program of flood insurance authorized under chapter I through the facilities of the Federal Government, utilizing, for purposes of providing flood insurance coverage, either—

(1) insurance companies and other insurers, insurance agents and brokers, and insurance adjustment organizations, as fiscal agents of the United States,

(2) officers and employees of the Department of Housing and Urban Development, and such other officers and employees of any executive agency (as defined in section 105 of title 5 of the United States Code) as the Secretary and the head of any such agency may from time to time, agree upon, on a reimbursement or other basis, or

(3) both the alternatives specified in paragraphs (1) and (2).

(b) Upon making the determination referred to in subsection (a), and at least thirty days prior to implementing the program of flood insurance authorized under chapter I through the facilities of the Federal Government, the Secretary shall make a report to the Congress and such report shall—

(1) state the reasons for such determination,

(2) be supported by pertinent findings,

(3) indicate the extent to which it is anticipated that the insurance industry will be utilized in providing flood insurance coverage under the program, and

(4) contain such recommendations as the Secretary deems advisable.

### ADJUSTMENT AND PAYMENT OF CLAIMS AND JUDICIAL REVIEW

SEC. 1341. In the event the program is carried out as provided in section 1340, the Secretary shall be authorized to adjust and make payment of any claims for proved and approved losses covered by

Ante, p. 574.

80 Stat. 379.

Report to Congress.



flood insurance, and upon the disallowance by the Secretary of any such claim, or upon the refusal of the claimant to accept the amount allowed upon any such claim, the claimant, within one year after the date of mailing of notice of disallowance or partial disallowance by the Secretary, may institute an action against the Secretary on such claim in the United States district court for the district in which the insured property or the major part thereof shall have been situated, and jurisdiction is hereby conferred upon such court to hear and determine such action without regard to the amount in controversy.

U.S. district  
court, jurisdic-  
tion.

## PART C—PROVISIONS OF GENERAL APPLICABILITY

### SERVICES BY INSURANCE INDUSTRY

SEC. 1345. (a) In administering the flood insurance program under this chapter, the Secretary is authorized to enter into any contracts, agreements, or other appropriate arrangements which may, from time to time, be necessary for the purpose of utilizing, on such terms and conditions as may be agreed upon, the facilities and services of any insurance companies or other insurers, insurance agents and brokers, or insurance adjustment organizations; and such contracts, agreements, or arrangements may include provision for payment of applicable operating costs and allowances for such facilities and services as set forth in the schedules prescribed under section 1311.

Contract au-  
thority.

(b) Any such contracts, agreements, or other arrangements may be entered into without regard to the provisions of section 3709 of the Revised Statutes (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

### USE OF INSURANCE POOL, COMPANIES, OR OTHER PRIVATE ORGANIZATIONS FOR CERTAIN PAYMENTS

SEC. 1346. (a) In order to provide for maximum efficiency in the administration of the flood insurance program and in order to facilitate the expeditious payment of any Federal funds under such program, the Secretary may enter into contracts with pool formed or otherwise created under section 1331, or any insurance company or other private organization, for the purpose of securing performance by such pool, company, or organization of any or all of the following responsibilities:

- (1) estimating and later determining any amounts of payments to be made;
- (2) receiving from the Secretary, disbursing, and accounting for funds in making such payments;
- (3) making such audits of the records of any insurance company or other insurer, insurance agent or broker, or insurance adjustment organization as may be necessary to assure that proper payments are made; and
- (4) otherwise assisting in such manner as the contract may provide to further the purposes of this title.

(b) Any contract with the pool or an insurance company or other private organization under this section may contain such terms and conditions as the Secretary finds necessary or appropriate for carrying out responsibilities under subsection (a), and may provide for payment of any costs which the Secretary determines are incidental to carrying out such responsibilities which are covered by the contract.

(c) Any contract entered into under subsection (a) may be entered into without regard to section 3709 of the Revised Statute (41 U.S.C. 5) or any other provision of law requiring competitive bidding.

(d) No contract may be entered into under this section unless the Secretary finds that the pool, company, or organization will perform its obligations under the contract efficiently and effectively, and will meet such requirements as to financial responsibility, legal authority, and other matters as he finds pertinent.

(e) (1) Any such contract may require the pool, company, or organization or any of its officers or employees certifying payments or disbursing funds pursuant to the contract, or otherwise participating in carrying out the contract, to give surety bond to the United States in such amount as the Secretary may deem appropriate.

(2) No individual designated pursuant to a contract under this section to certify payments shall, in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment certified by him under this section.

(3) No officer disbursing funds shall in the absence of gross negligence or intent to defraud the United States, be liable with respect to any payment by him under this section if it was based upon a voucher signed by an individual designated to certify payments as provided in paragraph (2) of this subsection.

(f) Any contract entered into under this section shall be for a term of one year, and may be made automatically renewable from term to term in the absence of notice by either party of an intention to terminate at the end of the current term; except that the Secretary may terminate any such contract at any time (after reasonable notice to the pool, company, or organization involved) if he finds that the pool, company, or organization has failed substantially to carry out the contract, or is carrying out the contract in a manner inconsistent with the efficient and effective administration of the flood insurance program authorized under this title.

#### SETTLEMENT AND ARBITRATION

SEC. 1347. (a) The Secretary is authorized to make final settlement of any claims or demands which may arise as a result of any financial transactions which he is authorized to carry out under this chapter, and may, to assist him in making any such settlement, refer any disputes relating to such claims or demands to arbitration, with the consent of the parties concerned.

(b) Such arbitration shall be advisory in nature, and any award, decision, or recommendation which may be made shall become final only upon the approval of the Secretary.

#### RECORDS AND AUDITS

SEC. 1348. (a) The flood insurance pool formed or otherwise created under part A of this chapter, and any insurance company or other private organization executing any contract, agreement, or other appropriate arrangement with the Secretary under part B of this chapter or this part, shall keep such records as the Secretary shall prescribe, including records which fully disclose the total costs of the program undertaken or the services being rendered, and such other records as will facilitate an effective audit.

(b) The Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access for the purpose of audit and examination to any books, documents, papers, and records of the pool and any such insurance company or other private organization that are pertinent to the costs of the program undertaken or the services being rendered.

*Ante*, p. 582.

*Ante*, p. 584.

Access to records for audit.

### CHAPTER III—COORDINATION OF FLOOD INSURANCE WITH LAND-MANAGEMENT PROGRAMS IN FLOOD- PRONE AREAS

#### IDENTIFICATION OF FLOOD-PRONE AREAS

SEC. 1360. The Secretary is authorized to consult with, receive information from, and enter into any agreements or other arrangements with the Secretaries of the Army, the Interior, Agriculture, and Commerce, the Tennessee Valley Authority, and the heads of other Federal departments or agencies, on a reimbursement basis, or with the head of any State or local agency, or enter into contracts with any persons or private firms, in order that he may—

Contract au-  
thority.

(1) identify and publish information with respect to all flood plain areas, including coastal areas located in the United States, which have special flood hazards, within five years following the date of the enactment of this Act, and

Publication of  
information.

(2) establish flood-risk zones in all such areas, and make estimates with respect to the rates of probable flood-caused loss for the various flood-risk zones for each of these areas, within fifteen years following such date.

Flood-risk  
zones.

#### CRITERIA FOR LAND MANAGEMENT AND USE

SEC. 1361. (a) The Secretary is authorized to carry out studies and investigations, utilizing to the maximum extent practicable the existing facilities and services of other Federal departments or agencies, and State and local governmental agencies, and any other organizations, with respect to the adequacy of State and local measures in flood-prone areas as to land management and use, flood control, flood zoning, and flood damage prevention, and may enter into any contracts, agreements, or other appropriate arrangements to carry out such authority.

(b) Such studies and investigations shall include, but not be limited to, laws, regulations, or ordinances relating to encroachments and obstructions on stream channels and floodways, the orderly development and use of flood plains of rivers or streams, floodway encroachment lines, and flood plain zoning, building codes, building permits, and subdivision or other building restrictions.

(c) On the basis of such studies and investigations, and such other information as he deems necessary, the Secretary shall from time to time develop comprehensive criteria designed to encourage, where necessary, the adoption of permanent State and local measures which, to the maximum extent feasible, will—

(1) constrict the development of land which is exposed to flood damage where appropriate,

(2) guide the development of proposed construction away from locations which are threatened by flood hazards,

(3) assist in reducing damage caused by floods, and

(4) otherwise improve the long-range land management and use of flood-prone areas,

and he shall work closely with and provide any necessary technical assistance to State, interstate, and local governmental agencies, to encourage the application of such criteria and the adoption and enforcement of such measures.



## PURCHASE OF CERTAIN INSURED PROPERTIES

SEC. 1362. The Secretary may, when he determines that the public interest would be served thereby, enter into negotiations with any owner of real property or interest therein which—

(1) was located in any flood-risk area, as determined by the Secretary,

(2) was covered by flood insurance under the flood insurance program authorized under this title, and

(3) was damaged substantially beyond repair by flood while so covered,

and may purchase such property or interests therein, for subsequent transfer, by sale, lease, donation, or otherwise, to any State or local agency which enters into an agreement with the Secretary that such property shall, for a period not less than forty years following transfer, be used for only such purposes as the Secretary may, by regulation, determine to be consistent with sound land management and use in such area.

## CHAPTER IV—APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

## DEFINITIONS

SEC. 1370. As used in this title—

(1) the term “flood” shall have such meaning as may be prescribed in regulations of the Secretary, and may include inundation from rising waters or from the overflow of streams, rivers, or other bodies of water, or from tidal surges, abnormally high tidal water, tidal waves, tsunamis, hurricanes, or other severe storms or deluge;

(2) the terms “United States” (when used in a geographic sense) and “State” includes the several States, the District of Columbia, the territories and possessions, the Commonwealth of Puerto Rico, and the Trust Territory of the Pacific Islands;

(3) the terms “insurance company”, “other insurer” and “insurance agent or broker” include any organizations and persons authorized to engage in the insurance business under the laws of any State;

(4) the term “insurance adjustment organization” includes any organizations and persons engaged in the business of adjusting loss claims arising under insurance policies issued by any insurance company or other insurer;

(5) the term “person” includes any individual or group of individuals, corporation, partnership, association, or any other organized group of persons, including State and local governments and agencies thereof; and

(6) the term “Secretary” means the Secretary of Housing and Urban Development.

## STUDIES OF OTHER NATURAL DISASTERS

SEC. 1371. (a) The Secretary is authorized to undertake such studies as may be necessary for the purpose of determining the extent to which insurance protection against earthquakes or any other natural disaster perils, other than flood, is not available from public or private sources, and the feasibility of such insurance protection being made available.

(b) Studies under this section shall be carried out, to the maximum extent practicable, with the cooperation of other Federal departments and agencies and State and local agencies, and the Secretary is

authorized to consult with, receive information from, and enter into any necessary agreements or other arrangements with such other Federal departments and agencies (on a reimbursement basis) and such State and local agencies.

#### PAYMENTS

SEC. 1372. Any payments under this title may be made (after necessary adjustment on account of previously made underpayments or overpayments) in advance or by way of reimbursement, and in such installments and on such conditions, as the Secretary may determine.

#### GOVERNMENT CORPORATION CONTROL ACT

SEC. 1373. The provisions of the Government Corporation Control Act shall apply to the program authorized under this title to the same extent as they apply to wholly owned Government corporations.

59 Stat. 597.  
31 USC 841  
note.

#### FINALITY OF CERTAIN FINANCIAL TRANSACTIONS

SEC. 1374. Notwithstanding the provisions of any other law—

- (1) any financial transaction authorized to be carried out under this title, and
  - (2) any payment authorized to be made or to be received in connection with any such financial transaction,
- shall be final and conclusive upon all officers of the Government.

#### ADMINISTRATIVE EXPENSES

SEC. 1375. Any administrative expenses which may be sustained by the Federal Government in carrying out the flood insurance program authorized under this title may be paid out of appropriated funds.

#### APPROPRIATIONS

SEC. 1376. (a) There are hereby authorized to be appropriated such sums as may from time to time be necessary to carry out this title, including sums—

- (1) to cover administrative expenses authorized under section 1375;
  - (2) to reimburse the National Flood Insurance Fund established under section 1310 for—
    - (A) premium equalization payments under section 1334 which have been made from such fund; and
    - (B) reinsurance claims paid under the excess loss reinsurance coverage provided under section 1335; and
  - (3) to make such other payments as may be necessary to carry out the purposes of this title.
- (b) All such funds shall be available without fiscal year limitation.

*Ante*, p. 577.

#### EFFECTIVE DATE

SEC. 1377. This title shall take effect one hundred and twenty days following the date of its enactment, except that the Secretary, on the basis of a finding that conditions exist necessitating the prescribing of an additional period, may prescribe a later effective date which in no event shall be more than one hundred and eighty days following such date of enactment.

## TITLE XIV—INTERSTATE LAND SALES

## SHORT TITLE

SEC. 1401. This title may be cited as the "Interstate Land Sales Full Disclosure Act".

## DEFINITIONS

SEC. 1402. For the purposes of this title, the term—

(1) "Secretary" means the Secretary of Housing and Urban Development;

(2) "person" means an individual, or an unincorporated organization, partnership, association, corporation, trust, or estate;

(3) "subdivision" means any land which is divided or proposed to be divided into fifty or more lots, whether contiguous or not, for the purpose of sale or lease as part of a common promotional plan and where subdivided land is offered for sale or lease by a single developer, or a group of developers acting in concert, and such land is contiguous or is known, designated, or advertised as a common unit or by a common name such land shall be presumed, without regard to the number of lots covered by each individual offering, as being offered for sale or lease as part of a common promotional plan;

(4) "developer" means any person who, directly or indirectly, sells or leases, or offers to sell or lease, or advertises for sale or lease any lots in a subdivision;

(5) "agent" means any person who represents, or acts for or on behalf of, a developer in selling or leasing, or offering to sell or lease, any lot or lots in a subdivision; but shall not include an attorney at law whose representation of another person consists solely of rendering legal services;

(6) "blanket encumbrance" means a trust deed, mortgage, judgment, or any other lien or encumbrance, including an option or contract to sell or a trust agreement, affecting a subdivision or affecting more than one lot offered within a subdivision, except that such term shall not include any lien or other encumbrance arising as the result of the imposition of any tax assessment by any public authority;

(7) "interstate commerce" means trade or commerce among the several States;

(8) "State" includes the several States, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States;

(9) "purchaser" means an actual or prospective purchaser or lessee of any lot in a subdivision;

(10) "offer" includes any inducement, solicitation, or attempt to encourage a person to acquire a lot in a subdivision.

## EXEMPTIONS

SEC. 1403. (a) Unless the method of disposition is adopted for the purpose of evasion of this title, the provisions of this title shall not apply to—

(1) the sale or lease of real estate not pursuant to a common promotional plan to offer or sell fifty or more lots in a subdivision;

(2) the sale or lease of lots in a subdivision, all of which are five acres or more in size;

(3) the sale or lease of any improved land on which there is a residential, commercial, or industrial building, or to the sale or



lease of land under a contract obligating the seller to erect such a building thereon within a period of two years;

(4) the sale or lease of real estate under or pursuant to court order;

(5) the sale of evidences of indebtedness secured by a mortgage or deed of trust on real estate;

(6) the sale of securities issued by a real estate investment trust;

(7) the sale or lease of real estate by any government or government agency;

(8) the sale or lease of cemetery lots;

(9) the sale or lease of lots to any person who acquires such lots for the purpose of engaging in the business of constructing residential, commercial, or industrial buildings or for the purpose of resale or lease of such lots to persons engaged in such business; or

(10) the sale or lease of real estate which is free and clear of all liens, encumbrances, and adverse claims if each and every purchaser or his or her spouse has personally inspected the lot which he purchased and if the developer executes a written affirmation to that effect to be made a matter of record in accordance with rules and regulations of the Secretary. As used in this subparagraph, the terms "liens," "encumbrances," and "adverse claims" are not intended to refer to property reservations which land developers commonly convey or dedicate to local bodies or public utilities for the purpose of bringing public services to the land being developed nor to taxes and assessments which, under applicable State or local law, constitute liens on the property before they are due and payable.

(b) The Secretary may from time to time, pursuant to rules and regulations issued by him, exempt from any of the provisions of this title any subdivision or any lots in a subdivision, if he finds that the enforcement of this title with respect to such subdivision or lots is not necessary in the public interest and for the protection of purchasers by reason of the small amount involved or the limited character of the public offering.

#### PROHIBITIONS RELATING TO THE SALE OR LEASE OF LOTS IN SUBDIVISIONS

SEC. 1404. (a) It shall be unlawful for any developer or agent, directly or indirectly, to make use of any means or instruments of transportation or communication in interstate commerce, or of the mails—

(1) to sell or lease any lot in any subdivision unless a statement of record with respect to such lot is in effect in accordance with section 1407 and a printed property report, meeting the requirements of section 1408, is furnished to the purchaser in advance of the signing of any contract or agreement for sale or lease by the purchaser; and

(2) in selling or leasing, or offering to sell or lease, any lot in a subdivision—

(A) to employ any device, scheme, or artifice to defraud, or

(B) to obtain money or property by means of a material misrepresentation with respect to any information included in the statement of record or the property report or with respect to any other information pertinent to the lot or the subdivision and upon which the purchaser relies, or

(C) to engage in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon a purchaser.

(b) Any contract or agreement for the purchase or leasing of a lot in a subdivision covered by this title, where the property report has not been given to the purchaser in advance or at the time of his signing, shall be voidable at the option of the purchaser. A purchaser may revoke such contract or agreement within forty-eight hours, where he has received the property report less than forty-eight hours before he signed the contract or agreement, and the contract or agreement shall so provide, except that the contract or agreement may stipulate that the foregoing revocation authority shall not apply in the case of a purchaser who (1) has received the property report and inspected the lot to be purchased or leased in advance of signing the contract or agreement, and (2) acknowledges by his signature that he has made such inspection and has read and understood such report.

#### REGISTRATION OF SUBDIVISIONS

Statement of  
record.

SEC. 1405. (a) A subdivision may be registered by filing with the Secretary a statement of record, meeting the requirements of this title and such rules and regulations as may be prescribed by the Secretary in furtherance of the provisions of this title. A statement of record shall be deemed effective only as to the lots specified therein.

Fees.

(b) At the time of filing a statement of record, or any amendment thereto, the developer shall pay to the Secretary a fee, not in excess of \$1,000, in accordance with a schedule to be fixed by the regulations of the Secretary, which fees may be used by the Secretary to cover all or part of the cost of rendering services under this title, and such expenses as are paid from such fees shall be considered non-administrative.

(c) The filing with the Secretary of a statement of record, or of an amendment thereto, shall be deemed to have taken place upon the receipt thereof, accompanied by payment of the fee required by subsection (b).

Information,  
availability to  
public.

(d) The information contained in or filed with any statement of record shall be made available to the public under such regulations as the Secretary may prescribe and copies thereof shall be furnished to every applicant at such reasonable charge as the Secretary may prescribe.

#### INFORMATION REQUIRED IN STATEMENT OF RECORD

SEC. 1406. The statement of record shall contain the information and be accompanied by the documents specified hereinafter in this section—

(1) the name and address of each person having an interest in the lots in the subdivision to be covered by the statement of record and the extent of such interest;

(2) a legal description of, and a statement of the total area included in, the subdivision and a statement of the topography thereof, together with a map showing the division proposed and the dimensions of the lots to be covered by the statement of record and their relation to existing streets and roads;

(3) a statement of the condition of the title to the land comprising the subdivision, including all encumbrances and deed restrictions and covenants applicable thereto;

(4) a statement of the general terms and conditions, including the range of selling prices or rents at which it is proposed to dispose of the lots in the subdivision;

(5) a statement of the present condition of access to the subdivision, the availability of sewage disposal facilities and other public utilities (including water, electricity, gas, and telephone facilities) in the subdivision, the proximity in miles of the subdivision to nearby municipalities, and the nature of any improvements to be installed by the developer and his estimated schedule for completion;

(6) in the case of any subdivision or portion thereof against which there exists a blanket encumbrance, a statement of the consequences for an individual purchaser of a failure, by the person or persons bound, to fulfill obligations under the instrument or instruments creating such encumbrance and the steps, if any, taken to protect the purchaser in such eventuality;

(7) (A) copy of its articles of incorporation, with all amendments thereto, if the developer is a corporation; (B) copies of all instruments by which the trust is created or declared, if the developer is a trust; (C) copies of its articles of partnership or association and all other papers pertaining to its organization, if the developer is a partnership, unincorporated association, joint stock company, or any other form of organization; and (D) if the purported holder of legal title is a person other than developer, copies of the above documents for such person;

(8) copies of the deed or other instrument establishing title to the subdivision in the developer or other person and copies of any instrument creating a lien or encumbrance upon the title of developer or other person or copies of the opinion or opinions of counsel in respect to the title to the subdivision in the developer or other person or copies of the title insurance policy guaranteeing such title;

(9) copies of all forms of conveyance to be used in selling or leasing lots to purchasers;

(10) copies of instruments creating easements or other restrictions;

(11) such certified and uncertified financial statements of the developer as the Secretary may require; and

(12) such other information and such other documents and certifications as the Secretary may require as being reasonably necessary or appropriate for the protection of purchasers.

#### TAKING EFFECT OF STATEMENTS OF RECORD AND AMENDMENTS THERETO

SEC. 1407. (a) Except as hereinafter provided, the effective date of a statement of record, or any amendment thereto, shall be the thirtieth day after the filing thereof or such earlier date as the Secretary may determine, having due regard to the public interest and the protection of purchasers. If any amendment to any such statement is filed prior to the effective date of the statement, the statement shall be deemed to have been filed when such amendment was filed; except that such an amendment filed with the consent of the Secretary, or filed pursuant to an order of the Secretary, shall be treated as being filed as of the date of the filing of the statement of record. When a developer records additional lands to be offered for disposition, he may consolidate the subsequent statement of record with any earlier recording offering subdivided land for disposition under the same promotional plan. At the time of consolidation the developer shall include in the consolidated statement of record any material changes in the information contained in the earlier statement.

(b) If it appears to the Secretary that a statement of record, or any amendment thereto, is on its face incomplete or inaccurate in any material respect, the Secretary shall so advise the developer within a



reasonable time after the filing of the statement or the amendment, but prior to the date the statement or amendment would otherwise be effective. Such notification shall serve to suspend the effective date of the statement or the amendment until thirty days after the developer files such additional information as the Secretary shall require. Any developer, upon receipt of such notice, may request a hearing, and such hearing shall be held within twenty days of receipt of such request by the Secretary.

(c) If, at any time subsequent to the effective date of a statement of record, a change shall occur affecting any material fact required to be contained in the statement, the developer shall promptly file an amendment thereto. Upon receipt of any such amendment, the Secretary may, if he determines such action to be necessary or appropriate in the public interest or for the protection of purchasers, suspend the statement of record until the amendment becomes effective.

(d) If it appears to the Secretary at any time that a statement of record, which is in effect, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading, the Secretary may, after notice, and after opportunity for hearing (at a time fixed by the Secretary) within fifteen days after such notice, issue an order suspending the statement of record. When such statement has been amended in accordance with such order, the Secretary shall so declare and thereupon the order shall cease to be effective.

Access to records, etc.

(e) The Secretary is hereby empowered to make an examination in any case to determine whether an order should issue under subsection (d). In making such examination, the Secretary or anyone designated by him shall have access to and may demand the production of any books and papers of, and may administer oaths and affirmations to and examine, the developer, any agents, or any other person, in respect of any matter relevant to the examination. If the developer or any agents shall fail to cooperate, or shall obstruct or refuse to permit the making of an examination, such conduct shall be proper ground for the issuance of an order suspending the statement of record.

(f) Any notice required under this section shall be sent to or served on the developer or his authorized agent.

#### INFORMATION REQUIRED IN PROPERTY REPORT

SEC. 1408. (a) A property report relating to the lots in a subdivision shall contain such of the information contained in the statement of record, and any amendments thereto, as the Secretary may deem necessary, but need not include the documents referred to in paragraphs (7) to (11), inclusive, of section 1406. A property report shall also contain such other information as the Secretary may by rules or regulations require as being necessary or appropriate in the public interest or for the protection of purchasers.

(b) The property report shall not be used for any promotional purposes before the statement of record becomes effective and then only if it is used in its entirety. No person may advertise or represent that the Secretary approves or recommends the subdivision or the sale or lease of lots therein. No portion of the property report shall be underscored, italicized, or printed in larger or bolder type than the balance of the statement unless the Secretary requires or permits it.

#### COOPERATION WITH STATE AUTHORITIES

SEC. 1409. (a) In administering this title, the Secretary shall cooperate with State authorities charged with the responsibility of regulating the sale of lots in subdivisions which are also subject to this title and may accept for filing under section 1405 and declare effective



as a statement of record, if he finds such action to be appropriate in the public interest or for the protection of purchasers, material filed with and found acceptable by such authorities.

(b) Nothing in this title shall affect the jurisdiction of the real estate commission (or any agency or office performing like functions) of any State over any subdivision or any person.

#### CIVIL LIABILITIES

SEC. 1410. (a) Where any part of the statement of record, when such part became effective, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, any person acquiring a lot in the subdivision covered by such statement of record from the developer or his agent during such period the statement remained uncorrected (unless it is proved that at the time of such acquisition he knew of such untruth or omission) may, either at law or in equity, in any court of competent jurisdiction, sue the developer.

(b) Any developer or agent, who sells or leases a lot in a subdivision—

(1) in violation of section 1404, or

(2) by means of a property report which contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein, may be sued by the purchaser of such lot.

(c) The suit authorized under subsection (a) or (b) may be to recover such damages as shall represent the difference between the amount paid for the lot and the reasonable cost of any improvements thereto, and the lesser of (1) the value thereof as of the time such suit was brought, or (2) the price at which such lot shall have been disposed of in a bona fide market transaction before suit, or (3) the price at which such lot shall have been disposed of after suit in a bona fide market transaction but before judgment.

(d) Every person who becomes liable to make any payment under this section may recover contribution as in cases of contract from any person who, if sued separately, would have been liable to make the same payment.

(e) In no case shall the amount recoverable under this section exceed the sum of the purchase price of the lot, the reasonable cost of improvements, and reasonable court costs.

#### COURT REVIEW OF ORDERS

SEC. 1411. (a) Any person, aggrieved by an order or determination of the Secretary issued after a hearing, may obtain a review of such order or determination in the court of appeals of the United States, within any circuit wherein such person resides or has his principal place of business, or in the United States Court of Appeals for the District of Columbia, by filing in such court, within sixty days after the entry of such order or determination, a written petition praying that the order or determination of the Secretary be modified or be set aside in whole or in part. A copy of such petition shall be forthwith transmitted by the clerk of the court to the Secretary, and thereupon the Secretary shall file in the court the record upon which the order or determination complained of was entered, as provided in section 2112 of title 28, United States Code. No objection to an order or determination of the Secretary shall be considered by the court unless such objection shall have been urged before the Secretary. The finding of the Secretary as to the facts, if supported by substantial evidence, shall be conclusive. If either party shall apply to the court for leave

Findings,  
modification.

62 Stat. 928.

to adduce additional evidence, and shall show to the satisfaction of the court that such additional evidence is material and that there were reasonable grounds for failure to adduce such evidence in the hearing before the Secretary, the court may order such additional evidence to be taken before the Secretary and to be adduced upon a hearing in such manner and upon such terms and conditions as to the court may seem proper. The Secretary may modify his findings as to the facts by reason of the additional evidence so taken, and shall file such modified or new findings, which, if supported by substantial evidence, shall be conclusive, and his recommendation, if any, for the modification or setting aside of the original order. Upon the filing of such petition, the jurisdiction of the court shall be exclusive and its judgment and decree, affirming, modifying, or setting aside, in whole or in part, any order of the Secretary, shall be final, subject to review by the Supreme Court of the United States upon certiorari or certification as provided in section 1254 of title 28, United States Code.

(b) The commencement of proceedings under subsection (a) shall not, unless specifically ordered by the court, operate as a stay of the Secretary's order.

#### LIMITATION OF ACTIONS

SEC. 1412. No action shall be maintained to enforce any liability created under section 1410(a) or (b) (2) unless brought within one year after the discovery of the untrue statement or the omission, or after such discovery should have been made by the exercise of reasonable diligence, or, if the action is to enforce a liability created under section 1401(b) (1), unless brought within two years after the violation upon which it is based. In no event shall any such action be brought by a purchaser more than three years after the sale or lease to such purchaser.

#### CONTRARY STIPULATIONS VOID

SEC. 1413. Any condition, stipulation, or provision binding any person acquiring any lot in a subdivision to waive compliance with any provision of this title or of the rules and regulations of the Secretary shall be void.

#### ADDITIONAL REMEDIES

SEC. 1414. The rights and remedies provided by this title shall be in addition to any and all other rights and remedies that may exist at law or in equity.

#### INVESTIGATIONS, INJUNCTIONS, AND PROSECUTION OF OFFENSES

SEC. 1415. (a) Whenever it shall appear to the Secretary that any person is engaged or about to engage in any acts or practices which constitute or will constitute a violation of the provisions of this title, or of any rule or regulation prescribed pursuant thereto, he may, in his discretion, bring an action in any district court of the United States, or the United States District Court for the District of Columbia to enjoin such acts or practices, and, upon a proper showing, a permanent or temporary injunction or restraining order shall be granted without bond. The Secretary may transmit such evidence as may be available concerning such acts or practices to the Attorney General who may, in his discretion, institute the appropriate criminal proceedings under this title.

(b) The Secretary may, in his discretion, make such investigations as he deems necessary to determine whether any person has violated or is about to violate any provision of this title or any rule or regulation prescribed pursuant thereto, and may require or permit any

Investigation  
authority.

person to file with him a statement in writing, under oath or otherwise as the Secretary shall determine, as to all the facts and circumstances concerning the matter to be investigated. The Secretary is authorized, in his discretion, to publish information concerning any such violations, and to investigate any facts, conditions, practices, or matters which he may deem necessary or proper to aid in the enforcement of the provisions of this title, in the prescribing of rules and regulations thereunder, or in securing information to serve as a basis for recommending further legislation concerning the matters to which this title relates.

Publication of  
information.

(c) For the purpose of any such investigation, or any other proceeding under this title, the Secretary, or any officer designated by him, is empowered to administer oaths and affirmations, subpoena witnesses, compel their attendance, take evidence, and require the production of any books, papers, correspondence, memorandums, or other records which the Secretary deems relevant or material to the inquiry. Such attendance of witnesses and the production of any such records may be required from any place in the United States or any State at any designated place of hearing.

Subpena power.

(d) In case of contumacy by, or refusal to obey a subpoena issued to, any person, the Secretary may invoke the aid of any court of the United States within the jurisdiction of which such investigation or proceeding is carried on, or where such person resides or carries on business, in requiring the attendance and testimony of witnesses and the production of books, papers, correspondence, memorandums, and other records and documents. And such court may issue an order requiring such person to appear before the Secretary or any officer designated by the Secretary, there to produce records, if so ordered, or to give testimony touching the matter under investigation or in question; and any failure to obey such order of the court may be punished by such court as a contempt thereof. All process in any such case may be served in the judicial district whereof such person is an inhabitant or wherever he may be found.

Witnesses,  
court order.

(e) No person shall be excused from attending and testifying or from producing books, papers, correspondence, memorandums, and other records and documents before the Secretary, or in obedience to the subpoena of the Secretary or any officer designated by him, or in any cause or proceeding instituted by the Secretary, on the ground that the testimony or evidence, documentary or otherwise, required of him may tend to incriminate him or subject him to a penalty or forfeiture; but no individual shall be prosecuted or subject to any penalty or forfeiture for or on account of any transaction, matter, or thing concerning which he is compelled, after having claimed his privilege against self-incrimination, to testify or produce evidence, documentary or otherwise, except that such individual so testifying shall not be exempt from prosecution and punishment for perjury committed in so testifying.

#### ADMINISTRATION

SEC. 1416. (a) The authority and responsibility for administering this title shall be in the Secretary of Housing and Urban Development who may delegate any of his functions, duties, and powers to employees of the Department of Housing and Urban Development or to boards of such employees, including functions, duties, and powers with respect to investigating, hearing, determining, ordering, or otherwise acting as to any work, business, or matter under this title. The persons to whom such delegations are made with respect to hearing functions, duties, and powers shall be appointed and shall serve in the



80 Stat. 415-  
528.

Records of  
hearings.

60 Stat. 237.  
5 USC 551  
et seq.

Department in compliance with sections 3105, 3344, 5362, and 7521 of title 5 of the United States Code. The Secretary shall by rule prescribe such rights of appeal from the decisions of his hearing examiners to other hearing examiners or to other officers in the Department, to boards of officers or to himself, as shall be appropriate and in accordance with law.

(b) All hearings shall be public and appropriate records thereof shall be kept, and any order issued after such hearing shall be based on the record made in such hearing which shall be conducted in accordance with the provisions of the Administrative Procedure Act.

#### UNLAWFUL REPRESENTATIONS

SEC. 1417. The fact that a statement of record with respect to a subdivision has been filed or is in effect shall not be deemed a finding by the Secretary that the statement of record is true and accurate on its face, or be held to mean the Secretary has in any way passed upon the merits of, or given approval to, such subdivision. It shall be unlawful to make, or cause to be made, to any prospective purchaser any representation contrary to the foregoing.

#### PENALTIES

SEC. 1418. Any person who willfully violates any of the provisions of this title or the rules and regulations prescribed pursuant thereto, or any person who willfully, in a statement of record filed under, or in a property report issued pursuant to, this title, makes any untrue statement of a material fact or omits to state any material fact required to be stated therein, shall upon conviction be fined not more than \$5,000 or imprisoned not more than five years, or both.

#### RULES, REGULATIONS, AND ORDERS

SEC. 1419. The Secretary shall have authority from time to time to make, issue, amend, and rescind such rules and regulations and such orders as are necessary or appropriate to the exercise of the functions and powers conferred upon him elsewhere in this title. For the purpose of his rules and regulations, the Secretary may classify persons and matters within his jurisdiction and prescribe different requirements for different classes of persons or matters.

#### JURISDICTION OF OFFENSES AND SUITS

SEC. 1420. (a) The district courts of the United States, the United States courts of any territory, and the United States District Court for the District of Columbia shall have jurisdiction of offenses and violations under this title and under the rules and regulations prescribed by the Secretary pursuant thereto, and concurrent with State courts, of all suits in equity and actions at law brought to enforce any liability or duty created by this title. Any such suit or action may be brought to enforce any liability or duty created by this title. Any such suit or action may be brought in the district wherein the defendant is found or is an inhabitant or transacts business, or in the district where the offer or sale took place, if the defendant participated therein, and process in such cases may be served in any other district of which the defendant is an inhabitant or wherever the defendant may be found. Judgments and decrees so rendered shall be subject to review as provided in sections 1254 and 1291 of title 28, United States Code. No case arising under this title and brought in any State court of competent jurisdiction shall be removed to any court of the United States, except where the United States or any officer or employee of the United

62 Stat. 928,  
929.



States in his official capacity is a party. No costs shall be assessed for or against the Secretary in any proceeding under this title brought by or against him in the Supreme Court or such other courts.

#### APPROPRIATIONS

SEC. 1421. There are authorized to be appropriated such sums as may be necessary to carry out this title.

#### EFFECTIVE DATE

SEC. 1422. This title shall take effect upon the expiration of two hundred and seventy days after the date of its enactment.

### TITLE XV—MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

#### AMENDMENT TO NATIONAL HOUSING ACT

SEC. 1501. Title II of the National Housing Act is amended by adding at the end thereof (after the new section added by section 307 of this Act) the following new section: 12 USC 1707-1715y.

#### “MORTGAGE INSURANCE FOR NONPROFIT HOSPITALS

“SEC. 242. (a) The purpose of this section is to assist the provision of urgently needed hospitals for the care and treatment of persons who are acutely ill or who otherwise require medical care and related services of the kind customarily furnished only (or most effectively) by hospitals.

“(b) For the purposes of this section—

“(1) the term ‘hospital’ means a facility—

“(A) which provides community service for inpatient medical care of the sick or injured (including obstetrical care);

“(B) not more than 50 per centum of the total patient days of which during any year are customarily assignable to the categories of chronic convalescent and rest, drug and alcoholic, epileptic, mentally deficient, mental, nervous and mental, and tuberculosis; and

“(C) which is owned and operated by one or more non-profit corporations or associations no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual; and

“(2) the terms ‘mortgage’ and ‘mortgagor’ shall have the meanings respectfully set forth in section 207(a) of this Act.

“(c) The Secretary is authorized to insure any mortgage (including advances on such mortgage during construction) in accordance with the provisions of this section upon such terms and conditions as he may prescribe and to make commitments for insurance of such mortgage prior to the date of its execution or disbursement thereon.

“(d) In order to carry out the purpose of this section, the Secretary is authorized to insure any mortgage which covers a new or rehabilitated hospital, including equipment to be used in its operation, subject to the following conditions:

“(1) The mortgage shall be executed by a mortgagor approved by the Secretary. The Secretary may in his discretion require any such mortgagor to be regulated or restricted as to charges and methods of financing, and, in addition thereto, if the mortgagor is a corporate entity, as to capital structure and rate of return. As an aid to the regulation or restriction of any mortgage with respect to any of the fore-

going matters, the Secretary may make such contracts with and acquire for not to exceed \$100 such stock or interest in such mortgagor as he may deem necessary. Any stock or interest so purchased shall be paid for out of the General Insurance Fund, and shall be redeemed by the mortgagor at par upon the termination of all obligations of the Secretary under the insurance.

"(2) The mortgage shall involve a principal obligation in an amount not to exceed \$25,000,000, and not to exceed 90 per centum of the estimated replacement cost of the property or project, including equipment to be used in the operation of the hospital, when the proposed improvements are completed and the equipment is installed.

"(3) The mortgage shall—

"(A) provide for complete amortization by periodic payments within such term as the Secretary shall prescribe, and

"(B) bear interest (exclusive of premium charges for insurance and service charges, if any) at not to exceed such per centum per annum (not in excess of 6 per centum), on the amount of the principal obligation outstanding at any time, as the Secretary finds necessary to meet the mortgage market.

"(4) The Secretary shall not insure any mortgage under this section unless he has received, from the State agency designated in accordance with section 604(a)(1) of the Public Health Service Act for the State in which is located the hospital covered by the mortgage, a certification that (A) there is a need for such hospital, and (B) there are in force in such State or the political subdivision of the State in which the proposed hospital would be located reasonable minimum standards of licensure and methods of operation for hospitals. No such mortgage shall be insured under this section unless the Secretary has received such assurance as he may deem satisfactory from the State agency that such standards will be applied and enforced with respect to any hospital located in the State for which mortgage insurance is provided under this section.

"(e) The Secretary may consent to the release of a part or parts of the mortgaged property or project from the lien of any mortgage insured under this section upon such terms and conditions as he may prescribe.

"(f) The activities and functions provided for in this section shall be carried out by the agencies involved so as to encourage programs that undertake responsibility to provide comprehensive health care, including outpatient and preventive care, as well as hospitalization, to a defined population.

"(g)(1) Notwithstanding any of the other provisions of this title, the Secretary may insure under this section a mortgage which provides permanent financing or refinancing of existing mortgage indebtedness in the case of a hospital whose permanent financing is presently lacking, if the construction of such hospital was completed between January 1, 1966, and the date of the enactment of this Act.

"(2) The aggregate principal balance of all mortgages insured under paragraph (1) and outstanding at any one time shall not exceed \$20,000,000.

"(h) The provisions of subsections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of section 207 shall apply to mortgages insured under this section and all references therein to section 207 shall be deemed to refer to this section."

#### LABOR STANDARDS

SEC. 1502. Section 212(a) of the National Housing Act is amended by inserting after the fifth sentence the following new sentence: "The provisions of this section shall also apply to the insurance of any mortgage under section 242, except that compliance with such provisions

78 Stat. 452.  
42 USC 291d.

12 USC 1713.

12 USC 1715c.

may be waived by the Secretary in cases or classes of cases where laborers or mechanics, not otherwise employed at any time on the project, voluntarily donate their services without compensation for the purpose of lowering the costs of construction and the Secretary determines that any amounts thereby saved are fully credited to the nonprofit corporation or association undertaking the construction; and each laborer or mechanic employed on any facility covered by a mortgage insured under section 242 shall receive compensation at a rate not less than one and one-half times his basic rate of pay for all hours worked in any workweek in excess of eight hours in any workday or forty hours in the workweek, as the case may be."

*Ante*, p. 599.

## TITLE XVI—HOUSING GOALS AND ANNUAL HOUSING REPORT

### REAFFIRMATION OF GOAL

SEC. 1601. The Congress finds that the supply of the Nation's housing is not increasing rapidly enough to meet the national housing goal, established in the Housing Act of 1949, of the "realization as soon as feasible of the goal of a decent home and a suitable living environment for every American family". The Congress reaffirms this national housing goal and determines that it can be substantially achieved within the next decade by the construction or rehabilitation of twenty-six million housing units, six million of these for low and moderate income families.

63 Stat. 413.  
42 USC 1441  
note.

### REPORT OUTLINING PLAN

SEC. 1602. Not later than January 15, 1969, the President shall make a report to the Congress setting forth a plan, to be carried out over a period of ten years (June 30, 1968, to June 30, 1978), for the elimination of all substandard housing and the realization of the goal referred to in section 1601. Such plan shall—

Report to Congress.  
Contents.

(1) indicate the number of new or rehabilitated housing units which it is anticipated will have to be provided, with or without Government assistance, during each fiscal year of the ten-year period, in order to achieve the objectives of the plan, showing the number of such units which it is anticipated will have to be provided under each of the various Federal programs designed to assist in the provision of housing;

(2) indicate the reduction in the number of occupied substandard housing units which it is anticipated will have to occur during each fiscal year of the ten-year period in order to achieve the objectives of the plan;

(3) provide an estimate of the cost of carrying out the plan for each of the various Federal programs and for each fiscal year during the ten-year period to the extent that such costs will be reflected in the Federal budget;

(4) make recommendations with respect to the legislative and administrative actions necessary or desirable to achieve the objectives of the plan; and

(5) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

Such report shall, in addition, contain a projection of the residential mortgage market needs and prospects during the coming year, including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such year, together with such recommendations as may be deemed appropriate for encouraging the availability of such funds.

## PERIODIC REPORTS

Report to  
Congress.  
Contents.

SEC. 1603. On January 15, 1970, and on each succeeding year through 1979, the President shall submit to the Congress a report which shall—

(1) compare the results achieved during the preceding fiscal year for the completion of new or rehabilitating housing units and the reduction in occupied substandard housing with the objectives established for such year under the plan;

(2) if the comparison provided under clause (1) shows a failure to achieve the objectives set for such year, indicate (A) the reasons for such failure; (B) the steps being taken to achieve the objectives of the plan during each of the remaining fiscal years of the ten-year period; and (C) any necessary revision in the objectives established under the plan for each such year;

(3) project residential mortgage market needs and prospects for the coming calendar year including an estimate of the requirements with respect to the availability, need, and flow of mortgage funds (particularly in declining urban and rural areas) during such period, in order to achieve the objectives of the plan;

(4) provide an analysis of the monetary and fiscal policies of the Government for the coming calendar year required to achieve the objectives of the plan and the impact upon the domestic economy of achieving the plan's objectives for such period;

(5) make recommendations with respect to any additional legislative or administrative action which is necessary or desirable to achieve the objectives of the plan; and

(6) provide such other pertinent data, estimates, and recommendations as the President deems advisable.

## COMMISSION ON MORTGAGE INTEREST RATES

SEC. 1604. Funds appropriated and available for studies of housing markets and credit as authorized by section 301 of the Housing Act of 1948 and section 602(a) of the Housing Act of 1956 shall be available for expenses of the Commission established by section 4(b) of Public Law 90-301, including the report required to be rendered by such Commission.

63 Stat. 431;  
70 Stat. 1113.  
12 USC 1701e  
1701d-3.  
*Ante*, p. 114.

## TITLE XVII—MISCELLANEOUS

## MODEL CITIES

SEC. 1701. (a) Section 111(a) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended—

(1) by striking out “and” the third time it appears; and

(2) by inserting before the period at the end thereof “, and not to exceed \$12,000,000 for the fiscal year ending June 30, 1969”.

(b) Section 111(b) of such Act is amended—

(1) by striking out “and” the third time it appears; and

(2) by inserting before the period at the end thereof “, and not to exceed \$1,000,000,000 for the fiscal year ending June 30, 1970”.

(c) Section 111(c) of such Act is amended to read as follows:

“(c) Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.”

80 Stat. 1260.  
42 USC 3311.



## URBAN RENEWAL DEMONSTRATION GRANT PROGRAM

SEC. 1702. (a) Section 314(a) of the Housing Act of 1954 is amended—

68 Stat. 629;  
78 Stat. 792.  
42 USC 1452a.

(1) by striking out in the first sentence “to public bodies, including cities and other political subdivision,” and inserting in lieu thereof “to public bodies (including cities and other political subdivisions) and nonprofit organizations,”;

(2) by inserting after the first sentence the following: “In the case of any such grant to a nonprofit organization, the Secretary shall require that the assisted activities and undertakings are not inconsistent with the program of the local public agency.”; and

(3) by striking out in the second sentence “No such grant shall exceed two-thirds of the cost, as determined or estimated by said Secretary, of such activities or undertakings,” and inserting in lieu thereof the following: “No such grant shall exceed 90 per centum of the cost, as determined or estimated by the Secretary, of the assisted activities or undertakings.”.

(b) Section 314(c) of such Act is amended by striking out “\$10,000,000” and inserting in lieu thereof “\$20,000,000”.

## AUTHORIZATION FOR URBAN INFORMATION AND TECHNICAL ASSISTANCE SERVICES PROGRAM

SEC. 1703. (a) The first sentence of section 906 of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by striking out “and not to exceed \$5,000,000 for the fiscal year ending June 30, 1968” and inserting in lieu thereof “not to exceed \$5,000,000 for each of the fiscal years 1968 and 1969, and not to exceed \$15,000,000 for fiscal year 1970”.

80 Stat. 1284.  
42 USC 3356.

(b) The second sentence of section 906 of such Act is amended to read as follows: “Any amounts appropriated under this section shall remain available until expended, and any amounts authorized for any fiscal year under this section but not appropriated may be appropriated for any succeeding fiscal year commencing prior to July 1, 1970.”

## ADVANCES IN TECHNOLOGY IN HOUSING AND URBAN DEVELOPMENT

SEC. 1704. (a) Section 1010(d) of the Demonstration Cities and Metropolitan Development Act of 1966 is amended by inserting before the period at the end of the first sentence the following: “, and not to exceed such sums for subsequent fiscal years as may be necessary”.

42 USC 3372.

(b) Section 1010(c) of such Act is amended by striking out “two years” in the second sentence and inserting in lieu thereof “four years”.

(c) Section 1010(a) of such Act is amended—

(1) by striking out “and” at the end of paragraph (1);

(2) by striking out the period at the end of paragraph (2) and inserting in lieu thereof “; and”; and

(3) by adding after paragraph (2) a new paragraph as follows:

“(3) require, to the greatest extent feasible, the employment of new and improved technology, techniques, materials, and methods in housing construction, rehabilitation, and maintenance under programs administered by the Department of Housing and Urban Development with a view to reducing the cost of such construction, rehabilitation, and maintenance, and stimulating the increased and sustained production of housing under such programs.”

## COLLEGE HOUSING

64 Stat. 77.  
12 USC 1749.  
69 Stat. 644.

§ 2000  
SEC. 1705. (a) The heading of section 401 of the Housing Act of 1950 is amended by striking out "LOANS" and inserting in lieu thereof "ASSISTANCE IN THE FORM OF LOANS OR ANNUAL GRANTS".

(b) Section 401(a) of such Act is amended to read as follows:

"(a) To assist educational institutions in providing housing and other educational facilities for students and faculties, the Secretary may make loans of funds to such institutions for the construction or purchase of such facilities or may, as an alternative to all or part of the loan (in the case of any such institution), make annual grants to the institution to reduce the cost of its borrowing from other sources for such construction or purchase: *Provided*, That no such assistance shall be provided unless (1) the educational institution involved is unable to secure the necessary funds for the construction or purchase from other sources upon terms and conditions equally as favorable as the terms and conditions applicable to loans under this title, and (2) the Secretary finds that any such construction will be undertaken in an economical manner, and that any such facilities are not or will not be of elaborate or extravagant design or materials."

(c) Section 401(c) of such Act is amended—

(1) by inserting "(1)" after "(c)";

(2) by striking out "of (1)" and "or (2)" and inserting in lieu thereof "of (A)" and "or (B)", respectively; and

(3) by adding at the end thereof the following new paragraph:

"(2) Annual grants to an educational institution with respect to any housing or other educational facilities shall be made over a fixed period not exceeding 40 years, and provision for such grants shall be embodied in a contract guaranteeing their payment over such period. Each such grant shall be in an amount equal to the difference between (A) the average annual debt service which would be required to be paid, during the life of the loan, on the amount borrowed from other sources for the construction or purchase of such facilities, and (B) the average annual debt service which the institution would have been required to pay, during the life of the loan, with respect to such amount if the applicable interest rate were the rate specified in paragraph (1): *Provided*, That the amount on which such grant is based shall be approved by the Secretary but in no event shall exceed the total development cost of the facilities."

73 Stat. 681.

(d) Section 401(d) of such Act is amended by inserting "(1)" after "(d)", and by adding at the end thereof the following new paragraph:

"(2) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary, together with loan principal and interest payments made by educational institutions assisted with loans made hereunder, for payments on notes or other obligations issued by the Secretary under this section."

69 Stat. 645.

(e) Section 401(f) of such Act is amended to read as follows:

"(f) (1) There are hereby authorized to be appropriated to the Secretary such sums as may be necessary for the payment of annual grants to educational institutions in accordance with this section.

"(2) Contracts for annual grants under this section shall not be entered into in an aggregate amount greater than is authorized in appropriation Acts; and in any event the total amount of annual grants which may be paid to educational institutions in any year pursuant to contracts entered into under this section shall not exceed \$10,000,000, which amount shall be increased by \$10,000,000 on July 1, 1969."

64 Stat. 80;  
75 Stat. 173.  
12 USC 1749b.

(f) Section 403 of such Act is amended by striking out "the funds provided for in this title in the form of loans" and inserting in lieu thereof "the amount of the funds provided for in this title in the form

of loans, and not more than 12½ per centum of the funds provided for in this title for grants.”

(g) (1) Section 401(g) of such Act is amended to read as follows:

73 Stat. 682.  
12 USC 1749.

“(g) Except as otherwise provided in the second paragraph of section 404(b), in the case of any loan which is made under this section to a nonprofit student housing cooperative corporation referred to in clause (5) of section 404(b), or which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under this section, the Secretary shall require that the note securing such loan be cosigned by the educational institution (referred to in clause (1) of such section) at which such corporation is located, and that, in the event of the dissolution of such corporation, title to the housing constructed with such loan will vest in such educational institution.”

71 Stat. 304;  
75 Stat. 173.  
12 USC 1749c.  
73 Stat. 682.

(2) Section 404(a) of such Act is amended by inserting “or existing” immediately after “new”.

(3) Clause (3) (B) of section 404(b) of such Act is amended by striking out “of any loan secured under this title” and inserting in lieu thereof the following: “of any loan which is made under section 401, or is the subject of a contract for annual grants entered into under section 401.”

71 Stat. 304.

(4) Clause (4) of section 404(b) of such Act is amended by striking out “to obtain loans” and inserting in lieu thereof “to obtain loans or grants”.

(5) The second paragraph of section 404(b) of such Act is amended by inserting after “clause (5) of this subsection,” the following: “and in the case of any loan which is obtained from other sources by such a corporation and is the subject of a contract for annual grants entered into under section 401.”

(6) Section 404(c) of such Act is amended by inserting before the period at the end thereof the following: “; except that in the case of the purchase of facilities such term means the cost as approved by the Secretary”.

(7) Section 404(h) of such Act is amended by inserting “or existing” immediately after “new”.

(h) The last sentence of paragraph “Seventh” of section 5136 of the Revised Statutes (12 U.S.C. 24) (appearing immediately before the sentence added by section 911 of this Act) is amended by inserting after “the Asian Development Bank” the following: “; or obligations issued by any State or political subdivision or any agency of a State or political subdivision for housing, university, or dormitory purposes.”

#### HOUSING FOR THE ELDERLY

SEC. 1706. Section 202(a) of the Housing Act of 1959 is amended—

73 Stat. 667.  
12 USC 1701q.

(1) by inserting in paragraph (1) after “corporations,” the following: “limited profit sponsors,”;

(2) by inserting in paragraph (2) after “(as defined in subsection (d) (2)),” the following: “to any limited profit sponsor approved by the Secretary,”; and

75 Stat. 162.

(3) by inserting in paragraph (3) after “Secretary” the following: “; except that in the case of other than a corporation, consumer cooperative, or public body or agency the amount of the loan shall not exceed 90 per centum of the development cost”.

#### FEDERAL-STATE TRAINING PROGRAMS

SEC. 1707. (a) Title VIII of the Housing Act of 1964 is amended—

78 Stat. 802.  
20 USC 801-811.

(1) by inserting after “urban centers,” in section 801(b) the following: “and with business firms and associations, labor unions, and other interested associations and organizations”; and

78 Stat. 802.  
20 USC 801,  
802.

(2) by striking out "technical and professional people" in sections 801(b)(1) and 802(a)(1) and inserting in lieu thereof "technical, professional, and other persons with the capacity to master and employ such skills"; and

(3) by inserting after "which has responsibility for community development" in sections 801(b)(1) and 802(a)(1) the following: "or by a private nonprofit organization which is conducting or has responsibility for housing and community development programs".

20 USC 805.

(b) Section 805 of such Act is amended by inserting "Guam, American Samoa, the Trust Territory of the Pacific Islands," after "the Commonwealth of Puerto Rico,".

#### ADDITIONAL ASSISTANT SECRETARY OF HOUSING AND URBAN DEVELOPMENT

Ante, p. 89;  
79 Stat. 668.  
42 USC 3533.  
81 Stat. 198.

SEC. 1708. (a) The first sentence of section 4(a) of the Department of Housing and Urban Development Act is amended by striking out "five" and inserting in lieu thereof "six".

(b) Paragraph (87) of section 5315 of title 5, United States Code, is amended by striking out "(4)" and inserting in lieu thereof "(6)".

#### INTERNATIONAL HOUSING

71 Stat. 305;  
81 Stat. 24.  
12 USC 1701d-4.

SEC. 1709. Section 604 of the Housing Act of 1957 is amended to read as follows:

SEC. 604. (a) The Secretary of Housing and Urban Development may exchange data relating to housing and urban planning and development with other nations and assemble such data from other nations, through participation in international conferences and other means, where such exchange or assembly is deemed by him to be beneficial in carrying out his responsibilities under the Department of Housing and Urban Development Act or other legislation. In carrying out his responsibilities under this subsection the Secretary may—

"(1) pay the expenses of participation in activities conducted under authority of this section including, but not limited to, the compensation, travel expenses, and per diem in lieu of subsistence of persons serving in an advisory capacity while away from their homes or regular places of business in connection with attendance at international meetings and conferences, or other travel for the purpose of exchange or assembly of data relating to housing and urban planning and development; but such travel expenses shall not exceed those authorized for regular officers and employees traveling in connection with said activities; and

"(2) accept from international organizations, foreign countries, and private nonprofit foundations, funds, services, facilities, materials, and other donations to be utilized jointly in carrying out activities under this section.

"(b) International programs and activities carried out by the Secretary under the authority provided in subsection (a) shall be subject to the approval of the Secretary of State for the purpose of assuring that such authority shall be exercised in a manner consistent with the foreign policy of the United States."

#### ELIGIBILITY FOR RENT SUPPLEMENT PAYMENTS

Rehabilitation  
projects.  
New York.  
75 Stat. 150.  
12 USC 1715f.

SEC. 1710. Notwithstanding any other provision of law respecting the date after which a mortgage must have been approved for mortgage insurance under section 221(d)(3) of the National Housing Act, the Secretary of Housing and Urban Development is authorized to make, and contract to make, rent supplement payments under the pro-



visions of section 101 of the Housing and Urban Development Act of 1965 to the owners of the housing projects known as the 114th Street rehabilitation project and the 114th Street rehabilitation project numbered 2, in New York City, New York (project numbers 012-33501 and 012-33512).

79 Stat. 451.  
12 USC 1701s.

#### CONSOLIDATION OF LOW-RENT PUBLIC HOUSING PROJECTS IN THE DISTRICT OF COLUMBIA

SEC. 1711. All projects now operated and maintained by the National Capital Housing Authority pursuant to title I of the District of Columbia Alley Dwelling Act are deemed to be low-rent housing projects and may be consolidated, pursuant to section 15(6) of the United States Housing Act of 1937, into any contract for annual contributions covering projects maintained and operated pursuant to title II of the District of Columbia Alley Dwelling Act.

48 Stat. 930.  
D.C. Code 5-103  
to 5-111.  
63 Stat. 427;  
75 Stat. 165.  
42 USC 1415.  
52 Stat. 1188.  
D.C. Code 5-112  
to 5-116.

#### URBAN RENEWAL PROJECT IN GARDEN CITY, MICHIGAN

SEC. 1712. Notwithstanding the date of commencement of construction of the Florence Primary School in Garden City, Michigan, local expenditures made in connection with such school shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward the Cherry Hill urban renewal project (Mich. R-46) for purposes of title I of the Housing Act of 1949.

42 USC 1450-  
1468.

#### URBAN RENEWAL PROJECT IN SACRAMENTO, CALIFORNIA

SEC. 1713. Notwithstanding the date of commencement of construction of the storm drainage system in the Capitol Mall Riverfront urban renewal project (Calif. R-67) in Sacramento, California, local expenditures made in connection with such storm drainage system located in that project shall, to the extent otherwise eligible, be counted as a local grant-in-aid toward that project for purposes of title I of the Housing Act of 1949.

#### SELF-HELP STUDIES

SEC. 1714. (a) Section 207 of the Housing Act of 1961 is amended by inserting after the words "improved means" the following: "including the study of self-help in the construction, rehabilitation, and maintenance of housing for low-income persons and families and the methods of selecting, involving, and directing such persons and families in self-help activities."

75 Stat. 165;  
79 Stat. 503.  
42 USC 1436.

(b) The Secretary of Housing and Urban Development shall make a report to the Congress, within one year after the date of enactment of this Act, setting forth the results of the self-help studies and demonstrations carried out under section 207 of the Housing Act of 1961, together with such recommendations as he deems appropriate.

Report to Con-  
gress.

#### EARTHQUAKE STUDY

SEC. 1715. Section 5 of the Southeast Hurricane Disaster Relief Act of 1965 is amended by striking out "three years after the appropriation of funds for this study" and inserting in lieu thereof "June 30, 1969".

79 Stat. 1301.

## SAVINGS AND LOAN ASSOCIATIONS

48 Stat. 132.  
12 USC 1464.

SEC. 1716. (a) Section 5(b) of the Home Owners' Loan Act of 1933 is amended to read as follows:

"(b) (1) An association may raise capital in the form of such savings deposits, shares, or other accounts, for fixed, minimum, or indefinite periods of time (all of which are referred to in this section as savings accounts and all of which shall have the same priority upon liquidation) as are authorized by its charter or by regulations of the Board, and may issue such passbooks, time certificates of deposit, or other evidence of savings accounts as are so authorized. Holders of savings accounts and obligors of an association shall, to such extent as may be provided by its charter or by regulations of the Board, be members of the association, and shall have such voting rights and such other rights as are thereby provided. Except as may be otherwise authorized by the association's charter or regulation of the Board in the case of savings accounts for fixed or minimum terms of not less than thirty days, the payment of any savings account shall be subject to the right of the association to require such advance notice, not less than thirty days, as shall be provided for by the charter of the association or the regulations of the Board. The payment of withdrawals from savings accounts in the event an association does not pay all withdrawals in full (subject to the right of the association to require notice) shall be subject to such rules and procedures as may be prescribed by the association's charter or by regulation of the Board, but any association which, except as authorized in writing by the Board, fails to make full payment of any withdrawal when due shall be deemed to be in an unsafe or unsound condition to transact business within the meaning of subsection (d) of this section. Savings accounts shall not be subject to check or to withdrawal or transfer on negotiable or transferable order or authorization to the association, but the Board may by regulation provide for withdrawal or transfer of savings accounts upon nontransferable order or authorization.

"(2) To such extent as the Board may authorize by regulation or advice in writing, an association may borrow, may give security, and may issue such notes, bonds, debentures, or other obligations, or other securities (except capital stock) as the Board may so authorize."

(b) Section 5(c) of the Home Owners' Loan Act of 1933 is amended—

(1) by striking out "shares" in the first sentence and inserting in lieu thereof "savings accounts"; and

(2) by inserting after the first semicolon in the second proviso the following words: "or in time deposits, certificates, or accounts of any bank the deposits of which are insured by the Federal Deposit Insurance Corporation;"

(c) Section 5(c) of such Act is amended by inserting in the second paragraph after "property alteration, repair, or improvement" the following: ", including the construction of new structures related to residential use of the property".

(d) Section 5(c) of such Act is amended by adding immediately after the second paragraph thereof the following new paragraph:

"Without regard to any other provision of this subsection, but subject to such prohibitions, limitations, and conditions as the Board may by regulation prescribe, any such association may make and invest in—

"(A) any loan not exceeding \$5,000 made for the repair, equipping, alteration, or improvement of any real property, or

"(B) any loan made for the purpose of mobile home financing."

(e) The first sentence of the paragraph which, prior to the amendments made by this Act, was the next to the last paragraph of section 5(c) of such Act is amended—

- (1) by inserting "(1)" immediately before "invest";
- (2) by striking out "(1)" before "secured";
- (3) by inserting "now or hereafter in effect," after "National Housing Act"; and

(4) by striking out all that follows "(2)" and inserting in lieu thereof the following: "acquire and hold investments in housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

79 Stat. 465.  
12 USC 1464.

75 Stat. 429.  
22 USC 2181.

79 Stat. 655.  
22 USC 2184.

(f) Section 5(c) of such Act is amended by adding immediately before the last paragraph thereof the following new paragraph:

12 USC 1464.

"Any such association may invest in loans, or interests in loans, to financial institutions with respect to which the United States or any agency or instrumentality thereof has any function of examination or supervision, or to any broker or dealer registered with the Securities and Exchange Commission, secured by loans, obligations, or investments in which it has any statutory authority to invest directly."

#### FEDERAL HOME LOAN BANK ACT

SEC. 1717. Section 12 of the Federal Home Loan Bank Act, as amended (12 U.S.C. 1432), is amended by inserting "(a)" after "SEC. 12.", and by adding at the end thereof a new subsection as follows:

47 Stat. 735;  
80 Stat. 1293.

"(b) Subject to such regulations as may be prescribed by the Board, one or more Federal home loans banks may acquire, hold, or dispose of, in whole or in part, or facilitate such acquisition, holding, or disposition by members of any such bank of, housing project loans, or interests therein, having the benefit of any guaranty under section 221 of the Foreign Assistance Act of 1961, as now or hereafter in effect, or loans, or interests therein, having the benefit of any guaranty under section 224 of such Act, or any commitment or agreement with respect to such loans, or interests therein, made pursuant to either of such sections."

#### FEDERAL RESERVE ACT

SEC. 1718. Section 24 of the Federal Reserve Act, as amended (12 U.S.C. 371), is amended—

73 Stat. 489;  
79 Stat. 509.

(1) by striking out "twenty-four months", wherever it appears in the third paragraph and inserting in lieu thereof "thirty-six months";

(2) by striking out "when the entire amount of such obligation is sold to the association", wherever it appears in the first and second paragraphs, and inserting in lieu thereof "in whole or in part and at any time or times prior to the maturity of such obligation"; and

(3) by striking out the last paragraph and inserting in lieu thereof the following:

"Loans made to any borrower (i) where the association looks for repayment by relying primarily on the borrower's general credit standing and forecast of income, with or without other security, or (ii) where the association relies on other security as collateral for the loans (including but not limited to a guaranty of a third party), and where, in either case described in clause (i) or (ii) above, the association wishes to take a mortgage, deed of trust, or other instrument upon real estate (whether or not constituting a first lien) as a precaution

against contingencies, such loans shall not be considered as real estate loans within the meaning of this section but shall be classed as ordinary non-real-estate loans."

#### LOW-RENT PUBLIC HOUSING—CORPORATE STATUS

SEC. 1719. (a) The first sentence of section 3 of the United States Housing Act of 1937 is amended by striking "a body corporate of perpetual duration to be known as".

(b) Section 17 of such Act is repealed. The capital stock referred to in such section shall be retired, and sum of \$1,000,000 represented by such stock shall be returned to the Treasury of the United States.

(c) Such Act is amended by adding a new section 17 as follows:

"SEC. 17. In the performance of, and with respect to, functions, powers, and duties under this Act, the Secretary shall have (in addition to any authority otherwise vested in him) the functions, powers, and duties set forth in subsections (a), (b), and (e) of section 402 of the Housing Act of 1950."

(d) Section 101 of the Government Corporation Control Act is amended by striking out "United States Housing Authority and including public housing projects financed through appropriated funds and operations thereof;".

#### SPECIAL STUDIES OF SAVINGS AND LOAN INDUSTRY

SEC. 1720. That part of chapter IV of the Second Supplemental Appropriation Act, 1966, which relates to expenses necessary for special studies of the savings and loan industry is amended by striking out "1968" and inserting "1969".

#### SMALL BUSINESS ACT

SEC. 1721. Subsection (a) of section 4 of the Small Business Act is amended by inserting immediately after "the Commonwealth of Puerto Rico," the following: "the Trust Territory of the Pacific Islands,".

#### TECHNICAL AMENDMENTS

SEC. 1722. (a) Section 110(c) of the Housing Act of 1949 is amended by striking out "paragraphs (7), (8), and (9)" in the second unnumbered paragraph following the numbered paragraphs and inserting in lieu thereof "paragraphs (7), (8), (9), and (10)".

(b) Section 110(d) of the Housing Act of 1949 is amended by striking out "clauses (2), (3)" and inserting in lieu thereof "clauses (2), (3), (7)".

(c) Section 110(e) of the Housing Act of 1949 is amended by striking out "and (9)" in clause (i) and inserting in lieu thereof "(9), and (10)".

(d) Section 1101(c)(3) of the National Housing Act is amended by inserting "from the beginning of amortization of the mortgage" immediately after "twenty-five years".

(e) Section 213(o) of the National Housing Act is amended by adding at the end thereof four new sentences as follows: "Moneys in the Cooperative Management Housing Insurance Fund not needed for current operations of the fund shall be deposited with the Treasurer of the United States to the credit of the Cooperative Management Housing Insurance Fund or invested in bonds or other obligations of, or in bonds or other obligations guaranteed as to principal and interest by, the United States. The Secretary may, with the

81 Stat. 20.  
42 USC 1403.

Repeal.  
50 Stat. 897.  
42 USC 1417.

64 Stat. 78;  
73 Stat. 681.  
12 USC 1749a.  
59 Stat. 597.  
31 USC 846.

80 Stat. 143.

72 Stat. 384.  
15 USC 633.

70 Stat. 1097;  
79 Stat. 477.  
42 USC 1460.

68 Stat. 626.

80 Stat. 1274.  
12 USC 1749aaa.

79 Stat. 469.  
12 USC 1715e.



approval of the Secretary of the Treasury, purchase in the open market debentures which are the obligations of the Cooperative Management Housing Insurance Fund. Such purchases shall be made at a price which will provide an investment yield of not less than the yield obtainable from other investments authorized by this subsection. Debentures so purchased shall be canceled and not reissued."

(f) Section 810(e) of the National Housing Act is amended—

(1) by striking out "private corporation, association, cooperative society, or trust" in the first sentence and inserting in lieu thereof "mortgagor approved by the Secretary", and

(2) by striking out "corporation, association, cooperative society, or trust" in the third and fourth sentences and inserting in lieu thereof "mortgagor".

(g) Section 220(d)(2)(B) of the National Housing Act is amended by striking out "corporations restricted by" and inserting in lieu thereof "corporations or other legal entities restricted by or under".

Approved August 1, 1968, 11:52 a.m.

73 Stat. 684.  
12 USC 1748h-2.

68 Stat. 596.  
12 USC 1715k.

## Public Law 90-449

### AN ACT

To amend title 39, United States Code, to provide for disciplinary action against employees in the postal field service who assault other employees in such service in the performance of official duties, and for other purposes.

August 2, 1968  
[H. R. 15387]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That (a) the portion of chapter 41 of title 39, United States Code, under the heading "EMPLOYEES GENERALLY" is amended by adding immediately following section 3107 thereof the following new section:

Postal Service  
employees.  
74 Stat. 608;  
79 Stat. 1116.

### "§ 3108. Disciplinary action against employees who assault other employees

"The Postmaster General may take appropriate disciplinary action, including, when circumstances warrant, suspension from duty without pay, reduction in pay, demotion, or removal from the service, against any employee who forcibly assaults any other employee while such other employee is engaged in the performance of his official duties or on account of the performance by such other employee of his official duties."

(b) That part of the table of contents of chapter 41 of title 39, United States Code, under the heading "EMPLOYEES GENERALLY" is amended by adding—

"3108. Disciplinary action against employees who assault other employees." immediately below—

"3107. Postal employees relocation expenses."

SEC. 2. Section 1114 of title 18, United States Code, is amended by striking out "any post-office inspector," and inserting in lieu thereof "any postal inspector, any postmaster, officer, or employee in the field service of the Post Office Department."

65 Stat. 721.

SEC. 3. Effective on the date of enactment of this Act—

(1) the provisions of section 201 of the Revenue and Expenditure Control Act of 1968 shall cease to apply with respect to officers and employees of the Bureau of Research and Engineering of the Post Office Department, and officers and employees in the postal field service except those in regional offices; and

Bureau of Research and Engineering, limitations, exemption. Ante, p. 270.