Public Law 95–557
95th Congress

An Act

To amend and extend certain Federal laws relating to housing, community, and neighborhood development and preservation, and related programs, and for other purposes.

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

SHORT TITLE

Section 1. This Act may be cited as the “Housing and Community Development Amendments of 1978”.

TITLE I—COMMUNITY AND NEIGHBORHOOD DEVELOPMENT AND CONSERVATION

REHABILITATION LOANS AND LOAN INSURANCE

Sec. 101. (a) Section 312 of the Housing Act of 1964 is amended—
(1) by striking the undesignated paragraph which follows subsection (a) (3) and inserting in lieu thereof the following new undesignated paragraph:

“The Secretary shall, in making loans under this section, give priority to applications by low- and moderate-income persons who own the property to be rehabilitated and will occupy such property upon completion of the rehabilitation, including applications by condominiums and cooperatives in which the residents are primarily of low and moderate income. For the purpose of the preceding sentence, the term ‘low and moderate income’ means income which does not exceed 95 per centum of the median income for the area.”;

(2) by striking subsection (c) (3) and inserting in lieu thereof the following:

“(3) The loan shall bear interest at such rate as the Secretary determines to be appropriate, but not to exceed 3 per centum per annum for loans to families with adjusted incomes of not more than 80 per centum of the median income for the area. For loans to families with adjusted incomes above 80 per centum of the median income for the area, as determined by the Secretary, the Secretary may establish interest rates based on adjusted family income, ranging from above 3 per centum to a rate determined by the Secretary, but in no case may any such rate exceed the current average market yield on outstanding marketable securities of the United States with remaining periods to maturity comparable to the terms of loans made pursuant to this section, adjusted to the nearest one-eighth of 1 per centum. The Secretary may prescribe such other charges adequate in the judgment of the Secretary to cover administrative costs and possible losses under the program.”;

(3) by inserting the following before the semicolon at the end of subsection (c) (4) (A): “; or if such refinancing is deemed necessary by the Secretary to minimize displacement of existing tenants of a multifamily property”;

42 USC 1452b.
(4) by striking out "$50,000" in subsection (c) (4) (B) and inserting in lieu thereof "$100,000";
(5) by striking out "and not to exceed $60,000,000 for the fiscal year beginning on October 1, 1977" in subsection (d) and inserting in lieu thereof "not to exceed $60,000,000 for the fiscal year beginning on October 1, 1977, and not to exceed $245,000,000 for the fiscal year beginning on October 1, 1978";
(6) by adding at the end of subsection (d) the following: "Of the amounts available for loans under this section during the fiscal year beginning October 1, 1978, the Secretary may utilize not more than $60,000,000 for rehabilitation loans for multifamily properties."); and
(7) by adding at the end thereof the following new subsection:
"(1) The Secretary may not, after 270 days following the date of the enactment of this subsection, make any loan under this section with respect to any property unless the Secretary has determined that the improvements to such property, upon completion of the rehabilitation, will meet cost-effective energy conservation standards prescribed by the Secretary.").
(b) Section 312 of such Act is amended by adding at the end thereof the following:
"(i) Rehabilitation loans under this section for multifamily properties shall be subject to the following additional limitations and conditions:
(1) The property must meet the requirements of subsection
(a) and—
(A) be located in a low- or moderate-income neighborhood;
or
(B) have a majority of tenants of low and moderate income.
All such loans must be consistent with an overall community development strategy developed pursuant to title I of the Housing and Community Development Act of 1974.
(2) The property must have fewer than 100 units, except where the Secretary determines that a loan under this section is essential to meet the community development needs of a neighborhood and alternative sources of financing are not available.
(3) The Secretary shall enter into an agreement with the investor-owner of a multifamily property which is to be rehabilitated with a loan under this section to limit, for a period of at least five years, the increased rent caused by the rehabilitation.
(4) The Secretary shall minimize involuntary displacement caused by rehabilitation loans under this section with respect to multifamily properties.
(j) In conjunction with the annual report required under section 113(a) of the Housing and Community Development Act of 1974, the Secretary shall submit to the Congress a report on the rehabilitation loan program under this section. Such report shall include a summary of the use of funds under this section, particularly with regard to the types of neighborhoods and persons aided under this section, and an evaluation of progress made toward community development goals under this section. As soon as feasible, but not later than December 1, 1979, the Secretary shall submit to Congress an interim report evaluating the use of funds under this section for multifamily properties, with legislative recommendations for improving the overall effectiveness of Federal assistance for the rehabilitation of multifamily properties.").
(c) (1) Section 203(k) of the National Housing Act is amended to read as follows:
42 USC 1452b.
42 USC 5301.
42 USC 5313.
12 USC 1769.
Commitments to insure loans.

"(k)(1) The Secretary may, in order to assist in the rehabilitation of one- to four-family structures used primarily for residential purposes, insure and make commitments to insure rehabilitation loans (including advances made during rehabilitation) made by financial institutions on and after 180 days following the date of the enactment of the Housing and Community Development Amendments of 1978. Such commitments to insure and such insurance shall be made upon such terms and conditions which the Secretary may prescribe and which are consistent with the provisions of subsections (b), (c), (e), (f), (1), and (j) of this section, except as modified by the provisions of this subsection.

"(2) For the purpose of this subsection—

(A) the term ‘rehabilitation 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—

(i) the rehabilitation of an existing one- to four-unit structure which will be used primarily for residential purposes;

(ii) the rehabilitation of such a structure and the refinancing of the outstanding indebtedness on such structure and the real property on which the structure is located; or

(iii) the rehabilitation of such a structure and the purchase of the structure and the real property on which it is located; and

(B) the term ‘rehabilitation’ means the improvement (including improvements designed to meet cost-effective energy conservation standards prescribed by the Secretary) or repair of a structure, or facilities in connection with a structure, and may include the provision of such sanitary or other facilities as are required by applicable codes, a community development plan, or a statewide property insurance plan to be provided by the owner or tenant of the project.

Eligibility.

"(3) To be eligible for insurance under this subsection, a rehabilitation loan shall—

(A) involve a principal obligation (including such initial service charges, appraisal, inspection, and other fees as the Secretary shall approve) in an amount which does not exceed, when added to any outstanding indebtedness of the borrower which is secured by the structure and the property on which it is located, the amount specified in subsection (b)(2); except that, in determining the amount of the principal obligation for purposes of this subsection, the Secretary shall establish as the appraised value of the property an amount not to exceed the sum of the estimated cost of rehabilitation and the Secretary’s estimate of the value of the property before rehabilitation;

(B) bear interest at a rate permitted by the Secretary for mortgages insured under this section; except that the Secretary may permit a higher rate of interest to be applied to the loan with respect to the period beginning with the making of the loan and ending with the completion of the rehabilitation or such earlier time as the Secretary may determine;

(C) be an acceptable risk, as determined by the Secretary; and

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

"(4) Any rehabilitation loan insured under this subsection may be refinanced and extended in accordance with such terms and conditions as the Secretary may prescribe, but in no event for an additional

amount or term which would cause the loan to be ineligible for insurance under this subsection.

"(5) All funds received by the authority established as appropriate, to the extent such funds are not used for the purposes of this section, shall be paid in cash to the Secretary in the name of such Fund.

"(6) A rehabilitation loan that is insured under this subsection is considered a rehabilitation loan for purposes of section 208(e)(2)(B)."
amount or term which exceeds the maximum provided for in this subsection.

“(5) All funds received and all disbursements made pursuant to the authority established by this subsection shall be credited or charged, as appropriate, to the General Insurance Fund, and insurance benefits shall be paid in cash out of such Fund or in debentures executed in the name of such Fund. Insurance benefits paid with respect to loans insured under this subsection shall be paid in accordance with paragraphs (6) and (7) of section 220(h), except that any reference to ‘this subsection’ in such paragraphs shall be construed as referring to this subsection.”.

(2) Section 203(c) of such Act is amended—

(A) by striking out “subsection (n) is” in the first proviso and inserting in lieu thereof “subsections (n) and (k) are” and

(B) by inserting “or (k)” after “subsection (n)” the second time it appears in such proviso.

(3) The proviso in the first sentence of section 302(b)(1) of such Act is amended by inserting “or section 203(k)” after “title VIII” in clause (3).

URBAN HOMESTEADING

SEC. 102. (a) Section 810(f) of the Housing and Community Development Act of 1974 is amended—

(1) by inserting “and the Administrator of Veterans’ Affairs” after “Secretary” the first place it appears; and

(2) by inserting “or the Administrator” after “Secretary” the second place it appears.

(b) The first sentence of section 810(g) of such Act is amended—

(1) by striking out “and” immediately following “fiscal year 1977,”; and

(2) by inserting the following before the period at the end thereof: “, and not to exceed $26,000,000 for the fiscal year 1979”.

COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM AMENDMENTS

SEC. 103. (a) Section 104(a)(4)(A) of the Housing and Community Development Act of 1974 is amended by inserting “owners of homes requiring rehabilitation assistance,” after “large families.”

(b) Section 104(a)(4)(B)(i) of such Act is amended by inserting “including existing rental and owner occupied dwelling units to be upgraded and thereby preserved,” after “existing dwelling units.”.

(c) Section 104(a) of such Act is amended by inserting after “expected to reside in the community” in paragraphs (3)(C) and (4)(A) the following: “as a result of existing or projected employment opportunities in the community (and those elderly persons residing in or expected to reside in the community), or as estimated in a community accepted State or regional housing opportunity plan approved by the Secretary.”.

(d) Section 104(c) of such Act is amended by adding the following new sentence at the end thereof:

“The Secretary may not disapprove an application on the basis that such application addresses any one of the primary purposes described in paragraph (3) to a greater or lesser degree than any other, except that such application may be disapproved if the Secretary determines that the extent to which a primary purpose is addressed is plainly inappropriate to meeting the needs and objectives which are consistent with the community’s efforts to achieve the primary objective of this title.”.

12 USC 1715k.

12 USC 1709.

12 USC 1717.

12 USC 1706e.

42 USC 5304.
(f) The last sentence of section 107(a)(8) of such Act is amended to read as follows: "The Secretary may also provide, directly or through contracts, technical assistance under this paragraph to such governmental units, or to a group designated by such governmental unit for the purpose of assisting such governmental unit to carry out its Community Development Program."

(g) Section 119(c) of such Act is amended—

(1) by striking out "and" at the end of clause (4);
(2) by striking out the period at the end of clause (5) and inserting in lieu thereof "; and"; and
(3) by adding at the end thereof the following:

"(6) include a statement analyzing the impact of the proposed urban development action program on the residents, particularly those of low and moderate income, of the residential neighborhood, and on the neighborhood, in which the program is to be located.".

(h) Section 119(e) of such Act is amended by inserting before "and feasibility" the following: "impact of the proposed urban development action program on the residents, particularly those of low and moderate income, of the residential neighborhood, and on the neighborhood, in which the program is to be located.".

Title I of such Act is amended by adding at the end thereof the following new section:

"FAIR PARTICIPATION FOR SMALL COMMUNITIES"

"Sec. 120. No community shall be barred from participating in any program authorized under this title solely on the basis of population, except as expressly authorized by statute."

EFFECTIVE DATE

Sec. 104. The amendments made by this title shall become effective October 1, 1978.

TITLE II—HOUSING ASSISTANCE PROGRAMS

OPERATING ASSISTANCE FOR TROUBLED MULTIFAMILY HOUSING PROJECTS

Sec. 201. (a) The purposes of this section are to provide assistance to restore or maintain the financial soundness, to assist in the improvement of the management, and to maintain the low- to moderate-income character of certain projects assisted or approved for assistance under the National Housing Act or under the Housing and Urban Development Act of 1965.

(b) The Secretary of Housing and Urban Development (hereinafter referred to in this section as the "Secretary") may make available, and contract to make available, to such extent and in such amounts as may be approved in appropriation Acts, financial assistance to owners of rental or cooperative housing projects meeting the requirements of this section. Such assistance shall be made on an annual basis and in accordance with the provisions of this section.

(c) A rental or cooperative housing project is eligible for assistance under this section only if such project—