HOUSING AND URBAN DEVELOPMENT AUTHORITIES

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PART I. COMMUNITY AND ECONOMIC DEVELOPMENT (Administered by the Office of Community Planning and Development, except as noted)

A. COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAMS

1. Community Development Block Grant Program

The CDBG program provides annual grants on a formula basis to be used for a wide range of community development activities directed toward neighborhood revitalization, economic development, and improved community facilities and services. Specific activities include:

-- Acquisition of real property;
-- Acquisition and construction of public works' and facilities;
-- Code enforcement;
-- Relocation assistance
-- Reconstruction and rehabilitation of residential and non-residential properties;
-- Provision of public services, such as those concerned with employment, moving from welfare to work, drug abuse, child care, crime prevention, and education;
-- Provision of assistance to private, for-profit entities for special economic development activities;
-- Assistance to community-based development organizations to carry out neighborhood revitalization, community economic development, and energy conservation projects;
-- Direct homeownership assistance; and
-- Planning and administrative costs.

Of the total amount appropriated each year, 1% is set-aside for grants to Indian tribes under section 106(a)(1). Recent appropriation Acts have set aside a specific amount notwithstanding the 1% limit for this set-aside. Amounts provided for Special Purpose grants under section 107, costs for
section 108 loan guarantees, and specific grants under EDI are also set aside. Other set-asides are discussed in other sections of this document. The remainder is used for the two principal components of the program: the Entitlement program and the State program.

Under the Entitlement program, 70% of the amount available is allocated to certain larger cities and counties (known as "metropolitan cities" and "urban counties"). The remaining 30% is allocated under the State program to participating States. (HUD administers the program for Hawaii which has not elected to participate. This is known as the HUD-administered Small Cities program.) Allocations are made on the basis of a "dual formula" that takes into account the factors of population, poverty, housing overcrowding, age of housing, and growth lag. The 70/30 split and the formula are provided for in the statute. Entitlement communities carry out their own programs. States design a distribution system and are responsible for ensuring compliance with the program's requirements, but pass funds through to smaller, "nonentitlement" localities in the State who carry out activities. States distribute almost all of those funds to nonentitlement localities, except for a small percentage which may be used for its costs in administering the program and to provide technical assistance to local governments and nonprofit organizations.

In developing their priorities and activities, Entitlement grantees and State grantees must ensure that each activity meets one of the program's three national objectives; the primary objective of benefiting low- and moderate-income persons; aid in the prevention or elimination of slums or blight; or meet other community development needs that present a serious and immediate threat to the health or welfare of the community. Over a three-year period, at least 70% of program funds must be used for activities that benefit low- and moderate-income persons.

The FY 1997 appropriations Act made the Colonias set-aside permanent. HUD may require Arizona, California, New Mexico, and Texas to set-aside up to 10% of their annual allocations for activities designed to meet the needs of the residents of colonias in the State with respect to water, sewage, and housing (sec. 916, NAHA).

**Legal Authority:** Title I of the Housing and Community Development Act of 1974 (42 U.S.C. 5301 et seq.); 24 CFR Part 570.

**Program Status:** Approximately $5.1 billion appropriated in the Community Development Fund (CDF) account for FY 2001, of which, approximately $4.4 billion provided for the Entitlement
and State programs.

2. Special Purpose Grants (Section 107) (Administered by the Office of Community Planning and Development, except that grants to colleges and universities are administered by the Office of Policy Development and Research)

Section 107 of the 1974 Act establishes a set-aside within the CDBG program for special purpose grants, including:

- Grants to Insular areas (section 107(b)(1));
- Formula corrections (section 107(b)(2));
- Grants to historically Black colleges and universities (HBCU) (section 107(b)(3));
- Technical assistance in connection with CDBG activities (section 107(b)(4));
- Joint community development grants to States, local governments, and institutions of higher education to carry out eligible activities under the CDBG program (grants to States or local governments must be pursuant to a joint application with such an institution) (section 107(b)(5) (program funded only once in FY 95);
- Grants to local governments for planning community adjustments and economic diversification activities as a result of a military base closing or a cancellation of a Defense contract (section 107(b)(6));
- Grants to rebuild and revitalize distressed areas of the Los Angeles metropolitan area (section 107(b)(7));
- Grants to institutions of higher education to provide assistance to economically disadvantaged students who participate in community development work study programs and are studying community and economic development (section 107(c)); and
- Grants under the Community Outreach Partnership Centers (COPC) program (authorized by the Community Outreach Partnership Act of 1992 that was included in section 851 of the HCD Act of 1992 Act) to community colleges, colleges, and universities to assist in establishing centers to carry out applied research and outreach activities addressing the problems of urban areas in coordination with community-based organizations and local governments (section 107(a)(1)(I) authorizes
funding for COPC.

Section 107(a)(1) authorizes, for every fiscal year, $60 million for special purpose grants, including funding amounts for specific activities. Nevertheless, annual appropriations Acts have provided various amounts for special purpose grants.

**Legal Authority:** Section 107 of the HCD Act of 1974 (42 U.S.C. 5307); 24 CFR Part 570, Subpart E.

**Program Status:** $45.5 million provided in CDF account in FY 2001. The appropriations Act provides $3 million for Alaska Native serving institutions and native Hawaiian institutions of higher education (as defined under Higher Education Act) to undertake CDBG-eligible activities, and $3 million for tribal colleges and universities to build, expand, renovate, and equip their facilities. The Conference Report provides the following amounts for other activities: $3 million for community development work study, $10 million for HBCUs, $8 million for COPC, $7 million for insular areas, $6.5 for Hispanic serving institutions (HSI), and $5 million for management information systems (MIS). (106-988, p. 72)

3. **Section 108 Loan Guarantees**

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Section 108 provides communities with a source of financing for economic development, housing rehabilitation, public facilities, and large scale physical development projects.

Eligible activities include:

-- Acquisition of real property;

-- Rehabilitation of publicly-owned real property;

-- Housing rehabilitation;

-- Economic development activities eligible under the CDBG program;

-- Acquisition, construction, reconstruction, or installation of public facilities (except buildings for the conduct of government); and

-- In the case of colonias, public works and other site improvements.

Participating communities (and States, with respect to their
nonentitlement recipients) must pledge their current and future CDBG funds as security for the guarantee, and the guaranteed amount may not exceed five times the community's (or State's) most recent CDBG allocation. Nonentitlement communities, except in Hawaii, must work through their States to participate in the Section 108 program.

The maximum loan term is 20 years. Loan guarantees generally require additional security beyond the pledge of CDBG funds, which security is negotiated on a case-by-case basis by CPD and the borrower.

**Legal Authority:** Section 108 of the HCD Act of 1974 (42 U.S.C. 5308); 24 CFR Part 570, Subpart M.

**Program Status:** $29 million appropriated in CDF account in FY 2001 for the cost of guaranteed loans. The total loan principal limit is set at $1.261 billion.

4. **Economic Development Initiative (EDI)**

HUD may make economic development grants to CDBG recipients in connection with notes or other obligations guaranteed under section 108 for the purpose of enhancing either the security of the guaranteed loans or the viability of the projects financed by those loans. EDI enables localities to carry out eligible economic development activities where public and private dollars can be leveraged to create jobs and other benefits, especially for low- and moderate-income persons, and reduce the risk of potential future defaults on section 108 loan guarantee-assisted projects.

**Legal Authority:** Section 108(q) of the HCD Act of 1974, as added by section 232(a)(1) of the Multifamily Property Disposition Reform Act of 1994. (42 U.S.C. 5308(q))

**Program Status:** $358.128 million appropriated in CDF account in FY 2001 for grants to finance targeted economic investments.

5. **Brownfields Economic Development Initiative (BEDI)**

BEDI provides competitive economic development grants to CDBG recipients in conjunction with section 108 loan guarantees for qualified brownfields projects. Grants are used to redevelop contaminated industrial or commercial sites.

**Legal Authority:** Section 108(q) of the HCD Act of 1974 (42 U.S.C. 5308(q)).

B. EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

Round I and Round II Empowerment Zones (EZs)

The Omnibus Budget Reconciliation Act of 1993 ("OBRA 1993") authorized the designation of nine empowerment zones ("Round I empowerment zones") and ninety-five enterprise communities ("ECs") (65 urban and 30 rural) and provided tax incentives for businesses to locate within targeted areas designated by the Secretaries of HUD and Agriculture. The Taxpayer Relief Act of 1997 ("1997 Act") authorized the designation of two additional Round I urban empowerment zones. The 1997 Act also authorized the designation of 20 additional empowerment zones ("Round II empowerment zones"), of which 15 are located in urban areas and five are located in rural areas. Pursuant to the Consolidated Appropriations Act, 2001, designations of Round I and Round II empowerment zones are extended through December 31, 2009. In addition, the Consolidated Appropriations Act, 2001 conformed and enhanced the tax incentives contained in the earlier laws for the Round I and Round II empowerment zones.

To be selected, EZs and ECs had to meet specified criteria to establish their relative need with respect to poverty, unemployment, and general economic distress. The State and local governments that nominated the areas for designation were required to submit a strategic plan detailing the way in which they intended to achieve the purposes of this program by addressing a set list of criteria. Written assurances were required that this strategic plan would be implemented.

Businesses in Round I and Round II empowerment zones now qualify for the following tax incentives:

1. a 20-percent wage credit for qualifying wages for each employee who (1) is an empowerment zone resident, and (2) performs substantially all employment services within the empowerment zone in a trade or business of the employer (Qualified zone businesses located in Round I EZs are currently eligible to claim this credit; businesses in Round II EZs can claim the credit for qualifying wages paid or incurred after December 31, 2001);

2. an additional $35,000 of expensing is allowed for certain depreciable business property (excludes buildings) under section 179 of the Internal Revenue Code of 1986 for qualifying zone property in taxable years beginning after December 31, 2001 (not applicable to the D.C. EZ); and

3. tax-exempt bonds for qualifying zone facilities are not
subject to the State private activity bond volume caps (but are subject to separate per-zone volume limitations) or the per unit size limitations (i.e., $3 million for each qualified business with a maximum of $20 million for each principal user for all zones and communities). (This benefit applies to both ECs and EZs. It is currently available only to Round II EZs; it will be extended to Round I EZs for tax-exempt bonds issued after December 31, 2001.)

**Round III Empowerment Zones**

In addition to conforming and enhancing the tax incentives for the Round I and Round II empowerment zones and extending their designations through December 31, 2009, the Consolidated Appropriations Act, 2001 also authorized the Secretaries of Housing and Urban Development and Agriculture to designate nine new empowerment zones ("Round III empowerment zones"). Seven of the Round III empowerment zones will be located in urban areas, and two will be located in rural areas. The eligibility and selection criteria for the Round III empowerment zones are the same as the criteria that applied to the Round II empowerment zones. The Round III empowerment zones must be designated by January 1, 2002, and the tax incentives with respect to the Round III empowerment zones generally are available during the period beginning on January 1, 2002, and ending on December 31, 2009. Businesses in the Round III empowerment zones are eligible for the same tax incentives that are available to Round I and Round II empowerment zones (i.e., a 20 percent wage credit, an additional $35,000 of section 179 expensing, and the enhanced tax-exempt financing benefits presently available to Round II empowerment zones).

The Consolidated Appropriations Act, 2001 also provided that the Secretaries of HUD and Agriculture are authorized to designate a replacement empowerment zone for each empowerment zone that becomes a renewal community. The replacement empowerment zone will have the same urban or rural character as the empowerment zone that it is replacing.

**Rollover of gain from the sale of qualified empowerment zone investments**

In general, gain or loss is recognized on any sale, exchange, or other disposition of property. A taxpayer (other than a corporation) may elect to roll over without payment of tax any capital gain realized upon the sale of qualified small business stock held for more than six months where the taxpayer uses the proceeds to purchase other qualified small business stock within 60 days of the sale of the original stock. The Consolidated Appropriations Act, 2001 provided that a taxpayer
can elect to roll over capital gain from the sale or exchange of any qualified empowerment zone asset purchased after the date of enactment and held for more than one year ("original zone asset") where the taxpayer uses the proceeds to purchase other qualifying empowerment zone assets in the same zone ("replacement zone asset") within 60 days of the sale of the original zone asset. The holding period of the replacement zone asset includes the holding period of the original zone asset, except that the replacement asset must actually be held for more than one year to qualify for another tax-free rollover. The basis of the replacement zone asset is reduced by the gain not recognized on the rollover. However, if the replacement zone asset is qualified small business stock (as defined in sec. 1202), the exclusion under section 1202 would not apply to gain accrued on the original zone asset (see section 1045 for rollover of qualified small business stock to other small business stock). A "qualified empowerment zone asset" means an asset that would be a qualified community asset if the empowerment zone were a renewal community (and the asset is acquired after the date of enactment of the bill). Assets in the D.C. Empowerment Zone are not eligible for the tax-free rollover treatment, however a qualifying D.C. Zone asset held for more than five years is eligible for a 100-percent capital gains exclusion (sec. 1400B).

Increased exclusion of gain from the sale of qualifying empowerment zone stock

Prior to enactment of the Consolidated Appropriations Act, 2001, an individual, subject to limitations, could exclude 50 percent of the gain from the sale of qualifying small business stock held for more than five years (sec. 1202) (The portion of the capital gain included in income is subject to a maximum regular tax rate of 28 percent, and 42 percent of the excluded gain is a minimum tax preference.). The Consolidated Appropriations Act, 2001 increased the exclusion for small business stock to 60 percent for stock purchased after the date of enactment in a corporation that is a qualified business entity and that is held for more than five years. A "qualified business entity" means a corporation that satisfies the requirements of a qualifying business under the empowerment zone rules during substantially all of the taxpayer's holding period.


Program Status: $90 million appropriated in HUD's FY 2001
appropriations Act for Round II empowerment zones ($75 million for urban EZs; $15 million for rural EZs); an additional $110 million appropriated for Round II urban EZs in Chapter 13 of the Miscellaneous Appropriations Act as contained in the Consolidated Appropriations Act, 2001 (P.L. 106-554). Additional funding has been provided in previous years for Round I and Round II EZs and ECs. No funds have been appropriated to date for the Round III EZs, authorized by the Consolidated Appropriations Act, 2001.

C. YOUTHBUILD

The Youthbuild program provides economically disadvantaged young adults with opportunities to obtain education, employment skills and meaningful on-site work experience, and to expand the supply of affordable housing for homeless and low- and very low-income persons.

Public or private nonprofit agencies eligible to apply for Youthbuild grants include community-based organizations, administrative entities designated under the Job Training Partnership Act, community action agencies, State or local housing development agencies, community development corporations, State or local youth service and conservation corps, and any other entities eligible to provide education and employment training under other Federal employment training programs.

Eligible participants in the Youthbuild program include individuals ages 16 through 24, at least 75% of whom are either very low-income individuals or members of very low-income families, and who have dropped out of high school. Up to 25% of the participants need not meet the income or educational requirements, but must have educational needs despite having attained a high school diploma or its equivalent. Any individual selected for full-time participation in the program may be offered full-time participation for a period of 6-24 months.

Eligible activities for Youthbuild Planning Grants include:

-- feasibility studies of a Youthbuild program;
-- establishment of a consortia between youth training and education programs and housing owners and developers;
-- identification and selection of a site;
-- preliminary architectural and engineering work;
-- identification and training of staff;
-- planning for education, job training, and other services that will be provided as part of the Youthbuild program;
-- other planning, training, or technical assistance necessary before commencing a Youthbuild program; and
-- preparation of Youthbuild Implementation Grant
Eligible activities for Youthbuild Implementation Grants include:

- architectural and engineering work;
- acquisition, rehabilitation, acquisition and rehabilitation, or construction of housing and related facilities to be used for the purposes of providing homeownership opportunities, or for the purposes of providing housing for low-income, very low-income, or homeless persons;
- administrative costs, not to exceed 15% of the assistance provided, or such higher percentage if deemed necessary by HUD;
- education and job training services and activities;
- wage stipends and benefits provided to participants;
- funding of operating expenses and replacement reserves of property covered by the Youthbuild program;
- legal fees; and
- defraying costs for the ongoing training and technical assistance needs of the recipient that are related to developing and carrying out the Youthbuild program.

**Legal Authority:** Subtitle D of title IV of the National Affordable Housing Act (42 U.S.C. 12899 et seq.); 24 CFR Part 585.

**Program Status:** $60 million appropriated in CDF account in FY 2001. Provides funding priority for leveraging, limits administrative costs to 10%, provides not less than $10 million to establish Youthbuild programs in underserved and rural areas, and provides $4 million for a grant to Youthbuild USA for capacity building for community development and affordable housing activities as specified in section 4 of the HUD Demonstration Act of 1993.

D. **OTHER**

1. **Capacity Building for Community Development and Affordable Housing**

Section 4 of the HUD Demonstration Act of 1993 authorizes HUD to provide assistance through the National Community Development Initiative (NCDI), Local Initiatives Support Corporation (LISC), The Enterprise Foundation, Habitat for Humanity, and Youthbuild USA to develop the capacity and ability of community development corporations and community housing development organizations to undertake community development and affordable housing projects and programs. Private sources must
provide a match three times the amount of any assistance provided under this section.

Legal Authority: Section 4 of the HUD Demonstration Act of 1993 (P.L. 103-120; 42 U.S.C. 9816 note), as amended by section 10004 of P.L. 105-118 (June 12, 1997).

Program Status: $28.45 million appropriated in CDF account in FY 2001, of which $25 million is for "Capacity Building for Community Development and Affordable Housing," for LISC and the Enterprise Foundation for activities authorized by section 4 (of which $5 million is for rural areas, including tribal areas), and the remaining $3.45 million is for capacity building activities administered by Habitat for Humanity International.

2. **John Heinz Neighborhood Development Program**

This program authorized HUD to provide grants to neighborhood development organizations on a competitive basis for neighborhood development activities that benefit low- and moderate-income persons. The eligible activities for the program included the following:

(1) creation of permanent jobs in the neighborhood;

(2) establishment or expansion of jobs within the neighborhood;

(3) development, rehabilitation, or management of neighborhood housing stock; and

(4) planning, promoting, or financing voluntary neighborhood improvement efforts.


Program Status: The last appropriation was $5 million in FY 1995.

3. **Local Partnership Act**

a. **Purpose**

The Local Partnership program authorizes HUD to provide funds to units of general local government to be used for education, substance abuse treatment, or jobs programs in an effort to prevent crime. The funded programs are to be coordinated with other Federal programs to meet overall community needs.
b. Eligible Activities

The funds may be used for activities consistent with the purposes of the Act or activities substantially similar to 19 existing Federal programs, including the following:

-- Drug Abuse Resistance Education Program (Elementary and Secondary Education Act of 1965);
-- National Youth Sports Program (Community Services Block Grant Act);
-- Head Start;
-- Family violence programs (Child Abuse Prevention and Treatment Act Amendments of 1984); and
-- Job training programs administered by USDA, DOD, and HUD.

c. Funding Allocations

Local Partnership funds are allocated to units of general local government by formula. The formula has many components, including (a) State allocations based on certain calculations, (b) a 1% set-aside for the territorial governments (Puerto Rico, Guam, American Samoa, and the Virgin Islands), and (c) a 2.5% authorization for HUD administrative costs. Federal funds cannot be used to supplant State or local funds, and must be used to increase the amount of funds that would otherwise be available.

The authorizing legislation authorized $270 million for FY 1996, $283.5 million for FY 1997, and $355.5 million for each of fiscal years 1998, 1999, and 2000. No funds have been appropriated.

Legal Authority: 31 U.S.C. 6701 et seq. (as added by section 31001 of the Violent Crime Control and Law Enforcement Act of 1994 (P.L. 103-322)).

Program Status: The program has never been funded.

4. Loan Guarantee Recovery Fund for Church Arson and Other Acts of Terrorism

a. Purpose

Section 4 of the Church Arson Prevention Act of 1996 establishes the Loan Guarantee Recovery Fund under which HUD guarantees loans made by financial institutions to assist certain nonprofit organizations (those described in section 501(c)(3) of the Internal Revenue Code of 1986) that have been damaged as a result of arson or terrorism.
b. Eligible Activities

Guaranteed loan funds may be used for activities necessary to address damage caused by acts of arson or terrorism, including:

(a) acquisition of real property;
(b) acquisition and installation of personal property;
(c) rehabilitation;
(d) construction, reconstruction, or replacement of real property improvement;
(e) clearance, demolition and removal of buildings, fixtures and improvements on real property;
(f) site preparation;
(g) architectural, engineering and similar services;
(h) acquisition, installation and restoration of security systems;
(i) refinancing existing indebtedness; and
(j) other necessary project costs.

c. Funding Allocations

For the cost of loan guarantees under section 4, the Secretary was authorized to use up to $5,000,000 of the amounts made available for fiscal year 1996 for the credit subsidy provided under the General Insurance Fund and the Special Risk Insurance Fund. Funds are available to subsidize total loan principal, any part of which is to be guaranteed, not to exceed $10,000,000.


Program Status: No credit subsidy has been made available for this program since FY 1996.

5. Neighborhood Initiatives Program

Recent appropriation Acts have provided funding for neighborhood initiatives that are utilized to improve the conditions of distressed and blighted areas and neighborhoods, to stimulate investment, economic diversification, and community revitalization in areas with population outmigration or a stagnating or declining economic base, or to determine whether housing benefits can be integrated more effectively with welfare reform initiatives.
Legal Authority: The appropriation Acts for fiscal years 1998, 1999, 2000, and 2001 (see fourth undesignated paragraph under the heading “Community Development Fund” or “Community Development Block Grant”).

Program Status: $44 million appropriated in CDF account in FY 2001. HUD’s FY 2001 appropriations Act also provides that (1) any unobligated balances from FYs 1998, 1999, and 2000 may be used for FY 2001 purposes (described above), and (2) grants must be made in accordance with the terms and conditions specified in the conference report for the Act.

6. Rural Housing and Economic Development Program

Recent appropriation Acts have provided funding for this program that is used to encourage new and innovative approaches to serving the housing and economic development needs of the nation's rural communities. Eligible grantees include Indian tribes, State housing financing agencies, State community and/or economic development agencies, local rural nonprofits, and community development corporations.


Program Status: $25 million provided in FY 2001, which amount must be awarded by June 1, 2001 and on a competitive basis as specified in section 102 of HUD Reform Act.

7. Self-Help Homeownership Opportunity Program (SHOP)

SHOP authorizes HUD to make competitive grants to national and regional organizations and consortia that have experience in providing or facilitating self-help housing opportunities. Grants are to be used for eligible expenses in connection with developing nonluxury housing for families and persons who otherwise would be unable to purchase a house. Eligible expenses for grants include land acquisition (including financing and closing costs) and infrastructure improvement (installing, extending, constructing, rehabilitating, or otherwise improving utilities and other infrastructure). Under the program, homebuyers and volunteers contribute a significant amount of sweat equity toward home construction.

Program Status: $20 million provided as a set-aside from the CDF account for FY 2001.

8. Renewal Communities

The HUD Secretary is authorized to designate up to 40 "renewal communities" from areas nominated by States and local governments; at least 12 must be in rural areas. The eligibility criteria for such designations include the following: (1) each census tract within the nominated area must have a poverty rate of at least 20 percent; (2) in urban areas, at least 70 percent of the households must have incomes below 80 percent of the median income for households within the local government jurisdiction; (3) the unemployment rate must be at least 1.5 times the national rate; and (4) the area must be one of pervasive poverty, unemployment and general distress. In general, the areas with the highest average ranking of factors (1), (2) and (3) would be designated renewal communities. For the first 20 designations, preference would be given to nominated areas that are enterprise communities and empowerment zones under present law and that otherwise meet the above criteria.

State and local governments in which a renewal community is located must promise to take at least four of the following actions: (1) reduce taxes or fees; (2) make local services more efficient; (3) implement crime reduction strategies; (4) remove or streamline governmental requirements; (5) involve private entities, organizations, neighborhood organizations, and community groups in the program, and elicit commitments from such private entities to provide jobs and job training, and technical, financial, or other assistance to, employers, employees, and residents from the renewal community; and (6) give (or sell at a price below fair market value) surplus realty to neighborhood organizations, community development corporations, or private companies. In return, the following tax incentives would be available for the renewal communities: (1) a zero-percent capital gains rate, (2) renewal community employment tax credits, (3) commercial revitalization, (4) additional section 179 expensing, and (5) extension of work opportunity tax credits.

Legal Authority: Section 101 of the Community Renewal Tax Relief Act of 2000, as included in the Consolidated Appropriations Act, 2001 (P.L. 106-554, approved 12/21/00).

PART II. PUBLIC HOUSING (Administered by the Office of Public and Indian Housing)

Under the Public Housing program, HUD gives grants to public housing agencies (PHAs) to finance the capital cost of the construction, rehabilitation, or acquisition of public housing developed by PHAs. Families and individuals must meet certain criteria to be eligible for residency. As a general rule, eligible families and individuals must qualify as "low-income families," those with incomes no higher than 80% of the area median income. In addition, at least 40 percent of households admitted to public housing units at a PHA in any year generally must have incomes less than 30 percent of area median income. To cover the shortfall between tenant rents (which are generally capped at 30% of household income) and operating expenses, HUD pays an operating subsidy to most PHAs. To cover development and modernization of public housing, HUD provides capital funds to PHAs.

A. OPERATING FUND

HUD provides operating subsidies to PHAs to help them meet operating and maintenance expenses. As a result of the QHWRA, the old performance funding system was replaced with a new Operating Fund formula. In addition to operating and maintenance costs, a PHA can use operating funds for anticrime and antidrug activities, resident participation in management, insurance costs, energy costs, the repayment of debt encumbered for the rehabilitation and development of public housing units, and costs related to the operation and management of mixed finance projects, among other things.

NB: Nontroubled PHAs that own or operate fewer than 250 public housing units have full fungibility between the capital and operating funds.

Legal Authority: Section 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(e)); 24 CFR Part 990.

Program Status: $3.242 billion appropriated for FY 2001. Provides that no funds may be used for purposes specified in section 9(k) of the 1937 Act. Provides up to $75,000,000 for grants for emergency capital needs resulting from emergencies and natural disasters in FY 2001.

B. CAPITAL FUND

The Capital Fund is available by formula distribution for capital and management activities, including development (with some limitations), financing, and modernization of public housing
projects, vacancy reduction, management improvements, demolition and replacement, resident relocation, capital expenditures to increase self-sufficiency, capital expenditures to improve safety and security, and homeownership activities, among other things.

NB: Twenty percent of a PHA's capital funds may be used for operating expenses. In addition, nontroubled PHAs that own or operate fewer than 250 units have full fungibility between the capital and operating funds.

Legal Authority: Section 9(d) of the United States Housing Act of 1937 (42 U.S.C. 1437g(d); 24 CFR Part 905.

Program Status: $3 billion appropriated for FY 2001, of which up to $50,000,000 shall be for technical assistance and for lease adjustments to section 23 projects, and $43,000,000 shall be transferred to the Working Capital Fund (WCF) for development and maintenance of information technology (IT) systems. Provides up to $75,000,000 for grants for emergency and capital needs resulting from emergencies and natural disasters in FY 2001.

C. HOPE VI: REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING

In 1989 the Congress established the National Commission on Severely Distressed Public Housing and charged this Commission with proposing a National Action Plan to eradicate severely distressed public housing by the year 2000. The Urban Revitalization Demonstration (URD) program, or HOPE VI, is a program which was born out of the Commission's work. Since 1993, this program has been an important part of the transformation of public housing by encouraging PHAs to seek new partnerships with private entities to create mixed-finance and mixed-income affordable housing that is developed and operated very differently from traditional public housing. The activities permitted under HOPE VI include, but are not limited to: the capital costs of demolition, major reconstruction, rehabilitation and other physical improvements; the provision of replacement housing; management improvements; planning and technical assistance; and implementation of community service programs and supportive services, or the planning for such activities. The HOPE VI program was modified and extended by the FYs 1994, 1995, 1996, 1997, 1998 and 1999 appropriations Acts. It is authorized through FY 2002 by section 535 of the QHWRA, which sets forth a new section 24 of the 1937 Act. The program allows HUD to provide competitive grants to PHAs to carry out HOPE VI eligible activities. PHAs must contribute 5 percent of the grant amount.

Legal Authority: HUD's FY 1993 through 1999 Appropriations Acts; section 24 of the 1937 Act, as amended by section 535 of
Program Status: $575 million appropriated in FY 2001, of which up to $10 million may be used for technical assistance.

D. PUBLIC AND ASSISTED HOUSING DRUG ELIMINATION PROGRAM

The Anti-Drug Abuse Act of 1988, as amended, authorizes the Public and Assisted Housing Drug Elimination program. Under the program, HUD is authorized to make grants to PHAs, recipients under NAHASDA, Resident Management Corporations (RMCs) (Appropriations Acts have effectively excluded RMCs), and owners of assisted housing for activities such as (1) employment of security personnel; (2) reimbursement of police for additional security and protective services; (3) physical improvements to enhance security; (4) training and equipping voluntary tenant patrols acting in cooperation with police; (5) innovative anti-drug programs; (6) funding nonprofit resident management corporations and tenant councils for the development of security and drug abuse prevention programs; and sports programs serving youths and operated in connection with an organized anti-drug plan or program. HUD is also authorized to establish an information clearinghouse.


Program Status: $310 million appropriated for FY 2001. Earmarks $3 million solely for technical assistance, technical assistance grants, training, and program assessment for or on behalf of PHAs, resident organizations, Indian tribes and their TDHEs for oversight, training, and improved management of this program; $10 million each for Operation Safe Home and for funding to combat violent crime in connection with that program; and $20 million for the New Approach Anti-Drug Program. The Drug Elimination Act of 1990 provides that up to 6.25% may be for grants for assisted housing.

E. OTHER

1. Resident Opportunity and Self Sufficiency (ROSS) Program

Under the ROSS program, the Secretary may make grants to PHAs, recipients under NAHASDA, RMCs, resident councils or resident organizations for the purposes of providing supportive services and resident empowerment activities to public and Indian housing residents. Such program may include activities relating to:

the QHWRA (42 U.S.C. 1437v).
(1) physical improvements to provide space for supportive services;

(2) the provision of service coordinators or a congregate services housing program;

(3) work readiness, education, job training and counseling;

(4) economic and job development;

(5) resident management activities and resident participation activities; and

(6) other activities aimed at improving the self-sufficiency of residents.

Grant applicants must provide a match of not less than 25% of the grant amount.

Legal Authority: Section 34 of the 1937 Act (42 U.S.C. 1437z-6); NAHASDA; section 221 of the FY 2001 appropriations Act.

Program Status: The FY 2001 appropriation provides up to $55 million appropriated in the Community Development Fund account for supportive services for public housing residents, as authorized by section 34 of the United States Housing Act of 1937, as amended, and for residents assisted under NAHASDA and for grants for service coordinators and congregate services for the elderly and disabled residents of public and assisted housing and housing assisted under NAHASDA.

2. Homeownership

The public housing homeownership program is currently being operated pursuant to the regulations promulgated under the old section 5(h) of the 1937 Act, pending publication of final regulations to implement the successor program, section 32 of the 1937 Act, which was added by QHWRA. The new statutory provision was patterned largely after these existing regulations. The program offers PHAs a flexible way to sell public housing units to low-income families, with preference given to current residents of the unit(s) being sold. The program helps low-income families purchase homes through an arrangement that benefits both the buyer and the public housing agency (PHA) that sells the unit. It gives the buyer access to an affordable homeownership opportunity and to the many tangible and intangible advantages it brings, while permitting PHAs to sell individual units and developments that may, due to their location or configuration, may be more suitable for homeownership than for
rental housing. PHAs can retain and reuse the proceeds of sale of public housing units to meet other low-income housing needs.

Legal Authority: Sections 5(h) and 32 of the 1937 Act. Regulations are currently found in 24 CFR Part 906 and 24 CFR Part 950, Subpart P.

Program Status: There is no separate HUD funding attached to this program. However, public housing capital funds under section 9(d) of the 1937 Act may be used for these purposes.

3. Public Housing/Section 8 Moving to Work Demonstration

Under the Moving to Work demonstration, PHAs and HUD are permitted to design and test various approaches for providing and administering housing assistance that save money, give incentives to families with children to become economically self-sufficient, and increase housing choices for low-income families. HUD conducts the demonstration under which up to 30 PHAs could participate. Up to 15 PHAs may receive training and technical assistance to identify replicable program models (and up to 10 could receive such assistance to help them in implementing the program).

Under the demonstration, PHAs may combine operating funds, capital funds, and section 8 assistance to provide housing for low-income families and services to facilitate the transition to work. They may also seek relief from the statutory and regulatory requirements of the public housing and section 8 programs, except that the section 18 (public housing demolition/disposition) and section 12 (labor standards) requirements would continue to apply in all cases.

Seven of the 30 PHAs under the demonstration will participate as sites under the Jobs-Plus Community Revitalization Initiative for Public Housing Families. The objective of the Jobs-Plus demonstration is to substantially increase the employment rates of urban public housing residents in one public housing development, and determine what supportive services and other assistance at what cost were important in reaching the goal.

Legal Authority: Section 204 of the FY 1996 appropriations Act (P.L. 104-134).

Program Status: The FY 1999 appropriations Act made up to $5 million available under the CDBG fund heading for the Moving to Work demonstration. No additional funding has since been appropriated.
PART III. NATIVE AMERICAN AND NATIVE HAWAIIAN HOUSING ASSISTANCE
(Administered by the Office of Native American Programs
in the Office of Public and Indian Housing)

A. INDIAN HOUSING BLOCK GRANT (IHBG) PROGRAM

The IHBG program authorizes housing assistance under a
single block grant to eligible Indian tribes or their tribally
designated housing entities (TDHEs). Eligible tribes include
both federally-recognized and, to a limited degree, certain
State-recognized Indian tribes formerly eligible under the 1937
Act. The allocation is made under a needs-based formula. The
tribe must submit for HUD review and approval both a one-year and
a five-year Indian housing plan containing the goals, mission,
and methodology by which the recipient will accomplish its
objectives during the grant period. The program began in
FY 1998.

The major programs that have been folded into the new block
grant program include: 1937 Act assistance, Youthbuild, HOME, and
homeless assistance under the McKinney-Vento Homeless
Assistance Act.

The six categories of eligible activities for providing
affordable housing (or related housing services) are:

-- Indian housing assistance (modernization or operating
  assistance for housing previously developed or operated
  pursuant to a contract between HUD and an Indian
  housing authority);

-- Development of additional affordable housing;

-- Housing-related services for affordable housing;

-- Management services for affordable housing;

-- Safety, security, and law enforcement measures and
  activities appropriate to protect residents of
  affordable housing from crime; and

-- Housing activities under model programs designed to
  carry out the purposes of the Act, if specifically
  approved by HUD as appropriate.

Legal Authority: Titles I-V of the Native American Housing
Assistance and Self-Determination Act of 1996 ("NAHASDA")
seq.); 24 CFR Part 1000.
Program Status: $650 million appropriated in FY 2001, of which $6 million provided for inspection of housing units, contract expertise, training, and technical assistance, $6 million provided for the title VI guarantee program (discussed below), and $2 million provided for the Working Capital Fund for information technology systems.

Miscellaneous amendments to the program have been enacted by Congress since the program began in FY 1998.

B. FEDERAL GUARANTEES FOR FINANCING FOR TRIBAL HOUSING ACTIVITIES (TITLE VI)

This program authorizes HUD to guarantee obligations issued by Indian tribes or TDHEs with tribal approval, to finance eligible affordable housing activities under the IHBG program. Use of these guarantees is permitted only if other financing is not available. No guarantee could be approved if the total outstanding obligations guaranteed under the program would exceed five times the amount of the grant for the issuer.

The program requires issuers to pledge grants under the new program to the repayment of the guaranteed obligations. The full faith and credit of the United States is pledged to the payment of all guarantees.

HUD may not guarantee obligations exceeding $400 million for each of fiscal years 1997-2001, with a cumulative cap of $2 billion for the five-year period. Once 50% of the authority has been committed in any year, HUD may limit the amount of guarantees any one tribe may receive in any fiscal year to $50 million or request an increase in the statutory dollar limitations.

Legal Authority: Title VI of NAHASDA (25 U.S.C. 4191 et seq.); 24 CFR Part 1000.

Program Status: $6 million provided in the Native American Housing Block Grants account in FY 2001 for the cost of guaranteed notes and other obligations under the guarantee program. Also, provides that the total principal of any notes or obligations may not exceed $54,600,000, and that up to $150,000 of the $6 million shall be transferred to and merged with the Salaries and Expenses account and be used for administrative expenses of the program.

C. SECTION 184 LOAN GUARANTEES FOR INDIAN HOUSING

Section 184 of the HCD Act of 1992 Act established a loan guarantee program for Indian families, Indian housing
authorities, and Indian tribes. The purpose of the program is to provide access to private financing to Indian families, IHAs, and Indian tribes who could not otherwise acquire housing financing because of the unique legal status of Indian lands. The loans guaranteed under the program are to be used to construct, acquire, refinance, or rehabilitate single family housing located on trust land or land located in an Indian or Alaska Native area. The program authorizes Indian tribes to assume responsibility for Federal environmental reviews. This guarantee authority is freestanding and has its own guarantee fund. The program has a permanent funding authorization but HUD may enter into commitments to guarantee loans for any fiscal year only to the extent amounts have been provided in appropriations Acts.

**Legal Authority:** Section 184 of the HCD Act of 1992 (12 U.S.C. 1715z-13a); 24 CFR Part 1005.

**Program Status:** $6 million appropriated in FY 2001 for the cost of guaranteed loans (including up to $200,000 for administrative costs) and provides that the total loan principal limit is $71.956 million.

**D. NATIVE HAWAIIAN HOUSING GRANT (NHHG) PROGRAM**

This new program is patterned after the IHBG program but contains changes to address the housing needs and circumstances of Native Hawaiians. The NHHG program authorizes HUD to make grants to the Department of Hawaiian Home Lands (DHHL) to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. The DHHL must submit for HUD review and approval a one-year and a five-year housing plan containing the goals, mission, and methodology by which DHHL will accomplish its objectives during the grant period.

The five categories of eligible activities for providing affordable housing (or related housing services) are:

--- Development of additional affordable housing;

--- Housing-related services for affordable housing;

--- Management services for affordable housing;

--- Safety, security, and law enforcement measures and activities appropriate to protect residents of affordable housing from crime; and

--- Housing activities under model programs designed to carry out the purposes of the Act, if specifically
approved by HUD as appropriate.

**Legal Authority:** Title VIII of NAHASDA, as added by section 513 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved 12/27/00) and section 203 of the Omnibus Indian Advancement Act (P.L. 106-568, approved 12/27/00).

**Program Status:** No funds have been appropriated for this program, but such sums as may be necessary have been authorized for each of fiscal years 2000-2005 (Note: Section 513 authorized such sums for FYs 2001-2005 and section 203 authorized such sums for FYs 2000-2004).

**E. SECTION 184A LOAN GUARANTEES FOR NATIVE HAWAIIAN HOUSING**

This new program is patterned after the section 184 Indian loan guarantee program but contains changes to address the housing needs and circumstances of Native Hawaiians. The purpose of the loan guarantee program is to provide access to sources of private financing to Native Hawaiian families who could not otherwise acquire housing financing because of the unique legal status of the Hawaiian Home Lands or as a result of a lack of access to private financial markets. An eligible borrower includes only a Native Hawaiian family, the DHHL, the Office of Hawaiian Affairs, or a private nonprofit organization experienced in Native Hawaiian affordable housing. Loans are to be used to construct, acquire, or rehabilitate single family housing located on the Hawaiian Home Lands for which a housing plan applies.

This guarantee authority is freestanding and has its own guarantee fund. HUD may enter commitments to guarantee loans for any fiscal year only to the extent amounts have been provided in appropriation Acts.

**Legal Authority:** Section 184A of the HCD Act of 1992, as added by section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved 12/27/00) and section 204 of the Omnibus Indian Advancement Act (P.L. 106-568, approved 12/27/00).

**Program Status:** No funds have been appropriated for this program, but such sums as may be necessary have been authorized for each of fiscal years 2000-2005 (Note: Section 514 authorized such sums for FYs 2001-2005 and section 204 authorized such sums for FYs 2000-2004).
PART IV. SECTION 8 HOUSING ASSISTANCE PAYMENTS PROGRAM

(Most project-based assistance is administered by the Office of Housing. The Office of Public and Indian Housing administers the tenant-based Voucher, and non-McKinney-Vento Homeless Assistance Act Moderate Rehabilitation Program. The Office of Community Planning and Development (with some assistance from PIH) administers the McKinney-Vento Homeless Assistance Act Moderate Rehabilitation Program.)

The Section 8 Housing Assistance Payments (HAP) program is a rent subsidy program that assists eligible low-income families to obtain decent, safe, and sanitary housing. It consists of various programs, designed to reflect the different types of housing (new construction, substantial rehabilitation, moderate rehabilitation, existing) and delivery mechanisms available.

Under section 8 of the U.S. Housing Act of 1937, HUD has established the following two categories of programs:

A. TENANT-BASED ASSISTANCE

1. Housing Choice Voucher Program

Section 545 of the QHWRA merged the Section 8 certificate and voucher programs into one tenant-based program called the housing choice voucher program. The new program retains features of the certificate and old voucher programs, plus adds new requirements. The following is a short list of key features:

Targeting and Eligibility. Seventy-five percent of newly-available vouchers at a PHA must go to families with incomes below 30% of the area median income. In general, eligibility for the new voucher program is limited to:
* very low-income families;
* low-income families previously assisted under the public housing, Section 23, or Section 8 project-based housing programs;
* low-income families that are nonpurchasing tenants of certain homeownership programs;
* low-income tenants displaced from certain Section 221 and 236 projects; or
* low-income families that meet PHA-specified eligibility criteria. (Section 8(o)(4))

Payment Standards. The subsidy amount is based on a payment standard set by the PHA between 90% and 110% of FMR. HUD may approve payment standards lower than 90% of FMR and payment standards higher than 110% of FMR, and may require PHA payment standard changes because of incidence of high rent burdens. (Sections 8(o)(1)(B),(D)&(E))
Tenant Rent. A family renting a unit below the payment standard pays the highest of 30% of monthly adjusted income, 10% of monthly income, the welfare rent, or the PHA's minimum rent. There is no voucher shopping incentive. A family renting a unit above the payment standard pays the highest of 30% of monthly adjusted income, 10% of monthly income, the welfare rent, or the PHA's minimum rent, plus the amount of rent above the payment standard. (Sections 8(o)(2)(A)&(B))

Maximum Initial Rent Burden. A family must not pay more than 40% of adjusted monthly income for rent when the family first receives the subsidy in a particular unit. (This maximum rent burden requirement is not applicable at reexamination if the family stays in place.) (Section 8(o)(3))

The new voucher program also includes provisions which increase tenant and owner responsibility. In addition to the traditional tenant screening by owners, PHAs are now permitted to screen applicants for assistance. In addition, PHAs can disapprove owners who refuse to evict tenants for drug-related or violent criminal activity, or for activity that threatens the health, safety or right of peaceful enjoyment of the premises of tenants, PHA employees or owner employees, or the residences by neighbors. (Section 8(o)(6)(C)) Finally, "Violent criminal activity on or near the premises" is added to the statutory termination of tenancy provisions. (Section 8(o)(7)(D))

Enhanced Voucher Assistance. Enhanced vouchers have several special requirements but in all other respects are subject to normal voucher program rules. Differences include (but are not limited to) a special statutory minimum rent requirement and a special payment standard, applicable to a family receiving enhanced voucher assistance which elects to stay in the same unit, which can sometimes result in a PHA approving a unit that would otherwise be ineligible or unaffordable to a family with regular tenant-based assistance. In addition, there may also be minor differences in the administration of these vouchers, depending on the program under which the enhanced voucher recipient was formerly assisted.

Low-income residents of units in multifamily projects (5+ units) covered in whole or in part by a contract of project-based assistance are, in certain situations, eligible for enhanced voucher assistance. These situations include owner opt-outs from specified programs. (Section 8(t))

Legal Authority: Section 8 of the U.S. Housing Act of 1937 (42 U.S.C. 1437f), including:

Section 8(d)(2) for project-based certificates;
Section 8(o) for vouchers (tenant-based and project-based); and

Section 8(t) for enhanced vouchers.

Regulations: (All references are to 24 CFR)

Part 982: Tenant-based Housing Choice Voucher Program;

Part 983: Project-Based Voucher Program;

Part 984: Section 8 Family Self-Sufficiency Program;

and

Part 985: Section Eight Management Assessment Program (SEMAP).

2. Homeownership Assistance

Pursuant to section 8(y), a PHA may provide monthly assistance to families that meet certain criteria and that are purchasing homes in an amount that would otherwise have been provided to that family as tenant-based voucher assistance. Section 301 of the American Homeownership and Economic Opportunity Act of 2000 amended 8(y) so that these amounts may be provided in a lump-sum grant, as opposed to being paid out in monthly increments. In addition, section 302 of such Act adds a pilot program to demonstrate the use of section 8 voucher assistance for the purchase of a home that will be owned and occupied by 1 or more members of a disabled family and that meets certain requirements.

Legal Authority: Section 8(y) of the United States Housing Act of 1937; section 302 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved 12/27/00); 24 CFR Part 982, Subpart M.

3. Welfare to Work

The FY 1999 appropriations Act provided $283 million for tenant-based assistance under the 1937 Act to help eligible families make the transition from welfare to work. The assistance is administered by public housing agencies (including Indian tribes and their tribally designated housing entities) that were selected by HUD (after consultation with HHS and DOL) on a competitive basis. To be eligible for assistance, families must also be eligible to receive (or have received within the last two years) assistance or services funded under the Temporary
Assistance for Needy Families (TANF) program. HUD is using one percent of the funds to evaluate the program as authorized by the appropriations Act. In addition, HUD has awarded $32 million of the funds for local self-sufficiency/welfare-to-work initiatives in 8 specified jurisdictions ($4 million each) as required by the appropriations Act.

**Legal Authority:** The second undesignated paragraph in the Housing Certificate Fund account in the FY 1999 appropriations Act.

### B. PROJECT-BASED ASSISTANCE

#### 1. Moderate Rehabilitation

The purpose of the Moderate Rehabilitation program is to upgrade substandard rental housing and to provide rental subsidies for low-income families that occupy the rehabilitated units. No additional units are being funded under this program, except under the McKinney-Vento Homeless Assistance Act, which authorizes funding for rental assistance in connection with moderate rehabilitation of single room occupancy (SRO) housing for the homeless. SRO housing is housing in which individual units lack either a kitchen, or a bathroom, or both.

#### 2. New Construction and Substantial Rehabilitation

Authority for the various section 8 new construction and substantial rehabilitation programs was repealed by the Housing and Urban-Rural Recovery Act of 1983, except in connection with the old section 202 direct loan program and projects in the pipeline. HUD approved applications for projects and agreed to provide section 8 assistance upon completion of the construction or substantial rehabilitation. Assistance is provided to PHAs or private owners for new construction (24 CFR Part 880) or for substantial rehabilitation (24 CFR Part 881). In addition, new construction and substantial rehabilitation assistance may be provided through State Housing Finance and Development Agencies under 24 CFR Part 883, in connection with financing by the Rural Housing Service (formerly known as the Farmers Home Administration) under 24 CFR Part 884, and in connection with HUD direct loans under the section 202 program to finance housing for the elderly and disabled.

#### 3. Loan Management Set-Aside (LMSA) Program

The goal of the LMSA program is to provide assistance to existing HUD-insured or HUD-held projects with immediate or potentially serious financial difficulties. HUD enters into HAP contracts directly with the owners of these projects. By
attaching section 8 assistance to these projects, defaults under the FHA insurance program can be minimized and, therefore, outlays can be reduced. The LMSA program is no longer active except for renewing existing units where contracts expire, and no new funding for this program has been requested.

4. Property Disposition Program

The purpose of the PD program is to provide section 8 assistance in connection with the sale of HUD-owned multifamily rental housing projects and the foreclosure of HUD-held mortgages on rental housing projects, in order to maintain the amount of decent, safe, and sanitary housing affordable to low-income families and minimize displacement. The assistance goes to existing projects already in decent, safe, and sanitary condition, as well as to those needing substantial rehabilitation. Activities may vary in degree, from gutting and external reconstruction to addressing deferred maintenance needs.

Two changes to the law have made the multifamily property disposition process more efficient. The Multifamily Property Disposition Reform Act of 1994 provided more flexibility to HUD to sell properties with and without subsidies, saving the Department money. In addition, section 204 of the FY 1997 appropriations Act gave HUD broad authority to sell multifamily mortgages on terms that the Department establishes, without regard to other provisions of law, thereby giving the Department the tools to make the disposition process more efficient.

However, section 233 of the FY 2001 appropriations Act established new requirements for maintaining project-based section 8 assistance on projects which are HUD-owned or HUD-held and which are occupied primarily by elderly or disabled renters. If it is not feasible to maintain the assistance, alternative assistance options are authorized. Also, section 141 of the Community Renewal Tax Relief Act of 2000 added requirements for the transfer of certain HUD-owned multifamily properties to local governments and community development corporations.

Legal Authority: Section 8 of the United States Housing Act of 1937 (42 U.S.C. 1437f), including:

Section 8(b)(1) for existing housing, including LMSA and certain PD;

Section 8(b)(2), as it existed before repeal in 1983, for new construction and substantial rehabilitation; and

Section 8(e)(2) for moderate rehabilitation (section 289(b) of the 1990 Act repealed this section,
effective 10/1/91, except with respect to SRO dwellings under title IV of the McKinney-Vento Homeless Assistance Act); and

Regulations: (All references are to 24 CFR)


Part 882, Subparts D and E: Moderate Rehabilitation Program;

Part 891, Section 202/8 Program; and

Part 886, Subpart A (LMSA) and Subpart C (PD).

Program Status: $13.43 billion appropriated in FY 2001 for use in connection with expiring or terminating section 8 contracts, for amendments to section 8 subsidy contracts, for enhanced vouchers, and for contracts entered into pursuant to section 441 of the McKinney-Vento Homeless Assistance Act. (The total appropriation under the Housing Certificate Fund heading for FY 2001 is $13,940,907,000 and amounts recaptured.) Provides that $11 million be transferred to the Working Capital Fund for IT systems; that $40 million be made available to specified non-elderly disabled families; and that $402.907 million be made available for incremental vouchers on a fair share basis.

$283 million appropriated in FY 1999 for Welfare to Work vouchers. No additional funding in subsequent fiscal years.

PART V. SELF-SUFFICIENCY PROGRAMS

Although HUD has long operated a Family Self-Sufficiency program, with the advent of welfare reform, an increased emphasis has been placed on moving individuals and families from a state of reliance on government benefits, including housing assistance, to a state of self-sufficiency. In addition to FSS, HUD now administers several training, education, and assistance programs designed to help individuals and families make the transition from government dependency to employed, self-sustaining members of society. (See programs discussed below and also the Public Housing/Section 8 Moving to Work Demonstration and Welfare to Work.)

A. FAMILY SELF-SUFFICIENCY PROGRAM (Administered by the Office of Public and Indian Housing)
The purpose of the Family Self-Sufficiency (FSS) program is to promote the development of local strategies to coordinate the use of public housing and section 8 assistance with public and private resources, to enable eligible families to achieve economic independence and self-sufficiency. PHAs that have received funding for additional units of public housing or section 8 since October 1, 1992 are required to establish an FSS program, but families are not required to participate. Participating families enter into contracts with PHAs setting forth the resources and services to be made available. Among the supportive services that may be provided are child care, transportation, remedial education, and job training. The statute limits the increase in rent payable by very low-income families due to increases in earned income. The excess is used to fund an escrow savings account which is available to the family after it no longer receives Federal or State welfare assistance, upon successful performance of its obligations under the contract of participation, and under other appropriate circumstances.

**Legal Authority:** Section 23 of the 1937 Act, 42 U.S.C. 1437u; 24 CFR Part 984.

**Program Status:** The guidelines apply to Public Housing and Section 8 assistance. The FSS program has not been funded since FY 1995.

B. **BRIDGES TO WORK (Administered jointly by Public/Private Ventures and HUD's Office of Policy Development and Research; funded in part by HUD)**

Bridges to Work (BtW) is a research demonstration program that works in partnership with local public and private entities to link low-income, inner-city residents with suburban jobs by providing job placement, transportation, and supportive services such as child care and counseling. The Bridges to Work program was developed by Public/Private Ventures, a non-profit research and program development organization. Five cities were chosen as BtW demonstration sites: Baltimore, Chicago, Denver, Milwaukee, and St. Louis.

**Legal Authority:** Supportive services program authorized under the CDBG heading in the FY 1996 appropriations Act (P.L. 104-134).

**Program Status:** $17 million, derived from both private and public sources, was committed for the initial four-year pilot demonstration. Of that total, $8 million came from HUD (more specifically, from the $53 million set-aside for supportive
services under the CDBG heading in the FY 1996 appropriations Act). No additional funding has since been appropriated.

C. MOVING TO OPPORTUNITY FOR FAIR HOUSING (Administered by the Offices of Policy Development and Research, Fair Housing and Equal Opportunity, and Public and Indian Housing)

The Moving to Opportunity for Fair Housing demonstration has provided Section 8 tenant-based assistance and counseling to help very low-income families with children residing either in public housing or in housing receiving project-based section 8 assistance to move from areas with high concentrations of persons living in poverty to areas with low concentrations of such persons. HUD entered into ACCs with five PHAs to administer HAP contracts under this demonstration. HUD is to describe the long term housing, employment, and educational achievements of the families assisted. HUD will also compare the costs of implementing a program such as this with the costs of administering routine section 8 assistance.

Legal Authority: Section 152 of the Housing and Community Development Act of 1992 (42 U.S.C. 1437f note)

Program Status: The demonstration is operating within the five selected jurisdictions. The only appropriation for the demonstration was in FY 1992.

PART VI. HOUSING FOR SPECIAL POPULATIONS (Administered by the Office of Housing, except as noted)

A. SUPPORTIVE HOUSING FOR THE ELDERLY (SECTION 202)

This program authorizes Federal financial assistance (capital advances) to private nonprofit organizations, for-profit limited partnerships in which the general partner is a non-profit organization, and consumer cooperatives for the purpose of providing supportive housing for the elderly, to finance site acquisition and improvement, construction, reconstruction, or rehabilitation of structures. The financial assistance is (1) a capital advance that is non-repayable and interest-free so long as the project is available for very low-income elderly persons for 40 years; and (2) a 20-year renewable project rental assistance contract to subsidize shortfalls in project income from dwelling unit rents (and other sources). Projects are expected to have supportive services for the tenants, largely funded from non-HUD private or public sources.

Before January 1, 1992, the financial assistance under this program was 40-year direct loans at a rate not to exceed 9.25%,
and HUD provided dwelling unit rental subsidies, to the nonprofit sponsors, through the Section 8 program.

**Legal Authority:** Section 202 of the Housing Act of 1959 (12 U.S.C. 1701q); 24 CFR Part 891.

**Program Status:** $779 million appropriated in FY 2001, of which $50 million provided for service coordinators and continuation of congregate services program, and of which $50 million provided for conversion of eligible projects to assisted living or related use.

**B. SUPPORTIVE HOUSING FOR PERSONS WITH DISABILITIES (SECTION 811)**

This program authorizes Federal financial assistance to nonprofit organizations, and for-profit limited partnerships in which the general partner is a non-profit organization, to expand the supply of housing for persons with disabilities. The program provides capital advances and dwelling unit subsidies on essentially the same terms as the Supportive Housing for the Elderly (Section 202) program (although the statutory authorities for the two programs reflect minor differences of program emphasis). HUD may designate up to 25% of the appropriation to provide tenant-based assistance.

Like the Elderly program, this program has evolved from the section 202 direct loan program that used section 8 assistance. In 1988, pursuant to the HCD Act of 1987, it became a loan program using its own dwelling unit subsidy under section 202(h), and in 1990 it assumed its current form -- capital advances with rental assistance-- under section 811.

**Legal Authority:** Section 811 of NAHA, 42 U.S.C. 8013, successor to section 202(h) of the Housing Act of 1959; 24 CFR Part 891.

**Program Status:** $217 million appropriated in FY 2001. Provides that $500,000 from each of 202 and 811 programs be transferred to WCF for IT systems, that up to 25% of amounts for 811 be earmarked for tenant-based assistance, and that the Secretary may waive any provisions of 202 and 811 that are unnecessary or unworkable and may make alternative terms or conditions, including 5-year terms for the assistance.

**C. HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS (HOPWA) (Administered by the Office of Community Planning and Development)**

The HOPWA program was established by the AIDS Housing
Opportunity Act. The program gives States and localities resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with HIV/AIDS or related diseases and their families. Except for the receipt of housing information services, community outreach, and educational activities, beneficiaries of the program are required by regulation to also be low-income.

HUD awards funds appropriated for any fiscal year for the program through a formula allocation and a competitive grant process. Applicants for formula awards are the eligible States and the most populous city in each eligible MSA that qualifies (90% of appropriated amounts by formula). As in recent years, the FY 2001 appropriations Act adjusts the HOWPA formula to grandfather certain States that would not otherwise qualify. Applicants for a competitive grant may be a State, unit of general local government, or a nonprofit organization (10% of appropriated funds by competition). (A nonprofit organization can apply for a competitive grant only for a special project of national significance. A nonprofit organization, however, can also receive funding as a project sponsor under contract with a grantee.)

Grants may be used to provide all forms of housing assistance, including emergency housing, shared housing arrangements, apartments, community residences, and single room occupancy dwellings (SRO), which is a unit that lacks a kitchen or bathroom or both. Appropriate supportive services must be provided as part of any assisted housing, but grants may also be used to provide services independently of any housing activity. Numerous activities may be carried out with grant funds, including housing information and resource identification; acquisition, rehabilitation, conversion, lease, and repair of facilities; new construction (for SROs and community residences only); project- or tenant-based rental assistance, including assistance for shared housing arrangements; short-term rent, mortgage, and utility payments; operating costs; technical assistance; administrative expenses; and supportive services.

Each person receiving rental assistance under the program or residing in housing assisted under the program must pay rent, including utilities, based on income under the same formula as tenants of public housing or Section 8 assisted housing.

**Legal Authority:** The AIDS Housing Opportunity Act (42 U.S.C. 12901 et seq.), as included in subtitle D of title VIII of NAHA; 24 CFR Part 574.

**Program Status:** $258 million is appropriated in FY 2001. Section 203(c) of the FY 2001 appropriations Act makes the HOWPA
environmental review assumption authority permanent.

D. CONGREGATE HOUSING SERVICES

This Revised Congregate Housing Services program authorizes grants to States, Indian tribes, units of general local government, and nonprofits (including PHAs and IHAs) to provide meals and other supportive services needed by frail elderly and disabled residents of federally assisted housing to prevent their premature and unnecessary institutionalization. An independent professional assessment committee, in concert with a service coordinator appointed by the grantee, screens residents who apply for the program, determines individual eligibility for services, and recommends a service package to management.


Program Status: The FY 2001 appropriations Act contains no separate, specific amount of funding for congregate housing services. Rather, HUD is permitted to use up to $55 million of the funds provided under the Community Development Fund for grants for public housing residents and residents of housing assisted under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) for a supportive services program that may include congregate services for the elderly and disabled residents of public and assisted housing and housing assisted under NAHASDA.

PART VII. PRESERVATION (Administered by the Office of Housing)

Several of HUD's multifamily mortgage insurance programs provide subsidies to projects so that units will be affordable by low- and moderate-income families. These programs include the Section 221(d)(3) Below Market Interest Rate (BMIR) program, the Section 236 program, and, when combined with section 8 or rent supplement assistance, the Section 221(d)(3) Market Rate program. Regulations applicable to these programs generally provide that owners, except for nonprofit owners, may prepay their mortgages during the first 20 years of the mortgage with HUD's consent and, after that, without HUD's consent.

In 1983, Congress established criteria that must be met before HUD may consent to the prepayment of a section 221(d)(3) BMIR mortgage, section 236 mortgage, or section 221(d)(3) market rate mortgage with rent supplement assistance.
ELIHPA

Congress imposed further restrictions on prepayment in the HCD Act of 1987. Title II of the 1987 Act (referred to as the Emergency Low Income Housing Preservation Act of 1987, ELIHPA, or Title II), provides, in essence, that even if the mortgage is 20 or more years old and the owner has a contractual right to prepay the mortgage, the owner may prepay only in accordance with a "plan of action" approved by HUD. Under the Act, HUD can give approval only if the owner demonstrates that prepayment will not materially increase economic hardship for current tenants and that the prepayment will not have a substantial impact on the supply of lower income housing in the area. The law also provides that HUD may offer incentives to owners who agree to maintain their projects as lower income housing, either under the current mortgage or after prepayment.

Transition

ELIHPA was initially intended to be a temporary measure to preserve low-income housing resources while Congress developed a long-term solution to the problem. In 1990, Congress completely amended title II of the 1987 Act in title VI of NAHA (referred to as the Low-Income Housing Preservation and Resident Homeownership Act of 1990, LIHPRHA, or Title VI). ELIHPA continues to apply for owners who filed notices of intent to prepay their mortgages by January 1, 1991 and who elected to be subject to ELIHPA.

LIHPRHA

With LIHPRHA, Congress established a permanent, comprehensive preservation program. Its basic objectives are to assure that the prepayment inventory of assisted housing is preserved and remains affordable to low-income households and to provide opportunities for tenants to become homeowners, while at the same time fairly compensating owners for the value of their properties.


Program Status: LIHPRHA was last funded in the FY 1997 Appropriations Act. The FY 1996 appropriations Act reinstated the owners' right to prepay their mortgages, as it existed before enactment of ELIHPA. This reinstatement was extended by the fiscal years 1997 and 1998 appropriations Act. Section 219 of the FY 1999 appropriations Act provided permanent prepayment authority under specified conditions.
PART VIII. OTHER ASSISTED HOUSING PROGRAMS (Administered by the Office of Housing)

A. SECTION 8 COMMUNITY INVESTMENT DEMONSTRATION ("PENSION FUND") PROGRAM

Section 6 of the HUD Demonstration Act of 1993 establishes the Section 8 Community Investment Demonstration program, which is designed to attract pension fund investments to affordable housing. Section 8 project-based rent subsidies are authorized to be earmarked for use in projects financed by pension funds. At least 50% of any funds appropriated for this demonstration program in any year must be used in conjunction with the disposition of multifamily housing that is either HUD-owned or that is secured by a HUD-held mortgage. No new commitments are permitted after FY 1998.


Program Status: No new funding.

B. FLEXIBLE SUBSIDY (SECTION 201)

The Flexible Subsidy program provides operating assistance for troubled multifamily projects, as well as capital improvements.

The Operating Assistance component provides funds to assist in restoring the financial and physical soundness of privately owned, federally assisted multifamily housing. Operating Assistance focuses on correcting deferred maintenance, financial deficiencies, replacement reserves, and operating deficits.

The Capital Improvement Loan component provides funds for subsidized multifamily projects to implement major capital improvements. The program assists troubled projects that require these improvements to sustain their future viability.

Both elements are designed to maintain the use of the property for low- and moderate-income people, and are conditioned on the project owner's ability to provide management satisfactory to HUD.

Legal Authority: Section 201 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1715z-1a); 24 CFR 219.

Program Status: From the Rental Housing Assistance Fund,
all uncommitted balances of excess rental charges as of September 30, 2000, and any collections made during FY 2001, shall be transferred to the Flexible Subsidy Fund, as authorized by section 236(g) of the National Housing Act. Since 1996, these resources have not been used for new reservations but continue to offset Flexible Subsidy outlays and other discretionary expenditures.

PART IX. THE HOME PROGRAM: HOME INVESTMENT PARTNERSHIPS
(Administered by the Office of Community Planning and Development)

A. PURPOSE

The HOME Program provides funds to States and local governments based on a formula to implement local housing strategies designed to increase the supply of housing for low-income persons.

B. ELIGIBLE ACTIVITIES

The funds may be used for many housing activities, including:

-- tenant-based rental assistance (including security deposits);
-- assistance to homebuyers (including assistance with downpayments and closing costs);
-- property acquisition;
-- new construction;
-- rehabilitation;
-- site improvements;
-- demolition;
-- relocation; and
-- administrative costs.

All HOME-assisted housing and rental assistance is targeted to low-income families, with deeper targeting required for rental housing. Funds may not be used for matching funds for other Federal programs, public housing operating or capital funds, or activities under the low-income housing preservation Acts of 1987 or 1990 (ELIHPA and LIHPRHA), except for priority purchasers.

C. CONSOLIDATED PLAN/CHAS

Before receiving HOME funds, a jurisdiction must submit (and HUD must approve) its Consolidated Plan, including certain HOME program submissions. The contents required by law for the Comprehensive Housing Affordability Strategy (CHAS) have been
incorporated into the Consolidated Plan, in which local
governments and States explain how they will coordinate the HOME
program with the CDBG, ESG, and HOPWA programs. The Consolidated
Plan describes housing needs and the State's or local
government's strategic plan to address those needs, including
what activities will be funded. The final rule for the
Consolidated Plan was published on January 5, 1995.

D. HOME MATCH

Participating jurisdictions are required to provide a match
in an amount of 25% of the funds drawn from the jurisdiction's
HOME Investment Trust Fund in any given fiscal year. The
matching requirements are reduced if a jurisdiction is in fiscal
distress or severe fiscal distress, respectively. The match
requirement may be waived in cases of Presidentially-declared
disasters.

E. CHDO SET-ASIDE

Jurisdictions are required to reserve 15% of their HOME
funds for housing to be developed, sponsored, or owned by
Community Housing Development Organizations (CHDOs). A CHDO is a
private, community-based nonprofit organization which has among
its purposes the provision of decent affordable housing to low­
income persons.

F. ALLOCATION

In general, HOME funds are allocated by formula. Prior to
such allocation, however, several set-asides are funded.

(1) There is a set-aside of up to $47 million for
technical assistance (section 205).

(2) There is a set-aside for insular areas that is
$750,000 or 0.2%, whichever is greater (section 217(a)(3)).

The balance of HOME funds is allocated by formula with 60% going
to cities, urban counties, and consortia (contiguous units of local
government) and 40% for States (section 217(a)(1)). This
formula measures the jurisdiction's share of the total need for
an increased supply of affordable housing. All States are
guaranteed a minimum of $3 million. Local jurisdictions must
receive a minimum allocation under the formula (which varies
depending on appropriations levels) in order to receive direct
funding.

Legal Authority: Title II of the Cranston-Gonzalez National
Program Status: $1.8 billion is appropriated in FY 2001, of which $20 million is set aside for Housing Counseling under section 106 of the Housing and Urban Development Act of 1968, and $17 million is transferred to the Working Capital Fund for the development and maintenance of information technology systems.

PART X. MCKINNEY-VENTO HOMELESS ASSISTANCE ACT (Administered by the Office of Community Planning and Development, except as noted)

HUD's homeless assistance programs (described below) enable localities to shape and implement comprehensive, flexible, coordinated, "continuum of care" approaches to solving homelessness. The "continuum of care" is a community plan to organize and deliver housing and services to meet the specific needs of people who are homeless as they move to stable housing and maximum self-sufficiency. It includes action steps to end homelessness and prevent a return to homelessness.

A. EMERGENCY SHELTER GRANTS (ESG)

The Emergency Shelter Grants (ESG) program is designed to supplement State, local, and private efforts to provide emergency shelter assistance for the homeless. It authorizes HUD to make grants to States, units of general local government, and Territories (Guam, American Samoa, etc.).

Amounts are allocated to States and certain cities and counties on the basis of the CDBG allocation formula. States must pass through all their ESG amounts to units of government or private nonprofits within the States. Units of government that receive ESG amounts may pass all or part of the assistance through to private nonprofits.

The purpose of the ESG program is to improve the quality of existing emergency shelters for the homeless, to help make available additional emergency shelters, and to help meet the costs of operating emergency shelters and of providing certain essential social services to homeless individuals. ESG program funds may be used for the conversion, rehabilitation, or renovation of buildings for use as emergency shelters. Program funds can also be used for the payment of operating or essential services expenses, and for homeless prevention activities. There are 30% caps on the amount of assistance grantees can use for essential services and homeless prevention activities, although the cap on essential services may be waived.

Grantees other than States and Territories must match ESG
grants dollar-for-dollar from non-ESG sources. States are not required to match the first $100,000 of a grant. With the exception of homeless prevention activities, a grantee must agree to use the property involved as a homeless shelter for a specified period. In the case of expenditures for major rehabilitation or conversion, this period is 10 years.

**Legal Authority:** Subtitle B of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11371 et seq.); 24 CFR 576.

**Program Status:** The FY 2001 appropriation provides a total amount of $1.025 billion (minus up to 1.5% for the Working Capital Fund and $500,000 for the Homeless Council) for the ESG program, the Supportive Housing program, the section 8 moderate rehabilitation single room occupancy program, and the Shelter Plus care program. The appropriation requires that a minimum of 30% of the funds be used for permanent housing, and that all funding for services be matched by 25% in funding by each grantee. It also requires that all awards of assistance be coordinated and integrated with other specified homeless assistance programs.

**B. SUPPORTIVE HOUSING PROGRAM**

The Supportive Housing program is designed to promote the development of supportive housing and supportive services for the homeless. The program consists of four components: (1) transitional housing; (2) permanent housing for homeless persons with disabilities; (3) supportive services for homeless persons not in conjunction with supportive housing (i.e., services only); and (4) housing that is, or is part of, a particularly innovative development for, or alternative method of, meeting the needs of homeless persons.

Applicants for HUD assistance may be States; cities, counties, or other governmental entities; private nonprofits; and community mental health associations that are public nonprofits. HUD provides assistance of up to $200,000 (up to $400,000 in designated high cost areas), for acquisition and rehabilitation of structures; up to $400,000 for new construction; and for leasing (no amount specified). Assistance provided for acquisition, rehabilitation, and new construction must be matched equally with funds from sources other than the Supportive Housing program. Assistance for operating costs is also available for up to 75% of annual operating costs and for supportive services (no amount specified). In addition, HUD may provide technical assistance, which does not involve a grant of money.

Residents of supportive housing may be required to pay an
occupancy charge in an amount determined by the recipient providing the housing. That charge is capped at the amount that would be due under the 1937 Act tenant rent formula. Occupancy charges may be used to assist residents in moving to permanent housing.

Supportive services may include child care; employment assistance; outpatient health services, food and case management; assistance in obtaining permanent housing, and employment and nutritional counseling; security arrangements; and assistance in obtaining other Federal, State, and local assistance. These services may also be provided to homeless individuals who do not reside in supportive housing. Leasing is an eligible activity also.

The Supportive Housing program, under section 429(b) of McKinney-Vento Homeless Assistance Act, has three set-asides required for amounts appropriated: (1) at least 25% for developments designed primarily to serve homeless families with children, (2) 25% for developments designed primarily for homeless persons with disabilities, and (3) 10% for supportive services not provided in conjunction with supportive housing, respectively.

**Legal Authority:** Subtitle C of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11381 et seq.); 24 CFR 583.

**Program Status:** See ESG program status.

**C. SAFE HAVENS FOR HOMELESS INDIVIDUALS DEMONSTRATION PROGRAM**

The Safe Havens for Homeless Individuals Demonstration program was established by the HCD Act of 1992. A safe haven is a 24-hour residential facility, with private or semi-private accommodations, and is limited to 25 persons who reside in such facilities for unspecified periods of time. Grants may be made to private and public nonprofits, States, and units of local government. The purposes of the program are to demonstrate the desirability and feasibility of providing very low-cost housing ("safe havens") to homeless persons who (1) are seriously mentally ill, including those who reside on the streets, and (2) are unwilling or unable to participate in mental health treatment programs or receive other supportive services. Residents will, however, be monitored to determine whether, after a period of residence in a safe haven, they are willing to participate in treatment programs and move toward a more traditional form of permanent housing.
Legal Authority: Subtitle D of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11361 et seq.).

Program Status: No funds have been appropriated for this program since FY 1994.

D. SECTION 8 ASSISTANCE FOR SINGLE ROOM OCCUPANCY (SRO) HOUSING FOR THE HOMELESS

The McKinney-Vento Homeless Assistance Act authorizes the use of budget authority from the section 8 Moderate Rehabilitation program for single room occupancy (SRO) housing for homeless persons. Efficiency units are also eligible if the owner agrees to cover the additional cost of rehabilitation and operation.

The section 8 assistance is in the form of rental assistance payments. These payments equal the rent for the unit, including utilities, minus the portion of the rent payable by the tenant.

To qualify for assistance, the property to be rehabilitated must need at least $3,000 per unit of rehabilitation work to bring the unit up to housing quality standards (HQS). The property owner must provide or obtain funds (including loans) to pay the rehabilitation costs. The rental assistance payments provided under the program cover operating expenses of the moderately rehabilitated SRO housing, including debt service to retire the cost of the rehabilitation over a 10-year period.

HUD allocates the amounts made available on the basis of a national competition. Applicants may be PHAs and private nonprofit organizations. No single city or urban county can receive more than 10% of the assistance made available.

The total cost of rehabilitation that may be compensated for in a contract for housing assistance payments entered into between a successful applicant and the owner is capped at $18,200 per unit, plus the expenditures for fire and safety improvements. This $18,200 cap may be increased by HUD to take account of special local conditions, including high construction costs and stringent fire or building codes. HUD also increases the cap annually to take account of construction costs.

Each contract for annual contributions entered into between HUD and an approved applicant provides for an aggregate period of assistance for 10 years. HUD may renew the contract for an additional 10-year period, subject to the availability of appropriations.

Legal Authority: Section 441 of the McKinney-Vento Homeless Assistance Act.
Assistance Act (42 U.S.C. 11401) and sections 8(e)(2) and 8(n) of the U.S. Housing Act of 1937 (42 U.S.C. 1437f); 24 CFR Part 882, Subpart H.

**Program Status:** See ESG program status. Renewals funded under the Housing Certificate Fund account.

**E. SHELTER PLUS CARE**

The Shelter Plus Care (S+C) program provides rental housing assistance in connection with supportive services to be provided by the recipient from sources other than the S+C program. The assistance is provided to homeless persons with disabilities (primarily those who are seriously mentally ill; have chronic problems with alcohol, drugs, or both; or have AIDS) and their families. To the maximum extent practicable, HUD is required to reserve at least 50% of the S+C funds for homeless individuals that are seriously mentally ill or have chronic problems with alcohol, drugs, or both. Assistance is targeted to homeless persons with disabilities that are currently sleeping in emergency shelters or places not designed as sleeping accommodations for human beings (e.g., parks, sidewalks, and abandoned buildings).

HUD provides rental assistance for five or 10 years; renewal is possible. Applicants for assistance may be States, local governments, or public housing agencies.

Recipients must match the rental assistance with supportive services that are at least equal in value to the aggregate amount of rental assistance and appropriate to the needs of the population to be served.

Recipients may provide a variety of housing situations, such as group settings or individual units. The housing to be provided must meet the applicable housing quality standards (HQS).

The occupancy agreement between a tenant and an owner of housing assisted under the program must be for at least a month. Participants in the program must pay as rent an amount determined in accordance with the provisions of section 3(a)(1) of the 1937 Act. Although homeless persons often will not have an income when they enter the S+C program, through the supportive services provided, many should at some point become gainfully employed or be receiving some type of income support payments, such as Supplemental Security Income.

The S+C programs provides assistance through four components:
(1) The Tenant-Based Rental Assistance component provides grants to be used for rental assistance in accordance with a flexible housing plan to be developed by the applicant to fit the needs of the homeless population to be served.

(2) The Project-Based Rental Assistance component provides grants to owners of existing units that are occupied by eligible participants.

(3) The Sponsor-Based Rental Assistance component provides grants to eligible applicants to enter into contracts with private nonprofit entities to be used for rental assistance by these sponsor organizations.

(4) The SRO component provides rental assistance for homeless individuals in rehabilitated SRO housing. Families are not eligible for this component of the program.

Applicants may apply for assistance under any one of the four components, or a combination. Selection is on a nationwide competitive basis.

Of the amount appropriated for the S+C program in any fiscal year, at least 10% must be available for implementing each of the four components. No more than 10% of the assistance available for any fiscal year may be used for programs located within any one unit of general local government.

**Legal Authority:** Subtitle F of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11403 et seq.); 24 CFR Part 582.

**Program Status:** See ESG program status. Also, the FY 2001 appropriations Act makes $100 million available for S+C renewals for FY 2001 and 2002, provided that only S+C projects that are needed under the applicable continuum of care and that are meeting appropriate program requirements and financial standards can be renewed.

F. SINGLE FAMILY PROPERTY DISPOSITION HOMELESS PROGRAM (Administered jointly by the Office of Community Planning and Development and the Office of Housing)

The Department makes its eligible single family HUD-owned properties available for sale to homeless providers under the two programs described below. Applicants must be States, metropolitan cities, urban counties, governmental entities, governmental entities, Indian tribes, or private nonprofit organizations.

1. Supportive Housing
Applicants applying to the Department for grants under the Supportive Housing program may lease a HUD-owned single family home for $1.00 for a six-month period, with an option to purchase, pending a determination by HUD of whether a grant will be awarded. With the pre-approval of HUD, the applicant may sublease the property to homeless occupants during this period. If a grant is not awarded, the applicant may purchase the property at a minimum discount of 10% below fair market value, but only with non-HUD funds.

2. Competitive Or Direct Sale

The Department makes its inventory available for purchase by providers either through the competitive, sealed-bid process, or direct sale. In both types of sales, nonprofit providers, as well as States and local governments, are offered at least a 10% discount below fair market value.

**Legal Authority:** Section 204(g) of the National Housing Act (12 U.S.C. 1710) and section 1407 of the HCD Act of 1992 (P.L. 102-550); 24 CFR Part 291, Subpart E.

**Program Status:** There is no separate funding authority in connection with this program. There is, however, an impact on the FHA Insurance Fund where the sales price is lower than would otherwise be obtained. The Supportive Housing program has not been active or encouraged for several years.

G. RURAL HOMELESS HOUSING ASSISTANCE

The HCD Act of 1992 authorized HUD to establish and carry out a new Rural Homelessness Grant program. Private nonprofit entities and county and local governments can apply for the grants.

HUD may award grants to pay for 75% of the cost of: assisting programs providing direct emergency assistance to the homeless; providing homelessness prevention assistance to those at risk of becoming homeless; and assisting persons in securing permanent housing and supportive services. The non-Federal share of the cost of providing the assistance is to be in cash or in kind (plant, equipment, staff services, or services delivered by volunteers).

A grantee may use the funds in rural areas for a variety of activities, including rent, mortgage, or utility assistance after two months of nonpayment to prevent eviction, foreclosure, or loss of utility service; security deposits; transitional housing; rehabilitation and repairs; and the development of comprehensive and coordinated support services that use and supplement
community networks of services.

There is a 10% cap on the amount of funds that can be awarded within any one State.

Legal Authority: Subtitle G of title IV of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11408).

Program Status: No funds have been appropriated for this program since FY 1994.

H. OTHER

1. Interagency Council on the Homeless

The Interagency Council on the Homeless is an independent agency in the Executive Branch. The Council consists of 17 agencies and the positions of Chairperson and Vice Chairperson rotate among the agencies on an annual basis.

The Council has various duties, including (1) the review of all Federal activities and programs to assist the homeless; (2) taking actions to reduce duplication among such programs and activities; (3) holding regional workshops; (4) preparing and distributing a bi-monthly bulletin that describes Federal resources available to assist the homeless; and (5) preparing an annual report on homeless programs and activities.

Legal Authority: Title II of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11311 et seq.)

Program Status: The FY 2001 appropriations Act provided $500,000 for administrative needs of the Council and changed the Council termination date from October 1, 1994 to October 1, 2005. The tasks of the Council were assumed by a Working Group of the White House Domestic Policy Council from November 1993 (when no funding was provided for FY 1994) until passage of the FY 2001 appropriations Act.

2. Use of Unutilized and Underutilized Public Buildings and Real Property To Assist the Homeless

On a quarterly basis, HUD canvasses Federal agencies to collect information about real property (vacant land or buildings) described as unutilized, underutilized, excess, or surplus, in surveys conducted by the agencies. "Excess property" is any property under the control of any Federal agency that is not required for its needs and the discharge of its responsibilities, as determined by the agency head. "Surplus property" is any excess property not required for the needs and
the discharge of the responsibilities of any Federal agency, as determined by GSA.

After receiving the information, HUD identifies those properties that are suitable for use as a facility to assist the homeless. HUD then informs the agencies of its determinations as to suitability, and the agencies advise HUD if the property is available or unavailable (for reasons such as a compelling Federal need).

HUD is required to transmit to the Interagency Council on the Homeless a copy of the list of properties available for application for use to assist the homeless. The Interagency Council is required to distribute area-relevant portions of that list to all State and regional homeless coordinators. HUD, GSA, and HHS are required to ensure the widest possible dissemination of the information on this list.

There is a 60-day holding period for available properties, during which time they are available only for use to assist the homeless. The properties may remain available to assist the homeless after the 60-day period under certain circumstances, such as where there is no application to use the property for another purpose nor an offer to buy it.

Representatives of the homeless apply to HHS for available property for use to assist the homeless. If approved by HHS, the property is made available by permit or lease of at least one year, or deed to the homeless representative at no cost.

This program does not apply to buildings and property at military installations that are approved for closure under the Defense Base Closure and Realignment Act of 1990 (as amended by the Base Closure Community Redevelopment and Homeless Assistance Act of 1994).

**Legal Authority:** Section 501 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. sec. 11411); 24 CFR Part 581.

**Program Status:** There is no separate funding authority in connection with this program. Expenses to administer the program are paid from the Salaries and Expenses account.

3. Base Closure Community Redevelopment

The Base Closure Community Redevelopment and Homeless Assistance Act of 1994 provides that military installations being closed or realigned as a result of recommendations of the Defense Base Closure and Realignment Commission (BRAC) are exempt from the provisions of title V of the McKinney-Vento Homeless
Assistance Act. Instead, the law substitutes a new community-based process under which representatives of the homeless and other community groups participate in local reuse planning. This process applies to all 55 of the 1995 BRAC installations and to 41 installations from previous BRAC recommendations which elected through Local Redevelopment Authorities (LRAs) to follow these new requirements.

The Act places responsibility for base reuse planning in the hands of an LRA, which represents all the local jurisdictions affected by an installation being closed or realigned. The LRA is responsible for developing a reuse plan that appropriately balances the needs of the various communities for economic redevelopment, other development, and homeless assistance. HUD provides technical assistance to the LRAs, and has produced a "Guidebook on Military Base Reuse and Homeless Assistance." HUD also reviews the plans to determine compliance with the statute.


Program Status: Active.

PART XI. MORTGAGE AND LOAN INSURANCE (Administered by the Office of Housing, except as noted)

Through the Federal Housing Administration (FHA), HUD insures mortgages and loans made by HUD-approved lenders for a wide variety of purposes, including new construction, substantial rehabilitation, other rehabilitation or property improvement, and refinancing in connection with a wide variety of types of property. FHA programs include all types of residential property (multifamily, single family, manufactured homes), nonresidential commercial property, hospitals, and certain other healthcare facilities. This Federal role is designed to encourage lenders to make credit more readily available and at lower rates for various purposes that might otherwise go unmet.

Under FHA's authorities, which are numerous and contain a host of differing features, the Department's role is essentially that of a very large mortgage insurance company. Consistent with statutory requirements, HUD will make insurance available in connection with lenders, borrowers, and properties that meet minimum requirements. Down payment requirements vary by program but are generally less rigorous than those required by conventional lenders. Section 203(b)(10) of the National Housing Act establishes a simplified method of calculating the
downpayments that must be made by homeowners buying a home with an FHA insured mortgage loan. This temporary authority has made FHA loan products easier to use and understand by realtors, lenders, and borrowers; it expires December 31, 2002. All borrowers pay interest on their loan at a rate negotiated with their lender.

If a loan goes into default and the lender claims insurance benefits in accordance with the contract of insurance, HUD will pay the claim. For the multifamily programs (including the hospital and other healthcare facility programs), this is normally accomplished by HUD taking an assignment of the mortgage. In return for paying insurance benefits to the lender, the lender assigns the mortgage to HUD. HUD then either sells the mortgage or forecloses on the mortgage if the default cannot be cured. For the single family program, the lender ordinarily acquires title through foreclosure or deed in lieu of foreclosure. The home then is conveyed to HUD in exchange for the payment of insurance benefits. For both the multifamily and single family programs, HUD offsets its insurance losses through mortgage sales or the foreclosure of insured mortgages and sale of the properties. For the Title I manufactured home loan program, any remaining unpaid amount of the loan is assigned to HUD after sale of the manufactured home by the lender. For the Title I property improvement loan program, the loan is assigned to HUD. In recent years, HUD has substantially reduced its inventory of mortgages and loans through a series of asset sales on a competitive or negotiated basis. Title VI of the FY 1999 Appropriations Act made substantive changes to FHA single family property disposition procedures. Section 601 recodified and reformed single family property disposition procedures and provided flexibility for the Department to sell mortgage notes through third parties, thus reducing the number of properties coming into inventory. Section 602 established new requirements for the disposition of HUD-owned properties in local revitalization areas, including discounts for certain purchasers of properties within revitalization areas. Finally, section 141 of the Community Renewal Tax Relief Act of 2000 added requirements for the transfer of certain HUD-owned single family properties to local governments and community development corporations.

Section 203 of the Housing and Community Development Amendments of 1978 (12 U.S.C. 1701z-11) covers the management and disposition of multifamily housing projects that are owned by HUD or that are subject to a mortgage held by HUD. The Multifamily Property Disposition Reform Act of 1994 significantly revised section 203 to provide more flexibility to HUD to sell properties with and without subsidies, saving the Department money. In addition, section 204 of the FY 1997 appropriations Act gave HUD
broad authority to sell multifamily mortgages on terms that the Department establishes, without regard to other provisions of law, thereby giving the Department the tools to make the disposition process more efficient. However, section 233 of the FY 2001 appropriations Act established new requirements for maintaining project-based section 8 assistance on projects which are HUD-owned or HUD-held and which are occupied primarily by elderly or disabled renters. If it is not feasible to maintain the assistance, alternative assistance options are authorized. Also, section 141 of the Community Renewal Tax Relief Act of 2000 added requirements for the transfer of certain HUD-owned multifamily properties to local governments and community development corporations.

Most FHA insurance is full insurance that covers 100% of a lender's losses. All insurance under the Title I programs involves 10% coinsurance by the lender. Other previous FHA multifamily and single family coinsurance programs were terminated. Recently, FHA has engaged in multifamily demonstration programs involving other approaches to risk-sharing and has discussed potential single family risk-sharing with various private parties. In this regard, section 143 of the Community Renewal Tax Relief Act of 2000 amended section 249 of the National Housing Act to authorize a single family risk sharing demonstration program with Community Development Financial Institutions.

FHA operates its insurance programs through four Insurance Funds. The two largest are the Mutual Mortgage Insurance Fund (MMIF) and the General Insurance Fund (GIF). The MMIF is the largest of the Funds and includes HUD's basic single family home mortgage insurance program. It operates "in the black" and does not rely on appropriated funds.

The GIF is the "catch-all" Fund. It includes a number of insurance programs, including most of FHA's multifamily insuring authorities, single family insurance for condominium units, rehabilitation loans, Indian lands, and Hawaiian Homelands, and the Title I property improvement and manufactured home loan programs. Not all programs within the GIF are self sustaining. Therefore, the GIF needs credit subsidy, which is provided in annual appropriations acts. The other far smaller funds are the Special Risk Insurance Fund (SRIF) and the Cooperative Management Housing Insurance Fund (CMHIF).

These Funds receive premium income and income from the sale of property or loans, and make necessary payments (such as the payment of insurance benefits in the event of borrower default). For budget purposes, the funds are grouped into two accounts.
The FY 2001 appropriations Act sets a $160 billion credit limit on additional insurance commitments under the MMIF, and a limit of $21 billion on commitments under the GI/SRI Funds. In addition, it provides $101 million to subsidize the costs of GI/SRI insurance programs.

In addition to acting as a mortgage insurance company, in late 1995, the Office of Housing-FHA launched an initiative called Neighborhood Networks to establish computer learning centers in assisted and/or insured multifamily rental properties. This initiative is intended to expand economic and educational opportunities for residents of such housing. It does not require appropriations but relies instead on owner's contributions, project reserves, and donated resources to create centers that will provide residents with access to computer literacy programs, job training, and micro enterprise opportunities.

The following is a brief description of the most significant insuring authorities. There are numerous smaller programs that are generally similar to the programs described, but have one or more special features.

A. SINGLE FAMILY PROPERTIES

1. Basic Home Mortgage Insurance: Section 203(b) of the National Housing Act (NHA)

Section 203(b) is HUD's basic single family insuring authority and HUD's largest homeownership program. The maximum mortgage dollar amount for a one-family dwelling is set county-by-county, depending on area housing costs; it ranges from $132,000 to $239,250. The program is limited to owner-occupants (with a few exceptions) who are purchasing or refinancing their homes. There are no income limits. Most insured mortgages are 30-year fixed-rate mortgages, although FHA does insure adjustable rate mortgages as well. A small downpayment is required. Mortgagors who are first-time homebuyers or minorities are particularly heavy users of the program.

Legal Authority: Section 203(b) of the National Housing Act (12 U.S.C. 1709(b)); 24 CFR Part 203.

Program Status: Active. Program activity fluctuates with the economy and interest rates, but may involve insurance for a million new and refinanced mortgages a year when the program is heavily used.

2. Other Major Programs
HUD administers a number of programs that are based upon section 203(b), but that have special features. The major ones are:

--- **Adjustable Rate Mortgages.** This program provides for reduced-rate financing, with periodic increases in the effective interest rate based on market indices approved by HUD. Any single interest rate increase may not exceed 1%, with a maximum 5% increase over the life of the loan.

**Legal Authority:** Section 251 of the National Housing Act (12 U.S.C. 1715z-16); 24 CFR 203.49.

**Program Status:** Active.

--- **Single-Unit Condominiums.** Insurance for mortgages covering single units in condominiums is similar to the basic home mortgage insurance program. Generally, units are in projects approved by HUD. A small number of units in a project without HUD approval may also be insured (the number varies with the size of the project).

**Legal Authority:** Section 234(c) of the National Housing Act (12 U.S.C. 1715y(c)); 24 CFR Part 234, Subpart A.

**Program Status:** Active.

3. **Rehabilitation Loans**

HUD insures rehabilitation loans for single family buildings, including the cost of purchasing the property to be rehabilitated. The mortgage amount is based on the as-is cost of property plus the cost of rehabilitation. Otherwise similar to the basic home mortgage insurance program.

**Legal Authority:** Section 203(k) of the National Housing Act (12 U.S.C. 1709(k)); 24 CFR 203.50.

**Program Status:** Active.

4. **Home Equity Conversion Mortgages**

This program provides for insurance of mortgages, and the refinancing of such mortgages, that permit elderly homeowners to receive payments from the lender, through lines of credit or monthly payments secured by the home. Repayment is deferred until the sale of the home, death of the homeowner, or other
events specified by regulation.

**Legal Authority:** Section 255 of the National Housing Act, 12 U.S.C. 1715z-20; 24 CFR Part 206.

**Program Status:** Active. Section 201 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved 12/27/00) amended the program to allow the refinancing of such mortgages; to give the Secretary the discretion to reduce single premium payments and to credit premiums paid on original loans; to waive counseling requirements under specified conditions; and to require disclosure of total cost of refinancing and principal limit increase. In cases where the mortgage's proceeds are used for long-term care insurance contracts, a portion may be used for up-front costs such as appraisal and inspection fees. HUD must waive the up-front mortgage insurance premium where proceeds are used for costs of a qualified long-term care insurance contract. Directs HUD to conduct actuarial study of effect of creating a single national loan limit for HECM mortgages.

**B. MULTIFAMILY PROPERTIES**

1. **Full Insurance**

The most widely used "full insurance" multifamily authorities are sections 207 and 221(d)(4) of the NHA. These provisions offer essentially similar ways of encouraging the construction and substantial rehabilitation of multifamily housing.

**Legal Authority:** Sections 207 and 221(d)(4) of the National Housing Act (12 U.S.C. 1713 and 17151(d)(4)); 24 CFR Part 200, Subpart A, Part 207 and Part 221, Subparts C and D.

**Program Status:** Active.

2. **Multifamily Mortgage Credit Programs**

The HCD Act of 1992 Act established two demonstrations to demonstrate the effectiveness of providing new forms of Federal credit enhancement for multifamily loans. Section 235 of the FY 2001 appropriations act made the demonstrations into permanent programs with no unit limitations.

The section 542(b) program provides for HUD to enter into reinsurance agreements with FNMA, FHLMC, qualified financial institutions (QFIs), qualified HFAs, and the Federal Housing Finance Board. The agreements provide for risk-sharing and other forms of credit enhancement, including reinsurance with respect
to pools of loans on multifamily housing properties.

The section 542(c) program requires HUD to carry out a pilot program in conjunction with qualified HFAs to test the effectiveness of Federal credit enhancement for loans for affordable multifamily housing through a system of risk-sharing agreements.

**Legal Authority:** Section 542 of the HCD Act of 1992 Act. 24 CFR Part 266 for section 542(c) program. Section 542(b) is implemented through negotiated agreements without regulations.

**Program Status** Active.

3. **Coinsurance**

The Department formerly operated coinsuring authorities for the construction or substantial rehabilitation of multifamily properties (24 CFR Part 251) and the refinancing of multifamily projects (24 CFR Part 255).

**Legal Authority:** Sections 221, 223(f), and 244 of the National Housing Act (12 U.S.C. 1715l and 1715n(f)); 24 CFR Parts 251 and 255.

**Program Status:** The authorities have been terminated by regulation.

C. **HEALTH AND RELATED FACILITIES**

HUD makes mortgage insurance available for nursing homes, intermediate care facilities, board and care homes, and assisted living facilities (section 232 of the NHA); public and proprietary hospitals (section 242 of the NHA); and group practice facilities (title XI of the NHA). The hospital program involves the largest mortgages insured by HUD, which may be several hundred million dollars. It is administered with technical assistance from HHS.

**Legal Authority:** Sections 232 and 242 and Title XI of the National Housing Act (12 U.S.C. 1715w and 1715z-7); 24 CFR Part 200, subpart A, and Parts 232, 242, and 244.

**Program Status:** Active.

D. **TITLE I PROGRAM: MANUFACTURED HOMES AND PROPERTY IMPROVEMENT**

Under title I of the National Housing Act, HUD insures loans for the purchase or repair of manufactured homes, and for home
improvements, including the preservation of historic properties. These title I loans are coinsured by HUD and lenders.

**Legal Authority:** Section 2 of the NHA (12 U.S.C. 1703); 24 CFR Part 201.

**Program Status:** Active.

**E. HOUSING COUNSELING ASSISTANCE**

HUD provides housing counseling assistance under section 106 of the HUD Act of 1968.

1. **Counseling Services**

Subsection (a) authorizes HUD to provide, or contract with public or private organizations to provide, information, advice, and technical assistance, to various individuals and organizations, including counseling and advice to tenants and homeowners with respect to property maintenance, financial management, and other appropriate matters to assist them in improving their housing conditions and in meeting the responsibility of tenancy or homeownership.

2. **Emergency Homeownership Counseling**

Subsection (c) authorized HUD to make grants (a) to nonprofit organizations that provide homeownership counseling, and (b) to assist in the establishment of such organizations. This authority expired September 30, 1994, but was reinstated by section 594 of the Quality Housing and Work Responsibility Act of 1998 (P.L. 105-276, approved 10/21/98) through September 30, 2000.

**Legal Authority:** Section 106 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701x).

**Program Status:** $20 million provided in FY 2001 in HOME Investment Partnerships Program account for housing counseling under section 106. The only active part of section 106 is subsection (a), since subsection (c) has expired.

**F. MARK-TO-MARKET PROGRAM (Administered by the Office of Multifamily Housing Assistance Restructuring)**

The Multifamily Assisted Housing Reform and Affordability Act of 1997 (MAHRA) authorized a new Mark-to-Market Program designed to preserve low-income rental housing affordability while reducing the long-term costs of Federal rental assistance, including project-based assistance from HUD, for certain
multifamily rental projects. The projects involved are projects with: (1) HUD-insured or HUD-held mortgages; and (2) contracts for project-based rental assistance from HUD, primarily through the section 8 program, for which the average rents for assisted units exceed the rent of comparable properties. The program objectives will be accomplished by (1) reducing project rents to no more than comparable market rents (with certain exceptions), (2) restructuring the HUD-insured or HUD-held financing so that the monthly payments on the first mortgage can be paid from the reduced rental levels, (3) performing any needed rehabilitation of the project, and (4) ensuring competent management of the project. The restructured project will be subject to long-term use and affordability restrictions.

MAHRA established within HUD a new Office of Multifamily Housing Assistance Restructuring (OMHAR) to develop and actively manage, administer, and oversee the Mark-to-Market Program through a decentralized structure of Participating Administrative Entities (PAEs).

Legal Authority: Multifamily Assistance and Housing Reform and Affordability Act of 1997 (42 U.S.C. 1437f note); 24 CFR Parts 401 and 402.

Program Status: The program office (OMHAR), and the underlying authority for the program, are scheduled to terminate October 1, 2001.

PART XII. SECONDARY MORTGAGE MARKET; FEDERAL HOUSING ENTERPRISE OVERSIGHT

A. GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

1. Ginnie Mae Mortgage-Backed Securities Program

The role of the Government National Mortgage Association ("Ginnie Mae") as a Federal corporation within HUD is to support the government's housing objectives by providing a secondary market for federally-insured and federally-guaranteed residential mortgages, using private capital to the maximum extent feasible. Through its mortgage-backed securities (MBS) program, Ginnie Mae increases the overall supply of mortgage credit available for housing by providing a vehicle for channeling funds from the securities markets into the mortgage market.

Under the MBS program, private lenders ("issuers") are permitted to issue securities backed by groups, or "pools," of mortgages or other home loans insured or guaranteed by HUD, the Department of Veterans Affairs, or the Rural Housing Service.
The issuer retains responsibility for administering and servicing the pooled mortgages after sale of the securities and must make full and timely payments of principal and interest to the securities holders, whether or not such payments are made by the borrowers.

To protect the holders of the privately issued securities from the risk of financial losses and disruptions in payments resulting from borrower or issuer defaults, Ginnie Mae guarantees the timely payment of principal and interest on the securities and backs this guaranty by the pledge of the full faith and credit of the United States government. The Ginnie Mae guaranty assures securities holders of receiving timely payment of scheduled monthly principal and interest, as well as any prepayments and early recoveries of principal on the underlying mortgages.

Section 701(k) of NAHASDA expanded the MBS program authority to cover obligations guaranteed under the Section 184 Loan Guarantees for Indian Housing program.

Section 972 of the Higher Education Amendments of 1998 (P.L. 105-244, approved 10/7/98) increased the guarantee fee from up to 6 basis points to 9 basis points, effective October 1, 2004.

Legal Authority: Section 306(g) of the National Housing Act (12 U.S.C. 1721(g)); 24 CFR Part 320.

Program Status: $200 billion limit on new commitments to issue guarantees established in FY 2001 appropriations Act. $9,383,000 transferred to the Salaries and Expenses Account for administrative expenses.

2. Ginnie Mae Multiclass Securities Program

The Ginnie Mae Multiclass Securities program provides an important adjunct to Ginnie Mae's secondary market activities. There are two programs, the Real Estate Mortgage Investment Conduit ("REMIC") program and the Platinum program. REMICs allow the private sector to combine and restructure cash flows from Ginnie Mae MBSs into securities that meet unique investor requirements for yield, maturity, and call-option protection. Platinums permit investors to aggregate MBSs to achieve investment efficiencies. Ginnie Mae guarantees, with the full faith and credit of the United States, the timely payment of principal and interest on Ginnie Mae REMICs and Ginnie Mae Platinum securities.

Legal Authority: Section 306(g) of the National Housing Act (12 U.S.C. 1721(g)); 24 CFR Part 330.
Program Status: Active.

B. SECRETARY's REGULATION OF FANNIE MAE AND FREDDIE MAC

The Secretary has general regulatory power over the Federal National Mortgage Association ("FNMA -- Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" -- Freddie Mac) ("Government-Sponsored Enterprises" or "GSEs") to make necessary rules and regulations to ensure that the GSEs accomplish their public purposes in accordance with the GSEs' Charter Acts and the Federal Housing Enterprises Financial Safety and Soundness Act (FHEFSSA) of 1992. The Secretary also carries out specific regulatory authorities over the GSEs under FHEFSSA.

Under FHEFSSA, the Secretary's responsibilities include establishing, monitoring, and enforcing housing goals for the GSEs' purchase of mortgages on housing for low- and moderate-income families, housing located in central cities, rural areas, and other underserved areas, and housing meeting the needs of, and affordable to, low-income families in low-income areas and very low-income families; reviewing new programs; implementing Fair Housing requirements applicable to the GSEs; reporting annually to Congress, including reports on the housing goals; operating a public use data base concerning GSE activities; and performing other regulatory functions.

The GSEs are stockholder-owned, privately-managed corporations created by Congress to fulfill various public purposes by providing a secondary market for home mortgages. The Secretary's regulatory powers over the GSEs are distinct from the authority of the Director of the HUD Office of Federal Housing Enterprise Oversight (OFHEO) -- OFHEO regulates the financial safety and soundness of the GSEs. See the following section.


Program Status: Active. Section 1002 of the Miscellaneous Appropriations Act, 2001, changes the credit for Freddie Mac for purposes of measuring compliance (for 2001, 2002, and 2003) with housing goals to 1.35 credits per unit of multifamily housing, excepting units in properties having between 5 and 50 units.

C. FEDERAL HOUSING ENTERPRISE OVERSIGHT
The Federal National Mortgage Association ("FNMA" -- "Fannie Mae") and the Federal Home Loan Mortgage Corporation ("FHLMC" -- "Freddie Mac") ("government-sponsored enterprises" or "GSEs") are regulated in part through a largely independent Office of Federal Housing Enterprise Oversight ("OFHEO") within HUD, and in part, directly by the Secretary. OFHEO's role is to ensure that the enterprises are adequately capitalized and operate safely, and OFHEO is granted a broad range of powers to that end. The powers include the right to conduct examinations, issue subpoenas, report to Congress, and limit executive compensation levels.

In performing its regulatory duties, OFHEO is to use tests of the adequacy of the capital that (1) posit adverse financial markets and conditions, and (2) measure credit, interest rate, management, and operations risks in relation to capital levels. In addition to regulatory powers, OFHEO has various levels of supervisory powers over the GSEs, including the appointment of conservators, if the level of capitalization falls below various minimums in certain circumstances. OFHEO also has administrative and judicial enforcement powers, including authority to pursue civil money penalties and issue cease and desist orders for violations under the Act.

The Secretary has general regulatory power over FNMA and FHLMC, except for the exclusive authorities of OFHEO and all other matters relating to the safety and soundness of FNMA and FHLMC. See the preceding section.


Program Status: $22 million made available in FY 2001, with a cap of $500 for official reception and representation expenses.

PART XIII. POLICY DEVELOPMENT AND RESEARCH (Administered by the Office of Policy Development and Research)

A. RESEARCH

Title V of the Housing and Urban Development Act of 1970 authorizes and directs the Secretary to undertake programs of research, studies, testing, and demonstration relating to the mission and programs of the Department as the Secretary determines to be necessary and appropriate. These functions are carried out internally and through contracts with industry,
nonprofit and for profit research organizations, and educational institutions, and through agreements with State and local governments and other Federal agencies. Some of the specific programs are discussed below.

**Legal Authority:** Title V of the HUD Act of 1970 (12 U.S.C. 1701z-1 et seq.).

**Program Status:** $53.5 million appropriated in the Research and Technology account in FY 2001, of which 10 million is for PATH (discussed below), $3 million is for program evaluation to support strategic planning, performance measurement, and their coordination with the Department’s budget process, and $500,000 for the Commission on Affordable Housing and Health Facility Needs for Seniors in the 21st Century.

**B. PARTNERSHIP FOR ADVANCING TECHNOLOGIES IN HOUSING INITIATIVE (PATH)**

PATH is a public/private partnership that joins together key Federal agencies with leaders from the home building, product manufacturing, insurance, and financial industries to develop and deploy the technologies for the next generation of housing that is more affordable, durable, disaster resistant, safer, and energy/resource efficient.

**Legal Authority:** Title V of the HUD Act of 1970 (12 U.S.C. 1701z-1 et seq.).

**Program Status:** $10 million provided in Research and Technology account in FY 2001.

**C. DOCTORAL RESEARCH PROGRAMS**

1. **Doctoral Dissertation Research Grant Program**

HUD provides competitive grants to Ph.D candidates to enable them to complete their dissertations on research issues related to HUD priorities. The maximum grant amount is $30,000 for a two-year grant period.

**Legal Authority:** Title V of the HUD Act of 1970 (12 U.S.C. 1701z-1 et seq.).

**Program Status:** $600,000 provided from research funds in the Research and Technology account in FY 2001.

2. **Early Doctoral Student Research Grant Program**

HUD provides competitive grants to Ph.D students early in
their studies to complete research projects on issues related to HUD priorities. The maximum grant amount is $15,000 for a one-year grant period.

**Legal Authority:** Title V of the HUD Act of 1970 (12 U.S.C. 1701z-1 et seq.).

**Program Status:** $150,000 provided from research funds in the Research and Technology account in FY 2001 (first year funded).

3. **HUD Urban Scholars Fellowship Program**

HUD provides competitive grants to Ph.Ds early in their academic careers to undertake research on issues related to HUD priorities. The maximum grant amount is $55,000 for a fifteen-month grant period. The National Academy of Sciences administers the program.

**Legal Authority:** Title V of the HUD Act of 1970 (12 U.S.C. 1701z-1 et seq.).

**Program Status:** $550,000 for the Ph.D.s provided from research funds in the Research and Technology account in FY 2001 (first year funded).

**PART XIV. FAIR HOUSING AND EQUAL OPPORTUNITY (Administered by the Office of Fair Housing and Equal Opportunity)**

The Assistant Secretary for Fair Housing and Equal Opportunity (FHEO) administers and enforces major legislation that ensures equal access to housing, guarantees equal opportunity in all HUD programs and prohibits, to a limited extent, discrimination in employment with respect to HUD programs.

Recent appropriations acts have expressly barred the use of funds in the Fair Housing Activities account to lobby the executive or legislative branches of the Federal Government in connection with a specific contract, grant or loan.

**A. FAIR HOUSING ASSISTANCE PROGRAM**

Establishment of the Fair Housing Assistance program (FHAP) is authorized by the Fair Housing Act, which permits the Secretary to use the services of responsible State and local agencies in the enforcement of fair housing laws, and to reimburse these agencies for services rendered to assist HUD in carrying out the Fair Housing Act.
Eligible grantees are State and local enforcement agencies administering statutes that HUD has found to be substantially equivalent to the Federal statute. The Fair Housing Act does not prescribe in any detail the methods to be employed by the Secretary in "reimbursing" local enforcement agencies.

Funding is provided to substantially equivalent State and local agencies under FHAP to assist them in carrying out activities related to the administration and enforcement of their fair housing laws and ordinances. Such activities include complaint processing, training, implementation of data and information systems, and other special projects specifically designed to enhance the agency's administration and enforcement of its fair housing law or ordinance.


B. FAIR HOUSING INITIATIVES PROGRAM

The Fair Housing Initiatives program (FHIP) was established by the HCD Act of 1987 and was amended by the HCD Act of 1992. FHIP provides funding to public and private entities formulating or carrying out programs to prevent or eliminate discriminatory housing practices.

Through four distinct categories of funding, FHIP supports projects and activities designed to enhance compliance with the Act and substantially equivalent State and local laws prohibiting housing discrimination. These activities include programs of enforcement, voluntary compliance, and education and outreach. The program provides a coordinated approach to:

(1) further the purposes of the Fair Housing Act;

(2) guarantee the rights of all Americans to seek housing in an open market free of discrimination; and

(3) inform the American citizenry of its rights and obligations under the Fair Housing Act.

Legal Authority: Section 561 of the HCD Act of 1987 (42 U.S.C. 3616a); 24 CFR Part 125.

PART XV. LEAD-BASED PAINT POISONING PREVENTION (Administered by
the Office of Lead Hazard Control in the Office of the
Secretary)

This program is intended to address the problems of lead-based paint poisoning. The program has several components:

1. General demonstration and research authority related to lead-based paint removal.

2. Authority to perform research in cooperation with other Federal agencies to establish standards for such matters as performance of detection methods and cleanups; and to evaluate effectiveness of methods and strategies for such matters as hazard evaluation and reduction.

3. Establishment of procedures to evaluate and reduce lead-based paint hazards in federally owned housing and housing receiving federal assistance, including public housing. The emphasis is on risk assessment and interim controls of hazards rather than complete abatement of lead paint.

4. Grants to State and local governments to evaluate and reduce lead-based paint hazards in private housing.

5. Lead-based paint hazard disclosure requirements upon purchase and sale of most housing built before 1978.


Program Status: $100 million appropriated in FY 2001, of which $1 million is set aside for CLEARCorps and $10 million is set aside for the Healthy Homes Initiative pursuant to sections 501 and 502 of the HUD Act of 1970 for research, studies, testing, and demonstration efforts, including education and outreach concerning lead-based paint poisoning and other housing-related environmental diseases and hazards.

PART XVI. REGULATORY ACTIVITIES (Administered by Office of Housing, except as noted)

A. FAIR HOUSING ACT ENFORCEMENT (Administered by the Office of Fair Housing and Equal Opportunity)

Title VIII of the Civil Rights Act of 1968 (Fair Housing
Act) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex, national origin, disability, or familial status. Title VIII was amended in 1988 (effective March 12, 1989) by the Fair Housing Amendments Act, which:

-- expanded the coverage of the Fair Housing Act to prohibit discrimination based on disability or on familial status (presence of child under age of 18, and pregnant women);

-- established new administrative enforcement mechanisms with HUD attorneys bringing actions before administrative law judges on behalf of victims of housing discrimination; and

-- revised and expanded Justice Department jurisdiction to bring suit on behalf of victims in Federal district courts.

In connection with prohibitions on discrimination against individuals with disabilities, the Act contains design and construction accessibility provisions for certain new multifamily dwellings developed for first occupancy on or after March 13, 1991. In connection with prohibitions on discrimination against families with children, the Act provides exemptions for housing for older persons that meets certain specified criteria.

HUD has had a lead role in administering the Fair Housing Act since its adoption in 1968. The 1988 amendments, however, have greatly increased the Department's enforcement role. First, the newly protected classes have proven significant sources of new complaints. Second, HUD's expanded enforcement role took the Department beyond investigation and conciliation into the mandatory enforcement area. Complaints filed with HUD are investigated by the Office of Fair Housing and Equal Opportunity (FHEO). If the complaint is not successfully conciliated, then FHEO determines whether reasonable cause exists to believe that a discriminatory housing practice has occurred. Where reasonable cause is found, the parties to the complaint are notified by HUD's issuance of a Determination (which requires concurrence of the General Counsel), as well as a Charge of Discrimination (which is drafted and issued by the Office of General Counsel), and hearing is scheduled before a HUD administrative law judge. Either party -- complainant or respondent -- may cause the HUD-scheduled administrative proceeding to be terminated by electing instead to have the matter litigated in Federal court. Whenever a party has so elected, the Department of Justice takes over HUD's role as counsel seeking resolution of the charge on behalf of aggrieved persons, and the matter proceeds as a civil action. Either form of action -- the ALJ proceeding or the civil action
in Federal district court -- is subject to review in the U. S. Court of Appeals.

**Legal Authority:** Fair Housing Act (42 U.S.C. 3601 et seq); 24 CFR Parts 100, 103, and 104.

**Program Status:** Active. For the past several years, appropriations Acts have stated that none of the amounts made available may be used during the fiscal year to investigate or prosecute under the Fair Housing Act any otherwise lawful activity engaged in by one or more persons, including the filing or maintaining of a non-frivolous legal action, that is engaged in solely for the purpose of achieving or preventing action by a Government official or entity, or a court of competent jurisdiction.

**B. INTERSTATE LAND SALES**

The Interstate Land Sales program protects consumers from fraud and abuse in the sale or lease of land. In 1968 Congress enacted the Interstate Land Sales Full Disclosure Act, which is patterned after the Securities Law of 1933, and requires land developers to register subdivisions of 100 or more non-exempt lots with HUD and to provide each purchaser with a disclosure document called a Property Report. The Property Report contains relevant information about the subdivision and must be delivered to each purchaser before the signing of the contract or agreement.

The Secretary may certify that particular State laws are equivalent to the Federal law in giving protection to purchasers and, in those cases, the State disclosure document may be used instead of the Federal Property Report.

In addition to the registration and disclosure requirements, the Act and regulations contain sales practices sections that prohibit fraudulent sales activities and that require certain provisions be included in the contract for sale. The anti-fraud provisions apply to subdivisions containing 25 or more lots. The Act and regulations also contain a number of exemptions from the registration and disclosure requirements of the Act.

The Act gives HUD broad authority to investigate violations of the Act. When HUD finds that the developer's Property Report contains misstatements or omissions of material facts, HUD may bring an administrative action to suspend the developer's registration with the Department. HUD may also bring injunctive actions in Federal court for violations of the anti-fraud provisions or for nonregistration. In these suits, HUD has been
successful in obtaining restitution for defrauded purchasers. Willful violations of the Act subject developers to criminal penalties of imprisonment and fines of up to $10,000 for each violation. In addition to any other remedy, HUD may seek civil money penalties for a material violation of the Act or regulations that is knowingly made. The maximum penalty is $1,000 for each violation with a $1,000,000 annual cap for all violations committed by one person. Finally, the statute provides that purchasers may bring civil actions against developers seeking damages, specific performance, or other relief.

The program office (OILSR) handles investigations of violations of the Act and consumer complaints, and processes registrations and amended registration statements, exemption advisory opinions, requests, and other exemption filings.

**Legal Authority:** Interstate Land Sales Full Disclosure Act (15 U.S.C. 1701 et seq); 24 CFR Parts 1710-1720 and 3800.

**Program Status:** Active. The cost of the program is partially offset by fees from developers.

**C. REAL ESTATE SETTLEMENT PROCEDURES ACT**

The Real Estate Settlement Procedures Act of 1974 ("RESPA") requires certain disclosures and contains certain restrictions regarding the settlement process for residential real estate involving "Federally related mortgage loans." The Act covers most single family real estate closing transactions in the United States, including refinancing and subordinate mortgages. RESPA does not apply to credit transactions (involving the extension of credit) primarily for business, commercial, or agricultural purposes, or to government or governmental agencies.

1. **Disclosure Requirements**

RESPA is first a disclosure statute. It requires lenders to provide mortgage loan applicants with a Special Information Booklet explaining the settlement process and a Good Faith Estimate of the settlement costs. It also requires the use of the HUD-1 or HUD-1A Settlement Statement to reflect the charges imposed upon the parties at settlement. In addition, RESPA requires certain disclosures involving mortgage servicing, escrow account statements, and affiliated business arrangements. It also provides certain procedures for resolving borrower questions concerning the servicing of mortgage loans.

2. **Anti-Kickback Provisions**
RESPA contains a civil and criminal provision which prohibits kickbacks for the referral of business incident to, or part of, a settlement service (including the origination of federally related mortgage loans), as well as the splitting of a fee for a settlement service other than for services that are actually rendered. There are exemptions to these prohibitions that include affiliated business arrangements and certain kinds of payments.

3. Other Requirements

RESPA limits the amounts held in mortgage escrow accounts and establishes other requirements applicable to those accounts.

RESPA also governs mortgage servicing transfers (the practice of selling the rights to the collection and payment functions of a loan). The regulations specify the rights of consumers and the responsibilities of servicers respecting these transfers.

Finally, RESPA prohibits a seller of property from requiring a buyer to use a particular title company.


Program Status: Active.

D. MANUFACTURED HOME CONSTRUCTION AND SAFETY STANDARDS

The Manufactured Housing program is a national program established to protect the quality, durability, safety and affordability of manufactured homes. Under the program, HUD issues, monitors, and enforces Federal manufactured home construction and safety standards that regulate the construction of these homes. The standards preempt State and local laws which cover the same aspects of performance as the Federal standards. The standards may be enforced by HUD directly or by various States which have established State Administrative Agencies (SAAs) in order to participate in the program. HUD has the authority to inspect factories and obtain records needed to enforce the standards. If a manufactured home does not conform to Federal standards, the manufacturer may be required to notify the consumer. If the home contains a defect which presents an unreasonable risk of injury or death, the manufacturer may be required to correct the defect.

Under the program, State or third-party agencies are established to review and approve designs and calculations used in the construction of manufactured homes. Other State or third-
party agencies certify and inspect each plan to assure
collection in compliance with the standards and with approved
designs. HUD's monitoring contractor acts as a repository for
design packages submitted to HUD under the regulations and
reviews a percentage of the approved designs to assure
compliance. HUD's contractor also monitors the State or third-
party inspection agencies to assure adequate performance.

The program also provides a system for handling consumer
complaints relating to nonconformance in the construction of
homes. Thirty-six States have been approved by HUD to
participate in the program as SAAs. Each of these State agencies
handles its own consumer complaints, conducts inspections, makes
enforcement determinations, and conducts hearings. In the non-
SAA States, for noncompliances that amount to a serious defect or
imminent safety hazard, or for noncompliances occurring in homes
manufactured in more than one State, HUD conducts investigations,
holds hearings, and issues orders requiring remedial action or
notification of homeowners.

The Act gives HUD broad investigatory authority to conduct
inspections, issue subpoenas, and issue orders. HUD may bring
administrative actions against manufacturers or inspection
agencies for violations of the Act or regulations. The Act also
provides for injunctive actions in Federal court and civil money
penalties and criminal sanctions.

**Legal Authority:** The National Manufactured Housing
seq.; 24 CFR Parts 3280, 3282, and 3800.

**Program Status:** Active. Title VI of the American
Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569,
approved 12/27/00) made the following significant changes to the
program. The program has been expanded to include requirements
relating to the installation of manufactured homes and the
resolution of disputed claims involving manufactured homes. A
private consensus committee is to be involved in the
establishment of construction and safety standards and in the
issuance of interpretative rules. The uses of the fees HUD
collects from manufacturers have been expanded but the amounts
collected are available for expenditure only to the extent
approved in advance in an annual appropriations Act.

**E. HOME MORTGAGE DISCLOSURE ACT OF 1975**

The Home Mortgage Disclosure Act of 1975 ("HMDA") requires
most mortgage lenders to maintain and disclose information for
loan applications and origination for single family and
manufactured home loans, including home improvement loans.
stated purpose of HMDA is to provide citizens and public officials of the United States with sufficient information to enable them to determine whether lenders are fulfilling their obligations to serve the housing needs of the communities and neighborhoods in which they are located. The information can help to identify any discriminatory lending patterns by individual mortgage lenders and by the mortgage industry.

Regulations on HMDA are issued by the Federal Reserve Board. Each lender covered by HMDA maintains a loan register with the information on loan applications and origination grouped according to census tract, income level, racial characteristics, and gender of applicant or borrower. Each covered lender submits its register annually to one of five agencies: the Office of the Comptroller of the Currency (for national banks and certain foreign banks), the Office of Thrift Supervision (for savings associations), the Federal Deposit Insurance Corporation (for FDIC-insured banks and certain other kinds of depository institutions), the National Credit Union Administration (for credit unions), and the Secretary of HUD (for other non-Federally regulated lenders not required to report to one of the other named agencies, i.e., mortgage bankers). The mortgage banker category reporting to HUD was added in 1989.

The five agencies collect the registers from lenders and provide the information to the Federal Financial Institutions Examination Council (FFIEC), which aggregates the data for each census tract and discloses it to the public. Each lender is required to make available for public copying and inspection a disclosure statement for its activities that is prepared by the FFIEC based on the loan register information.

Since 1980 HUD has also been required to compile and disclose annually information that it possesses, comparable to the loan register information, about FHA-insured loans (including applications) from lenders that are exempt from HMDA. Since larger mortgage bankers became generally subject to HMDA in 1990, the exempt lenders are now generally lenders with assets below the statutory threshold of $10 million (the threshold increased after 1996 according to increases in the CPI.) To ensure that HUD has pertinent data, HUD has used its supervisory authority under the National Housing Act to require lenders who are FHA-approved, but HMDA-exempt, to maintain and submit the same loan register information for FHA loans that is required under HMDA.

The other four agencies responsible for enforcing HMDA reporting requirements, but not HUD, have authority to impose civil money penalties and to issue cease-and-desist orders for RESPA reporting violations. HUD's Mortgagee Review Board has terminated FHA approval for lenders that fail to comply with HMDA
reporting responsibilities or the similar responsibilities that HUD has imposed for HMDA-exempt lenders.

**Legal Authority:** The Home Mortgage Disclosure Act of 1975 (12 U.S.C. 2801-2810); 12 CFR part 203.

**Program Status:** HUD continues to collect reports annually from lenders as described above, with informational letters on reporting procedures sent to lenders as needed. HUD enforcement of the reporting requirement continues through the Mortgage Review Board as described above.

**PART XVII. HOPE HOMEOWNERSHIP PROGRAMS**

**A. HOPE FOR PUBLIC HOUSING HOMEOWNERSHIP (HOPE I)**
*(Administered by the Office of Public and Indian Housing)*

HOPE I provides HOPE planning grants and implementation grants for public housing homeownership, including rehabilitation, if necessary, in order to make homeownership possible for the tenants and other low-income families. Properties eligible for purchase under HOPE I include all existing rental public housing units.

An applicant for HOPE I grants may be any of the following entities representing the tenants of the project: PHA, resident management corporation (RMC), resident council (RC), cooperative association, public or private nonprofit organization, or public body (or an agency or instrumentality thereof).

Eligible families under the HOPE I program include (1) families or individuals who are tenants in the public housing project on the date HUD approves the implementation grant; (2) low-income families; and (3) families or individuals assisted under a HUD or Agriculture housing program, excluding any mortgage insurance program.

**Legal Authority:** Title III of the U.S. Housing Act of 1937 (42 U.S.C. 1437aaa et. seq.).

**Program Status:** All funds have been awarded. No additional funding has been requested or appropriated since FY 1995.

**B. HOPE FOR HOMEOWNERSHIP OF MULTIFAMILY UNITS (HOPE II)**
*(Administered by the Office of Housing)*

HOPE II provides HOPE planning grants and implementation grants for providing homeownership opportunities, including rehabilitation, if necessary, in certain multifamily projects. Properties eligible for purchase under HOPE II include
multifamily rental property either:

-- owned or held by HUD;
-- financed by a loan or mortgage held or insured by HUD;
-- determined by HUD to have serious physical or financial problems under the terms of a HUD-administered insurance or loan program; or
-- owned or held by Agriculture, FDIC, DOD, DOT, GSA, any other Federal agency, or a State or local government (or an agency or instrumentality thereof).

An applicant for HOPE II grants may be any of the following entities representing the tenants of the project: PHA, RMC, RC, cooperative association, public or private nonprofit organization, public body (including an agent or instrumentality thereof), or a mutual housing association.

Eligible families under the HOPE II program are families or individuals who are tenants of an eligible property on the date HUD approves the implementation grant or whose incomes do not exceed 80% of the area median.

**Legal Authority:** Subtitle B of title IV of the National Affordable Housing Act (42 U.S.C. 12871 et seq.).

**Program Status:** All funds have been awarded. No additional funding has been requested or appropriated since FY 1995.

C. **HOPE FOR HOMEOWNERSHIP OF SINGLE FAMILY HOMES (HOPE III)**

(Administered by the Office of Community Planning and Development)

HOPE III provides HOPE planning grants and implementation grants to provide homeownership opportunities through the transfer of ownership, and rehabilitation, if necessary, of publicly-held properties in Federal, State, and local inventories to low-income, first-time homebuyers. Properties eligible for purchase under HOPE III include single family homes (four units or fewer) owned by HUD, VA, FDIC, DOD, DOT, GSA, Agriculture, any other Federal agency, a State or local government, or a public or Indian housing authority (excluding public and Indian housing under the United States Housing Act of 1937).

An applicant for a HOPE III grant may be a private nonprofit organization, a cooperative association, or a public agency (including an agency or instrumentality thereof) in cooperation with a private nonprofit organization.

Eligible families under the HOPE III program are defined as families or individuals whose incomes do not exceed 80% of median
income and who are first-time homebuyers.

**Legal Authority:** Subtitle C of title IV of the National Affordable Housing Act (42 U.S.C. 12891 *et seq.*); 24 CFR Part 572.

**Program Status:** All funds have been awarded. No additional funding has been requested or appropriated since FY 1995.