

103RD CONGRESS
2^D SESSION

S. 1299

AMENDMENTS

In the House of Representatives, U. S.,

March 22, 1994.

Resolved, That the bill from the Senate (S. 1299) entitled “An Act to reform requirements for the disposition of multifamily property owned by the Secretary of Housing and Urban Development, enhance program flexibility, authorize a program to combat crime, and for other purposes”, do pass with the following

AMENDMENTS:

Strike out all after the enacting clause and insert:

1 ***SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.***

2 (a) *SHORT TITLE.*—*This Act may be cited as the*
3 *“Multifamily Housing Property Disposition Reform Act of*
4 *1994”.*

5 (b) *TABLE OF CONTENTS.*—

Sec. 1. Short title and table of contents.

TITLE I—MULTIFAMILY PROPERTY DISPOSITION REFORM

Sec. 101. Multifamily property disposition.

Sec. 102. Repeal of State agency multifamily property disposition demonstration.

Sec. 103. Preventing mortgage defaults on multifamily housing projects.

Sec. 104. Interest rates on assigned mortgages.

Sec. 105. Authorization of appropriations.

TITLE II—OTHER PROGRAM REFORMS

Subtitle A—Home Investment Partnerships Program

Sec. 201. Participation by State agencies or instrumentalities.

Sec. 202. Simplification of program-wide income targeting for rental housing.

Sec. 203. Homeownership units.

Sec. 204. Simplification of matching requirements.

Sec. 205. Repeal of separate audit requirement.

Sec. 206. Environmental review requirements.

Sec. 207. Use of CDBG funds for HOME program expenses.

Sec. 208. Flexibility of HOME program for disaster areas.

Sec. 209. Applicability and regulations.

Subtitle B—HOPE Homeownership Program

Sec. 221. Matching requirement under HOPE for homeownership of single family homes program.

Subtitle C—Community Development Block Grants

Sec. 231. Section 108 eligible activities.

Sec. 232. Economic development grants.

Sec. 233. Guarantee of obligations backed by section 108 loans.

Sec. 234. Flexibility of CDBG program for disaster areas.

TITLE III—TECHNICAL AMENDMENTS

Sec. 301. Definition of “families”.

Sec. 302. Elimination of requirement to identify CIAP replacement needs.

Sec. 303. Project-based accounting.

Sec. 304. Operating subsidy adjustments for anticipated fraud recoveries.

Sec. 305. Environmental review provisions.

Sec. 306. Correction of FHA multifamily mortgage limits.

Sec. 307. Amendments to FHA multifamily risk-sharing and housing finance agency pilot programs.

Sec. 308. Subsidy layering review.

1 **TITLE I—MULTIFAMILY PROP-**
2 **ERTY DISPOSITION REFORM**

3 **SEC. 101. MULTIFAMILY PROPERTY DISPOSITION.**

4 (a) *FINDINGS.*—*The Congress finds that—*

5 (1) *the portfolio of multifamily housing project*
6 *mortgages insured by the FHA is severely troubled*
7 *and at risk of default, requiring the Secretary to in-*
8 *crease loss reserves from \$5,500,000,000 in 1991 to*
9 *\$11,900,000,000 in 1992 to cover estimated future*
10 *losses;*

11 (2) *the inventory of multifamily housing projects*
12 *owned by the Secretary has more than quadrupled*
13 *since 1989, and, by the end of 1994, may exceed*
14 *69,000 units;*

1 (3) *the cost to the Federal Government of owning*
2 *and maintaining multifamily housing projects esca-*
3 *lated to \$288,000,000 in fiscal year 1993;*

4 (4) *the inventory of multifamily housing projects*
5 *subject to mortgages held by the Secretary has in-*
6 *creased dramatically, to more than 2,400 mortgages,*
7 *and approximately half of these mortgages, with ap-*
8 *proximately 219,000 units, are delinquent;*

9 (5) *the inventory of insured and formerly in-*
10 *sured multifamily housing projects is deteriorating,*
11 *potentially endangering tenants and neighborhoods;*
12 *and*

13 (6) *the current statutory framework governing*
14 *the disposition of multifamily housing projects effec-*
15 *tively impedes the Government's ability to dispose of*
16 *properties, protect tenants, and ensure that projects*
17 *are maintained over time.*

18 (b) *MANAGEMENT AND DISPOSITION OF MULTIFAMILY*
19 *HOUSING PROJECTS.—Section 203 of the Housing and*
20 *Community Development Amendments of 1978 (12 U.S.C.*
21 *1701z-11) is amended to read as follows:*

22 ***“SEC. 203. MANAGEMENT AND DISPOSITION OF MULTIFAM-***
23 ***ILY HOUSING PROJECTS.***

24 “(a) *GOALS.—The Secretary of Housing and Urban*
25 *Development shall manage or dispose of multifamily hous-*

1 *ing projects that are owned by the Secretary or that are*
2 *subject to a mortgage held by the Secretary in a manner*
3 *that—*

4 “(1) *is consistent with the National Housing Act*
5 *and this section;*

6 “(2) *will protect the financial interests of the*
7 *Federal Government; and*

8 “(3) *will, in the least costly fashion among rea-*
9 *sonable available alternatives, address the goals of—*

10 “(A) *preserving certain housing so that it*
11 *can remain available to and affordable by low-*
12 *income persons;*

13 “(B) *preserving and revitalizing residential*
14 *neighborhoods;*

15 “(C) *maintaining existing housing stock in*
16 *a decent, safe, and sanitary condition;*

17 “(D) *minimizing the involuntary displace-*
18 *ment of tenants;*

19 “(E) *maintaining housing for the purpose*
20 *of providing rental housing, cooperative housing,*
21 *and homeownership opportunities for low-income*
22 *persons;*

23 “(F) *minimizing the need to demolish mul-*
24 *tifamily housing projects;*

25 “(G) *supporting fair housing strategies; and*

1 “(H) disposing of such projects in a manner
2 consistent with local housing market conditions.
3 In determining the manner in which a project is to be man-
4 aged or disposed of, the Secretary may balance competing
5 goals relating to individual projects in a manner that will
6 further the purposes of this section.

7 “(b) DEFINITIONS.—For purposes of this section:

8 “(1) MULTIFAMILY HOUSING PROJECT.—The
9 term ‘multifamily housing project’ means any multi-
10 family rental housing project which is, or prior to ac-
11 quisition by the Secretary was, assisted or insured
12 under the National Housing Act, or was subject to a
13 loan under section 202 of the Housing Act of 1959.

14 “(2) SUBSIDIZED PROJECT.—The term ‘sub-
15 sidized project’ means a multifamily housing project
16 that, immediately prior to the assignment of the
17 mortgage on such project to, or the acquisition of such
18 mortgage by, the Secretary, was receiving any of the
19 following types of assistance:

20 “(A) Below market interest rate mortgage
21 insurance under the proviso of section 221(d)(5)
22 of the National Housing Act.

23 “(B) Interest reduction payments made in
24 connection with mortgages insured under section
25 236 of the National Housing Act.

1 “(C) Direct loans made under section 202 of
2 the Housing Act of 1959.

3 “(D) Assistance in the form of—

4 “(i) rent supplement payments under
5 section 101 of the Housing and Urban De-
6 velopment Act of 1965,

7 “(ii) additional assistance payments
8 under section 236(f)(2) of the National
9 Housing Act,

10 “(iii) housing assistance payments
11 made under section 23 of the United States
12 Housing Act of 1937 (as in effect before
13 January 1, 1975), or

14 “(iv) housing assistance payments
15 made under section 8 of the United States
16 Housing Act of 1937 (excluding payments
17 made for tenant-based assistance under sec-
18 tion 8),

19 if (except for purposes of section 183(c) of the
20 Housing and Community Development Act of
21 1987) such assistance payments are made to
22 more than 50 percent of the units in the project.

23 “(3) FORMERLY SUBSIDIZED PROJECT.—The
24 term ‘formerly subsidized project’ means a multifam-
25 ily housing project owned by the Secretary that was

1 *a subsidized project immediately prior to its acquisi-*
2 *tion by the Secretary.*

3 “(4) *UNSUBSIDIZED PROJECT.*—The term
4 ‘*unsubsidized project*’ means a multifamily housing
5 project owned by the Secretary that is not a sub-
6 sidized project or a formerly subsidized project.

7 “(5) *AFFORDABLE.*—A unit shall be considered
8 affordable if—

9 “(A) for units occupied—

10 “(i) by very low-income families, the
11 rent does not exceed 30 percent of 50 per-
12 cent of the area median income, as deter-
13 mined by the Secretary, with adjustments
14 for smaller and larger families; and

15 “(ii) by low-income families other than
16 very low-income families, the rent does not
17 exceed 30 percent of 80 percent of the area
18 median income, as determined by the Sec-
19 retary, with adjustments for smaller and
20 larger families; or

21 “(B) the unit, or the family residing in the
22 unit, is receiving assistance under section 8 of
23 the United States Housing Act of 1937.

24 “(6) *LOW-INCOME FAMILIES AND VERY LOW-IN-*
25 *COME FAMILIES.*—The terms ‘*low-income families*’

1 *and ‘very low-income families’ shall have the mean-*
2 *ings given the terms in section 3(b) of the United*
3 *States Housing Act of 1937.*

4 “(7) *PREEXISTING TENANT.*—*The term ‘preexist-*
5 *ing tenant’ means, with respect to a multifamily*
6 *housing project acquired pursuant to this section by*
7 *a purchaser other than the Secretary at foreclosure or*
8 *after sale by the Secretary, a family that resides in*
9 *a unit in the project immediately before the acquisi-*
10 *tion of the project by the purchaser.*

11 “(8) *MARKET AREA.*—*The term ‘market area’*
12 *means a market area determined by the Secretary.*

13 “(9) *SECRETARY.*—*The term ‘Secretary’ means*
14 *the Secretary of Housing and Urban Development.*

15 “(c) *DISPOSITION OF PROPERTY.*—

16 “(1) *DISPOSITION TO PURCHASERS.*—*In carry-*
17 *ing out this section, the Secretary may dispose of a*
18 *multifamily housing project owned by the Secretary*
19 *on a negotiated, competitive bid, or other basis, on*
20 *such terms as the Secretary deems appropriate con-*
21 *sidering the low-income character of the project and*
22 *consistent with the goals in subsection (a), only to a*
23 *purchaser determined by the Secretary to be capable*
24 *of—*

1 “(A) *satisfying the conditions of the disposi-*
2 *tion plan developed under paragraph (2) for the*
3 *project;*

4 “(B) *implementing a sound financial and*
5 *physical management program that is designed*
6 *to enable the project to meet anticipated operat-*
7 *ing and repair expenses to ensure that the*
8 *project will remain in decent, safe, and sanitary*
9 *condition and in compliance with any standards*
10 *under applicable State or local laws, rules, ordi-*
11 *nances, or regulations relating to the physical*
12 *condition of the housing and any such standards*
13 *established by the Secretary;*

14 “(C) *responding to the needs of the tenants*
15 *and working cooperatively with tenant organiza-*
16 *tions;*

17 “(D) *providing adequate organizational,*
18 *staff, and financial resources to the project; and*

19 “(E) *meeting such other requirements as the*
20 *Secretary may determine.*

21 “(2) *DISPOSITION PLAN.—*

22 “(A) *IN GENERAL.—Prior to the sale of a*
23 *multifamily housing project that is owned by the*
24 *Secretary, the Secretary shall develop an initial*
25 *disposition plan for the project that specifies the*

1 *minimum terms and conditions of the Secretary*
2 *for disposition of the project, the initial sales*
3 *price that is acceptable to the Secretary, and the*
4 *assistance that the Secretary plans to make*
5 *available to a prospective purchaser in accord-*
6 *ance with this section.*

7 “(B) *MARKET-WIDE PLANS.*—*In developing*
8 *the initial disposition plan under this subsection*
9 *for a multifamily housing project located in a*
10 *market area in which at least 1 other multifam-*
11 *ily housing project owned by the Secretary is lo-*
12 *cated, the Secretary may coordinate the disposi-*
13 *tion of all such multifamily housing projects lo-*
14 *cated within the same market area to the extent*
15 *and in such manner as the Secretary determines*
16 *appropriate to carry out the goals under sub-*
17 *section (a).*

18 “(C) *SALES PRICE.*—*The initial sales price*
19 *shall be reasonably related to the intended use of*
20 *the project after sale, any rehabilitation require-*
21 *ments for the project, the rents for units in the*
22 *project that can be supported by the market, the*
23 *amount of rental assistance available for the*
24 *project under section 8 of the United States*
25 *Housing Act of 1937, the occupancy profile of the*

1 *project (including family size and income levels*
2 *for tenant families), and any other factors that*
3 *the Secretary considers appropriate.*

4 *“(D) COMMUNITY AND TENANT INPUT.—In*
5 *carrying out this section, the Secretary shall de-*
6 *velop procedures—*

7 *“(i) to obtain appropriate and timely*
8 *input into disposition plans from officials*
9 *of the unit of general local government af-*
10 *ected, the community in which the project*
11 *is situated, and the tenants of the project;*
12 *and*

13 *“(ii) to facilitate, where feasible and*
14 *appropriate, the sale of multifamily housing*
15 *projects to existing tenant organizations*
16 *with demonstrated capacity, to public or*
17 *nonprofit entities that represent or are af-*
18 *iliated with existing tenant organizations,*
19 *or to other public or nonprofit entities.*

20 *“(E) TECHNICAL ASSISTANCE.—To carry*
21 *out the procedures developed under subparagraph*
22 *(D), the Secretary may provide technical assist-*
23 *ance, directly or indirectly, and may use*
24 *amounts available for technical assistance under*
25 *the Emergency Low Income Housing Preserva-*

1 *tion Act of 1987, subtitle C of the Low-Income*
2 *Housing Preservation and Resident Homeowner-*
3 *ship Act of 1990, subtitle B of title IV of the*
4 *Cranston-Gonzalez National Affordable Housing*
5 *Act, or this section, for the provision of technical*
6 *assistance under this paragraph. Recipients of*
7 *technical assistance funding under the provisions*
8 *referred to in this subparagraph shall be per-*
9 *mitted to provide technical assistance to the ex-*
10 *tent of such funding under any of such provi-*
11 *sions or under this subparagraph, notwithstand-*
12 *ing the source of the funding.*

13 *“(3) FORECLOSURE SALE.—In carrying out this*
14 *section, the Secretary shall—*

15 *“(A) prior to foreclosing on any mortgage*
16 *held by the Secretary on any multifamily hous-*
17 *ing project, notify both the unit of general local*
18 *government in which the property is located and*
19 *the tenants of the property of the proposed fore-*
20 *closure sale; and*

21 *“(B) dispose of a multifamily housing*
22 *project through a foreclosure sale only to a pur-*
23 *chaser that the Secretary determines is capable*
24 *of implementing a sound financial and physical*
25 *management program that is designed to enable*

1 *the project to meet anticipated operating and re-*
2 *pair expenses to ensure that the project will re-*
3 *main in decent, safe, and sanitary condition and*
4 *in compliance with any standards under appli-*
5 *cable State or local laws, rules, ordinances, or*
6 *regulations relating to the physical condition of*
7 *the housing and any such standards established*
8 *by the Secretary.*

9 “(d) *MANAGEMENT AND MAINTENANCE OF PROP-*
10 *ERTIES.—*

11 “(1) *CONTRACTING FOR MANAGEMENT SERV-*
12 *ICES.—In carrying out this section, the Secretary*
13 *may—*

14 “(A) *contract for management services for a*
15 *multifamily housing project that is owned by the*
16 *Secretary (or for which the Secretary is mortga-*
17 *gee in possession) with for-profit and nonprofit*
18 *entities and public agencies (including public*
19 *housing authorities) on a negotiated, competitive*
20 *bid, or other basis at a price determined by the*
21 *Secretary to be reasonable, with a manager the*
22 *Secretary has determined is capable of—*

23 “(i) *implementing a sound financial*
24 *and physical management program that is*
25 *designed to enable the project to meet an-*

1 *anticipated operating and maintenance ex-*
2 *penditures to ensure that the project will remain*
3 *in decent, safe, and sanitary condition and*
4 *in compliance with any standards under*
5 *applicable State or local laws, rules, ordi-*
6 *nances, or regulations relating to the phys-*
7 *ical condition of the project and any such*
8 *standards established by the Secretary;*

9 *“(ii) responding to the needs of the ten-*
10 *ants and working cooperatively with tenant*
11 *organizations;*

12 *“(iii) providing adequate organiza-*
13 *tional, staff, and financial resources to the*
14 *project; and*

15 *“(iv) meeting such other requirements*
16 *as the Secretary may determine; and*

17 *“(B) require the owner of a multifamily*
18 *housing project that is subject to a mortgage held*
19 *by the Secretary to contract for management*
20 *services for the project in the manner described*
21 *in subparagraph (A).*

22 *“(2) MAINTENANCE OF PROJECTS OWNED BY*
23 *SECRETARY.—In the case of multifamily housing*
24 *projects that are owned by the Secretary (or for which*

1 *the Secretary is mortgagee in possession), the Sec-*
2 *retary shall—*

3 *“(A) to the greatest extent possible, main-*
4 *tain all such occupied projects in a decent, safe,*
5 *and sanitary condition and in compliance with*
6 *any standards under applicable State or local*
7 *laws, rules, ordinances, or regulations relating to*
8 *the physical condition of the housing and any*
9 *such standards established by the Secretary;*

10 *“(B) to the greatest extent possible, main-*
11 *tain full occupancy in all such projects; and*

12 *“(C) maintain all such projects for purposes*
13 *of providing rental or cooperative housing.*

14 *“(3) PROJECTS SUBJECT TO A MORTGAGE HELD*
15 *BY SECRETARY.—In the case of any multifamily*
16 *housing project that is subject to a mortgage held by*
17 *the Secretary, the Secretary shall require the owner of*
18 *the project to carry out the requirements of paragraph*
19 *(2).*

20 *“(e) REQUIRED ASSISTANCE.—In disposing of multi-*
21 *family housing property under this section, consistent with*
22 *the goal of section 203(a)(3)(A), the Secretary shall take,*
23 *separately or in combination with other actions under this*
24 *subsection or subsection (f), one or more of the following*
25 *actions:*

1 “(1) *CONTRACT WITH OWNER FOR PROJECT-*
2 *BASED ASSISTANCE.—In the case of multifamily hous-*
3 *ing projects that are acquired by a purchaser other*
4 *than the Secretary at foreclosure or after sale by the*
5 *Secretary, the Secretary may enter into contracts*
6 *under section 8 of the United States Housing Act of*
7 *1937 (to the extent budget authority is available) with*
8 *owners of the projects, subject to the following require-*
9 *ments:*

10 “(A) *SUBSIDIZED OR FORMERLY SUB-*
11 *SIDIZED PROJECTS RECEIVING MORTGAGE-RE-*
12 *LATED ASSISTANCE.—In the case of a subsidized*
13 *or formerly subsidized project referred to in sub-*
14 *paragraphs (A) through (C) of subsection*
15 *(b)(2)—*

16 “(i) *the contract shall be sufficient to*
17 *assist at least all units covered by an assist-*
18 *ance contract under any of the authorities*
19 *referred to in subsection (b)(2)(D) before ac-*
20 *quisition or foreclosure, unless the Secretary*
21 *acts pursuant to the provisions of subpara-*
22 *graph (C);*

23 “(ii) *the contract shall provide that,*
24 *when a vacancy occurs in any unit in the*
25 *project requiring project-based rental assist-*

1 *ance pursuant to this subparagraph that is*
2 *occupied by a family who is not eligible for*
3 *assistance under such section 8, the owner*
4 *shall lease the available unit to a family eli-*
5 *gible for assistance under such section 8;*
6 *and*

7 *“(iii) the Secretary shall take actions*
8 *to ensure that any unit in any such project*
9 *that does not otherwise receive project-based*
10 *assistance under this subparagraph remains*
11 *available and affordable for the remaining*
12 *useful life of the project, as defined by the*
13 *Secretary; to carry out this clause, the Sec-*
14 *retary may require purchasers to establish*
15 *use or rent restrictions maintaining the af-*
16 *fordability of such units.*

17 *“(B) SUBSIDIZED OR FORMERLY SUB-*
18 *SIDIZED PROJECTS RECEIVING RENTAL ASSIST-*
19 *ANCE.—In the case of a subsidized or formerly*
20 *subsidized project referred to in subsection*
21 *(b)(2)(D) that is not subject to subparagraph*
22 *(A)—*

23 *“(i) the contract shall be sufficient to*
24 *assist at least all units in the project that*
25 *are covered, or were covered immediately be-*

1 *fore foreclosure on or acquisition of the*
2 *project by the Secretary, by an assistance*
3 *contract under any of the provisions re-*
4 *ferred to in such subsection, unless the Sec-*
5 *retary acts pursuant to provisions of sub-*
6 *paragraph (C); and*

7 “(i) *the contract shall provide that,*
8 *when a vacancy occurs in any unit in the*
9 *project requiring project-based rental assist-*
10 *ance pursuant to this subparagraph that is*
11 *occupied by a family who is not eligible for*
12 *assistance under such section 8, the owner*
13 *shall lease the available unit to a family eli-*
14 *gible for assistance under such section 8.*

15 “(C) *EXCEPTIONS.—*

16 “(i) *AUTHORITY.—In lieu of providing*
17 *project-based assistance under section 8 of*
18 *the United States Housing Act of 1937 in*
19 *accordance with subparagraph (A)(i) or*
20 *(B)(i) for a project, the Secretary may, for*
21 *certain units in unsubsidized projects lo-*
22 *cated within the same market area as the*
23 *project otherwise required to be assisted*
24 *with such project-based assistance—*

1 “(I) require use and rent restric-
2 tions providing that such units shall be
3 available to and affordable by very
4 low-income families for the remaining
5 useful life of the project (as defined by
6 the Secretary), or

7 “(II) provide project-based assist-
8 ance under section 8 for such units to
9 be occupied by only very low-income
10 persons,

11 but only if the requirements under clause
12 (ii) are met.

13 “(ii) REQUIREMENTS.—The require-
14 ments under this clause are that—

15 “(I) upon the disposition of the
16 project otherwise required to be assisted
17 with project-based assistance under
18 subparagraph (A)(i) or (B)(i), the Sec-
19 retary shall make available tenant-
20 based assistance under section 8 to
21 low-income families residing in units
22 otherwise required to be assisted with
23 such project-based assistance; and

24 “(II) the number of units subject
25 to use restrictions or provided assist-

1 *ance under clause (i) shall be at least*
2 *equivalent to the number of units oth-*
3 *erwise required to be assisted with*
4 *project-based assistance under section 8*
5 *in accordance with subparagraph*
6 *(A)(i) or (B)(i).*

7 *“(D) UNSUBSIDIZED PROJECTS.—Notwith-*
8 *standing actions taken pursuant to subpara-*
9 *graph (C), in the case of unsubsidized projects,*
10 *the contract shall be sufficient to provide—*

11 *“(i) project-based rental assistance for*
12 *all units that are covered, or were covered*
13 *immediately before foreclosure or acquisi-*
14 *tion, by an assistance contract under—*

15 *“(I) the new construction and*
16 *substantial rehabilitation program*
17 *under section 8(b)(2) of the United*
18 *States Housing Act of 1937 (as in ef-*
19 *fect before October 1, 1983);*

20 *“(II) the property disposition pro-*
21 *gram under section 8(b) of such Act;*

22 *“(III) the project-based certificate*
23 *program under section 8 of such Act;*

1 “(IV) the moderate rehabilitation
2 program under section 8(e)(2) of such
3 Act;

4 “(V) section 23 of such Act (as in
5 effect before January 1, 1975);

6 “(VI) the rent supplement pro-
7 gram under section 101 of the Housing
8 and Urban Development Act of 1965;
9 or

10 “(VII) section 8 of the United
11 States Housing Act of 1937, following
12 conversion from assistance under sec-
13 tion 101 of the Housing and Urban
14 Development Act of 1965; and

15 “(ii) tenant-based assistance under sec-
16 tion 8 of the United States Housing Act of
17 1937 for families that are preexisting ten-
18 ants of the project in units that, imme-
19 diately before foreclosure or acquisition of
20 the project by the Secretary, were covered by
21 an assistance contract under the loan man-
22 agement set-aside program under section
23 8(b) of the United States Housing Act of
24 1937.

1 “(2) ANNUAL CONTRIBUTION CONTRACTS FOR
2 TENANT-BASED ASSISTANCE.—In the case of multi-
3 family housing projects that are acquired by a pur-
4 chaser other than the Secretary at foreclosure or after
5 sale by the Secretary, the Secretary may enter into
6 annual contribution contracts with public housing
7 agencies to provide tenant-based assistance under sec-
8 tion 8 of the United States Housing Act of 1937 on
9 behalf of all low-income families who are otherwise el-
10 igible for assistance in accordance with subparagraph
11 (A), (B), or (D) of paragraph (1) on the date that the
12 project is acquired by the purchaser, subject to the fol-
13 lowing requirements:

14 “(A) REQUIREMENT OF SUFFICIENT AF-
15 FORDABLE HOUSING IN AREA.—The Secretary
16 may not take action under this paragraph unless
17 the Secretary determines that there is available
18 in the area an adequate supply of habitable, af-
19 fordable housing for very low-income families
20 and other low-income families using tenant-
21 based assistance.

22 “(B) LIMITATION FOR SUBSIDIZED AND
23 FORMERLY SUBSIDIZED PROJECTS.—The Sec-
24 retary may not take actions under this para-
25 graph in connection with units in subsidized or

1 *formerly subsidized projects for more than 10*
2 *percent of the aggregate number of units in such*
3 *projects disposed of by the Secretary in any fis-*
4 *cal year.*

5 *“(3) OTHER ASSISTANCE.—*

6 *“(A) IN GENERAL.—In accordance with the*
7 *authority provided under the National Housing*
8 *Act, the Secretary may provide other assistance*
9 *pursuant to subsection (f) to the owners of multi-*
10 *family housing projects that are acquired by a*
11 *purchaser other than the Secretary at foreclosure,*
12 *or after sale by the Secretary, on terms that en-*
13 *sure that—*

14 *“(i) at least the units in the project*
15 *otherwise required to receive project-based*
16 *assistance pursuant to subparagraphs (A),*
17 *(B), or (D) of paragraph (1) are available*
18 *to and affordable by low-income persons;*
19 *and*

20 *“(ii) for the remaining useful life of*
21 *the project, as defined by the Secretary,*
22 *there shall be in force such use or rent re-*
23 *strictions as the Secretary may prescribe.*

24 *“(B) VERY LOW-INCOME TENANTS.—If, as a*
25 *result of actions taken pursuant to this para-*

1 *graph, the rents charged to any very low-income*
2 *families residing in the project who are otherwise*
3 *required (pursuant to subparagraph (A), (B), or*
4 *(D) of paragraph (1)) to receive project-based as-*
5 *stance under section 8 of the United States*
6 *Housing Act of 1937 exceed the amount payable*
7 *as rent under section 3(a) of the United States*
8 *Housing Act of 1937, the Secretary shall provide*
9 *tenant-based assistance under section 8 of such*
10 *Act to such families.*

11 “(f) *DISCRETIONARY ASSISTANCE.*—*In addition to the*
12 *actions required under subsection (e) for a subsidized, for-*
13 *merly subsidized, or unsubsidized multifamily housing*
14 *project, the Secretary may, pursuant to the disposition plan*
15 *and the goals in subsection (a), take one or more of the*
16 *following actions:*

17 “(1) *DISCOUNTED SALES PRICE.*—*In accordance*
18 *with the authority provided under the National Hous-*
19 *ing Act, the Secretary may reduce the selling price of*
20 *the project. Such reduced sales price shall be reason-*
21 *ably related to the intended use of the property after*
22 *sale, any rehabilitation requirements for the project,*
23 *the rents for units in the project that can be sup-*
24 *ported by the market, the amount of rental assistance*
25 *available for the project under section 8 of the United*

1 *States Housing Act of 1937, the occupancy profile of*
2 *the project (including family size and income levels*
3 *for tenant families), and any other factors that the*
4 *Secretary considers appropriate.*

5 “(2) *USE AND RENT RESTRICTIONS.*—*The Sec-*
6 *retary may require certain units in a project to be*
7 *subject to use or rent restrictions providing that such*
8 *units will be available to and affordable by low- and*
9 *very low-income persons for the remaining useful life*
10 *of the property, as defined by the Secretary.*

11 “(3) *SHORT-TERM LOANS.*—*The Secretary may*
12 *provide short-term loans to facilitate the sale of a*
13 *multifamily housing project if—*

14 “(A) *authority for such loans is provided in*
15 *advance in an appropriation Act;*

16 “(B) *such loan has a term of not more than*
17 *5 years;*

18 “(C) *the Secretary determines, based upon*
19 *documentation provided to the Secretary, that*
20 *the borrower has obtained a commitment of per-*
21 *manent financing to replace the short-term loan*
22 *from a lender who meets standards established by*
23 *the Secretary; and*

24 “(D) *the terms of such loan are consistent*
25 *with prevailing practices in the marketplace or*

1 *the provision of such loan results in no cost to*
2 *the Government, as defined in section 502 of the*
3 *Congressional Budget Act of 1974.*

4 “(4) *UP-FRONT GRANTS.*—*If the Secretary deter-*
5 *mines that action under this paragraph is more cost-*
6 *effective than establishing rents pursuant to sub-*
7 *section (h)(2), the Secretary may utilize the budget*
8 *authority provided for contracts issued under this sec-*
9 *tion for project-based assistance under section 8 of the*
10 *United States Housing Act of 1937 to (in addition to*
11 *providing project-based section 8 rental assistance)*
12 *provide up-front grants for the necessary cost of reha-*
13 *bilitation and other related development costs.*

14 “(5) *TENANT-BASED ASSISTANCE.*—*The Sec-*
15 *retary may make available tenant-based assistance*
16 *under section 8 of the United States Housing Act of*
17 *1937 to families residing in a multifamily housing*
18 *project that do not otherwise qualify for project-based*
19 *assistance.*

20 “(6) *ALTERNATIVE USES.*—

21 “(A) *IN GENERAL.*—*Notwithstanding any*
22 *other provision of law, after providing notice to*
23 *and an opportunity for comment by preexisting*
24 *tenants, the Secretary may allow not more*
25 *than—*

1 “(i) 10 percent of the total number of
2 units in multifamily housing projects that
3 are disposed of by the Secretary during any
4 fiscal year to be made available for uses
5 other than rental or cooperative uses, in-
6 cluding low-income homeownership oppor-
7 tunities, or in any particular project, com-
8 munity space, office space for tenant or
9 housing-related service providers or security
10 programs, or small business uses, if such
11 uses benefit the tenants of the project; and

12 “(ii) 5 percent of the total number of
13 units in multifamily housing projects that
14 are disposed of by the Secretary during any
15 fiscal year to be used in any manner, if the
16 Secretary and the unit of general local gov-
17 ernment or area-wide governing body deter-
18 mine that such use will further fair hous-
19 ing, community development, or neighbor-
20 hood revitalization goals.

21 “(B) *DISPLACEMENT PROTECTION*.—The
22 Secretary may take actions under subparagraph
23 (A) only if—

24 “(i) tenant-based rental assistance
25 under section 8 of the United States Hous-

1 *ing Act of 1937 is made available to each*
 2 *eligible family residing in the project that is*
 3 *displaced as a result of such actions; and*

4 *“(ii) the Secretary determines that suf-*
 5 *ficient habitable, affordable rental housing*
 6 *is available in the market area in which the*
 7 *project is located to ensure use of such as-*
 8 *sistance.*

9 *“(7) TRANSFER FOR USE UNDER OTHER PRO-*
 10 *GRAMS OF SECRETARY.—*

11 *“(A) IN GENERAL.—Notwithstanding the*
 12 *provisions of subsection (e), the Secretary may,*
 13 *pursuant to an agreement under subparagraph*
 14 *(B), transfer a multifamily housing project—*

15 *“(i) to a public housing agency for use*
 16 *of the project as public housing; or*

17 *“(ii) to an entity eligible to own or op-*
 18 *erate housing assisted under section 202 of*
 19 *the Housing Act of 1959 or under section*
 20 *811 of the Cranston-Gonzalez National Af-*
 21 *fordable Housing Act for use as supportive*
 22 *housing under either of such sections.*

23 *“(B) REQUIREMENTS FOR AGREEMENT.—*
 24 *An agreement providing for the transfer of a*
 25 *project described in subparagraph (A) shall—*

1 “(i) contain such terms, conditions,
2 and limitations as the Secretary determines
3 appropriate, including requirements to en-
4 sure use of the project as public housing,
5 supportive housing under section 202 of the
6 Housing Act of 1959, or supportive housing
7 under section 811 of the Cranston-Gonzalez
8 National Affordable Housing Act, as appli-
9 cable; and

10 “(ii) ensure that no tenant of the
11 project will be displaced as a result of ac-
12 tions taken under this paragraph.

13 “(8) *REBUILDING.*—Notwithstanding any provi-
14 sion of section 8 of the United States Housing Act of
15 1937, the Secretary may provide project-based assist-
16 ance in accordance with subsection (e) of this section
17 to support the rebuilding of a multifamily housing
18 project rebuilt or to be rebuilt (in whole or in part
19 and on-site, off-site, or in a combination of both) in
20 connection with disposition under this section, if the
21 Secretary determines that—

22 “(A) the project is not being maintained in
23 a decent, safe, and sanitary condition;

24 “(B) rebuilding the project would be less ex-
25 pensive than substantial rehabilitation;

1 “(C) the unit of general local government in
2 which the project is located approves the rebuild-
3 ing and makes a financial contribution or other
4 commitment to the project; and

5 “(D) the rebuilding is a part of a local
6 neighborhood revitalization plan approved by the
7 unit of general local government.

8 The provisions of subsection (j)(2) shall apply to any
9 tenants of the project who are displaced.

10 “(9) EMERGENCY ASSISTANCE FUNDS.—The Sec-
11 retary may make arrangements with State agencies
12 and units of general local government of States receiv-
13 ing emergency assistance under part A of title IV of
14 the Social Security Act for the provision of assistance
15 under such Act on behalf of eligible families who
16 would reside in any multifamily housing projects.

17 “(g) PROTECTION FOR UNASSISTED VERY LOW-IN-
18 COME TENANTS.—For each multifamily housing project
19 disposed of under this section, the Secretary shall require
20 that, for any very low-income family who is a preexisting
21 tenant of the project who (upon disposition) would be re-
22 quired to pay rent in an amount in excess of 30 percent
23 of the adjusted income (as such term is defined in section
24 3(b) of the United States Housing Act of 1937) of the fam-
25 ily—

1 “(1) for a period of 2 years beginning upon the
2 date of the acquisition of the project by the purchaser
3 under such disposition, the rent for the unit occupied
4 by the family may not be increased above the rent
5 charged immediately before acquisition;

6 “(2) such family shall be considered displaced for
7 purposes of the preferences for assistance under sec-
8 tions 6(c)(4)(A)(i), 8(d)(1)(A)(i), and 8(o)(3)(B) of
9 the United States Housing Act of 1937; and

10 “(3) notice shall be provided to such family, not
11 later than the date of the acquisition of the project by
12 the purchaser—

13 “(A) of the requirements under paragraphs
14 (1) and (2); and

15 “(B) that, after the expiration of the period
16 under paragraph (1), the rent for the unit occu-
17 pied by the family may be increased.

18 “(h) *CONTRACT REQUIREMENTS.*—Contracts for
19 project-based rental assistance under section 8 of the United
20 States Housing Act of 1937 provided pursuant to this sec-
21 tion shall be subject to the following requirements:

22 “(1) *CONTRACT TERM.*—The contract shall have
23 a term of 15 years, except that the term may be less
24 than 15 years—

1 “(A) to the extent that the Secretary finds
2 that, based on the rental charges and financing
3 for the multifamily housing project to which the
4 contract relates, the financial viability of the
5 project can be maintained under a contract hav-
6 ing such a term; except that the Secretary shall
7 require that the amount of rent payable by ten-
8 ants of the project for units assisted under such
9 contract shall not exceed the amount payable for
10 rent under section 3(a) of the United States
11 Housing Act of 1937 for a period of at least 15
12 years; or

13 “(B) if such assistance is provided—

14 “(i) under a contract authorized under
15 section 6 of the HUD Demonstration Act of
16 1993; and

17 “(ii) pursuant to a disposition plan
18 under this section for a project that is deter-
19 mined by the Secretary to be otherwise in
20 compliance with this section.

21 “(2) *CONTRACT RENT.*—The Secretary shall es-
22 tablish the contract rents under such contracts at lev-
23 els that, together with other resources available to the
24 purchasers, provide sufficient amounts for the nec-
25 essary costs of rehabilitating and operating the multi-

1 *family housing project and do not exceed the percent-*
2 *age of the existing housing fair market rentals for the*
3 *market area in which the project assisted under the*
4 *contract is located as determined by the Secretary*
5 *under section 8(c) of the United States Housing Act*
6 *of 1937.*

7 “(i) *RIGHT OF FIRST REFUSAL FOR LOCAL AND*
8 *STATE GOVERNMENT AGENCIES.—*

9 “(1) *NOTIFICATION.—Not later than 30 days*
10 *after the Secretary acquires title to a multifamily*
11 *housing project, the Secretary shall notify the appro-*
12 *priate unit of general local government (including*
13 *public housing agencies) and State agency or agencies*
14 *designated by the chief executive officer of the State*
15 *in which the project is located of such acquisition of*
16 *title and that, for a period beginning upon such noti-*
17 *fication that does not exceed 90 days, such unit of*
18 *general local government and agency or agencies shall*
19 *have the exclusive right under this subsection to make*
20 *bona fide offers to purchase the project.*

21 “(2) *RIGHT OF FIRST REFUSAL.—During the 90-*
22 *day period, the Secretary may not sell or offer to sell*
23 *the multifamily housing project other than to a party*
24 *notified under paragraph (1), unless the unit of gen-*
25 *eral local government and the designated State agency*

1 *or agencies notify the Secretary that they will not*
2 *make an offer to purchase the project. The Secretary*
3 *shall accept a bona fide offer to purchase the project*
4 *made during such period if it complies with the terms*
5 *and conditions of the disposition plan for the project*
6 *or is otherwise acceptable to the Secretary.*

7 “(3) *PROCEDURE.*—*The Secretary shall establish*
8 *any procedures necessary to carry out this subsection.*

9 “(j) *DISPLACEMENT OF TENANTS AND RELOCATION*
10 *ASSISTANCE.*—

11 “(1) *IN GENERAL.*—*Whenever tenants will be*
12 *displaced as a result of the demolition of, repairs to,*
13 *or conversion in the use of, a multifamily housing*
14 *project that is owned by the Secretary (or for which*
15 *the Secretary is mortgagee in possession), the Sec-*
16 *retary shall identify tenants who will be displaced,*
17 *and shall notify all such tenants of their pending dis-*
18 *placement and of any relocation assistance that may*
19 *be available. In the case of a multifamily housing*
20 *project that is subject to a mortgage held by the Sec-*
21 *retary, the Secretary shall require the owner of the*
22 *project to carry out the requirements of this para-*
23 *graph, if the Secretary has authorized the demolition*
24 *of, repairs to, or conversion in the use of such multi-*
25 *family housing project.*

1 “(2) *RIGHTS OF DISPLACED TENANTS.*—*The Sec-*
2 *retary shall ensure for any such tenant (who contin-*
3 *ues to meet applicable qualification standards) the*
4 *right—*

5 “(A) *to return, whenever possible, to a re-*
6 *paired or rebuilt unit;*

7 “(B) *to occupy a unit in another multifam-*
8 *ily housing project owned by the Secretary;*

9 “(C) *to obtain housing assistance under the*
10 *United States Housing Act of 1937; or*

11 “(D) *to receive any other available similar*
12 *relocation assistance as the Secretary determines*
13 *to be appropriate.*

14 “(k) *MORTGAGE AND PROJECT SALES.*—

15 “(1) *IN GENERAL.*—*The Secretary may not ap-*
16 *prove the sale of any loan or mortgage held by the*
17 *Secretary (including any loan or mortgage owned by*
18 *the Government National Mortgage Association) on*
19 *any subsidized project or formerly subsidized project,*
20 *unless such sale is made as part of a transaction that*
21 *will ensure that such project will continue to operate*
22 *at least until the maturity date of such loan or mort-*
23 *gage, in a manner that will provide rental housing on*
24 *terms at least as advantageous to existing and future*
25 *tenants as the terms required by the program under*

1 *which the loan or mortgage was made or insured*
2 *prior to the assignment of the loan or mortgage on*
3 *such project to the Secretary.*

4 “(2) *SALE OF CERTAIN PROJECTS.—The Sec-*
5 *retary may not approve the sale of any subsidized*
6 *project—*

7 “(A) *that is subject to a mortgage held by*
8 *the Secretary, or*

9 “(B) *if the sale transaction involves the pro-*
10 *vision of any additional subsidy funds by the*
11 *Secretary or a recasting of the mortgage,*

12 *unless such sale is made as part of a transaction that*
13 *will ensure that the project will continue to operate,*
14 *at least until the maturity date of the loan or mort-*
15 *gage, in a manner that will provide rental housing on*
16 *terms at least as advantageous to existing and future*
17 *tenants as the terms required by the program under*
18 *which the loan or mortgage was made or insured*
19 *prior to the proposed sale of the project.*

20 “(3) *MORTGAGE SALES TO STATE AND LOCAL*
21 *GOVERNMENTS.—Notwithstanding any provision of*
22 *law that requires competitive sales or bidding, the*
23 *Secretary may carry out negotiated sales of mortgages*
24 *held by the Secretary, without the competitive selec-*
25 *tion of purchasers or intermediaries, to units of gen-*

1 *eral local government or State agencies, or groups of*
2 *investors that include at least one such unit of general*
3 *local government or State agency, if the negotiations*
4 *are conducted with such agencies, except that—*

5 *“(A) the terms of any such sale shall in-*
6 *clude the agreement of the purchasing agency or*
7 *unit of local government or State agency to act*
8 *as mortgagee or owner of a beneficial interest in*
9 *such mortgages, in a manner consistent with*
10 *maintaining the projects that are subject to such*
11 *mortgages for occupancy by the general tenant*
12 *group intended to be served by the applicable*
13 *mortgage insurance program, including, to the*
14 *extent the Secretary determines appropriate, au-*
15 *thorizing such unit of local government or State*
16 *agency to enforce the provisions of any regu-*
17 *latory agreement or other program requirements*
18 *applicable to the related projects; and*

19 *“(B) the sales prices for such mortgages*
20 *shall be, in the determination of the Secretary,*
21 *the best prices that may be obtained for such*
22 *mortgages from a unit of general local govern-*
23 *ment or State agency, consistent with the expec-*
24 *tation and intention that the projects financed*
25 *will be retained for use under the applicable*

1 *mortgage insurance program for the life of the*
2 *initial mortgage insurance contract.*

3 “(4) *SALE OF MORTGAGES COVERING*
4 *UNSUBSIDIZED PROJECTS.*—*Notwithstanding any*
5 *other provision of law, the Secretary may sell mort-*
6 *gages held on projects that are not subsidized or for-*
7 *merly subsidized projects on such terms and condi-*
8 *tions as the Secretary may prescribe.*

9 “(5) *MORTGAGE SALE DEMONSTRATION.*—*The*
10 *Secretary may carry out a demonstration to test the*
11 *feasibility of restructuring and disposing of troubled*
12 *multifamily mortgages held by the Secretary through*
13 *the establishment of partnerships with public, private,*
14 *and nonprofit entities.*

15 “(6) *PROJECT SALE DEMONSTRATION.*—*The Sec-*
16 *retary may carry out a demonstration to test the fea-*
17 *sibility of disposing of troubled multifamily housing*
18 *projects that are owned by the Secretary through the*
19 *establishment of partnerships with public, private,*
20 *and nonprofit entities.*

21 “(l) *REPORT TO CONGRESS.*—*Not later than June 1*
22 *of each year, the Secretary shall submit to the Congress a*
23 *report describing the status of multifamily housing projects*
24 *owned by or subject to mortgages held by the Secretary, on*
25 *an aggregate basis, which highlights the differences, if any,*

1 *between the subsidized and the unsubsidized inventory. The*
2 *report shall include—*

3 *“(1) the average and median size of the projects;*

4 *“(2) the geographic locations of the projects, by*
5 *State and region;*

6 *“(3) the years during which projects were as-*
7 *signed to the Department, and the average and me-*
8 *dian length of time that projects remain in the HUD-*
9 *held inventory;*

10 *“(4) the status of HUD-held mortgages;*

11 *“(5) the physical condition of the HUD-held and*
12 *HUD-owned inventory;*

13 *“(6) the occupancy profile of the projects, includ-*
14 *ing the income, family size, race, and ethnic origin*
15 *of current tenants, and the rents paid by such ten-*
16 *ants;*

17 *“(7) the proportion of units that are vacant;*

18 *“(8) the number of projects for which the Sec-*
19 *retary is mortgagee in possession;*

20 *“(9) the number of projects sold in foreclosure*
21 *sales;*

22 *“(10) the number of HUD-owned projects sold;*

23 *“(11) a description of actions undertaken pursu-*
24 *ant to this section, including a description of the ef-*
25 *fectiveness of such actions and any impediments to*

1 *the disposition or management of multifamily hous-*
2 *ing projects;*

3 “(12) a description of the extent to which the
4 *provisions of this section and actions taken under this*
5 *section have displaced tenants of multifamily housing*
6 *projects;*

7 “(13) a description of any of the functions per-
8 *formed in connection with this section that are con-*
9 *tracted out to public or private entities or to States;*
10 *and*

11 “(14) a description of the activities carried out
12 *under subsection (i) during the preceding year.”.*

13 (c) *CLARIFICATION OF FEDERAL PREFERENCES.*—

14 (1) *PUBLIC HOUSING TENANCY.*—Section
15 *6(c)(4)(A)(i) of the United States Housing Act of*
16 *1937 (42 U.S.C. 1437d(c)(4)(A)(i)) is amended by in-*
17 *serting after “displaced” the following: “(including*
18 *displacement because of disposition of a multifamily*
19 *housing project under section 203 of the Housing and*
20 *Community Development Amendments of 1978)”.*

21 (2) *SECTION 8 ASSISTANCE.*—Section
22 *8(d)(1)(A)(i) of the United States Housing Act of*
23 *1937 (42 U.S.C. 1437f(d)(1)(A)(i)) is amended by in-*
24 *serting after “displaced” the following: “(including*
25 *displacement because of disposition of a multifamily*

1 *taining the low-income character of the project, the Sec-*
2 *retary may request the mortgagee, in lieu of assignment,*
3 *to—*

4 *“(1) accept partial payment of the claim under*
5 *the mortgage insurance contract; and*

6 *“(2) recast the mortgage, under such terms and*
7 *conditions as the Secretary may determine.*

8 *“(b) REPAYMENT.—As a condition to a partial claim*
9 *payment under this section, the mortgagor shall agree to*
10 *repay to the Secretary the amount of such payment and*
11 *such obligation shall be secured by a second mortgage on*
12 *the property on such terms and conditions as the Secretary*
13 *may determine.”.*

14 *(f) EFFECTIVE DATE.—The Secretary shall issue in-*
15 *terim regulations necessary to implement the amendments*
16 *made by subsections (b) through (d) not later than 90 days*
17 *after the date of the enactment of this Act. Such interim*
18 *regulations shall take effect upon issuance and invite public*
19 *comment on the interim regulations. The Secretary shall*
20 *issue final regulations to implement such amendments after*
21 *opportunity for such public comment, but not later than*
22 *12 months after the date of issuance of such interim regula-*
23 *tions.*

1 **SEC. 102. REPEAL OF STATE AGENCY MULTIFAMILY PROP-**
 2 **ERTY DISPOSITION DEMONSTRATION.**

3 *Section 184 of the Housing and Community Develop-*
 4 *ment Act of 1987 (12 U.S.C. 1701z-11 note) is hereby re-*
 5 *pealed.*

6 **SEC. 103. PREVENTING MORTGAGE DEFAULTS ON MULTI-**
 7 **FAMILY HOUSING PROJECTS.**

8 *(a) MULTIFAMILY HOUSING PLANNING AND INVEST-*
 9 *MENT STRATEGIES.—*

10 *(1) PREPARATION OF ASSESSMENTS FOR INDE-*
 11 *PENDENT ENTITIES.—Section 402(a) of the Housing*
 12 *and Community Development Act of 1992 (12 U.S.C.*
 13 *1715-1a note) is amended by adding at the end the*
 14 *following new sentence: “The assessment shall be pre-*
 15 *pared by an entity that does not have an identity of*
 16 *interest with the owner.”.*

17 *(2) TIMING OF SUBMISSION OF NEEDS ASSESS-*
 18 *MENTS.—Section 402(b) of the Housing and Commu-*
 19 *nity Development Act of 1992 (12 U.S.C. 1715z-1a*
 20 *note) is amended to read as follows:*

21 *“(b) TIMING.—To ensure that assessments for all cov-*
 22 *ered multifamily housing properties will be submitted on*
 23 *or before the conclusion of fiscal year 1997, the Secretary*
 24 *shall require the owners of such properties, including cov-*
 25 *ered multifamily housing properties for the elderly, to sub-*

1 *mit the assessments for the properties in accordance with*
2 *the following schedule:*

3 “(1) *For fiscal year 1994, 10 percent of the ag-*
4 *gregate number of such properties.*

5 “(2) *For each of fiscal years 1995, 1996, and*
6 *1997, an additional 30 percent of the aggregate num-*
7 *ber of such properties.”.*

8 (3) *REVIEW OF COMPREHENSIVE NEEDS ASSESS-*
9 *MENTS.—Section 404(d) of the Housing and Commu-*
10 *nity Development Act of 1992 (12 U.S.C. 1715–1a*
11 *note) is amended to read as follows:*

12 “(d) *REVIEW.—*

13 “(1) *IN GENERAL.—The Secretary shall review*
14 *each comprehensive needs assessment for completeness*
15 *and adequacy before the expiration of the 90-day pe-*
16 *riod beginning on the receipt of the assessment and*
17 *shall notify the owner of the property for which the*
18 *assessment was submitted of the findings of such re-*
19 *view.*

20 “(2) *INCOMPLETE OR INADEQUATE ASSESS-*
21 *MENTS.—If the Secretary determines that the assess-*
22 *ment is substantially incomplete or inadequate, the*
23 *Secretary shall—*

1 “(A) notify the owner of the portion or por-
2 tions of the assessment requiring completion or
3 other revision; and

4 “(B) require the owner to submit an
5 amended assessment to the Secretary not later
6 than 30 days after such notification.”.

7 (4) *REPEAL OF NOTICE PROVISION.*—Section 404
8 of the Housing and Community Development Act of
9 1992 (12 U.S.C. 1715–1a note) is amended by strik-
10 ing subsection (f).

11 (5) *PUBLICATION.*—Section 404 of the Housing
12 and Community Development Act of 1992 (12 U.S.C.
13 1715z–1a note), as amended by paragraph (4) of this
14 subsection, is further amended by inserting after sub-
15 section (e) the following new subsection:

16 “(f) *PUBLICATION OF METHOD FOR RECEIVING CAP-*
17 *ITAL NEEDS ASSESSMENT.*—The Secretary shall cause to
18 be published in the Federal Register the method by which
19 the Secretary determines which capital needs assessments
20 will be received each year in accordance with section 402(b)
21 and subsection (d) of this section.”.

22 (6) *FUNDING.*—Title IV of the Housing and
23 Community Development Act of 1992 (12 U.S.C.
24 1715z–1a note) is amended by adding at the end the
25 following new section:

1 **“SEC. 409. FUNDING.**

2 “(a) *ALLOCATION OF ASSISTANCE.*—Based upon needs
3 identified in comprehensive needs assessments, and subject
4 to otherwise applicable program requirements, including se-
5 lection criteria, the Secretary may allocate the following as-
6 sistance to owners of covered multifamily housing projects
7 and may provide such assistance on a noncompetitive basis:

8 “(1) *Operating assistance and capital improve-*
9 *ment assistance for troubled multifamily housing*
10 *projects pursuant to section 201 of the Housing and*
11 *Community Development Amendments of 1978, except*
12 *for assistance set aside under section 201(n)(1).*

13 “(2) *Loan management assistance available pur-*
14 *suant to section 8 of the United States Housing Act*
15 *of 1937.*

16 “(b) *OPERATING ASSISTANCE AND CAPITAL IMPROVE-*
17 *MENT ASSISTANCE.*—In providing assistance under sub-
18 section (a) the Secretary shall use the selection criteria set
19 forth in section 201(n) of the Housing and Community De-
20 velopment Amendments of 1978.

21 “(c) *AMOUNT OF ASSISTANCE.*—The Secretary may
22 fund all or only a portion of the needs identified in the
23 capital needs assessment of an owner selected to receive as-
24 sistance under this section.”.

25 (b) *FLEXIBLE SUBSIDY PROGRAM.*—

1 (1) *DELETION OF UTILITY COST REQUIRE-*
2 *MENTS.—Section 201(i) of the Housing and Commu-*
3 *nity Development Amendments of 1978 (12 U.S.C.*
4 *1715z-1a(i)) is hereby repealed.*

5 (2) *REPEAL OF MANDATORY CONTRIBUTION*
6 *FROM OWNER.—Section 201(k)(2) of the Housing and*
7 *Community Development Amendments of 1978 (12*
8 *U.S.C. 1715z-1a(k)(2)) is amended by striking “, ex-*
9 *cept that” and all that follows and inserting a period.*

10 (3) *FUNDING.—Section 201(n) of the Housing*
11 *and Community Development Amendments of 1978*
12 *(42 U.S.C. 1715z-1a(n)) is amended to read as*
13 *follows:*

14 “(n) *ALLOCATION OF ASSISTANCE.—*

15 “(1) *SET-ASIDE.—In providing, and contracting*
16 *to provide, assistance for capital improvements under*
17 *this section, in each fiscal year the Secretary shall set*
18 *aside an amount, as determined by the Secretary, for*
19 *projects that are eligible for incentives under section*
20 *224(b) of the Emergency Low Income Housing Preser-*
21 *vation Act of 1987, as such section existed before the*
22 *date of enactment of the Cranston-Gonzalez National*
23 *Affordable Housing Act. The Secretary may make*
24 *such assistance available on a noncompetitive basis.*

1 “(2) *GENERAL RULES FOR ALLOCATION.*—*Except*
2 *as provided in paragraph (3), with respect to assist-*
3 *ance under this section not set aside for projects*
4 *under paragraph (1), the Secretary—*

5 “(A) *may award assistance on a non-*
6 *competitive basis; and*

7 “(B) *shall award assistance to eligible*
8 *projects on the basis of—*

9 “(i) *the extent to which the project is*
10 *physically or financially troubled, as evi-*
11 *denced by the comprehensive needs assess-*
12 *ment submitted in accordance with title IV*
13 *of the Housing and Community Develop-*
14 *ment Act of 1992; and*

15 “(ii) *the extent to which such assist-*
16 *ance is necessary and reasonable to prevent*
17 *the default of federally insured mortgages.*

18 “(3) *EXCEPTIONS.*—*The Secretary may make ex-*
19 *ceptions to selection criteria set forth in paragraph*
20 *(2)(B) to permit the provision of assistance to eligible*
21 *projects based upon—*

22 “(A) *the extent to which such assistance is*
23 *necessary to prevent the imminent foreclosure or*
24 *default of a project whose owner has not submit-*
25 *ted a comprehensive needs assessment pursuant*

1 *to title IV of the Housing and Community Devel-*
2 *opment Act of 1992;*

3 *“(B) the extent to which the project presents*
4 *an imminent threat to the life, health, and safety*
5 *of project residents; or*

6 *“(C) such other criteria as the Secretary*
7 *may specify by regulation or by notice printed*
8 *in the Federal Register.*

9 *“(4) CONSIDERATIONS.—In providing assistance*
10 *under this section, the Secretary shall take into con-*
11 *sideration—*

12 *“(A) the extent to which there is evidence*
13 *that there will be significant opportunities for*
14 *residents (including a resident council or resi-*
15 *dent management corporation, as appropriate)*
16 *to be involved in the management of the project*
17 *(except that this paragraph shall have no appli-*
18 *cation to projects that are owned as coopera-*
19 *tives); and*

20 *“(B) the extent to which there is evidence*
21 *that the project owner has provided competent*
22 *management and complied with all regulatory*
23 *and administrative requirements.”.*

1 (4) *REPEAL.*—Section 201 of the Housing and
2 Community Development Amendments of 1978 (12
3 U.S.C. 1715z-1a) is amended—

4 (A) by striking subsection (o); and

5 (B) by redesignating subsection (p) as sub-
6 section (o).

7 (c) *IMPLEMENTATION AND EFFECTIVE DATES FOR*
8 *SUBSECTIONS (a) AND (b).*—

9 (1) *IN GENERAL.*—Except as provided in para-
10 graph (2), the amendments made by subsections (a)
11 and (b) shall apply with respect to amounts made
12 available for fiscal year 1994 and fiscal years there-
13 after.

14 (2) *EXCEPTION.*—Section 201(n)(1) of the Hous-
15 ing and Community Development Amendments of
16 1978 (as added by the amendment made by subsection
17 (b)(3) of this section) shall take effect on the date of
18 enactment of this Act.

19 (3) *NOTICE.*—The Secretary shall, by notice pub-
20 lished in the Federal Register, establish any require-
21 ments necessary to implement the amendments made
22 by subsections (a) and (b). The notice shall invite
23 public comments and, not later than 12 months after
24 the date on which the notice is published, the Sec-
25 retary shall issue final regulations based on the ini-

1 *tial notice, taking into consideration any public com-*
2 *ments received.*

3 *(d) STREAMLINED REFINANCING.—As soon as prac-*
4 *ticable, the Secretary shall implement a streamlined refi-*
5 *nancing program under the authority provided in section*
6 *223 of the National Housing Act to prevent the default of*
7 *mortgages insured by the FHA which cover multifamily*
8 *housing projects, as defined in section 203(b) of the Housing*
9 *and Community Development Amendments of 1978.*

10 *(e) GAO STUDY ON PREVENTION OF DEFAULT.—*

11 *(1) IN GENERAL.—Not later than April 1, 1995,*
12 *the Comptroller General of the United States shall*
13 *submit to the Committee on Banking, Finance and*
14 *Urban Affairs of the House of Representatives and the*
15 *Committee on Banking, Housing, and Urban Affairs*
16 *of the Senate a report that evaluates the adequacy of*
17 *loan loss reserves in the General Insurance and Spe-*
18 *cial Risk Insurance Funds and presents recommenda-*
19 *tions for the Secretary to prevent losses from occur-*
20 *ring.*

21 *(2) CONTENTS.—The report submitted under*
22 *paragraph (1) shall—*

23 *(A) evaluate the factors considered in arriv-*
24 *ing at loss estimates and determine whether*
25 *other factors should be considered;*

1 (B) determine the relative benefit of creat-
2 ing a new, actuarially sound insurance fund for
3 all new multifamily housing insurance commit-
4 ments; and

5 (C) recommend alternatives to the Sec-
6 retary's current procedures for preventing the fu-
7 ture default of multifamily housing project mort-
8 gages insured under title II of the National
9 Housing Act.

10 (f) GAO STUDY ON ACTUARIAL SOUNDNESS OF CER-
11 TAIN INSURANCE PROGRAMS.—

12 (1) IN GENERAL.—Not later than April 1, 1995,
13 the Comptroller General of the United States shall
14 submit to the Committee on Banking, Housing, and
15 Urban Affairs of the Senate and the Committee on
16 Banking, Finance and Urban Affairs of the House of
17 Representatives a report that evaluates, in connection
18 with the General Insurance Fund, the role and per-
19 formance of the nursing home, hospital, and retire-
20 ment service center insurance programs.

21 (2) CONTENTS.—The reports submitted under
22 paragraph (1) shall—

23 (A) evaluate the strategic importance of
24 these insurance programs to the mission of the
25 FHA;

1 (B) evaluate the impact of these insurance
2 programs upon the financial performance of the
3 General Insurance Fund;

4 (C) assess the potential losses expected
5 under these programs through fiscal year 1999;

6 (D) evaluate the risk of these programs to
7 the General Insurance Fund in connection with
8 changes in national health care policy;

9 (E) assess the ability of the FHA to manage
10 these programs; and

11 (F) make recommendations for any nec-
12 essary changes.

13 (g) *RISK ASSESSMENT.*—

14 (1) *SPECIAL RISK INSURANCE FUND.*—Section
15 238(c) of the National Housing Act (12 U.S.C.
16 1715z-3(c)) is amended by adding at the end the fol-
17 lowing new paragraph:

18 “(3) The Secretary shall undertake an annual
19 assessment of the risks associated with each of the in-
20 surance programs comprising the Special Risk Insur-
21 ance Fund, and shall present findings from such re-
22 view to the Congress in the FHA Annual Manage-
23 ment Report.”.

24 (2) *GENERAL INSURANCE FUND.*—Section 519 of
25 the National Housing Act (12 U.S.C. 1735c) is

1 *amended by adding at the end the following new sub-*
2 *section:*

3 *“(g) RISK ASSESSMENT.—The Secretary shall under-*
4 *take an annual assessment of the risks associated with each*
5 *of the insurance programs comprising the General Insur-*
6 *ance Fund, and shall present findings from such review to*
7 *the Congress in the FHA Annual Management Report.”.*

8 *(h) ALTERNATIVE USES FOR PREVENTION OF DE-*
9 *FAULT.—*

10 *(1) IN GENERAL.—Subject to notice to and com-*
11 *ment by existing tenants, to prevent the imminent de-*
12 *fault of a multifamily housing project subject to a*
13 *mortgage insured under title II of the National Hous-*
14 *ing Act, the Secretary may authorize the mortgagor*
15 *to use the project for purposes not contemplated by or*
16 *permitted under the regulatory agreement, if—*

17 *(A) such other uses are acceptable to the*
18 *Secretary;*

19 *(B) such other uses would be otherwise in-*
20 *surable under title II of the National Housing*
21 *Act;*

22 *(C) the outstanding principal balance on*
23 *the mortgage covering such project is not in-*
24 *creased;*

1 (D) any financial benefit accruing to the
2 mortgagor shall, subject to the discretion of the
3 Secretary, be applied to project reserves or
4 project rehabilitation; and

5 (E) such other use serves a public purpose.

6 (2) *DISPLACEMENT PROTECTION.*—The Secretary
7 may take actions under paragraph (1) only if—

8 (A) tenant-based rental assistance under
9 section 8 of the United States Housing Act of
10 1937 is made available to each eligible family re-
11 siding in the project that is displaced as a result
12 of such actions; and

13 (B) the Secretary determines that sufficient
14 habitable, affordable (as such term is defined in
15 section 203(b) of the Housing and Community
16 Development Amendments of 1978) rental hous-
17 ing is available in the market area in which the
18 project is located to ensure use of such assistance.

19 (3) *IMPLEMENTATION.*—The Secretary shall, by
20 notice published in the Federal Register, which shall
21 take effect upon publication, establish such require-
22 ments as may be necessary to implement the amend-
23 ments made by this subsection. The notice shall invite
24 public comments and, not later than 12 months after
25 the date on which the notice is published, the Sec-

1 retary shall issue final regulations based on the ini-
2 tial notice, taking into account any public comments
3 received.

4 **SEC. 104. INTEREST RATES ON ASSIGNED MORTGAGES.**

5 Section 7(i)(5) of the Department of Housing and
6 Urban Development Act (42 U.S.C. 3535(i)(5)) is amended
7 by striking the first semicolon, and all that follows through
8 “as determined by the Secretary”.

9 **SEC. 105. AUTHORIZATION OF APPROPRIATIONS.**

10 (a) *SPECIAL RISK INSURANCE FUND*.—Section 238(b)
11 of the National Housing Act (12 U.S.C. 1715z–3(b)) is
12 amended by striking the fifth sentence.

13 (b) *GENERAL INSURANCE FUND*.—Section 519 of the
14 National Housing Act (12 U.S.C. 1735c) is amended—

15 (1) by striking subsection (f); and

16 (2) by redesignating subsection (g) (as added by
17 section 103(g)(2) of this Act) as subsection (f).

18 (c) *MULTIFAMILY INSURANCE FUND APPROPRIA-*
19 *TIONS*.—Title V of the National Housing Act (12 U.S.C.
20 1731a et seq.) is amended by adding after section 541 (as
21 added by section 101(e) of this Act) the following new sec-
22 tion:

1 **“SEC. 542. AUTHORIZATION OF APPROPRIATIONS FOR GEN-**
2 **ERAL AND SPECIAL RISK INSURANCE FUNDS.**

3 *“There are authorized to be appropriated such sums*
4 *as may be necessary for each of fiscal years 1994 and 1995,*
5 *to be allocated in any manner that the Secretary determines*
6 *appropriate, for the following costs incurred in conjunction*
7 *with programs authorized under the General Insurance*
8 *Fund, as provided by section 519, and the Special Risk In-*
9 *surance Fund, as provided by section 238:*

10 *“(1) The cost to the Government, as defined in*
11 *section 502 of the Congressional Budget Act, of new*
12 *insurance commitments.*

13 *“(2) The cost to the Government, as defined in*
14 *section 502 of the Congressional Budget Act, of modi-*
15 *fications to existing loans, loan guarantees, or insur-*
16 *ance commitments.*

17 *“(3) The cost to the Government, as defined in*
18 *section 502 of the Congressional Budget Act, of loans*
19 *provided under section 203(f) of the Housing and*
20 *Community Development Amendments of 1978.*

21 *“(4) The costs of the rehabilitation of multifam-*
22 *ily housing projects (as defined in section 203(b) of*
23 *the Housing and Community Development Amend-*
24 *ments of 1978) upon disposition by the Secretary.”.*

1 **TITLE II—OTHER PROGRAM**
 2 **REFORMS**

3 **Subtitle A—Home Investment**
 4 **Partnerships Program**

5 **SEC. 201. PARTICIPATION BY STATE AGENCIES OR INSTRU-**
 6 **MENTALITIES.**

7 *Section 104(2) of the Cranston-Gonzalez National Af-*
 8 *fordable Housing Act (42 U.S.C. 12704(2)) is amended—*

9 *(1) by striking “and” after “Columbia,”; and*

10 *(2) by inserting before the period at the end the*
 11 *following: “, or any agency or instrumentality thereof*
 12 *that is established pursuant to legislation and des-*
 13 *ignated by the chief executive officer to act on behalf*
 14 *of the State with regard to the provisions of this Act”.*

15 **SEC. 202. SIMPLIFICATION OF PROGRAM-WIDE INCOME**
 16 **TARGETING FOR RENTAL HOUSING.**

17 *Section 214(1) of the Cranston-Gonzalez National Af-*
 18 *fordable Housing Act (42 U.S.C. 12744(1)) is amended—*

19 *(1) in subparagraph (A)—*

20 *(A) by striking “such funds are invested*
 21 *with respect to dwelling units that are occupied*
 22 *by” and inserting “(i) the families receiving*
 23 *such rental assistance are”; and*

24 *(B) by striking “, and” and inserting “, or*

25 *(ii) the dwelling units assisted with such funds*

1 *are occupied by families having such incomes;*
2 *and”;* and

3 (2) *in subparagraph (B)—*

4 (A) *by striking “such funds are invested*
5 *with respect to dwelling units that are occupied*
6 *by” and inserting “(i) the families receiving*
7 *such rental assistance are”;* and

8 (B) *by inserting before the semicolon at the*
9 *end the following: “, or (ii) the dwelling units*
10 *assisted with such funds are occupied by such*
11 *households”.*

12 **SEC. 203. HOMEOWNERSHIP UNITS.**

13 (a) *REMOVAL OF FIRST-TIME HOMEBUYER REQUIRE-*
14 *MENT.—Section 215(b) of the Cranston-Gonzalez National*
15 *Affordable Housing Act (42 U.S.C. 12745(b)) is amended—*

16 (1) *by striking paragraph (3); and*

17 (2) *by redesignating paragraphs (4) and (5) as*
18 *paragraphs (3) and (4), respectively.*

19 (b) *SIMPLIFICATION OF RESALE PROVISIONS.—Sec-*
20 *tion 215(b)(3)(B) of the Cranston-Gonzalez National Af-*
21 *fordable Housing Act (42 U.S.C. 12745(b)(3)(B)), as so re-*
22 *designated by subsection (a) of this section, is amended by*
23 *striking “subsection” and inserting “title”.*

1 **SEC. 204. SIMPLIFICATION OF MATCHING REQUIREMENTS.**

2 *Section 220(a) of the Cranston-Gonzalez National Af-*
 3 *fordable Housing Act (42 U.S.C. 12750(a)) is amended to*
 4 *read as follows:*

5 *“(a) CONTRIBUTION.—Each participating jurisdiction*
 6 *shall make contributions to housing that qualifies as afford-*
 7 *able housing under this title that total, throughout a fiscal*
 8 *year, not less than 25 percent of the funds drawn from the*
 9 *jurisdiction’s HOME Investment Trust Fund in such fiscal*
 10 *year. Such contributions shall be in addition to any*
 11 *amounts made available under section 216(3)(A)(ii).”.*

12 **SEC. 205. REPEAL OF SEPARATE AUDIT REQUIREMENT.**

13 *Section 283 of the Cranston-Gonzalez National Afford-*
 14 *able Housing Act (42 U.S.C. 12833) is amended—*

15 *(1) by striking the section designation and head-*
 16 *ing and inserting the following:*

17 **“SEC. 283. AUDITS BY COMPTROLLER GENERAL.”;**

18 *(2) by striking subsection (a);*

19 *(3) in subsection (b)—*

20 *(A) by striking “(b) AUDITS BY THE COMP-*
 21 *TROLLER GENERAL.—”;*

22 *(B) by redesignating paragraphs (1) and*
 23 *(2) as subsections (a) and (b), respectively; and*

24 *(C) by moving subsections (a) and (b), as so*
 25 *redesignated by subparagraph (B), 2 ems to the*

1 *left so that such subsections are flush with the*
2 *left margin; and*

3 *(4) in subsection (a), as so redesignated by para-*
4 *graph (3)(B), by striking the second sentence.*

5 **SEC. 206. ENVIRONMENTAL REVIEW REQUIREMENTS.**

6 *Section 288 of the Cranston-Gonzalez National Afford-*
7 *able Housing Act (42 U.S.C. 12838) is amended—*

8 *(1) in subsection (a)—*

9 *(A) in the first sentence, by striking “par-*
10 *ticipating jurisdictions” and inserting “jurisdic-*
11 *tions, Indian tribes, or insular areas”;* and

12 *(B) by adding at the end the following new*
13 *sentences: “The regulations shall provide—*

14 *“(1) for the monitoring of the environmental re-*
15 *views performed under this section;*

16 *“(2) in the discretion of the Secretary, to facili-*
17 *tate training for the performance of such reviews; and*

18 *“(3) for the suspension or termination of the as-*
19 *sumption under this section.*

20 *The Secretary’s duty under the preceding sentence shall not*
21 *be construed to limit or reduce any responsibility assumed*
22 *by a State or unit of general local government with respect*
23 *to any particular release of funds.”;*

1 (2) *in the first sentence of subsection (b), by*
 2 *striking “participating jurisdiction” and inserting*
 3 *“jurisdiction, Indian tribe, or insular area”;*

4 (3) *in subsection (c)(4)(B), by striking “partici-*
 5 *pating jurisdiction” and inserting “jurisdiction, In-*
 6 *dian tribe, or insular area”;* and

7 (4) *in subsection (d), by striking “ASSISTANCE*
 8 *TO A STATE.—In the case of assistance to States” and*
 9 *inserting the following: “ASSISTANCE TO UNITS OF*
 10 *GENERAL LOCAL GOVERNMENT FROM A STATE.—In*
 11 *the case of assistance to units of general local govern-*
 12 *ment from a State”.*

13 **SEC. 207. USE OF CDBG FUNDS FOR HOME PROGRAM EX-**
 14 **PENSES.**

15 (a) *ADMINISTRATIVE EXPENSES.—Section 105(a)(13)*
 16 *of the Housing and Community Development Act of 1974*
 17 *(42 U.S.C. 5305(a)(13)) is amended by inserting after*
 18 *“charges related to” the following: “(A) administering the*
 19 *HOME program under title II of the Cranston-Gonzalez*
 20 *National Affordable Housing Act; and (B)”.*

21 (b) *PROJECT DELIVERY COSTS.—Section 105(a)(21)*
 22 *of the Housing and Community Development Act of 1974*
 23 *(42 U.S.C. 5305(a)(21)) is amended—*

24 (1) *by inserting “in connection with tenant-*
 25 *based rental assistance and affordable housing*

1 *projects assisted under title II of the Cranston-Gon-*
2 *zalez National Affordable Housing Act” after “hous-*
3 *ing counseling”;* and

4 (2) by striking “authorized” and all that follows
5 through “any law” and inserting “assisted under title
6 II of the Cranston-Gonzalez National Affordable
7 Housing Act”.

8 **SEC. 208. FLEXIBILITY OF HOME PROGRAM FOR DISASTER**
9 **AREAS.**

10 *Title II of the Cranston-Gonzalez National Affordable*
11 *Housing Act (42 U.S.C. 12721 et seq.) is amended by add-*
12 *ing at the end the following new section:*

13 **“SEC. 290. SUSPENSION OF REQUIREMENTS FOR DISASTER**
14 **AREAS.**

15 *“For funds designated under this title by a recipient*
16 *to address the damage in an area for which the President*
17 *has declared a disaster under title IV of the Robert T. Staf-*
18 *ford Disaster Relief and Emergency Assistance Act, the Sec-*
19 *retary may suspend all statutory requirements for purposes*
20 *of assistance under this title for that area, except for those*
21 *related to public notice of funding availability, non-*
22 *discrimination, fair housing, labor standards, environ-*
23 *mental standards, and low-income housing affordability.”.*

1 **SEC. 209. APPLICABILITY AND REGULATIONS.**

2 *The amendments made by this title shall apply with*
 3 *respect to any amounts made available to carry out title*
 4 *II of the Cranston-Gonzalez National Affordable Housing*
 5 *Act after the date of the enactment of this Act and any*
 6 *amounts made available to carry out such title before such*
 7 *date of enactment that remain uncommitted on such date.*
 8 *The Secretary shall issue any regulations necessary to carry*
 9 *out the amendments made by this title not later than the*
 10 *expiration of the 45-day period beginning on the date of*
 11 *the enactment of this Act.*

12 **Subtitle B—HOPE Homeownership**
 13 **Program**

14 **SEC. 221. MATCHING REQUIREMENT UNDER HOPE FOR**
 15 **HOMEOWNERSHIP OF SINGLE FAMILY HOMES**
 16 **PROGRAM.**

17 *Section 443(c)(1) of the Cranston-Gonzalez National*
 18 *Affordable Housing Act (42 U.S.C. 12893(c)(1)) is amended*
 19 *by striking “33 percent” and inserting “25 percent”.*

20 **Subtitle C—Community**
 21 **Development Block Grants**

22 **SEC. 231. SECTION 108 ELIGIBLE ACTIVITIES.**

23 *The first sentence of section 108(a) of the Housing and*
 24 *Community Development Act of 1974 (42 U.S.C. 5308(a))*
 25 *is amended—*

26 *(1) by striking “or” after “section 105(a);”; and*

1 (2) by inserting before the period the following:
2 “; (5) the acquisition, construction, reconstruction, or
3 installation of public facilities (except for buildings
4 for the general conduct of government); or (6) in the
5 case of colonias (as such term is defined in section
6 916 of the Cranston-Gonzalez National Affordable
7 Housing Act), public works and site or other improve-
8 ments”.

9 **SEC. 232. ECONOMIC DEVELOPMENT GRANTS.**

10 (a) GRANTS.—

11 (1) IN GENERAL.—Section 108 of the Housing
12 and Community Development Act of 1974 (42 U.S.C.
13 5308) is amended by adding at the end the following
14 new subsection:

15 “(q) ECONOMIC DEVELOPMENT GRANTS.—

16 “(1) AUTHORIZATION.—The Secretary may make
17 grants in connection with notes or other obligations
18 guaranteed under this section to eligible public enti-
19 ties for the purpose of enhancing the security of loans
20 guaranteed under this section or improving the via-
21 bility of projects financed with loans guaranteed
22 under this section.

23 “(2) ELIGIBLE ACTIVITIES.—Assistance under
24 this subsection may be used only for the purposes of

1 *and in conjunction with projects and activities as-*
2 *sisted under subsection (a).*

3 “(3) *APPLICATIONS.*—*Applications for assistance*
4 *under this subsection may be submitted only by eligi-*
5 *ble public entities, and shall be in the form and in*
6 *accordance with the procedures established by the Sec-*
7 *retary. Eligible public entities may apply for grants*
8 *only in conjunction with requests for guarantees*
9 *under subsection (a).*

10 “(4) *SELECTION CRITERIA.*—*The Secretary shall*
11 *establish criteria for awarding assistance under this*
12 *subsection. Such criteria shall include—*

13 “(A) *the extent of need for such assistance;*

14 “(B) *the level of distress in the community*
15 *to be served and in the jurisdiction applying for*
16 *assistance;*

17 “(C) *the quality of the plan proposed and*
18 *the capacity or potential capacity of the appli-*
19 *cant to successfully carry out the plan; and*

20 “(D) *such other factors as the Secretary de-*
21 *termines to be appropriate.”.*

22 “(2) *CONFORMING AMENDMENT.*—*Title I of the*
23 *Housing and Community Development Act of 1974*
24 *(42 U.S.C. 5301 et seq.) is amended—*

1 (A) in section 101(c) in the second sentence,
2 by inserting “or a grant” after “guarantee”; and

3 (B) in section 104(b)(3), by inserting “or a
4 grant” after “guarantee”.

5 (b) *USE OF UDAG RECAPTURES.*—Section 119(o) of
6 the Housing and Community Development Act of 1974 (42
7 U.S.C. 5318(o)) is amended by inserting before the period
8 the following: “, except that amounts available to the Sec-
9 retary for use under this subsection as of October 1, 1993,
10 and amounts released to the Secretary pursuant to sub-
11 section (t) may be used to provide grants under section
12 108(q).”.

13 (c) *UDAG RETENTION PROGRAM.*—

14 (1) *AMENDMENT.*—Section 119 of the Housing
15 and Community Development Act of 1974 (42 U.S.C.
16 5318) is amended by adding at the end the following
17 new subsection:

18 “(t) *UDAG RETENTION PROGRAM.*—If a grant or a
19 portion of a grant under this section remains unexpended
20 upon the issuance of a notice implementing this subsection,
21 the grantee may enter into an agreement, as provided under
22 this subsection, with the Secretary to receive a percentage
23 of the grant amount and relinquish all claims to the balance
24 of the grant within 90 days of the issuance of notice imple-
25 menting this subsection (or such later date as the Secretary

1 *may approve). The Secretary shall not recapture any funds*
2 *obligated pursuant to this section during a period begin-*
3 *ning on the date of enactment of the Multifamily Housing*
4 *Property Disposition Reform Act of 1994 until 90 days*
5 *after the issuance of a notice implementing this subsection.*

6 *A grantee may receive as a grant under this subsection—*

7 *“(1) 33 percent of such unexpended amounts if—*

8 *“(A) the grantee agrees to expend not less*
9 *than one-half of the amount received for activi-*
10 *ties authorized pursuant to section 108(q) and to*
11 *expend such funds in conjunction with a loan*
12 *guarantee made under section 108 at least equal*
13 *to twice the amount of the funds received; and*

14 *“(B)(i) the remainder of the amount re-*
15 *ceived is used for economic development activi-*
16 *ties eligible under title I of this Act; and*

17 *“(ii) except when waived by the Secretary*
18 *in the case of a severely distressed jurisdiction,*
19 *not more than one-half of the costs of activities*
20 *under subparagraph (B) are derived from such*
21 *unexpended amounts; or*

22 *“(2) 25 percent of such unexpended amounts if—*

23 *“(A) the grantee agrees to expend such*
24 *funds for economic development activities eligible*
25 *under title I of this Act; and*

1 “(B) except when waived by the Secretary
2 in the case of a severely distressed jurisdiction,
3 not more than one-half of the costs of such activi-
4 ties are derived from such unexpended amount.”.

5 (2) IMPLEMENTATION.—Not later than 10 days
6 after the date of enactment of this Act, the Secretary
7 shall, by notice published in the Federal Register,
8 which shall take effect upon publication, establish
9 such requirements as may be necessary to implement
10 the amendments made by this subsection.

11 **SEC. 233. GUARANTEE OF OBLIGATIONS BACKED BY SEC-**
12 **TION 108 LOANS.**

13 Section 108 of the Housing and Community Develop-
14 ment Act of 1974 (42 U.S.C. 5308) is amended by adding
15 after subsection (q) (as added by section 232(a)(1) of this
16 Act) the following new subsection:

17 “(r) GUARANTEE OF OBLIGATIONS BACKED BY
18 LOANS.—

19 “(1) AUTHORITY.—The Secretary may, upon
20 such terms and conditions as the Secretary considers
21 appropriate, guarantee the timely payment of the
22 principal of and interest on such trust certificates or
23 other obligations as may—

1 “(A) be offered by the Secretary or by any
2 other offeror approved for purposes of this sub-
3 section by the Secretary; and

4 “(B) be based on and backed by a trust or
5 pool composed of notes or other obligations guar-
6 anteed or eligible for guarantee by the Secretary
7 under this section.

8 “(2) *FULL FAITH AND CREDIT.*—To the same ex-
9 tent as provided in subsection (f), the full faith and
10 credit of the United States is pledged to the payment
11 of all amounts that may be required to be paid under
12 any guarantee made by the Secretary under this sub-
13 section.

14 “(3) *SUBROGATION.*—If the Secretary pays a
15 claim under a guarantee made under this section, the
16 Secretary shall be subrogated for all the rights of the
17 holder of the guaranteed certificate or obligation with
18 respect to such certificate or obligation.

19 “(4) *EFFECT OF LAWS.*—No State or local law,
20 and no Federal law, shall preclude or limit the exer-
21 cise by the Secretary of—

22 “(A) the power to contract with respect to
23 public offerings and other sales of notes, trust
24 certificates, and other obligations guaranteed

1 under this section upon such terms and condi-
2 tions as the Secretary deems appropriate;

3 “(B) the right to enforce any such contract
4 by any means deemed appropriate by the Sec-
5 retary; and

6 “(C) any ownership rights of the Secretary,
7 as applicable, in notes, certificates, or other obli-
8 gations guaranteed under this section, or con-
9 stituting the trust or pool against which trust
10 certificates, or other obligations guaranteed
11 under this section, are offered.”.

12 **SEC. 234. FLEXIBILITY OF CDBG PROGRAM FOR DISASTER**
13 **AREAS.**

14 Title I of the Housing and Community Development
15 Act of 1974 (42 U.S.C. 5301 et seq.) is amended by adding
16 at the end the following new section:

17 **“SEC. 122. SUSPENSION OF REQUIREMENTS FOR DISASTER**
18 **AREAS.**

19 “For funds designated under this title by a recipient
20 to address the damage in an area for which the President
21 has declared a disaster under title IV of the Robert T. Staf-
22 ford Disaster Relief and Emergency Assistance Act, the Sec-
23 retary may suspend all requirements for purposes of assist-
24 ance under section 106 for that area, except for those related
25 to public notice of funding availability, nondiscrimination,

1 *fair housing, labor standards, environmental standards,*
 2 *and requirements that activities benefit persons of low- and*
 3 *moderate-income.”.*

4 ***TITLE III—TECHNICAL***
 5 ***AMENDMENTS***

6 ***SEC. 301. DEFINITION OF “FAMILIES”.***

7 *The first sentence of section 3(b)(3)(B) of the United*
 8 *States Housing Act of 1937 (42 U.S.C. 1437a(b)(3)(B)) is*
 9 *amended by striking “means families with children” and*
 10 *inserting “includes families with children and”.*

11 ***SEC. 302. ELIMINATION OF REQUIREMENT TO IDENTIFY***
 12 ***CIAP REPLACEMENT NEEDS.***

13 *Section 14 of the United States Housing Act of 1937*
 14 *(42 U.S.C. 1437l) is amended—*

15 *(1) in subsection (d)—*

16 *(A) by striking paragraph (2);*

17 *(B) in paragraph (4), in the matter preced-*
 18 *ing subparagraph (A)—*

19 *(i) by striking “and replacements,”;*

20 *and*

21 *(ii) by striking “(1), (2), and (3)” and*
 22 *inserting “(1) and (2)”;* and

23 *(C) by redesignating paragraphs (3) and*
 24 *(4) as paragraphs (2) and (3), respectively; and*
 25 *(2) in subsection (f)(1)—*

1 (A) in subparagraph (A), by striking
2 “(d)(4)(A)” and inserting “(d)(3)(A)”;
3 (B) by striking subparagraph (B);
4 (C) in subparagraph (C), by striking
5 “(d)(4)” and inserting “(d)(3)”;
6 (D) in subparagraph (D)—
7 (i) by striking “(1), (2), and (3)” and
8 inserting “(1) and (2)”; and
9 (ii) by striking “(d)(4)” and inserting
10 “(d)(3)”; and
11 (E) by redesignating subparagraphs (C)
12 and (D), as so amended, as subparagraphs (B)
13 and (C), respectively;
14 (3) in subsection (g), by striking “(d)(4)” and
15 inserting “(d)(3)”; and
16 (4) in subsection (h)(2), by striking “(d)(4)” and
17 inserting “(d)(3)”.

18 **SEC. 303. PROJECT-BASED ACCOUNTING.**

19 Section 6(c)(4)(E) of the United States Housing Act
20 of 1937 (42 U.S.C. 1437d(c)(4)(E)) is amended by striking
21 “250” and inserting “500”.

1 **SEC. 304. OPERATING SUBSIDY ADJUSTMENTS FOR ANTICI-**
2 **PATED FRAUD RECOVERIES.**

3 *Section 9(a) of the United States Housing Act of 1937*
4 *(42 U.S.C. 1437g(a)) is amended by adding at the end the*
5 *following new paragraph:*

6 *“(4) Adjustments to a public housing agency’s operat-*
7 *ing subsidy made by the Secretary under this section shall*
8 *reflect actual changes in rental income collections resulting*
9 *from the application of section 904 of the Stewart B.*
10 *McKinney Homeless Assistance Amendments Act of 1988.”.*

11 **SEC. 305. ENVIRONMENTAL REVIEW PROVISIONS.**

12 *(a) LEAD-BASED PAINT HAZARD REDUCTION.—Section*
13 *1011 of the Housing and Community Development Act*
14 *of 1992 (42 U.S.C. 4852) is amended—*

15 *(1) by redesignating subsection (o) as subsection*
16 *(p); and*

17 *(2) by inserting after subsection (n) the following*
18 *new subsection:*

19 *“(o) ENVIRONMENTAL REVIEW.—*

20 *“(1) IN GENERAL.—For purposes of environ-*
21 *mental review, decisionmaking, and action pursuant*
22 *to the National Environmental Policy Act of 1969*
23 *and other provisions of law that further the purposes*
24 *of such Act, a grant under this section shall be treated*
25 *as assistance under the HOME Investment Partner-*
26 *ship Act, established under title II of the Cranston-*

1 *Gonzalez National Affordable Housing Act, and shall*
 2 *be subject to the regulations promulgated by the Sec-*
 3 *retary to implement section 288 of such Act.*

4 “(2) *APPLICABILITY.—This subsection shall*
 5 *apply to—*

6 “(A) *grants awarded under this section; and*

7 “(B) *grants awarded to States and units of*
 8 *general local government for the abatement of*
 9 *significant lead-based paint and lead dust haz-*
 10 *ards in low- and moderate-income owner-occu-*
 11 *pled units and low-income privately owned rent-*
 12 *al units pursuant to title II of the Departments*
 13 *of Veterans Affairs and Housing and Urban De-*
 14 *velopment, and Independent Agencies Appro-*
 15 *priations Act, 1992 (Public Law 102–139, 105*
 16 *Stat. 736).”.*

17 *(b) PROGRAMS UNDER UNITED STATES HOUSING ACT*
 18 *OF 1937.—Title I of the United States Housing Act of 1937*
 19 *(42 U.S.C. 1437 et seq.) is amended by adding at the end*
 20 *the following new section:*

21 **“SEC. 26. ENVIRONMENTAL REVIEWS.**

22 “(a) *IN GENERAL.—*

23 “(1) *RELEASE OF FUNDS.—In order to assure*
 24 *that the policies of the National Environmental Pol-*
 25 *icy Act of 1969 and other provisions of law which*

1 further the purposes of such Act (as specified in regu-
2 lations issued by the Secretary) are most effectively
3 implemented in connection with the expenditure of
4 funds under this title, and to assure to the public
5 undiminished protection of the environment, the Sec-
6 retary may, under such regulations, in lieu of the en-
7 vironmental protection procedures otherwise applica-
8 ble, provide for the release of funds for projects or ac-
9 tivities under this title, as specified by the Secretary
10 upon the request of a public housing agency (includ-
11 ing an Indian housing authority) under this section,
12 if the State or unit of general local government, as
13 designated by the Secretary in accordance with regu-
14 lations, assumes all of the responsibilities for environ-
15 mental review, decisionmaking, and action pursuant
16 to such Act, and such other provisions of law as the
17 regulations of the Secretary may specify, which would
18 otherwise apply to the Secretary with respect to the
19 release of funds.

20 “(2) IMPLEMENTATION.—The Secretary, after
21 consultation with the Council on Environmental
22 Quality, shall issue such regulations as may be nec-
23 essary to carry out this section. Such regulations shall
24 specify the programs to be covered.

1 “(b) *PROCEDURE.*—The Secretary shall approve the
2 release of funds subject to the procedures authorized by this
3 section only if, not less than 15 days prior to such approval
4 and prior to any commitment of funds to such projects or
5 activities, the public housing agency (including an Indian
6 housing authority) has submitted to the Secretary a request
7 for such release accompanied by a certification of the State
8 or unit of general local government which meets the require-
9 ments of subsection (c). The Secretary’s approval of any
10 such certification shall be deemed to satisfy the Secretary’s
11 responsibilities under the National Environmental Policy
12 Act of 1969 and such other provisions of law as the regula-
13 tions of the Secretary specify insofar as those responsibil-
14 ities relate to the release of funds which are covered by such
15 certification.

16 “(c) *CERTIFICATION.*—A certification under the proce-
17 dures authorized by this section shall—

18 “(1) be in a form acceptable to the Secretary;

19 “(2) be executed by the chief executive officer or
20 other officer of the State or unit of general local gov-
21 ernment who qualifies under regulations of the Sec-
22 retary;

23 “(3) specify that the State or unit of general
24 local government under this section has fully carried

1 *out its responsibilities as described under subsection*
2 *(a); and*

3 *“(4) specify that the certifying officer—*

4 *“(A) consents to assume the status of a re-*
5 *sponsible Federal official under the National En-*
6 *vironmental Policy Act of 1969 and each provi-*
7 *sion of law specified in regulations issued by the*
8 *Secretary insofar as the provisions of such Act or*
9 *other such provision of law apply pursuant to*
10 *subsection (a); and*

11 *“(B) is authorized and consents on behalf of*
12 *the State or unit of general local government and*
13 *himself or herself to accept the jurisdiction of the*
14 *Federal courts for the purpose of enforcement of*
15 *his or her responsibilities as such an official.*

16 *“(d) APPROVAL BY STATES.—In cases in which a unit*
17 *of general local government carries out the responsibilities*
18 *described in subsection (c), the Secretary may permit the*
19 *State to perform those actions of the Secretary described*
20 *in subsection (b) and the performance of such actions by*
21 *the State, where permitted by the Secretary, shall be deemed*
22 *to satisfy the Secretary’s responsibilities referred to in the*
23 *second sentence of subsection (b).”.*

24 *(c) SPECIAL PROJECTS.—*

25 *(1) IN GENERAL.—*

1 (A) *RELEASE OF FUNDS.*—*In order to as-*
2 *sure that the policies of the National Environ-*
3 *mental Policy Act of 1969 and other provisions*
4 *of law which further the purposes of such Act (as*
5 *specified in regulations issued by the Secretary)*
6 *are most effectively implemented in connection*
7 *with the expenditure of funds for special projects*
8 *appropriated under an appropriations Act for*
9 *the Department of Housing and Urban Develop-*
10 *ment, such as special projects under the head*
11 *“Annual Contributions for Assisted Housing” in*
12 *title II of the Departments of Veterans Affairs*
13 *and Housing and Urban Development, and Inde-*
14 *pendent Agencies Appropriations Act, 1993, and*
15 *to assure to the public undiminished protection*
16 *of the environment, the Secretary of Housing*
17 *and Urban Development may, under such regu-*
18 *lations, in lieu of the environmental protection*
19 *procedures otherwise applicable, provide for the*
20 *release of funds for particular special projects*
21 *upon the request of recipients of special projects*
22 *assistance, if the State or unit of general local*
23 *government, as designated by the Secretary in*
24 *accordance with regulations, assumes all of the*
25 *responsibilities for environmental review, deci-*

1 *sionmaking, and action pursuant to such Act,*
2 *and such other provisions of law as the regula-*
3 *tions of the Secretary specify, that would other-*
4 *wise apply to the Secretary were the Secretary to*
5 *undertake such special projects as Federal*
6 *projects.*

7 *(B) IMPLEMENTATION.—The Secretary shall*
8 *issue regulations to carry out this subsection*
9 *only after consultation with the Council on En-*
10 *vironmental Quality. Such regulations shall—*

11 *(i) provide for monitoring of the per-*
12 *formance of environmental reviews under*
13 *this subsection;*

14 *(ii) in the discretion of the Secretary,*
15 *provide for the provision or facilitation of*
16 *training for such performance; and*

17 *(iii) subject to the discretion of the Sec-*
18 *retary, provide for suspension or termi-*
19 *nation by the Secretary of the assumption*
20 *under subparagraph (A).*

21 *(C) RESPONSIBILITIES OF STATE OR UNIT*
22 *OF GENERAL LOCAL GOVERNMENT.—The Sec-*
23 *retary's duty under subparagraph (B) shall not*
24 *be construed to limit any responsibility assumed*
25 *by a State or unit of general local government*

1 with respect to any particular release of funds
2 under subparagraph (A).

3 (2) *PROCEDURE.*—The Secretary shall approve
4 the release of funds for projects subject to the proce-
5 dures authorized by this subsection only if, not less
6 than 15 days prior to such approval and prior to any
7 commitment of funds to such projects, the recipient
8 submits to the Secretary a request for such release, ac-
9 companied by a certification of the State or unit of
10 general local government which meets the require-
11 ments of paragraph (3). The Secretary's approval of
12 any such certification shall be deemed to satisfy the
13 Secretary's responsibilities under the National Envi-
14 ronmental Policy Act of 1969 and such other provi-
15 sions of law as the regulations of the Secretary specify
16 insofar as those responsibilities relate to the releases
17 of funds for special projects to be carried out pursu-
18 ant thereto which are covered by such certification.

19 (3) *CERTIFICATION.*—A certification under the
20 procedures authorized by this subsection shall—

21 (A) be in a form acceptable to the secretary;

22 (B) be executed by the chief executive officer
23 or other officer of the State or unit of general
24 local government who qualifies under regulations
25 of the Secretary;

1 (C) specify that the State or unit of general
2 local government under this subsection has fully
3 carried out its responsibilities as described under
4 paragraph (1); and

5 (D) specify that the certifying officer—

6 (i) consents to assume the status of a
7 responsible Federal official under the Na-
8 tional Environmental Policy Act of 1969
9 and each provision of law specified in regu-
10 lations issued by the Secretary insofar as
11 the provisions of such Act or other such pro-
12 vision of law apply pursuant to paragraph
13 (1); and

14 (ii) is authorized and consents on be-
15 half of the State or unit of general local
16 government and himself or herself to accept
17 the jurisdiction of the Federal courts for the
18 purpose of enforcement of the responsibil-
19 ities as such an official.

20 (4) APPROVAL BY STATES.—In cases in which a
21 unit of general local government carries out the re-
22 sponsibilities described in paragraph (1), the Sec-
23 retary may permit the State to perform those actions
24 of the Secretary described in paragraph (2) and the
25 performance of such actions by the State, where per-

1 mitted by the Secretary, shall be deemed to satisfy the
 2 Secretary's responsibilities referred to in the second
 3 sentence of paragraph (2).

4 **SEC. 306. CORRECTION OF FHA MULTIFAMILY MORTGAGE**
 5 **LIMITS.**

6 The National Housing Act (12 U.S.C. 1701 et seq.) is
 7 amended in sections 207(c)(3), 213(b)(2), 220(d)(3)(B)(iii),
 8 and 234(e)(3) by striking "\$59,160" each place it appears
 9 and inserting "\$56,160".

10 **SEC. 307. AMENDMENTS TO FHA MULTIFAMILY RISK-SHAR-**
 11 **ING AND HOUSING FINANCE AGENCY PILOT**
 12 **PROGRAMS.**

13 (a) *RISK-SHARING PILOT PROGRAM.*—Section 542(b)
 14 of the Housing and Community Development Act of 1992
 15 (12 U.S.C. 1707 note) is amended—

16 (1) by striking paragraphs (1) and (2) and in-
 17 serting the following new paragraphs:

18 “(1) *IN GENERAL.*—The Secretary shall carry
 19 out a pilot program in conjunction with qualified
 20 participating entities to determine the effectiveness of
 21 Federal credit enhancement for loans for affordable
 22 multifamily housing through a system of risk-sharing
 23 agreements with such entities.

24 “(2) *PROGRAM REQUIREMENTS.*—

1 “(A) *IN GENERAL.*—In carrying out the
2 pilot program under this subsection, the Sec-
3 retary shall enter into risk-sharing agreements
4 with qualified participating entities.

5 “(B) *MORTGAGE INSURANCE AND REINSUR-*
6 *ANCE.*—Agreements under subparagraph (A)
7 may provide for (i) mortgage insurance through
8 the Federal Housing Administration of loans for
9 affordable multifamily housing originated by or
10 through, or purchased by, qualified participating
11 entities, and (ii) reinsurance, including reinsur-
12 ance of pools of loans, on affordable multifamily
13 housing. In entering into risk-sharing agree-
14 ments under this subsection covering mortgages,
15 the Secretary may give preference to mortgages
16 that are not already in the portfolios of qualified
17 participating entities.

18 “(C) *RISK APPORTIONMENT.*—Agreements
19 entered into under this subsection between the
20 Secretary and a qualified participating entity
21 shall specify the percentage of loss that each of
22 the parties to the agreement will assume in the
23 event of default of the insured or reinsured mul-
24 tifamily mortgage. Such agreements shall specify
25 that the qualified participating entity and the

1 *Secretary shall share any loss in accordance*
2 *with the risk-sharing agreement.*

3 *“(D) REIMBURSEMENT CAPACITY.—Agree-*
4 *ments entered into under this subsection between*
5 *the Secretary and a qualified participating en-*
6 *tity shall provide evidence acceptable to the Sec-*
7 *retary of the capacity of such entity to fulfill*
8 *any reimbursement obligations made pursuant to*
9 *this subsection. Evidence of such capacity which*
10 *may be considered by the Secretary may in-*
11 *clude—*

12 *“(i) a pledge of the full faith and cred-*
13 *it of a qualified participating entity to ful-*
14 *fill any obligations entered into by the en-*
15 *tity;*

16 *“(ii) reserves pledged or otherwise re-*
17 *stricted by the qualified participating en-*
18 *tity in an amount equal to an agreed upon*
19 *percentage of the loss assumed by the entity*
20 *under subparagraph (C);*

21 *“(iii) funds pledged through a State or*
22 *local guarantee fund; or*

23 *“(iv) any other form of evidence mutu-*
24 *ally agreed upon by the Secretary and the*
25 *qualified participating entity.*

1 “(E) *UNDERWRITING STANDARDS.*—The
2 Secretary shall allow any qualified participating
3 entity to use its own underwriting standards
4 and loan terms and conditions for purposes of
5 underwriting loans to be insured under this sub-
6 section, except as provided in this section, with-
7 out further review by the Secretary, except that
8 the Secretary may impose additional underwrit-
9 ing criteria and loan terms and conditions for
10 contractual agreements where the Secretary re-
11 tains more than 50 percent of the risk of loss.
12 Any financing permitted on property insured
13 under this subsection other than the first mort-
14 gage shall be expressly subordinate to the insured
15 mortgage.

16 “(F) *AUTHORITY OF SECRETARY.*—The Sec-
17 retary, upon request of a qualified participating
18 entity, may insure or reinsure and make com-
19 mitments to insure or reinsure under this section
20 any mortgage, advance, loan, or pool of mort-
21 gages otherwise eligible under this section, pursu-
22 ant to a risk-sharing agreement providing that
23 the qualified participating entity will carry out
24 (under a delegation or otherwise, and with or
25 without compensation, but subject to audit, ex-

1 *ception, or review requirements) such credit ap-*
2 *proval, appraisal, inspection, issuance of com-*
3 *mitments, approval of insurance of advances,*
4 *cost certification, servicing, property disposition,*
5 *or other functions as the Secretary shall approve*
6 *as consistent with the purpose of this section. All*
7 *appraisals of property for mortgage insurance*
8 *under this section shall be completed by a Cer-*
9 *tified General Appraiser in accordance with the*
10 *Uniform Standards of Professional Appraisal*
11 *Practice.*

12 *“(G) DISCLOSURE OF RECORDS.—Qualified*
13 *participating entities shall make available to the*
14 *Secretary or the Secretary’s designee, at the Sec-*
15 *retary’s request, such financial and other records*
16 *as the Secretary deems necessary for purposes of*
17 *review and monitoring for the program under*
18 *this section.”;*

19 *(2) in paragraph (4), by striking “financial in-*
20 *stitutions and entities to be eligible to enter into rein-*
21 *surance agreements” and inserting “eligibility under*
22 *this subsection of qualified participating entities”;*

23 *(3) by striking paragraph (8) and inserting the*
24 *following new paragraph:*

1 “(11) *IMPLEMENTATION.*—*The Secretary shall*
2 *take any administrative actions necessary to initiate*
3 *the pilot program under this subsection.*”;

4 (4) *by inserting after paragraph (7) the follow-*
5 *ing new paragraphs:*

6 “(8) *PROHIBITION ON GINNIE MAE*
7 *SECURITIZATION.*—*The Government National Mort-*
8 *gage Association shall not securitize any multifamily*
9 *loans insured or reinsured under this subsection.*

10 “(9) *QUALIFICATION AS AFFORDABLE HOUS-*
11 *ING.*—*Multifamily housing securing loans insured or*
12 *reinsured under this subsection shall qualify as af-*
13 *fordable only if the housing is occupied by families*
14 *and bears rents not greater than the gross rent for*
15 *rent-restricted residential units as determined under*
16 *section 42(g) of the Internal Revenue Code of 1986.*

17 “(10) *CERTIFICATION OF SUBSIDY LAYERING*
18 *COMPLIANCE.*—*The requirements of section 102(d) of*
19 *the Department of Housing and Urban Development*
20 *Reform Act of 1989 may be satisfied in connection*
21 *with a commitment to insure a mortgage under this*
22 *subsection by a certification by a housing credit agen-*
23 *cy (including an entity established by a State that*
24 *provides mortgage insurance) to the Secretary that*
25 *the combination of assistance within the jurisdiction*

1 *of the Secretary and other government assistance pro-*
2 *vided in connection with a property for which a*
3 *mortgage is to be insured shall not be any greater*
4 *than is necessary to provide affordable housing.”.*

5 *(b) HOUSING FINANCE AGENCY PILOT PROGRAM.—*
6 *Section 542(c) of the Housing and Community Develop-*
7 *ment Act of 1992 (12 U.S.C. 1707 note) is amended—*

8 *(1) in paragraph (1), by inserting after “quali-*
9 *fied housing finance agencies” the following: “(includ-*
10 *ing entities established by States that provide mort-*
11 *gage insurance)”;*

12 *(2) in paragraph (2)—*

13 *(A) in subparagraph (C), by striking the*
14 *last sentence and inserting the following: “Such*
15 *agreements shall specify that the qualified hous-*
16 *ing finance agency and the Secretary shall share*
17 *any loss in accordance with the risk-sharing*
18 *agreement.”; and*

19 *(B) by adding at the end the following new*
20 *subparagraph:*

21 *“(F) DISCLOSURE OF RECORDS.—Qualified*
22 *housing finance agencies shall make available to*
23 *the Secretary such financial and other records as*
24 *the Secretary deems necessary for program re-*
25 *view and monitoring purposes.”;*

1 (3) *in paragraph (7)—*

2 (A) *by striking “very low-income”; and*

3 (B) *by striking “(2)”; and*

4 (4) *by adding at the end the following new para-*
5 *graphs:*

6 “(9) *ENVIRONMENTAL AND OTHER REVIEWS.—*

7 “(A) *ENVIRONMENTAL REVIEWS.—*

8 “(i) *IN GENERAL.—(I) In order to as-*
9 *sure that the policies of the National Envi-*
10 *ronmental Policy Act of 1969 and other*
11 *provisions of law which further the purposes*
12 *of such Act (as specified in regulations is-*
13 *sued by the Secretary) are most effectively*
14 *implemented in connection with the insur-*
15 *ance of mortgages under subsection (c)(2),*
16 *and to assure to the public undiminished*
17 *protection of the environment, the Secretary*
18 *may, under such regulations, in lieu of the*
19 *environmental protection procedures other-*
20 *wise applicable, provide for agreements to*
21 *endorse for insurance mortgages under sub-*
22 *section (c)(2) upon the request of qualified*
23 *housing finance agencies under this sub-*
24 *section, if the State or unit of general local*
25 *government, as designated by the Secretary*

1 *in accordance with regulations, assumes all*
2 *of the responsibilities for environmental re-*
3 *view, decisionmaking, and action pursuant*
4 *to such Act, and such other provisions of*
5 *law as the regulations of the Secretary may*
6 *specify, that would otherwise apply to the*
7 *Secretary with respect to the insurance of*
8 *mortgages on particular properties.*

9 *“(II) The Secretary shall issue regula-*
10 *tions to carry out this subparagraph only*
11 *after consultation with the Council on En-*
12 *vironmental Quality. Such regulations*
13 *shall, among other matters, provide—*

14 *“(aa) for the monitoring of the*
15 *performance of environmental reviews*
16 *under this subparagraph;*

17 *“(bb) subject to the discretion of*
18 *the Secretary, for the provision or fa-*
19 *cilitation of training for such perform-*
20 *ance; and*

21 *“(cc) subject to the discretion of*
22 *the Secretary, for the suspension or ter-*
23 *mination by the Secretary of the quali-*
24 *fied housing finance agency’s respon-*
25 *sibilities under subclause (I).*

1 “(III) *The Secretary’s duty under*
2 *subclause (II) shall not be construed to limit*
3 *any responsibility assumed by a State or*
4 *unit of general local government with re-*
5 *spect to any particular property under*
6 *subclause (I).*

7 “(ii) *PROCEDURE.—The Secretary*
8 *shall approve a mortgage for the provision*
9 *of mortgage insurance subject to the proce-*
10 *dures authorized by this paragraph only if,*
11 *not less than 15 days prior to such ap-*
12 *proval, prior to any approval, commitment,*
13 *or endorsement of mortgage insurance on*
14 *the property on behalf of the Secretary, and*
15 *prior to any commitment by the qualified*
16 *housing finance agency to provide financing*
17 *under the risk-sharing agreement with re-*
18 *spect to the property, the qualified housing*
19 *finance agency submits to the Secretary a*
20 *request for such approval, accompanied by*
21 *a certification of the State or unit of gen-*
22 *eral local government that meets the re-*
23 *quirements of clause (iii). The Secretary’s*
24 *approval of any such certification shall be*
25 *deemed to satisfy the Secretary’s respon-*

1 *sibilities under the National Environmental*
2 *Policy Act of 1969 and such other provi-*
3 *sions of law as the regulations of the Sec-*
4 *retary specify insofar as those responsibil-*
5 *ities relate to the provision of mortgage in-*
6 *surance on the property that is covered by*
7 *such certification.*

8 “(iii) *CERTIFICATION.*—*A certification*
9 *under the procedures authorized by this*
10 *paragraph shall—*

11 “(I) *be in a form acceptable to the*
12 *Secretary;*

13 “(II) *be executed by the chief exec-*
14 *utive officer or other officer of the State*
15 *or unit of general local government*
16 *who qualifies under regulations of the*
17 *Secretary;*

18 “(III) *specify that the State or*
19 *unit of general local government under*
20 *this section has fully carried out its re-*
21 *sponsibilities as described under clause*
22 *(i); and*

23 “(IV) *specify that the certifying*
24 *officer consents to assume the status of*
25 *a responsible Federal official under the*

1 *National Environmental Policy Act of*
2 *1969 and under each provision of law*
3 *specified in regulations issued by the*
4 *Secretary insofar as the provisions of*
5 *such Act or such other provisions of*
6 *law apply pursuant to clause (i), and*
7 *is authorized and consents on behalf of*
8 *the State or unit of general local gov-*
9 *ernment and himself or herself to ac-*
10 *cept the jurisdiction of the Federal*
11 *courts for the purpose of enforcement of*
12 *the responsibilities as such an official.*

13 *“(iv) APPROVAL BY STATES.—In cases*
14 *in which a unit of general local government*
15 *carries out the responsibilities described in*
16 *clause (i), the Secretary may permit the*
17 *State to perform those actions of the Sec-*
18 *retary described in clause (ii) and the per-*
19 *formance of such actions by the State, where*
20 *permitted by the Secretary, shall be deemed*
21 *to satisfy the Secretary’s responsibilities re-*
22 *ferred to in the second sentence of clause*
23 *(ii).*

24 *“(B) LEAD-BASED PAINT POISONING PRE-*
25 *VENTION.—In carrying out the requirements of*

1 *section 302 of the Lead-Based Paint Poisoning*
2 *Prevention Act, the Secretary may provide by*
3 *regulation for the assumption of all or part of*
4 *the Secretary's duties under such Act by quali-*
5 *fied housing finance agencies, for purposes of*
6 *this section.*

7 “(C) *CERTIFICATION OF SUBSIDY LAYERING*
8 *COMPLIANCE.—The requirements of section*
9 *102(d) of the Department of Housing and Urban*
10 *Development Reform Act of 1989 may be satis-*
11 *fied in connection with a commitment to insure*
12 *a mortgage under this subsection by a certifi-*
13 *cation by a housing credit agency (including an*
14 *entity established by a State that provides mort-*
15 *gage insurance) to the Secretary that the com-*
16 *bination of assistance within the jurisdiction of*
17 *the Secretary and other government assistance*
18 *provided in connection with a property for*
19 *which a mortgage is to be insured shall not be*
20 *any greater than is necessary to provide afford-*
21 *able housing.*

22 “(10) *DEFINITIONS.—For purposes of this sub-*
23 *section, the following definitions shall apply:*

24 “(A) *MORTGAGE.—The term ‘mortgage’*
25 *means a first mortgage on real estate that is—*

1 “(i) owned in fee simple; or

2 “(ii) subject to a leasehold interest

3 that—

4 “(I) has a term of not less than 99
5 years and is renewable; or

6 “(II) has a remaining term that
7 extends beyond the maturity of the
8 mortgage for a period of not less than
9 10 years.

10 “(B) *FIRST MORTGAGE*.—The term ‘first
11 mortgage’ means a single first lien given to se-
12 cure advances on, or the unpaid purchase price
13 of, real estate, under the laws of the State in
14 which the real estate is located, together with the
15 credit instrument, if any, secured thereby. Any
16 other financing permitted on property insured
17 under this section must be expressly subordinate
18 to the insured mortgage.

19 “(C) *UNIT OF GENERAL LOCAL GOVERN-*
20 *MENT; STATE*.—The terms ‘unit of general local
21 government’ and ‘State’ have the same meanings
22 as in section 102(a) of the Housing and Commu-
23 nity Development Act of 1974.”.

1 (c) *DEFINITIONS.*—Section 544 of the Housing and
2 *Community Development Act of 1992 (12 U.S.C. 1707 note)*
3 *is amended—*

4 (1) *by striking paragraph (1) and inserting the*
5 *following new paragraph:*

6 “(1) *The term ‘multifamily housing’ means hous-*
7 *ing accommodations on the mortgaged property that*
8 *are designed principally for residential use, conform*
9 *to standards satisfactory to the Secretary, and consist*
10 *of not less than 5 rental units on 1 site. These units*
11 *may be detached, semidetached, row house, or multi-*
12 *family structures.’; and*

13 (2) *by adding at the end the following new para-*
14 *graph:*

15 “(5) *The term ‘qualified participating entity’*
16 *means an entity approved by the Secretary for par-*
17 *ticipation in the pilot program under this subsection,*
18 *which may include—*

19 “(A) *the Federal National Mortgage Asso-*
20 *ciation;*

21 “(B) *the Federal Home Loan Mortgage Cor-*
22 *poration;*

23 “(C) *State housing finance and mortgage*
24 *insurance agencies; and*

25 “(D) *the Federal Housing Finance Board.’.*

1 **SEC. 308. SUBSIDY LAYERING REVIEW.**

2 *Section 911 of the Housing and Community Develop-*
3 *ment Act of 1992 (42 U.S.C. 3545 note) is amended—*

4 *(1) by striking subsection (a) and inserting the*
5 *following new subsection:*

6 *“(a) CERTIFICATION OF SUBSIDY LAYERING COMPLI-*
7 *ANCE.—The requirements of section 102(d) of the Depart-*
8 *ment of Housing and Urban Development Reform Act of*
9 *1989 may be satisfied in connection with a project receiving*
10 *assistance under a program that is within the jurisdiction*
11 *of the Department of Housing and Urban Development and*
12 *under section 42 of the Internal Revenue Code of 1986 by*
13 *a certification by a housing credit agency to the Secretary,*
14 *submitted in accordance with guidelines established by the*
15 *Secretary, that the combination of assistance within the ju-*
16 *risdiction of the Secretary and other government assistance*
17 *provided in connection with a property for which assistance*
18 *is to be provided within the jurisdiction of the Department*
19 *of Housing and Urban Development and under section 42*
20 *of the Internal Revenue Code of 1986 shall not be any great-*
21 *er than is necessary to provide affordable housing.”; and*

22 *(2) by striking subsection (c) and inserting the*
23 *following new subsection:*

24 *“(c) REVOCATION BY SECRETARY.—If the Secretary*
25 *determines that a housing credit agency has failed to com-*

1 *ply with the guidelines established under subsection (a), the*
 2 *Secretary—*

3 *“(1) may inform the housing credit agency that*
 4 *the agency may no longer submit certification of sub-*
 5 *sidy layering compliance under this section; and*

6 *“(2) shall carry out section 102(d) of the Depart-*
 7 *ment of Housing and Urban Development Reform Act*
 8 *of 1989 relating to affected projects allocated a low-*
 9 *income housing tax credit pursuant to section 42 of*
 10 *the Internal Revenue Code of 1986.”.*

Amend the title so as to read: “An Act to amend section 203 of the Housing and Community Development Amendments of 1978 to provide for the disposition of multifamily properties owned by the Secretary of Housing and Urban Development, to provide for other reforms in programs administered by the Secretary, and to make certain technical amendments, and for other purposes.”.

Attest:

Clerk.

S 1299 EAH—2

S 1299 EAH—3

S 1299 EAH—4

S 1299 EAH—5

S 1299 EAH—6

S 1299 EAH—7

S 1299 EAH—8