

105TH CONGRESS  
1ST SESSION

# H. R. 1508

To reform the multifamily rental assisted housing programs of the Federal Government and maintain the affordability and availability of low-income housing, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 1, 1997

Ms. PRYCE of Ohio (for herself and Mr. MORAN of Virginia) introduced the following bill; which was referred to the Committee on Banking and Financial Services, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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## A BILL

To reform the multifamily rental assisted housing programs of the Federal Government and maintain the affordability and availability of low-income housing, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

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

4 (a) SHORT TITLE.—This Act may be cited as the  
5 “Multifamily Housing Restructuring and Affordability Act  
6 of 1997”.

1 (b) TABLE OF CONTENTS.—The table of contents for  
 2 this Act is as follows:

- Sec. 1. Short title and table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Definitions.
- Sec. 4. Authority of participating administrative entities.
- Sec. 5. Mortgage restructuring and rental assistance sufficiency plans.
- Sec. 6. Exemptions from restructuring.
- Sec. 7. Section 8 renewals and long-term affordability commitment by owner of project.
- Sec. 8. Prohibition on restructuring.
- Sec. 9. Restructuring tools.
- Sec. 10. Deferral of inclusion in income on debt restructuring or forgiveness.
- Sec. 11. Management standards.
- Sec. 12. Monitoring of compliance.
- Sec. 13. Review.
- Sec. 14. GAO audit and review.
- Sec. 15. Regulations.
- Sec. 16. Technical and conforming amendments.
- Sec. 17. Treatment of FHA multifamily housing restructuring demonstration.
- Sec. 18. Termination of authority.

3 **SEC. 2. FINDINGS AND PURPOSES.**

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

5 (1) there exists throughout the Nation a need  
 6 for decent, safe, and affordable housing;

7 (2) it is currently estimated that—

8 (A) the insured multifamily housing port-  
 9 folio of the Federal Housing Administration  
 10 consists of 14,000 rental properties, having an  
 11 aggregate unpaid principal mortgage balance of  
 12 \$38,000,000,000; and

13 (B) approximately 10,000 of these prop-  
 14 erties contain housing units that are assisted  
 15 with project-based rental assistance under sec-

1           tion 8 of the United States Housing Act of  
2           1937;

3           (3) FHA-insured multifamily rental properties  
4           are a major Federal investment, providing affordable  
5           rental housing to an estimated 2,000,000 low- and  
6           very low-income families;

7           (4) approximately 1,600,000 of these families  
8           live in dwelling units that are assisted with project-  
9           based rental assistance under section 8 of the Unit-  
10          ed States Housing Act of 1937;

11          (5) a substantial number of housing units re-  
12          ceiving project-based rental assistance have rents  
13          that are higher than the rents of comparable, unas-  
14          sisted rental units in the same housing rental mar-  
15          ket;

16          (6) many of the contracts for project-based as-  
17          sistance will expire during the next several years;

18          (7) it is estimated that—

19                (A) if no changes in the terms and condi-  
20                tions of the contracts for project-based rental  
21                assistance are made before fiscal year 2000, the  
22                cost of renewing all expiring rental assistance  
23                contracts under section 8 of the United States  
24                Housing Act of 1937 (including both project-  
25                based and tenant-based rental assistance) will

1 increase from approximately \$4,000,000,000 in  
2 fiscal year 1997 to more than \$17,000,000,000  
3 by fiscal year 2000 and approximately  
4 \$23,000,000,000 by fiscal year 2006;

5 (B) such renewal amounts include an in-  
6 crease in the cost of renewing project-based as-  
7 sistance from \$1,200,000,000 in fiscal year  
8 1997 to almost \$8,000,000,000 by fiscal year  
9 2006; and

10 (C) without changes in the manner in  
11 which project-based rental assistance is pro-  
12 vided, renewals of expiring contracts for  
13 project-based rental assistance will require an  
14 increasingly larger portion of the discretionary  
15 budget authority of the Department of Housing  
16 and Urban Development in each subsequent fis-  
17 cal year for the foreseeable future;

18 (8) absent new budget authority for the renewal  
19 of expiring contracts for project-based rental assist-  
20 ance, many of the FHA-insured multifamily housing  
21 projects that are assisted with project-based assist-  
22 ance will likely default on their FHA-insured mort-  
23 gage payments, resulting in substantial claims to the  
24 FHA General Insurance Fund and Special Risk In-  
25 surance Fund;

1           (9) more than 15 percent of federally assisted  
2 multifamily housing projects are physically or finan-  
3 cially distressed, including a number which suffer  
4 from mismanagement;

5           (10) due to Federal budget constraints, the  
6 downsizing of the Department of Housing and  
7 Urban Development, and diminished administrative  
8 capacity, the Department lacks the ability to ensure  
9 the continued economic and physical well-being of  
10 the stock of federally insured and assisted multifam-  
11 ily housing projects; and

12           (11) the economic, physical, and management  
13 problems facing the stock of federally insured and  
14 assisted multifamily housing projects will be best  
15 served by reforms that—

16           (A) reduce the cost of Federal rental as-  
17 sistance, including project-based assistance, to  
18 these projects while reducing the debt service  
19 and operating costs of these projects and re-  
20 taining the low-income affordability and avail-  
21 ability of the projects;

22           (B) address physical and economic distress  
23 of the projects and the failure of some project  
24 managers and owners to comply with manage-

1           ment and ownership regulations and require-  
2           ments; and

3           (C) transfer and share many of the loan  
4           and contract administration functions and re-  
5           sponsibilities of the Secretary with capable  
6           State, local, and other entities.

7           (b) PURPOSES.—The purposes of this Act are—

8           (1) to preserve low-income rental housing af-  
9           fordability and availability while reducing the long-  
10          term costs of project-based rental assistance;

11          (2) to reform the design and operation of Fed-  
12          eral rental housing assistance programs adminis-  
13          tered by the Secretary to promote greater multifam-  
14          ily housing project operating and cost efficiencies;

15          (3) to encourage owners of eligible multifamily  
16          housing projects to restructure their FHA-insured  
17          mortgages and project-based rental assistance con-  
18          tracts in a manner which is consistent with this Act  
19          before the year in which the contract expires;

20          (4) to streamline and improve federally insured  
21          and assisted multifamily housing project oversight  
22          and administration;

23          (5) to resolve the problems affecting financially  
24          and physically troubled federally insured and as-  
25          sisted multifamily housing projects through coopera-

1       tion with residents, owners, State and local govern-  
2       ments, and other interested entities and individuals;  
3       and

4               (6) to provide additional enforcement tools for  
5       use against those who violate agreements and pro-  
6       gram requirements, to ensure that the public inter-  
7       est is safeguarded and that Federal multifamily  
8       housing programs serve their intended purposes.

9       **SEC. 3. DEFINITIONS.**

10       For purposes of this Act, the following definitions  
11       shall apply:

12               (1) **COMPARABLE PROPERTIES.**—The term  
13       “comparable properties” means, with respect to an  
14       eligible multifamily housing project, properties that  
15       are—

16               (A) similar to the eligible multifamily  
17       housing project in neighborhood (including risk  
18       of crime), location, access, street appeal, age,  
19       property size, apartment mix, physical configu-  
20       ration, property amenities, in-apartment rental  
21       amenities, and utilities;

22               (B) unregulated by contractual encum-  
23       brances or local rent control laws; and

1 (C) occupied predominantly by renters who  
2 receive no rent supplements or rental assist-  
3 ance.

4 (2) ELIGIBLE MULTIFAMILY HOUSING  
5 PROJECT.—The term “eligible multifamily housing  
6 project” means a property consisting of more than  
7 4 dwelling units, which—

8 (A) has rents that, on an average per unit  
9 or per room basis, exceed the fair market rent  
10 (as such term is defined in this section);

11 (B) is covered in whole or in part by a con-  
12 tract for project-based assistance under—

13 (i) the new construction and substan-  
14 tial rehabilitation program under section  
15 8(b)(2) of the United States Housing Act  
16 of 1937 (as in effect before October 1,  
17 1983);

18 (ii) the property disposition program  
19 under section 8(b) of the United States  
20 Housing Act of 1937;

21 (iii) the moderate rehabilitation pro-  
22 gram under section 8(e)(2) of the United  
23 States Housing Act of 1937 (as in effect  
24 before October 1, 1991);

1 (iv) the project-based certificate pro-  
2 gram under section 8 of the United States  
3 Housing Act of 1937;

4 (v) section 23 of the United States  
5 Housing Act of 1937 (as in effect before  
6 January 1, 1975);

7 (vi) the rent supplement program  
8 under section 101 of the Housing and  
9 Urban Development Act of 1965; or

10 (vii) the loan management set-aside  
11 program under section 8 of the United  
12 States Housing Act of 1937, including con-  
13 version from assistance under section 101  
14 of the Housing and Urban Development  
15 Act of 1965 and under section 236(f)(2) of  
16 the National Housing Act; and

17 (C) is subject to a mortgage insured under  
18 the National Housing Act.

19 (3) EXPIRING CONTRACT.—The term “expiring  
20 contract” means a contract for project-based assist-  
21 ance that is attached to a multifamily housing  
22 project and that, under the terms of the contract,  
23 will terminate.

1           (4) EXPIRATION DATE.—The term “expiration  
2           date” means the date on which an expiring contract  
3           will terminate.

4           (5) FAIR MARKET RENT.—The term “fair mar-  
5           ket rent” means the applicable fair market rental es-  
6           tablished under section 8(c) of the United States  
7           Housing Act of 1937. For eligible multifamily hous-  
8           ing projects located in nonmetropolitan areas, the  
9           fair market rent shall be the higher of the fair mar-  
10          ket rent for (A) the county in which the project is  
11          located, or (B) the nearest metropolitan area.

12          (6) KNOWING OR KNOWINGLY.—The term  
13          “knowing” or “knowingly” means having actual  
14          knowledge of or acting with deliberate ignorance or  
15          reckless disregard to.

16          (7) LOCAL GOVERNMENT.—The term “local  
17          government” has the meaning given the term “unit  
18          of general local government” in section 104 of the  
19          Cranston-Gonzalez National Affordable Housing  
20          Act.

21          (8) LOW-INCOME FAMILIES.—The term “low-in-  
22          come families” has the meaning given the term in  
23          section 3(b)(2) of the United States Housing Act of  
24          1937.

1           (9) MULTIFAMILY HOUSING MANAGEMENT  
2 AGREEMENT.—The term “multifamily housing man-  
3 agement agreement” means an agreement entered  
4 by between the Secretary and a participating admin-  
5 istrative entity pursuant to section 4.

6           (10) PARTICIPATING ADMINISTRATIVE EN-  
7 TITY.—The term “participating administrative en-  
8 tity” means a public agency, including a State hous-  
9 ing finance agency or local housing agency, which  
10 meets the requirements under section 4(b).

11           (11) PROJECT-BASED ASSISTANCE.—The term  
12 “project-based assistance” means rental assistance  
13 under section 8 (excluding assistance under section  
14 8(f)) of the United States Housing Act of 1937 that  
15 is attached to a multifamily housing project.

16           (12) RENEWAL.—The term “renewal” means  
17 the replacement of an expiring contract with a new  
18 contract for rental assistance under section 8 of the  
19 United States Housing Act of 1937, consistent with  
20 the requirements of this Act.

21           (13) SECRETARY.—The term “Secretary”  
22 means the Secretary of Housing and Urban Develop-  
23 ment.

1           (14) STATE.—The term “State” has the mean-  
2           ing given the term in section 104 of the Cranston-  
3           Gonzalez National Affordable Housing Act.

4           (15) TENANT-BASED ASSISTANCE.—The term  
5           “tenant-based assistance” has the meaning given the  
6           term in section 8(f) of the United States Housing  
7           Act of 1937.

8           (16) VERY LOW-INCOME FAMILY.—The term  
9           “very low-income family” has the meaning given the  
10          term in section 3(b) of the United States Housing  
11          Act of 1937.

12 **SEC. 4. AUTHORITY OF PARTICIPATING ADMINISTRATIVE**  
13 **ENTITIES.**

14          (a) PARTICIPATING ADMINISTRATIVE ENTITIES.—

15           (1) IN GENERAL.—The Secretary shall enter  
16           into multifamily housing management agreements  
17           with participating administrative entities for the im-  
18           plementation of mortgage restructuring and rental  
19           assistance sufficiency plans to restructure FHA-in-  
20           sured multifamily housing mortgages, to—

21                   (A) reduce the costs of current and expir-  
22                   ing contracts for assistance under section 8 of  
23                   the United States Housing Act of 1937;

24                   (B) address financially and physically trou-  
25                   bled projects; and

1 (C) correct management and ownership de-  
2 ficiencies.

3 (2) MULTIFAMILY HOUSING MANAGEMENT  
4 AGREEMENT.—Each multifamily housing manage-  
5 ment agreement entered into under this subsection  
6 shall—

7 (A) be a cooperative agreement to establish  
8 the obligations and requirements between the  
9 Secretary and the participating administrative  
10 entity;

11 (B) identify the eligible multifamily hous-  
12 ing projects or groups of such projects for  
13 which the participating administrative entity is  
14 responsible for assisting in developing and im-  
15 plementing approved mortgage restructuring  
16 and rental assistance sufficiency plans under  
17 section 5;

18 (C) require the participating administrative  
19 entity to review and certify whether the com-  
20 prehensive needs assessment submitted by the  
21 owner of an eligible multifamily housing project,  
22 in accordance with the requirements of section  
23 403 of the Housing and Community Develop-  
24 ment Act of 1992, and includes such other  
25 data, information, and requirements as the Sec-

1           retary may require to be included as part of the  
2           comprehensive needs assessment;

3           (D) identify the responsibilities of the par-  
4           ticipating administrative entity and the Sec-  
5           retary in implementing a mortgage restructur-  
6           ing and rental assistance sufficiency plan, in-  
7           cluding any actions proposed to be taken under  
8           section 5 or 7;

9           (E) require each mortgage restructuring  
10          and rental assistance sufficiency plan overseen  
11          and approved by the participating administra-  
12          tive entity to be prepared in accordance with  
13          the requirements of section 5 for each eligible  
14          multifamily housing project;

15          (F) indemnify the participating adminis-  
16          trative entity against lawsuits and penalties for  
17          actions taken pursuant to the agreement, in-  
18          cluding actions involving gross negligence or  
19          willful misconduct; and

20          (G) include compensation for all reasonable  
21          expenses incurred by the participating adminis-  
22          trative entity necessary to perform its duties  
23          under this Act.

24          (b) SELECTION OF PARTICIPATING ADMINISTRATIVE  
25          ENTITY.—

1           (1) SELECTION CRITERIA.—The Secretary shall  
2           select participating administrative entities based on  
3           the following criteria:

4                   (A) Location in the State or local jurisdic-  
5                   tion in which an eligible multifamily housing  
6                   project or projects are located.

7                   (B) Demonstrated expertise in the develop-  
8                   ment and management of low-income affordable  
9                   rental housing.

10                  (C) A history of stable, financially sound,  
11                  and responsible administrative performance.

12                  (D) Demonstrated financial strength in  
13                  terms of asset quality, capital adequacy, and li-  
14                  quidity.

15                  (E) Determination by the Secretary that  
16                  the entity is otherwise qualified to carry out the  
17                  requirements of this Act.

18           (2) SELECTION OF MORTGAGE RISK SHARING  
19           ENTITIES.—Any State housing finance agency or  
20           local housing agency which is designated as a quali-  
21           fied participating entity under section 542 of the  
22           Housing and Community Development Act of 1992  
23           shall be considered to qualify as a participating ad-  
24           ministrative entity under this section.

1           (3) ALTERNATIVE ADMINISTRATORS.—With re-  
2           spect to any eligible multifamily housing project that  
3           is located in a State or local jurisdiction in which the  
4           Secretary determines that a participating adminis-  
5           trative entity is not located, is unavailable, or does  
6           not qualify, the Secretary shall carry out the re-  
7           quirements of this Act relating to a participating ad-  
8           ministrative entity with respect to such project.

9           (4) PREFERENCE FOR STATE HOUSING FI-  
10          NANCE AGENCIES AS PARTICIPATING ADMINISTRA-  
11          TIVE ENTITIES.—For each State in which eligible  
12          multifamily housing projects are located, the Sec-  
13          retary shall give preference to the housing finance  
14          agency of that State or, if a State housing finance  
15          agency is unqualified or has declined to participate,  
16          a local housing agency, to act as the participating  
17          administrative entity for that State or for the juris-  
18          diction in which the agency is located.

19          (5) STATE PORTFOLIO REQUIREMENTS.—

20                (A) IN GENERAL.—If the housing finance  
21                agency of a State is selected as the participat-  
22                ing administrative entity, that agency shall act  
23                as such entity for all eligible multifamily hous-  
24                ing projects in that State, except that a local  
25                housing agency selected as a participating ad-

1           ministrative agency shall act as such entity for  
2           all eligible multifamily housing projects in the  
3           jurisdiction of the agency.

4                   (B) DELEGATION.—A participating admin-  
5           istrative entity may delegate or transfer respon-  
6           sibilities and functions under this Act to one or  
7           more interested and qualified public entities.

8                   (C) WAIVER.—A State housing finance  
9           agency or local housing agency may request a  
10          waiver from the Secretary from the require-  
11          ments of this paragraph for good cause.

12 **SEC. 5. MORTGAGE RESTRUCTURING AND RENTAL ASSIST-**  
13 **ANCE SUFFICIENCY PLANS.**

14          (a) IN GENERAL.—

15                   (1) DEVELOPMENT OF PROCEDURES AND RE-  
16          QUIREMENTS.—The Secretary shall develop proce-  
17          dures and requirements for the submission to a par-  
18          ticipating administrative entity of a mortgage re-  
19          structuring and rental assistance sufficiency plan for  
20          each eligible multifamily housing project with an ex-  
21          piring contract and for approval of such plans by  
22          participating administrative entities.

23                   (2) TERMS AND CONDITIONS.—Each mortgage  
24          restructuring and rental assistance sufficiency plan  
25          submitted under this subsection shall be developed

1 at the initiative of an owner of an eligible multifam-  
2 ily housing project, in conjunction with the FHA-ap-  
3 proved mortgagee currently servicing the loan (pro-  
4 vided such mortgagee is willing), with oversight and  
5 approval of such proposed mortgage restructuring  
6 and rental assistance sufficiency plan to be made by  
7 a participating administrative entity, under such  
8 terms and conditions as the Secretary shall require.

9 (3) CONSOLIDATION.—Mortgage restructuring  
10 and rental assistance sufficiency plans submitted  
11 under this subsection may be consolidated as part of  
12 an overall strategy for more than one property.

13 (b) NOTICE REQUIREMENT.—

14 (1) ESTABLISHMENT.—The Secretary shall es-  
15 tablish notice procedures and hearing requirements  
16 for tenants and owners concerning the expiration  
17 dates for the expiring contracts for any eligible mul-  
18 tifamily housing project.

19 (2) 12-MONTH NOTICE.—Under the hearing re-  
20 quirements established under paragraph (1), the  
21 participating administrative entity or owner for an  
22 eligible multifamily housing project shall, not later  
23 than 12 months before such expiration date, provide  
24 notice in writing of the expiration date of the initial  
25 expiring contract to tenants of the project.

1           (3) EXTENSION OF CONTRACT TERM.—Subject  
2           to agreement by a project owner and the availability  
3           of amounts provided in advance in appropriation  
4           Acts, the Secretary shall extend the term of any ex-  
5           piring contract under the current contract terms or  
6           provide a section 8 contract with rent levels estab-  
7           lished in accordance with subsection (f)(2), for a pe-  
8           riod sufficient to facilitate the implementation of a  
9           mortgage restructuring and rental assistance suffi-  
10          ciency plan as determined by the Secretary.

11          (c) TENANT RENT PROTECTION.—If the owner of an  
12          eligible multifamily housing project with an expiring con-  
13          tract does not agree to extend the contract, the Secretary  
14          shall make tenant-based assistance available to tenants re-  
15          siding in units assisted under the expiring contract on the  
16          expiration date. Any tenants receiving tenant-based assist-  
17          ance under subsection may elect—

18                (1) to remain in the unit in the project and, if  
19                at any time during their tenancy, if the rent exceeds  
20                the fair market rent or payment standard, as appli-  
21                cable, the rent shall be deemed to be the applicable  
22                standard, but only if the agency administering the  
23                tenant-based assistance finds that the rent is reason-  
24                able in comparison with rents charged for com-  
25                parable unassisted housing units in the market; or

1           (2) to move from the project and the rent of  
2           their new dwelling unit shall be subject to the fair  
3           market rent or the payment standard, as applicable,  
4           under existing program rules and procedures.

5           (d) CONTENTS OF PLAN.—Each mortgage restruc-  
6           turing and rental assistance sufficiency plan shall—

7           (1) except as otherwise provided, restructure  
8           the project-based assistance rents for the eligible  
9           multifamily housing property in a manner consistent  
10          with subsection (f);

11          (2) require the owner or purchaser of an eligible  
12          multifamily housing project with an expiring con-  
13          tract to submit to the participating administrative  
14          entity a comprehensive housing needs assessment, in  
15          accordance with the information and data require-  
16          ments of section 403 of the Housing and Commu-  
17          nity Development Act of 1992, except that—

18                (A) any such needs assessment prepared  
19                within the last 5 years shall satisfy the require-  
20                ment under this paragraph; and

21                (B) no such needs assessment shall be re-  
22                quired where the restructuring plan would, in  
23                the judgment of the participating administra-  
24                tive entity, make minimal changes to the FHA-  
25                insured mortgage;

1           (3) require the owner or purchaser of the  
2 project to provide, or contract for, competent man-  
3 agement of the project;

4           (4) require the owner or purchaser of the  
5 project to take such actions as may be necessary to  
6 rehabilitate the project, maintain adequate reserves  
7 for the project, and maintain the project in decent  
8 and safe condition, based on housing quality stand-  
9 ards established by the Secretary;

10          (5) require the owner or purchaser of the  
11 project to maintain affordability and use restrictions  
12 in accordance with section 7(d), which restrictions  
13 shall be consistent with the long-term physical and  
14 financial viability and character of the project as af-  
15 fordable housing; and

16          (6) provide for any restructuring actions au-  
17 thorized under section 9 that are proposed to be  
18 taken with respect to the project.

19          (e) TENANT AND COMMUNITY PARTICIPATION AND  
20 CAPACITY BUILDING.—

21           (1) PROCEDURES.—The Secretary shall estab-  
22 lish procedures to provide an opportunity for tenants  
23 of the eligible multifamily housing project and other  
24 affected parties, including the local government, to

1 participate effectively in the restructuring process  
2 for the project carried out under this Act.

3 (2) CONTENT.—Such procedures shall in-  
4 clude—

5 (A) the rights to timely and adequate writ-  
6 ten notice of the proposed decisions of the  
7 owner or the Secretary or participating admin-  
8 istrative entity;

9 (B) timely access to all relevant informa-  
10 tion (except for information determined to be  
11 proprietary under standards established by the  
12 Secretary);

13 (C) an adequate period to analyze this in-  
14 formation and provide comments to the Sec-  
15 retary or participating administrative entity  
16 (which comments shall be taken into consider-  
17 ation by the participating administrative en-  
18 tity); and

19 (D) if requested, a meeting with a rep-  
20 resentative of the participating administrative  
21 entity.

22 (3) EFFECTIVE PARTICIPATION.—The proce-  
23 dures established under this subsection shall permit  
24 tenant, local government, and community participa-  
25 tion in physical inspections, comprehensive needs as-

1        assessments, management reviews, and other matters,  
2        as deemed necessary by the participating adminis-  
3        trative entity, in connection with restructuring plans  
4        submitted by owners and lenders and decisions made  
5        by the Secretary and participating administrative  
6        entities pursuant to this Act.

7            (4) FUNDING.—

8            (A) IN GENERAL.—From any amounts  
9            made available under appropriation Acts to  
10          carry out this Act, the Secretary may provide  
11          not more than \$10,000,000 in each fiscal year  
12          to tenant groups, nonprofit and for-profit orga-  
13          nizations, and public entities for building the  
14          capacity of tenant organizations, technical as-  
15          sistance in furthering any of the purposes of  
16          this Act (including transfer of projects to new  
17          owners), and tenant services.

18          (B) ALLOCATION.—The Secretary may al-  
19          locate any funds made available under subpara-  
20          graph (A) through existing technical assistance  
21          programs and procedures developed pursuant to  
22          any other Federal law, including the Low-In-  
23          come Housing Preservation and Resident  
24          Homeownership Act of 1990 and the Multifam-

1           ily Housing Property Disposition Reform Act of  
2           1994.

3           (C) PROHIBITION.—None of the funds  
4           made available under subparagraph (A) may be  
5           used directly or indirectly to pay for any per-  
6           sonal service, advertisement, telegram, tele-  
7           phone, printed or written letter, or other device,  
8           intended or designed to influence in any man-  
9           ner a Member of Congress, to favor or oppose,  
10          by vote or otherwise, any legislation or appro-  
11          priation by the Congress, whether before or  
12          after the introduction of any bill or resolution  
13          proposing such legislation or appropriation.

14          (f) RENT LEVELS.—

15           (1) IN GENERAL.—Except as provided in para-  
16          graph (2), each mortgage restructuring and rental  
17          assistance sufficiency plan, pursuant to the terms,  
18          conditions, and requirements of this Act shall estab-  
19          lish, for units assisted with project-based assistance  
20          in eligible multifamily housing projects, adjusted  
21          rent levels that—

22           (A) are equivalent to rents derived from  
23          comparable properties, if—

24           (i) the participating administrative en-  
25          tity makes the rent determination not later

1           than 60 days after the owner submits a  
2           mortgage restructuring and rental assist-  
3           ance sufficiency plan; and

4                   (ii) the market rent determination is  
5           based on not less than 2 comparable prop-  
6           erties or, if not based on 2 or more com-  
7           parable properties, is acceptable to the  
8           owner; or

9                   (B) if the rents referred to in subpara-  
10          graph (A) cannot be determined or have not  
11          been determined by the participating adminis-  
12          trative entity within the applicable timeframe,  
13          are equal to 90 percent of the fair market rent  
14          or are less than 90 percent of the fair market  
15          rent, assuming that the owner, lender, and par-  
16          ticipating administrative entity agree that the  
17          mortgage restructuring and rental assistance  
18          sufficiency plan is feasible with rents set below  
19          90 percent of the fair market rent.

20           (2) EXCEPTION PROJECTS.—A contract under  
21          this section may include rent levels that exceed the  
22          applicable rent level determined under paragraph (1)  
23          if the participating administrative entity—

24                   (A) determines that the housing needs of  
25          the tenants and the community cannot be ade-

1           quately addressed through implementation of  
2           the rent limitation required to be established  
3           through a mortgage restructuring and rental  
4           assistance sufficiency plan under paragraph (1);  
5           and

6                   (B) follows the procedures under para-  
7           graph (3).

8           (3) RENT LEVEL FOR EXCEPTION PROJECT.—

9           The rent levels for a project eligible under para-  
10          graph (2) for an exception rent shall be calculated,  
11          for purposes of this subsection, on the actual and  
12          projected costs of operating the project, at a level  
13          that provides income sufficient to support a budget-  
14          based rent that consists of—

15                   (A) the debt service of the project following  
16          restructuring;

17                   (B) the operating expenses of the project,  
18          based on historical data and reasonable projec-  
19          tions of the owner, including—

20                           (i) contributions to adequate reserves  
21                           consistent with the comprehensive housing  
22                           needs assessment completed pursuant to  
23                           subsection (d)(2);

24                           (ii) the costs of maintenance and nec-  
25                           essary rehabilitation; and

1 (iii) other eligible costs permitted  
2 under section 8 of the United States Hous-  
3 ing Act of 1937;

4 (C) an allowance for potential operating  
5 losses due to vacancies and failure to collect  
6 rents, equal to 7 percent of gross potential  
7 rents or, for high vacancy areas, an adequate  
8 allowance as determined by the participating  
9 administrative entity;

10 (D) an allowance for a rate of return to  
11 the owner or purchaser of the project in an  
12 amount equal to 8 percent of 100 percent of the  
13 fair market rent, to be adjusted annually, based  
14 on adjustments to the fair market rent; and

15 (E) other expenses determined by the par-  
16 ticipating administrative entity to be necessary  
17 for the operation of the project.

18 **SEC. 6. EXEMPTIONS FROM RESTRUCTURING.**

19 Subject to section 7 and the availability of amounts  
20 provided in advance in appropriation Acts, the Secretary  
21 shall renew an expiring contract for a multifamily housing  
22 project at existing rents (as adjusted pursuant to section  
23 8(c)(2) of such Act) and without restructuring the mort-  
24 gage, if—

1           (1) the project is an eligible multifamily hous-  
2           ing project and the owner agrees to accept a renewal  
3           of the expiring contract at rent levels that are equal  
4           to those under the expiring contract on the date of  
5           contract expiration, provided that such rent levels do  
6           not exceed 120 percent of the fair market rent or,  
7           where rent levels under the expiring contract exceed  
8           120 percent of the fair market rent, the owner  
9           agrees to renew the expiring contract equal to 120  
10          percent of the fair market rent; except that if any  
11          owner does not agree to accept a renewal at the rent  
12          levels provided for in this paragraph, the owner may  
13          submit a mortgage restructuring and rental assist-  
14          ance sufficiency plan under section 5;

15          (2) the primary financing or mortgage insur-  
16          ance for the project was provided by a public agency;

17          (3) the project was financed through obligations  
18          such that the implementation of a mortgage restruc-  
19          turing and rental assistance plan under this section  
20          is inconsistent with applicable law or agreements  
21          governing such financing;

22          (4) in the determination of the Secretary or the  
23          participating administrative entity, the refinancing  
24          would not result in significant savings to the Sec-  
25          retary; or

1           (5) the project is subject to an expiring contract  
2           but is not an eligible multifamily project for pur-  
3           poses of this Act.

4 **SEC. 7. SECTION 8 CONTRACT RENEWALS AND LONG-TERM**  
5 **AFFORDABILITY COMMITMENT BY OWNER OF**  
6 **PROJECT.**

7           (a) SECTION 8 RENEWAL OF RESTRUCTURED  
8 PROJECTS.—Subject to the availability of amounts pro-  
9 vided in advance in appropriation Acts, the Secretary shall  
10 enter into contracts with participating administrative enti-  
11 ties pursuant to which—

12           (1) such entities shall offer to renew or extend  
13 expiring section 8 contracts on eligible multifamily  
14 housing projects; and

15           (2) the owner of the project shall accept the  
16 offer, provided the initial renewal is in accordance  
17 with the terms and conditions specified in the mort-  
18 gage restructuring and rental sufficiency plan, ex-  
19 cept for renewals pursuant to section 6.

20           (b) RENTS FOR SUBSEQUENT RENEWALS.—With re-  
21 spect to any subsequent renewal of a section 8 contract  
22 after the initial renewal pursuant to this Act, the rents  
23 under each renewal contract shall be the same as those  
24 determined pursuant to section 5(f), adjusted on an an-  
25 nual basis to reflect, at the owner’s option—

1           (1) adjustments to the Consumer Price Index  
2           prepared by the Bureau of Labor Statistics of the  
3           Department of Labor; or

4           (2) reasonable and necessary expenses of the  
5           project pursuant to the requirements of section  
6           5(f)(2)(B).

7           (c) REQUIRED COMMITMENT.—After the initial re-  
8           newal of a section 8 contract pursuant to this section, the  
9           owner shall accept each offer made pursuant to subsection  
10          (a) to renew the contract, for a period of 20 years from  
11          the date of the initial renewal, if the offer to renew is on  
12          terms and conditions specified in the mortgage restructur-  
13          ing and rental assistance sufficiency plan.

14          (d) RENT AND USE RESTRICTIONS.—If an offer to  
15          renew the contract is not made or is rejected by the owner  
16          because it is not on terms and conditions specified in the  
17          mortgage restructuring and rental assistance sufficiency  
18          plan, the owner shall, for the remaining portion of the 20-  
19          year period referred to in subsection (c), be required to  
20          comply with the following rent and use restrictions:

21                 (1) Such restrictions shall be consistent with  
22                 the long-term financial and physical viability of the  
23                 project and shall be consistent with the maximum  
24                 rent restriction in paragraph (2) and the tenant ad-  
25                 mission preference in paragraph (3).

1           (2) The maximum rent on such units shall be  
2           limited, provided that such maximum rents shall ex-  
3           ceed the restructured rents by at least 10 percent  
4           (as adjusted annually), as determined by the partici-  
5           pating administrative entity.

6           (3) To the extent practicable, the owner shall  
7           rent—

8                   (A) 40 percent of the units to residents  
9                   with incomes at or below 60 percent of median  
10                  income, as determined by the Secretary, with  
11                  adjustments for larger or smaller families; or

12                   (B) 20 percent of the units to residents  
13                   with incomes at or below 50 percent of median  
14                   income, as determined by the Secretary, with  
15                   adjustments for larger or smaller families.

16           (e) EXCEPTION.—If an owner of a project subject to  
17           rent and use restrictions demonstrates to the satisfaction  
18           of the participating administrative entity that the project  
19           cannot be adequately operated in compliance with the rent  
20           and use restrictions under subsection (d), the participating  
21           administrative entity shall modify those requirements to  
22           the extent necessary to assure the long-term financial and  
23           physical viability of the project.

1 **SEC. 8. PROHIBITION ON RESTRUCTURING.**

2 (a) IN GENERAL.—The Secretary shall not consider  
3 any mortgage restructuring and rental assistance suffi-  
4 ciency plan or request for contract renewal if the partici-  
5 pating administrative entity determines that—

6 (1) the owner or purchaser of the project has  
7 engaged in material adverse financial or managerial  
8 actions or omissions with regard to this project, in-  
9 cluding—

10 (A) knowingly and materially violating any  
11 Federal, State, or local law or regulation with  
12 regard to the project;

13 (B) knowingly and materially breaching a  
14 contract for assistance under section 8 of the  
15 United States Housing Act of 1937;

16 (C) knowingly and materially violating any  
17 applicable regulatory or other agreement with  
18 the Secretary or a participating administrative  
19 entity;

20 (D) repeatedly failing to make mortgage  
21 payments at times when project income was  
22 sufficient to maintain and operate the property;

23 (E) materially failing to maintain the prop-  
24 erty according to housing quality standards at  
25 times when project income was sufficient to  
26 maintain and operate the property and after re-

1            receipt of notice and a reasonable opportunity to  
2            cure; or

3            (F) committing any action or omission re-  
4            sulting in suspension or debarment by the Sec-  
5            retary at the time of submission or implementa-  
6            tion of a mortgage restructuring and rental as-  
7            sistance sufficiency plan;

8            (2) the owner or purchaser of the property ma-  
9            terially failed to follow the procedures and require-  
10            ments of this Act, after receipt of notice and an op-  
11            portunity to cure; or

12            (3) the poor condition of the project cannot be  
13            remedied in a cost effective manner, as determined  
14            by the participating administrative entity.

15            (b) OPPORTUNITY TO DISPUTE FINDINGS.—

16            (1) IN GENERAL.—During the 30-day period  
17            beginning on the date on which the owner or pur-  
18            chaser of an eligible multifamily housing project re-  
19            ceives notice of a rejection under subsection (a) or  
20            of a mortgage restructuring and rental assistance  
21            sufficiency plan under section 5, the Secretary or  
22            participating administrative entity shall provide the  
23            owner or purchaser with an opportunity to dispute  
24            the basis for the rejection and an opportunity to

1 cure. Any such notice of rejection shall identify the  
2 reasons for rejection.

3 (2) AFFIRMATION, MODIFICATION, OR REVER-  
4 SAL.—

5 (A) IN GENERAL.—After providing an op-  
6 portunity to dispute under paragraph (1), the  
7 Secretary or the participating administrative  
8 entity may affirm, modify, or reverse any rejec-  
9 tion under subsection (a) or rejection of a mort-  
10 gage restructuring and rental assistance suffi-  
11 ciency plan under section 5. The appeal decision  
12 shall be made by a knowledgeable and impartial  
13 person who was not involved in the decision to  
14 reject. The owner may be represented by coun-  
15 sel, may subpoena witnesses, and may require  
16 the production of documents relevant to the  
17 reasons for rejection. The appeal decision shall  
18 be solely based on the reasons identified in the  
19 notice of rejection.

20 (B) REASON FOR DECISION.—The Sec-  
21 retary or the participating administrative en-  
22 tity, as applicable, shall identify the reasons for  
23 any final decision under this paragraph.

24 (C) REVIEW PROCESS.—The Secretary  
25 shall establish an administrative review process

1           to appeal any final decision under this para-  
2           graph.

3           (c) FINAL DETERMINATION.—Any final determina-  
4           tion under this section shall be subject to judicial review.

5           (d) DISPLACED TENANTS.—Subject to the availabil-  
6           ity of amounts provided in advance in appropriation Acts,  
7           for any low-income family that is a tenant in a project  
8           or receiving assistance under section 8 of the United  
9           States Housing Act of 1937 at the time of rejection under  
10          this section, the Secretary shall provide that tenant with  
11          tenant-based assistance and reasonable moving expenses,  
12          as determined by the Secretary.

13          (e) TRANSFER OF PROPERTY.—For properties dis-  
14          qualified from the consideration of a mortgage restructur-  
15          ing and rental assistance sufficiency plan under this sec-  
16          tion because of actions by an owner or purchaser described  
17          in paragraph (1) or (2) of subsection (a), the Secretary  
18          shall establish procedures to facilitate the voluntary sale  
19          or transfer of property as part of a mortgage restructuring  
20          and rental assistance sufficiency plan, with a preference  
21          for sale or transfer to a tenant organization and tenant-  
22          endorsed community-based nonprofit, for-profit, and pub-  
23          lic agency purchaser meeting such reasonable qualifica-  
24          tions as may be established by the Secretary.

1 **SEC. 9. RESTRUCTURING TOOLS.**

2 (a) IN GENERAL.—For purposes of this Act, an ap-  
3 proved mortgage restructuring and rental assistance suffi-  
4 ciency plan may include one or more of the following ac-  
5 tions:

6 (1) FULL OR PARTIAL PAYMENT OF CLAIM.—  
7 Making a full payment of claim or partial payment  
8 of claim under section 541(b) of the National Hous-  
9 ing Act; except that, at the request of the owner, the  
10 Secretary shall use all or a portion of the funds that  
11 would otherwise be used to make such full or partial  
12 payment of claim as a debt service reserve, investing  
13 same in debentures or other prudent investments  
14 and using the principal and interest of said reserve  
15 to pay a portion of the project's debt service.

16 (2) REFINANCING OF DEBT.—Refinancing of all  
17 or part of the debt on a project, if the refinancing  
18 would result in significant subsidy savings under  
19 section 8 of the United States Housing Act of 1937,  
20 including through the provision of a direct loan from  
21 the Secretary financed by the General Insurance  
22 Fund or Special Risk Insurance Fund.

23 (3) MORTGAGE INSURANCE.—Providing FHA  
24 multifamily mortgage insurance, reinsurance, or  
25 other credit enhancement alternatives, including  
26 under the multifamily risk-sharing mortgage pro-

1       grams under section 542 of the Housing and Com-  
2       munity Development Act of 1992. Any limitations on  
3       the number of units available for mortgage insur-  
4       ance under section 542 shall not apply to eligible  
5       multifamily housing projects. Any credit subsidy  
6       costs of providing mortgage insurance shall be paid  
7       from the General Insurance Fund and the Special  
8       Risk Insurance Fund.

9           (4)   CREDIT    ENHANCEMENT.—Establishing  
10       State or local mortgage credit enhancements and  
11       risk-sharing arrangements with State or local hous-  
12       ing finance agencies, the Federal Housing Finance  
13       Board, the Federal National Mortgage Association,  
14       and the Federal Home Loan Mortgage Corporation.

15           (5)   COMPENSATION OF THIRD PARTIES.—En-  
16       tering into agreements, incurring costs, or making  
17       payments, as may be reasonably necessary, to com-  
18       pensate participating administrative entities and  
19       other parties in undertaking actions authorized by  
20       this Act. Upon request, participating administrative  
21       entities shall be considered to be contract adminis-  
22       trators under section 8 of the United States Hous-  
23       ing Act of 1937 for purposes of any housing assist-  
24       ance payments contracts entered into as part of an

1 approved mortgage restructuring and rental assist-  
2 ance sufficiency plan.

3 (6) RESIDUAL RECEIPTS.—Applying any ac-  
4 quired residual receipts to maintain the long-term  
5 affordability and physical conditions of the property  
6 or of other eligible multifamily housing. The partici-  
7 pating administrative entity shall expedite the acqui-  
8 sition of residual receipts by entering into agree-  
9 ments with owners of housing covered by an expiring  
10 contract to provide an owner with a share of the re-  
11 ceipts, not to exceed 10 percent.

12 (7) REHABILITATION NEEDS.—Rehabilitating  
13 the project using amounts from grants provided  
14 from residual receipts and the General and Special  
15 Needs Insurance Funds under the National Housing  
16 Act, as approved by the Secretary; to the extent pro-  
17 vided in appropriation Acts, using budget authority  
18 provided for increases in the budget authority for as-  
19 sistance contracts under section 8 of the United  
20 States Housing Act of 1937; through interest reduc-  
21 tion payments that are not longer needed to cover  
22 restructured mortgages that are or were insured  
23 under section 236 of the National Housing Act; or  
24 through the debt restructuring transaction.

1           (8) MORTGAGE RESTRUCTURING.—Restructur-  
2           ing mortgages to provide—

3                   (A) a restructured first mortgage that is  
4                   fully amortizing within the remaining term of  
5                   the existing FHA-insured first mortgage and  
6                   that has a principal amount consistent with—

7                           (i) rents at levels that are established  
8                           in section 5(f); and

9                           (ii) reasonable costs of operation as  
10                          set forth in section 5(f)(3)(B) through  
11                          5(f)(3)(E); and

12                   (B) to the extent that the debt is restruc-  
13                   tured through a partial payment of claim, a sec-  
14                   ond mortgage equal to the difference between  
15                   the restructured first mortgage and the mort-  
16                   gage balance of the eligible multifamily housing  
17                   project at the time of restructuring, subject to  
18                   the following requirements:

19                           (i) the second mortgage shall bear in-  
20                           terest at a rate not to exceed the applicable  
21                           Federal rate for a term not to exceed 50  
22                           years;

23                           (ii) during the period in which the  
24                           first mortgage remains outstanding, no

1 payments of interest or principal shall be  
2 required or paid on the second mortgage;

3 (iii) 50 percent of the net distribut-  
4 able proceeds of any sale or refinancing of  
5 the project shall be payable, first toward  
6 accrued interest, and, to the extent there  
7 are any proceeds remaining, to principal  
8 due under the second mortgage;

9 (iv) the second mortgage shall be as-  
10 sumable by any subsequent purchaser of  
11 any multifamily housing project, pursuant  
12 to guidelines established by the Secretary;

13 (v) the principal and accrued interest  
14 due under the second mortgage shall be  
15 fully payable upon disposition of the prop-  
16 erty, unless the mortgage is assumed  
17 under the preceding sentence;

18 (vi) upon full payment of the first  
19 mortgage, the owner shall begin repayment  
20 of the second mortgage in monthly install-  
21 ments equal to the monthly payments for-  
22 merly made under the first mortgage;

23 (vii) the principal and interest of the  
24 second mortgage shall be immediately due  
25 and payable upon a finding by the Sec-

1           retary, subject to judicial review, that an  
2           owner has failed to materially comply with  
3           this Act or any requirements of the United  
4           States Housing Act of 1937, as those re-  
5           quirements apply to the applicable project,  
6           after receipt of notice of such failure and  
7           a reasonable opportunity to cure such fail-  
8           ure and which failure is sufficiently serious  
9           that the project is no longer suitable as af-  
10          fordable housing; and

11                   (viii) any credit subsidy costs of pro-  
12           viding a second mortgage shall be paid  
13           from the General Insurance Fund and the  
14           Special Risk Insurance Fund;

15           (C) to the extent that the project cannot  
16           support any debt service payments, a restruc-  
17           tured first mortgage with terms and conditions  
18           conforming to those set forth in subparagraph  
19           (B), under which payments of principal or in-  
20           terest shall not be required or made until such  
21           time as the rental and use restrictions on the  
22           property are terminated; and

23           (D) that any interest accruing on mort-  
24           gages restructured pursuant to subparagraphs  
25           (B) and (C) or any portion of the debt on the

1 project that exceeds the amount of the restruc-  
2 tured first mortgage provided pursuant to sub-  
3 paragraph (A) may be forgiven by the Secretary  
4 or the designated administrative entity for good  
5 cause and at the request of the owner.

6 (b) ROLE OF FNMA AND FHLMC.—Section 1335  
7 of the Federal Housing Enterprises Financial Safety and  
8 Soundness Act of 1992 (12 U.S.C. 4565) is amended—

9 (1) in paragraph (3), by striking “and” at the  
10 end;

11 (2) in paragraph (4), by striking the period at  
12 the end and inserting “; and”;

13 (3) in the matter preceding paragraph (1), by  
14 striking “To” and inserting the following: “(a) IN  
15 GENERAL.—To”; and

16 (4) by adding at the end of the following:

17 “(5) assist in maintaining the affordability of  
18 assisted units in eligible multifamily housing projects  
19 with expiring contracts, as defined under the Multi-  
20 family Housing Restructuring and Affordability Act  
21 of 1997.

22 “(b) AFFORDABLE HOUSING GOALS.—The Secretary  
23 shall give credit, as determined by the Secretary, toward  
24 achievement of the affordable housing goals under sections  
25 1332, 1333, and 1334 (for purposes of section 1336) to

1 activities taken under subsection (a)(5) by each enter-  
2 prise.”.

3 (c) PROHIBITION ON EQUITY SHARING BY THE SEC-  
4 RETARY.—The Secretary may not participate in any eq-  
5 uity agreement or profit sharing agreement in connection  
6 with any eligible multifamily housing project.

7 **SEC. 10. DEFERRAL OF INCLUSION IN INCOME ON DEBT RE-**  
8 **STRUCTURING OR FORGIVENESS.**

9 Subsection (e) of section 108 of the Internal Revenue  
10 Code of 1986 (relating to income from discharge of indebt-  
11 edness) is amended by adding at the end the following new  
12 paragraph:

13 “(11) INCOME FROM DISCHARGES UNDER MUL-  
14 TIFAMILY HOUSING RESTRUCTURING AND AFFORD-  
15 ABILITY ACT OF 1997.—Any amount includible in  
16 gross income by reason of any discharge of indebted-  
17 ness under the Multifamily Housing Restructuring  
18 and Affordability Act of 1997 shall be so includible  
19 as if such discharge occurred immediately before the  
20 earliest date the taxpayer disposes of any portion of  
21 its interest in the property to which such indebted-  
22 ness relates.”

23 **SEC. 11. MANAGEMENT STANDARDS.**

24 Pursuant to guidelines established by the Secretary,  
25 each participating administrative entity shall implement

1 management standards applicable to eligible multifamily  
2 housing projects subject to mortgage restructuring and  
3 rental assistance sufficiency plans administered by such  
4 entity, including requirements governing conflicts of inter-  
5 est between owners, managers, and contractors with an  
6 identity of interest, pursuant to guidelines established by  
7 the Secretary and consistent with industry standards.

8 **SEC. 12. MONITORING OF COMPLIANCE.**

9 (a) COMPLIANCE AGREEMENTS.—Pursuant to regu-  
10 lations issued by the Secretary after public notice and  
11 comment, each participating administrative entity,  
12 through binding contractual agreements with owners and  
13 otherwise, shall ensure long-term compliance with the pro-  
14 visions of this Act. Each agreement, shall, at a minimum,  
15 provide for—

16 (1) enforcement of the provisions of this Act;

17 and

18 (2) remedies for the breach of such provisions.

19 (b) PERIODIC MONITORING.—

20 (1) IN GENERAL.—Unless otherwise inspected  
21 or reviewed by the Secretary, State or local housing  
22 agency, or an FHA-insured lender, on an annual  
23 basis, each participating administrative entity shall  
24 review the status of all multifamily housing projects

1 for which a mortgage restructuring and rental as-  
2 sistance sufficiency plan has been implemented.

3 (2) INSPECTION.—Each review under this sub-  
4 section shall include an annual on-site inspection of  
5 a sample of units to determine compliance with  
6 housing quality standards and other requirements as  
7 provided in this Act and the multifamily housing  
8 management agreements.

9 (c) AUDIT BY SECRETARY.—The Comptroller Gen-  
10 eral of the United States, the Secretary, and the Inspector  
11 General of the Department of Housing and Urban Devel-  
12 opment may conduct an audit, not more frequently than  
13 on an annual basis, of any multifamily housing project for  
14 which a mortgage restructuring and rental assistance suf-  
15 ficiency plan has been implemented.

16 **SEC. 13. REVIEW.**

17 To ensure compliance with this Act, the Secretary  
18 shall conduct an annual review and report to the Congress  
19 on actions taken under this Act and the status of eligible  
20 multifamily housing projects.

21 **SEC. 14. GAO AUDIT AND REVIEW.**

22 (a) INITIAL AUDIT.—Not later than 18 months after  
23 the effective date of interim or final regulations promul-  
24 gated under this Act, the Comptroller General of the Unit-  
25 ed States shall conduct an audit to evaluate a representa-

1 tive sample of eligible multifamily housing projects and the  
2 implementation of all mortgage restructuring and rental  
3 assistance sufficiency plans.

4 (b) REPORT.—

5 (1) IN GENERAL.—Not later than 18 months  
6 after the audit conducted under subsection (a), the  
7 Comptroller General of the United States shall sub-  
8 mit to the Congress a report on the status of all eli-  
9 gible multifamily housing projects and the imple-  
10 mentation of all mortgage restructuring and rental  
11 assistance sufficiency plans.

12 (2) CONTENTS.—The report submitted under  
13 paragraph (1) shall include—

14 (A) a description of the initial audit con-  
15 ducted under subsection (a); and

16 (B) recommendations for any legislative  
17 action to increase the financial savings to the  
18 Federal Government of the restructuring of eli-  
19 gible multifamily housing projects balanced with  
20 the continued availability of the maximum num-  
21 ber of affordable low-income housing units.

22 (c) COMPLIANCE STUDY.—Not later than 6 months  
23 after the effective date of this Act, the GAO shall issue  
24 a report addressing the effectiveness of the enforcement  
25 mechanisms that are currently available to the Secretary

1 to ensure compliance with mortgage covenants, regulatory  
2 agreements, section 8 housing assistance payments con-  
3 tracts, and other agreements entered into between the  
4 Secretary, the participating administrative entity, or an  
5 FHA-approved lender, and owners or managers of eligible  
6 multifamily housing. This report shall also evaluate the  
7 Secretary's use of such enforcement mechanisms.

8 **SEC. 15. REGULATIONS.**

9       The Secretary shall issue interim regulations nec-  
10 essary to implement this Act and the amendments made  
11 by this Act not later than the expiration of the 6-month  
12 period beginning on the date of enactment of this Act. Not  
13 later than 1 year after the date of enactment of this Act,  
14 in accordance with the negotiated rulemaking procedures  
15 set forth in subchapter III of chapter 5 of title 5, United  
16 States Code, the Secretary shall implement final regula-  
17 tions implementing this Act. If the Secretary fails to issue  
18 such final regulations within such period, the Secretary  
19 shall renew expiring contracts for 1 year on current con-  
20 tract terms.

21 **SEC. 16. TECHNICAL AND CONFORMING AMENDMENTS.**

22       (a) **CALCULATION OF LIMIT ON PROJECT-BASED AS-**  
23 **SISTANCE.**—Section 8(d) of the United States Housing  
24 Act of 1937 (42 U.S.C. 1437f(d)) is amended by adding  
25 at the end of the following new paragraph:

1 “(5) Any contract entered into under section 6 of the  
2 Multifamily Housing Restructuring and Affordability Act  
3 of 1997 shall be included in computing the limit on  
4 project-based assistance under this subsection.”.

5 (b) EXTENSION OF TEMPORARY PROVISIONS RELAT-  
6 ING TO PUBLIC HOUSING AND SECTION 8 RENTAL AS-  
7 SISTANCE.—

8 (1) MINIMUM RENTS.—Section 402(a) of the  
9 Balanced Budget Downpayment Act, I (Public Law  
10 104–99; 110 Stat. 40) is amended, in the matter  
11 preceding paragraph (1)—

12 (A) by striking “ and subsection (f) of this  
13 section,”; and

14 (B) by inserting “and fiscal years there-  
15 after” after “1997”.

16 (2) GENERAL RULE FOR APPLICABILITY.—Sec-  
17 tion 402(f) of the Balanced Budget Downpayment  
18 Act, I (42 U.S.C. 1437aa note) is amended—

19 (1) by striking “This section” and inserting  
20 “Subsections (b) and (c) of this section”; and

21 (2) by adding at the end the following new sen-  
22 tence: “The provisions of and the amendments made  
23 by subsections (a) and (d) of this section shall be ef-  
24 fective upon the enactment of this Act and there-  
25 after.”.

1           (c) PARTIAL PAYMENT OF CLAIMS ON MULTIFAMILY  
2 HOUSING PROJECTS.—Section 541 of the National Hous-  
3 ing Act (12 U.S.C. 1735f–19) is amended—

4           (1) in subsection (a), in the subsection heading  
5 by striking “AUTHORITY” and inserting “DE-  
6 FAULTED MORTGAGES”;

7           (2) by redesignating subsection (b) as sub-  
8 section (c); and

9           (3) by inserting after subsection (a) the follow-  
10 ing new subsection:

11           “(b) EXISTING MORTGAGE.—Notwithstanding any  
12 other provision of law, the Secretary, in connection with  
13 a mortgage restructuring pursuant to section 5 of the  
14 Multifamily Housing Restructuring and Affordability Act  
15 of 1997, may make a one time, nondefault partial payment  
16 of the claim under the mortgage insurance contract, which  
17 shall include a determination by the Secretary or the par-  
18 ticipating administrative entity, in accordance with such  
19 Act, of the market value of the project and a restructuring  
20 of the mortgage, under such terms and conditions as the  
21 Secretary may establish.”.

22           (d) PRESERVATION OF FHA INSURANCE FUND.—  
23 Notwithstanding any other provision of or amendment  
24 made by this Act, no mortgage restructuring carried out  
25 pursuant to this Act shall impact the credit scoring of

1 loans insured by the Secretary for multifamily housing  
2 that is not assisted under section 8 of the United States  
3 Housing Act of 1937.

4 **SEC. 17. TREATMENT OF FHA MULTIFAMILY HOUSING RE-**  
5 **STRUCTURING DEMONSTRATION.**

6 (a) TERMINATION.—Section 212 of the Departments  
7 of Veterans Affairs and Housing and Urban Development,  
8 and Independent Agencies Appropriations Act, 1997 (42  
9 U.S.C. 1437f note) is amended by striking subsection (k)  
10 and inserting the following new subsection:

11 “(k) TERMINATION.—The demonstration program  
12 under this section shall terminate upon a determination  
13 by the Secretary that the program under the Multifamily  
14 Housing Restructuring and Affordability Act of 1997 has  
15 been implemented.”.

16 (b) CONTINUATION OF FUNDING.—Section 212 of  
17 the Departments of Veterans Affairs and Housing and  
18 Urban Development, and Independent Agencies Approp-  
19 riations Act, 1997 (42 U.S.C. 1437f note) is amended—

20 (1) in subsection (a)(1)(B), by striking  
21 “through the end of fiscal year 1997” and inserting  
22 “until the termination of the demonstration program  
23 under this section pursuant to subsection (k)”; and  
24 (2) in subsection (l)—

1 (A) by inserting “(1)” before  
2 “\$10,000,000” and

3 (B) by striking “September 30, 1998.”  
4 and inserting the following: “the termination of  
5 the demonstration program pursuant to sub-  
6 section (k); and (2) only to the extent that the  
7 other amounts referred to in this subsection  
8 have been used, amounts in the General Insur-  
9 ance Fund (established under section 519 of  
10 the National Housing Act) and the Special Risk  
11 Insurance Fund (established under section  
12 238(b) of such Act) shall be available, until the  
13 termination of the demonstration program pur-  
14 suant to subsection (k), to cover such costs with  
15 respect to multifamily projects subject to mort-  
16 gages that are obligations of such Funds.”.

17 **SEC. 18. TERMINATION OF AUTHORITY.**

18 (a) IN GENERAL.—This Act is repealed effective Oc-  
19 tober 1, 2002.

20 (b) EXCEPTION.—Notwithstanding the repeal under  
21 subsection (a), the provisions of this Act (as in effect im-  
22 mediately before such repeal) shall apply with respect to  
23 projects and programs for which binding commitments

1 have been entered into under this Act before October 1,  
2 2002.

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