

A SUMMARY OF THE MAIN PROVISIONS OF PUBLIC
LAW 89-117
"THE HOUSING AND URBAN DEVELOPMENT ACT OF 1965"

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Housing and Home Finance Agency
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HOUSING FOR LOW-INCOME FAMILIES

The Act will add significantly to the volume of good housing that can be provided for low-income families who are elderly, handicapped, displaced, victims of a natural disaster, or occupants of substandard housing.

Here are the programs that will help to do that:

Existing Low Income Programs

Low-Rent Public Housing: Provides for 60,000 low-rent public housing units a year---240,000 in four years--with an estimated 35,000 a year to be new construction, 15,000 to be bought and rehabilitated if necessary from existing housing, and 10,000 units to be leased for low-rent use from private owners. The Act modifies the public housing program to permit the use of existing housing, including leased units. The Act also makes it possible for a tenant in a detached or semidetached dwelling to enter into a contract to buy the dwelling.

FHA Moderate-Income Housing: This successful 1961 program to provide housing at below-market interest rates for low-and moderate-income families is continued, and the maximum interest rate is reduced to 3 percent to assure lower rents. Support for such FHA-insured mortgages is continued through the Federal National Mortgage Association.

Direct Loans, Housing for the Elderly and the Handicapped: This active program for nonprofit housing for the elderly and handicapped of moderate means is extended with an additional \$150,000,000 authorization, and the maximum interest rate is reduced to 3 percent.

New Low Income Programs

Rent Supplements: This is a major new program to provide a large volume of private housing within the means of low-income families. It is expected to generate some 375,000 units of nonprofit, cooperative, or limited dividend housing over the next four years by attracting private enterprise into the housing market for low-income families. With some half million families on the public housing waiting lists and some six million families with incomes below \$4,000 living in substandard housing, existing programs alone are not sufficient to make large-scale inroads on the problem.

Here is how the rent supplement program would operate:

How the Housing is Financed: The housing would be built by nonprofit, cooperative, or limited dividend sponsors under FHA's moderate income housing program at regular market interest rates (currently 5 1/4 percent plus 1/2 percent insurance premium). It would be subject to FHA's requirements in this program which assure that the housing is modest in cost.

Who is Eligible: Those families and individuals whose incomes are below the maximum that can be established for occupancy in public housing and who, in addition, are elderly, handicapped, displaced from their homes by governmental action, living in slums, and victims of natural disasters, are eligible for rent supplements.

What the Rent Supplement Pays: Eligible tenants would pay 25 percent of their income toward the established fair market rents. The rent supplement would pay any difference above that percentage. As family income rises, the supplement would be reduced, and when the family could pay the full rent, it could continue to live in the same unit without a supplement. If the housing is adapted for individual purchase, the family could also have an opportunity to buy it when its income permitted.

Size of Program: The Act authorizes \$30 million for rent supplement payments in the fiscal year 1966, and additional amounts of \$35 million in fiscal 1967, \$40 million in fiscal 1968, and \$45 million in fiscal 1969.

Experimental Program: As an experiment, the Act authorizes up to 10 percent of the rent supplement grants to be used on housing provided under FHA's below-market interest rate program, FHA's elderly housing program, and housing for the elderly or handicapped built with direct 3 percent Federal loans. The below-market interest rate program will receive half the grants under this program, with the other half going to the other two programs.

Rehabilitation Grants: The Act authorizes grants to enable low-income homeowners in urban renewal areas, whose homes are required by the urban renewal plan to be rehabilitated, to improve their homes and remain in them, rather than to compel them to leave and be relocated elsewhere. Such grants may be up to \$1,500 for families whose incomes do not exceed \$3,000 a year or a lower amount, based on needs, for homeowners with higher incomes.

IMPROVING URBAN AREAS

Land Acquisition and Development: FHA is authorized to insure mortgages to acquire and develop land for residential and related uses, provided such development is consistent with a comprehensive plan developed or being developed for the area. Improvements financed could include water and sewer facilities,

roads, streets, sidewalks and other site improvements. The intent is to encourage the provision of a large supply of properly planned and improved building sites, to small as well as large builders.

The FHA insured mortgage could (1) cover up to 75 percent of the estimated value of the property when developed, or (2) 50 percent of the value before development plus 90 percent of the cost of the site improvements, whichever is less. The insured mortgage amount could not exceed \$10 million.

Grants for Basic Sewer and Water Facilities: Grants are authorized to public bodies to finance up to 50 percent of the cost of expanding, enlarging and improving basic public water and sewer facilities, in accordance with an area-wide or comprehensive plan. Grants could not be used to finance ordinary repairs and maintenance of existing facilities. The Act authorizes \$200 million annually for each of four years for this program.

Grants for Advance Acquisition of Land: Grants are authorized to public bodies to finance the acquisition of sites to be used in future construction of public works and facilities. Such grants would be equal to the reasonable interest charges on loans for such land purchases up to the time of construction, but for not more than five years. The Housing Administrator would require that construction of the facility would contribute to the economy, efficiency and the comprehensively planned development of the area. The Act authorizes \$25 million annually for each of four years for this program.

Grants for Neighborhood Facilities: Grants are authorized to public bodies to finance projects for neighborhood facilities, such as community or youth centers, health stations or similar public buildings. Emphasis would be placed on projects which would support a community action program under the Economic Opportunity Act (anti-poverty program), and to projects which are so located as to be of special benefit to low-income families. Grants could cover up to two-thirds of the project cost, or 75 percent in areas approved under the Area Redevelopment Act, or any Act supplemental to it. The Act provides an annual authorization of \$50 million for each of four years for such grants.

Grants for Urban Beautification and Improvement: Matching grants are authorized to assist localities in programs of beautification and improvement of open-space and other public lands. Programs could be included for such things as street landscaping, park improvements, tree planting, and upgrading of malls and squares. Ordinarily, grants could not exceed 50 percent of the cost over and above the locality's average previous expenditures for such activities. In addition, in order to encourage experimentation and innovation, the Act authorizes a \$5 million demonstration grant program under which grants could cover up to 90 per cent of the total cost of experimental activities.

Open-Space Land Grants: Grants are authorized to States and local agencies to cover up to 50 percent (an increase over the 20 to 30 percent now authorized) of the cost of acquiring and developing land for recreational, conservation and other public uses, in accordance with comprehensive area plans. The Act also authorizes the purchase and clearance of land in built-up areas for such open-space needs as parks, squares, playgrounds and pedestrian malls. The authorization for open-space grants is increased from \$75 million to \$310 million, of which not more than \$64 million may be used for the new program in built-up urban areas and not more than \$36 million for the new aids for urban beautification and improvement.

URBAN RENEWAL

Urban Renewal Projects: The act increases the authorization for urban renewal grants by \$675 million on enactment, \$725 million on July 1, 1966, and by \$750 million on July 1 in each of the years 1967 and 1968. In addition, it permits 35 percent (compared with the prior 30 percent of earlier authorization) of the amount of new capital grant authority provided by the Act to be used for non-residential renewal in order to promote economic improvement.

The Act increases the authorization for low-interest rehabilitation loans for improving structures in urban renewal areas by \$50 million for this fiscal year and by \$100 million for each of the next four fiscal years.

The Act authorizes grants to localities to assist them in carrying out concentrated code enforcement programs in deteriorating areas. These grants could be up to two-thirds (three-fourths for towns of 50,000 or less) of the cost of code enforcement activities. The Act also authorizes two-thirds grants to localities to cover the cost of demolition of unsound structures in urban renewal areas, or, in certain cases, outside of urban renewal areas.

The Act authorizes the District of Columbia Redevelopment Land Agency to undertake non-residential urban renewal projects in the District of Columbia.

PRIVATE HOUSING

The Act extends the FHA mortgage insurance authorization for four years--under present law it would expire October 1, 1965.

The Act authorizes a new FHA mortgage insurance program for homes for veterans who have not received benefits under the VA loan program, with no down payment required on the first \$15,000 of value, 10 percent between \$15,000 and \$20,000, and 15 percent above \$20,000.

The Act reduces down payments on homes valued between \$20,000 and \$30,000 where the purchase is financed with a mortgage insured under the regular FHA home mortgage insurance program.

The Act increases the dollar limitation on the amount of an FHA-insured rental housing mortgage where the dwelling units have four or more bedrooms. It also increases the limitation on the amount of an FHA-insured rental housing mortgage that may be purchased by FNMA under its special assistance program, where the housing is to serve certain moderate-income families.

The Act makes various improvements in the FHA programs, including more liberal aid for rehabilitation in renewal areas; and higher mortgage limits (from \$20,000 to \$30,000) on insured mortgages for servicemen.

The Act provides progressive increases for the next four fiscal years in the FNMA's authority to purchase mortgages under its special assistance programs.

COLLEGE HOUSING

The Act increases the college housing loan authorization by \$300 million annually for four years and makes clear that new colleges can qualify for loans. The Act also reduces the interest rate on college housing loans to 3 percent.

RURAL HOUSING

The Act extends the rural housing programs to October 1, 1969. It increases authority for grants for nonprofit sponsors for low-rent housing for farm labor from \$10 million to \$50 million.

The Act provides a new rural housing insured loan program, authorizing \$300 million a year in insured loans for low- and moderate-income families, and for others above that level. It authorizes the FNMA to purchase mortgages insured under the new program in its secondary market operations.

The Act authorizes rural housing loans for purchase of previously occupied dwellings and structures and for suitable sites, in addition to new home construction.

NEW CONDEMNATION PROCEDURES & RELOCATION PAYMENTS

The Act requires certain procedures to be followed in cases where real property is taken by eminent domain in the following Federally-assisted urban development programs: urban renewal, public housing, urban mass transportation, public facility loans, open space land, basic public works, neighborhood facilities and advance acquisition of land. These procedures require that every reasonable effort be made to acquire property by negotiated purchase; that no owner be required to surrender possession of his property before being paid the purchase price reached by negotiation, or 75

percent of the appraised value of the property if only the purchase price is in dispute; and that no occupant of property be required to surrender possession without 90 days' written notice.

The Act extends the relocation payment provisions of the urban renewal program (presently applicable to public housing as well as urban renewal) to families, individuals, businesses, and nonprofit organizations displaced under any of the above urban development programs, and raises from \$1,500 to \$2,500 the amount of the relocation payment to displaced small business concerns.

MISCELLANEOUS

The Act authorizes additional funds for the urban planning assistance program, the public works planning advance program, Federal-State training programs, and the low-income housing demonstration program.

The Act also authorizes the FHA and VA to provide mortgage moratorium relief for homeowners who are unemployed as a result of the closing of a Federal installation. In addition, the Secretary of Defense is authorized to acquire homes near military bases closed after November 1, 1964, where the owner's employment has been terminated as a result of the closing of the base.